

House File 772 - Introduced

HOUSE FILE 772

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 204)

A BILL FOR

1 An Act creating an empower rural Iowa Act to provide incentives
2 for broadband and workforce housing, and including
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
TITLE OF ACT

Section 1. TITLE OF ACT. This Act shall be known and may be cited as the "Empower Rural Iowa Act".

DIVISION II
BROADBAND

Sec. 2. Section 8B.1, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 4A. "*Facilitate*" means a communication service provider's ability to provide broadband service at or above the download and upload speeds specified in the definition of targeted service area in this section to a home, farm, school, or business within a commercially reasonable time and at a commercially reasonable price upon request by a consumer.

Sec. 3. Section 8B.1, subsection 12, Code 2019, is amended to read as follows:

12. "*Targeted service area*" means a United States census bureau census block located in this state, including any crop operation located within the census block, within which no communications service provider offers or facilitates broadband service at or above ~~twenty-five megabits per second of download speed and three megabits per second of upload speed as of July 1, 2015~~ the download and upload speeds identified by the federal communications commission pursuant to section 706 of the federal Telecommunications Act of 1996, as amended.

Sec. 4. Section 8B.10, subsection 1, Code 2019, is amended to read as follows:

1. The determination of whether a communications service provider offers or facilitates broadband service meeting the download or upload speeds specified in the definition of targeted service area in section 8B.1 shall be determined or ascertained by reference to broadband availability maps or data sources that are widely accepted for accuracy and available for public review and comment and that are identified

1 by the office by rule. The office shall periodically make
2 renewed determinations of whether a communications service
3 provider offers or facilitates broadband service at or above
4 the download or upload speeds specified in the definition of
5 targeted service area in section 8B.1, which shall, to the
6 extent updated maps and data sources are available at the time,
7 include making such determinations prior to each round of grant
8 applications solicited by the office pursuant to section 8B.11.

9 Sec. 5. Section 8B.11, subsection 1, Code 2019, is amended
10 to read as follows:

11 1. The office shall administer a broadband grant program
12 designed to award reduce or eliminate unserved and underserved
13 areas in the state, leveraging federal funds and public and
14 private partnerships where possible, by awarding grants to
15 communications service providers that reduce or eliminate
16 targeted service areas by installing broadband infrastructure
17 that facilitates broadband service in targeted service areas
18 at or above the download and upload speeds specified in
19 the definition of targeted service area in section 8B.1, in
20 accordance with this section.

21 Sec. 6. Section 8B.11, subsection 2, paragraph c, Code 2019,
22 is amended to read as follows:

23 c. Notwithstanding [section 8.33](#), moneys in the fund
24 that remain unencumbered or unobligated at the close of the
25 fiscal year shall not revert but shall remain available for
26 expenditure for the purposes designated until ~~the close of~~
27 ~~the succeeding fiscal year~~ three years following the last
28 day of the fiscal year in which the funds were originally
29 appropriated.

30 Sec. 7. Section 8B.11, subsection 3, Code 2019, is amended
31 to read as follows:

32 3. Communications service providers may apply to the office
33 for a grant pursuant to [this section](#) for the installation of
34 broadband infrastructure that facilitates broadband service at
35 ~~or above twenty-five megabits per second of download speed and~~

1 ~~three megabits per second of upload speed~~ in targeted service
2 areas at or above the download and upload speeds specified in
3 the definition of targeted service area in section 8B.1. The
4 office shall include representatives from schools, communities,
5 agriculture, industry, and other areas as appropriate to review
6 and recommend grant awards. The office shall conduct an
7 open application review process that includes an opportunity
8 for public comment on applications and ~~include~~ shall make
9 available a public internet site for applications, results, and
10 performance.

11 Sec. 8. Section 8B.11, subsection 4, Code 2019, is amended
12 to read as follows:

13 4. a. The office shall award grants on a competitive
14 basis for the installation of broadband infrastructure that
15 facilitates broadband service in targeted service areas at
16 or above the download and upload speeds specified in the
17 definition of targeted service area in section 8B.1, after
18 considering the following:

19 (1) The relative need for broadband infrastructure in the
20 area and the existing broadband service speeds, including
21 whether the project serves a rural area or areas.

22 (2) The applicant's total proposed budget for the project,
23 including the amount or percentage of local or federal matching
24 funds, if any, any funding obligations shared between public
25 and private entities, and the percentage of funding provided
26 directly from the applicant.

