

FEB 19 2001

WAYS AND MEANS

HOUSE FILE 312

BY RICHARDSON

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act establishing a community development program to aid
2 certain neighborhoods and communities and providing tax
3 credits for income tax, franchise tax, and premiums tax for
4 businesses contributing to community development projects and
5 including effective and applicability date provisions.

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

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HF 312

1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

2 This part shall be known as and may be cited as the
3 "Community Development Program Act".

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

5 As used in this part, unless the context otherwise
6 requires:

7 1. "Business" means all businesses operating within the
8 state and includes individuals operating a sole proprietorship
9 or having rental, royalty, or farm income in this state.

10 2. "Community services" means, but is not limited to,
11 individual, group, and family counseling; mental health
12 services; primary care and community medical health centers;
13 child and adult care services; senior citizen service centers;
14 recreation programs; nutrition programs; emergency shelters
15 for persons suffering from physical abuse or rape; services
16 for the handicapped; sheltered workshops, vocational
17 counseling; substance abuse counseling; and referral services.

18 3. "Contribution" includes cash, material or supplies,
19 real estate, labor, professional services, technical
20 assistance, or equipment. "Contribution" does not include
21 investments made by a financial institution or insurance
22 company in the normal course of its business.

23 4. "Crime prevention" means activities which include but
24 are not limited to services to ex-offenders, local civilian
25 organizations that help prevent crime or provide aid to
26 victims of crime, mediation services aimed at resolving
27 disputes and conflicts before they become criminal incidents,
28 or services to juveniles who have had contact with the court
29 or police.

30 5. "Distressed or blighted area" means an area designated
31 or that qualifies under section 15E.194 to be designated an
32 enterprise zone pursuant to chapter 15E, division XVIII,
33 designated as a slum or blighted area pursuant to chapter 403,
34 or designated as a revitalization area pursuant to chapter
35 404.

1 6. "Economic development" means the acquisition,
2 renovation, improvement, or the furnishing or equipping of
3 existing buildings and real estate in distressed or blighted
4 areas of the state when this acquisition, renovation,
5 improvement, or the furnishing or equipping of the existing
6 buildings and real estate will result in the creation or
7 retention of jobs within the state.

8 7. "Education" includes literacy programs, adult basic
9 education and general educational development certificate
10 programs, training for the physically or mentally challenged,
11 and education for a person disenfranchised by public primary
12 or secondary school systems.

13 8. "Job training" means those activities which provide
14 specific vocational skills including special apprenticeship or
15 on-the-job training programs not otherwise available.

16 9. "Neighborhood area" means a specific geographic area
17 certified by the department as having a readily identifiable
18 residential population and which may include, but is not
19 limited to, any of the following factors:

20 a. A sense of belonging or identity that ties residents to
21 a given area.

22 b. Social, cultural, political, or economic activities
23 around which people organize themselves.

24 c. The existence of cohesive organizations formed by
25 residents.

26 d. A city with a population of less than ten thousand or a
27 region within a rural area may be certified as a neighborhood
28 area.

29 e. A history of acting or being treated as a distinct or
30 cohesive unit.

31 10. a. "Qualifying organization" means an organization
32 performing community services or economic development
33 activities in the state and is any of the following:

34 (1) A person or organization that is exempt from federal
35 income taxation under the Internal Revenue Code as defined in

1 section 422.3.

2 (2) A nonprofit corporation organized under the laws of
3 this state.

4 (3) Designated as a community development corporation by
5 the federal government pursuant to Title VII of the federal
6 Economic Opportunity Act of 1964, Pub. L. No. 88-452.

7 b. "Qualifying organization" does not include any of the
8 following:

9 (1) A unit or agency of the state, local government, or
10 educational institution.

11 (2) A foundation or trust of a postsecondary educational
12 institution.

13 (3) A church-affiliated religious organization unless the
14 organization is without religious discrimination or is not
15 controlled by a single denomination.

