

**House File 584 - Introduced**

HOUSE FILE 584  
BY COMMITTEE ON ECONOMIC  
GROWTH

(SUCCESSOR TO HSB 132)

**A BILL FOR**

1 An Act relating to the economic development financial  
2 assistance duties and powers of the economic development  
3 authority by authorizing and creating fees, affecting the  
4 aggregate tax credit limit for certain economic development  
5 programs and the tax credit for the endow Iowa tax credit,  
6 authorizing the diversion of withholding tax payments for  
7 certain programs, making an appropriation, and including  
8 effective date and retroactive applicability provisions.  
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I  
COLLECTION OF FEES

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Section 1. Section 12.10, Code 2013, is amended to read as follows:

**12.10 Deposits by state officers.**

Except as otherwise provided, all elective and appointive state officers, boards, commissions, and departments shall, within ten days succeeding the collection, deposit with the treasurer of state, or to the credit of the treasurer of state in any depository designated by the treasurer of state, ninety percent of all fees, commissions, and moneys collected or received. The balance actually collected in cash, remaining in the hands of any officer, board, or department shall not exceed the sum of five thousand dollars and money collected shall not be held more than thirty days. This section does not apply to the state fair board, the state board of regents, the utilities board of the department of commerce, the director of the department of human services, the Iowa finance authority, the economic development authority, or to the funds received by the state racing and gaming commission under sections 99D.7 and 99D.14.

Sec. 2. Section 15.106B, Code 2013, is amended by adding the following new subsection:

NEW SUBSECTION. 5. a. The authority may charge fees to businesses or individuals who receive financial assistance under chapter 15 or 15E. The amount of such fees shall be determined based on the costs of the authority associated with its performance of contract administration and compliance duties relating to economic development programs.

b. The authority may charge businesses and individuals a fee for the use of the authority's federal EB-5 immigrant investor regional center.

Sec. 3. Section 15.330, Code 2013, is amended by adding the following new subsection:

NEW SUBSECTION. 12. a. The imposition of a one-time

1 compliance cost fee of five hundred dollars to be collected  
2 by the authority prior to the issuance of a tax incentive  
3 certificate or the disbursement of financial assistance.

4 *b.* The imposition of a compliance cost fee equal to one-half  
5 of one percent of the value of tax incentives claimed pursuant  
6 to an agreement that has an aggregate tax incentive value of  
7 one hundred thousand dollars or greater. The authority shall  
8 collect the fee from the business after the tax incentive is  
9 claimed by the business from the department of revenue.

10 **Sec. 4. NEW SECTION. 15E.198 Compliance cost fees.**

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

15 **Sec. 5. EFFECTIVE UPON ENACTMENT.** This division of this  
16 Act, being deemed of immediate importance, takes effect upon  
17 enactment.

18 **Sec. 6. APPLICABILITY.** This division of this Act applies to  
19 agreements entered into on or after the effective date of this  
20 division of this Act.

21 **DIVISION II**

22 **AGGREGATE TAX CREDIT LIMITATION**

23 **Sec. 7.** Section 15.119, subsection 1, Code 2013, is amended  
24 to read as follows:

25 1. *a.* Notwithstanding any provision to the contrary in  
26 any of the programs listed in subsection 2, the authority,  
27 except as provided in paragraph "b", shall not authorize for  
28 any one fiscal year an amount of tax credits for the programs  
29 specified in subsection 2 that is in excess of one hundred  
30 ~~twenty~~ eighty-five million dollars.

31 *b.* (1) The authority may authorize an amount of tax credits  
32 during a fiscal year that is in excess of the amount specified  
33 in paragraph "a", but the amount of such excess shall be counted  
34 against the total amount of tax credits that may be authorized  
35 for the next fiscal year.

1     (2) Any amount of tax credits authorized and awarded during  
2 a fiscal year for a program specified in subsection 2 which are  
3 irrevocably declined by the awarded business on or before June  
4 30 of the next fiscal year may be reallocated, authorized, and  
5 awarded during the fiscal year in which the declination occurs.  
6 Tax credits authorized pursuant to this subparagraph shall not  
7 be considered for purposes of subparagraph (1).

