

House File 620 - Introduced

HOUSE FILE 620

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 584)

(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 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.

c. Fees collected by the authority pursuant to this subsection shall be deposited in a fund within the state treasury created pursuant to section 15.106A, subsection 1, paragraph "o", and are appropriated to the authority for the purposes set out in section 15.106A, subsection 1, paragraph "o".

Sec. 2. Section 15.330, Code 2013, is amended by adding the following new subsection:

NEW SUBSECTION. 12. *a.* The imposition of a one-time compliance cost fee of five hundred dollars to be collected by the authority prior to the issuance of a tax incentive certificate or the disbursement of financial assistance.

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

Sec. 3. NEW SECTION. 15E.198 **Compliance cost fees.**

The compliance cost fees imposed in 15.330, subsection 12, shall apply to all agreements entered into under this division and shall be collected by the authority in the same manner and

1 to the same extent as described in that subsection.

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

5 Sec. 5. APPLICABILITY. This division of this Act applies to
6 agreements entered into on or after the effective date of this
7 division of this Act.

8 DIVISION II

9 AGGREGATE TAX CREDIT LIMITATION

10 Sec. 6. Section 15.119, subsection 1, Code 2013, is amended
11 to read as follows:

12 1. *a.* Notwithstanding any provision to the contrary in
13 any of the programs listed in subsection 2, the authority,
14 except as provided in paragraph "b", shall not authorize for
15 any one fiscal year an amount of tax credits for the programs
16 specified in subsection 2 that is in excess of one hundred
17 ~~twenty~~ eighty-five million dollars.

18 *b.* (1) The authority may authorize an amount of tax credits
19 during a fiscal year that is in excess of the amount specified
20 in paragraph "a", but the amount of such excess shall be counted
21 against the total amount of tax credits that may be authorized
22 for the next fiscal year.

23 (2) Any amount of tax credits authorized and awarded during
24 a fiscal year for a program specified in subsection 2 which are
25 irrevocably declined by the awarded business on or before June
26 30 of the next fiscal year may be reallocated, authorized, and
27 awarded during the fiscal year in which the declination occurs.
28 Tax credits authorized pursuant to this subparagraph shall not
29 be considered for purposes of subparagraph (1).

30 Sec. 7. Section 15.119, subsection 2, paragraphs d and e,
31 Code 2013, are amended to read as follows:

32 *d.* The tax credits for investments in qualifying businesses
33 and community-based seed capital funds issued pursuant to
34 section 15E.43. In allocating tax credits pursuant to this
35 subsection, the authority shall allocate two million dollars

1 for purposes of this paragraph, unless the authority determines
2 that the tax credits awarded will be less than that amount.

3 e. The tax credits for investments in an innovation fund
4 pursuant to section 15E.52. In allocating tax credits pursuant
5 to this subsection, the authority shall allocate eight million
6 dollars for purposes of this paragraph, unless the authority
7 determines that the tax credits awarded will be less than that
8 amount.

9 Sec. 8. EFFECTIVE UPON ENACTMENT. This division of this
10 Act, being deemed of immediate importance, takes effect upon
11 enactment.

12 Sec. 9. RETROACTIVE APPLICABILITY. This division of this
13 Act applies retroactively to July 1, 2012.

14 DIVISION III

15 ENDOW IOWA TAX CREDIT LIMIT

16 Sec. 10. Section 15E.305, subsection 2, Code 2013, is
17 amended to read as follows:

18 2. The aggregate amount of tax credits authorized pursuant
19 to this section shall not exceed a total of ~~three~~ five million
20 ~~five hundred thousand~~ dollars ~~plus such additional credit~~
21 ~~amount as provided by this section~~ annually.

22 a. The maximum amount of tax credits granted to a taxpayer
23 shall not exceed five percent of the aggregate amount of tax
24 credits authorized.

25 ~~a.~~ b. Ten percent of the aggregate amount of tax credits
26 authorized in a calendar year shall be reserved for those
27 endowment gifts in amounts of thirty thousand dollars or less.
28 If by September 1 of a calendar year the entire ten percent of
29 the reserved tax credits is not distributed, the remaining tax
30 credits shall be available to any other eligible applicants.

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

1 Sec. 11. Section 99F.11, subsection 3, paragraph d,
2 subparagraph (3), Code 2013, is amended by striking the
3 subparagraph.

