

Senate File 2508 - Introduced

SENATE FILE 2508

BY REICHMAN

A BILL FOR

1 An Act modifying the major economic growth attraction program,
2 and including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.491, Code 2026, is amended by adding
2 the following new subsections:

3 NEW SUBSECTION. 1A. "*Affiliate*" means the same as defined
4 in section 423.1.

5 NEW SUBSECTION. 24A. "*Rural county*" means a county in this
6 state with a population of fifty thousand persons or less based
7 on the most recent decennial census released by the United
8 States bureau of census.

9 Sec. 2. Section 15.492, subsection 1, paragraph a, Code
10 2026, is amended by striking the paragraph and inserting in
11 lieu thereof the following:

12 a. (1) (a) For a business's proposed project receiving
13 tax credits under section 15.496, subsection 1, paragraph "a",
14 subparagraph (1), the project must be located on a site where
15 the business has a controlling interest in or located on a
16 certified site greater than two hundred fifty acres.

17 (b) For a business's proposed project receiving tax credits
18 under section 15.496, subsection 1, paragraph "a", subparagraph
19 (2), the business's proposed project must be located on a site
20 where the business has a controlling interest in or a certified
21 site greater than two hundred fifty acres or the business must
22 document to the authority that the business has completed a
23 site evaluation commensurate with a certified site.

24 (2) The authority determines that the site is suitable for
25 the project.

26 Sec. 3. Section 15.494, subsection 1, paragraph b, Code
27 2026, is amended to read as follows:

28 b. If the eligible business fails to comply with any
29 requirements of the program or the agreement as determined
30 by the authority, the eligible business may be required to
31 repay any tax incentives the authority issued to the eligible
32 business. After a final determination, the authority shall
33 notify the department of revenue of any required repayment
34 of a tax incentive. Any repayment, including repayment for
35 which an affiliate of the eligible business is liable, shall be

1 considered a tax payment due and payable to the department of
 2 revenue by any taxpayer that claimed the tax incentive, and the
 3 failure to make the repayment may be treated by the department
 4 of revenue in the same manner as a failure to pay the tax shown
 5 due, or required to be shown due, with the filing of a return or
 6 deposit form. In addition, the county shall have the authority
 7 to take action to recover the value of property taxes not
 8 collected as a result of the exemption provided to the business
 9 under this part.

10 Sec. 4. Section 15.496, Code 2026, is amended to read as
 11 follows:

12 **15.496 Qualifying investment tax credit.**

13 1. a. The authority may authorize a either, but not both,
 14 of the following:

15 (1) A tax credit for an up to two eligible business
 16 businesses that is up to five percent of the each eligible
 17 business's qualifying investment. The authority shall not
 18 issue a tax credit certificate to the eligible business until
 19 the eligible business's project has been placed in service or
 20 until a designated portion of the project has been placed in
 21 service, and at least fifty percent of the created jobs the
 22 eligible business agreed to in associated with the project or
 23 a designated portion of the project pursuant to the agreement
 24 under section 15.494 have been added to the eligible business's
 25 payroll, and that the jobs pay at least one hundred forty
 26 percent of the qualifying wage threshold, have been added to
 27 the eligible business's payroll. The department of revenue
 28 shall remit the tax credit to the eligible business under this
 29 subparagraph equally over five tax years.

30 (2) (a) A tax credit for one eligible business that is up
 31 to ten percent of the eligible business's qualifying investment
 32 that is located in a rural county. The authority shall not
 33 issue a tax credit certificate to the eligible business until
 34 the eligible business's project has been placed in service or
 35 until a designated portion of the eligible business's project

1 has been placed in service, and at least fifty percent of
2 the created jobs associated with the project or a designated
3 portion of the project pursuant to the agreement under section
4 15.494 have been added to the eligible business's payroll,
5 and the jobs pay at least one hundred forty percent of the
6 qualifying wage threshold. The department of revenue shall
7 remit the tax credit to the eligible business under this
8 subparagraph equally over ten tax years.

9 (b) (i) Tax credit certificates issued under this
10 subparagraph are refundable and may be transferred to another
11 person or entity, subject to the approval of the authority.
12 Prior to approving a transfer, the authority shall verify that
13 the transferee is not associated with a foreign adversary or
14 foreign adversary entity. Within ninety days of transfer, the
15 transferee shall submit the transferred tax credit certificate
16 to the department of revenue along with a statement containing
17 the transferee's name, tax identification number, and address;
18 the denomination that each replacement tax credit certificate
19 is to carry; and any other information required by the
20 department of revenue.

