MAR 9 2005
WAYS AND MEANS

HOUSE FILE 670
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 53)

Passed House, Date ____________ Passed Senate, Date ____________
Vote: Ayes _______ Nays ________ Vote: Ayes _______ Nays ________
Approved ______________________________

## A BILL FOR

An Act relating to the transferability of eligible housing business tax credits for new housing investment under the enterprise zone program.

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

TLSB 1871HV 81
tm/gg/14

HF 670

S.F. ________ H.F. 670

Section 1. Section 15E.193B, subsection 8, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The amount of the tax credits determined pursuant to subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans. Upon approving the amount of the tax credit, the department of economic development shall issue a tax credit certificate to the eligible housing business. An eligible housing business or transferee shall not claim the tax credit unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's return for the tax year for which the tax credit is claimed. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. The tax credit certificate shall be transferable if the housing development is located in a brownfield site as defined in section 15.291, if the housing development is located in a blighted area as defined in section 403.17, or if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. Not more than three million dollars worth of tax credits for housing developments that are located in a brownfield site as defined in section 15.291 or housing developments located in a blighted area as defined in section 403.17 shall be transferred in one calendar year. If the transfer of more than three million dollars of such tax credits are applied for in a calendar year, tax credit certificates for transfers shall be issued on a pro rata basis. Tax credit certificates issued under this chapter may be transferred to any person or entity. Within ninety days of transfer, the transferee must submit the transferred tax credit certificate to the department of economic development along with a statement containing the transferee's name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the department of revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee's statement, the department of economic development shall issue one or more replacement tax credit certificates to the transferee. Each replacement certificate must contain the information required to receive the original certificate and must have the same expiration date that appeared in the transferred tax credit certificate. Tax credit certificate amounts of less than the minimum amount established by rule of the department of economic development shall not be transferable. A tax credit shall not be claimed by a transferee under subsection 6, paragraph "a", until a replacement tax credit certificate identifying the transferee as the proper holder has been issued.

Sec. 2. APPLICABILITY. This Act shall apply to transfers of tax credit certificates for projects that begin on or after July 1, 2005.

EXPLANATION

This bill relates to the transferability of eligible housing business tax credits for new housing investment under the enterprise zone program.

An eligible housing business under the enterprise zone program may receive a tax credit of up to 10 percent of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple-dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. Currently, the tax credits are transferable if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. The bill provides that not more than $3 million worth of tax credits are transferable if the housing development is located in a brownfield site or if the housing development is located in a blighted area. The bill provides that if the transfer of more than $3 million worth of tax credits are applied for in a calendar year, the tax credit certificates shall be issued on a pro rata basis.

The bill applies to transfers of tax credits for projects that begin on or after July 1, 2005.

# Fiscal Services Division
## Legislative Services Agency
## Fiscal Note

HF 670 - Housing Development Tax Credit Act (LSB 1871 HV)
Analyst: Russell Trimble (Phone: (515) 281-4613) (russ.trimble@legis.state.ia.us)
Fiscal Note Version - New

### Description

House File 670 allows for the transfer of up to $3.0 million in housing business investment tax credits per year for projects started on or after July 1, 2005, in blighted or brownfield areas within an enterprise zone.

### Background

1. Under current law, eligible housing business projects in an enterprise zone are eligible to receive tax credits and rebates under the Enterprise Zone Program. A provision in House File 670 allows the tax credits to be saleable for projects in a blighted or brownfield area within the enterprise zone. This provision will directly result in projects that otherwise would not have occurred. Up to $3.0 million in investment tax credits involving these projects may be transferred or sold in one fiscal year.
2. In FY 2004, the Department of Economic Development approved 883 housing units generating an estimated $7.3 million in tax credits and $2.2 million in State sales and use tax rebates.
3. Each project that is eligible may receive a 10.0% investment tax credit per unit. The maximum credit per unit is 10.0% of an investment of up to $140,000 per unit, or $14,000 per unit.
4. Tax credits cannot be utilized until a unit or units are completed and receive a certificate of occupancy.

### Assumptions

1. Under the proposed legislation, the Department is aware of one project in the City of Des Moines that will result in 725 - 750 new housing units over a five-year period (145 – 150 units per year). In addition to the Des Moines project, the Department estimates 50 additional units will result each year.
2. No other projects the size of the Des Moines project will occur as a result of the proposed legislation.
3. Like the Des Moines project, most of the projects that will occur as a result of HF 670 will be market-rate projects with unit costs equal to or greater than $140,000 per unit.
4. The Des Moines project will result in $2.0 - $2.1 million in tax credits per year (145-150 units per year x $14,000). Investment tax credits of $700,000 will be awarded for the additional 50 units the Department estimates it will see each year. Investment tax credits resulting from the proposed legislation will total $2.7 - $2.8 million per year.
5. Based on the FY 2004 data mentioned above, sales and use tax rebates are approximately 30.0% of the total investment tax credits awarded. The total sales and use tax rebate for the Des Moines project will be approximately $600,000 - $630,000 per year. The sales and use tax rebate for the additional 50 units will be approximately $210,000 per year. The total sales and use tax rebate resulting from the proposed legislation will be approximately $810,000 - $840,000 per year.
6. Projects resulting from HF 670 will begin on or after July 1, 2005. The Des Moines project will be done in five equal phases. Phase one will not be done until on or after July 1, 2006. The other 50 units that may result would not be done until that time either.

7. The sales and use tax rebate will be utilized a year prior to the investment tax credits. Each investment tax credit award will have a 100.0% utilization rate and will be fully utilized in one fiscal year.