4 Sec. 12. EFFECTIVE UPON ENACTMENT. This division of this
5 Act, being deemed of immediate importance, takes effect upon
6 enactment.

7 Sec. 13. RETROACTIVE APPLICABILITY. This division of this
8 Act applies retroactively to January 1, 2012, for endow Iowa
9 tax credits authorized on or after that date and for endow Iowa
10 tax credit applications received on or after that date.

11 DIVISION IV

12 WITHHOLDING TAX DIVERSION

13 Sec. 14. NEW SECTION. 15.331 **Withholding tax payment**
14 **diversion.**

15 1. If the authority enters into an agreement pursuant to
16 this part, or pursuant to chapter 15E, division XVIII, for
17 any of the incentives or assistance provided under this part,
18 the authority and the eligible business may agree to credit
19 a portion of the withholding payments required under section
20 422.16 to the authority as provided in this section.

21 2. *a.* An eligible business entering into a withholding
22 agreement with the authority pursuant to this section shall
23 remit the total amount of withholding payments due pursuant to
24 section 422.16 to the department of revenue.

25 *b.* The department of revenue shall quarterly deposit in a
26 fund created pursuant to section 15.106A an amount equal to two
27 and one-half percent of the gross wages paid by the eligible
28 business to each employee holding a created or retained job
29 covered by an agreement entered into pursuant to this part or
30 chapter 15E, division XVIII. Moneys to be deposited pursuant
31 to this paragraph shall not be paid to the authority until
32 the correct amounts have been verified by the department of
33 revenue.

34 3. Withholding payments shall be deposited pursuant to this
35 section by the department of revenue for each employee holding

1 a created or retained job for the duration of the agreement
2 between the eligible business and the authority.

3 4. The authority and the eligible business shall provide
4 to the department of revenue any information necessary to
5 correctly process the diversion of withholding tax payments
6 pursuant to this section.

7 5. An employee holding a created or retained job shall
8 receive full credit for the amount withheld as provided in
9 section 422.16.

10 6. If a portion of the employee's gross wages are subject
11 to a withholding credit diversion under chapter 260E, chapter
12 260G, or section 403.19A, or a supplemental withholding
13 credit diversion under section 15E.197, then the withholding
14 payments shall be credited in the following order of priority,
15 regardless of when the agreement was entered into under this
16 section:

17 a. First, the withholding payments to be credited pursuant
18 to chapters 260E and 260G and section 15E.197.

19 b. Second, the withholding payments to be credited pursuant
20 to this section.

21 c. Third, the withholding payments to be credited pursuant
22 to section 403.19A.

23 7. The authority, in conjunction with the department of
24 revenue, shall adopt rules for the administration of this
25 section.

26 Sec. 15. EFFECTIVE UPON ENACTMENT. This division of this
27 Act, being deemed of immediate importance, takes effect upon
28 enactment.

29 Sec. 16. RETROACTIVE APPLICABILITY. This division of
30 this Act applies retroactively to July 1, 2012, for high
31 quality jobs program agreements and enterprise zone program
32 agreements entered into on or after that date, and for awards
33 of incentives or assistance made under those programs on or
34 after that date.

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DIVISION V

1 CITY DEVELOPMENT BOARD FEES

2 Sec. 17. Section 368.10, Code 2013, is amended to read as
3 follows:

4 **368.10 Rules — establishment of filing fees.**

5 The board may establish rules for the performance of its
6 duties and the conduct of proceedings before it. The rules
7 may include establishing filing fees for applications and
8 petitions submitted to the board. The amounts collected
9 from the establishment of such fees are appropriated to the
10 board for the purpose of reimbursing the economic development
11 authority for the budgeted costs of covering the board's
12 expenses as described in section 368.9, subsection 1. Any
13 amounts collected in a fiscal year by the board in excess of
14 such budgeted costs shall be deposited in the general fund of
15 the state. The board's rules are subject to chapter 17A, as
16 applicable.

17 EXPLANATION

18 This bill relates to the financial management of the
19 economic development authority (EDA) by authorizing and
20 creating fees, affecting the aggregate tax credit limit for
21 certain economic development programs and the tax credit
22 for the endow Iowa tax credit, authorizing the diversion of
23 withholding tax payments for certain programs, and by making
24 an appropriation.