27 (3) The relative download and upload speeds of proposed
28 projects for all applicants.

29 (4) The specific product attributes resulting from the
30 proposed project, including technologies that provide higher
31 qualities of service, such as service levels, latency, and
32 other service attributes as determined by the office.

33 ~~(2)~~ (5) The percentage of the homes, farms, schools, and
34 businesses in the targeted service area that will be provided
35 access to broadband service.

1 ~~(3)~~ (6) The geographic diversity of the project areas of
2 all the applicants.

3 ~~(4)~~ (7) The economic impact of the project to the area.

4 ~~(5)~~ ~~The applicant's total proposed budget for the project,~~
5 ~~including the amount or percentage of local match, if any.~~

6 ~~(6)~~ (8) Other factors the office deems relevant.

7 b. In considering the factors listed in paragraph "a"
8 for awarding grants pursuant to this section, the office
9 shall afford the greatest weight to the factors described in
10 paragraph "a", subparagraphs (1) through (3).

11 ~~b.~~ c. Except as otherwise provided in this section, the
12 office shall not evaluate applications based on the office's
13 knowledge of the applicant except for the information provided
14 in obtained by the office during the application process or
15 period for public comment.

16 Sec. 9. Section 8B.11, subsections 7 and 8, Code 2019, are
17 amended to read as follows:

18 7. The office shall not award a grant pursuant to this
19 section on or after July 1, ~~2020~~ 2025.

20 8. The office ~~shall~~ may adopt rules pursuant to chapter 17A
21 interpreting this chapter or necessary for administering this
22 chapter, including but not limited to rules relating to the
23 broadband grant program process, management, and measurements
24 as deemed necessary by the office.

25 Sec. 10. Section 8B.11, Code 2019, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 9. The office shall adopt rules
28 establishing procedures to allow aggrieved applicants an
29 opportunity to challenge the office's award of grants under
30 this section.

31 Sec. 11. Section 427.1, subsection 40, paragraphs a and b,
32 Code 2019, are amended to read as follows:

33 a. The owner of broadband infrastructure shall be entitled
34 to an exemption from taxation to the extent provided in this
35 subsection for assessment years beginning before January 1,

1 ~~2022~~ 2027. ~~For the purposes of~~ Unless the context otherwise
2 requires, the words and phrases used in this subsection,
3 ~~"broadband infrastructure" and "targeted service area" mean the~~
4 ~~same as~~ shall have the same meaning as the words and phrases
5 used in chapter 8B, including but not limited to the words and
6 phrases defined in section 8B.1.

7 *b.* The exemption shall apply to the installation of
8 broadband infrastructure that facilitates broadband service
9 at or above ~~twenty-five megabits per second of download speed~~
10 ~~and three megabits per second of upload speed~~ the download
11 and upload speeds specified in the definition of targeted
12 service area in section 8B.1 commenced and completed on or
13 after July 1, 2015, and before July 1, ~~2020~~ 2025, in a targeted
14 service area, and used to deliver internet services to the
15 public. A person claiming an exemption under this subsection
16 shall certify to the local assessor prior to commencement of
17 the installation that the ~~broadband~~ installation of broadband
18 infrastructure will take place facilitate broadband service
19 at or above the download and upload speeds specified in the
20 definition of targeted service area in section 8B.1 within a
21 targeted service area and shall specify the current number of
22 homes, farms, schools, and businesses in the targeted service
23 area that were offered broadband service and the download and
24 upload speeds available prior to the broadband infrastructure
25 installation for which the exemption is claimed and the number
26 of homes, farms, schools, and businesses in the targeted
27 service area that will be offered broadband service and the
28 download and upload speeds that will be available as a result
29 of installation of the broadband infrastructure for which the
30 exemption is claimed.

31 Sec. 12. Section 427.1, subsection 40, paragraph f,
32 subparagraph (1), subparagraph division (d), Code 2019, is
33 amended to read as follows:

34 (d) Certification from the office of the chief information
35 officer pursuant to section 8B.10 that the installation ~~is~~

1 ~~being performed or was completed~~ will facilitate broadband
2 service at or above the download and upload speeds specified
3 in the definition of targeted service area in section 8B.1 in
4 a targeted service area. ~~Certification from the office of~~
5 ~~the chief information officer that broadband infrastructure~~
6 ~~installed in a targeted service area facilitates broadband~~
7 ~~service at or above twenty-five megabits per second of download~~
8 ~~speed and three megabits per second of upload speed.~~

9 Sec. 13. Section 427.1, subsection 40, paragraph i, Code
10 2019, is amended to read as follows:

11 *i.* ~~This subsection~~ is repealed July 1, ~~2024~~ 2030.

