

# Tax Credit CAP

The legislative session of 2009 enacted SF483 which established a maximum amount of tax credit awards (CAP) to be issued by the Department of Economic Development. This legislation included the programs: High Quality Jobs (HQ); Enterprise Zone (EZ) and Housing Enterprise Zone (HEZ); along with the Film Promotion Tax Credit Program; Corporate Research Credit under the EZ (which was a duplication of the research credit offered under HQ); and the Assistive Device Credit (which did not have any projects/demand despite being in existence for several years.

The CAP was set by legislation at \$185M per fiscal year for the above mentioned programs. The IDED Board, at their June 2009 approved the following allocation as recommended by staff:

| Program          | Initial Allocation   | Overage prior FY | FY2010 <sup>1</sup> |                      | Actual Awards        | Credits Claimed     |
|------------------|----------------------|------------------|---------------------|----------------------|----------------------|---------------------|
|                  |                      |                  | Revisions*          | Final Allocation     |                      |                     |
| Business (HQ/EZ) | \$123,000,000        | N/A              | \$5,400,000         | \$128,400,000        | \$51,600,000         |                     |
| HEZ              | \$12,000,000         | N/A              | \$6,000,000         | \$18,000,000         | \$14,200,000         |                     |
| Film             | \$50,000,000         | N/A              | (\$11,400,000)      | \$38,600,000         | \$38,600,000         |                     |
| <b>Total</b>     | <b>\$185,000,000</b> | <b>N/A</b>       | <b>0</b>            | <b>\$185,000,000</b> | <b>\$104,400,000</b> | <b>\$37,220,905</b> |

\*NOTE: This re-allocation was approved at the December 2009 IDED Board meeting in order to accurately reflect the best estimate of the remaining film tax credit liability if projects registered prior to the program suspension decided to move forward.

Legislation passed during the 2010 session reduced the overall CAP from 185M to 120M but did not add or delete any programs (the film tax credit program was under suspension). The IDED Board, at its June 2010 meeting approved the following allocation which was not revised during fiscal year 2011:

| Program          | Initial Allocation   | Overage prior FY | FY2011 <sup>1</sup> |                      | Actual Awards       | Credits Claimed     |
|------------------|----------------------|------------------|---------------------|----------------------|---------------------|---------------------|
|                  |                      |                  | Revisions*          | Final Allocation     |                     |                     |
| Business (HQ/EZ) | \$100,000,000        | 0                | 0                   | \$100,000,000        | \$63,800,000        |                     |
| HEZ              | \$20,000,000         | 0                | 0                   | \$20,000,000         | \$4,800,000         |                     |
| Film             | 0                    | 0                | 0                   | 0                    | 0                   |                     |
| <b>Total</b>     | <b>\$120,000,000</b> | <b>0</b>         | <b>0</b>            | <b>\$120,000,000</b> | <b>\$68,600,000</b> | <b>\$28,125,584</b> |

The 2011 legislative session brought more programs under the CAP but did not vary the dollar limit from it's previously established amount of 120M. Various pieces of legislation added several new programs and put them under the CAP. These include the Redevelopment Tax Credits under the Brownfield program (5.0M) and the Innovation Fund Credits (8.0M) and the Community Based Seed Fund Credits (2.0M). The Innovation and Community Based Seed credits are grouped together at a total of 10.0M. The IDED Board, at its June 2011 meeting, approved the initial allocation and approved the revision shown below at its April 2012 meeting.

| Program          | Initial Allocation   | Overage prior FY | FY2012 <sup>1</sup> |                      | Actual Awards        | Credits Claimed     |
|------------------|----------------------|------------------|---------------------|----------------------|----------------------|---------------------|
|                  |                      |                  | Revisions*          | Final Allocation     |                      |                     |
| Business (HQ/EZ) | \$90,000,000         | 0                | \$2,000,000         | \$92,000,000         | \$98,109,893         |                     |
| HEZ              | \$15,000,000         | 0                | (\$2,000,000)       | \$13,000,000         | \$16,299,815         |                     |
| Film             | 0                    | 0                | 0                   | 0                    | 0                    |                     |
| Brownfield       | \$5,000,000          | 0                | 0                   | \$5,000,000          | \$5,000,000          |                     |
| Innovation/Seed  | \$10,000,000         | 0                | 0                   | \$10,000,000         | 0                    |                     |
| <b>Total</b>     | <b>\$120,000,000</b> | <b>0</b>         | <b>0</b>            | <b>\$120,000,000</b> | <b>\$119,409,708</b> | <b>\$23,142,505</b> |

The IEDA board approved the allocation shown below at their June 2012 meeting, this is also the first year the department has carried an overage in awards from the previous fiscal year (2012) in to the new fiscal year (2013). This overage is allowed per Iowa Code 15.119.1.b., and is reflected in the column below.

| Program          | Initial Allocation   | Overage prior FY     | FY2013 <sup>1</sup> |                      | Actual Awards       | Credits Claimed |
|------------------|----------------------|----------------------|---------------------|----------------------|---------------------|-----------------|
|                  |                      |                      | Revisions*          | Final Allocation     |                     |                 |
| Business (HQ/EZ) | \$95,000,000         | (\$6,109,893)        | 0                   | \$88,890,107         | \$58,060,743        |                 |
| HEZ              | \$10,000,000         | (\$3,299,815)        | 0                   | \$6,700,185          | \$7,209,577         |                 |
| Brownfield       | \$5,000,000          | 0                    | 0                   | \$5,000,000          | 0                   |                 |
| Innovation/Seed  | \$10,000,000         | 0                    | 0                   | \$10,000,000         | 0                   |                 |
| <b>Total</b>     | <b>\$120,000,000</b> | <b>(\$9,409,708)</b> | <b>0</b>            | <b>\$110,590,292</b> | <b>\$65,270,320</b> | <b>N/A</b>      |

\*NOTE: The actuals reflect awards thru November 2012.

<sup>1</sup>The amounts reflected in the "Credits Claimed" column represent actual credits claimed from HQJP, EZ & HEZ award recipients. However, the amounts claimed are not necessarily from those awards reflected on this analysis but can be from awards made in the 5-7 years prior to the creation of the Tax Credit CAP in the 2009 Legislative Session.