

House File 2448 - Introduced

HOUSE FILE 2448

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2305)

(SUCCESSOR TO HSB 542)

A BILL FOR

1 An Act relating to the administration of programs by the
2 economic development authority by modifying the high quality
3 jobs program, creating a workforce housing tax incentives
4 program and making penalties applicable, and repealing the
5 enterprise zone program, and including effective date and
6 retroactive and other applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

HIGH QUALITY JOBS PROGRAM

Section 1. Section 15.327, Code 2014, is amended by adding the following new subsections:

NEW SUBSECTION. 3A. "*Brownfield site*" means the same as defined in section 15.291.

NEW SUBSECTION. 12A. "*Grayfield site*" means the same as defined in section 15.291.

NEW SUBSECTION. 17A. "*Project*" means an activity or set of activities directly related to the start-up, location, modernization, or expansion of a business, and proposed in an application by a business, that will result in the accomplishment of the goals of the program.

Sec. 2. Section 15.327, subsection 18, Code 2014, is amended to read as follows:

18. "*Project completion assistance*" means financial assistance or technical assistance provided to an eligible business in order to facilitate the ~~start-up, location, or expansion of the business~~ completion of a project in this state and provided in an expedient manner to ensure the successful completion of the ~~start-up, location, or expansion~~ project.

Sec. 3. Section 15.329, subsection 1, paragraph a, Code 2014, is amended to read as follows:

a. If the qualifying investment is ten million dollars or more, the community has approved by ordinance or resolution the ~~start-up, location, or expansion of the business~~ project for the purpose of receiving the benefits of this part.

Sec. 4. Section 15.331A, subsection 1, Code 2014, is amended to read as follows:

1. The eligible business shall be entitled to a refund of the sales and use taxes paid under chapter 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction

1 or equipping of a facility that is part of a project of the
2 eligible business. Taxes attributable to intangible property
3 and furniture and furnishings shall not be refunded. However,
4 an eligible business shall be entitled to a refund for taxes
5 attributable to racks, shelving, and conveyor equipment to be
6 used in a warehouse or distribution center subject to section
7 15.331C.

8 Sec. 5. Section 15.332, subsection 1, Code 2014, is amended
9 to read as follows:

10 1. The community may exempt from taxation all or a portion
11 of the actual value added by improvements to real property
12 directly related to new jobs created by the ~~location or~~
13 ~~expansion of an eligible business under the program~~ project
14 and used in the operations of the eligible business. The
15 exemption may be allowed for a period not to exceed twenty
16 years beginning the year the improvements are first assessed
17 for taxation.

18 Sec. 6. Section 15.333, subsection 1, Code 2014, is amended
19 to read as follows:

20 1. An eligible business may claim a tax credit equal to a
21 percentage of the new investment directly related to new jobs
22 created or retained by the ~~location or expansion of an eligible~~
23 ~~business under the program~~ project. The tax credit shall be
24 amortized equally over five calendar years. The tax credit
25 shall be allowed against taxes imposed under chapter 422,
26 division II, III, or V, and against the moneys and credits tax
27 imposed in section 533.329. If the business is a partnership,
28 S corporation, limited liability company, cooperative organized
29 under chapter 501 and filing as a partnership for federal tax
30 purposes, or estate or trust electing to have the income taxed
31 directly to the individual, an individual may claim the tax
32 credit allowed. The amount claimed by the individual shall
33 be based upon the pro rata share of the individual's earnings
34 of the partnership, S corporation, limited liability company,
35 cooperative organized under chapter 501 and filing as a

1 partnership for federal tax purposes, or estate or trust. The
2 percentage shall be determined as provided in section 15.335A.
3 Any tax credit in excess of the tax liability for the tax year
4 may be credited to the tax liability for the following seven
5 years or until depleted, whichever occurs first.

6 Sec. 7. Section 15.333, subsection 2, unnumbered paragraph
7 1, Code 2014, is amended to read as follows:

8 For purposes of this subsection, *"new investment directly*
9 *related to new jobs created by the ~~location or expansion of an~~*
10 *eligible business under the program project"* means the cost
11 of machinery and equipment, as defined in section 427A.1,
12 subsection 1, paragraphs "e" and "j", purchased for use in
13 the operation of the eligible business, the purchase price
14 of which has been depreciated in accordance with generally
15 accepted accounting principles, the purchase price of real
16 property and any buildings and structures located on the real
17 property, and the cost of improvements made to real property
18 which is used in the operation of the eligible business. *"New*
19 *investment directly related to new jobs created by the ~~location~~*
20 *or ~~expansion of an eligible business under the program project"~~*
21 also means the annual base rent paid to a third-party developer
22 by an eligible business for a period not to exceed ten years,
23 provided the cumulative cost of the base rent payments for that
24 period does not exceed the cost of the land and the third-party
25 developer's costs to build or renovate the building for the
26 eligible business. The eligible business shall enter into a
27 lease agreement with the third-party developer for a minimum
28 of five years. If, however, within five years of purchase,
29 the eligible business sells, disposes of, razes, or otherwise
30 renders unusable all or a part of the land, buildings, or other
31 existing structures for which tax credit was claimed under this
32 section, the tax liability of the eligible business for the
33 year in which all or part of the property is sold, disposed of,
34 razed, or otherwise rendered unusable shall be increased by one
35 of the following amounts:

1 Sec. 8. Section 15.333A, subsection 1, Code 2014, is amended
2 to read as follows:

3 1. An eligible business may claim an insurance premium tax
4 credit equal to a percentage of the new investment directly
5 related to new jobs created by the ~~location or expansion of an~~
6 ~~eligible business under the program project~~. The tax credit
7 shall be amortized equally over a five-year period. The tax
8 credit shall be allowed against taxes imposed in chapter 432.
9 A tax credit in excess of the tax liability for the tax year may
10 be credited to the tax liability for the following seven years
11 or until depleted, whichever occurs first. The percentage
12 shall be determined as provided in section 15.335A.