12 DIVISION III

13 WORKFORCE HOUSING TAX INCENTIVE PROGRAM

14 Sec. 14. Section 15.119, subsection 2, paragraph g, Code
15 2019, is amended to read as follows:

16 *g.* The workforce housing tax incentives program administered
17 pursuant to sections 15.351 through 15.356. In allocating
18 tax credits pursuant to this subsection, the authority shall
19 not allocate more than ~~twenty~~ twenty-five million dollars for
20 purposes of this paragraph. Of the moneys allocated under
21 this paragraph, ~~five~~ ten million dollars shall be reserved for
22 allocation to qualified housing projects in small cities, as
23 defined in section 15.352, that are registered on or after July
24 1, 2017.

25 Sec. 15. Section 15.352, subsection 10, Code 2019, is
26 amended to read as follows:

27 10. "*Small city*" means any city or township located in this
28 state, except those located wholly within one or more of the
29 eleven most populous counties in the state, as determined by
30 the most recent federal decennial census population estimates
31 issued by the United States bureau of census. ~~For the purposes~~
32 ~~of this part, a small city that is located in more than one~~
33 ~~county shall be considered to be located in the county having~~
34 ~~the greatest taxable base within the small city.~~

35 Sec. 16. Section 15.354, subsection 1, paragraph a, Code

1 2019, is amended to read as follows:

2 *a.* A housing business seeking workforce housing tax
3 incentives provided in [section 15.355](#) shall make application to
4 the authority in the manner prescribed by the authority. The
5 authority may accept applications ~~on a continuous basis during~~
6 one or more annual application periods to be determined by the
7 authority by rule.

8 Sec. 17. Section 15.354, subsection 2, Code 2019, is amended
9 to read as follows:

10 *2. Registration. Application review — tax incentive award.*

11 *a.* All completed applications shall be reviewed and scored
12 on a competitive basis by the authority pursuant to rules
13 adopted by the authority.

14 ~~*a. b.* Upon review of the application, the authority~~
15 ~~may register the housing project under the program. If the~~
16 ~~authority registers the housing project, the authority shall~~
17 ~~make a preliminary determination as to the amount of tax~~
18 ~~incentives for which the housing project qualifies and scoring~~
19 ~~of all applications received during an application period, the~~
20 ~~authority may make a tax incentive award to a housing project,~~
21 ~~which tax incentive award shall represent the maximum amount of~~
22 ~~tax incentives the housing project may qualify for under the~~
23 ~~program. In determining a tax incentive award, the authority~~
24 ~~shall not use an amount of project costs that exceeds the~~
25 ~~amount included in the application of the housing business.~~
26 ~~Tax incentive awards shall be approved by the director of the~~
27 ~~authority.~~

28 ~~*b. c.* After registering the housing project making a~~
29 ~~tax incentive award, the authority shall notify the housing~~
30 ~~business of successful registration under the program its tax~~
31 ~~incentive award. The notification shall include the amount~~
32 ~~of tax incentives under [section 15.355](#) for which the housing~~
33 ~~business has received preliminary approval an award and a~~
34 ~~statement that the amount is a preliminary determination only~~
35 ~~housing business has no right to receive a tax incentive~~

1 certificate or claim a tax incentive until all requirements
2 of the program, including all requirements imposed by the
3 agreement entered into pursuant to subsection 3, are satisfied.
4 The amount of tax credits included on a tax credit certificate
5 issued pursuant to [this section](#), or a claim for refund of sales
6 and use taxes, shall be contingent upon completion of the all
7 requirements in [subsection 3](#).

8 d. An applicant that does not receive a tax incentive award
9 during an application period may make additional applications
10 during subsequent application periods. Such applicant shall be
11 required to submit a new application and shall be competitively
12 reviewed and scored in the same manner as other applicants in
13 that application period.