16 11. "Physical revitalization" means activities designed
17 for the physical improvement of any part or all of a
18 neighborhood area. These activities may include, but are not
19 limited to, such programs as commercial area revitalization;
20 housing construction or rehabilitation; improvements to or
21 acquisition or construction of facilities used by nonprofit
22 organizations for community purposes or related planning and
23 promotional activities designed to aid in those programs.

24 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX
25 CREDITS -- APPROVAL OF PROJECTS AND PROPOSALS.

26 1. TAX CREDITS. A business which engages in the
27 activities of providing physical revitalization, economic
28 development, job training or education for individuals,
29 community services, or crime prevention in the state shall
30 receive a community development tax credit as provided in
31 section 15.383 if the director annually approves the proposal
32 of the business. However, a proposal shall not be approved
33 which does not have the endorsement of the agency of local
34 government for the area in which the business is engaging in
35 such activities that the proposal is consistent with the

1 overall community or neighborhood development plan adopted by
2 that local government.

3 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
4 development projects in distressed or blighted areas for which
5 tax credits under this part may be approved, the following
6 guidelines apply:

7 a. Applications shall be accepted from any locally based
8 qualifying organization wishing to conduct an economic
9 development project in a distressed or blighted area.

10 b. Applicants may not administer more than one economic
11 development project at a time. A project may include more
12 than one building, provided that the proposal meets all other
13 eligibility requirements as set forth in this subsection and
14 rules of the department.

15 c. Applications will be accepted by the department at any
16 time of the year and will be approved on a case-by-case basis
17 as all the necessary requirements are met and as credits
18 become available.

19 d. A maximum authorization of one hundred fifty thousand
20 dollars in tax credits will be permitted per project and no
21 more than five percent of the credits authorized for the
22 project shall normally be allowed for administrative and
23 operating expenses. In unusual circumstances, a higher
24 percentage may be allowed at the discretion of the department.

25 e. Applicants must obtain a nonbinding commitment from a
26 prospective business or businesses willing to locate to the
27 facility and demonstrate that at least one job will be created
28 or retained for every ten thousand dollars in credits
29 requested. Eligible types of businesses include retail,
30 commercial, service, and manufacturing.

31 f. Applicants must agree to retain ownership of all
32 properties acquired under this part for a minimum of five
33 years and agree to contractual conditions with the department
34 governing the use or eventual disposition, or both, of those
35 properties. Contract conditions shall include, but are not

1 limited to, lease terms and arrangements for the first five
2 years, and a clause stipulating that the eventual purchase
3 price will be no less than seventy-five percent of the fair
4 market value of the facility, excluding the value of leasehold
5 improvements.

6 3. COMMUNITY DEVELOPMENT PROJECTS. For community
7 development projects, other than economic development
8 projects, for which tax credits under this part may be
9 approved, the following procedures, criteria, and priorities
10 apply:

11 a. A proposal for a proposed program shall be submitted by
12 a qualifying organization for carrying out a specific project
13 consistent with the purposes of this part.

14 b. All proposals shall be made on the forms supplied by
15 the department. Each proposal shall contain a project budget
16 and shall identify, if possible, the items and amounts of the
17 budget which will be provided for from contributions from any
18 business. A project budget shall be approved by the
19 department. The department may request any additional
20 information it determines necessary to evaluate a proposal or
21 plan.

22 c. Community development projects and the budgets for them
23 may be approved for a period of up to three years at the
24 discretion of the director.

25 d. An annual application deadline shall be determined by
26 the department and application materials shall be distributed
27 upon request no less than sixty days prior to the actual
28 application deadline.

29 e. All proposals must address at least one of the
30 following priorities in order to qualify for approval:

31 (1) The project substantially contributes to self-help
32 efforts by residents of the neighborhood area to be served in
33 addressing locally defined objectives.

34 (2) The project will result in the provision of essential
35 services to low-income and moderate-income persons which would

1 not otherwise be provided in the affected neighborhood area
2 and for which there are not other resources.

3 (3) The project tangibly contributes to the development of
4 lasting cooperation and partnership efforts of neighborhood
5 organizations and businesses.