13 Sec. 9. Section 15.333A, subsection 2, unnumbered paragraph
14 1, Code 2014, is amended to read as follows:

15 For purposes of this section, *"new investment directly*
16 *related to new jobs created by the ~~location or expansion of an~~*
17 *~~eligible business under the program project~~"* means the cost
18 of machinery and equipment, as defined in section 427A.1,
19 subsection 1, paragraphs "e" and "j", purchased for use in
20 the operation of the eligible business, the purchase price
21 of which has been depreciated in accordance with generally
22 accepted accounting principles, the purchase price of real
23 property and any buildings and structures located on the real
24 property, and the cost of improvements made to real property
25 which is used in the operation of the eligible business. *"New*
26 *investment directly related to new jobs created by the ~~location~~*
27 *~~or expansion of an eligible business under the program project~~"*
28 also means the annual base rent paid to a third-party developer
29 by an eligible business for a period not to exceed ten years,
30 provided the cumulative cost of the base rent payments for that
31 period does not exceed the cost of the land and the third-party
32 developer's costs to build or renovate the building for the
33 eligible business. The eligible business shall enter into a
34 lease agreement with the third-party developer for a minimum
35 of five years. If, however, within five years of purchase,

1 the eligible business sells, disposes of, razes, or otherwise
2 renders unusable all or a part of the land, buildings, or other
3 existing structures for which tax credit was claimed under this
4 section, the tax liability of the eligible business for the
5 year in which all or part of the property is sold, disposed of,
6 razed, or otherwise rendered unusable shall be increased by one
7 of the following amounts:

8 Sec. 10. Section 15.335C, Code 2014, is amended to read as
9 follows:

10 **15.335C Economically Wage thresholds for brownfield and**
11 **grayfield projects and economically distressed areas.**

12 1. a. Notwithstanding section 15.329, subsection 1,
13 paragraph "c", the authority may provide tax incentives or
14 project completion assistance under this part to ~~an eligible~~
15 a business paying for a project that will create or retain
16 jobs that will pay less than one hundred twenty percent of the
17 qualifying wage threshold if that business project is located
18 at a brownfield site, a grayfield site, or in an economically
19 distressed area.

20 b. (1) A business with a project located in an economically
21 distressed area or at a grayfield site and receiving incentives
22 or assistance pursuant to this section shall be required to pay
23 at least one hundred percent of the qualifying wage threshold
24 for jobs created or retained by the project.

25 (2) A business with a project located at a brownfield
26 site and receiving incentives or assistance pursuant to this
27 section shall be required to pay at least ninety percent of the
28 qualifying wage threshold for jobs created or retained by the
29 project.

30 2. For purposes of this section, "*economically distressed*
31 *area*" means a county that ranks among the bottom ~~twenty-five~~
32 thirty-three of all Iowa counties, as measured by one of the
33 following:

34 a. Average monthly unemployment level for the most recent
35 twelve-month period.

1 3. "*Grayfield site*" means a property meeting all of the
2 following requirements:

3 a. The property has been developed and has infrastructure in
4 place but the property's current use is outdated or prevents a
5 better or more efficient use of the property. Such property
6 includes vacant, blighted, obsolete, or otherwise underutilized
7 property.

8 b. The property's improvements and infrastructure are at
9 least twenty-five years old and one or more of the following
10 conditions exists:

11 (1) Thirty percent or more of a building located on the
12 property that is available for occupancy has been vacant or
13 unoccupied for a period of twelve months or more.

14 (2) The assessed value of the improvements on the property
15 has decreased by twenty-five percent or more.

16 (3) The property is currently being used as a parking lot.

17 (4) The improvements on the property no longer exist.

18 4. "*Housing business*" means a business that is a housing
19 developer, housing contractor, or nonprofit organization that
20 completes a housing project in the state.

21 5. "*Housing project*" means a project located in this state
22 meeting the requirements of section 15.353.

23 6. "*Multi-use building*" means a building whose street-level
24 ground story is used for a purpose that is other than
25 residential, and whose upper story or stories are currently
26 used for a residential purpose, or will be used for a
27 residential purpose after completion of the housing project
28 associated with the building.

29 7. "*Program*" means the workforce housing tax incentives
30 program administered under this part.

31 8. a. "*Qualifying new investment*" means costs that are
32 directly related to the acquisition, repair, rehabilitation, or
33 redevelopment of a housing project in this state.

34 b. "*Qualifying new investment*" includes costs that are
35 directly related to new construction of dwelling units if the

1 new construction occurs in a distressed workforce housing
2 community.

3 *c.* The amount of costs that may be used to compute
4 "*qualifying new investment*" shall not exceed the costs used for
5 the first one hundred fifty thousand dollars of value for each
6 dwelling unit that is part of a housing project.

7 *d.* "*Qualifying new investment*" does not include the
8 following:

9 (1) The portion of the total cost of a housing project
10 that is financed by federal, state, or local government tax
11 credits, grants, forgivable loans, or other forms of financial
12 assistance that do not require repayment, excluding the tax
13 incentives provided under this part.

14 (2) If a housing project includes the rehabilitation,
15 repair, or redevelopment of an existing multi-use building,
16 the portion of the total acquisition costs of the multi-use
17 building, including a proportionate share of the total
18 acquisition costs of the land upon which the multi-use building
19 is situated, that are attributable to the street-level
20 ground story that is used for a purpose that is other than
21 residential.