8     Sec. 8. Section 15.119, subsection 2, paragraphs d and e,  
9 Code 2013, are amended to read as follows:

10     d. The tax credits for investments in qualifying businesses  
11 and community-based seed capital funds issued pursuant to  
12 section 15E.43. In allocating tax credits pursuant to this  
13 subsection, the authority shall allocate two million dollars  
14 for purposes of this paragraph, unless the authority determines  
15 that the tax credits awarded will be less than that amount.

16     e. The tax credits for investments in an innovation fund  
17 pursuant to section 15E.52. In allocating tax credits pursuant  
18 to this subsection, the authority shall allocate eight million  
19 dollars for purposes of this paragraph, unless the authority  
20 determines that the tax credits awarded will be less than that  
21 amount.

22     Sec. 9. EFFECTIVE UPON ENACTMENT. This division of this  
23 Act, being deemed of immediate importance, takes effect upon  
24 enactment.

25     Sec. 10. RETROACTIVE APPLICABILITY. This division of this  
26 Act applies retroactively to July 1, 2012.

27                                   DIVISION III

28                                   ENDOW IOWA TAX CREDIT LIMIT

29     Sec. 11. Section 15E.305, subsection 2, Code 2013, is  
30 amended to read as follows:

31     2. The aggregate amount of tax credits authorized pursuant  
32 to this section shall not exceed a total of ~~three~~ six million  
33 five hundred thousand dollars ~~plus such additional credit~~  
34 ~~amount as provided by this section~~ annually.

35     a. The maximum amount of tax credits granted to a taxpayer

1 shall not exceed five percent of the aggregate amount of tax  
2 credits authorized.

3 ~~a.~~ b. Ten percent of the aggregate amount of tax credits  
4 authorized in a calendar year shall be reserved for those  
5 endowment gifts in amounts of thirty thousand dollars or less.  
6 If by September 1 of a calendar year the entire ten percent of  
7 the reserved tax credits is not distributed, the remaining tax  
8 credits shall be available to any other eligible applicants.

9 ~~b. For purposes of this subsection, the additional credit~~  
10 ~~amount shall be an amount for each applicable calendar year~~  
11 ~~determined by the department of revenue equal to the amount of~~  
12 ~~money credited as provided by section 99F.11, subsection 3,~~  
13 ~~paragraph "d", subparagraph (3), for the prior fiscal year.~~

14 Sec. 12. Section 99F.11, subsection 3, paragraph d,  
15 subparagraph (3), Code 2013, is amended by striking the  
16 subparagraph.

17 Sec. 13. EFFECTIVE UPON ENACTMENT. This division of this  
18 Act, being deemed of immediate importance, takes effect upon  
19 enactment.

20 Sec. 14. RETROACTIVE APPLICABILITY. This division of this  
21 Act applies retroactively to January 1, 2012, for endow Iowa  
22 tax credits authorized on or after that date and for endow Iowa  
23 tax credit applications received on or after that date.

24 DIVISION IV

25 WITHHOLDING TAX DIVERSION

26 Sec. 15. NEW SECTION. 15.331 Withholding tax payment  
27 diversion.

28 1. If the authority enters into an agreement pursuant to  
29 this part, or pursuant to chapter 15E, division XVIII, for  
30 any of the incentives or assistance provided under this part,  
31 the authority and the eligible business may agree to credit  
32 a portion of the withholding payments required under section  
33 422.16 to the authority as provided in this section.

34 2. a. An eligible business entering into a withholding  
35 agreement with the authority pursuant to this section shall

1 remit the total amount of withholding payments due pursuant to  
2 section 422.16 to the department of revenue.

