

BACKGROUND

Over the last few years, the Iowa Legislature has made successful strides to position Iowa more competitively for business attraction and development following tax reform, most recently with the creation of the Business Incentives for Growth (BIG) program last year. Incentives outlined in programs like BIG or the Major Economic Growth Attraction (MEGA) program have adapted to the current landscape and been modernized to meet industry's changing needs. Additional updates would build on these recent efforts.

PROPOSAL

NEW – Headquarters Expansion & Development for Growth & Employment (HQ EDGE)

Iowa faces increasing competition from states offering aggressive incentive packages with lower corporate tax rates to attract and keep corporate headquarters, which provide value for the state's economy, communities and workforce, including:

- Executives are often tapped for non-profit boards, donations and support.
- Corporate giving is centered where headquarters are located.
- Positioning the bulk of a company's corporate functions centrally improves efficiency and overall business culture.

IEDA requests to create a new headquarter tax credit incentive – HQ EDGE.

Headquarters: Must serve as the principal executive office or central administrative operations for the company and must include executive leadership, strategic decision-making functions, administrative and support staff.

Requirements/Eligibility:

- Business must be primarily engaged in advanced manufacturing, bioscience, research and development, finance/insurance or technology; have a global presence, significant market share, or national recognition in its industry; and generate 51% of revenues from outside the state.

- The project must demonstrate realistic competition with other state(s) for the HQ location or expansion; have a significant economic impact; and show an ROI for Iowans.

Incentives:

- Incentivize new and/or retained HQ jobs.
- Refundable tax credits calculated using a formula computed by using the salaries of the new and/or retained HQ jobs (meeting the 200% wage threshold) up to 3 years.
- Maximum benefit for retained \$1,000,000.
- Refundable tax credits are tied to verification of hiring thresholds, confirmation of employees moving to Iowa, and/or retention of jobs.

Major Economic Growth Attraction (MEGA) Program

- Aimed at securing projects that represent a capital investment of more than \$1 billion through tax credits or refunds.
- Set to sunset January 1, 2027.

IEDA requests to extend MEGA program sunset to January 1, 2030, and correct a technical reference to federal code language.

Training Fund for Business Incentives for Growth (BIG) Program

- Provides qualifying businesses with tax incentives to offset some of the costs incurred to locate, expand or modernize an Iowa facility.
- BIG replaces the former High Quality Jobs program, with a more targeted focus on promoting productivity, efficiency and growth in Iowa's key industries (advanced manufacturing, biosciences, finance/insurance and innovation/technology).
- BIG does not include a short-term training component, and it is expected that some participating businesses will require employee training associated with eligible projects.

IEDA requests to establish a short-term training component within the BIG program.

- Permit businesses receiving BIG awards to receive reimbursement of training costs, in an amount up to 1.5% of employee withholding taxes for a period of up to 3 years.
- Funds must be used exclusively for training initiatives tied to the business expansion or new facility, jobs and project(s) supported by the award.

Repeal New Jobs Tax Credit (NJTC) Program & Eliminate Withholding Credit

This automatic, one-time corporate income tax credit was created in 1983 as an additional benefit.

- The program is uncapped and can be carried forward for up to 10 years, creating long-term fiscal liability for the state.
- The NJTC has limited utilization and insufficient oversight with no statewide evaluation, which obscures impact measurement for taxpayers.

IEDA requests to repeal the NJTC and the employee withholding tax repayment method associated with the 260E program.



Load Forecasting Proposal

- Iowa needs an independent source of well-researched and neutral information forecasting Iowa's energy demand to remain competitive. Energy demand is increasing, and accurate energy forecasts are needed to predict how much energy Iowa needs to produce to meet the growing demand.
- Iowans and businesses, particularly the manufacturing sector, depend on affordable and reliable energy. Without it, existing businesses will be hesitant to expand and it will be harder to attract new businesses to Iowa – ultimately stifling economic growth.

IEDA requests to establish a Load Forecasting Report

- The report – to be included in Iowa Code Chapter 15 and developed by Iowa State University (ISU) – will include a load forecast and an analysis of electric system plans. IEDA may also commission reports to assess other energy needs, including for natural gas.
- In developing the report, ISU shall solicit the input of residential, commercial and industrial consumers and the electric industry.

BENEFITS

The updates will continue to signal that Iowa is open for new business and committed to supporting existing businesses, laying the foundation for sustained growth, stronger communities and a more competitive economy for the future.

JG 02112026