

House File 659 - Introduced

HOUSE FILE 659

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A BILL FOR

1 An Act relating to housing in the state by establishing an
2 Iowa housing tax credit program, establishing a neighborhood
3 renovation grant program, and increasing first-time homebuyer
4 tax incentives, and including effective date and applicability
5 provisions.

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

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DIVISION I

IOWA HOUSING TAX CREDIT PROGRAM

Section 1. NEW SECTION. **16.37A Definitions.**

For purposes of this part, unless the context otherwise requires:

1. "Compliance period" means the period of fifteen years beginning with the first taxable year of the credit period.

2. "Credit period" means the period of ten tax years beginning with the tax year in which a qualified development is placed in service and the Iowa housing tax credit may be claimed. If a qualified development consists of more than one building, the qualified development is placed in service in the tax year in which the last building of the qualified development is placed in service.

3. "Department" means the Iowa department of revenue.

4. "Qualified allocation plan" means the qualified allocation plan adopted by the authority pursuant to section 42(m) of the Internal Revenue Code.

5. "Qualified basis" means the qualified basis determined under section 42(c)(1) of the Internal Revenue Code.

6. "Qualified development" means a qualified low-income housing project under section 42(g) of the Internal Revenue Code that is financed with tax-exempt bonds, pursuant to section 42(i)(2) of the Internal Revenue Code, and located in this state.

7. "Taxpayer" means an individual, a person, firm, corporation, or other entity that owns an interest, direct or indirect, in a qualified development and who claims a tax credit under section 16.37C.

Sec. 2. NEW SECTION. **16.37B Application — review — authorization.**

1. The authority shall develop a system for the application, review, and authorization of Iowa housing tax credits awarded pursuant to this part and shall control the issuance of all tax credit certificates to taxpayers pursuant to this part.

2. Applications for Iowa housing tax credits shall be

1 accepted during an annual application period established by the
2 authority.

3 3. The authority may authorize the tax credit if all of the
4 following conditions are satisfied:

5 a. The tax credit certificate is issued to a taxpayer who has
6 an ownership interest in the qualified development.

7 b. The tax credit amount is allocated pursuant to a qualified
8 allocation plan.

9 c. The tax credit is necessary for the financial feasibility
10 of the qualified development.

11 d. The amount of the tax credit allocated to an owner does
12 not exceed thirty percent of the qualified basis of the qualified
13 development.

14 e. The qualified development is the subject of a recorded
15 restrictive covenant requiring that, for the compliance period
16 or for a longer period agreed to by the authority and the
17 owner of the qualified development, the development shall be
18 maintained and operated as a qualified development and shall be
19 in compliance with Tit. VIII of the federal Civil Rights Act of
20 1968, as amended.

21 4. Upon review of an application, the authority may approve
22 the qualified development for the tax credit program provided in
23 section 16.37C, and issue a tax credit certificate stating the
24 amount of the tax credit the authority determines the applicant
25 is eligible to claim for each year of the credit period.

26 5. Unless otherwise provided in this section or the context
27 clearly requires otherwise, the authority shall determine
28 eligibility for a credit and allocate credits in accordance with
29 the standards and requirements set forth in section 42 of the
30 Internal Revenue Code.

31 6. An applicant that is unsuccessful in receiving a tax
32 credit award during an annual application period may make
33 additional applications during subsequent annual application
34 periods. Such applicants shall be required to submit a new
35 application which shall be reviewed in the same manner as other

1 applications in that annual application period.

2 Sec. 3. NEW SECTION. **16.37C Iowa housing tax credits —**
3 **limits.**

4 1. An Iowa housing tax credit shall be allowed against the
5 taxes imposed in chapter 422, subchapters II, III, and V, and
6 in chapter 432, and against the moneys and credits tax imposed
7 in section 533.329, in the amount determined by the authority
8 pursuant to this part. Any tax credit in excess of the
9 taxpayer's liability for the tax year is not refundable but may
10 be credited to the tax liability for the following five years or
11 until depleted, whichever is earlier.

12 2. An individual may claim a tax credit under this subsection
13 of a partnership, limited liability company, S corporation,
14 estate, or trust electing to have income taxed directly to the
15 individual. The amount claimed by the individual shall be based
16 upon the pro rata share of the individual's earnings from the
17 partnership, limited liability company, S corporation, estate, or
18 trust.

19 3. In any calendar year, the aggregate amount of all tax
20 credits allocated by the authority shall not exceed fifteen
21 million dollars, plus the sum of the following amounts:

22 a. The total of all unallocated tax credits, if any, for the
23 preceding calendar years.

24 b. The total amount of all previously allocated tax credits
25 that have been recaptured, revoked, canceled, or otherwise
26 recovered by the authority.

27 4. a. To claim a tax credit under this section, a taxpayer
28 shall include one or more tax credit certificates issued by the
29 authority with the taxpayer's tax return.

