

FEB 22 2006
WAYS AND MEANS

HOUSE FILE 2460
BY COMMITTEE ON ECONOMIC GROWTH

(SUCCESSOR TO HSB 530)

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

A BILL FOR

1 An Act relating to a targeted jobs withholding tax credit to be
2 used for funding improvements in certain urban renewal areas.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

HF 2460

1 Section 1. NEW SECTION. 403.19A WITHHOLDING AGREEMENT --
2 TAX CREDIT.

3 1. For purposes of this section, unless the context
4 otherwise requires:

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

12 b. "Employee" means the individual employed in a targeted
13 job that is subject to a withholding agreement.

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

17 d. "Pilot project city" means a city that has applied and
18 been approved as a pilot project city pursuant to subsection
19 2.

20 e. "Qualifying investment" means a capital investment in
21 real property including the purchase price of land and
22 existing buildings, site preparation, building construction,
23 and long-term lease costs. "Qualifying investment" also means
24 a capital investment in depreciable assets.

25 f. "Targeted job" means a job in a business which is or
26 will be located in an urban renewal area of a pilot project
27 city that pays a wage at least equal to the countywide average
28 wage. "Targeted job" does not include jobs that formerly
29 existed in the business in this state unless the business is
30 considering in good faith to relocate outside this state or
31 unless the relocation is related to an expansion which will
32 generate significant new job creation.

33 g. "Withholding agreement" means the agreement between a
34 pilot project city and an employer concerning the targeted
35 jobs withholding credit authorized in subsection 3.

1 2. An eligible city may apply to the department of
2 economic development to be designated as a pilot project city.
3 An eligible city is a city that contains three or more census
4 tracts and is located in a county meeting one of the following
5 requirements:

- 6 a. A county that borders Nebraska.
7 b. A county that borders South Dakota.
8 c. A county that borders a state other than Nebraska or
9 South Dakota.

10 The department of economic development shall approve four
11 eligible cities as pilot project cities, one pursuant to
12 paragraph "a", one pursuant to paragraph "b", and two pursuant
13 to paragraph "c". If more than two cities meeting the
14 requirements of paragraph "c" apply to be designated as a
15 pilot project city, the department of management, in
16 consultation with the department of economic development,
17 shall determine which two cities hold the most potential to
18 create new jobs or generate the greatest capital within their
19 areas. Applications from eligible cities filed on or after
20 October 1, 2006, shall not be considered.

21 If a pilot project city does not enter into a withholding
22 agreement within one year of its approval as a pilot project
23 city, the city shall lose its status as a pilot project city.
24 Upon such occurrence, the department of economic development
25 shall take applications from other eligible cities to replace
26 that city. Another city shall be designated within six
27 months.

28 3. a. A pilot project city may provide by ordinance for
29 the deposit into a designated account in the special fund
30 described in section 403.19, subsection 2, of the targeted
31 jobs withholding credit described in this section. The
32 targeted jobs withholding credit shall be based upon the wages
33 paid to employees pursuant to a withholding agreement.

34 b. An amount equal to three percent of the gross wages
35 paid by an employer to each employee under a withholding

1 agreement shall be credited from the payment made by the
2 employer pursuant to section 422.16. If the amount of the
3 withholding by the employer is less than three percent of the
4 gross wages paid to the employees covered by the withholding
5 agreement, the employer shall receive a credit against other
6 withholding taxes due by the employer or may carry the credit
7 forward for up to ten years or until depleted, whichever is
8 the earlier. The employer shall remit the amount of the
9 credit quarterly, in the same manner as withholding payments
10 are reported to the department of revenue, to the pilot
11 project city to be allocated to and when collected paid into a
12 designated account in the special fund for the urban renewal
13 area in which the targeted jobs are located. All amounts so
14 deposited shall be used or pledged by the pilot project city
15 for an urban renewal project related to the employer pursuant
16 to the withholding agreement.

17 c. (1) The pilot project city shall enter into a
18 withholding agreement with each employer concerning the
19 targeted jobs withholding credit. However, an agreement shall
20 not be entered into by a pilot project city with a business
21 currently located in this state unless the business either
22 creates ten new jobs or makes a qualifying investment of at
23 least five hundred thousand dollars within the urban renewal
24 area. The withholding agreement may have a term of up to ten
25 years. An employer shall not be obligated to enter into a
26 withholding agreement.

27 (2) The pilot project city shall not enter into a
28 withholding agreement after June 30, 2010.

29 d. A withholding agreement shall contain but is not
30 limited to all of the following:

31 (1) A copy of the adopted development agreement plan of
32 the employer.

