

## **LEGISLATIVE TAX EXPENDITURE COMMITTEE**

### **MEMBERSHIP**

Senator Joe Bolkcom, Temporary Co-chairperson	Representative Tom Sands, Temporary Co-chairperson
Senator William Dotzler	Representative Erik Helland
Senator Herman Quirmbach	Representative Dave Jacoby
Senator Roby Smith	Representative Jeff Kaufmann
Senator Brad Zaun	Representative Sharon Steckman

November 16, 2011

### **BACKGROUND ON SENATE FILE 2380**

- 2010 Iowa Acts, ch 1138 (S.F. 2380) established the Legislative Tax Expenditure Committee (“Committee”).

### **COMPOSITION**

The Committee is composed of 10 members of the General Assembly, five members from each chamber, appointed by the Legislative Council. In appointing the five members of each chamber to the Committee, the Council appoints three members from the majority party and two members from the minority party.

### **INTENT AND PURPOSE.**

- ✓ S.F. 2380 provides that it is the intent of the General Assembly that each tax credit, withholding credit, and revenue division program effectuate the purposes for which it was enacted and that the cost of such programs should be included more readily in the yearly budgeting process.
- ✓ S.F. 2380 provides for the regular review of all tax credit, withholding credit, and revenue division programs in order to facilitate the reauthorization of successful programs and to do so at a cost that can be accommodated by the state’s annual budget.

## IOWA CODE § 2.48 COMMITTEE DUTIES

- Evaluate any tax expenditure available under Iowa law and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purposes of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa.
- "Tax expenditure" means an exclusion from the operation or collection of a tax imposed in this state. Tax expenditures include tax credits, exemptions, deductions, and rebates. Tax expenditures also include certain sales tax refunds.
- Establish and maintain a system for making available to the public information about the amount and effectiveness of tax expenditures, and the extent to which tax expenditures comply with the original intent of the legislation that enacted the tax expenditure.
- Engage in the regular review of the state's tax expenditures.
- May review any tax expenditure at any time, but shall at a minimum perform the reviews specified in Iowa Code § 2.48(3).
- For each tax expenditure reviewed, the Committee shall submit a report to the Legislative Council containing the results of the review. The report shall contain a statement of the policy goals of the tax expenditure and a return on investment calculation for the tax expenditure.
  - "Return on investment calculation" means analyzing the cost to the state of providing the tax expenditure, analyzing the benefits realized by the state from providing the tax expenditure, and reaching a conclusion as to whether the benefits of the tax expenditure are worth the cost to the state of providing the tax expenditure.
  - The report may include recommendations for better aligning tax expenditures with the original intent of the legislation that enacted the tax expenditure.
- Estimate for each fiscal year, in conjunction with LSA and the Department of Revenue, the cost of each individual tax expenditure and the total cost of all tax expenditures, and by December 15 provide those estimates to the Governor for use in the preparation of the budget message under Iowa Code § 8.22 and to the General Assembly to be used in the budget process.
- The estimates may include recommendations for the imposition of a limitation on a specified tax expenditure, a limitation on the total amount of tax expenditures, or any other recommendation for a specific tax expenditure or the program under which the tax expenditure is provided.

## LEGISLATIVE TAX EXPENDITURE COMMITTEE SCHEDULE OF REVIEW

### 2011

- High Quality Jobs Program, Iowa Code Chapter 15, Subchapter II, Part 13.
- Tax credits for increasing research activities under Iowa Code §§ 15.335, 15A.9, 422.10, and 422.33.
- Franchise tax credits under Iowa Code §§ 422.11 and 422.33.
- Earned income tax credit under Iowa Code § 422.12B.

### 2012

- Iowa Fund of Funds Program, Iowa Code Chapter 15E, Division VII.
- Property tax revenue divisions for urban renewal areas under Iowa Code § 403.19.
- Targeted jobs withholding credits under Iowa Code § 403.19A.
- Funding of urban renewal projects with increased local sales and services tax revenues under Iowa Code § 423B.10.
- School tuition organization tax credits, Iowa Code §§ 422.11S and 422.33.
- Tuition and textbook tax credits under Iowa Code § 422.12.

### 2013

- Child and dependent care and early childhood development tax credits under Iowa Code § 422.12C.
- Endow Iowa tax credits authorized under Iowa Code § 15E.305.
- Redevelopment tax credits available under Iowa Code § 15.293A.
- Disaster recovery housing tax credits available under Iowa Code §§ 16.211 and 16.212.
- Tax credits available for film, television, and video project promotion under Iowa Code § 15.393.

### 2014

- Tax credits for investments in qualifying businesses and community-based seed capital funds under Iowa Code Chapter 15E, Division V.
- Historic preservation and cultural and entertainment district tax credits under Iowa Code Chapter 404A.
- Wind energy production tax credits under Iowa Code Chapter 476B.
- Renewable energy tax credits under Iowa Code Chapter 476C.
- Ethanol promotion tax credits under Iowa Code § 422.11N.
- E=85 gasoline promotion tax credits under Iowa Code § 422.11O.
- Biodiesel blended fuel tax credits under Iowa Code § 422.11P.

### 2015

- Agricultural assets transfer tax credit under Iowa Code § 175.37.
- Claim of right tax credit under Iowa Code § 422.5.
- Reduction in allocating income to Iowa by S corporation shareholders under Iowa Code § 422.8.
- Minimum tax credit under Iowa Code §§ 422.11B, 422.33, and 422.60.

- Assistive device corporate tax credit under Iowa Code § 422.33.
- Charitable conservation contribution tax credit under Iowa Code §§ 422.11W and 422.33.
- Motor vehicle fuel tax credit under Iowa Code § 422.110.
- New jobs tax credits available under Iowa Code § 422.11A.
- Financial assistance available under the enterprise zones program in Iowa Code Chapter 15E, Division XVIII.

#### **Beyond 2015**

A tax expenditure or incentive reviewed according to the schedule is required to be reviewed again not more than five years after the tax expenditure or incentive was most recently reviewed.