14 Sec. 18. Section 15.354, subsection 3, paragraphs a and e,
15 Code 2019, are amended to read as follows:

16 a. Upon ~~successful registration of~~ receipt of a tax
17 incentive award by the housing project, the housing business
18 shall enter into an agreement with the authority for the
19 successful completion of all requirements of the program. The
20 agreement shall identify the tax incentive award amount, the
21 tax incentive award date, the project completion deadline, and
22 the total costs of the housing project.

23 e. (1) Upon review of the examination and verification
24 of the amount of the qualifying new investment, the authority
25 may notify the housing business of the amount that the housing
26 business may claim as a refund of the sales and use tax under
27 section 15.355, subsection 2, and may issue a tax credit
28 certificate to the housing business stating the amount of
29 workforce housing investment tax credits under [section 15.355](#),
30 subsection 3, the eligible housing business may claim. The
31 sum of the amount that the housing business may claim as a
32 refund of the sales and use tax and the amount of the tax credit
33 certificate shall not exceed the amount of the tax incentive
34 award.

35 (2) If upon review of the examination in subparagraph

1 (1) the authority determines that a housing project has
2 incurred project costs in excess of the amount submitted in the
3 application made pursuant to subsection 1 and identified in the
4 agreement, the authority shall do one of the following:

5 (a) If the project costs do not cause the housing project's
6 average dwelling unit cost to exceed the applicable maximum
7 amount authorized in section 15.353, subsection 3, the
8 authority may consider the agreement fulfilled and may issue a
9 tax credit certificate.

10 (b) If the project costs cause the housing project's
11 average dwelling unit cost to exceed the applicable maximum
12 amount authorized in section 15.353, subsection 3, but does not
13 cause the average dwelling unit cost to exceed one hundred ten
14 percent of such applicable maximum amount, the authority may
15 consider the agreement fulfilled and may issue a tax credit
16 certificate. In such case, the authority shall reduce the tax
17 incentive award and the corresponding amount of tax incentives
18 the eligible housing project may claim under section 15.355,
19 subsections 2 and 3, by the same percentage that the housing
20 project's average dwelling unit cost exceeds the applicable
21 maximum amount under section 15.353, subsection 3, and such
22 tax incentive reduction shall be reflected on the tax credit
23 certificate. If the authority issues a certificate pursuant
24 to this subparagraph division, the department of revenue
25 shall accept the certificate notwithstanding that the housing
26 project's average dwelling unit costs exceeds the maximum
27 amount specified in section 15.353, subsection 3.

28 (c) If the project costs cause the housing project's
29 average dwelling unit cost to exceed one hundred ten percent
30 of the applicable maximum amount authorized in section 15.353,
31 subsection 3, the authority shall determine the eligible
32 housing business to be in default under the agreement, shall
33 revoke the tax incentive award, and shall not issue a tax
34 credit certificate. The housing business shall not be allowed
35 a refund of sales and use tax under section 15.355, subsection

1 2.

2 Sec. 19. Section 15.354, subsection 4, Code 2019, is amended
3 by striking the subsection and inserting in lieu thereof the
4 following:

5 4. *Maximum tax incentives amount.*

6 a. (1) For fiscal years beginning on or after July 1, 2019,
7 the authority shall not award in any fiscal year an amount of
8 tax incentives for housing projects located in small cities, or
9 for other housing projects, in excess of the amounts allocated
10 for each category in section 15.119, subsection 2, paragraph
11 "g". This paragraph "a" applies to housing projects awarded tax
12 incentives pursuant to subsection 2 on or after July 1, 2019,
13 and to housing projects registered prior to July 1, 2019, under
14 section 15.354, subsection 2, Code 2019.

15 (2) Notwithstanding subparagraph (1), and section 15.119,
16 subsection 2, paragraph "g", if the sum of the amount of tax
17 incentives applied for in valid applications submitted in a
18 given fiscal year beginning on or after July 1, 2019, for
19 housing projects located in small cities, plus the amount
20 of tax incentives eligible for issuance to housing projects
21 located in small cities that were registered prior to July
22 1, 2019, under section 15.354, subsection 2, Code 2019, does
23 not exceed the amount reserved for housing projects located
24 in small cities pursuant to section 15.119, subsection 2,
25 paragraph "g", the authority may award the remaining amount of
26 tax incentives reserved for housing projects located in small
27 cities to other housing projects during that same fiscal year.