30 b. The tax credit certificate shall contain the taxpayer's
31 name, address, tax identification number, the amount of the
32 credit including the amount the authority determines the taxpayer
33 is eligible to claim for each year of the credit period, the
34 name of the qualified development, any other information required
35 by the department of revenue, and a place for the name and tax

1 identification number of a transferee and the amount of the tax
2 credit being transferred.

3 c. Tax credit certificates issued under this section may be
4 transferred to any person or entity. Within ninety days of
5 transfer, the transferee shall submit the transferred tax credit
6 certificate to the authority along with a statement containing
7 the transferee's name, tax identification number, and address,
8 the denomination that each replacement tax credit certificate is
9 to carry, and any other information required by the department of
10 revenue.

11 d. Within thirty days of receiving the transferred tax credit
12 certificate and the transferee's statement, the authority shall
13 issue one or more replacement tax credit certificates to the
14 transferee. Each replacement tax credit certificate must contain
15 the information required for the original tax credit certificate
16 and must have the same expiration date that appeared in the
17 transferred tax credit certificate. Tax credit certificate
18 amounts of less than the minimum amount established by rule of
19 the Iowa finance authority shall not be transferable.

20 e. A tax credit shall not be claimed by a transferee
21 under this section until a replacement tax credit certificate
22 identifying the transferee as the proper holder has been issued.
23 The transferee may use the amount of the tax credit transferred
24 against the taxes imposed in chapter 422, subchapters II, III,
25 and V, and in chapter 432, and against the moneys and credits
26 tax imposed in section 533.329, for any tax year the original
27 transferor could have claimed the tax credit. Any consideration
28 received for the transfer of the tax credit shall not be included
29 as income under chapter 422, subchapters II, III, and V. Any
30 consideration paid for the transfer of the tax credit shall not
31 be deducted from income under chapter 422, subchapters II, III,
32 and V.

33 Sec. 4. NEW SECTION. **16.37D Recapture.**

34 1. As of the last day of any tax year during the compliance
35 period, if the amount of the qualified basis of a qualified

1 development owned by a taxpayer claiming the credit is less than
2 the amount of the qualified basis as of the last day of the
3 immediately preceding tax year, the amount of the taxpayer's
4 liability under this part shall be increased by the recapture
5 amount determined using the method under section 42(j) of the
6 Internal Revenue Code.

7 2. If a recapture event occurs, the taxpayer shall include
8 the recaptured proportion of the credit on the return submitted
9 for the tax year in which the recapture event is identified.

10 Sec. 5. NEW SECTION. **16.37E Compliance monitoring.**

11 The authority shall monitor and oversee compliance with
12 sections 16.37A through 16.37D and shall report specific
13 occurrences of noncompliance to the department.

14 Sec. 6. NEW SECTION. **16.37F Report to the general
15 assembly.**

16 1. On or before January 31 of each year, the authority shall
17 submit to the general assembly a report that includes all of the
18 following:

19 2. A statement of the number of qualified developments for
20 which the authority issued tax certificates that year.

21 3. A description of each qualified development for which
22 the authority issued a tax certificate that year, including the
23 geographic location of the development, the household type and
24 any specific demographic information available concerning the
25 residents intended to be served by the development, the income
26 levels of residents intended to be served by the development, and
27 the rents or set-asides authorized for each development.

28 4. An analysis of housing market and demographic information
29 that shows how the qualified developments for which the
30 authority has issued tax certificates at any time are addressing
31 the need for affordable housing within the communities those
32 developments are intended to serve, and an analysis of any
33 remaining disparities in the affordability of housing within
34 those communities.

35 Sec. 7. NEW SECTION. **16.37G Rules.**

1 The authority and the department shall adopt rules pursuant
2 to chapter 17A as necessary for the implementation and
3 administration of this part.

4 Sec. 8. NEW SECTION. **422.10C Iowa housing tax credit.**

5 The taxes imposed under this subchapter, less the credits
6 allowed under section 422.12, shall be reduced by an Iowa housing
7 tax credit allowed under section 16.37C.

8 Sec. 9. Section 422.33, Code 2025, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 17. The taxes imposed under this subchapter
11 shall be reduced by an Iowa housing tax credit as allowed under
12 section 16.37C.

13 Sec. 10. Section 422.60, Code 2025, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. 16. The taxes imposed under this subchapter
16 shall be reduced by an Iowa housing tax credit as allowed under
17 section 16.37C.

18 Sec. 11. NEW SECTION. **432.12P Iowa housing tax credit.**

19 The taxes imposed under this chapter shall be reduced by an
20 Iowa housing tax credit allowed under section 16.37C.

21 Sec. 12. Section 533.329, subsection 2, Code 2025, is amended
22 by adding the following new paragraph:

23 NEW PARAGRAPH. n. The moneys and credits tax imposed under
24 this section shall be reduced by an Iowa housing tax credit
25 allowed under section 16.37C.

