

CHAPTER 1008**QUALITY JOBS ENTERPRISE ZONES — NEW JOBS AND INCOME PROGRAM***H.F. 2180*

AN ACT relating to the establishment of quality jobs enterprise zones, and establishing a new jobs and income program, providing economic development assistance to businesses locating in quality jobs enterprise zones, providing a penalty, and providing effective dates.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. **DECLARATION OF POLICY.** The general assembly finds and declares that the accelerated use of direct development incentives by the state to attract economic investment is symptomatic of the continuing slow rate of growth of the nation's economy. Iowa finds itself pressured to take whatever steps are necessary to support job creation that otherwise might occur unaided under more healthy economic conditions.

The general assembly also finds and declares that the current economic climate also affects the way the business community behaves when making investment decisions. To minimize new investment in plant and equipment, businesses readily take advantage of available subsidies in the form of development incentives.

The general assembly further finds that the public and private sectors should undertake cooperative efforts that result in improvements to the general economic climate rather than focus on subsidies for individual projects or businesses. These efforts will require a behavioral change by both the state and business, balancing short-term self-interest with the long-term common good.

The general assembly declares that this change should not result from the threat of punitive measures or federal intervention. The state and business leaders should operate in accordance with the following principles because they represent good public policy; in the long run, adherence to these principles will achieve the desired outcomes in terms of new jobs and higher income in all states and sustained profitability for businesses that invest and operate in these jurisdictions.

The general assembly finds and declares that the following principles of mutual cooperation should govern state-business development relations:

1. **Partnership between state government and business.** The relationship between state government and business should be a true partnership. Both state government and business have certain responsibilities and anticipated benefits. The state and the business community should maintain an ongoing dialogue for the purpose of developing sound public policy and programs. The state should implement policy processes that are nonthreatening to the business community and the public.

2. **State competition.** The state will always be in competition with other states for business investments. However, this competition should not be characterized by how much direct assistance the state can provide to individual businesses. Rather the competition should focus on how the state attempts to provide a business climate in which existing businesses can operate profitably and expand and new businesses can be established and survive. The competition should be judged on factors such as improvements in education, transportation, and telecommunication; stable fiscal conditions; tax policies; business regulation; and the provision of quality public services.

3. **Subsidies.** The state will continue to provide subsidies to businesses. However, the provision of subsidies should adhere to the following criteria:

a. Public resources should be used to encourage and foster development that otherwise would not occur, not merely to influence the location of private investment.

b. Public subsidies should benefit and be available to all businesses, large and small, new and existing, of domestic or foreign ownership, based on individual state development objectives, identified criteria, and a calculated rate of return.

c. Public subsidies should be in the form of investments in people, resulting in a better educated and skilled workforce, and in communities, by developing the physical and social infrastructures that are prerequisites of healthy economic development. Although such investments may be tied to the location or expansion of an individual business, the improvements in the workforce and community should not be wholly dependent on the fortunes of one business and should be viewed as assets for other businesses that locate in the community.

d. To the extent possible, programs that support mutual development objectives should be joint ventures between government and business.

e. The business community has an obligation to deliver the promised benefits in return for state development subsidies. The state owes it to its citizens to ensure that all development agreements include provisions for recouping subsidies when businesses fail to meet this obligation.

f. Using subsidies to encourage investment in distressed areas of the state to increase employment opportunities that bring low-income Iowans into the economic mainstream is a legitimate development objective.

Sec. 2. Section 15.308, subsection 2, Code Supplement 1993, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. Establish a new jobs and income program.

Sec. 3. NEW SECTION. 15.325 NEGOTIATIONS – STATE AND LOCAL OFFICIALS – RESTRICTIONS.

A state or local government official acting in an official capacity shall not offer to a business economic development benefits unless those benefits are authorized under the law of this state in effect at the time of the negotiations or those benefits have been enacted, but not yet taken effect.

Sec. 4. NEW SECTION. 15.326 SHORT TITLE.

This part shall be known and may be cited as the “New Jobs and Income Act.”

Sec. 5. NEW SECTION. 15.327 DEFINITIONS.

As used in this part, unless the context otherwise requires:

1. “Community” means a city, county, or entity established pursuant to chapter 28E that is a certified participant under section 15.308 or has established a comprehensive plan approved by the department.

2. “Department” means the Iowa department of economic development.

3. “Director” means the director of the department or the director’s designee.

4. “Eligible business” means a business meeting the conditions of section 15.329.

