

# House Study Bill 168 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HANUSA)

## A BILL FOR

1 An Act relating to the requirements and administration of the  
2 targeted jobs withholding credit pilot project and including  
3 applicability provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 403.19A, subsection 1, paragraphs c, e,  
2 f, and g, Code 2013, are amended to read as follows:

3 c. "*Employer*" means a business creating or retaining  
4 targeted jobs in an ~~urban renewal area~~ of a pilot project city  
5 pursuant to a withholding agreement.

6 e. "*Qualifying investment*" means a capital investment  
7 in real property including the purchase price of land and  
8 existing buildings, site preparation, building construction,  
9 and long-term lease costs. "*Qualifying investment*" also means a  
10 capital investment in depreciable assets. For purposes of this  
11 paragraph, "long-term lease costs" means those costs incurred or  
12 expected to be incurred under a lease during the duration of a  
13 withholding agreement.

14 f. "*Targeted job*" means a job in a business which is or  
15 will be located in an ~~urban renewal area~~ of a pilot project  
16 city that pays a wage at least equal to the countywide average  
17 wage. "*Targeted job*" includes new or retained jobs from Iowa  
18 business expansions or retentions within the city limits of the  
19 pilot project city and those jobs resulting from established  
20 out-of-state businesses, as defined by the economic development  
21 authority, moving to or expanding in Iowa.

22 g. "*Withholding agreement*" means the agreement between a  
23 pilot project city, the economic development authority, and  
24 an employer concerning the targeted jobs withholding credit  
25 authorized in subsection 3.

26 Sec. 2. Section 403.19A, subsection 1, Code 2013, is amended  
27 by adding the following new paragraph:

28 NEW PARAGRAPH. *Of.* "*Retained job*" means a full-time  
29 equivalent position in existence at the time an employer enters  
30 into a withholding agreement that remains continuously filled  
31 or authorized to be filled as soon as possible and that is  
32 at risk of elimination if the project for which the employer  
33 receives assistance under the withholding agreement does not  
34 proceed.

35 Sec. 3. Section 403.19A, subsection 3, paragraphs a, b, c,

1 and f, Code 2013, are amended to read as follows:

2     a. A pilot project city may provide by ~~ordinance~~ resolution  
3 for the deposit into a designated ~~account in the special~~  
4 withholding project fund described in section 403.19,  
5 ~~subsection 2,~~ of the targeted jobs withholding credit described  
6 in this section. The targeted jobs withholding credit shall  
7 be based upon the wages paid to employees pursuant to a  
8 withholding agreement.

9     b. An amount equal to three percent of the gross wages paid  
10 by an employer to each employee under a withholding agreement  
11 shall be credited from the payment made by the employer  
12 pursuant to section 422.16. If the amount of the withholding  
13 by the employer is less than three percent of the gross wages  
14 paid to the employees covered by the withholding agreement,  
15 the employer shall receive a credit against other withholding  
16 taxes due by the employer or may carry the credit forward for  
17 up to ten years or until depleted, whichever is the earlier.  
18 The employer shall remit the amount of the credit quarterly,  
19 in the same manner as withholding payments are reported to  
20 the department of revenue, to the pilot project city to be  
21 allocated to and when collected paid into a designated ~~account~~  
22 ~~in the special~~ withholding project fund for the urban renewal  
23 ~~area in which the targeted jobs are located~~ project. All  
24 amounts so deposited shall be used or pledged by the pilot  
25 project city for an ~~urban renewal~~ a project related to the  
26 employer pursuant to the withholding agreement.

27     c. (1) The pilot project city and the economic development  
28 authority shall enter into a withholding agreement with each  
29 employer concerning the targeted jobs withholding credit. The  
30 withholding agreement shall provide for the total amount of  
31 withholding credits awarded, as negotiated by the economic  
32 development authority, the pilot project city, and the  
33 employer. An agreement shall not provide for an amount of  
34 withholding credits that exceeds the amount of the qualifying  
35 investment made in the project. An agreement shall not be

1 entered into ~~by a pilot project city~~ with a business currently  
2 located in this state unless the business either creates or  
3 retains ten new jobs or makes a qualifying investment of at  
4 least five hundred thousand dollars within the ~~urban renewal~~  
5 area pilot project city. The withholding agreement may  
6 have a term of years negotiated by the economic development  
7 authority, the pilot project city, and the employer, of up  
8 to ten years. A withholding agreement specifying a term of  
9 years or a total amount of withholding credits shall terminate  
10 upon the expiration of the term of years specified in the  
11 agreement or upon the award of the total amount of withholding  
12 credits specified in the agreement, whichever occurs first. An  
13 employer shall not be obligated to enter into a withholding  
14 agreement. An agreement shall not be entered into with an  
15 employer not already located in a pilot project city when  
16 another Iowa community is competing for the same project and  
17 both the pilot project city and the other Iowa community are  
18 seeking assistance from the authority.

