

IDR follow-up to questions raised at the November 18 and December 9, 2015 Tax Expenditure Committee Meetings

- Franchise Tax and Moneys & Credits Tax

Members asked for additional information about how apportionment works for the franchise tax. According to the IAC **701—59.28(422)** in determining the total net taxable income for a bank, the apportionable income attributable to the State includes, for example (emphasis added):

a. Receipts from the lease, rental, or other use of real property *if the real property is located in Iowa.*

e. Interest and other receipts from assets in the nature of loans (including federal funds sold and banker's acceptances) and installment obligations shall be attributed to the *state where the borrower is located.*

j. Receipts for the performance of fiduciary services are attributable to the *state where the services are principally performed.*

m. Fees, commissions, or other compensation for financial services rendered *for a customer located in this state or an account maintained within this state.*

- Charitable Conservation Contribution Tax Credit

Members asked about the property tax implications of these land contributions. At the time it was noted that any easements remained on the property tax rolls but we would provide additional information about other contributions. Please see the following response from the IDR Policy section.

The taxable status of property is usually dependent on two factors: ownership and use. There are several exemptions that typically apply to conservation easements. Common exemptions require a charitable organization to own the property and the land to be used for the charitable purpose of the organization, or a government entity to own the land and the land devoted to public use. Generally, without a specific exemption for that particular type of land (such as a wetland, native prairie, forests, or fruit trees), land under private ownership will not be exempt from property tax. If the exemption does allow private ownership, it typically requires that the land not be used for economic gain in order to receive the exemption.

- New Jobs Tax Credit

Members asked about the average wage paid by companies in the manufacturing industry participating in the 260E program and the average wage paid by all companies participating in the 260E program.

Using the EDA database for the 260E program, we analyzed the average annual salary reported by participating companies for 260E agreements. The reported salary reflects what the companies promised to pay employees after participating in the training.

Although the database includes contracts signed as far back as 2002, only contracts signed in 2014 were considered in the analysis. The average annual salary reported for manufacturing businesses was \$40,824; the average annual salary reported for all other business was \$39,291.

- Solar Energy System Tax Credit

Members asked for information about the total and average installation costs for the 1,686 systems that had received awards. Please see the table below.

Solar Energy System Tax Credit Installation Costs by Award Year

Installation Year	Business & Bank Installations			Residential Installations			Total	
	Count	Total Cost	Average Cost	Count	Total Cost	Average Cost	Count	Total Cost
2012	45	\$3,057,192	\$67,938	159	\$2,749,004	\$17,289	204	\$5,806,196
2013	189	\$14,504,940	\$76,746	306	\$6,047,443	\$19,763	495	\$20,552,383
2014	421	\$31,135,389	\$73,956	378	\$10,991,849	\$29,079	799	\$42,127,238
2015	74	\$5,194,091	\$70,190	114	\$2,988,515	\$26,215	188	\$8,182,606
Total	729	\$53,891,612	\$73,925	957	\$22,776,811	\$23,800	1,686	\$76,668,423

Source: Iowa Department of Revenue Solar Energy System Tax Credit Award Database

Note: Reflects applications approved as of December 2, 2015

The issue of a need to decouple the Iowa Solar Energy System Tax Credit from the federal investment tax credit for solar energy was also raised. IDR wants to inform the members that the federal credit to which the Iowa credit is linked was extended through at least 2019 in recent federal legislation. The fiscal impact of that extension will be included in the 2015 IRC Update Bill.