

Senate File 327 - Introduced

SENATE FILE 327

BY SMITH

A BILL FOR

1 An Act relating to the targeted jobs withholding tax credit
2 program by modifying the number and qualifications of cities
3 and types of businesses that may participate in the program,
4 and including applicability provisions.

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

1 Section 1. Section 403.19A, subsection 1, paragraph a, Code
2 2015, is amended to read as follows:

3 a. "Business" means ~~an~~ a manufacturing or industrial
4 enterprise that is located in this state and that is operated
5 for profit and under a single management. ~~"Business" includes~~
6 ~~professional services and industrial enterprises, including~~
7 ~~but not limited to medical treatment facilities, manufacturing~~
8 ~~facilities, corporate headquarters, and research facilities.~~
9 "Business" does not include a retail operation, professional
10 services, a government entity, or any other enterprise that
11 is not primarily engaged in manufacturing or industrial
12 operations, or a business which closes or substantially
13 reduces its operation in one area of this state and relocates
14 substantially the same operation to another area of this state.

15 Sec. 2. Section 403.19A, subsection 2, Code 2015, is amended
16 to read as follows:

17 2. a. An eligible city may apply for designation as a pilot
18 project city pursuant to this subsection. An eligible city is
19 a city that wholly contains three or more census tracts and is
20 located in a county meeting one of the following requirements:

- 21 (1) A county that borders Nebraska.
- 22 (2) A county that borders South Dakota.
- 23 (3) A county that borders a state other than Nebraska or
24 South Dakota.
- 25 (4) A county that borders Illinois.
- 26 (5) A county that borders Wisconsin.

27 b. (1) ~~The department of economic development authority~~
28 shall approve ~~four~~ six eligible cities as pilot project
29 cities, one pursuant to paragraph "a", subparagraph (1), one
30 pursuant to paragraph "a", subparagraph (2), ~~and~~ two pursuant
31 to paragraph "a", subparagraph (3), one pursuant to paragraph
32 "a", subparagraph (4), and one pursuant to paragraph "a",
33 subparagraph (5). The city approved pursuant to paragraph
34 "a", subparagraph (4), shall have a population of at least
35 eighty-five thousand six hundred residents but not more than

1 one hundred ten thousand residents, which city shall be located
 2 in a county with a population of at least one hundred twenty
 3 thousand residents but not more than one hundred seventy
 4 thousand residents, as determined by the 2010 certified
 5 federal census. The city approved pursuant to paragraph
 6 "a", subparagraph (5), shall have a population of at least
 7 fifty-five thousand residents but not more than sixty-five
 8 thousand residents, which city shall be located in a county
 9 with a population of at least ninety thousand residents but not
 10 more than ninety-seven thousand residents, as determined by
 11 the 2010 certified federal census. If two eligible cities are
 12 approved which are located in the same county and the county
 13 has a population of less than forty-five thousand, the two
 14 approved eligible cities shall be considered one pilot project
 15 city. If more than two cities meeting the requirements of
 16 paragraph "a", subparagraph (3), apply to be designated as
 17 a pilot project city, the ~~department of~~ economic development
 18 authority shall determine which two cities hold the most
 19 potential to create new jobs or generate the greatest capital
 20 within their areas. Applications from eligible cities seeking
 21 approval under paragraph "a", subparagraph (1), (2), or (3),
 22 filed on or after October 1, 2006, shall not be considered.
 23 Applications from eligible cities seeking approval under
 24 paragraph "a", subparagraph (4) or (5), filed on or after
 25 January 1, 2016, shall not be considered.

26 (2) If a pilot project city does not enter into a
 27 withholding agreement within one year of its approval as a
 28 pilot project city, the city shall lose its status as a pilot
 29 project city. If two pilot project cities are located in the
 30 same county, the loss of status by one pilot project city shall
 31 not cause the second pilot project city in the county to lose
 32 its status as a pilot project city. Upon such occurrence,
 33 the ~~department of~~ economic development authority shall take
 34 applications from other eligible cities to replace that city.
 35 Another city shall be designated within six months.

1 (3) On July 1, 2011, the economic development authority
2 shall assume responsibility for the administration of this
3 subsection.

4 Sec. 3. APPLICABILITY. The section of this Act amending
5 section 403.19A, subsection 1, applies to withholding
6 agreements entered into on or after July 1, 2015, and
7 withholding agreements entered into before July 1, 2015, shall
8 be governed by section 403.19A, subsection 1, Code 2015.

9 EXPLANATION

10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill relates to the targeted jobs withholding tax
13 credit pilot project, which is a program that allows pilot
14 project cities to enter into withholding agreements with
15 businesses that meet certain job creation, capital investment,
16 and private financial support requirements within the city.
17 Withholding agreements provide for the diversion of a certain
18 percentage of the gross wages paid by the business to the pilot
19 project city for a project related to the employer pursuant to
20 the agreement.

21 Under current law, the program is restricted to four pilot
22 project cities; one in a county bordering Nebraska, one in a
23 county bordering South Dakota, and two in counties bordering
24 states other than Nebraska or South Dakota. However, a county
25 with a population of less than 45,000 residents may count
26 two cities as one pilot project city. The current pilot
27 project cities are Sioux City, Fort Madison, Council Bluffs,
28 Burlington, and Keokuk.

29 The bill amends the requirement that eligible cities contain
30 three or more census tracts to specify that eligible cities
31 wholly contain three or more census tracts.

32 The bill allows two additional eligible cities to be
33 designated as pilot project cities, one from a county that
34 borders Illinois and one from a county that borders Wisconsin.
35 In order to qualify, the city bordering Illinois must have a

1 population of 86,500 to 110,000 residents, and must be located
2 in a county with a population of 120,000 to 170,000 residents,
3 as determined by the 2010 certified federal census. The city
4 bordering Wisconsin must have a population of 55,000 to 65,000
5 residents, and must be located in a county with a population of
6 90,000 to 97,000 residents, as determined by the 2010 certified
7 federal census. The bill allows applications from eligible
8 cities for designation as these pilot project cities to be
9 filed before January 1, 2016.

10 The bill also changes the types of businesses that are
11 eligible to enter into withholding agreements under the
12 program. Under current law, any business enterprise located in
13 Iowa and operated for profit and under single management may
14 qualify unless the business is a retail operation, government
15 entity, or is closing or substantially reducing its operations
16 in another area of the state.

17 The bill provides that only businesses that are
18 manufacturing or industrial enterprises located in Iowa
19 and operated for profit and under single management may
20 qualify under the program. Excluded are retail operations,
21 professional services, government entities, or any other
22 enterprise that is not primarily engaged in manufacturing or
23 industrial operations, or that is closing or substantially
24 reducing its operations in another area of the state. This
25 provision applies to withholding agreements entered into on or
26 after July 1, 2015.