19 (2) The pilot project city and the economic development  
20 authority shall not enter into a withholding agreement after  
21 June 30, ~~2013~~ 2018.

22 (3) The employer, in conjunction with the pilot project  
23 city, shall provide on an annual basis to the economic  
24 development authority information documenting the total  
25 amount of payments and receipts under a withholding agreement,  
26 including all agreements with an employer to suspend, abate,  
27 exempt, rebate, refund, or reimburse property taxes, to provide  
28 a grant for property taxes paid or a grant not related to  
29 property taxes, or to make a direct payment of taxes, with  
30 moneys in the ~~special~~ withholding project fund. The economic  
31 development authority shall verify the information provided ~~by~~  
32 the pilot project city and determine whether the pilot project  
33 city and the employer are in compliance with this section and  
34 the rules adopted by the economic development authority to  
35 implement this section.

1       (4) The economic development authority board, on behalf of  
2 the authority, shall have the authority to approve or deny a  
3 withholding agreement and according to the provisions of this  
4 section. Each withholding agreement, and the total amount of  
5 withholding credits allowed under the withholding agreement,  
6 shall be approved by the economic development authority board  
7 after taking into account the incentives or assistance received  
8 by or to be received by the employer under other economic  
9 development programs. The economic development authority  
10 board shall only deny an agreement if the agreement fails to  
11 meet the requirements of this paragraph "c" or the local match  
12 requirements in paragraph "j", or if an employer is not in good  
13 standing as to prior or existing agreements with the economic  
14 development authority. The authority shall have the authority  
15 to negotiate a withholding agreement and may suggest changes to  
16 an any of the terms of the agreement.

17       *f.* If the economic development authority, following an  
18 eighteen-month performance period beginning on the date the  
19 withholding agreement is approved by the authority board,  
20 determines that the employer ceases to meet the requirements  
21 of the withholding agreement relating to retaining jobs, if  
22 applicable, the agreement shall be terminated by the economic  
23 development authority and the pilot project city and any  
24 withholding credits for the benefit of the employer shall  
25 cease. However, in regard to the number of jobs that are to  
26 be created or retained, if the employer has met the number of  
27 jobs to be created or retained pursuant to the withholding  
28 agreement and subsequently the number of jobs falls below the  
29 required level, the employer shall not be considered as not  
30 meeting the job requirement until eighteen months after the  
31 date of the decrease in the number of jobs created or retained.  
32 If the economic development authority, following a three-year  
33 performance period beginning on the date the withholding  
34 agreement is approved by the authority board, determines  
35 that the employer has not or is incapable of meeting the

1 requirements of the withholding agreement relating to creating  
2 jobs, if applicable, or the requirement of the withholding  
3 agreement relating to the qualifying investment prior to the  
4 end of the withholding agreement, the economic development  
5 authority may reduce the future benefits to the employer under  
6 the agreement or negotiate with the other parties to terminate  
7 the agreement early. Notice shall be provided promptly by  
8 the pilot project city to the department of revenue following  
9 termination of a withholding agreement.

10 Sec. 4. Section 403.19A, subsection 3, paragraph d,  
11 subparagraph (1), Code 2013, is amended to read as follows:

12 (1) A copy of the adopted local development agreement  
13 plan of between the pilot project city and the employer  
14 that outlines local incentives or assistance for the project  
15 using urban renewal or urban revitalization incentives, if  
16 applicable.