3     *b.* The department of revenue shall quarterly deposit in a  
4 fund created pursuant to section 15.106A an amount equal to two  
5 and one-half percent of the gross wages paid by the eligible  
6 business to each employee holding a created or retained job  
7 covered by an agreement entered into pursuant to this part or  
8 chapter 15E, division XVIII. Moneys to be deposited pursuant  
9 to this paragraph shall not be paid to the authority until  
10 the correct amounts have been verified by the department of  
11 revenue.

12     3. Withholding payments shall be deposited pursuant to this  
13 section by the department of revenue for each employee holding  
14 a created or retained job for the duration of the agreement  
15 between the eligible business and the authority.

16     4. The authority and the eligible business shall provide  
17 to the department of revenue any information necessary to  
18 correctly process the diversion of withholding tax payments  
19 pursuant to this section.

20     5. An employee holding a created or retained job shall  
21 receive full credit for the amount withheld as provided in  
22 section 422.16.

23     6. If a portion of the employee's gross wages are subject  
24 to a withholding credit diversion under chapter 260E, chapter  
25 260G, or section 403.19A, or a supplemental withholding  
26 credit diversion under section 15E.197, then the withholding  
27 payments shall be credited in the following order of priority,  
28 regardless of when the agreement was entered into under this  
29 section:

30     *a.* First, the withholding payments to be credited pursuant  
31 to chapters 260E and 260G and section 15E.197.

32     *b.* Second, the withholding payments to be credited pursuant  
33 to this section.

34     *c.* Third, the withholding payments to be credited pursuant  
35 to section 403.19A.

1 7. The authority, in conjunction with the department of  
2 revenue, shall adopt rules for the administration of this  
3 section.

4 Sec. 16. EFFECTIVE UPON ENACTMENT. This division of this  
5 Act, being deemed of immediate importance, takes effect upon  
6 enactment.

7 Sec. 17. RETROACTIVE APPLICABILITY. This division of  
8 this Act applies retroactively to July 1, 2012, for high  
9 quality jobs program agreements and enterprise zone program  
10 agreements entered into on or after that date, and for awards  
11 of incentives or assistance made under those programs on or  
12 after that date.

13 DIVISION V

14 CITY DEVELOPMENT BOARD FEES

15 Sec. 18. Section 368.10, Code 2013, is amended to read as  
16 follows:

17 **368.10 Rules — establishment of filing fees.**

18 The board may establish rules for the performance of its  
19 duties and the conduct of proceedings before it. The rules  
20 may include establishing filing fees for applications and  
21 petitions submitted to the board. The amounts collected  
22 from the establishment of such fees are appropriated to the  
23 board for the purpose of reimbursing the economic development  
24 authority for the budgeted costs of covering the board's  
25 expenses as described in section 368.9, subsection 1. Any  
26 amounts collected in a fiscal year by the board in excess of  
27 such budgeted costs shall be deposited in the general fund of  
28 the state. The board's rules are subject to chapter 17A, as  
29 applicable.

30 EXPLANATION

31 This bill relates to the financial management of the  
32 economic development authority (EDA) by authorizing and  
33 creating fees, affecting the aggregate tax credit limit for  
34 certain economic development programs and the tax credit  
35 for the endow Iowa tax credit, authorizing the diversion of

1 withholding tax payments for certain programs, and by making  
2 an appropriation.

3       COLLECTION OF FEES. Division I amends Code section  
4 15.106B, relating to the program powers of the EDA, to allow  
5 for the imposition and collection of fees from businesses or  
6 individuals who receive financial assistance from the EDA under  
7 Code chapter 15 or 15E. The fee amounts are to be determined  
8 based on the EDA's costs of administering contracts under its  
9 various economic development programs. The division also  
10 allows the EDA to charge a fee for the use of its federal EB-5  
11 immigrant investor regional center. Code section 12.10 is  
12 amended to allow the EDA to retain the fees it collects by  
13 adding the EDA to the list of departments exempted from the  
14 requirement to deposit all collected fees with the treasurer of  
15 state.