22 **Sec. 15. NEW SECTION. 15.353 Housing project requirements.**

23 1. To receive workforce housing tax incentives pursuant to
24 the program, a proposed housing project shall meet all of the
25 following requirements:

26 *a.* The project includes at least one of the following:

27 (1) Four or more single-family dwelling units.

28 (2) One or more multiple dwelling unit buildings each
29 containing three or more individual dwelling units.

30 (3) Two or more dwelling units located in the upper story of
31 an existing multi-use building.

32 *b.* The project consists of any of the following:

33 (1) The rehabilitation, repair, or redevelopment of
34 dwelling units at a brownfield or grayfield site.

35 (2) The rehabilitation, repair, or redevelopment of

1 dilapidated dwelling units.

2 (3) The rehabilitation, repair, or redevelopment of
3 dwelling units located in the upper story of an existing
4 multi-use building.

5 (4) (a) The new construction, rehabilitation, repair,
6 or redevelopment of dwelling units in a distressed workforce
7 housing community.

8 (b) The determination as to whether a community is
9 considered a distressed workforce housing community shall be
10 within the discretion of the authority after considering all
11 of the following:

12 (i) Whether or not the community has a severe housing
13 shortage relative to demand, low vacancy rates, or rising
14 housing costs combined with low unemployment.

15 (ii) The relative merits of all applications for
16 designation as a distressed workforce housing community.

17 (iii) The demand for projects applying under this
18 subparagraph compared to the demand for projects applying under
19 subparagraphs (1) through (3).

20 c. (1) Except as provided in subparagraph (2), the average
21 dwelling unit cost does not exceed two hundred thousand dollars
22 per dwelling unit.

23 (2) The average dwelling unit cost does not exceed two
24 hundred fifty thousand dollars per dwelling unit if the
25 project involves the rehabilitation, repair, redevelopment, or
26 preservation of eligible property, as that term is defined in
27 section 404A.1, subsection 2.

28 d. The dwelling units, when completed and made available
29 for occupancy, meet the United States department of housing
30 and urban development's housing quality standards and all
31 applicable local safety standards.

32 Sec. 16. NEW SECTION. 15.354 Housing project application
33 and agreement.

34 1. *Application.*

35 a. A housing business seeking workforce housing tax

1 incentives provided in section 15.355 shall make application to
2 the authority in the manner prescribed by the authority. The
3 authority may accept applications on a continuous basis.

4 *b.* The application shall include all of the following:

5 (1) The following information establishing local
6 participation for the housing project:

7 (a) A resolution in support of the housing project by the
8 community where the housing project will be located.

9 (b) Documentation of local matching funds pledged for the
10 housing project in an amount equal to at least one thousand
11 dollars per dwelling unit, including but not limited to
12 a funding agreement between the housing business and the
13 community where the housing project will be located. For
14 purposes of this paragraph, local matching funds shall be in
15 the form of cash or cash equivalents, or in the form of a local
16 property tax exemption, rebate, refund, or reimbursement.

17 (2) A report that meets the requirements and conditions of
18 section 15.330, subsection 9.

19 (3) Information showing the total costs and funding sources
20 of the housing project sufficient to allow the authority to
21 adequately determine the financing that will be utilized for
22 the housing project, the actual cost of the dwelling units, and
23 the amount of qualifying new investment.

24 (4) Any other information deemed necessary by the authority
25 to evaluate the eligibility and financial need of the housing
26 project under the program.

27 *2. Registration.*

28 *a.* Upon review of the application, the authority may
29 register the housing project under the program. If the
30 authority registers the housing project, the authority shall
31 make a preliminary determination as to the amount of tax
32 incentives for which the housing project qualifies.

33 *b.* After registering the housing project, the authority
34 shall notify the housing business of successful registration
35 under the program. The notification shall include the amount

1 of tax incentives under section 15.355 for which the housing
2 business has received preliminary approval and a statement
3 that the amount is a preliminary determination only. The
4 amount of tax credits included on a tax credit certificate
5 issued pursuant to this section, or a claim for refund of sales
6 and use taxes, shall be contingent upon completion of the
7 requirements in subsection 3.

8 3. *Agreement and fees.*

9 a. Upon successful registration of the housing project,
10 the housing business shall enter into an agreement with the
11 authority for the successful completion of all requirements of
12 the program.

13 b. The compliance cost fees imposed in section 15.330,
14 subsection 12, shall apply to all agreements entered into
15 under this program and shall be collected by the authority in
16 the same manner and to the same extent as described in that
17 subsection.

18 c. A housing business shall complete its housing project
19 within three years from the date the housing project is
20 registered by the authority.

21 d. Upon completion of a housing project, an audit of
22 the project, completed by an independent certified public
23 accountant licensed in this state, shall be submitted to the
24 authority.

25 e. Upon review of the audit and verification of the amount
26 of the qualifying new investment, the authority may issue a tax
27 credit certificate to the housing business stating the amount
28 of workforce housing investment tax credits under section
29 15.355 the eligible housing business may claim.

30 4. *Maximum tax incentives amount.*

31 a. The maximum aggregate amount of tax incentives that may
32 be awarded under section 15.355 to a housing business for a
33 housing project shall not exceed one million dollars.

34 b. If a housing business qualifies for a higher amount
35 of tax incentives under section 15.355 than is allowed by

1 the limitation imposed in paragraph "a", the authority and
2 the housing business may negotiate an apportionment of the
3 reduction in tax incentives between the sales tax refund
4 provided in section 15.355, subsection 2, and the workforce
5 housing investment tax credits provided in section 15.355,
6 subsection 3, provided the total aggregate amount of tax
7 incentives after the apportioned reduction does not exceed the
8 amount in paragraph "a".

