

Senate File 145 - Introduced

SENATE FILE 145

BY DANDEKAR and SODDERS

A BILL FOR

1 An Act providing for a manufacturing jobs program and including
2 retroactive applicability provisions.

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

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DIVISION I

MANUFACTURING JOBS PROGRAM

Section 1. NEW SECTION. 15.321 **Short title.**

This part shall be known and may be cited as the "*Manufacturing Jobs Program*".

Sec. 2. NEW SECTION. 15.322 **Definitions.**

1. "*Capital investment*" means expenditures that are made by an eligible manufacturer to retool or reconfigure a facility and that are directly related to the manufacturing of a new product or to the expansion of production capacity for an existing product.

2. "*Department*" means the department of economic development.

3. "*Eligible manufacturer*" means a manufacturer meeting the requirements of section 15.323.

4. "*Facility*" means a building or other structure at which an eligible manufacturer manufactures a product.

5. "*Program*" means the manufacturing jobs program established pursuant to this part.

Sec. 3. NEW SECTION. 15.323 **Eligible manufacturer.**

1. To be eligible to receive incentives under the program described in this part, a manufacturer shall meet all of the following conditions:

a. Be an Iowa-based business manufacturing goods at a facility in Iowa.

b. Have a North American industry classification system code within the manufacturing sector range 31-33.

c. Increase manufacturing activities in the state either by manufacturing a new product or by expanding production capacity for an existing product.

d. Make a minimum capital investment. For purposes of this paragraph, the amount of the minimum capital investment shall be:

(1) Twenty-five thousand dollars per job, in the case of a new product.

1 (2) Fifteen thousand dollars per job, in the case of
2 expanded capacity for an existing product.

3 e. Meet all of the requirements of an eligible business
4 under section 15.329 except the qualifying investment amount in
5 section 15.329, subsection 1, paragraph "a".

6 2. A manufacturer receiving assistance under this part
7 shall not be eligible for assistance under the high quality
8 jobs program described in part 13 of this subchapter.

9 Sec. 4. NEW SECTION. 15.324 **Agreement.**

10 1. An eligible manufacturer receiving financial assistance
11 under the program shall enter into an agreement with the
12 department specifying the requirements that must be met to
13 confirm eligibility pursuant to this part.

14 2. An agreement entered into under the program shall conform
15 to the minimum requirements specified in section 15.330.

16 Sec. 5. NEW SECTION. 15.325 **Manufacturing activities tax**
17 **credit.**

18 1. a. An eligible manufacturer may claim a tax credit
19 against the taxes imposed in chapter 422, division II or
20 III equal to one hundred percent of the amount of capital
21 investment directly related to increasing manufacturing
22 activities in the state.

23 b. An individual may claim the tax credit under this
24 subsection of a partnership, limited liability company,
25 S corporation, estate, or trust electing to have income
26 taxed directly to the individual. The amount claimed by the
27 individual shall be based upon the pro rata share of the
28 individual's earnings from the partnership, limited liability
29 company, S corporation, estate, or trust.

30 c. Any tax credit in excess of the tax liability for the tax
31 year may be credited to the tax liability for the following ten
32 years or until depleted, whichever occurs first.

33 d. (1) Subject to prior approval by the department, in
34 consultation with the department of revenue, an eligible
35 manufacturer may elect to receive a refund of all or a portion

1 of any unused tax credit in excess of the tax liability.

2 (2) If the eligible manufacturer is a partnership, S
3 corporation, limited liability company, or estate or trust
4 electing to have the income taxed directly to the individual,
5 an individual may claim the refund allowed under subparagraph
6 (1). The amount claimed by the individual shall be based
7 upon the pro rata share of the individual's earnings of the
8 partnership, S corporation, limited liability company, estate,
9 or trust.

10 2. a. An eligible manufacturer shall apply to the
11 department of economic development for a tax credit
12 certificate. After reviewing the application and verifying the
13 eligibility of a taxpayer for a tax credit pursuant to this
14 section, the department shall forward the application to the
15 board with a recommendation on whether or not to issue a tax
16 credit certificate to the taxpayer. If the board approves
17 the application, the department shall issue a tax credit
18 certificate to the taxpayer. The tax credit certificate shall
19 contain the taxpayer's name, address, tax identification
20 number, the amount of the credit, the certificate expiration
21 date, and any other information required by the department of
22 revenue.

