

The High Quality Jobs Program

A Report to the Legislative Tax
Expenditure Committee

IOWA
economic development

Program Description

- » The Program provides tax incentives to businesses that make capital investments and create jobs in the state.
- » **Brief Legislative History**
 - New Jobs and Income Program (NJIP) created in 1995
 - In 2005, NJIP changed and renamed High Quality Job Creation Program (HQJC)
 - In 2009, HQJC amended again and renamed High Quality Jobs Program

Core Eligibility Requirements

- » An engaged local partner (for projects larger than \$10 million)
- » Cannot be a relocation from one Iowa community to another
- » Must meet job creation/retention requirements and wage threshold requirements
- » Must provide sufficient benefits package
- » The fiscal return for the state must justify the amount of incentives
- » Cannot be a retail business or a business with a history of violations of the law
- » IEDA must consider the overall quality of the project before making the award

Available Incentives

- » Sales tax refund
- » Third-party sales tax credit
- » Value-added property tax exemption
- » Investment tax credit
- » Insurance premium tax credit
- » Supplemental research activities tax credit

Schedule of Requirements for Tax Incentives

Amount of Qualifying Investment	No Jobs Created Modernization or Retention Projects Only	Number of Jobs Created or Retained with a Qualifying Wage Including Sufficient Employee Benefits Equal to 130% of the County Wage			
		1 - 5 Jobs	6 - 10 Jobs	11 - 15 Jobs	16 + Jobs
Less than \$100,000	Up to 1% ITC	Up to 2% ITC	Up to 3% ITC	Up to 4% ITC	Up to 5% ITC
\$100,000 - \$499,999	Up to 1% ITC Sales Tax Refund	Up to 2% ITC Sales Tax Refund	Up to 3% ITC Sales Tax Refund	Up to 4% ITC Sales Tax Refund	Up to 5% ITC Sales Tax Refund
\$500,000 +	Up to 1% ITC Sales Tax Refund Research Activities Tax Credits	Up to 2% ITC Sales Tax Refund Research Activities Tax Credits	Up to 3% ITC Sales Tax Refund Research Activities Tax Credits	Up to 4% ITC Sales Tax Refund Research Activities Tax Credits	Up to 5% ITC Sales Tax Refund Research Activities Tax Credits
Amount of Qualifying Investment	Number of Jobs Created or Retained with a Qualifying Wage Including Sufficient Employee Benefits Equal to 130% of the County Wage				
	31 - 40 Jobs	41 - 60 Jobs	61 - 80 Jobs	81 - 100 Jobs	101 + Jobs
\$10,000,000 or more	Up to 6% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 7% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 8% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 9% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 10% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption

Administration

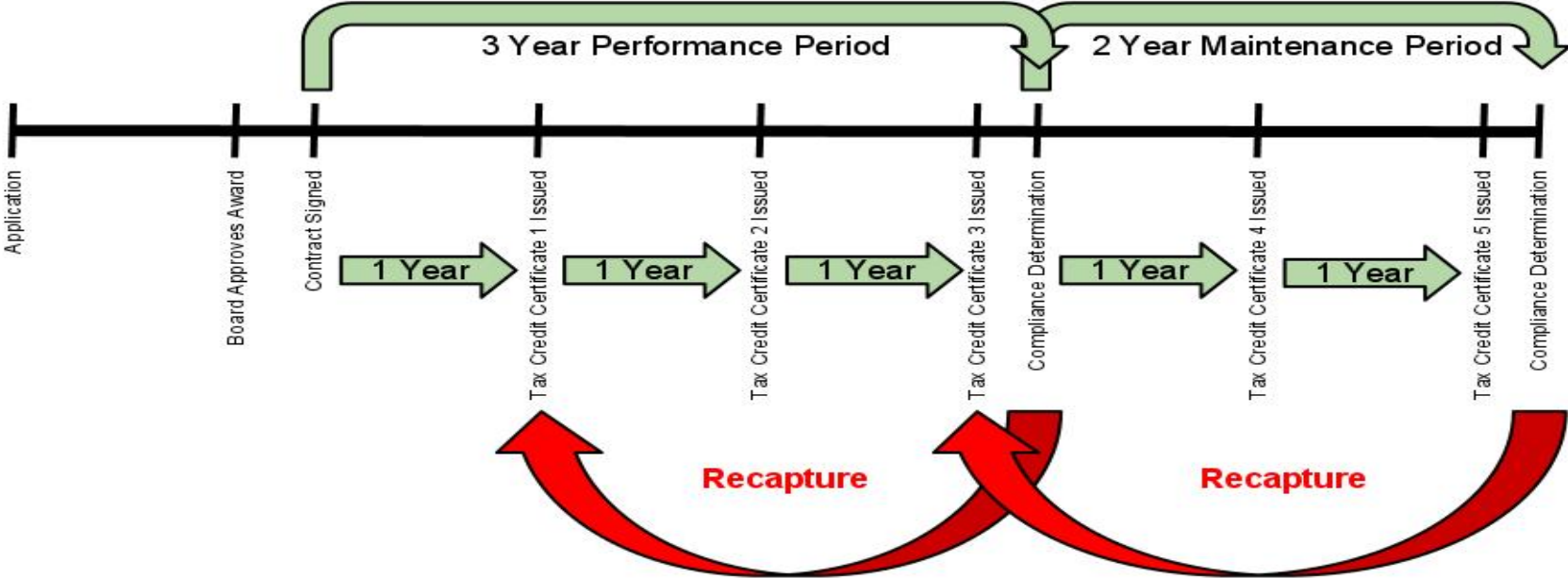
- » Administered in an efficient, accountable, and transparent manner
- » Aggregate cap
- » Due diligence process
- » Negotiated awards
 - Level of need
 - Quality of the jobs
 - Percentage of high-quality jobs
 - Economic impact
- » Return on investment
 - History
 - Assumptions and methodology

Administration

- » Fiscal impact ratio = Projected Revenues / Incentive Cost
- » Local match requirement
- » Contracts, compliance, and repayment
- » Use in combination with other programs
 - Industrial new jobs training
 - Grow Iowa values fund awards
 - DOT's RISE program
- » Fiscal impact ratio includes all assistance to the project, not just tax incentives

Investment Tax Credit Process

Investment Tax Credit Process



Sample Projects

- » Norfolk Iron and Metal
- » Microsoft
- » Hewlett Packard (HP)
- » BoDeans
- » Plumrose
- » John Deere

Evaluating the performance of HQJP

» Original purpose of the legislation

- NJIP passed in 1994, but program amended in 2005 and again in 2009
- See 1994 Iowa Acts, chapter 1008, H.F. 2180, for the General Assembly's declaration of policy

» Calculating return on investment

- Cost benefit analysis

» Potential cost to the state

- \$385,562,808.48

» Benefits to the state

- \$7,426,264,452 in total eligible capital investments
- 13,820 jobs
- \$21.71 per hour
- \$19.26 in capital investment for every \$1 in tax incentives awarded

Estimated Fiscal Impact

- » Overall fiscal impact ratio = 1.95 to 1
 - Almost \$2 in tax revenues for every \$1 in incentives
- » Ethanol and biodiesel projects = 1.35 to 1
- » Non-ethanol projects = 2.38 to 1
- » Note: All of these ratios include \$\$\$ from other state programs if they were a part of the project

Appendices

- » **Appendix A is a complete list of all projects that received an award from the board under HQJ**
 - Includes the declined awards as well
 - Includes awards not yet contracted
- » **Appendix B is more information on the factors included in the fiscal impact ratio calculation**