9 c. The authority shall issue tax incentives under the
10 program on a first-come, first-served basis until the maximum
11 amount of tax incentives allocated pursuant to section 15.119,
12 subsection 2, is reached. The authority shall maintain a list
13 of registered housing projects under the program so that if
14 the maximum aggregate amount of tax incentives is reached in
15 a given fiscal year, registered housing projects that were
16 completed but for which tax incentives were not issued shall
17 be placed on a wait list in the order the registered housing
18 projects were registered and shall be given priority for
19 receiving tax incentives in succeeding fiscal years.

20 5. *Termination and repayment.* The failure by a housing
21 business in completing a housing project to comply with any
22 requirement of this program or any of the terms and obligations
23 of an agreement entered into pursuant to this section may
24 result in the reduction, termination, or rescission of the
25 approved tax incentives and may subject the housing business
26 to the repayment or recapture of tax incentives claimed under
27 section 15.355. The repayment or recapture of tax incentives
28 pursuant to this section shall be accomplished in the same
29 manner as provided in section 15.330, subsection 2.

30 Sec. 17. NEW SECTION. 15.355 Workforce housing tax
31 incentives.

32 1. A housing business that has entered into an agreement
33 pursuant to section 15.354 is eligible to receive the tax
34 incentives described in subsections 2 and 3.

35 2. A housing business may claim a refund of the sales and

1 use taxes paid under chapter 423 that are directly related
2 to a housing project. The refund available pursuant to this
3 subsection shall be as provided in section 15.331A to the
4 extent applicable for purposes of this program.

5 3. *a.* A housing business may claim a tax credit in
6 an amount not to exceed ten percent of the qualifying new
7 investment of a housing project.

8 *b.* The tax credit shall be allowed against the taxes imposed
9 in chapter 422, divisions II, III, and V, and in chapter 432,
10 and against the moneys and credits tax imposed in section
11 533.329.

12 *c.* An individual may claim a tax credit under this
13 subsection of a partnership, limited liability company,
14 S corporation, estate, or trust electing to have income
15 taxed directly to the individual. The amount claimed by the
16 individual shall be based upon the pro rata share of the
17 individual's earnings from the partnership, limited liability
18 company, S corporation, estate, or trust.

19 *d.* Any tax credit in excess of the taxpayer's liability
20 for the tax year is not refundable but may be credited to the
21 tax liability for the following five years or until depleted,
22 whichever is earlier.

23 *e.* (1) To claim a tax credit under this subsection, a
24 taxpayer shall include one or more tax credit certificates with
25 the taxpayer's tax return.

26 (2) The tax credit certificate shall contain the taxpayer's
27 name, address, tax identification number, the amount of the
28 credit, the name of the eligible housing business, any other
29 information required by the department of revenue, and a place
30 for the name and tax identification number of a transferee and
31 the amount of the tax credit being transferred.

32 (3) The tax credit certificate, unless rescinded by the
33 authority, shall be accepted by the department of revenue as
34 payment for taxes imposed pursuant to chapter 422, divisions
35 II, III, and V, and in chapter 432, and for the moneys and

1 credits tax imposed in section 533.329, subject to any
2 conditions or restrictions placed by the authority upon
3 the face of the tax credit certificate and subject to the
4 limitations of this program.

5 (4) Tax credit certificates issued under section 15.354,
6 subsection 3, paragraph "e", may be transferred to any person.
7 Within ninety days of transfer, the transferee shall submit the
8 transferred tax credit certificate to the department of revenue
9 along with a statement containing the transferee's name, tax
10 identification number, and address, the denomination that each
11 replacement tax credit certificate is to carry, and any other
12 information required by the department of revenue. However,
13 tax credit certificate amounts of less than the minimum amount
14 established by rule of the authority shall not be transferable.

15 (5) Within thirty days of receiving the transferred
16 tax credit certificate and the transferee's statement, the
17 department of revenue shall issue one or more replacement tax
18 credit certificates to the transferee. Each replacement tax
19 credit certificate must contain the information required for
20 the original tax credit certificate and must have the same
21 expiration date that appeared on the transferred tax credit
22 certificate.

23 (6) A tax credit shall not be claimed by a transferee
24 under this section until a replacement tax credit certificate
25 identifying the transferee as the proper holder has been
26 issued. The transferee may use the amount of the tax credit
27 transferred against the taxes imposed in chapter 422, divisions
28 II, III, and V, and in chapter 432, and against the moneys and
29 credits tax imposed in section 533.329, for any tax year the
30 original transferor could have claimed the tax credit. Any
31 consideration received for the transfer of the tax credit shall
32 not be included as income under chapter 422, divisions II,
33 III, and V. Any consideration paid for the transfer of the tax
34 credit shall not be deducted from income under chapter 422,
35 divisions II, III, and V.

1 *f.* For purposes of the individual and corporate income
2 taxes and the franchise tax, the increase in the basis of the
3 property that would otherwise result from the qualifying new
4 investment shall be reduced by the amount of the tax credit
5 computed under this subsection.

6 Sec. 18. NEW SECTION. 15.356 Rules.

7 The authority and the department of revenue shall adopt
8 rules as necessary for the implementation and administration
9 of this part.

10 Sec. 19. NEW SECTION. 422.11C Workforce housing investment
11 tax credit.

12 The taxes imposed under this division, less the credits
13 allowed under section 422.12, shall be reduced by a workforce
14 housing investment tax credit allowed under section 15.355,
15 subsection 3.

16 Sec. 20. Section 422.33, Code 2014, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 15. The taxes imposed under this division
19 shall be reduced by a workforce housing investment tax credit
20 allowed under section 15.355, subsection 3.