6 f. Approval or disapproval of proposals shall be based on
7 the following criteria:

8 (1) The director must certify an area as experiencing
9 problems endangering the area's existence as a viable and
10 stable neighborhood to be eligible for assistance.

11 (2) The qualifying organization submitting the proposal
12 must demonstrate its capacity to adequately administer the
13 project.

14 (3) There must be a demonstrated need for the program in
15 the neighborhood area within which the project is to be
16 carried out.

17 (4) The proposal must demonstrate that residents of the
18 affected neighborhood area have been involved in the planning
19 of the proposed project and describe the extent to which they
20 will be involved in its implementation.

21 (5) The proposal must be consistent with all locally
22 approved community or neighborhood development plans for the
23 area.

24 (6) Proposals submitted subsequent to the first year will
25 be evaluated on performance of the first-year project, other
26 resources developed, continued need, and potential for
27 eventual self-sufficiency.

28 g. In no case shall a project be approved that does not
29 have a written endorsement of the appropriate local public
30 authority.

31 h. The maximum amount of credits allowed per project is
32 one hundred fifty thousand dollars.

33 i. For purposes of the criterion in paragraph "f",
34 subparagraph (1), an area is experiencing problems endangering
35 its existence as a viable and stable neighborhood if some of

1 the following factors are present: declining population, high
2 percentage of people dependent on public assistance,
3 persistent or substantial unemployment or underemployment,
4 lower than average family incomes, financial disinvestment,
5 insurance and financial redlining, general weakened market
6 conditions on the neighborhood commercial strip as indicated
7 by declining rents or vacant stores, excessive abandonment of
8 properties, a significant percentage of neighborhood residents
9 on fixed incomes, unsanitary or inadequate housing,
10 overcrowding, property speculation, high rates of crime and
11 delinquency, high degree of drug or alcohol abuse, increasing
12 cases of mental health problems, significant numbers of
13 single-parent households, high degree of infant mortality and
14 disease, disabilities, general unsanitary conditions in the
15 area, or poor city and public utility services.

16 4. TAX CREDIT APPLICATION.

17 a. The department shall approve or disapprove applications
18 for tax credits to businesses which have invested in approved
19 economic development projects or other community development
20 projects. The director, upon approval of an application,
21 shall notify the director of revenue and finance and the
22 governor of those businesses entitled to a tax credit.

23 b. The procedures and requirements for filing a tax credit
24 application are as follows:

25 (1) Businesses wanting to donate to a particular community
26 development project, but first wishing to verify the
27 eligibility of the donation for a tax credit, may submit a tax
28 credit eligibility confirmation form to the department. The
29 department will confirm in writing whether or not the donation
30 qualifies for credit and how the value of the credit will be
31 determined. This confirmation will not constitute credit
32 approval. However, the qualifying organization for the
33 project may reserve credits for specific donors.

34 (2) In order to qualify for credit, donations must occur
35 during the approved project period with the exception of

1 donated audit services, which may occur anytime during the
2 six-month period following the project period, and must be
3 directly related to the approved project.

4 (3) Businesses wishing to apply for credit must complete a
5 community development tax credit application.

6 (4) Tax credit applications are to be signed by the
7 qualifying organization and submitted directly to the
8 department not later than one year following the date of
9 donation.

10 (5) The order in which completed credit applications are
11 received by the department will determine the order in which
12 credits are approved. Facsimile copies will not be considered
13 completed applications.

14 (6) Every transmittal of tax credit applications to the
15 department must be accompanied by a project report prepared by
16 the qualifying organization.

17 (7) The department shall examine all submitted
18 applications and determine which donations meet the
19 eligibility criteria.

20 c. The department shall establish by rule the methods to
21 be used in determining the value of contributions of a
22 business.

23 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
24 DOCUMENTATION.

25 1. For a tax credit application approved pursuant to
26 section 15.382, the community development tax credit available
27 under this part may be used to reduce the tax liability
28 imposed under chapter 422, division II, III, or V, or chapter
29 432.

