

CHAPTER 1212

LIMITED SALES AND USE TAX EXEMPTION FOR CLOTHING AND FOOTWEAR

H.F. 2351

AN ACT relating to a sales and use tax exemption for the sales of clothing and footwear for a limited time period annually and including an effective date.

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

Section 1. Section 422.45, Code Supplement 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 57. a. The gross receipts from the sale of an article of clothing or footwear designed to be worn on or about the human body if all of the following apply:

(1) The sales price of the article is less than one hundred dollars.

(2) The sale takes place during a period beginning at 12:01 a.m. on the first Friday in August and ending at midnight on the following Saturday.

b. This subsection does not apply to any of the following:

(1) Special clothing or footwear that is primarily designed for athletic activity or protective use and that is not normally worn except when used for the athletic activity or protective use for which it is designed.

(2) Accessories, including jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body, without regard to whether worn on the body in a manner characteristic of clothing.

(3) The rental of clothing or footwear.

Sec. 2. During the regular session of the general assembly convening in 2002, the appropriate committees shall review the impact that the exemption enacted in section 1 of this Act has had in the economy and tax revenues of the state. After reviewing such impact, the appropriate committees shall consider the benefits of expanding the exemption enacted in section 1 of this Act to apply to sales of articles of clothing and footwear regardless of when such sales take place.

Sec. 3. **EFFECTIVE DATE.** This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 26, 2000

CHAPTER 1213

ECONOMIC DEVELOPMENT PROGRAMS — TAX CREDITS — INCENTIVES

H.F. 2540

AN ACT relating to economic development programs and related tax credits and including effective and retroactive applicability date provisions.

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

Section 1. Section 15.333, subsection 1, Code Supplement 1999, is amended to read as follows:

1. 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 expan-

sion 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. Subject to prior approval by the department of economic development in consultation with the department of revenue and finance, an eligible business whose project primarily involves the production of value-added agricultural products may elect to refund all or a portion of an unused tax credit. The refund may be used against a tax liability imposed under chapter 422, division II, III, or V. 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.

1A. An eligible business whose project primarily involves the production of value-added agricultural products, that elects to receive a refund of all or a portion of an unused tax credit, shall apply to the department of economic development for tax credit certificates. An eligible business whose project primarily involves the production of value-added agricultural products shall not claim a tax credit under this section unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's tax return for the tax year during which the tax credit is claimed. A tax credit certificate shall not be valid until the tax year following the date of the project completion. A tax credit certificate shall contain the taxpayer's name, address, tax identification number, the date of project completion, the amount of the tax credit, other information required by the department of revenue and finance. The department of economic development shall not issue tax credit certificates which total more than four million dollars during a fiscal year. If the department receives applications for tax credit certificates in excess of four million dollars, the applicants shall receive certificates for a prorated amount. The tax credit certificates shall not be transferred.

Sec. 2. Section 15.333A, subsection 1, unnumbered paragraph 2, Code 1999, is amended to read as follows:

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.~~

For purposes of this section, the purchase price of real property and any buildings and structures located on the real property is considered a new investment in the location or expansion of an eligible business. However, if within five years of purchase, the eligible business sells, disposes of, razes, or otherwise renders unusable all or a part of the land, buildings, or other existing structures for which an insurance premium tax credit was claimed under this section, the insurance premium tax liability of the eligible business for the year in which all or part of the property is sold, disposed of, razed, or otherwise rendered unusable shall be increased by one of the following amounts:

a. One hundred percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within one year after being placed in service.

b. Eighty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within two years after being placed in service.

c. Sixty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within three years after being placed in service.

d. Forty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within four years after being placed in service.

e. Twenty percent of the tax credit claimed under this section if the property ceases to be eligible for the tax credit within five years after being placed in service.

Sec. 3. Section 15E.192, Code 1999, is amended by adding the following new subsection:
NEW SUBSECTION. 2A. a. A county may designate an enterprise zone within an area located in one or more contiguous census tracts or other geographic units of the county that meets at least two of the following distress criteria:

(1) The area has a per capita income of nine thousand six hundred dollars or less based according to the 1990 census.

(2) The area has a family poverty rate of twelve percent or more according to the 1990 census.

(3) Ten percent or more of the housing units in the area are vacant.

(4) The valuations of each class of property in the designated area of the census tract is seventy-five percent or less of the countywide average for that classification based upon the most recent valuations for property tax purposes.

(5) The area is a blighted area, as defined in section 403.17.

b. The department shall not approve more than five enterprise zones designated under this subsection prior to July 1, 2001.

Sec. 4. Section 15E.192, subsection 3, Code 1999, is amended to read as follows:

3. A county or city may apply to the department for an area to be certified as an enterprise zone at any time prior to July 1, ~~2000~~ 2003. However, the total amount of land designated as enterprise zones under subsections 1 and 2 shall not exceed in the aggregate one percent of the total county area.

Sec. 5. Section 15E.193B, subsection 2, Code 1999, is amended to read as follows:

2. An eligible housing business under this section includes a housing developer, ~~or~~ housing contractor, ~~or nonprofit organization~~ that builds or rehabilitates a minimum of four single-family homes with a value, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars for each home located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units with a total value per unit, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars located in that part of a city or county in which there is a designated enterprise zone.

Sec. 6. Section 15E.193B, subsection 5, Code 1999, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. Information showing the total costs and sources of project financing that will be utilized for the new investment directly related to housing for which the business is seeking approval for a tax credit provided in subsection 6, paragraph "a".

Sec. 7. Section 15E.193B, subsection 6, paragraph a, Code 1999, is amended to read as follows:

a. An eligible housing business may claim ~~an income~~ a tax credit up to a maximum of ten percent of the new investment which is directly related to the building or rehabilitating of a

minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V. 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.

Sec. 8. Section 15E.193B, Code 1999, is amended by adding the following new subsection: NEW SUBSECTION. 9. The amount of the tax credits determined pursuant to section 15E.193B, subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under section 15E.193B, subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans.

Sec. 9. Section 15E.194, Code 1999, is amended by adding the following new subsection: NEW SUBSECTION. 4. A city of any size or any county may designate an enterprise zone at any time prior to July 1, 2010, when a business closure occurs involving the loss of full-time employees, not including retail employees, at one place of business totaling at least one thousand employees or four percent or more of the county's resident labor force based on the most recent annual resident labor force statistics from the department of workforce development, whichever is lower. The enterprise zone may be established on the property of the place of business that has closed and the enterprise zone may include an area up to an additional one mile adjacent to the property. The area meeting the requirements for enterprise zone eligibility under this subsection shall not be included for the purpose of determining the area limitation pursuant to section 15E.192, subsection 3.

Sec. 10. EFFECTIVE AND APPLICABILITY DATES. This Act, being deemed of immediate importance, takes effect upon enactment. Sections 5, 6, and 7 of this Act apply retroactively to January 1, 2000, for tax years beginning on or after that date. Section 1 of this Act takes effect July 1, 2001, and applies to tax years beginning on or after that date.

Approved May 26, 2000