21 Sec. 21. Section 422.60, Code 2014, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 12. The taxes imposed under this division
24 shall be reduced by a workforce housing investment tax credit
25 allowed under section 15.355, subsection 3.

26 Sec. 22. NEW SECTION. 432.12G Workforce housing investment
27 tax credit.

28 The taxes imposed under this chapter shall be reduced by a
29 workforce housing investment tax credit allowed under section
30 15.355, subsection 3.

31 Sec. 23. Section 533.329, subsection 2, Code 2014, is
32 amended by adding the following new paragraph:

33 NEW PARAGRAPH. *k.* The moneys and credits tax imposed under
34 this section shall be reduced by a workforce housing investment
35 tax credit allowed under section 15.355, subsection 3.

1 Sec. 24. EFFECTIVE UPON ENACTMENT. This division of this
2 Act, being deemed of immediate importance, takes effect upon
3 enactment.

4 Sec. 25. RETROACTIVE APPLICABILITY. This division of this
5 Act applies retroactively to January 1, 2014, for tax years
6 beginning on or after that date.

7 Sec. 26. APPLICABILITY. This division of this Act applies
8 to qualifying new investment costs incurred on or after the
9 effective date of this division of this Act.

10

DIVISION III

11

TERMINATION AND TRANSITION OF ENTERPRISE ZONE PROGRAM

12

Sec. 27. INVESTMENT TAX CREDITS ISSUED TO ELIGIBLE

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HOUSING BUSINESSES UNDER THE ENTERPRISE ZONE PROGRAM —

14

TRANSFERABILITY. Notwithstanding the requirement in section

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15E.193B, subsection 8, Code 2014, that not more than three

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million dollars worth of tax credits for housing developments

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located in a brownfield site or a blighted area shall be

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eligible for transfer in a calendar year unless the eligible

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housing business is also eligible for low-income housing tax

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credits authorized under section 42 of the Internal Revenue

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Code, and notwithstanding the requirement in section 15E.193B,

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subsection 8, Code 2014, that the economic development

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authority shall not approve more than one million five hundred

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thousand dollars in tax credit certificates for transfer to

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any one eligible housing business located on a brownfield

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site or in a blighted area in a calendar year, all investment

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tax credits determined under section 15E.193B, subsection 6,

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paragraph "a", Code 2014, for housing developments located on

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a brownfield site or in a blighted area may be approved by

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the economic development authority for transfer in calendar

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year 2014, or any subsequent calendar year, provided the

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eligible housing business was awarded the investment tax credit

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before the effective date of this section of this division

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of this Act and notifies the economic development authority,

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in writing, before July 1, 2014, of its intent to transfer

1 such tax credits, and provided the eligible housing business
2 and the related housing development meet all other applicable
3 requirements under section 15E.193B, Code 2014.

4 Sec. 28. Section 2.48, subsection 3, paragraph e,
5 subparagraph (9), Code 2014, is amended by striking the
6 subparagraph.

7 Sec. 29. Section 15.106B, subsection 5, paragraph c, Code
8 2014, is amended to read as follows:

9 c. Fees collected by the authority pursuant to this
10 subsection shall be deposited in a fund within the state
11 treasury created pursuant to section 15.106A, subsection 1,
12 paragraph "o", and are appropriated to the authority for the
13 purposes set out in section 15.106A, subsection 1, paragraph
14 "o". However, fees collected by the authority pursuant to
15 section 15.330, subsection 12, ~~and~~ section 15E.198, Code 2014,
16 and section 15.354, subsection 3, paragraph "b", shall be used
17 exclusively for costs associated with the administration of due
18 diligence and compliance.

19 Sec. 30. Section 15.119, subsection 2, paragraph b, Code
20 2014, is amended to read as follows:

21 b. The enterprise zones program administered pursuant to
22 sections 15E.191 through 15E.197, Code 2014.

23 Sec. 31. Section 15A.1, subsection 5, paragraph c, Code
24 2014, is amended by striking the paragraph.

25 Sec. 32. Section 15H.5, subsection 2, Code 2014, is amended
26 to read as follows:

27 2. The Iowa summer youth corps program is established
28 to provide meaningful summer enrichment programming to
29 Iowa youth. The program shall be administered by the Iowa
30 commission on volunteer service using a competitive grant
31 process to implement projects in accordance with program
32 requirements. The commission shall adopt administrative rules
33 for the program, including but not limited to incentives, grant
34 criteria, and grantee selection processes. A percentage of the
35 grants shall be designated by the commission to address the

1 needs of ~~city enterprise zones that meet the distress criteria~~
2 ~~outlined in section 15E.194~~ economically distressed areas as
3 defined in section 15.335C.

4 Sec. 33. Section 15H.5, subsection 5, paragraph c, Code
5 2014, is amended to read as follows:

6 c. The commission shall give priority consideration to
7 approving those projects that target communities that have
8 disproportionately high rates of juvenile crime or low rates
9 of high school graduation or that have been designated as ~~city~~
10 ~~enterprise zones that meet the distress criteria outlined in~~
11 ~~section 15E.194~~ economically distressed areas as defined in
12 section 15.335C.

13 Sec. 34. Section 15J.4, subsection 1, paragraph b, Code
14 2014, is amended to read as follows:

15 b. The area ~~is~~ was in whole or in part ~~either an a~~
16 designated economic development enterprise zone ~~designated~~
17 under chapter 15E, division XVIII, Code 2014, immediately prior
18 to the effective date of this Act, or the area is in whole or in
19 part an urban renewal area established pursuant to chapter 403.

