

**Senate Study Bill 1025 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED ECONOMIC  
DEVELOPMENT AUTHORITY BILL)

**A BILL FOR**

1 An Act relating to the administration of duties and programs by  
2 the economic development authority.

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

DIVISION I

CONTRACT ADMINISTRATION

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Section 1. Section 15.106B, subsection 4, paragraph c, Code 2013, is amended by striking the paragraph.

Sec. 2. Section 15.329, subsection 2, Code 2013, is amended to read as follows:

2. a. If the authority finds that a business has a record of violations of the law, including but not limited to antitrust, environmental, and worker safety statutes, rules, and regulations, that over a period of time that tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws, the business shall not qualify for economic development assistance under this part, unless except as provided in paragraph "b".

b. If the authority finds that the violations described in paragraph "a" did not seriously affect public health or, public safety, or the environment, or if it did, the authority finds that there were mitigating circumstances involved, the business may qualify for economic development assistance under this part, notwithstanding paragraph "a".

c. In making the findings and determinations regarding violations, mitigating circumstances, and whether the business is disqualified for economic development assistance under this part, the authority shall be exempt from chapter 17A.

Sec. 3. Section 15.330, unnumbered paragraph 1, Code 2013, is amended to read as follows:

A business shall enter into an agreement with the authority specifying the requirements that must be met to confirm eligibility pursuant to this part and the requirements that must be maintained throughout the period of the agreement in order to retain the incentives or financial assistance received. The authority shall consult with the community during negotiations relating to the agreement. The agreement shall contain, at a minimum, the following provisions:

Sec. 4. Section 15.330, subsection 2, Code 2013, is amended

1 to read as follows:

2 2. The repayment of incentives or financial assistance  
3 by the business if the business does not meet any of the  
4 requirements of this part or the resulting agreement. The  
5 repayment of incentives pursuant to this subsection shall be  
6 considered a tax payment due and payable to the department of  
7 revenue by any taxpayer who has claimed such incentives, and  
8 the failure to make such a repayment may be treated by the  
9 department of revenue in the same manner as a failure to pay  
10 the tax shown due or required to be shown due with the filing of  
11 a return or deposit form. In addition, the county shall have  
12 the authority to take action to recover the value of property  
13 taxes not collected as a result of the exemption provided to  
14 the business under this part.

15 Sec. 5. Section 15.333, subsection 1, Code 2013, is amended  
16 to read as follows:

17 1. An eligible business may claim a tax credit equal  
18 to a percentage of the new investment directly related to  
19 new jobs created or retained by the location or expansion  
20 of an eligible business under the program. The tax credit  
21 shall be amortized ~~equally over five calendar years~~ over the  
22 period of time determined by the authority and specified in  
23 the agreement entered into pursuant to section 15.330. The  
24 tax credit may be amortized in amounts negotiated with the  
25 authority. The tax credit shall be allowed against taxes  
26 imposed under chapter 422, division II, III, or V, and against  
27 the moneys and credits tax imposed in section 533.329. If the  
28 business is a partnership, S corporation, limited liability  
29 company, cooperative organized under chapter 501 and filing  
30 as a partnership for federal tax purposes, or estate or trust  
31 electing to have the income taxed directly to the individual,  
32 an individual may claim the tax credit allowed. The amount  
33 claimed by the individual shall be based upon the pro rata  
34 share of the individual's earnings of the partnership, S  
35 corporation, limited liability company, cooperative organized

1 under chapter 501 and filing as a partnership for federal  
2 tax purposes, or estate or trust. The percentage shall be  
3 determined as provided in section 15.335A. Any tax credit in  
4 excess of the tax liability for the tax year may be credited  
5 to the tax liability for the following seven years or until  
6 depleted, whichever occurs first.

7 DIVISION II

8 MICROENTERPRISES

9 Sec. 6. Section 15.102, subsections 5 and 9, Code 2013, are  
10 amended by striking the subsections.

11 Sec. 7. REPEAL. Section 15.240, Code 2013, is repealed.

12 DIVISION III

13 BROADBAND ACCESS GOVERNING BOARD

14 Sec. 8. 2009 Iowa Acts, chapter 173, section 13, subsection  
15 5, paragraphs b, c, and d, are amended by striking the  
16 paragraphs.