5. “Program” means the new jobs and income program.

Sec. 6. NEW SECTION. 15.329 ELIGIBLE BUSINESS.

1. To be eligible to receive benefits under this part, a business shall, individually or as part of a group of businesses, meet all of the following requirements:

a. The community has approved by ordinance or resolution the start up, location, or expansion of the business for the purpose of receiving the benefits of this part.

b. The business has not closed or substantially reduced its operation in one area of the state and relocated substantially the same operation in the community. This subsection does not prohibit a business from expanding its operation in the community if existing operations of a similar nature in the state are not closed or substantially reduced.

c. Provide and pay at least eighty percent of the cost of a standard medical and dental insurance plan for all full-time employees working at the facility in which the new investment occurred.

d. The business shall agree to pay a median wage for new full-time hourly nonmanagement production jobs of at least eleven dollars per hour indexed to 1993 dollars based on the gross national product implicit price deflator published by the bureau of economic analysis of the United States department of commerce or one hundred thirty percent of the average wage in the county in which the community is located, whichever is higher.

e. The business will make a capital investment of at least ten million dollars indexed to 1993 dollars based on the gross national product implicit price deflator published by the bureau of economic analysis of the United States department of commerce. If the business is occupying a vacant building suitable for industrial use, the fair market value of the building shall be counted toward the capital investment threshold.

f. The business shall agree to create at least fifty or the group of businesses at least seventy-five full-time positions at a facility located in Iowa or expanded under the program for a specified period which will be negotiated with the department and the community, but which shall be at least five years.

2. In addition to the requirements of subsection 1, a business or group of businesses shall do at least three of the following in order to be eligible for incentives under the program:

a. Offer a pension or profit sharing plan to full-time employees.

b. Produce or manufacture high value-added goods or services or be in one of the following industries:

(1) Value-added agricultural products.

(2) Insurance and financial services.

(3) Plastics.

(4) Metals.

(5) Printing paper or packaging products.

(6) Drugs and pharmaceuticals.

(7) Software development.

(8) Instruments and measuring devices and medical instruments.

(9) Recycling and waste management.

(10) Telecommunications.

Retail business shall not be eligible for benefits under this part.

c. The business makes day care services available to its employees.

d. Invest annually no less than one percent of pretax profits from the facility located to Iowa or expanded under the program in research and development in Iowa.

e. Invest annually no less than one percent of pretax profits from the facility located to Iowa or expanded under the program in worker training and skills enhancement.

f. Have an active productivity and safety improvement program involving management and worker participation and cooperation with benchmarks for gauging compliance.

g. Occupy an existing facility at least one of the buildings of which shall be vacant and shall contain at least twenty thousand square feet.

3. Any business located in a quality jobs enterprise zone is ineligible to receive the economic development incentives under the program.

4. If the department finds that a business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the business shall not qualify for economic development assistance under this part, unless the department finds that the violations did not seriously affect public health or safety, or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether the business is disqualified for economic development assistance under this part, the department shall be exempt from chapter 17A.

5. The department shall also consider a variety of factors, including but not limited to the following in determining the eligibility of a business to participate in the program:

a. The quality of the jobs to be created. In rating the quality of the jobs the department shall place greater emphasis on those jobs that have a higher wage scale, have a lower turnover rate, are full-time or career-type positions, provide comprehensive health benefits, or have other related factors which could be considered to be higher in quality, than to other jobs. Businesses that have wage scales substantially below that of existing Iowa businesses in that area should be rated as providing the lowest quality of jobs and should therefore be given the lowest ranking for providing such assistance.

b. The impact of the proposed project on other businesses in competition with the business being considered for assistance. The department shall make a good faith effort to identify existing Iowa businesses within an industry in competition with the business being considered for assistance. The department shall make a good faith effort to determine the probability that the proposed financial assistance will displace employees of the existing businesses. In determining the impact on businesses in competition with the business being considered for assistance, jobs created as a result of other jobs being displaced elsewhere in the state shall not be considered direct jobs created.

c. The impact to the state of the proposed project. In measuring the economic impact the department shall place greater emphasis on projects which have greater consistency with the state strategic plan than other projects. Greater consistency may include any or all of the following:

- (1) A business with a greater percentage of sales out-of-state or of import substitution.
- (2) A business with a higher proportion of in-state suppliers.
- (3) A project which would provide greater diversification of the state economy.
- (4) A business with fewer in-state competitors.
- (5) A potential for future job growth.
- (6) A project which is not a retail operation.

d. If a business has, within three years of application for assistance, acquired or merged with an Iowa corporation or company, whether the business has made a good faith effort to hire the workers of the acquired or merged company.

e. Whether a business provides for a preference for hiring residents of the state or of the economic development area, except for out-of-state employees offered a transfer to Iowa or to the economic development area.

f. Whether all known required environmental permits have been issued and regulations met before moneys are released.

