

MAR 9 2006
WAYS AND MEANS

HOUSE FILE 2727
BY COMMITTEE ON ECONOMIC
GROWTH

(SUCCESSOR TO HSB 642)

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

A BILL FOR

1 An Act authorizing the rebate of state sales tax revenues to the
2 owner or operator of a significant destination project.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2727

1 Section 1. LEGISLATIVE FINDINGS. The general assembly
2 finds that significant destination projects in Iowa would
3 result in a substantial economic benefit to the state and
4 would offer thousands of patrons the opportunity to experience
5 and discover Iowa.

6 The general assembly finds that the development of
7 significant destination projects and related amenities in Iowa
8 would enhance the economic development of the area through an
9 increase in tourism.

10 The general assembly further finds that the rebate of state
11 sales tax collected at significant destination projects in
12 Iowa and related amenities would further tourism and is a
13 public purpose for which state funds may be used.

14 Sec. 2. Section 423.4, Code Supplement 2005, is amended by
15 adding the following new subsection:

16 NEW SUBSECTION. 6. a. For purposes of this subsection:

17 (1) "Actual investment" does not include rebates,
18 abatements, tax credits, or assistance received from a city,
19 county, or state or its agencies.

20 (2) "Change of control" means any of the following:

21 (a) Any change in the ownership of the original or any
22 subsequent legal entity that is the owner or operator of the
23 significant destination project, such that at least sixty
24 percent of the equity interests in the legal entity cease to
25 be owned by individuals who are residents of Iowa, an Iowa
26 corporation, or a combination of both.

27 (b) The original owners of the legal entity that is the
28 owner or operator of the significant destination project shall
29 collectively cease to own more than fifty percent of the
30 voting equity interests of such legal entity or shall
31 otherwise cease to have effective control of such legal
32 entity.

33 (3) "Iowa corporation" means a corporation incorporated
34 under the laws of Iowa where at least sixty percent of the
35 corporation's equity interests are owned by individuals who

1 are residents of Iowa.

2 (4) "Owner or operator" means a for-profit legal entity of
3 which at least sixty percent of the entity's equity interests
4 are owned by individuals who are residents of Iowa, an Iowa
5 corporation, or a combination of both, and that is the owner
6 or operator of a significant destination project.

7 (5) "Significant destination project" means a project
8 planned to provide an attraction or attractions designed as an
9 entertainment, recreational, or tourist attraction costing at
10 least twenty million dollars, of which the original owners of
11 the project made an actual investment of at least five million
12 dollars, and which will provide benefits to persons living
13 outside the county in which the project is primarily located.
14 The project may be divided into component parts. "Significant
15 destination project" does not include any gaming establishment
16 or facility, hotel, or convention center, and does not include
17 a retail mall or complex. However, this does not preclude a
18 retail specialty shop or business from being included as a
19 component part of a project. "Significant destination
20 project" includes entertainment venues attached to hotels or
21 convention centers. The project shall increase the diversity
22 of activities available to citizens, workers, families, and
23 tourists, and have as a purpose the recruitment and retention
24 of young people as residents. The project shall be primarily
25 a vertical infrastructure project with reasonably anticipated
26 significant economic and quality of life impact. As used in
27 this subparagraph, "vertical infrastructure" means land
28 acquisition and construction, major renovation, and major
29 repair of buildings, all appurtenant structures, utilities,
30 site development, and recreational trails. "Vertical
31 infrastructure" does not include routine, recurring
32 maintenance or operational expenses or leasing of a building
33 or appurtenant structure without a lease-purchase agreement.
34 b. The owner or operator of a significant destination
35 project may apply to the department for a rebate of sales tax

1 imposed and collected by retailers upon sales of any goods,
2 wares, merchandise, or services furnished to purchasers at the
3 significant destination project.

4 c. The rebate may be obtained only in the following
5 amounts and manner and only under the following conditions:

6 (1) On forms furnished by the department within the time
7 period provided by the department by rule, which time period
8 shall not be longer than quarterly.

9 (2) The owner or operator shall provide information as
10 deemed necessary by the department.

11 (3) The transactions for which sales tax was collected and
12 the rebate is sought occurred during the first ten years of
13 operation. However, the total rebates provided pursuant to
14 this subsection shall not exceed one-third of the original
15 owners' actual investment.