17 DIVISION IV

18 INDUSTRIAL PROPERTY TAX EXEMPTION APPROVALS

19 Sec. 9. Section 427B.1, subsection 1, Code 2013, is amended  
20 to read as follows:

21 1. A city council, or a county board of supervisors as  
22 authorized by section 427B.2, may provide by ordinance for  
23 a partial exemption from property taxation of the actual  
24 value added to industrial real estate by the new construction  
25 of industrial real estate, research-service facilities,  
26 warehouses, distribution centers and the acquisition of or  
27 improvement to machinery and equipment assessed as real estate  
28 pursuant to section 427A.1, subsection 1, paragraph "e". "New  
29 construction" means new buildings and structures and includes  
30 new buildings and structures which are constructed as additions  
31 to existing buildings and structures. "New construction" does  
32 not include reconstruction of an existing building or structure  
33 which does not constitute complete replacement of an existing  
34 building or structure or refitting of an existing building or  
35 structure, unless the reconstruction of an existing building

1 or structure is required due to economic obsolescence and the  
2 reconstruction is necessary to implement recognized industry  
3 standards for the manufacturing and processing of specific  
4 products and the reconstruction is required for the owner  
5 of the building or structure to continue to competitively  
6 manufacture or process those products which determination shall  
7 receive prior approval from the city council of the city or the  
8 board of supervisors of the county ~~upon the recommendation of~~  
9 ~~the economic development authority~~. The exemption shall also  
10 apply to new machinery and equipment assessed as real estate  
11 pursuant to section 427A.1, subsection 1, paragraph "e", unless  
12 the machinery or equipment is part of the normal replacement  
13 or operating process to maintain or expand the existing  
14 operational status. "*Research-service facilities*" means a  
15 building or group of buildings devoted primarily to research  
16 and development activities, including, but not limited to, the  
17 design and production or manufacture of prototype products for  
18 experimental use, and corporate-research services which do not  
19 have a primary purpose of providing on-site services to the  
20 public. "*Warehouse*" means a building or structure used as a  
21 public warehouse for the storage of goods pursuant to chapter  
22 554, article 7, except that it does not mean a building or  
23 structure used primarily to store raw agricultural products  
24 or from which goods are sold at retail. "*Distribution center*"  
25 means a building or structure used primarily for the storage  
26 of goods which are intended for subsequent shipment to retail  
27 outlets. "*Distribution center*" does not mean a building or  
28 structure used primarily to store raw agricultural products,  
29 used primarily by a manufacturer to store goods to be used in  
30 the manufacturing process, used primarily for the storage of  
31 petroleum products, or used for the retail sale of goods.

32 EXPLANATION

33 This bill relates to the administration of duties and  
34 programs of the economic development authority.

35 Division I of the bill eliminates the two-year limitation

1 on the length of a contract for services entered into by the  
2 authority.

3 Currently, a business is generally ineligible to receive  
4 economic development assistance under the high quality jobs  
5 program if the business has a record that tends to show  
6 a consistent pattern of violations of the law, including  
7 environmental and worker safety laws as well as violations  
8 of related rules and regulations. The division adds that  
9 a business is also ineligible for economic development  
10 assistance if the business engages in a pattern of antitrust  
11 violations or if a business's conduct in violating any laws,  
12 including environmental, worker safety, and antitrust laws is  
13 intentional, criminal, or reckless.

14 Current law requires that an agreement under the high  
15 quality jobs program for assistance or incentives entered into  
16 between the authority and a business include requirements for a  
17 business's eligibility for the incentives or assistance. The  
18 bill adds that the agreement must also include the requirements  
19 that a business receiving incentives or assistance must  
20 maintain throughout the period of the agreement. The authority  
21 must ensure that a business only receives the incentives or  
22 assistance if the business meets the initial eligibility  
23 requirements and maintains the program requirements throughout  
24 the agreement period.

25 Current law also provides that an agreement under the high  
26 quality jobs program must include the repayment of incentives  
27 or assistance by a business if a business does not meet  
28 the requirements in statute or the agreement. The division  
29 provides that the repayment of incentives, in this context, is  
30 a tax payment due and payable to the department of revenue by  
31 a taxpayer, and the taxpayer's failure to make the repayment  
32 may be treated by the department of revenue in the same manner  
33 as a failure to pay the tax shown or required to be shown  
34 due when filing a return or deposit form. The division also  
35 authorizes the county to recover property taxes exempted under

1 the agreement.

2 Under current law, an eligible business under the high  
3 quality jobs program may claim a tax credit equal to a  
4 percentage of the new investment directly related to new jobs  
5 created or retained by a location expansion of the eligible  
6 business. The tax credit is amortized equally over five  
7 calendar years. The division amends this provision to allow  
8 the authority and the eligible business to negotiate the amount  
9 of amortization, and the length of the amortization period  
10 would be described in the agreement entered into between the  
11 authority and the eligible business.

12 Division II of the bill eliminates the community  
13 microenterprise development organization grant program.

14 Division III of the bill eliminates the broadband access  
15 governing board created in 2009 Iowa Acts. The governing  
16 board was tasked with establishing a comprehensive plan for  
17 the deployment and sustainability of high-speed broadband  
18 access in areas capable of timely implementation of the  
19 access, establishing a competitive process for the disbursement  
20 of funds for such deployment and sustainability, making  
21 recommendations to the general assembly, and establishing and  
22 maintaining separate accounts for the use of certain proceeds.

23 Division IV of the bill relates to the economic development  
24 authority's approval of industrial property tax exemptions.  
25 The division eliminates the requirement that the economic  
26 development authority recommend prior approval of industrial  
27 property tax exemptions by local governments.