20 Sec. 35. Section 403.19A, subsection 3, paragraph j, Code
21 2014, is amended to read as follows:

22 j. An employer may participate in a new jobs credit from
23 withholding under section 260E.5, or a supplemental new jobs
24 credit from withholding under section 15E.197, Code 2014,
25 or under section 15.331, Code 2005, at the same time as the
26 employer is participating in the withholding credit under this
27 section. Notwithstanding any other provision in this section,
28 the new jobs credit from withholding under section 260E.5, and
29 the supplemental new jobs credit from withholding under section
30 15E.197, Code 2014, or under section 15.331, Code 2005, shall
31 be collected and disbursed prior to the withholding credit
32 under this section.

33 Sec. 36. Section 422.11F, subsection 2, Code 2014, is
34 amended to read as follows:

35 2. The taxes imposed under this division, less the credits

1 allowed under section 422.12, shall be reduced by investment
2 tax credits authorized pursuant to ~~sections~~ section 15.333 and
3 section 15E.193B, subsection 6, Code 2014.

4 Sec. 37. Section 422.16A, Code 2014, is amended to read as
5 follows:

6 **422.16A Job training withholding — certification and**
7 **transfer.**

8 Upon the completion by a business of its repayment
9 obligation for a training project funded under chapter 260E,
10 including a job training project funded under section 15A.8
11 or repaid in whole or in part by the supplemental new jobs
12 credit from withholding under section 15A.7 or section 15E.197,
13 Code 2014, the sponsoring community college shall report to
14 the economic development authority the amount of withholding
15 paid by the business to the community college during the
16 final twelve months of withholding payments. The economic
17 development authority shall notify the department of revenue
18 of that amount. The department shall credit to the workforce
19 development fund account established in section 15.342A
20 twenty-five percent of that amount each quarter for a period
21 of ten years. If the amount of withholding from the business
22 or employer is insufficient, the department shall prorate the
23 quarterly amount credited to the workforce development fund
24 account. The maximum amount from all employers which shall be
25 transferred to the workforce development fund account in any
26 year is four million dollars.

27 Sec. 38. Section 422.33, subsection 12, paragraph b, Code
28 2014, is amended to read as follows:

29 *b.* The taxes imposed under this division shall be reduced by
30 investment tax credits authorized pursuant to section 15.333
31 and section 15E.193B, subsection 6, Code 2014.

32 Sec. 39. Section 422.60, subsection 5, paragraph b, Code
33 2014, is amended to read as follows:

34 *b.* The taxes imposed under this division shall be reduced by
35 investment tax credits authorized pursuant to sections 15.333

1 and 15E.193B, subsection 6, Code 2014.

2 Sec. 40. Section 432.12C, subsection 2, Code 2014, is
3 amended to read as follows:

4 2. The taxes imposed under this chapter shall be reduced by
5 investment tax credits authorized pursuant to section 15.333A
6 and section 15E.193B, subsection 6, Code 2014.

7 Sec. 41. REPEAL. Sections 15E.191, 15E.192, 15E.193,
8 15E.193B, 15E.194, 15E.195, 15E.196, 15E.197, and 15E.198, Code
9 2014, are repealed.

10 Sec. 42. EFFECTIVE UPON ENACTMENT. The following provision
11 or provisions of this division of this Act, being deemed of
12 immediate importance, take effect upon enactment:

13 1. The section of this division of this Act allowing
14 the transfer of certain investment tax credits issued to
15 eligible housing businesses under the enterprise zone program,
16 notwithstanding the requirements limiting transfer of such
17 credits under section 15E.193B, subsection 8.

18 Sec. 43. APPLICABILITY.

19 1. On or after the effective date of this division of this
20 Act, a city or county shall not create an enterprise zone under
21 chapter 15E, division XVIII, or enter into a new agreement or
22 amend an existing agreement under chapter 15E, division XVIII.

23 2. a. Agreements entered into under chapter 15E, division
24 XVIII before the effective date of this division of this
25 Act between an eligible business and a city, county, or
26 the economic development authority or between an eligible
27 business and the department of revenue and a community college
28 or between an eligible housing business and the economic
29 development authority shall remain in effect until they expire
30 under their own terms and except as otherwise provided in this
31 division of this Act, such agreements shall be governed by
32 chapter 15E, division XVIII, Code 2014.

33 b. The elimination of the enterprise zone program under this
34 Act shall not constitute grounds for rescision or modification
35 of agreements entered into under the program, except as

1 otherwise provided in this division of this Act.

2 3. Except as otherwise provided in this division of this
3 Act, this division of this Act is not intended to and shall not
4 limit, modify, or otherwise adversely affect any tax credit
5 certificate or related tax credit issued before the effective
6 date of this Act or limit, modify, or otherwise adversely
7 affect the redemption or transfer of any tax credit or tax
8 credit certificate issued before the effective date of this
9 division of this Act.

10

EXPLANATION

11

The inclusion of this explanation does not constitute agreement with

12

the explanation's substance by the members of the general assembly.

13

This bill relates to the administration of programs by
14 the economic development authority (EDA) by modifying the
15 high quality jobs program, creating a workforce housing tax
16 incentives program, and repealing the enterprise zone program.

17

DIVISION I — HIGH QUALITY JOBS PROGRAM. Division I modifies
18 the high quality jobs program administered by the EDA. The
19 division adds a definition for "project" for purposes of the
20 program and strikes language that references the start-up,
21 location, or expansion of an eligible business, and replaces
22 it with reference to a "project". "Project" is defined as an
23 activity or set of activities directly related to the start-up,
24 location, modernization, or expansion of a business, and
25 proposed in an application by a business, that will result in
26 the accomplishment of the goals of the program.

27

The division amends the requirements for claiming the sales
28 and use tax refund under the program for the construction or
29 equipping of a facility of the eligible business to require
30 that the facility also be part of a project.