21 (ii) Within thirty days of receiving the transferred
22 tax credit certificate and the transferee's statement, the
23 department of revenue shall issue one or more replacement tax
24 credit certificates to the transferee. Each replacement tax
25 credit certificate must contain the information required for
26 the original tax credit certificate and must have the same
27 expiration date that appeared in the transferred tax credit
28 certificate.

29 (iii) A tax credit shall not be claimed by a transferee
30 under this subparagraph until a replacement tax credit
31 certificate identifying the transferee as the proper holder
32 has been issued. The transferee may use the amount of the
33 tax credit transferred against the taxes for any tax year the
34 original transferor could have claimed the tax credit. Any
35 credit in excess of the tax liability of the transferee for the

1 tax year is refundable or, at the election of the transferee,
 2 may be credited to the tax liability of the transferee in
 3 any of the following ten consecutive tax years or until
 4 depleted, whichever occurs first. Any consideration received
 5 for the transfer of the tax credit shall not be included as
 6 income under chapter 422, subchapters II, III, and V. Any
 7 consideration paid for the transfer of the tax credit shall not
 8 be deducted from income under chapter 422, subchapters II, III,
 9 and V.

10 (iv) This subparagraph division does not apply to
 11 agreements entered into after December 31, 2027.

12 b. The tax credit shall be allowed against taxes imposed
 13 under chapter 422, subchapter II, III, or V, and chapter 432,
 14 and against the moneys and credits tax imposed in section
 15 533.329. If the eligible business is a partnership, S
 16 corporation, limited liability company, cooperative organized
 17 under chapter 501 and filing as a partnership for federal tax
 18 purposes, or estate or trust electing to have the income taxed
 19 directly to the individual, an individual may claim the tax
 20 credit allowed. The amount claimed by the individual shall
 21 be based upon the pro rata share of the individual's earnings
 22 of the partnership, S corporation, limited liability company,
 23 cooperative organized under chapter 501 and filing as a
 24 partnership for federal tax purposes, or estate or trust. Any

25 c. (1) For any tax credit authorized pursuant to paragraph
 26 "a", subparagraph (1), in excess of the eligible business's tax
 27 liability for the tax year may be refunded or, at the eligible
 28 business's election, may be credited to the eligible business's
 29 tax liability in any of the following five consecutive tax
 30 years or until depleted, whichever occurs first.

31 (2) For any tax credit authorized pursuant to paragraph
 32 "a", subparagraph (2), in excess of the eligible business's tax
 33 liability for the tax year may be refunded or, at the eligible
 34 business's election, may be credited to the eligible business's
 35 tax liability in any of the following ten tax years or until

1 depleted, whichever occurs first.

2 (3) The eligible business shall make such election prior to
3 the authority issuing a tax credit certificate to the eligible
4 business, and the eligible business's election shall be noted
5 on the tax credit certificate. A tax credit shall not be
6 carried back to a tax year prior to the tax year in which the
7 tax credit is first claimed by the eligible business.

8 2. a. If an eligible business obtains a tax credit
9 certificate from the authority by way of a prohibited activity,
10 the eligible business and any transferee of a tax credit
11 certificate shall be jointly and severally liable to the state
12 for the amount of the tax credit issued, interest and penalties
13 allowed under chapter 422, and reasonable attorney fees and
14 litigation costs, except that the liability of the transferee
15 shall not exceed an amount equal to the amount of the tax
16 credit acquired by the transferee. The department of revenue,
17 upon notification or discovery that a tax credit certificate
18 was issued to an eligible business by way of a prohibited
19 activity, shall revoke any outstanding tax credit and seek
20 repayment of the value of any tax credit already claimed, and
21 the failure to make such a repayment may be treated by the
22 department of revenue in the same manner as a failure to pay
23 the tax shown due or required to be shown due with the filing
24 of a return or deposit form. However, a qualifying transferee
25 of a tax credit certificate is not subject to the liability,
26 revocation, and repayment imposed under this paragraph.

27 b. For purposes of this subsection:

28 (1) "Control" means when a person, directly or indirectly or
29 acting through or together with one or more persons, satisfies
30 any of the following:

31 (a) Owns, controls, or has the power to vote fifty percent
32 or more of any class of voting securities or voting membership
33 interests of another person.

34 (b) Controls, in any manner, the election of a majority of
35 the directors, managers, trustees, or other persons exercising

1 similar functions of another person.

2 (c) Has the power to exercise a controlling influence over
3 the management or policies of another person.