Sec. 7. NEW SECTION. 15.330 AGREEMENT — NONCOMPLIANCE — PENALTIES.

A business or group of businesses shall enter into an agreement with the department specifying the requirements which must be met to satisfy the criteria of section 15.329. The department shall consult with the community during negotiations relating to the agreement. The agreement shall contain the following provisions:

1. If the business or group of businesses has not met more than ninety percent of the job creation requirement in section 15.329, subsection 1, paragraph "f", it shall pay a percentage of the incentive received under section 15.334, or if the business or group of businesses does not receive the incentive under section 15.334, then under section 15.333 as follows:

a. If the business or group of businesses has met fifty percent or less of the requirement, the business or group of businesses shall pay the same percentage in benefits as the business or group of businesses failed to create in jobs.

b. If the business or group of businesses has met more than fifty percent but not more than seventy-five percent of the requirement, the business or group of businesses shall pay one-half of the percentage in benefits as the business or group of businesses failed to create in jobs.

c. If the business or group of businesses has met more than seventy-five percent but not more than ninety percent of the requirement, the business or group of businesses shall pay one quarter of the percentage in benefits as the business or group of businesses failed to create in jobs.

2. If a business or group of businesses does not meet the wage requirement of section 15.329, subsection 1, or any of the three criteria selected by the business or group of businesses under section 15.329, subsection 2, in any one year, it must meet that requirement in the following year or forfeit the incentives for that year.

The department shall adopt rules for repayment of incentives by the business or group of businesses if the business or group of businesses has not met any of the requirements of this part.

Sec. 8. NEW SECTION. 15.331 NEW JOBS CREDIT FROM WITHHOLDING.

An eligible business may enter into an agreement with the department of revenue and finance and a community college, for a supplemental new jobs credit from withholding from jobs created under the program. The agreement shall be for program services for an additional job training project, as defined in chapter 260E. The agreement shall provide for the following:

1. That the project shall be administered in the same manner as a project under chapter 260E and that a supplemental new jobs credit from withholding in an amount equal to one and one-half percent of the gross wages paid by the eligible business pursuant to section 422.16 is authorized to fund the program services for the additional project.

2. That the supplemental new jobs credit from withholding shall be collected, accounted for, and may be pledged by the community college in the same manner as described in section 260E.5.

3. That the auditor of state shall perform an annual audit regarding how the training funds are being used.

To provide funds for the payment of the costs of the additional project, a community college may borrow money, issue and sell certificates, and secure the payment of the certificates in the same manner as described in section 260E.6, including but not limited to, providing the assessment of an annual levy as described in section 260E.6, subsection 4. The program and credit authorized by this section is in addition to, and not in lieu of, the program and credit authorized in chapter 260E.

Sec. 9. NEW SECTION. 15.332 VALUE-ADDED PROPERTY TAX EXEMPTION.

1. The community may exempt from taxation all or a portion of the actual value added by improvements to real property directly related to new jobs created by the location or expansion of an eligible business under the program and used in the operations of the eligible business. The exemption may be allowed for a period not to exceed twenty years beginning the year the improvements are first assessed for taxation.

2. For purposes of this section, "improvements" include rehabilitation of and additions to existing structures. The exemption shall apply to all taxing districts in which the real property is located.

Sec. 10. NEW SECTION. 15.333 INVESTMENT TAX CREDIT.

An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. For purposes of this section, "new investment directly related to new jobs created by the location or expansion of an eligible business under the program" means the cost of machinery and equipment, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in accordance with generally accepted accounting principles, and the cost of improvements made to real property which is used in the operation of the eligible business and which receives a partial property tax exemption for the actual value added under section 15.332.

Sec. 11. NEW SECTION. 15.334 EXEMPTION FROM TAXATION FOR MACHINERY, EQUIPMENT, AND COMPUTERS.

An eligible business may claim as exempt from taxation all or a portion of the value of property, directly related to new jobs created by the location or expansion of an eligible business under the program, defined in section 427A.1, subsection 1, paragraphs "e" and "j", used by the eligible business. In order to be eligible for this exemption, the property shall be acquired or initially leased by the eligible business or relocated by the eligible business to the facility from a facility outside the state of Iowa. The duration of the exemption shall not exceed twenty years.