28 (3) Notwithstanding subparagraph (1), and section 15.119,
29 subsection 2, paragraph "g", the authority may award during a
30 fiscal year an aggregate amount of tax incentives to housing
31 projects located in small cities that is less than the amount
32 reserved for allocation to small cities under section 15.119,
33 subsection 2, paragraph "g", provided the difference between
34 the amount of the small city reservation and the aggregate
35 amount actually awarded to small cities during that fiscal year

1 is awarded during that same fiscal year to housing projects
2 registered prior to July 1, 2018.

3 *b.* With regard to a housing project registered prior to
4 July 1, 2019, a tax incentive shall be considered awarded for
5 purposes of paragraph "a" when the authority enters into an
6 agreement with the housing business for that housing project
7 as provided under section 15.354, subsection 3, Code 2019.
8 Notwithstanding any provision of law to the contrary, a housing
9 business shall have no right to enter into an agreement with
10 the authority for a housing project registered prior to July 1,
11 2019, until the authority allocates an amount of tax incentives
12 to the housing project and notifies the housing business
13 that the authority is prepared to execute the agreement
14 and make a tax incentive award for the housing project. A
15 housing business shall have no right to receive a tax credit
16 certificate or claim a tax incentive for a housing project
17 registered prior to July 1, 2019, until the housing business
18 enters into an agreement with the authority.

19 *c.* In making tax incentive awards during any fiscal year
20 in which there are housing projects registered prior to July
21 1, 2019, which are eligible to receive tax incentives under
22 the program, the authority shall give priority in making tax
23 incentive awards to housing projects registered prior to July
24 1, 2019. The authority shall create and maintain a wait list
25 of housing projects registered prior to July 1, 2019, and such
26 housing projects shall be placed on the wait list in the order
27 the housing projects were registered.

28 *d.* The maximum aggregate amount of tax incentives that
29 may be awarded and issued under section 15.355 to a housing
30 business for a housing project shall not exceed one million
31 dollars.

32 *e.* If a housing business qualifies for a higher amount
33 of tax incentives under section 15.355 than is allowed by
34 the limitation imposed in paragraph "d", the authority and
35 the housing business may negotiate an apportionment of the

1 reduction in tax incentives between the sales tax refund
2 provided in section 15.355, subsection 2, and the workforce
3 housing investment tax credits provided in section 15.355,
4 subsection 3, provided the total aggregate amount of tax
5 incentives after the apportioned reduction does not exceed the
6 amount in paragraph `d`.

7 *f.* The authority shall issue tax incentives under the
8 program on a first-come, first-served basis until the maximum
9 amount of tax incentives allocated under section 15.119,
10 subsection 2, paragraph `g`, is reached. The authority shall
11 maintain a list of housing projects registered prior to July
12 1, 2019, and of housing projects awarded tax incentives on or
13 after July 1, 2019, so that if the maximum aggregate amount
14 of tax incentives is reached in a given fiscal year, such
15 registered housing projects that were completed but for which
16 tax incentives were not issued, and such housing projects that
17 were completed and are awarded tax incentives but for which tax
18 incentives have not been issued, shall be placed on a wait list
19 in the order the housing projects were registered or awarded
20 tax incentives and shall be given priority for receiving tax
21 incentives in succeeding fiscal years.

22 Sec. 20. Section 15.354, subsection 5, Code 2019, is amended
23 to read as follows:

24 5. *Termination and repayment.* The failure by a housing
25 business in completing a housing project to comply with any
26 requirement of this program or any of the terms and obligations
27 of an agreement entered into pursuant to [this section](#) may
28 result in the revocation, reduction, termination, or rescission
29 of the tax incentive award or the approved tax incentives and
30 may subject the housing business to the repayment or recapture
31 of tax incentives claimed under [section 15.355](#). The repayment
32 or recapture of tax incentives pursuant to [this section](#) shall
33 be accomplished in the same manner as provided in section
34 15.330, subsection 2.

35 Sec. 21. Section 15.355, subsection 2, Code 2019, is amended

1 to read as follows:

2 2. A housing business may claim a refund of the sales and
3 use taxes paid under chapter 423 that are directly related to
4 a housing project and specified in the agreement. The refund
5 available pursuant to this subsection shall be as provided in
6 section 15.331A, excluding subsection 2, paragraph "c", of
7 that section. For purposes of the program, the term "*project*
8 *completion*", as used in section 15.331A, shall mean the date on
9 which the authority notifies the department of revenue that all
10 applicable requirements of an agreement entered into pursuant
11 to section 15.354 are satisfied.