16       The division creates two compliance cost fees to be imposed  
17 on all persons or entities that enter into an agreement with  
18 the EDA under its high quality jobs program or enterprise zone  
19 program. First, a one-time compliance cost fee of \$500 due  
20 prior to the issuance of a tax incentive certificate or the  
21 disbursement of financial assistance. Second, a compliance  
22 cost fee equal to 0.5 percent of the value of tax incentives  
23 claimed under any agreement that has an aggregate tax incentive  
24 value of \$100,000 or greater, which fee is due after a tax  
25 incentive is claimed from the department of revenue.

26       The division takes effect upon enactment and applies to  
27 agreements entered into on or after the effective date of the  
28 division.

29       AGGREGATE TAX CREDIT LIMITATION. Division II increases  
30 the aggregate tax credit limit on EDA programs listed in  
31 Code section 15.119 from \$120 million per fiscal year to  
32 \$185 million per fiscal year. The division allows the EDA  
33 to reallocate, authorize, and award for a fiscal year any  
34 amount of tax credits that were previously awarded by the EDA,  
35 provided the tax credit is irrevocably declined by the awarded



1 business before the close of the fiscal year which follows the  
2 fiscal year in which it was awarded. Any amount of tax credits  
3 reallocated, authorized, and awarded under this provision shall  
4 not be included in the calculation of the aggregate tax credit  
5 limit for the fiscal year.

6 The division amends the requirements that \$2 million and \$8  
7 million in tax credits be allocated to the qualifying business  
8 and community-based seed capital funds investment tax credits  
9 and the innovation fund tax credit, respectively, to allow  
10 the EDA to allocate a lesser amount if it determines the tax  
11 credits awarded for that fiscal year will be lower.

12 The division takes effect upon enactment and applies  
13 retroactively to July 1, 2012.

14 ENDOW IOWA TAX CREDIT LIMIT. Under current law, the amount  
15 of endow Iowa tax credits that may be authorized in a calendar  
16 year cannot exceed a total of \$3.5 million plus a certain  
17 percentage of the wagering tax receipts as provided in Code  
18 section 99F.11. Division III amends this annual limit to  
19 provide that a maximum of \$6.5 million per calendar year may  
20 be authorized and to provide that amounts collected from the  
21 wagering tax pursuant to Code section 99F.11 will no longer be  
22 used to fund the endow Iowa tax credit.

23 The division takes effect upon enactment and applies  
24 retroactively to January 1, 2012, for endow Iowa tax credits  
25 authorized on or after that date and for endow Iowa tax credit  
26 applications received on or after that date.

27 WITHHOLDING TAX DIVERSION. Division IV provides for  
28 a diversion of withholding tax to the EDA. The division  
29 provides that the authority may enter into agreements with  
30 recipients of financial assistance under the high quality jobs  
31 program and the enterprise zones program that allow for the  
32 diversion of withholding tax payments pursuant to Code section  
33 422.16 from the department of revenue to the authority. The  
34 diversion amount will be 2.5 percent of gross wages paid by  
35 eligible businesses to each employee considered to be holding a

1 created or retained job. The division establishes a priority  
2 withholding order if the employee's wages are subject to  
3 another withholding diversion. The division provides that the  
4 withholding diversion takes effect upon enactment and applies  
5 retroactively to high quality jobs program agreements and  
6 enterprise zone program agreements entered into on or after  
7 July 1, 2012, and awards of incentives and assistance made  
8 under those programs on or after July 1, 2012.

9 CITY DEVELOPMENT BOARD FEES. Under current law, the EDA  
10 is required to provide office space and staff assistance to  
11 the city development board created in Code section 368.9,  
12 and to budget funds to cover expenses of the board. Also  
13 under current law, the city development board is allowed to  
14 impose fees upon applications and petitions submitted to the  
15 board. Division V appropriates the amounts collected from  
16 those fees to the city development board for the purpose of  
17 reimbursing the EDA for the budgeted costs of covering the  
18 board's expenses. Any fees collected in a fiscal year by the  
19 city development board in excess of such budgeted costs shall  
20 be deposited in the general fund of the state.