

February 28, 1963.

Passed on File. *Ways & Means 3/11* By STANLEY, FALVEY and FRAZIER.

House File 503

Passed House, Date..... Passed Senate, Date.....

Vote: Ayes..... Nays..... Vote: Ayes..... Nays.....

Approved.....

## A BILL FOR

An Act to encourage industrial development in Iowa and to provide for an industrial development tax credit to be applied against the business tax on corporations.

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

1 Section 1. Section four hundred twenty-two point thirty-  
2 three (422.33), Code 1962, is hereby amended by adding the fol-  
3 lowing subsection:  
4 "Any corporation which is subject to the tax imposed by this  
5 section shall be entitled to an 'industrial development tax  
6 credit' which may be applied against the tax imposed by this  
7 section. The amount of the 'industrial development tax credit'  
8 shall be equal to the amounts spent by the corporation after  
9 December 31, 1963, to build, equip, extend, enlarge, or materi-  
10 ally alter plants located in Iowa and used primarily for the  
11 manufacture of tangible personal property as defined in this  
12 section. For the purposes of this subsection, 'plants' includes  
13 buildings and equipment, but does not include the land and does not  
14 include used buildings purchased or acquired by the corporation.  
15 For the purposes of this subsection, buildings, but not equip-  
16 ment, shall be deemed to be used for the manufacture of tangible  
17 personal property if they are used for purposes closely related  
18 to such manufacture, including but not limited to offices and  
19 warehouses, and are located in close proximity to the plant used  
20 for such manufacture. The 'industrial development tax credit'  
21 for any plant shall not be allowed until the first tax year in

22 which such plant is actually used primarily for the manufacture of  
23 tangible personal property in Iowa, notwithstanding that all or  
24 part of the tax credit may be based on amounts spent in prior  
25 tax years. In any event, the 'industrial development tax credit'  
26 for any plant shall not include any amounts spent more than  
27 three (3) tax years prior to the first tax year in which such  
28 plant is actually used primarily for the manufacture of tangible  
29 personal property in Iowa. If the 'industrial development tax  
30 credit' exceeds the amount of the tax for such tax year, any  
31 unused part of the tax credit may be carried forward and applied  
32 to reduce the tax for succeeding years, not to exceed ten (10)  
33 consecutive tax years after the tax year in which such tax credit  
34 is first allowed. The preceding sentence shall apply separately  
35 to any 'industrial development tax credit' for amounts spent in  
36 subsequent tax years. The right to take the tax credit and to  
37 carry forward any unused part of the tax credit shall extend to  
38 any corporation which shall be the successor in interest to the  
39 corporation which spent the amounts on which the tax credit is  
40 based. However, no corporation shall be eligible for the tax  
41 credit in any tax year with respect to any plant which is not used  
42 primarily for the manufacture of tangible personal property in  
43 Iowa during such year."

#### EXPLANATION OF HOUSE FILE 503

This bill will give existing Iowa industries an incentive to expand, and will give new industries an incentive to locate in Iowa.

Many states use some form of tax incentive to attract industry. A recent report by Economic Development Associates, Inc., on its detailed study of Iowa's industrial development program, recommended that Iowa should consider adopting such a program.

This bill will allow any manufacturing corporation to take a tax credit against the Iowa business tax on corporations (corporation income tax) equal to the amount spent to build or extend manufacturing plants in Iowa. Any unused credit may be carried forward for not more than 10 years.

This bill will result in a long-term revenue gain, not a revenue loss. The corporation income tax is a relatively minor source of state revenue. For every dollar this tax credit will cost, Iowa will gain many tax dollars from any new industrial plant— income tax on salaries and wages, sales and use taxes paid by the corporation and its employees, and property taxes on the new plant.