12 Sec. 22. Section 15.355, subsection 3, paragraph a,
13 subparagraphs (1) and (2), Code 2019, are amended to read as
14 follows:

15 (1) For a housing project not located in a small city, ten
16 percent of the qualifying new investment of a housing project
17 specified in the agreement.

18 (2) For a housing project located in a small city, twenty
19 percent of the qualifying new investment of a housing project
20 specified in the agreement.

21 Sec. 23. WORKFORCE HOUSING TAX INCENTIVES PROGRAM — FISCAL
22 YEAR 2019-2020. Notwithstanding section 15.119, subsection 2,
23 paragraph "g", for the fiscal year beginning July 1, 2019, and
24 ending June 30, 2020, all moneys allocated pursuant to section
25 15.119, subsection 2, paragraph "g", shall be allocated by the
26 economic development authority to qualified housing projects
27 in small cities, as defined in section 15.352, that were
28 registered prior to July 1, 2019. If the sum of the amount of
29 tax incentives allocated in the fiscal year beginning July 1,
30 2019, and ending June 30, 2020, for housing projects located in
31 small cities that were registered prior to July 1, 2019, does
32 not exceed the moneys that may be allocated pursuant to section
33 15.119, subsection 2, paragraph "g", the authority may allocate
34 the remaining moneys to other qualified housing projects that
35 were registered prior to July 1, 2019.

1 removes references to the specified download and upload speeds
2 and date throughout Code chapter 8B and instead references
3 the download and upload speeds identified by the federal
4 communications commission (FCC) pursuant to federal law. The
5 bill also provides a new definition for "facilitate" in Code
6 section 8B.1, as described in the bill.

7 Current law provides that the determination of whether a
8 communications service provider facilitates broadband service
9 meeting the requisite download or upload speeds shall be
10 ascertained by reference to certain broadband availability
11 maps or data sources identified by the OCIO by rule. The bill
12 requires the OCIO to periodically make renewed determinations
13 of whether such a provider facilitates broadband service
14 at or above the requisite speeds, including making such
15 determinations prior to each round of grant applications.

16 Current law allows unencumbered or unobligated moneys
17 remaining in the broadband grant fund at the close of the
18 fiscal year to remain available for use until the close of the
19 succeeding fiscal year. The bill instead provides that such
20 moneys shall remain available until three years following the
21 last day of the fiscal year in which the funds were originally
22 appropriated.

23 The bill requires the OCIO open application review process
24 to include an opportunity for public comment on applications.

25 Current law provides certain factors for the OCIO to
26 consider in awarding grants on a competitive basis. The bill
27 modifies such factors for the OCIO to consider in awarding
28 grants and provides that the OCIO shall afford the greatest
29 weight to certain factors, as described in the bill.

30 Current law requires the OCIO to evaluate applications for
31 broadband grants only pursuant to the information provided
32 in an application. The bill allows the OCIO to consider any
33 information obtained during the application process or period
34 for public comment.

35 The bill extends the OCIO broadband grant program from July

1 1, 2020, to July 1, 2025.

2 Current law requires the OCIO to adopt rules related to the
3 broadband grant program. The bill instead provides the OCIO
4 with discretion to adopt rules deemed necessary to interpret
5 or administer Code chapter 8B, including but not limited to
6 rules relating to the broadband grant program. However, the
7 bill requires the OCIO to adopt rules establishing procedures
8 to allow aggrieved applicants an opportunity to challenge
9 broadband grant awards.

10 Current Code section 427.1(40) provides owners of broadband
11 infrastructure an exemption from property tax under Code
12 chapter 427, for installations of broadband infrastructure
13 that facilitate broadband service at or above the download and
14 upload speeds specified in Code chapter 8B in targeted service
15 areas commenced and completed on or after July 1, 2015, and
16 before July 1, 2020, for assessment years beginning before
17 January 1, 2022.

