

MAR 3 2005
ECONOMIC GROWTH

HOUSE FILE 559
BY MILLER

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to cultural and philanthropic initiatives by
2 establishing cultural and entertainment districts; providing
3 sales, services, and use tax refunds, income tax deductions,
4 and tax credits in relation to certain activities in cultural
5 and entertainment districts; making appropriations; and
6 providing contingent effectiveness and retroactive
7 applicability dates.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 559

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1 Section 1. NEW SECTION. 15G.111 APPROPRIATIONS.

2 1. For the fiscal period beginning July 1, 2005, and
3 ending June 30, 2010, there is appropriated each fiscal year
4 from the grow Iowa values fund created by enactment of the
5 general assembly to the office of the treasurer of state one
6 million six hundred thousand dollars for deposit in the Iowa
7 cultural trust fund created in section 303A.4.

8 2. For the fiscal period beginning July 1, 2005, and
9 ending June 30, 2010, there is appropriated each fiscal year
10 from the grow Iowa values fund created by enactment of the
11 general assembly to the department of economic development
12 four hundred thousand dollars for endow Iowa grants to lead
13 philanthropic entities pursuant to section 15E.304.

14 3. For the fiscal period beginning July 1, 2005, and
15 ending June 30, 2010, there is appropriated each fiscal year
16 from the grow Iowa values fund created by enactment of the
17 general assembly to the general fund of the state four hundred
18 thousand dollars for payment of endow Iowa tax credits
19 approved pursuant to section 15E.305.

20 4. For the fiscal period beginning July 1, 2005, and
21 ending June 30, 2010, there is appropriated each fiscal year
22 from the grow Iowa values fund created by enactment of the
23 general assembly to the department of cultural affairs two
24 hundred fifty thousand dollars for the cultural grants program
25 established in section 303.3.

26 5. Notwithstanding section 8.33, moneys that remain
27 unexpended at the end of a fiscal year shall not revert to any
28 fund but shall remain available for expenditure for the
29 designated purposes during the succeeding fiscal year.

30 Sec. 2. NEW SECTION. 303.3B CULTURAL AND ENTERTAINMENT
31 DISTRICTS -- SALES AND USE TAX REFUNDS.

32 1. The department of cultural affairs shall establish and
33 administer a cultural and entertainment district certification
34 program. The program shall encourage the growth of
35 communities through the development of areas within a city or

1 county for public and private uses related to cultural
2 purposes.

3 2. A city or county may create and submit a cultural and
4 entertainment district for certification by the department of
5 cultural affairs, in consultation with the department of
6 economic development. A cultural and entertainment district
7 shall consist of a well-defined, compact area that includes
8 both residential and commercial property. A cultural and
9 entertainment district is encouraged to include a unique form
10 of transportation for purposes of transportation within the
11 district and for transportation between the district and
12 recreational trails. A cultural and entertainment district
13 certification shall remain in effect for ten years following
14 the date of certification. Two or more cities or counties may
15 apply jointly for certification of a district that extends
16 across a common boundary. The department of cultural affairs
17 shall adopt rules pursuant to chapter 17A for the
18 administration of this section and for the development of a
19 certification application for use in the certification
20 process.

21 3. The department of cultural affairs shall encourage
22 development projects and activities located in certified
23 cultural and entertainment districts through the provision of
24 incentives provided under cultural grant programs pursuant to
25 section 303.3, chapter 303A, and any other grant programs.

26 4. An eligible business may claim a sales, services, and
27 use tax refund as provided in section 15.331A for sales,
28 services, and use tax paid by the eligible business for gas,
29 electricity, water, or sewer utility services, goods, wares,
30 or merchandise, or on services rendered, furnished, or
31 performed by the eligible business in the construction or
32 equipping of a facility located in a cultural and
33 entertainment district. For purposes of this section,
34 "eligible business" means a contractor or subcontractor
35 performing the construction or equipping a facility located in

1 a cultural and entertainment district.

2 Sec. 3. Section 404A.4, subsection 4, Code 2005, is
3 amended to read as follows:

4 4. The total amount of tax credits that may be approved
5 for a fiscal year under this chapter shall not exceed two
6 million four hundred thousand dollars. For the fiscal years
7 period beginning July 1, 2005, and ~~July 1, 2006~~ ending June
8 30, 2010, an additional ~~five-hundred-thousand~~ four million
9 dollars of tax credits may be approved each fiscal year for
10 purposes of projects located in cultural and entertainment
11 districts certified pursuant to section 303.3B. Any of the
12 additional tax credits allocated for projects located in
13 certified cultural and entertainment districts that are not
14 approved during a fiscal year may be carried over to the
15 succeeding fiscal year. The department of cultural affairs
16 shall establish by rule the procedures for the application,
17 review, selection, and awarding of certifications of
18 completion. The departments of economic development, cultural
19 affairs, and revenue shall each adopt rules to jointly
20 administer this subsection and shall provide by rule for the
21 method to be used to determine for which fiscal year the tax
22 credits are available.