26 Sec. 13. CODE EDITOR DIRECTIVE. The Code editor shall
27 designate sections 16.37A through 16.37G, as enacted by this
28 division of this Act, as a new part within chapter 16, subchapter
29 VII, and may redesignate the new and preexisting parts, replace
30 references to sections 16.37A through 16.37G with references
31 to the new part, and correct internal references as necessary,
32 including references in subchapter or part headnotes.

33 Sec. 14. EFFECTIVE DATE. This division of this Act takes
34 effect January 1, 2026.

35 Sec. 15. APPLICABILITY. This division of this Act applies to

1 tax years beginning on or after January 1, 2026.

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DIVISION II

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FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS

4 Sec. 16. Section 422.7, subsection 27, paragraph a,
5 subparagraph (1), subparagraph division (a), subparagraph
6 subdivisions (i) and (ii), Code 2025, are amended to read as
7 follows:

8 (i) For married taxpayers who file a joint return and
9 maintain a joint first-time homebuyer savings account, ~~four~~ ten
10 thousand dollars.

11 (ii) For any other account holder, ~~two~~ five thousand dollars.

12

DIVISION III

13

NEIGHBORHOOD RENOVATION GRANT PROGRAM

14 Sec. 17. NEW SECTION. 16.230 Neighborhood housing
15 renovation grant program — fund.

16 1. a. A neighborhood housing renovation grant fund is
17 created in the state treasury under the control of the authority.
18 The fund shall be used to award grants under the neighborhood
19 housing renovation grant program.

20 b. There is appropriated to the authority for deposit in the
21 neighborhood housing renovation grant fund for the fiscal year
22 beginning July 1, 2025, from the general fund of the state, the
23 sum of fifty million dollars.

24 c. Notwithstanding section 12C.7, subsection 2, interest or
25 earnings on moneys in the neighborhood housing renovation grant
26 fund shall accrue to the authority and shall be used for purposes
27 of this section. Notwithstanding section 8.33, moneys in the
28 neighborhood housing renovation grant fund at the end of each
29 fiscal year shall not revert to any other fund but shall remain
30 in the neighborhood housing renovation grant fund for expenditure
31 for subsequent fiscal years. All repayments or recaptures of
32 grants awarded under this section shall accrue to the authority
33 and shall be used for purposes of this section.

34 d. The authority shall not use more than three percent of
35 the moneys in the neighborhood housing renovation grant fund at

1 the beginning of the fiscal year for purposes of administrative
2 costs, marketing, and other program support.

3 2. a. The authority shall establish and administer a
4 neighborhood housing renovation grant program for purposes of
5 awarding grants to eligible homeowners for qualifying exterior
6 home improvements, repairs, or renovations.

7 b. To qualify for the neighborhood housing renovation grant
8 program, a homeowner's household income shall not exceed one
9 hundred nine thousand dollars.

10 c. The property at which the qualifying exterior home
11 improvements, repairs, or renovations will occur must be occupied
12 by the homeowner.

13 d. A grant awarded under the neighborhood housing renovation
14 grant program shall not exceed twenty thousand dollars.

15 e. Exterior improvements, repairs, and renovations that
16 qualify for the neighborhood housing renovation grant program
17 shall include all of the following:

18 (1) Roof repair or replacement.

19 (2) Foundation repair.

20 (3) Exterior siding repair or replacement.

21 (4) Exterior paint.

22 (5) Window and door repair or replacement.

23 (6) Garage repair or replacement.

24 (7) Exterior energy efficiency-related repairs or upgrades.

25 (8) Exterior wheelchair or mobility assistive device
26 accessibility.

27 (9) Sidewalk and driveway repair or replacement.

28 3. The authority shall adopt rules pursuant to chapter 17A to
29 administer this section.

30 EXPLANATION

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

33 This bill relates to housing in the state by establishing an
34 Iowa housing tax credit program and a neighborhood renovation
35 grant program and by increasing first-time homebuyer tax

1 incentives.

2 DIVISION I — IOWA HOUSING TAX CREDIT PROGRAM. The bill
3 creates an Iowa housing tax credit program available against the
4 individual and corporate income taxes, franchise tax, insurance
5 premium tax, and moneys and credits tax.

6 The bill requires the Iowa finance authority (authority) to
7 develop a system for the application, review, and authorization
8 of Iowa housing tax credits. A tax credit may be claimed
9 by a taxpayer for a "qualified development" defined to mean a
10 qualified low-income housing project under section 42(g) of the
11 Internal Revenue Code that is financed by tax-exempt bonds.