Sec. 12. NEW SECTION. 15.335 RESEARCH ACTIVITIES CREDIT.

An eligible business may claim a corporate tax credit for increasing research activities in this state during the period the eligible business is participating in the program. The credit equals six and one-half percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state to total qualified research expenditures. If the eligible business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. For purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1994.

A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever comes first.

Sec. 13. NEW SECTION. 15.336 OTHER INCENTIVES.

An eligible business may receive other applicable federal, state, and local incentives and credits in addition to those provided in this part. However, a business which participates in the program under this part shall not receive any funds from the community economic development account under the community economic betterment program.

Sec. 14. Section 15A.1, subsection 1, unnumbered paragraph 1, Code 1993, is amended to read as follows:

Economic development is a public purpose for which the state, a city, or a county may provide grants, loans, guarantees, tax incentives, and other financial assistance to or for the benefit of private persons.

Sec. 15. Section 15A.1, subsection 2, unnumbered paragraph 1, Code 1993, is amended to read as follows:

Before public funds are used for grants, loans, tax incentives, or other financial assistance to private persons or on behalf of private persons for economic development, the governing body of the state, city, county, or other public body dispensing those funds or the governing body's designee, shall determine that a public purpose will reasonably be accomplished by the dispensing or use of those funds. In determining whether the funds should be dispensed, the governing body or designee of the governing body shall consider any or all of the following factors:

Sec. 16. Section 15A.2, unnumbered paragraph 1, Code 1993, is amended to read as follows:

If a member of the governing body of a city or county or an employee of a state, city, or county board, agency, commission, or other governmental entity of the state, city, or county has an interest, either direct or indirect, in a private person for which grants, loans, guarantees, tax incentives, or other financial assistance may be provided by the governing board or governmental entity, the interest shall be disclosed to that governing body or governmental entity in writing. The member or employee having the interest shall not participate in the decision-making process with regard to the providing of such financial assistance to the private person.

Sec. 17. NEW SECTION. 15A.9 QUALITY JOBS ENTERPRISE ZONE — STATE ASSISTANCE.

1. FINDINGS — ZONE DESIGNATION.

a. The general assembly finds and declares that the designation of a quality jobs enterprise zone or zones and the provision of economic development assistance within the zone or zones are necessary to diversify the Iowa economy, enhance opportunities for Iowans to obtain

quality industrial jobs, and provide significant economic benefits to the state through the expansion of Iowa's economy. Establishment of the quality jobs enterprise zone or zones and the economic development assistance provided by the state or a local community will be for the well-being and benefit of the residents of the state and will be for a public purpose.

b. In order to assist a community or communities located within the state to secure new industrial manufacturing jobs, the state of Iowa makes economic development assistance available within the zone or zones, and the department of economic development shall designate a site or sites, which shall not be larger than two thousand five hundred acres, within thirty days of the effective date of this Act, as a quality jobs enterprise zone or zones for the purpose of attracting a primary business and supporting businesses to locate facilities within the state.

The primary business or a supporting business shall not be prohibited from participating in or receiving other economic development programs or services or electing to utilize other tax provisions to the extent authorized elsewhere by law.

2. DEFINITIONS. As used in this section:

a. "Contractor or subcontractor" means a person who contracts with the primary business or a supporting business or subcontracts with a contractor for the provision of property, materials, or services for the construction or equipping of a facility, located within the zone, of the primary business or a supporting business.

b. "Primary business" means a business which pays its full-time production employees at the facility average cash compensation, which shall not include the cost of the business' contribution to retirement or health benefit plans, equating to fifteen dollars per hour worked by the end of the second full year of operation following project completion, and which provides the department of economic development within thirty days of the effective date of this Act, with notice of its intent to develop and operate a new manufacturing facility on a specific location within the state, including the legal description of the site which shall not contain more than two thousand five hundred acres, to invest at least two hundred fifty million dollars in the facility, and to commence construction of the facility by December 31, 1994, providing all necessary permits have been issued and zoning changes made in time for construction to begin by that date. The business shall also guarantee that it will create at least three hundred full-time jobs at the facility. The headquarters of the primary business need not be within the zone.

c. "Project completion" means the first date upon which the average annualized production of finished product for the preceding ninety-day period at the manufacturing facility operated by the primary business within the zone is at least fifty percent of the initial design capacity of the facility. The primary business shall inform the department of revenue and finance in writing within two weeks of project completion.

d. "Supporting business" means a business under contract with the primary business to provide property, materials, or services which are a necessary component of the operation of the manufacturing facility. To qualify as a supporting business, the business shall have a permanent facility or operations located within the zone and the revenue from fulfilling the contract with the primary business shall constitute at least seventy-five percent of the revenue generated by the business from all activities undertaken from the facility within the zone.

e. "Zone or zones" means a quality jobs enterprise zone or zones.