4 (2) "Prohibited activity" means a breach or default under
5 the agreement with the authority, the violation of any warranty
6 provided by the eligible business to the authority or the
7 department of revenue, the claiming of a tax credit issued
8 under this section for expenditures that are not a qualifying
9 investment, misrepresentation, fraud, a violation of any other
10 requirements or rules of this part, or any other unlawful act
11 or omission.

12 (3) "Qualifying transferee" means a transferee who acquires
13 a tax credit certificate issued under this section for
14 value, in good faith, without express or implied notice of a
15 prohibited activity of the eligible business who was originally
16 issued the tax credit, and without express or implied notice
17 of any other claim to or defense against the tax credit, and
18 which transferee is not associated with the eligible business
19 by being one or more of the following:

20 (a) An owner, member, shareholder, or partner of the
21 eligible business who directly or indirectly owns and controls,
22 in whole or in part, the eligible business.

23 (b) A director, officer, or employee of the eligible
24 business.

25 (c) A relative of the eligible business or a person listed
26 in subparagraph division (a) or (b) or, if the eligible
27 business or an owner, member, shareholder, or partner of the
28 eligible business is a legal entity, the natural persons who
29 ultimately own such legal entity.

30 (d) A person who is owned or controlled, in whole or in
31 part, by a person listed in subparagraph division (a) or (b).

32 (4) "Relative" means an individual related by consanguinity
33 within the second degree as determined by common law, a spouse,
34 or an individual related to a spouse within the second degree
35 as determined by common law, and includes an individual in an

1 adoptive relationship within the second degree.

2 2. 3. If For an eligible business receiving a tax credit
3 under subsection 1, paragraph "a", subparagraph (1), if within
4 five years of the date the authority issues an the eligible
5 business a tax credit under subsection 1, the eligible business
6 sells, disposes of, razes, or otherwise renders unusable all
7 or a part of the land, buildings, or other structures for
8 which the tax credit was claimed under this section, the tax
9 liability of the eligible business for the year in which all or
10 part of the land, buildings, or other existing structures are
11 sold, disposed of, razed, or otherwise rendered unusable shall
12 be increased by one of the following amounts:

13 a. One hundred percent of the tax credit claimed under
14 this section if all or a part of the land, buildings, or other
15 structures for which the tax credit was claimed under this
16 section cease to be eligible for the tax credit within one
17 year after the date the authority issued the tax credit to the
18 eligible business.

19 b. Eighty percent of the tax credit claimed under this
20 section if all or a part of the land, buildings, or other
21 structures for which the tax credit was claimed under this
22 section cease to be eligible for the tax credit within two
23 years after the date the authority issued the tax credit to the
24 eligible business.

25 c. Sixty percent of the tax credit claimed under this
26 section if all or a part of the land, buildings, or other
27 structures for which the tax credit was claimed under this
28 section cease to be eligible for the tax credit within three
29 years after the date the authority issued the tax credit to the
30 eligible business.

31 d. Forty percent of the tax credit claimed under this
32 section if all or a part of the land, buildings, or other
33 structures for which the tax credit was claimed under this
34 section cease to be eligible for the tax credit within four
35 years after the date the authority issued the tax credit to the

1 eligible business.

2 *e.* Twenty percent of the tax credit claimed under this
3 section if all or a part of the land, buildings, or other
4 structures for which the tax credit was claimed under this
5 section cease to be eligible for the tax credit within five
6 years after the date the authority issued the tax credit to the
7 eligible business.

8 4. For an eligible business receiving a tax credit under
9 subsection 1, paragraph "a", subparagraph (2), if within ten
10 years of the date the authority issues an eligible business a
11 tax credit under subsection 1, the eligible business sells,
12 disposes of, razes, or otherwise renders unusable all or a part
13 of the land, buildings, or other structures for which the tax
14 credit was claimed by any taxpayer under this section, the tax
15 liability of the eligible business for the year in which all or
16 part of the land, buildings, or other existing structures are
17 sold, disposed of, razed, or otherwise rendered unusable shall
18 be increased by one of the following amounts:

19 *a.* One hundred percent of the tax credit claimed under
20 this section if all or a part of the land, buildings, or other
21 structures for which the tax credit was claimed under this
22 section cease to be eligible for the tax credit within one
23 year after the date the authority issued the tax credit to the
24 eligible business.

25 *b.* Ninety percent of the tax credit claimed under this
26 section if all or a part of the land, buildings, or other
27 structures for which the tax credit was claimed under this
28 section cease to be eligible for the tax credit within two
29 years after the date the authority issued the tax credit to the
30 eligible business.

