FILED FEB 07 2006

WAYS & MEANS

SENATE FILE 2156

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Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to tax incentives and assistance available to
2 qualified historic property located in designated enterprise
3 zones and other historic property, and including effective and
4 applicability date provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 Section 1. Section 15E.192, Code Supplement 2005, is
2 amended by adding the following new subsection:
3 NEW SUBSECTION. 0A. For the purposes of this division,
4 "qualified historic property" means property that is at least
5 fifty years old and is listed on the national register of
6 historic places or eligible for such listing and has been
7 rehabilitated without significant changes to the original
8 exterior of the property and without affecting its status with
9 regard to the national register of historic places.
10 Sec. 2. Section 15E.193B, subsection 2, Code Supplement
11 2005, is amended to read as follows:
12 2. An eligible housing business under this section
13 includes ~~a~~ either of the following:
14 a. A housing developer, housing contractor, or nonprofit
15 organization that builds or rehabilitates a minimum of four
16 single-family homes located in that part of a city or county
17 in which there is a designated enterprise zone or one multiple
18 dwelling unit building containing three or more individual
19 dwelling units located in that part of a city or county in
20 which there is a designated enterprise zone.
21 b. An owner or developer that rehabilitates a qualified
22 historic property to be used for dwelling purposes which is
23 located in that part of a city or county in which there is a
24 designated enterprise zone.
25 Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code
26 Supplement 2005, is amended to read as follows:
27 a. An eligible housing business may claim a tax credit up
28 to a maximum of ten percent of the new investment which is
29 directly related to the building or rehabilitating of a
30 minimum of four single-family homes located in that part of a
31 city or county in which there is a designated enterprise zone,
32 ~~or~~ one multiple dwelling unit building containing three or
33 more individual dwelling units located in that part of a city
34 or county in which there is a designated enterprise zone, or
35 qualified historic property located in that part of a city or

1 county in which there is a designated enterprise zone. The
2 new investment that may be used to compute the tax credit
3 shall not exceed the new investment used for the first one
4 hundred forty thousand dollars of value for each single-family
5 home, or for each unit of a multiple dwelling unit building
6 containing three or more units, or for each dwelling unit
7 located in the qualified historic property. The tax credit
8 may be used to reduce the tax liability imposed under chapter
9 422, division II, III, or V, or chapter 432. Any credit in
10 excess of the tax liability for the tax year may be credited
11 to the tax liability for the following seven years or until
12 depleted, whichever occurs earlier. If the business is a
13 partnership, S corporation, limited liability company, or
14 estate or trust electing to have the income taxed directly to
15 the individual, an individual may claim the tax credit
16 allowed. The amount claimed by the individual shall be based
17 upon the pro rata share of the individual's earnings of the
18 partnership, S corporation, limited liability company, or
19 estate or trust except as allowed for under subsection 8 when
20 low-income housing tax credits authorized under section 42 of
21 the Internal Revenue Code are used to assist in the financing
22 of the housing development.
23 Sec. 4. Section 15E.195, subsections 1, 2, and 4, Code
24 2005, are amended to read as follows:
25 1. A county which designates an enterprise zone pursuant
26 to section 15E.194, subsection 1, and in which an eligible
27 enterprise zone is certified shall establish an enterprise
28 zone commission to review applications from qualified
29 businesses located within or requesting to locate within an
30 enterprise zone designated pursuant to section 15E.194,
31 subsection 1, to receive incentives or assistance as provided
32 in section 15E.196. The enterprise zone commission shall also
33 review applications from qualified housing businesses
34 requesting to receive incentives or assistance as provided in
35 section 15E.193B. The enterprise zone commission shall review

1 applications from owners or developers of qualified historic
2 properties to receive incentives or assistance as provided in
3 section 15E.193B or 15E.196, as applicable. The commission
4 shall consist of nine members. Five of these members shall
5 consist of one representative of the board of supervisors, one
6 member with economic development expertise chosen by the
7 department of economic development, one representative of the
8 county zoning board, one member of the local community college
9 board of directors, and one representative of the local
10 workforce development center. These five members shall select
11 the remaining four members. If the enterprise zone consists
12 of an area meeting the requirements for eligibility for an
13 urban or rural enterprise community under Title XIII of the
14 federal Omnibus Budget Reconciliation Act of 1993, one of the
15 remaining four members shall be a representative of that
16 community. A county shall have only one enterprise zone
17 commission to review applications for incentives and
18 assistance for businesses located within or requesting to
19 locate within a certified enterprise zone designated pursuant
20 to section 15E.194, subsection 1.
21 2. A city with a population of twenty-four thousand or
22 more which designates an enterprise zone pursuant to section
23 15E.194, subsection 2, and in which an eligible enterprise
24 zone is certified shall establish an enterprise zone
25 commission to review applications from qualified businesses
26 located within or requesting to locate within an enterprise
27 zone to receive incentives or assistance as provided in
28 section 15E.196. The enterprise zone commission shall review
29 applications from qualified housing businesses requesting to
30 receive incentives or assistance as provided in section
31 15E.193B. The enterprise zone commission shall review
32 applications from owners or developers of qualified historic
33 properties to receive incentives or assistance as provided in
34 section 15E.193B or 15E.196, as applicable. The commission
35 shall consist of nine members. Six of these members shall