33 (2) A list of any other amounts of incentives or
34 assistance the employer may be receiving from other economic
35 development programs, including grants, loans, forgivable

1 loans, and tax credits.

2 (3) The approval of local participating authorities.

3 (4) The amount of local incentives or assistance received
4 for each project of the employer.

5 e. (1) The employer shall certify to the department of
6 revenue that the targeted jobs withholding credit is in
7 accordance with the withholding agreement and shall provide
8 other information the department may require. 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.

12 (2) Following termination of the withholding agreement,
13 the employer credits shall cease and any money received by the
14 pilot project city after termination shall be remitted to the
15 treasurer of state to be deposited into the general fund of
16 the state. Notice shall be provided promptly to the
17 department of revenue following termination.

18 f. A pilot project city shall certify to the department of
19 revenue the amount of the targeted jobs withholding credit an
20 employer has remitted to the city and shall provide other
21 information the department may require.

22 g. An employee whose wages are subject to a withholding
23 agreement shall receive full credit for the amount withheld as
24 provided in section 422.16.

25 h. An employer may participate in a new jobs credit from
26 withholding under section 260E.5 or a supplemental new jobs
27 credit from withholding under section 15E.197 or section
28 15.331, Code 2005, at the same time as the employer is
29 participating in the withholding credit under this section.
30 Notwithstanding any other provision in this section, the new
31 jobs credit from withholding under section 260E.5 and the
32 supplemental new jobs credit from withholding under section
33 15E.197 or section 15.331, Code 2005, shall be collected and
34 disbursed prior to the withholding credit under this section.

35 i. A pilot project city that enters into a withholding

1 agreement shall arrange for a match of at least one dollar for
2 each withholding credit dollar received by the city. The
3 local match may come from the pilot project city, a private
4 donor, or the business, or a combination of all three. The
5 local match may be in cash or in kind to be used for the
6 business project.

7 j. At the time of submitting its budget to the department
8 of management, the pilot project city shall submit to the
9 department of management and the department of economic
10 development a description of the activities involving the use
11 of withholding agreements. The description shall include, but
12 is not limited to, the following:

13 (1) The total number of targeted jobs and a breakdown as
14 to those that are Iowa business expansions or retentions
15 within the city limits of the pilot project city and those
16 that are jobs resulting from established out-of-state
17 businesses moving to or expanding in Iowa.

18 (2) The number of withholding agreements and the amount of
19 withholding credits involved.

20 (3) The types of businesses that entered into the
21 agreements, and the types of businesses that declined the
22 city's proposal to enter into the agreement.

23 k. The department of economic development in consultation
24 with the department of revenue shall coordinate the pilot
25 project program with the pilot project cities under this
26 section. The department of economic development is authorized
27 to adopt, amend, and repeal rules to implement the pilot
28 project program under this section. The department of
29 economic development shall prepare an annual report for the
30 governor, the general assembly, and the legislative services
31 agency on the pilot project program.

32 EXPLANATION

33 This bill allows four pilot project cities to assist in
34 funding projects in their urban renewal areas by means of a
35 targeted jobs credit from withholding. This credit is

1 available to businesses that are or will locate in an urban
2 renewal area. Businesses already located in the area must
3 either create 10 new jobs or make at least \$500,000 in capital
4 investment within the area. The credit is 3 percent of the
5 amount of gross wages paid to the employees of the targeted
6 jobs by the business. The credit is paid to the pilot project
7 city to be used to pay for debts incurred or assistance
8 provided by the city for urban renewal projects related to the
9 business in the urban renewal area. Presently, property tax
10 imposed on the increase in value as a result of the business's
11 arrival is used to provide such financing. The withholding
12 credit is available to each targeted job of the business in
13 the area provided the job's wage is equal to at least the
14 average county wage. A withholding agreement shall be for a
15 period of up to 10 years but may not be entered into after
16 June 30, 2010. A pilot project city must arrange for a match
17 of at least \$1 for each dollar of withholding credit dollar it
18 receives. The match is to be used for the business project.

19 The four pilot project cities are cities with three or more
20 census tracts and include one located in a county that borders
21 Nebraska, one located in a county that borders South Dakota,
22 and two located in counties that border states other than
23 Nebraska or South Dakota. To be eligible to be designated as
24 a pilot project city, a city must apply by October 1, 2006. A
25 pilot project city will lose its status if it does not enter
26 into a withholding tax agreement within a year of being
27 approved as a pilot project city.

28
29
30
31
32
33
34
35

Soderberg, Ch.
Jenkins
Struyk
Miller
Olson D.