**Fiscal Impact**

House File 670 will reduce State General Fund revenues by approximately $810,000 to $840,000 in FY 2006. State General Fund revenues will be reduced by $3.5 to $3.6 million annually from FY 2007 – FY 2010. In FY 2011, State General Fund revenues will be reduced by an estimated $2.9 to $3.0 million and by $900,000 annually beginning in FY 2012 due to the completion of the Des Moines project.

**Sources**

Department of Economic Development
Legislative Services Agency

March 29, 2005

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

# Fiscal Services Division
## Legislative Services Agency
## Fiscal Note

HF 670 - Housing Development Tax Credit Act (LSB 1871 HV.1)
Analyst: Russell Trimble (Phone: (515) 281-4613) (russ.trimble@legis.state.ia.us)
Fiscal Note Version - Revised

### Description

House File 670 allows for the transfer of up to $3.0 million in housing business investment tax credits per year for projects started on or after July 1, 2005, in blighted or brownfield areas within an enterprise zone.

### Background

1. Under current law, eligible housing business projects in an enterprise zone are eligible to receive tax credits and rebates under the Enterprise Zone Program. A provision in House File 670 allows the tax credits to be saleable for projects in a blighted or brownfield area within the enterprise zone. This provision will directly result in projects that otherwise would not have occurred. Up to $3.0 million in investment tax credits involving these projects may be transferred or sold in one fiscal year.
2. In FY 2004, the Department of Economic Development approved 883 housing units generating an estimated $7.3 million in tax credits and $2.2 million in State sales and use tax rebates.
3. Each project that is eligible may receive a 10.0% investment tax credit per unit. The maximum credit per unit is 10.0% of an investment of up to $140,000 per unit, or $14,000 per unit.
4. Tax credits cannot be utilized until a unit or units are completed and receive a certificate of occupancy.

### Assumptions

1. Under the proposed legislation, the Department is aware of one project that will result in 725 - 750 new housing units over a five-year period (145 - 150 units per year). In addition to this project, the Department estimates 50 additional units will result each year.
2. No other projects the size of the project mentioned above will occur as a result of the proposed legislation.
3. Like the project the Department is aware will occur, most of the projects that will occur as a result of HF 670 will be market-rate projects with unit costs equal to or greater than $140,000 per unit.
4. The known project involving 725 - 750 new housing units will result in $2.0 - $2.1 million in tax credits per year (145 - 150 units per year x $14,000). Investment tax credits of $700,000 will be awarded for the additional 50 units the Department estimates it will see each year. Investment tax credits resulting from the proposed legislation will total $2.7 - $2.8 million per year.
5. Based on the FY 2004 data mentioned above, sales and use tax rebates are approximately 30.0% of the total investment tax credits awarded. The total sales and use tax rebate for the known project will be approximately $600,000 - $630,000 per year. The sales and use tax rebate for the additional 50 units will be approximately $210,000 per year. The total sales and use tax rebate resulting from the proposed legislation will be approximately $810,000 - $840,000 per year.
6. Projects resulting from HF 670 will begin on or after July 1, 2005. The project involving the 725 - 750 new housing units will be done in five equal phases. Phase one will not be done until on or after July 1, 2006. The other 50 units that may result would not be done until that time either.

7. The sales and use tax rebate will be utilized a year prior to the investment tax credits. Each investment tax credit award will have a 100.0% utilization rate and will be fully utilized in one fiscal year.

**Fiscal Impact**

House File 670 will reduce State General Fund revenues by approximately $810,000 to $840,000 in FY 2006. State General Fund revenues will be reduced by $3.5 to $3.6 million annually from FY 2007 – FY 2010. In FY 2011, State General Fund revenues will be reduced by an estimated $2.9 to $3.0 million and by $900,000 annually beginning in FY 2012 due to the completion of the project involving 725 - 750 new housing units.

**Sources**

Department of Economic Development
Legislative Services Agency

/s/ Holly M. Lyons

March 30, 2005

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

Jenkins, Chr.
S. Olson
Wise

Succeeded By
SF 670

HSB 53
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

An Act relating to the transferability of eligible housing business tax credits for new housing investment under the enterprise zone program.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

TLSB 1871YC 81
tm/gg/14

Section 1. Section 15E.193B, subsection 8, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The amount of the tax credits determined pursuant to subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans. Upon approving the amount of the tax credit, the department of economic development shall issue a tax credit certificate to the eligible housing business. An eligible housing business or transferee shall not claim the tax credit unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's return for the tax year for which the tax credit is claimed. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. The tax credit certificate shall be transferable if the housing development is located in a brownfield site as defined in section 15.291, if the housing development is located in a blighted area as defined in section 403.17, or if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. Tax credit certificates issued under this chapter may be transferred to any person or entity. Within ninety days of transfer, the transferee must submit the transferred tax credit certificate to the department of economic development along with a statement containing the transferee's name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the department of revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee's statement, the department of economic development shall issue one or more replacement tax credit certificates to the transferee. Each replacement certificate must contain the information required to receive the original certificate and must have the same expiration date that appeared in the transferred tax credit certificate. Tax credit certificate amounts of less than the minimum amount established by rule of the department of economic development shall not be transferable. A tax credit shall not be claimed by a transferee under subsection 6, paragraph "a", until a replacement tax credit certificate identifying the transferee as the proper holder has been issued.

EXPLANATION

This bill relates to the transferability of eligible housing business tax credits for new housing investment under the enterprise zone program.

An eligible housing business under the enterprise zone program may receive a tax credit of up to 10 percent of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple-dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. Currently, the tax credits are transferable if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. The bill provides that the tax credits are also transferable if the housing development is located in a brownfield site or if the housing development is located in a blighted area.