1 consist of one representative of an international labor
2 organization, one member with economic development expertise
3 chosen by the department of economic development, one
4 representative of the city council, one member of the local
5 community college board of directors, one member of the city
6 planning and zoning commission, and one representative of the
7 local workforce development center. These six members shall
8 select the remaining three members. If the enterprise zone
9 consists of an area meeting the requirements for eligibility
10 for an urban enterprise community under Title XIII of the
11 federal Omnibus Budget Reconciliation Act of 1993, one of the
12 remaining three members shall be a representative of that
13 community. If a city contiguous to the city designating the
14 enterprise zone is included in an enterprise zone, a
15 representative of the contiguous city, chosen by the city
16 council, shall be a member of the commission. A city in which
17 an eligible enterprise zone is certified shall have only one
18 enterprise zone commission. If a city has established an
19 enterprise zone commission prior to July 1, 1998, the city may
20 petition to the department of economic development to change
21 the structure of the existing commission.
22 4. If the enterprise zone commission determines that a
23 business <u>or an owner or developer of a qualified historic</u>
24 <u>property</u> qualifies and is eligible to receive incentives or
25 assistance as provided in section 15E.193B or 15E.196, the
26 commission shall submit an application for incentives or
27 assistance to the department of economic development. The
28 department may approve, defer, or deny the application.
29 Sec. 5. Section 15E.196, unnumbered paragraph 1, Code
30 Supplement 2005, is amended to read as follows:
31 For purposes of determining the incentives or assistance
32 provided in this section, "eligible business" means a business
33 <u>or owner or developer of a qualified historic property</u> which
34 has been approved to receive incentives and assistance by the
35 department of economic development pursuant to application as

1 provided in section 15E.195. The incentives and assistance
2 provided under this division for businesses or for
3 rehabilitating qualified historic property located in
4 enterprise zones shall be for a period not to exceed ten years
5 and shall include all of the following:
6 Sec. 6. Section 15E.196, subsections 3 and 6, Code
7 Supplement 2005, are amended to read as follows:
8 3. Investment tax credit of up to ten percent, as provided
9 in section 15.333. In the case of an owner or developer of
10 qualified historic property, the tax credit shall be based
11 upon the rehabilitation costs related to the new jobs created
12 by the occupant business.
13 6. Insurance premium tax credit of up to ten percent, as
14 provided in section 15.333A. In the case of an owner or
15 developer of qualified historic property, the tax credit shall
16 be based upon the rehabilitation costs related to the new jobs
17 created by the occupant business.
18 Sec. 7. Section 404A.1, subsection 2, Code Supplement
19 2005, is amended by adding the following new paragraph:
20 NEW PARAGRAPH. e. Property that is at least fifty years
21 old and is listed on the national register of historic places
22 or eligible for such listing and is located in a designated
23 enterprise zone pursuant to chapter 15E, division XVIII.
24 Sec. 8. Section 404A.4, subsection 4, Code Supplement
25 2005, is amended to read as follows:
26 4. a. The total amount of tax credits that may be
27 approved for a fiscal year under this chapter shall not exceed
28 two million four hundred thousand dollars. For the fiscal
29 period beginning July 1, 2005, and ending June 30, 2015, an
30 additional four million dollars of tax credits may be approved
31 each fiscal year for purposes of projects located in cultural
32 and entertainment districts certified pursuant to section
33 303.3B. Any of the additional tax credits allocated for
34 projects located in certified cultural and entertainment
35 districts that are not approved during a fiscal year shall be

