



New Jobs Tax Credit

December 3, 2021

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Outline

- Review the Iowa New Jobs Tax Credit
- Claims data
- Utilization of the program

New Jobs Tax Credit Background

- Additional job creation incentive for participants in the 260E Iowa Industrial New Jobs Training Program
 - Iowa's first income tax credit directly related to job creation
- Enacted in 1985 during the weak economic period in Iowa triggered by the farm crisis
- Job creation tax credits subsequently enacted and awarded by Economic Development Authority
 - New Jobs and Income Program (1994-2005)
 - Enterprise Zone Program (1997-2014)
 - High Quality Jobs Program (2005-current)

New Jobs Tax Credit Eligibility

- Active 260E contract with one of the 15 community colleges
- Business location with the 260E contract
 - Adds any jobs if zero base employment
 - At least 10% job creation if positive base employment
- Can only be claimed one time for each created job once job creation requirement is met
- Eligible jobs include those created as a result of the training and those directly related to those jobs

New Jobs Tax Credit Claims

- No award required
- Claimed against corporation individual income tax or individual income tax
- Business organized as S corporation or limited liability company passes claims to shareholders
- Nonrefundable with 10-year carryforward period and nontransferable

New Jobs Tax Credit Calculation

- New Jobs Tax Credit per new job equals 6% of taxable wages up to qualifying taxable wage
 - Qualifying taxable wages = taxable wages on which an employer is required to pay unemployment taxes
 - Set by Iowa Workforce Development, indexed annually
 - \$17,300 in 2000 rising to \$32,400 in 2021
 - Maximum credit per job was \$1,038 per job in 2000 rising to \$1,944 in 2021

New Jobs Tax Credit Claims by Tax Type and Tax Year, 2006-2019

Fiscal Year	Number of Corporation Income Tax Claims	Corporation Income Tax Claim Amount	Number of Individual Income Tax Claims	Individual Income Tax Claim Amount	Total Number of Claims	Total Claim Amount
2007-2013	96	\$342,304	2,515	\$4,246,920	2,611	\$4,589,224
2014	15	\$249,110	251	\$263,632	266	\$512,742
2015	12	\$198,267	303	\$1,099,780	315	\$1,298,047
2016	37	\$727,406	314	\$729,399	351	\$1,456,805
2017	28	\$479,997	404	\$1,169,530	432	\$1,649,527
2018	26	\$595,243	612	\$695,626	638	\$1,290,869
2019	33	\$307,326	327	\$757,897	360	\$1,065,223
Total	247	\$2,899,653	4,726	\$8,962,784	4,973	\$11,862,437

Source: Iowa Department of Revenue

Business Usage of New Jobs Tax Credits by Industry and Community Colleges, 2006-2019

- Claims associated with businesses in the manufacturing industry accounted for one third of all matched claims, exceeding \$3.5 million.
- More than 50 percent of claims matched to 260E contracts were associated with three of the 15 Iowa community colleges: Kirkwood Community College, Des Moines Area Community College, and Indian Hills Community College.

New Jobs Tax Credit Claims and Other Tax Credit Claims, 2006-2019

Fiscal Year	Number of Tax Returns Reporting Credit Claims	Amount of New Jobs Tax Credits Claimed	Amount of Investment Tax Credits Claimed	Amount of Tax Credits Claimed on Housing	Amount of Tax Credits Claimed for Start-Ups	Amount of Withholding Tax Credits Claimed	New Positions Filled
2007-2013	2,611	\$4,589,224	\$15,880,318	\$181,678	\$141,504		4,867
2014	266	\$512,742	\$459,256	\$471,000	\$1,030	\$3,924,626	490
2015	315	\$1,298,047	\$1,884,703	\$0	\$0	\$5,243,710	780
2016	351	\$1,456,805	\$1,569,661	\$6,729	\$10,129	\$6,401,305	1,329
2017	432	\$1,649,527	\$1,549,993	\$1,312,185	\$156,755	\$6,562,711	2,314
2018	638	\$1,290,869	\$2,633,134	\$232,438	\$365,395	\$5,912,084	1,156
2019	360	\$1,065,223	\$2,873,371	\$3,113,700	\$327,618	\$5,655,931	534
Sum	4,973	\$11,862,437	\$26,850,436	\$5,317,730	\$1,002,431	\$33,700,367	11,470
Total Other Income Tax Credits Claimed		\$33,170,597					
Total Income Tax Credits Claimed		\$45,033,034					
Total Withholding Tax Credits Claimed		\$33,700,367					
				Average New Jobs Tax Credits Per Position			\$1,034
				Average Income and Withholding Tax Credits Per Position			\$6,864

Source: Iowa Department of Revenue

For those claiming New Jobs Tax Credits, employers also claimed:

- \$33.2 million of other state income tax incentives
- \$33.7 million of withholding tax credits from the 260E program



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New Jobs Tax Credit Claiming Behavior

For Eligible Businesses

Number of Base Employment	Number of 260E Contracts Eligible for New Jobs Tax Credit	Number of 260E Contracts with New Jobs Tax Credit Claims	Share of Eligible 260E Contracts with Claims
0	269	23	8.6%
1 to 50	531	64	12.1%
51 to 200	669	51	7.6%
201 and Above	29	29	100.0%
Total	1,498	167	11.1%

Source: Iowa Department of Revenue

- Larger businesses might be more likely to utilize the program than smaller businesses



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New Jobs Tax Credit Claiming Behavior

For Eligible Businesses with Positive Income Tax Liability

Number of Base Employment	Number of 260E Contracts Eligible for New Jobs Tax Credit	Number of 260E Contracts with New Jobs Tax Credit Claims	Share of Eligible 260E Contracts with Claims
0	33	1	3.0%
1 to 100	91	8	8.8%
101 and Above	100	9	9.0%
Total	224	18	8.0%

Source: Iowa Department of Revenue

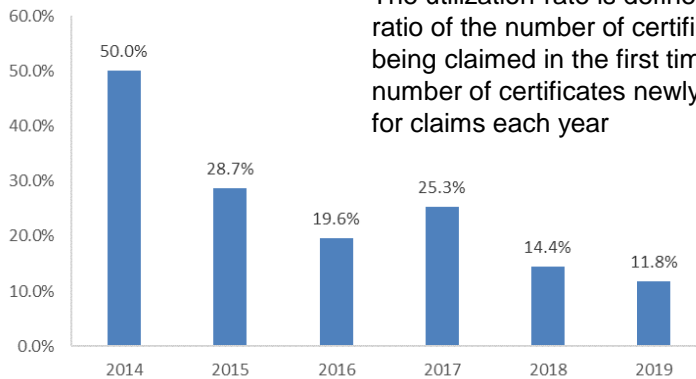
- Only 8% of corporations that could claim the credits made the claims.



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Utilization Rate of the New Jobs Tax Credit Program, FY 2014 –FY 2019

Utilization Rate



The utilization rate is defined as the ratio of the number of certificates being claimed in the first time to the number of certificates newly eligible for claims each year

Source: Iowa Department of Revenue



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Major Findings

- New Jobs Tax Credit is a part of a large program. Employment impacts of this incentive cannot be separated from other tax incentives.
- Only a small share of eligible taxpayers have claimed this tax credits. Among these taxpayers, large employers are more likely to take advantage.
- The utilization of this tax credit is trending downward over years.

Questions

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Thank you!