3. NEW JOBS CREDIT. At the request of the primary business or a supporting business, an agreement authorizing a supplemental new jobs credit from withholding from jobs within the zone may be entered into between the department of revenue and finance, a community college, and the primary business or a supporting business. The agreement shall be for program services for an additional job training project, as defined in chapter 260E. The agreement shall provide for the following:

a. That the project shall be administered in the same manner as a project under chapter 260E and that a supplemental new jobs credit from withholding in an amount equal to one and one-half percent of the gross wages paid by the primary business or a supporting business pursuant to section 422.16 is authorized to fund the program services for the additional project.

b. That the supplemental new jobs credit from withholding shall be collected, accounted for, and may be pledged by the community college in the same manner as described in section 260E.5.

c. That the community college shall not be allowed any expenses for administering the additional project except those expenses which are directly attributable to the additional project and which are in excess of the expenses allowed for the project under chapter 260E.

To provide funds for the payment of the costs of the additional project, a community college may borrow money, issue and sell certificates, and secure the payment of the certificates in the same manner as described in section 260E.6, including, but not limited to, providing the assessment of an annual levy as described in section 260E.6, subsection 4. The program and credit authorized by this subsection is in addition to, and not in lieu of, the program and credit authorized in chapter 260E.

4. **INVESTMENT TAX CREDIT.** The primary business and a supporting business shall be entitled to a corporate tax credit equal to ten percent of the new investment made within the zone by the primary business or a supporting business prior to project completion. A credit in excess of the tax liability for the tax year may be credited to the tax liability for the following twenty years or until depleted, whichever comes first.

For purposes of this section, "new investment made within the zone" means the capitalized cost of all real and personal property, including buildings and other improvements to real estate, purchased or otherwise acquired or relocated to the zone for use in the operation of the primary business or a supporting business within the zone. New investment in the zone does not include land, intangible property, or furniture and furnishings. The capitalized cost of property shall for the purposes of this section be determined in accordance with generally accepted accounting principles.

5. **PROPERTY TAX EXEMPTION.**

a. All property, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", Code 1993, used by the primary business or a supporting business and located within the zone, shall be exempt from property taxation for a period of twenty years beginning with the year it is first assessed for taxation. In order to be eligible for this exemption, the property shall be acquired or leased by the primary business or a supporting business or relocated by the primary business or a supporting business to the zone from outside the state prior to project completion.

b. Property which is exempt for property tax purposes under this subsection is eligible for the sales and use tax exemption under section 422.45, subsection 27, notwithstanding that subsection or any other provision of the Code to the contrary.

6. **SALES, SERVICE, AND USE TAX REFUND.** Taxes paid pursuant to chapter 422 or 423 on the gross receipts or rental price of property purchased or rented by the primary business or a supporting business for use by the primary business or a supporting business within the zone or on gas, electricity, water, and sewer utility services prior to project completion shall be refunded to the primary business or supporting business if the item was purchased or the service was performed or received prior to project completion. Claims under this section shall be submitted on forms provided by the department of revenue and finance not later than six months after project completion. The refund in this subsection shall not apply to furniture or furnishings, or intangible property.

7. **SALES, SERVICES, AND USE TAX REFUND – CONTRACTOR OR SUBCONTRACTOR.** The primary business or a supporting business shall be entitled to a refund of the taxes paid under chapters 422 and 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility within the zone of the primary business or a supporting business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

To receive the refund a claim shall be filed by the primary business or a supporting business with the department of revenue and finance as follows:

a. The contractor or subcontractor shall state under oath, on forms provided by the department, the amount of the sales of goods, wares, or merchandise or services rendered, furnished, or performed including water, sewer, gas, and electric utility services for use in the zone upon which sales or use tax has been paid prior to the project completion, and shall file the forms with the primary business or supporting business before final settlement is made.