31

The division modifies the type of projects that will qualify
32 for tax incentives or project completion assistance under
33 the program. Under current law, the EDA only provides tax
34 incentives or project completion assistance to businesses
35 creating jobs if the business will pay at least 120 percent of

1 the qualifying wage threshold, unless the business is located
2 in an economically distressed area, in which case the business
3 must pay at least 100 percent of the qualifying wage threshold.
4 Economically distressed areas include the 25 lowest-ranked Iowa
5 counties by average monthly or annual unemployment.

6 The division amends the definition of "economically
7 distressed area" by increasing to 33 from 25 the number of Iowa
8 counties that will qualify as an economically distressed area.
9 The division also permits businesses creating or retaining
10 jobs as part of a project at a grayfield site or a brownfield
11 site, as currently defined in statute, to qualify for tax
12 incentives or project completion assistance if the business
13 will pay at least 100 percent or 90 percent, respectively, of
14 the qualifying wage threshold.

15 The division applies to high quality jobs program agreements
16 entered into on or after the effective date of the division,
17 and high quality jobs program agreements entered into prior to
18 the effective date of the division shall be governed by current
19 law.

20 DIVISION II — WORKFORCE HOUSING TAX INCENTIVES PROGRAM.

21 Division II creates a workforce housing tax incentives program
22 (program) that will be administered by the EDA and that will
23 provide tax incentives to housing businesses that complete
24 housing projects in the state. A "housing business" means a
25 business that is a housing developer, housing contractor, or
26 nonprofit organization that completes a housing project in the
27 state. In order to qualify for the tax incentives under the
28 program, a housing project must meet several requirements.

29 First, the housing project must consist of a certain type
30 and number of dwelling units. The project must include, at
31 a minimum, four or more single-family dwelling units, one or
32 more multiple dwelling unit buildings that each contain three
33 or more individual dwelling units, or two or more dwelling
34 units located in the upper story of an existing multi-use
35 building. "Multi-use building" is defined as a building

1 whose street-level ground story is used for a purpose that is
2 other than residential, and whose upper story or stories are
3 currently used for a residential purpose, or will be used for
4 a residential purpose after completion of the housing project
5 associated with the building.

6 Second, the housing project must involve a certain type of
7 development in a certain geographic location. The project may
8 involve the rehabilitation, repair, or redevelopment of any
9 dwelling unit if it occurs at a brownfield or grayfield site,
10 as those terms are defined in the bill, or in a distressed
11 workforce housing community. The project may involve the
12 rehabilitation, repair, or redevelopment anywhere in the state
13 of a dilapidated dwelling unit or a dwelling unit located in
14 the upper story of an existing multi-use building. The project
15 may involve the new construction of a dwelling unit if it is in
16 a distressed workforce housing community, but shall not include
17 the new construction of a multi-use building.

18 The designation of a community as a distressed workforce
19 housing community shall be within the discretion of the EDA
20 after it considers the merits of all applications for such a
21 designation and the demand for projects in distressed workforce
22 housing communities compared to the demand for all other
23 projects and after considering whether or not a particular
24 community has a severe housing shortage relative to demand,
25 low vacancy rates, or rising housing costs combined with low
26 unemployment. "Community" means a city or county.

27 Third, the average dwelling unit cost of a housing project
28 must not exceed \$200,000 per dwelling unit, or \$250,000 per
29 dwelling unit if the project involves the rehabilitation,
30 repair, redevelopment, or preservation of "eligible property",
31 which means the same as defined for purposes of the historic
32 preservation and cultural and entertainment district tax credit
33 in Code chapter 404A and includes property listed or eligible
34 for listing on the national register of historic places or
35 property designated or eligible for designation as of historic

1 significance to a district listed in the national register of
2 historic places or property or a district designated a local
3 landmark by a city or county ordinance or property that is a
4 barn constructed prior to 1937.

5 Fourth, the dwelling units that are part of the housing
6 project must meet the United States Department of Housing and
7 Urban Development's housing quality standards and applicable
8 local safety standards.

9 A housing business seeking tax incentives for a housing
10 project under the program is required to apply to the EDA.
11 The application must include a resolution in support of the
12 housing project by the community where the housing project will
13 be located, documentation of local matching funds pledged of
14 \$1,000 or more per dwelling unit, a funding agreement between
15 the housing business and the community, a report describing all
16 violations of environmental law or worker safety law within the
17 last five years, and any other information deemed necessary by
18 the EDA to evaluate the eligibility and financial need of the
19 housing project under the program. The EDA is not required to
20 accept applications on a continuous basis. Upon review of an
21 application, the EDA may register a housing project under the
22 program. The EDA is required to notify a housing business of
23 successful registration and the amount of tax incentives for
24 which the EDA preliminarily determines it qualifies for. A
25 housing business is then required to enter into an agreement
26 with the EDA for the successful completion of its housing
27 project within three years from the date it was registered by
28 the EDA. A compliance cost fee equal to 0.5 percent of the
29 value of the tax incentives claimed pursuant to an agreement
30 will be imposed upon all agreements with an aggregate tax
31 incentive value of \$100,000 or greater.

32 A housing business that fails to comply with the
33 requirements of the program or the terms of an agreement with
34 the EDA may have its tax incentives reduced, terminated, or
35 rescinded, and may be subject to the repayment or recapture of

1 claimed tax incentives.

2 Upon completion of a registered housing project, a
3 housing business must have its housing project audited by
4 an independent certified public accountant licensed in this
5 state. The EDA will then review the audit, verify the amount
6 of workforce investment tax credits the eligible business may
7 claim, and issue a tax credit certificate for that amount.