HSB 530

ECONOMIC GROWTH

SUB

By

SF

02460

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON

ECONOMIC GROWTH BILL BY

CHAIRPERSON HOFFMAN)

Passed House, Date _____

Passed Senate, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

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

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

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

TLSB 5535HC 81

mg/je/5

1 Section 1. NEW SECTION. 403.19A WITHHOLDING AGREEMENT --
2 TAX CREDIT.

3 1. For purposes of this section, unless the context
4 otherwise requires:

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

12 b. "Employee" means the individual employed in a targeted
13 job that is subject to a withholding agreement.

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

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

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

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

1 generate significant new job creation.

2 g. "Withholding agreement" means the agreement between a
3 pilot project city and an employer concerning the targeted
4 jobs withholding credit authorized in subsection 2.

5 2. a. A pilot project city may provide by ordinance for
6 the deposit into a designated account in the special fund
7 described in section 403.19, subsection 2, of the targeted
8 jobs withholding credit described in this section. The
9 targeted jobs withholding credit shall be based upon the wages
10 paid to employees pursuant to a withholding agreement.

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

29 c. (1) The pilot project city shall enter into a
30 withholding agreement with each employer concerning the
31 targeted jobs withholding credit. However, an agreement shall
32 not be entered into by a pilot project city with a business
33 currently located in this state unless the business either
34 creates ten new jobs or makes a qualifying investment of at
35 least five hundred thousand dollars within the urban renewal

1 area. The withholding agreement may have a term of up to ten
2 years. However, the agreement may provide for the extension
3 of the agreement for up to an additional ten years or until
4 the debt for which the designated account in the special fund
5 was established is paid off or is refinanced, or the project
6 for which the designated account is established is completed,
7 whichever is the earlier. An employer shall not be obligated
8 to enter into a withholding agreement.

9 (2) The pilot project city shall not enter into a
10 withholding agreement after June 30, 2010, except in the case
11 of an extension of a previously existing agreement as provided
12 in subparagraph (1).

13 d. (1) The employer shall certify to the department of
14 revenue that the targeted jobs withholding credit is in
15 accordance with the withholding agreement and shall provide
16 other information the department may require. Notice of any
17 withholding agreement shall be provided promptly to the
18 department of revenue following its execution by the pilot
19 project city and the employer.

20 (2) Following termination of the withholding agreement,
21 the employer credits shall cease and any money received by the
22 pilot project city after termination shall be remitted to the
23 treasurer of state to be deposited into the general fund of
24 the state. Notice shall be provided promptly to the
25 department of revenue following termination.

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

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

33 g. An employer may participate in a new jobs credit from
34 withholding under section 260E.5 or a supplemental new jobs
35 credit from withholding under section 15E.197 or section

1 15.331, Code 2005, at the same time as the employer is
2 participating in the withholding credit under this section.
3 Notwithstanding any other provision in this section, the new
4 jobs credit from withholding under section 260E.5 and the
5 supplemental new jobs credit from withholding under section
6 15E.197 or section 15.331, Code 2005, shall be collected and
7 disbursed prior to the withholding credit under this section.

8 h. At the time of submitting its budget to the department
9 of management, the pilot project city shall submit to the
10 department of management and the department of economic
11 development a description of the activities involving the use
12 of withholding agreements. The description shall include, but
13 is not limited to, the following:

14 (1) The total number of targeted jobs and a breakdown as
15 to those that are Iowa business expansions or retentions and
16 those that are jobs resulting from out-of-state businesses
17 moving to or expanding in Iowa.

18 (2) The number of withholding agreements and the amount of
19 withholding credits involved.

20 (3) The types of businesses that entered into the
21 agreements, and the types of businesses that declined the
22 city's proposal to enter into the agreement.

23 EXPLANATION

24 This bill allows two pilot project cities to assist in
25 funding projects in their urban renewal areas by means of a
26 targeted jobs credit from withholding. This credit is
27 available to businesses that are or will locate in an urban
28 renewal area. Businesses already located in the area must
29 either create 10 new jobs or make at least \$500,000 in capital
30 investment within the area. The credit is 3 percent of the
31 amount of gross wages paid to the employees of the targeted
32 jobs by the business. The credit is paid to the pilot project
33 city to be used to pay for debts incurred or assistance
34 provided by the city for urban renewal projects related to the
35 business in the urban renewal area. Presently, property tax

1 imposed on the increase in value as a result of the business's
2 arrival is used to provide such financing. The withholding
3 credit is available to each targeted job of the business in
4 the area provided the job's wage is equal to at least the
5 average county wage. A withholding agreement shall not be
6 entered into after June 30, 2010, unless it is an extension of
7 a previous agreement.

8 The two pilot project cities are the largest city located
9 in a county with a population of 95,000 to 110,000 and the
10 largest city located in a county with a population of 81,000
11 to 88,500.

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35