16 (4) Notwithstanding subparagraph (3), the rebate of sales
17 tax shall cease for transactions occurring on or after the
18 date of the sale or other transfer, whether voluntarily or
19 involuntarily, of the significant destination project to a
20 party other than the original owner of the project or upon a
21 change of control of the project.

22 d. To assist the department in determining the amount of
23 the rebate, the owner or operator shall identify to the
24 department retailers located at the significant destination
25 project who will be collecting sales tax. The department
26 shall verify such identity and ensure that all proper permits
27 have been issued. For purposes of this subsection, advance
28 ticket and admissions sales shall be considered occurring at
29 the significant destination project regardless of where the
30 transactions actually occur.

31 e. Upon determining that the conditions and requirements
32 of this subsection and the department are met, the department
33 shall issue a warrant to the owner or operator in the amount
34 equal to the amount claimed and verified by the department.

35 f. Only the state sales tax is subject to rebate. Any

1 local option sales and services taxes paid and collected shall
2 not be subject to rebate under this subsection.

3 g. The rebate authorized under this subsection for any
4 particular significant destination project ceases at the end
5 of the ten-year period beginning with the start of operations
6 at the project, or thirty days following the date on which
7 twelve million five hundred thousand dollars in total rebates
8 have been provided, or thirty days following the date on which
9 rebates cease as provided in paragraph "c", subparagraph (4),
10 whichever is the earliest.

11 EXPLANATION

12 This bill authorizes the department of revenue to rebate
13 state sales tax collected by retailers on purchases made at a
14 significant destination project. The person eligible to
15 receive the rebate is the owner or operator of the project.

16 A significant destination project is a project planned to
17 provide an attraction designed as an entertainment,
18 recreational, or tourist attraction costing at least \$20
19 million, of which at least \$5 million is the actual investment
20 by the original owner, which will provide benefits to persons
21 living outside the county where the project is located. The
22 purpose of the project is to increase the diversity of
23 activities available and be a magnet for the recruitment and
24 retention of young people as residents. A project does not
25 include any gambling establishment or facility, hotel, or
26 convention center, and does not include a retail mall or
27 complex. However, a project may include a retail speciality
28 shop or business or an entertainment venue attached to a hotel
29 or convention center.

30 The rebate of sales tax is only of the sales tax collected
31 on transactions occurring during the first 10 years of
32 operation of a project.

33 The rebate only applies to the state sales tax collected
34 and not to any local option sales and services tax and is
35 limited to a total of one-third of the amount of the owners'

1 actual investment.

2 The rebate ceases upon the transfer of the project to a
3 party other than the original owners of the project or upon a
4 change of control of the project. A change in control occurs
5 if at least 60 percent of the equity interest ceases to be
6 owned by Iowa residents or an Iowa corporation or the original
7 owners cease to own more than 50 percent of the voting
8 interests of the project owner.

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Struyk, Chr.
Soderberg
Anderson
Olson, D.
Schueller

HSB 642
ECONOMIC GROWTH
Succeeded By
HOUSE FILE SF 2727
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

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21 percent of the equity interests in the legal entity cease to
22 be owned by individuals who are residents of Iowa, an Iowa
23 corporation, or a combination of both.

24 (b) The original owners of the legal entity that is the
25 owner or operator of the significant destination project shall
26 collectively cease to own more than fifty percent of the
27 voting equity interests of such legal entity or shall
28 otherwise cease to have effective control of such legal
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11 tourists, and have as a purpose the recruitment and retention
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23 b. The owner or operator of a significant destination
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1 the rebate is sought occurred during the first ten years of
2 operation. However, not more than twelve million five hundred
3 thousand dollars in total rebates shall be provided pursuant
4 to this subsection.

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6 tax shall cease for transactions occurring on or after the
7 date of the sale or other transfer, whether voluntarily or
8 involuntarily, of the significant destination project to a
9 party other than the original owner of the project or upon a
10 change of control of the project.

11 d. To assist the department in determining the amount of
12 the rebate, the owner or operator shall identify to the
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11 and be a magnet for the recruitment and retention of young
12 people as residents.

13 The rebate of sales tax is only of the sales tax collected
14 on transactions occurring during the first 10 years of
15 operation of a project.

16 The rebate only applies to the state sales tax collected
17 and not to any local option sales and services tax and is
18 limited to a total of \$12.5 million in rebates.

19 The rebate ceases upon the transfer of the project to a
20 party other than the original owners of the project or upon a
21 change of control of the project. A change in control occurs
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23 owned by Iowa residents or an Iowa corporation or the original
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