

Redevelopment Tax Credit

Tax Expenditure Committee – December 4, 2013

Zhong Jin
Tax Research and Program Analysis Section
Iowa Department of Revenue

Federal Brownfields Tax Incentive Program

- ▶ The Federal Brownfields Tax Incentive was created by the Tax Relief Act of 1997 and expired on December 31, 2011
- ▶ The federal incentive was not a tax credit, but rather an enhanced deduction

Other States' Brownfield Tax Credit Programs

- ▶ Nine states established tax credit programs dedicated to the cleanup and the redevelopment of brownfield or polluted properties:
 - Florida, Iowa, Louisiana, Massachusetts, Missouri, Mississippi, New York, South Carolina, and Tennessee
 - Iowa's top rate (30%) is the third lowest among nine states, only higher than Louisiana's (25%) and Mississippi's (25%)
 - Missouri has the highest top rate (100%)
 - Iowa's program is the only credit that includes grayfield properties

Other States' Brownfield Tax Credit Programs

- ▶ Annual Cap on Awards: Florida (\$5 million), Iowa (\$10 million), and Mississippi (\$150,000)
- ▶ Project Cap on Awards: Florida (\$0.5 million), Iowa (\$1 million), Mississippi (\$40,000), and South Carolina (\$50,000)
- ▶ Refundability: New York
- ▶ Transferability: Florida, Iowa, Louisiana, Massachusetts, and Missouri
- ▶ Carry Forward: Only New York does not have a carry forward period

Redevelopment Tax Credit Transfers by Fiscal Year of Awards

Award Fiscal Year	Number of Transfers	Total Credits Transferred	Percentage of Total Awards Issued	Percentage of Total Tax Credits Reserved
2010	7	\$313,474	57%	33%
2012	4	\$918,782	99%	18%
2013	1	\$500,000	100%	10%
Total	12	\$1,732,256	88%	16%

Source: Iowa Department of Revenue

- ▶ Transfers are administered by IDR

Redevelopment Tax Credit Claims of Fiscal Year 2010 Awards by Tax Year

Tax Year	Number of Claims	Total Claims Applied	Claims Carried Forward	Average Applied Claim
2010	4	\$80,505	\$81,772	\$20,126
2011	16	\$390,069	\$74,817	\$24,379
2012	4	\$11,037	\$63,287	\$2,759
Total	24	\$481,611		\$20,067

Source: Iowa Department of Revenue

- ▶ Only tax credits awarded in FY 2010 have been claimed
- ▶ Once tax credits are reserved, taxpayers are allowed 30 months to complete projects and then receive formal awards

Redevelopment Tax Credit Claims by Project or Tax Type, Tax Years 2010–2012

Project Type	Number of Claims	Total Claims	Average Claim
Brownfield	11	\$269,031	\$24,457
Grayfield	13	\$212,580	\$16,352

Tax Type	Number of Claims	Total Claims	Average Claim
Individual Income Tax	20	\$181,611	\$9,081
Franchise Tax & Insurance Premium Tax	4	\$300,000	\$75,000
Total	24	\$481,611	\$20,067

Source: Economic Development Authority award data and Iowa Department of Revenue

Motivation of Economic Analysis

- ▶ Expected benefits of Projects
 - Property Value Growth
 - Project properties
 - Neighboring properties
 - Economic Activity Growth
 - Employment and Wages
- ▶ Data sources
 - County and City Assessor Websites
 - Iowa Workforce Development Unemployment Insurance Fund Contribution Data

Assessed Property Value Increases by Project Type

	Number of Projects	Total Assessed Property Value		Median Assessed Property Value		Total Qualified Expense	Median Qualified Expense
		Before Project (2009/2010)	After Project (2013)	Before Project (2009/2010)	After Project (2013)		
All Project Properties Growth Rate	12	\$4,814,539	\$19,978,714 315.0%	\$67,505	\$638,340 845.6%	\$14,027,310	\$756,116
Brownfield Properties Growth Rate	3	\$3,694,900	\$4,852,880 31.3%	\$310,000	\$885,000 185.5%	\$1,711,139	\$609,040
Grayfield Properties Growth Rate	9	\$1,119,639	\$15,125,834 1251.0%	\$50,000	\$307,200 514.4%	\$12,316,171	\$834,276

Source: Economic Development Authority award data, County and City Assessors

Case Study of Woodbine City: Property Values of Neighboring and Project Properties

	Neighboring Properties (21)		Project Properties (3)	
	Before Project (2009/2010)	After Project (2013)	Before Project (2009/2010)	After Project (2013)
Total Assessed Property Value	\$1,413,649	\$1,628,417	\$58,969	\$347,137
Growth Rate		15.2%		488.7%
Median Assessed Property Value	\$44,298	\$42,470	\$18,038	\$102,984
Growth Rate		-4.1%		470.9%

Source: Economic Development Authority award data, County and City Assessors

Employment and Total Wages at Non-Vacant Project Properties in 2012

	Number of Projects	Employment		Total Wage	
		Before Project (2010)	After Project (2012)	Before Project (2010)	After Project (2012)
All Project Properties	6	49	117	\$2,270,471	\$4,972,405
Growth Rate			138.8%		119.0%
Non-Retail Properties	2	49	55	\$2,270,471	\$2,498,632
Growth Rate			12.2%		10.0%
Retail Properties	4	0	62	\$0	\$2,473,773

Source: Iowa Workforce Development Unemployment Insurance Fund Contribution data

- ▶ If no employment information was identified at the project property address from the IWD database, the project property is considered vacant
- ▶ Six completed projects were vacant in 2012

Redevelopment Projects Also Receiving Historic Preservation Tax Credits

	Number of Projects	Redevelopment Tax Credit Awards	Historic Preservation Tax Credit Awards	Total Qualified Expense of the Redevelopment Projects
Properties also Receiving Historic Preservation Tax Credit	6	\$768,782	\$2,501,023	\$6,365,082

Source: Economic Development Authority and Department of Cultural Affairs award data

- ▶ Other government support, including Main Street Iowa, also overlap, but are not considered here

Questions?