1 applied to reserved tax credits issued in accordance with
2 section 404A.3 in order of original reservation.
3 b. For fiscal years beginning on or after July 1, 2006,
4 there is not a limit on the amount of tax credits that may be
5 approved for a fiscal year for the rehabilitation of eligible
6 property as defined in section 404A.1, subsection 2, paragraph
7 "e". Such tax credits shall not be counted as part of the
8 limitation on the amount of tax credits that may be approved
9 under paragraph "a".
10 c. The department of cultural affairs shall establish by
11 rule the procedures for the application, review, selection,
12 and awarding of certifications of completion. The departments
13 of economic development, cultural affairs, and revenue shall
14 each adopt rules to jointly administer this subsection and
15 shall provide by rule for the method to be used to determine
16 for which fiscal year the tax credits are available. With the
17 exception of tax credits issued pursuant to contracts entered
18 into prior to July 1, 2005, tax credits shall not be reserved
19 for more than five years.
20 Sec. 9. Section 441.21, subsection 2, Code Supplement
21 2005, is amended to read as follows:
22 2. In the event market value of the property being
23 assessed cannot be readily established in the foregoing
24 manner, then the assessor may determine the value of the
25 property using the other uniform and recognized appraisal
26 methods including its productive and earning capacity, if any,
27 industrial conditions, its cost, physical and functional
28 depreciation and obsolescence and replacement cost, and all
29 other factors which would assist in determining the fair and
30 reasonable market value of the property but the actual value
31 shall not be determined by use of only one such factor. The
32 following shall not be taken into consideration: Special
33 value or use value of the property to its present owner, and
34 the goodwill or value of a business which uses the property as
35 distinguished from the value of the property as property.

1 However, in assessing property that is rented or leased to
2 low-income individuals and families as authorized by section
3 42 of the Internal Revenue Code, as amended, and which section
4 limits the amount that the individual or family pays for the
5 rental or lease of units in the property, the assessor shall
6 use the productive and earning capacity from the actual rents
7 received as a method of appraisal and shall take into account
8 the extent to which that use and limitation reduces the market
9 value of the property. The assessor shall not consider any
10 tax credit equity or other subsidized financing as income
11 provided to the property in determining the assessed value.
12 The property owner shall notify the assessor when property is
13 withdrawn from section 42 eligibility under the Internal
14 Revenue Code. The property shall not be subject to section 42
15 assessment procedures for the assessment year for which
16 section 42 eligibility is withdrawn. This notification must
17 be provided to the assessor no later than March 1 of the
18 assessment year or the owner will be subject to a penalty of
19 five hundred dollars for that assessment year. The penalty
20 shall be collected at the same time and in the same manner as
21 regular property taxes. <u>However, in assessing property that</u>
22 <u>is qualified historic property, as defined in section 15E.192,</u>
23 <u>subsection 0A, which is located in a designated enterprise</u>
24 <u>zone, the assessor shall use the productive and earning</u>
25 <u>capacity of the property as the method of appraisal.</u> Upon
26 adoption of uniform rules by the department of revenue or
27 succeeding authority covering assessments and valuations of
28 such properties, the valuation on such properties shall be
29 determined in accordance with such rules and in accordance
30 with forms and guidelines contained in the real property
31 appraisal manual prepared by the department as updated from
32 time to time for assessment purposes to assure uniformity, but
33 such rules, forms, and guidelines shall not be inconsistent
34 with or change the foregoing means of determining the actual,
35 market, taxable and assessed values.

1 Sec. 10. EFFECTIVE AND APPLICABILITY DATES. This Act,
2 being deemed of immediate importance, takes effect upon
3 enactment and applies as follows:
4 1. The sections of this Act amending sections 15E.192,
5 15E.193B, 15E.195, and 15E.196 apply to qualified historic
6 property where completion of rehabilitation occurs on or after
7 the effective date of this Act.
8 2. The sections of this Act amending sections 404A.1 and
9 404A.4 apply to fiscal years beginning on or after July 1,
10 2006.
11 3. The section of this Act amending section 441.21 applies
12 to assessment years beginning on or after January 1, 2007.
13 EXPLANATION
14 This bill relates to qualified historic property that is 50
15 years old, is either on the national register of historic
16 places or is eligible for such listing, and is located in a
17 designated enterprise zone.
18 The bill provides that upon approval by the local
19 enterprise zone commission and the department of economic
20 development, the owner or developer of the qualified historic
21 property that is used for business purposes is eligible to
22 receive an investment tax credit of up to 10 percent of the
23 rehabilitation costs related to the new jobs created by the
24 occupant business and a refund of state sales and use taxes
25 paid on materials and services used in the rehabilitation. If
26 the qualified historic property is used for residential
27 purposes, the owner or developer of the property is eligible
28 for an investment tax credit of up to 10 percent of the
29 rehabilitation costs related to the development of the
30 residential units and a refund of state sales and use taxes
31 paid on materials and services used in the rehabilitation.
32 The bill provides that for property tax purposes, qualified
33 historic property located in a designated enterprise zone is
34 to be assessed based on its productive and earning capacity.
35 The bill provides that under Code chapter 404A, the

1 limitations placed on the amount of historic preservation and
2 cultural and entertainment district tax credits do not apply
3 to the tax credits granted for qualified historic property
4 located in a designated enterprise zone.
5 The bill takes effect upon enactment and has various
6 applicability date provisions.
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