12 An Iowa housing tax credit may be authorized by the authority
13 if all of the following apply: the tax credit is issued
14 to a taxpayer who has an ownership interest in the qualified
15 development; the tax credit amount is allocated pursuant to
16 a qualified allocation plan adopted by the authority; the
17 tax credit is necessary for the financial feasibility of the
18 qualified development; the amount of the tax credit allocated
19 to an owner shall not exceed 30 percent of the qualified basis
20 of the qualified development; and the qualified development is
21 the subject of a recorded restrictive covenant requiring the
22 qualified development be maintained and operated as a qualified
23 development for a certain number of years.

24 The amount of an Iowa housing tax credit award is determined
25 by the authority and may be claimed during the credit period (10
26 years), and any credit in excess of the taxpayer's liability for
27 the tax year is not refundable but may be credited to the tax
28 liability for the following five years.

29 In any calendar year, the bill limits the aggregate amount
30 of the tax credit to \$15 million plus the sum of the total
31 of unallocated tax credits from the preceding calendar year and
32 the previously allocated tax credits that have been revoked,
33 canceled, or recaptured.

34 A taxpayer shall claim the credit by including one or more tax
35 certificates issued by the authority with the taxpayer's return.

1 The bill allows a tax credit certificate to be transferred to
2 any person or entity. The bill requires the transferee to submit
3 the transferred tax credit certificate to the authority within
4 90 days of the transfer, and requires the authority to issue a
5 replacement tax credit certificate within 30 days of receiving
6 the transferred tax credit certificate.

7 The bill allows the authority to recapture tax credit amounts
8 from previously issued tax credits, if on the last day of a
9 taxable year during the compliance period (15 years), if the
10 amount of the qualified basis of a qualified development owned
11 by a taxpayer claiming the credit is less than the amount of
12 the qualified basis as of the last day of the immediately
13 preceding tax year, the amount of the taxpayer's liability shall
14 be increased by the recapture amount determined using the method
15 under section 42(j) of the Internal Revenue Code. If a recapture
16 event occurs, the bill requires the taxpayer to include the
17 recaptured amount on the return submitted for the tax year in
18 which the recapture event is identified.

19 The bill requires the authority to submit a report to the
20 general assembly by January 31 each year, detailing the Iowa
21 housing tax credit program.

22 The division takes effect January 1, 2026, and applies to tax
23 years beginning on or after that date.

24 DIVISION II — FIRST-TIME HOMEBUYER SAVINGS ACCOUNTS. The bill
25 makes changes to the income tax benefits related to contributions
26 made to a first-time homebuyer savings account.

27 Under current law, for married persons filing a joint return
28 an account holder is allowed to deduct the first \$4,000 of
29 contributions made to an account during the tax year if the
30 account holder also maintains a joint first-time homebuyer
31 savings account, and for any other person the account holder is
32 allowed to deduct for the first \$2,000 of contributions made to
33 such an account during the tax year. The first-time homebuyer
34 savings account annual deduction limits are indexed to inflation
35 and are increased each year. For the 2024 tax year the annual

1 deduction limit for married persons filing a joint return is
2 \$4,512, and for all other persons the limit is \$2,256.

3 The bill increases the annual deduction limit for first-time
4 homebuyer savings account contributions to \$10,000 for married
5 persons filing a joint return, and to \$5,000 for any other
6 account holder. The new annual deduction limits in the bill are
7 also indexed to inflation and are increased each year.

8 DIVISION III — NEIGHBORHOOD RENOVATION GRANT PROGRAM. The
9 bill establishes a neighborhood housing renovation grant program
10 (program) and fund (neighborhood fund) to be administered by
11 the authority for purposes of awarding grants to eligible
12 homeowners for qualifying exterior home improvements, repairs, or
13 renovations (exterior work).

14 There is appropriated to the authority for deposit in the
15 neighborhood fund for the fiscal year beginning July 1, 2025,
16 from the general fund of the state, the sum of \$50 million.
17 Notwithstanding Code section 12C.7(2), interest or earnings on
18 moneys in the neighborhood fund shall accrue to the authority and
19 shall be used for purposes of the program. Notwithstanding Code
20 section 8.33, moneys in the neighborhood fund at the end of each
21 fiscal year shall not revert to any other fund but shall remain
22 in the neighborhood fund for expenditure for subsequent fiscal
23 years. All repayments or recaptures of the grants awarded under
24 the program shall accrue to the authority and shall be used for
25 purposes of the program.

26 The authority shall not use more than 3 percent of the moneys
27 in the neighborhood fund at the beginning of the fiscal year for
28 purposes of administrative costs, marketing, and other program
29 support.

30 To qualify for the program, a homeowner's household income
31 shall not exceed \$109,000 and the homeowner must occupy the
32 property at which the exterior work will occur. A grant awarded
33 under the program shall not exceed \$20,000. Exterior work that
34 qualifies for the program is detailed in the bill. The authority
35 shall adopt rules to administer the division.