b. The primary business or a supporting business shall, not more than six months after project completion, make application to the department for any refund of the amount of the taxes paid pursuant to chapter 422 or 423 upon any goods, wares, or merchandise, or services rendered, furnished, or performed, including water, sewer, gas, and electric utility services. The application shall be made in the manner and upon forms to be provided by the department, and the department shall audit the claim and, if approved, issue a warrant to the primary business or supporting business in the amount of the sales or use tax which has been paid to the state of Iowa under a contract. A claim filed by the primary business or a supporting business in accordance with this subsection shall not be denied by reason of a limitation provision set forth in chapter 421, 422, or 423.

c. A contractor or subcontractor who willfully makes a false report of tax paid under the provisions of this subsection is guilty of a simple misdemeanor and in addition is liable for the payment of the tax and any applicable penalty and interest.

8. CORPORATE TAX RESEARCH CREDIT. A corporate tax credit shall be available to the primary business or a supporting business for increasing research activities in this state within the zone. The credit equals thirteen percent of the state's apportioned share of the qualifying expenditures for increasing research activities. The state's apportioned share of the qualifying expenditures for increasing research activities is a percent equal to the ratio of qualified research expenditures in this state within the zone to total qualified research expenditures. Any credit in excess of the tax liability for the tax year shall be refunded with interest computed under section 422.25. In lieu of claiming a refund, the primary business or a supporting business may elect to have the overpayment shown on its final return credited to its tax liability for the following tax year.

For the purposes of this section, "qualifying expenditures for increasing research activities" means the qualifying expenditures as defined for the federal credit for increasing research activities which would be allowable under section 41 of the Internal Revenue Code in effect on January 1, 1994. The credit authorized in this subsection is in lieu of the credit authorized in section 422.33, subsection 5.

9. EXEMPTION FROM LAND OWNERSHIP RESTRICTIONS FOR NONRESIDENT ALIENS.

a. The primary business and a supporting business, to the extent the primary business or the supporting business is not actively engaged in farming within the zone, may acquire, own, and lease land in the zone, notwithstanding the provisions of section 9H.4, 9H.5, and 567.3, and shall be exempt from the requirements of section 567.4. The primary business and supporting business shall comply with the remaining provisions of chapters 9H and 567 to the extent they do not conflict with this subsection.

b. "Actively engaged in farming" means any of the following:

(1) Inspecting agricultural production activities within the zone periodically and furnishing at least half of the value of the tools and paying at least half the direct cost of production.

(2) Regularly and frequently making or taking an important part in making management decisions substantially contributing to or affecting the success of the farm operations within the zone.

(3) Performing physical work which significantly contributes to crop or livestock production.

10. LIMITATION ON ASSISTANCE. Economic development assistance under subsections 3 through 9 shall only be available to the primary business or a supporting business. However, if the department finds that a primary business or a supporting business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the primary

business or supporting business shall not qualify for economic development assistance under subsections 3 through 9, unless the department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether a primary business or a supporting business is eligible for economic development assistance under subsections 3 through 9, the department shall be exempt from chapter 17A.

11. An economic cost benefit analysis shall be conducted by the legislative fiscal bureau for each zone established under this section for every five-year period through the duration of the zone. The analysis shall measure the impact upon both revenues and costs of the state and affected governmental subdivisions due to economic activities within the zone. The legislative fiscal bureau may contract for any services deemed necessary by the director to complete the analysis.

Sec. 18. LEGISLATIVE STUDY. The legislative council is requested to establish a task force to examine the service delivery system for economic development programs and to study the relationship between local and state governments and businesses in utilizing financial and tax incentives as economic development tools. The task force shall also study the need for and benefits of a compact with other states regarding economic noncompetition and the steps necessary to implement such a compact. Membership on the task force is requested to be the following:

1. Ten voting members from the senate and house of representatives, three members appointed by the majority leader of the senate, two members appointed by the minority leader of the senate, three members appointed by the speaker of the house of representatives, and two members appointed by the minority leader of the house of representatives.

2. Eight nonvoting members appointed by the legislative council as follows:

a. The director of the department of economic development or the director's designee.

b. One member each from lists provided by the association of business and industry, the Iowa state association of counties, the league of Iowa municipalities, the professional developers of Iowa, the Iowa business council, and two statewide labor organizations.

Sec. 19. EFFECTIVE DATES. Sections 14 through 18 of this Act, being deemed of immediate importance, take effect upon enactment. All other sections of this Act take effect May 1, 1994.

Approved March 4, 1994