17 Sec. 5. Section 403.19A, subsection 3, Code 2013, is amended  
18 by adding the following new paragraph:

19 NEW PARAGRAPH. *Of.* Pursuant to rules adopted by the  
20 economic development authority, the pilot project city  
21 shall provide on an annual basis to the economic development  
22 authority information documenting the compliance of each  
23 employer with each requirement of the withholding agreement,  
24 including but not limited to the number of jobs created or  
25 retained and the amount of investment made by the employer.  
26 The economic development authority shall, in response to  
27 receiving such information from the pilot project city, assess  
28 the level of compliance by each employer and provide to the  
29 pilot project city recommendations for either maintaining  
30 employer compliance with the withholding agreement or  
31 terminating the agreement for noncompliance under paragraph  
32 "f". The economic development authority shall also provide each  
33 such assessment and recommendation report to the department of  
34 revenue.

35 Sec. 6. APPLICABILITY.

1 1. Except as provided in subsection 2, this Act applies to  
2 withholding agreements entered into on or after the effective  
3 date of this Act and withholding agreements entered into by  
4 a pilot project city prior to the effective date of this Act  
5 shall be governed by section 403.19A, Code 2013.

6 2. The section of this Act enacting section 403.19A,  
7 subsection 3, paragraph "0f", applies to withholding agreements  
8 entered into prior to the effective date of this Act or entered  
9 into on or after the effective date of this Act.

10

EXPLANATION

11 This bill modifies the targeted jobs withholding tax credit  
12 program, which is a pilot program enacted in 2006 to allow  
13 the diversion of withholding funds paid by an employer to be  
14 matched by a designated pilot project city to create economic  
15 incentives that can be directed toward businesses located  
16 within urban renewal areas in the city pursuant to the terms of  
17 a withholding agreement with a business and after approval of  
18 the agreement by the Iowa economic development authority.

19 The bill removes the requirement that an employer that is a  
20 party to a withholding agreement with a pilot project city be  
21 located in an urban renewal area. The bill removes a similar  
22 requirement relating to the definition of targeted job. The  
23 bill makes corresponding changes to Code section 403.19A to  
24 reflect the removal of the urban renewal area requirement,  
25 including providing that the targeted jobs withholding credits  
26 be deposited in a withholding project fund rather than the  
27 special fund established for urban renewal purposes.

28 The bill allows a pilot project city to provide for the  
29 deposit of the amount of the targeted jobs withholding credit  
30 into the city's withholding project fund by resolution, rather  
31 than by ordinance.

32 The bill provides a definition of long-term lease costs as  
33 part of the definition of qualifying investment under the pilot  
34 program and provides a definition of retained job.

35 Under current law, a pilot project city may not enter into a

1 withholding agreement after June 30, 2013. The bill adds the  
2 economic development authority to the list of required parties  
3 to a withholding agreement and prohibits a pilot project city  
4 and the economic development authority from entering into a  
5 withholding agreement after June 30, 2018. The bill specifies  
6 subject areas of a withholding agreement that may be negotiated  
7 by the parties and provides that a withholding agreement that  
8 specifies a term of years or a total amount of withholding  
9 credits shall terminate upon expiration of the term of years  
10 or upon the award of the total amount of withholding credits,  
11 whichever occurs first.

12 The bill requires the reporting of certain withholding  
13 agreement payment and receipt information by the employer,  
14 in conjunction with the pilot project city, and requires the  
15 economic development authority to verify such information and  
16 determine whether the pilot project city and the employer are  
17 in compliance with Code section 403.19A and rules adopted to  
18 implement that Code section.

19 The bill provides that the economic development authority  
20 board approves or denies a withholding agreement on behalf of  
21 the authority and specifies considerations to be made by the  
22 board in deciding whether to approve or deny a withholding  
23 agreement.

24 The bill establishes an 18-month performance period  
25 following which the economic development authority determines  
26 compliance with the job retention requirements of the  
27 withholding agreement, if applicable, establishes a three-year  
28 performance period following which the authority determines  
29 compliance with the job creation and investment requirements  
30 of the withholding agreement, and specifies the actions to  
31 be taken by the authority and the pilot project city after a  
32 determination of noncompliance.

33 Except as otherwise provided in the bill, the bill applies  
34 to withholding agreements entered into by a pilot project city  
35 on or after the effective date of the bill. The bill provides



1 that withholding agreements entered into by a pilot project  
2 city prior to the effective date of the bill shall be governed  
3 by Code section 403.19A, Code 2013. However, the section of  
4 the bill enacting Code section 403.19A(3)(0f), relating to  
5 compliance reporting, applies to withholding agreements entered  
6 into prior to, on, or after the effective date of the bill.