18 The bill provides that the words and phrases used in Code
19 section 427.1(40) shall have the same meaning as used in
20 Code chapter 8B, including but not limited to the words and
21 phrases defined in Code section 8B.1. The bill extends the
22 property tax exemption for broadband infrastructure to apply
23 to installations commenced and completed on or after July 1,
24 2015, and before July 1, 2025, for assessment years beginning
25 before January 1, 2027. The bill removes references to the
26 specified download and upload speeds throughout Code section
27 427.1(40) and instead includes by reference the download and
28 upload speeds identified by the FCC. The bill requires a
29 person claiming an exemption to certify that the broadband
30 installation will facilitate broadband service within a
31 targeted service area at or above the download and upload
32 speeds identified by the FCC. The bill extends the future
33 repeal date of Code section 427.1(40) from July 1, 2024, to
34 July 1, 2030.

35 DIVISION III — WORKFORCE HOUSING TAX INCENTIVE PROGRAM.

1 Division III of the bill modifies the workforce housing tax
2 incentives program.

3 BACKGROUND. Current law provides that the workforce housing
4 tax incentive program (program) administered by the economic
5 development authority (authority) makes tax incentives in the
6 form of investment tax credits and sales and use tax refunds
7 available to housing businesses that complete certain housing
8 projects in Iowa. In order to receive tax incentives, a
9 housing business must apply to the authority and have its
10 housing project registered by the authority, and then must
11 enter into an agreement with the authority (tax incentive
12 agreement) for the successful completion of all requirements
13 of the program. Current law requires a housing business to
14 complete its housing project within three years from the date
15 the housing project is registered by the authority. Upon
16 application by the housing business prior to expiration of the
17 three years, and at the authority's discretion, a one-time,
18 12-month extension may be granted. If the housing project
19 is completed and properly examined by a certified public
20 accountant, and all other requirements of the tax incentive
21 agreement and the program are satisfied, the authority may
22 issue a tax credit certificate and the housing business may
23 claim the tax incentives for which it qualifies under the
24 program. Currently, the total tax incentives issued under the
25 program per fiscal year cannot exceed \$20 million. Of that
26 \$20 million annual cap, \$5 million must be reserved for tax
27 incentives issued to housing projects located in small cities,
28 as defined under the program. The program also limits the
29 maximum amount of tax incentives that may be issued per housing
30 project to \$1 million. Current law requires the authority
31 to issue tax incentives under the program on a first-come,
32 first-served basis, and in the event the total tax incentives
33 for all registered housing projects completed in a fiscal year
34 exceeds an annual cap, the authority is required to maintain a
35 wait list of completed housing projects, and give those housing

1 projects priority for being issued tax incentives in subsequent
2 fiscal years.

3 BILL CHANGES. The bill amends current law relating to the
4 acceptance of housing project applications by the authority.
5 Current law states that the authority may accept applications
6 on a continuous basis. The bill requires the authority to
7 accept applications during one or more application periods, and
8 provides that housing project applications shall be reviewed
9 and scored on a competitive basis by the authority pursuant to
10 rules adopted by the authority.

11 The bill removes registration of housing projects from the
12 program, and provides that the authority may make tax incentive
13 awards to housing projects. Tax incentive awards shall be
14 subject to the approval of the director of the authority.
15 Applicants who do not receive a tax incentive award are
16 authorized under the bill to make additional applications for
17 that housing project during subsequent application periods. In
18 determining the tax incentive award of a particular housing
19 project, the bill prohibits the authority from using an amount
20 of housing project costs that exceeds the amount included in
21 the housing project application.

22 The bill requires the authority to notify the housing
23 business of its tax incentive award. The notification must
24 include a statement that the housing business has no right to
25 receive a tax incentive certificate or claim a tax incentive
26 until all requirements of the program and the tax incentive
27 agreement are satisfied.

28 The bill amends the requirements related to the tax
29 incentive agreement entered into by the authority and a housing
30 business to provide that such agreement shall identify the
31 tax incentive award amount, the tax incentive award date, the
32 project completion deadline, and the total costs of the housing
33 project.

34 The bill provides that after review of the examination of
35 the housing project and verification of the qualifying new

1 investment, the authority may notify the housing business of
2 the amount that the housing business may claim as a refund of
3 the sales and use tax under Code section 15.355(2) and may
4 issue a tax credit certificate to the housing business that
5 states the workforce housing investment tax credits that the
6 housing business may claim. The sum of the sales and use tax
7 refund and the amount of the workforce housing investment tax
8 credits cannot exceed the amount of the tax incentive award.

