

**Senate File 122 - Introduced**

SENATE FILE 122

BY GRONSTAL

**A BILL FOR**

1 An Act relating to the targeted jobs withholding credit pilot  
2 project and including applicability provisions.

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

1 Section 1. Section 403.19A, subsection 1, paragraphs c and  
2 f, 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 f. "Targeted job" means a job in a business which is or  
7 will be located in an ~~urban renewal area~~ of a pilot project  
8 city that pays a wage at least equal to the countywide average  
9 wage. "Targeted job" includes new or retained jobs from Iowa  
10 business expansions or retentions within the city limits of the  
11 pilot project city and those jobs resulting from established  
12 out-of-state businesses, as defined by the economic development  
13 authority, moving to or expanding in Iowa.

14 Sec. 2. Section 403.19A, subsection 3, paragraphs a and b,  
15 Code 2013, are amended to read as follows:

16 a. A pilot project city may provide by ~~ordinance~~ resolution  
17 for the deposit into a designated ~~account in the special~~  
18 withholding project fund described in section 403.19,  
19 ~~subsection 2,~~ of the targeted jobs withholding credit described  
20 in this section. The targeted jobs withholding credit shall  
21 be based upon the wages paid to employees pursuant to a  
22 withholding agreement.

23 b. An amount equal to three percent of the gross wages paid  
24 by an employer to each employee under a withholding agreement  
25 shall be credited from the payment made by the employer  
26 pursuant to section 422.16. If the amount of the withholding  
27 by the employer is less than three percent of the gross wages  
28 paid to the employees covered by the withholding agreement,  
29 the employer shall receive a credit against other withholding  
30 taxes due by the employer or may carry the credit forward for  
31 up to ten years or until depleted, whichever is the earlier.  
32 The employer shall remit the amount of the credit quarterly,  
33 in the same manner as withholding payments are reported to  
34 the department of revenue, to the pilot project city to be  
35 allocated to and when collected paid into a designated ~~account~~

1 ~~in the special~~ withholding project fund for the ~~urban renewal~~  
2 ~~area in which the targeted jobs are located~~ project. All  
3 amounts so deposited shall be used or pledged by the pilot  
4 project city for an ~~urban renewal~~ a project related to the  
5 employer pursuant to the withholding agreement.

6 Sec. 3. Section 403.19A, subsection 3, paragraph c,  
7 subparagraphs (1), (2), and (3), Code 2013, are amended to read  
8 as follows:

9 (1) The pilot project city shall enter into a withholding  
10 agreement with each employer concerning the targeted jobs  
11 withholding credit. The withholding agreement shall provide  
12 for the total amount of withholding credits awarded. An  
13 agreement shall not provide for an amount of withholding  
14 credits that exceeds the amount of the qualifying investment  
15 made in the project. An agreement shall not be entered into by  
16 a pilot project city with a business currently located in this  
17 state unless the business either creates or retains ten new  
18 jobs or makes a qualifying investment of at least five hundred  
19 thousand dollars within the ~~urban renewal area~~ pilot project  
20 city. The withholding agreement may have a term of up to ten  
21 years. An employer shall not be obligated to enter into a  
22 withholding agreement. An agreement shall not be entered into  
23 with an employer not already located in a pilot project city  
24 when another Iowa community is competing for the same project  
25 and both the pilot project city and the other Iowa community  
26 are seeking assistance from the authority.

27 (2) The pilot project city shall not enter into a  
28 withholding agreement after June 30, ~~2013~~ 2018.

29 (3) The pilot project city shall provide on an annual basis  
30 to the economic development authority information documenting  
31 the total amount of payments and receipts under a withholding  
32 agreement, including all agreements with an employer to  
33 suspend, abate, exempt, rebate, refund, or reimburse property  
34 taxes, to provide a grant for property taxes paid or a grant  
35 not related to property taxes, or to make a direct payment of

1 taxes, with moneys in the ~~special~~ withholding project fund.  
2 The economic development authority shall verify the information  
3 provided by the pilot project city.

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

6 (1) A copy of the adopted local development agreement  
7 plan of between the pilot project city and the employer  
8 that outlines local incentives or assistance for the project  
9 using urban renewal or urban revitalization incentives, if  
10 applicable.