23 b. To claim a tax credit under this section, a taxpayer must
24 attach one or more tax credit certificates to the taxpayer's
25 tax return. The tax credit certificate or certificates
26 attached to the taxpayer's tax return shall be issued in the
27 taxpayer's name, and the expiration date on the certificate
28 shall be a date that falls on or after the last day of the
29 taxable year for which the taxpayer is claiming the tax credit.

30 c. The tax credit certificate, unless otherwise void, shall
31 be accepted by the department of revenue as payment for taxes
32 imposed pursuant to chapter 422, division II or III, subject
33 to any conditions or restrictions placed by the department
34 of economic development upon the face of the tax credit
35 certificate and subject to the limitations of this section.

1 *d.* A tax credit certificate issued under this section is not
2 transferable to any person or entity.

3 3. The maximum amount of tax credit that may be claimed
4 under this section by an eligible manufacturer is five million
5 dollars.

6 4. The total amount of tax credits that may be approved by
7 the board under this section is fifteen million dollars.

8 Sec. 6. NEW SECTION. 15.325A **Repeal.**

9 This part is repealed on December 31, 2020.

10 Sec. 7. NEW SECTION. 422.11Y **Manufacturing activities tax**
11 **credit.**

12 The taxes imposed under this division shall be reduced by
13 a manufacturing activities tax credit in the same manner, for
14 the same amount, and under the same conditions as provided in
15 chapter 15, subchapter II, part 12.

16 Sec. 8. Section 422.33, Code 2011, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 29. The taxes imposed under this division
19 shall be reduced by a manufacturing activities tax credit
20 in the same manner, for the same amount, and under the same
21 conditions as provided in chapter 15, subchapter II, part 12.

22 Sec. 9. **RETROACTIVE APPLICABILITY.** This division of this
23 Act applies retroactively to January 1, 2011, for tax years
24 beginning on or after that date.

25 **DIVISION II**

26 **CONFORMING CHANGES**

27 Sec. 10. Section 2.48, subsection 3, paragraph e, Code 2011,
28 is amended by adding the following new subparagraph:

29 NEW SUBPARAGRAPH. (10) The manufacturing activities tax
30 credits available under the manufacturing jobs program in
31 chapter 15, subchapter II, part 12.

32 Sec. 11. Section 15.104, subsection 8, Code 2011, is amended
33 by adding the following new paragraph:

34 NEW PARAGRAPH. *n. Manufacturing jobs.* Data on all
35 assistance provided to eligible manufacturers under the

1 manufacturing jobs program described in sections 15.321 through
2 15.325A.

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EXPLANATION

4 This bill creates a manufacturing jobs program within the
5 department of economic development.

6 Division I of the bill creates the program. The program
7 provides corporate and individual income tax credits to
8 eligible manufacturers for 100 percent of their capital
9 investment directly related to increasing manufacturing
10 activities in the state. To be eligible, a manufacturer must
11 be an Iowa-based business manufacturing goods at a facility
12 in Iowa, have a North American Industry Classification System
13 code within the manufacturing sector range 31-33, increase
14 manufacturing activities either by manufacturing a new
15 product or by expanding production capacity for an existing
16 product, make a minimum capital investment, and meet all the
17 requirements of an eligible business under the high quality
18 jobs program specified in Code section 15.329. Meeting the
19 requirements of the high quality jobs program, by operation of
20 law, requires a manufacturer to meet certain job creation and
21 wage threshold requirements also required in that program and
22 in the grow Iowa values fund and financial assistance program.
23 A manufacturer receiving assistance under the manufacturing
24 jobs program is not eligible for assistance under the high
25 quality jobs program.

26 The division provides that the tax credits are available
27 against the individual and corporate income taxes. The
28 tax credits are refundable subject to the approval of the
29 department of economic development or, at the taxpayer's
30 election, may be carried forward against future tax liability
31 for up to 10 years or until depleted, whichever occurs first.
32 The tax credits are not transferable. The maximum amount
33 of tax credit that an eligible manufacturer may claim is \$5
34 million. The total amount of tax credits that may be approved
35 under the program is \$15 million.

1 The division applies retroactively to January 1, 2011, for
2 tax years beginning on or after that date.

3 The program is repealed on December 31, 2020.

4 Division II of the bill adds the program to the list of
5 tax credit programs to be reviewed in 2015 by the general
6 assembly's tax expenditure committee.

7 The division also requires the economic development board
8 to report annually on the assistance provided to eligible
9 manufacturers under the program.