25 COLLECTION OF FEES. Division I amends Code section
26 15.106B, relating to the program powers of the EDA, to allow
27 for the imposition and collection of fees from businesses or
28 individuals who receive financial assistance from the EDA under
29 Code chapter 15 or 15E. The fee amounts are to be determined
30 based on the EDA's costs of administering contracts under its
31 various economic development programs. The division also
32 allows the EDA to charge a fee for the use of its federal EB-5
33 immigrant investor regional center. The fees are required
34 to be deposited in a fund controlled by the EDA and are
35 appropriated to the EDA for economic development program

1 administration.

2 The division creates two compliance cost fees to be imposed
3 on all persons or entities that enter into an agreement with
4 the EDA under its high quality jobs program or enterprise zone
5 program. First, a one-time compliance cost fee of \$500 due
6 prior to the issuance of a tax incentive certificate or the
7 disbursement of financial assistance. Second, a compliance
8 cost fee equal to 0.5 percent of the value of tax incentives
9 claimed under any agreement that has an aggregate tax incentive
10 value of \$100,000 or greater, which fee is due after a tax
11 incentive is claimed from the department of revenue.

12 The division takes effect upon enactment and applies to
13 agreements entered into on or after the effective date of the
14 division.

15 AGGREGATE TAX CREDIT LIMITATION. Division II increases
16 the aggregate tax credit limit on EDA programs listed in
17 Code section 15.119 from \$120 million per fiscal year to
18 \$185 million per fiscal year. The division allows the EDA
19 to reallocate, authorize, and award for a fiscal year any
20 amount of tax credits that were previously awarded by the EDA,
21 provided the tax credit is irrevocably declined by the awarded
22 business before the close of the fiscal year which follows the
23 fiscal year in which it was awarded. Any amount of tax credits
24 reallocated, authorized, and awarded under this provision shall
25 not be included in the calculation of the aggregate tax credit
26 limit for the fiscal year.

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

33 The division takes effect upon enactment and applies
34 retroactively to July 1, 2012.

35 ENDOW IOWA TAX CREDIT LIMIT. Under current law, the amount

1 of endow Iowa tax credits that may be authorized in a calendar
2 year cannot exceed a total of \$3.5 million plus a certain
3 percentage of the wagering tax receipts as provided in Code
4 section 99F.11. Division III amends this annual limit to
5 provide that a maximum of \$5 million per calendar year may
6 be authorized and to provide that amounts collected from the
7 wagering tax pursuant to Code section 99F.11 will no longer be
8 used to fund the endow Iowa tax credit.

9 The division takes effect upon enactment and applies
10 retroactively to January 1, 2012, for endow Iowa tax credits
11 authorized on or after that date and for endow Iowa tax credit
12 applications received on or after that date.

13 WITHHOLDING TAX DIVERSION. Division IV provides for
14 a diversion of withholding tax to the EDA. The division
15 provides that the authority may enter into agreements with
16 recipients of financial assistance under the high quality jobs
17 program and the enterprise zones program that allow for the
18 diversion of withholding tax payments pursuant to Code section
19 422.16 from the department of revenue to the authority. The
20 diversion amount will be 2.5 percent of gross wages paid by
21 eligible businesses to each employee considered to be holding a
22 created or retained job. The division establishes a priority
23 withholding order if the employee's wages are subject to
24 another withholding diversion. The division provides that the
25 withholding diversion takes effect upon enactment and applies
26 retroactively to high quality jobs program agreements and
27 enterprise zone program agreements entered into on or after
28 July 1, 2012, and awards of incentives and assistance made
29 under those programs on or after July 1, 2012.

30 CITY DEVELOPMENT BOARD FEES. Under current law, the EDA
31 is required to provide office space and staff assistance to
32 the city development board created in Code section 368.9,
33 and to budget funds to cover expenses of the board. Also
34 under current law, the city development board is allowed to
35 impose fees upon applications and petitions submitted to the

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1 board. Division V appropriates the amounts collected from
2 those fees to the city development board for the purpose of
3 reimbursing the EDA for the budgeted costs of covering the
4 board's expenses. Any fees collected in a fiscal year by the
5 city development board in excess of such budgeted costs shall
6 be deposited in the general fund of the state.