31 *c.* Eighty percent of the tax credit claimed under this
32 section if all or a part of the land, buildings, or other
33 structures for which the tax credit was claimed under this
34 section cease to be eligible for the tax credit within three
35 years after the date the authority issued the tax credit to the

1 eligible business.

2 d. Seventy percent of the tax credit claimed under this
3 section if all or a part of the land, buildings, or other
4 structures for which the tax credit was claimed under this
5 section cease to be eligible for the tax credit within four
6 years after the date the authority issued the tax credit to the
7 eligible business.

8 e. Sixty percent of the tax credit claimed under this
9 section if all or a part of the land, buildings, or other
10 structures for which the tax credit was claimed under this
11 section cease to be eligible for the tax credit within five
12 years after the date the authority issued the tax credit to the
13 eligible business.

14 f. Fifty percent of the tax credit claimed under this
15 section if all or a part of the land, buildings, or other
16 structures for which the tax credit was claimed under this
17 section cease to be eligible for the tax credit within six
18 years after the date the authority issued the tax credit to the
19 eligible business.

20 g. Forty percent of the tax credit claimed under this
21 section if all or a part of the land, buildings, or other
22 structures for which the tax credit was claimed under this
23 section cease to be eligible for the tax credit within seven
24 years after the date the authority issued the tax credit to the
25 eligible business.

26 h. Thirty percent of the tax credit claimed under this
27 section if all or a part of the land, buildings, or other
28 structures for which the tax credit was claimed under this
29 section cease to be eligible for the tax credit within eight
30 years after the date the authority issued the tax credit to the
31 eligible business.

32 i. Twenty percent of the tax credit claimed under this
33 section if all or a part of the land, buildings, or other
34 structures for which the tax credit was claimed under this
35 section cease to be eligible for the tax credit within nine

1 years after the date the authority issued the tax credit to the
2 eligible business.

3 j. Ten percent of the tax credit claimed under this section
4 if all or a part of the land, buildings, or other structures
5 for which the tax credit was claimed under this section cease
6 to be eligible for the tax credit within ten years after
7 the date the authority issued the tax credit to the eligible
8 business.

9 Sec. 5. Section 15.498, subsection 1, paragraph c, Code
10 2026, is amended to read as follows:

11 c. The agricultural land for which the exemption is provided
12 is a mega site or included in a mega site or the eligible
13 business documents to the satisfaction of the authority
14 that the eligible business has completed a site evaluation
15 commensurate with a certified site.

16 Sec. 6. Section 15.501, Code 2026, as amended by 2026
17 Iowa Acts, House File 2799, section 14, is amended to read as
18 follows:

19 **15.501 Restrictions on board.**

20 The board shall not authorize tax incentives available under
21 the program, or an exemption to restrictions on agricultural
22 land holdings pursuant to **this part**, for more than two eligible
23 businesses, or one eligible business if issued a credit
24 pursuant to section 15.496, subsection 1, paragraph "a",
25 subparagraph (2), or on or after January 1, 2030, whichever
26 occurs first.

27 **Sec. 7. NEW SECTION. 432.12P Major economic growth**
28 **attraction program tax credit.**

29 The taxes imposed under this chapter shall be reduced by
30 investment tax credits authorized pursuant to section 15.496.

31 Sec. 8. EFFECTIVE DATE. This Act, being deemed of immediate
32 importance, takes effect upon enactment.

33 **EXPLANATION**

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

1 This bill modifies the major economic growth attraction
2 program (program).

3 The program provides tax incentives for an eligible business
4 (business) that makes a qualifying investment in the state
5 in excess of \$1 billion. A "qualifying investment" means a
6 capital investment in real property, including the purchase
7 price of the land, site preparation, infrastructure, and
8 building construction for use in the operation of a business.
9 A "qualifying investment" also means a capital investment in
10 depreciable assets for use in the operation of a business.

11 The bill changes the tax incentives in the program available
12 for a business commencing a project in a rural county. The
13 bill defines a rural county to mean a county with a population
14 of 50,000 persons or less based upon the most recent federal
15 decennial census.

16 Under the bill, the economic development authority
17 (authority) may authorize a tax credit for a business that
18 is up to 10 percent of the business's qualifying investment
19 located in a rural county. The tax credit shall be remitted to
20 the business equally over a 10-year period.

21 The bill specifies the authority shall not issue a tax credit
22 certificate to the business until the business's project has
23 been placed in service or until a designated portion of the
24 business's project has been placed in service, and at least
25 50 percent of the created jobs associated with the project
26 or a designated portion of the project that pay at least 140
27 percent of the qualifying wage threshold have been added to the
28 business's payroll.