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

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

29 Sec. 6. Section 403.19A, subsection 3, paragraph f, Code  
30 2013, is amended to read as follows:

31 *f.* If the employer ceases to meet the requirements of the  
32 withholding agreement, the agreement shall be terminated by the  
33 pilot project city and any withholding credits for the benefit  
34 of the employer shall cease. However, in regard to the number  
35 of jobs that are to be created or retained, if the employer

1 has met the number of jobs to be created or retained pursuant  
2 to the withholding agreement and subsequently the number of  
3 jobs falls below the required level, the employer shall not be  
4 considered as not meeting the job requirement until eighteen  
5 months after the date of the decrease in the number of jobs  
6 created or retained. Notice shall be provided promptly to the  
7 department of revenue following termination.

8 Sec. 7. APPLICABILITY.

9 1. Except as provided in subsection 2, this Act applies to  
10 withholding agreements entered into by a pilot project city  
11 on or after the effective date of this Act and withholding  
12 agreements entered into by a pilot project city prior to  
13 the effective date of this Act shall be governed by section  
14 403.19A, Code 2013.

15 2. The following provisions of this Act apply to withholding  
16 agreements entered into prior to the effective date of this Act  
17 or entered into on or after the effective date of this Act:

18 a. The section of this Act amending section 403.19A,  
19 subsection 3, paragraph "f".

20 b. The section of this Act enacting section 403.19A,  
21 subsection 3, paragraph "0f".

22 EXPLANATION

23 This bill modifies the targeted jobs withholding tax credit  
24 program, which is a pilot program enacted in 2006 to allow  
25 the diversion of withholding funds paid by an employer to be  
26 matched by a designated pilot project city to create economic  
27 incentives that can be directed toward businesses located  
28 within urban renewal areas in the city pursuant to the terms of  
29 a withholding agreement with a business and after approval of  
30 the agreement by the Iowa economic development authority.

31 The bill removes the requirement that an employer that is a  
32 party to a withholding agreement with a pilot project city be  
33 located in an urban renewal area. The bill removes a similar  
34 requirement relating to the definition of targeted job. The  
35 bill makes corresponding changes to Code section 403.19A to

1 reflect the removal of the urban renewal area requirement,  
2 including providing that the targeted jobs withholding credits  
3 be deposited in a withholding project fund rather than the  
4 special fund established for urban renewal purposes.

5 The bill allows a pilot project city to provide for the  
6 deposit of the targeted jobs withholding credit into the  
7 city's withholding project fund by resolution, rather than by  
8 ordinance.

9 Under current law, a pilot project city may not enter into a  
10 withholding agreement after June 30, 2013. The bill extends  
11 that deadline to June 30, 2018.

12 The bill modifies the required contents of a withholding  
13 agreement and requires each pilot project city to provide  
14 on an annual basis to the economic development authority  
15 information documenting the compliance of each employer with  
16 each requirement of the withholding agreement, including but  
17 not limited to the number of jobs created or retained and the  
18 amount of investment made by the employer. The bill requires  
19 the economic development authority, in response to receiving  
20 such information from the pilot project city, to assess the  
21 level of compliance by each employer and provide to the pilot  
22 project city recommendations for either maintaining employer  
23 compliance with the withholding agreement or terminating  
24 the withholding agreement for noncompliance. The economic  
25 development authority must also provide each such assessment  
26 and recommendation report to the department of revenue.

27 The bill specifies that the pilot project city is required  
28 to terminate a withholding agreement if the employer ceases to  
29 meet the requirements of the agreement and also requires that  
30 the department of revenue be notified following termination.

31 Except as provided in the bill, the bill applies to  
32 withholding agreements entered into by a pilot project city on  
33 or after the effective date of the bill. The bill provides  
34 that withholding agreements entered into by a pilot project  
35 city prior to the effective date of the bill shall be governed

1 by Code section 403.19A, Code 2013. However, the section of  
2 the bill enacting Code section 403.19A(3)(0f), relating to  
3 compliance reporting and the section of the bill amending  
4 Code section 403.19A(3)(f), relating to authority of a city  
5 to terminate a withholding agreement, apply to withholding  
6 agreements entered into prior to the effective date of the bill  
7 on or after the effective date of the bill.