

1. An Act for a targeted jobs withholding tax credit to be used for funding improvements in certain urban renewal areas

LSB 3488 XC 81

S.F. \_\_\_\_\_ H.F. \_\_\_\_\_

1 Section 1. Section 403.17, Code 2005, is amended by adding  
2 the following new subsections:

3 NEW SUBSECTION. 7A. "Business" means any commercial,  
4 professional services, or industrial enterprise, including  
5 medical treatment facilities, manufacturing facilities,  
6 corporate headquarters, and research facilities. "Business"  
7 does not include a business which closes or substantially  
8 reduces its operation in one area of the state of Iowa and  
9 relocates substantially the same operation to another area of  
10 the state of Iowa.

11 NEW SUBSECTION. 10A. "Employee" means the individual  
12 employed in a targeted job that is subject to a withholding  
13 agreement.

14 NEW SUBSECTION. 10B. "Employer" means a business creating  
15 targeted jobs in an urban renewal area of a pilot project city  
16 pursuant to a withholding agreement.

17 NEW SUBSECTION. 18A. "Pilot project city" means the  
18 largest city in a county with a population of at least ninety-  
19 five thousand but not more than one hundred ten thousand  
20 residents or the largest city in a county with a population of  
21 at least eighty-one thousand but not more than eighty-eight  
22 thousand five hundred residents. The population figures are  
23 based upon the 2000 certified federal census.

24 NEW SUBSECTION. 20A. "Qualifying investment" means a  
25 capital investment in real property including the purchase  
26 price of land and existing buildings, site preparation,  
27 building construction, and long-term lease costs. "Qualifying  
28 investment" also means a capital investment in depreciable  
29 assets.

30 NEW SUBSECTION. 22A. "Targeted job" means a job in a  
31 business which is or will be located in an urban renewal area  
32 of a pilot project city that pays a wage at least equal to the  
33 countywide average wage. "Targeted job" does not include jobs  
34 that formerly existed in the business in the state of Iowa  
35 unless the business is considering in good faith to relocate

1 outside the state or unless the relocation is related to an  
2 expansion which will generate significant new job creation.

3 NEW SUBSECTION. 26. "Withholding agreement" means the  
4 agreement between a pilot project city and an employer  
5 concerning the targeted jobs withholding credit authorized in  
6 section 403.19A.

7 Sec. 2. NEW SECTION. 403.19A WITHHOLDING AGREEMENT --  
8 TAX CREDIT.

9 1. A pilot project city may further provide by ordinance  
10 for the deposit into the special fund described in section  
11 403.19, subsection 2, of the targeted jobs withholding credit  
12 described in this section. The targeted jobs withholding  
13 credit shall be based upon the wages paid to the employees  
14 pursuant to the withholding agreement.

15 2. An amount equal to three percent of the gross wages  
16 paid by the employer to each employee under a withholding  
17 agreement shall be credited from the payment made by the  
18 employer pursuant to section 422.16. If the amount of the  
19 withholding by the employer is less than three percent of the  
20 gross wages paid to the employees covered by the withholding  
21 agreement, then the employer shall receive a credit against  
22 other withholding taxes due by the employer or may carry the  
23 credit forward for up to ten years or until depleted,  
24 whichever occurs the earlier. The employer shall remit the  
25 amount of the credit quarterly in the same manner as  
26 withholding payments are reported to the department of  
27 revenue, to the pilot project city to be allocated to and when  
28 collected paid into the special fund for the urban renewal  
29 area in which the targeted jobs are located. All amounts so  
30 deposited may be used or pledged by the pilot project city for  
31 any purpose authorized in section 403.19.

32 3. a. The pilot project city shall enter into a  
33 withholding agreement with each employer concerning the  
34 targeted jobs withholding credit. However, an agreement shall  
35 not be entered into by a pilot project city with a business

1 currently located in the state unless the business either  
2 creates ten new jobs or makes at least five hundred thousand  
3 dollars of qualifying investment within the urban renewal  
4 area. The withholding agreement may have a term of up to ten  
5 years. However, the agreement may provide for the extension  
6 of the agreement for up to an additional ten years or until  
7 the debt for which the special fund was established is paid  
8 off or is refinanced, whichever is the earlier. Notice of any  
9 withholding agreement shall be provided promptly to the  
10 department of revenue following its execution by the pilot  
11 project city and the employer. An employer shall not be  
12 obligated to enter into a withholding agreement. Following  
13 termination of the withholding agreement, the employer credits  
14 shall cease and any money received by the pilot project city  
15 after termination shall be remitted to the treasurer of state  
16 to be deposited into the general fund of the state.

17 b. The pilot project city shall not enter into a  
18 withholding agreement after June 30, 2010, except in the case  
19 of an extension of a previously existing agreement as provided  
20 in paragraph "a".

21 4. The employer shall certify to the department of revenue  
22 that the targeted jobs withholding credit is in accordance  
23 with the withholding agreement and shall provide other  
24 information the department may require.

25 5. A pilot project city shall certify to the department of  
26 revenue the amount of the targeted jobs withholding credit an  
27 employer has remitted to the special fund and shall provide  
28 other information the department may require.

29 6. An employee whose wages are subject to a withholding  
30 agreement shall receive full credit for the amount withheld as  
31 provided in section 422.16.

32 7. Notwithstanding any other provision in this section,  
33 the new jobs credit from withholding under section 260E.5 and  
34 the supplemental new jobs credit from withholding under  
35 section 15.331 shall be collected and disbursed prior to the

1 withholding credit under this section.

2 8. At the time of submitting its budget to the department  
3 of management, the pilot project city shall submit to the  
4 department and the department of economic development a  
5 description of the activities involving the use of withholding  
6 agreements. The description shall include, but is not limited  
7 to, the following:

8 a. The total number of targeted jobs and a breakdown as to  
9 those that are Iowa business expansions or retentions and  
10 those that are jobs resulting from out-of-state businesses  
11 moving to or expanding in Iowa.

12 b. The number of withholding agreements and the amount of  
13 withholding credits involved.

14 c. The types of businesses that did and did not enter into  
15 the agreements.

16 EXPLANATION

17 This bill allows two pilot project cities to assist in  
18 funding projects in their urban renewal areas by means of a  
19 targeted jobs credit from withholding. This credit is  
20 available to businesses that are or will locate in an urban  
21 renewal area. Businesses already located in the area must  
22 either create 10 new jobs or make at least \$500,000 in capital  
23 investment within the area. The credit is 3 percent of the  
24 amount of state individual income tax required to be withheld  
25 by the business. The credit is paid to the pilot project city  
26 to be used to pay for debts incurred by the city to assist the  
27 business in the urban renewal area. Presently, property tax  
28 imposed on the increase in value as a result of the business's  
29 arrival is used to provide such financing. The withholding  
30 credit is available to each targeted job of the business in  
31 the area provided the job's wage is equal to at least the  
32 average county wage. A withholding agreement shall not be  
33 entered into after June 30, 2010, unless it is an extension of  
34 a previous agreement.

35 The two pilot project cities are the largest city located

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1 in a county with a population of 95,000 to 110,000 and the  
2 largest city located in a county with a population of 81,000  
3 to 88,500.

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