29 A tax credit certificate issued to a business located in a
30 rural county is refundable and transferable to another person
31 or entity, subject to the approval by the authority. Prior
32 to approving the transfer, the authority shall verify that
33 the transferee is not associated with a foreign adversary
34 or foreign adversary entity. Any credit in excess may
35 also be credited to the tax liability of the business or

1 transferee of the credit for up to 10 consecutive tax years
2 or until depleted, whichever occurs first. The bill sets
3 out requirements for the transferability of a tax credit
4 certificate, including the transferee submitting the tax
5 credit to the department of revenue (department) within 90
6 days of the transfer along with the transferee's name and
7 tax identification number. The bill requires the department
8 to reissue a replacement tax credit to the transferee within
9 30 days, and each replacement tax credit must contain the
10 information required for the original tax credit certificate
11 including the same expiration date.

12 Under current law, if a business fails to comply with any
13 requirements of the program, the business may be required to
14 repay any tax incentives and the repayment shall be considered
15 a tax payment due. The bill specifies any repayment of tax
16 incentives may include any repayment an affiliate of the
17 business is liable for and the repayment shall be considered a
18 tax payment due. The bill defines "affiliate" to mean the same
19 as defined in Code section 423.1.

20 If a business obtains a tax credit certificate from the
21 authority by way of a prohibited activity, the bill makes
22 the business and any transferee of a tax credit certificate
23 jointly and severally liable to the state for the amount of
24 the tax credits issued, interest and penalties, reasonable
25 attorney fees, and litigation costs, except that the liability
26 of the transferee shall not exceed an amount equal to the
27 amount of the tax credits acquired by the transferee. However,
28 a qualifying transferee of a tax credit certificate is not
29 subject to the liability, revocation, and repayment imposed in
30 the bill.

31 The bill defines "qualifying transferee" to mean a
32 transferee who acquires a tax credit certificate in good faith,
33 without notice of any prohibited activity, and who is not
34 associated with the business. The bill further defines persons
35 who are considered associated with the business to include

1 owners and family members of the owners of the business.

2 The bill defines "prohibited activity" to mean a breach or
3 default under the agreement with the authority, the violation
4 of any warranty provided by the business to the authority or
5 the department, the claiming of a tax credit for expenditures
6 that are not a qualifying investment, the violation of any
7 requirements of the program, misrepresentation, fraud, or any
8 other unlawful act or omission.

9 The bill prohibits a transferee of the tax credit
10 certificate from claiming the tax credit until a replacement
11 tax credit has been issued. The transferee may use the tax
12 credit transferred against the taxes for any tax year the
13 original transferor could claim the credit.

14 The bill prohibits the transferability of tax credits for
15 agreements entered into after December 31, 2027.

16 Under current law, if a business receives a five-year
17 tax credit and then sells or otherwise renders the land or
18 buildings unusable within five years of receiving the tax
19 credit, the business is liable to the state for a portion of
20 the tax savings achieved from the tax credit. Due to the
21 possible extension of the tax credit to 10 years for a business
22 making a qualifying investment in a rural county, the bill
23 expands the time period of owing a portion of the tax savings
24 achieved to 10 years, if such a business sells or otherwise
25 renders the land or buildings unusable.

26 The bill specifies any consideration received for the
27 transfer shall not be considered as income by the transferor
28 and any consideration from the transfer of the tax credit shall
29 not be deducted from income by the transferee.

30 Under current law and in the bill, a business is also
31 eligible for sales and use tax refunds, withholding tax
32 credits, and property tax exemptions, if granted from the
33 community where the project is located.

34 Currently, the tax credits are allowed against the taxes
35 imposed under Code chapter 422, subchapter II (personal

1 income), subchapter III (corporate income), subchapter V
2 (franchise), and the moneys and credits tax (credit unions).
3 The bill also allows the credit against the taxes imposed under
4 Code chapter 432 (tax on insurance premiums).

5 Currently, the authority may authorize tax incentives under
6 the program for up to two businesses by January 1, 2030. The
7 bill changes the number of qualifying projects that may be
8 authorized by the authority by January 1, 2030, to include
9 authorizing a tax credit that is up to 10 percent of the
10 qualifying investment to one business with a project in a
11 rural county in lieu of authorizing up to two other businesses
12 for a tax credit that is up to 5 percent of the qualifying
13 investment.

14 The bill takes effect upon enactment.