8 The maximum amount of tax incentives that may be awarded
9 by the EDA to a housing business for a housing project shall
10 not exceed \$1 million. In the event a housing business
11 qualifies for tax incentives in excess of \$1 million, the
12 housing business and EDA may negotiate an apportionment of the
13 reduction between the program's two tax incentives.

14 The program provides two different tax incentives. The
15 first is a refund of the sales and use taxes paid that are
16 directly related to the housing project. The bill provides
17 that the willful making of a false report in connection with
18 the sales and use tax refund is a simple misdemeanor. A simple
19 misdemeanor is punishable by confinement for no more than 30
20 days or a fine of at least \$65 but not more than \$625, or by
21 both. The second is a workforce housing investment tax credit
22 in an amount not to exceed 10 percent of the qualifying new
23 investment of the housing project. "Qualifying new investment"
24 means the costs directly related to the acquisition, repair,
25 rehabilitation, or redevelopment of the housing project.
26 "Qualifying new investment" also includes costs that are
27 directly related to new construction of dwelling units if the
28 new construction occurs in a distressed workforce housing
29 community. However, "qualifying new investment" does not
30 include the portion of the total costs financed by federal,
31 state, or local government tax credits, grants, forgivable
32 loans, or other forms of nonrepayable financial assistance,
33 excluding the tax incentives provided under the program. Also,
34 if the housing project includes the rehabilitation, repair, or
35 redevelopment of an existing multi-use building, "qualifying

1 new investment" does not include the portion of the total
2 acquisition costs of the multi-use building that is used for a
3 purpose that is other than residential.

4 The workforce housing investment tax credit may be claimed
5 against the individual income tax, the corporate income
6 tax, the franchise tax, the insurance companies tax, and the
7 moneys and credits tax. To claim a tax credit, a taxpayer
8 must include a tax credit certificate with the taxpayer's
9 tax return. The credit is nonrefundable but may be credited
10 to the tax liability for five years. The tax credit may
11 be transferred to any person or entity, and the division
12 establishes procedures for the proper transfer of the tax
13 credit. For purposes of the individual and corporate income
14 taxes and the franchise tax, when the tax basis of property is
15 increased as a result of qualifying new investment, that tax
16 basis shall be reduced by the amount of the workforce housing
17 investment tax credit issued under the program.

18 The division provides that the program is part of the EDA's
19 maximum aggregate tax credit cap of \$170 million per fiscal
20 year, and not more than \$20 million per fiscal year may be
21 issued by the EDA under the program. The EDA is required
22 to issue tax incentives under the program on a first-come,
23 first-served basis until the maximum amount of \$20 million
24 per fiscal year is reached. If the amount of tax incentives
25 exceeds this amount in a fiscal year, the EDA is required to
26 establish a wait list and give priority in subsequent years to
27 the registered housing projects on the wait list.

28 The division takes effect upon enactment and applies to
29 qualifying new investment costs incurred on or after that date.
30 The division applies retroactively to January 1, 2014, for tax
31 years beginning on or after that date.

32 The EDA and the department of revenue are required to adopt
33 rules as necessary for the joint administration of the program.

34 DIVISION III — ENTERPRISE ZONE PROGRAM. Division III
35 repeals the enterprise zone program administered by the EDA

1 and makes conforming changes to references in the Code to the
2 enterprise zone program and its corresponding tax incentives.

3 The division amends the distribution criteria for grants and
4 projects under the Iowa summer youth corps program to provide
5 that a percentage of grants, and certain priority consideration
6 for projects, shall be given to economically distressed areas,
7 as defined in Code section 15.335C, instead of enterprise
8 zones.

9 The division amends the qualification that an area be part of
10 an enterprise zone in order to be designated as a reinvestment
11 district under the Iowa reinvestment Act in Code chapter 15J to
12 require that an area be part of an enterprise zone that existed
13 immediately prior to the effective date of the division.

14 Under current law, investment tax credits issued to
15 eligible housing businesses under the enterprise zone program
16 are transferrable if the housing development is located on
17 a brownfield site or in a blighted area, or if the housing
18 development is receiving low-income housing tax credits under
19 section 42 of the Internal Revenue Code (IRC). However, under
20 current law, the EDA may not approve for transfer in any one
21 calendar year more than \$3 million worth of such tax credits
22 for those housing projects not receiving low-income housing tax
23 credits under section 42 of the IRC. The division notwithstanding
24 those current Code provisions and permits investment tax
25 credits already issued or that will be issued to an eligible
26 housing business under an existing enterprise zone agreement
27 with the EDA for housing developments located on a brownfield
28 site or in a blighted area to be eligible for transfer in
29 calendar year 2014, or any subsequent calendar year, provided
30 the eligible housing business was awarded the investment tax
31 credit before the effective date of this section of the bill
32 and notifies the authority, in writing, before July 1, 2014, of
33 its intent to transfer such tax credits. This section of the
34 bill takes effect upon enactment.

35 The division prohibits a city or county from creating an

1 enterprise zone, entering into a new enterprise zone agreement,
2 or amending an existing enterprise zone agreement, on or after
3 the effective date of the division.

4 The division provides that existing enterprise zone
5 agreements between an eligible business or an eligible housing
6 business and a city, county, or the EDA, including existing
7 supplemental new jobs credit from withholding agreements
8 between an eligible business and the department of revenue and
9 a community college, shall remain in effect until they expire
10 under their own terms and shall be governed by chapter 15E,
11 division XVIII, Code 2014. The elimination of the enterprise
12 zone program under the division shall not constitute grounds
13 for rescission or modification of enterprise zone agreements.

14 Except as provided in the division, tax credit certificates
15 or related tax credits issued before the effective date of
16 the division are not intended to and shall not be limited,
17 modified, or otherwise adversely affected by the division.