9 The bill also amends the definition of "small city" for
10 purposes of the program. Under current law, the definition of
11 "small city" includes any city or township not located within
12 the 11 most populous counties in the state. If a city is
13 located in more than one county, it is considered to be located
14 in the county having the greatest taxable base within the city.
15 Under the bill, "small city" includes any city or township
16 not located wholly within one or more of the 11 most populous
17 counties in the state, so that any city or township located
18 in whole or in part in one of the 88 least populated counties
19 in Iowa will qualify as a small city under the program. The
20 definition is also amended to provide that population is
21 computed using the most recent population estimates issued by
22 the United States census bureau, instead of the most recent
23 federal decennial census.

24 The bill amends requirements relating to the termination
25 and repayment of tax incentives for failure to comply with
26 the requirements of the program to provide that such failures
27 to comply may also result in the revocation of the tax
28 incentive award. Current law provides only for the reduction,
29 termination, or rescission of an approved tax incentive for
30 failure to comply with the requirements of the program.

31 The bill amends language relating to the calculation of the
32 amount of tax incentives for which a housing project qualifies.
33 Under current law, the amount of the sales and use tax refunds
34 is calculated using the taxes directly related to a housing
35 project, and the amount of the investment tax credits is

1 calculated using a percentage of the qualifying new investment
2 of the housing project. The bill provides that these amounts
3 of taxes or qualifying new investment will only be used in the
4 tax incentive calculation to the extent they were specified in
5 the tax incentive agreement entered into by the authority and
6 the housing business.

7 The program changes described above apply to housing
8 projects that receive a tax incentive award on or after July 1,
9 2019. Housing projects registered prior to July 1, 2019, shall
10 be governed by current law.

11 The bill provides that the authority shall not award more
12 than \$25 million in tax incentives each fiscal year beginning
13 on or after July 1, 2019, and \$10 million of that total cap
14 shall be reserved each fiscal year for tax incentive awards
15 made to housing projects located in small cities. For housing
16 projects registered prior to July 1, 2019, the bill states that
17 a tax incentive will be considered awarded when the authority
18 enters into a tax incentive agreement for that housing project
19 as provided under current law, and the bill prohibits a housing
20 business from entering into a tax incentive agreement for such
21 a housing project until the authority allocates tax incentives
22 to that housing project and notifies the housing business that
23 the authority is prepared to execute a tax incentive agreement.
24 The bill also provides that a housing business shall have
25 no right to receive a tax credit certificate or claim a tax
26 incentive for a housing project registered prior to July 1,
27 2019, until the housing business enters into a tax incentive
28 agreement with the authority.

29 The bill provides two exceptions to the \$10 million per year
30 tax incentive reservation for housing projects in small cities.
31 First, if the sum of the amount of tax incentive applications
32 received for housing projects in small cities during a fiscal
33 year, plus the amount of tax incentives eligible for issuance
34 during that same fiscal year to housing projects in small
35 cities registered prior to July 1, 2019, does not exceed \$10

1 million, the authority may award the difference to other
2 housing projects during that same fiscal year. Second, the
3 authority may award less than \$10 million of tax incentives to
4 housing projects in small cities during a fiscal year if the
5 difference between the \$10 million cap and the amount actually
6 awarded to housing projects in small cities is awarded during
7 the same fiscal year to housing projects registered prior to
8 July 1, 2018.

9 The bill provides that the authority shall give priority
10 in making tax incentive awards to housing projects registered
11 prior to July 1, 2019, and shall create a wait list of housing
12 projects registered prior to July 1, 2019, and place those
13 housing projects on the list in the order the projects were
14 registered.

15 The changes to the awarding and issuance of tax incentives
16 described above apply to housing projects registered prior
17 to July 1, 2019, and to housing projects that receive a tax
18 incentive award on or after July 1, 2019.

19 The bill provides that for the fiscal year beginning July 1,
20 2019, and ending June 30, 2020, all tax incentives allocated
21 by the authority pursuant to Code section 15.119(2)(g) shall
22 be allocated to small cities, as defined in Code section
23 15.352, that were registered prior to July 1, 2019. If the
24 sum allocated to small cities does not exceed the moneys that
25 may be allocated pursuant to Code section 15.119(2)(g), the
26 authority may allocate the remaining moneys to other qualified
27 housing projects that were registered prior to July 1, 2019.