23 Sec. 4. Section 422.7, Code 2005, is amended by adding the
24 following new subsection:

25 NEW SUBSECTION. 44. Subtract, to the extent not otherwise
26 excluded, the first twenty-five thousand dollars of the gain
27 from the sale of a unique work of art, provided the artist
28 lives and works in a cultural and entertainment district
29 certified pursuant to 303.3B.

30 Sec. 5. RETROACTIVE APPLICABILITY. The section of this
31 Act amending section 422.7, relating to an income tax
32 deduction, applies retroactively to January 1, 2005, for tax
33 years beginning on or after that date.

34 Sec. 6. CONTINGENT EFFECTIVENESS. The section of this Act
35 enacting section 15G.111, relating to appropriations from the

1 grow Iowa values fund, takes effect upon the enactment of
2 legislation creating the grow Iowa values fund and board by
3 the general assembly during the 2005 legislative session. The
4 Code editor shall substitute the appropriate Code reference
5 for the phrase "by enactment of the general assembly".

6 EXPLANATION

7 This bill relates to cultural and philanthropic initiatives
8 by establishing cultural and entertainment districts;
9 providing sales, services, and use tax refunds, income tax
10 deductions, and tax credits in relation to certain activities
11 in cultural and entertainment districts; making
12 appropriations; and providing contingent effectiveness and
13 retroactive applicability dates.

14 The bill appropriates moneys from the grow Iowa values fund
15 to various entities. The appropriations take effect upon
16 enactment of legislation creating the grow Iowa values fund
17 and board by the general assembly during the 2005 legislative
18 session.

19 For the fiscal period beginning July 1, 2005, and ending
20 June 30, 2010, the bill appropriates each fiscal year to the
21 office of the treasurer of state \$1.6 million for deposit in
22 the Iowa cultural trust fund.

23 For the fiscal period beginning July 1, 2005, and ending
24 June 30, 2010, the bill appropriates each fiscal year to the
25 department of economic development \$400,000 for endow Iowa
26 grants to lead philanthropic entities.

27 For the fiscal period beginning July 1, 2005, and ending
28 June 30, 2010, the bill appropriates each fiscal year to the
29 general fund of the state \$400,000 for payment of endow Iowa
30 tax credits.

31 For the fiscal period beginning July 1, 2005, and ending
32 June 30, 2010, the bill appropriates each fiscal year to the
33 department of cultural affairs \$250,000 for the cultural
34 grants program.

35 The bill provides that moneys that remain unexpended at the

1 end of a fiscal year shall not revert to any fund but shall
2 remain available for expenditure for the designated purposes
3 during the succeeding fiscal year.

4 The bill relates to the establishment of cultural and
5 entertainment districts. The cultural and entertainment
6 district legislation was previously enacted in 2003 and then
7 stricken pursuant to *Rants v. Vilsack*, 684 N.W.2d 193. The
8 bill modifies the criteria for certification by the department
9 of cultural affairs. The bill provides that a district shall
10 consist of a well-defined, compact area that includes both
11 residential and commercial property. The bill allows a
12 contractor or subcontractor to claim a sales, services, and
13 use tax refund for sales, services, and tax paid for gas,
14 electricity, water, or sewer utility services, goods, wares,
15 or merchandise, or on services rendered, furnished, or
16 performed by the contractor or subcontractor in the
17 construction or equipping of a facility located in a cultural
18 and entertainment district.

19 The bill provides that district certification is for a
20 period of 10 years and allows for the certification of areas
21 that extend across boundaries of cities and counties. The
22 bill provides that the department of cultural affairs shall
23 encourage development projects and activities located in
24 certified cultural and entertainment districts through
25 incentives under cultural grant programs and any other grant
26 programs.

27 The bill relates to rehabilitation project tax credits.
28 The bill provides that, for the fiscal year beginning July 1,
29 2005, and ending June 30, 2010, \$4 million of the
30 rehabilitation tax credits may be approved each fiscal year
31 for purposes of projects located in certified cultural and
32 entertainment districts. The bill allows any additional tax
33 credits allocated for projects located in cultural and
34 entertainment districts that are not approved during a fiscal
35 year to be carried over to the succeeding fiscal year.

1 The bill provides a deduction from the income tax of up to
2 \$25,000 of the gain from the sale of a unique work of art,
3 provided the artist lives and works in a cultural and
4 entertainment district. The deduction applies retroactively
5 to January 1, 2005, for tax years beginning on or after that
6 date.

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