30 2. Subject to subsections 3 and 5, the amount of the
31 community development tax credit shall be a percentage of the
32 contribution made by the business during the tax year as
33 follows:

34 a. Fifty percent of the total amount contributed, except
35 as provided in paragraph "b".

1 b. Seventy-five percent of the contributions made to
2 programs in any city which has a population of fifteen
3 thousand or less as of the last decennial census and is
4 located in a county which is located in one of the following:

5 (1) An area that is not part of a metropolitan statistical
6 area as defined by the United States department of commerce.

7 (2) A metropolitan statistical area but the county has
8 only one city which has more than fifteen thousand
9 inhabitants.

10 (3) A metropolitan statistical area and a substantial
11 number of persons in the county derive their income from
12 agriculture.

13 3. a. The tax credit shall not exceed one hundred
14 thousand dollars annually.

15 b. Any tax credit in excess of the business' tax liability
16 for a tax year may be credited to the tax liability for the
17 following five tax years or until depleted, whichever is the
18 earlier.

19 c. A financial institution or insurance company shall not
20 receive a tax credit for activities that are part of its
21 normal course of business.

22 d. To be eligible to receive the tax credit, a business
23 shall provide documentation of the contributions on which the
24 credit is based. The documentation shall be as specified by
25 rules of the department.

26 4. The total amount of tax credits that may be approved
27 pursuant to this part shall not exceed three million dollars
28 in any fiscal year. Not more than seven hundred fifty
29 thousand dollars in tax credits in a fiscal year shall be
30 approved for the seventy-five percent of contributions credits
31 under subsection 2, paragraph "b". When this maximum dollar
32 amount in tax credits is approved, subsequent requests for tax
33 credits pursuant to subsection 2, paragraph "b", may only be
34 approved for fifty percent of the amount of the contributions.

35 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT TAX

1 CREDIT.

2 The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a community development tax credit received pursuant to
5 sections 15.380 through 15.383.

6 An individual may claim the community development tax
7 credit allowed a partnership, limited liability company, S
8 corporation, or estate or trust electing to have the income
9 taxed directly to the individual. The amount claimed by the
10 individual shall be based upon the pro rata share of the
11 individual's earnings of the partnership, limited liability
12 company, S corporation, or estate or trust.

13 Any credit in excess of the tax liability for the tax year
14 may be credited to the tax liability for the following five
15 tax years or until depleted, whichever is earlier.

16 Sec. 6. Section 422.33, Code 2001, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. 11. The taxes imposed under this division
19 shall be reduced by a community development tax credit
20 received pursuant to sections 15.380 through 15.383.

21 Any credit in excess of the tax liability for the tax year
22 may be credited to the tax liability for following five tax
23 years or until depleted, whichever is earlier.

24 Sec. 7. Section 422.60, Code 2001, is amended by adding
25 the following new subsection:

26 NEW SUBSECTION. 4. The taxes imposed under this division
27 shall be reduced by a community development tax credit
28 received pursuant to sections 15.380 through 15.383.

29 Any credit in excess of the tax liability for the tax year
30 may be credited to the tax liability for the following five
31 tax years or until depleted, whichever is earlier.

32 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT TAX
33 CREDIT.

34 The tax imposed under this chapter shall be reduced by a
35 community development tax credit received pursuant to sections

1 15.380 through 15.383.

2 Any credit in excess of the tax liability for the calendar
3 year may be credited to the tax liability for the following
4 five calendar years or until depleted, whichever is earlier.

5 Sec. 9. EFFECTIVE AND APPLICABILITY DATE. This Act, being
6 deemed of immediate importance, takes effect upon enactment.
7 Sections 5 through 8 of this Act apply to tax years beginning
8 on or after January 1, 2002.

9 EXPLANATION

10 This bill establishes a community development program
11 administered by the department of economic development. The
12 program is to provide tax incentives to businesses which make
13 contributions to projects in communities or neighborhoods that
14 would benefit by these projects. The projects involve the
15 providing of physical revitalization, economic development,
16 job training or education for individuals, community services,
17 and crime prevention. Community services projects include
18 projects providing for group and family counseling, mental
19 health services and centers, child and adult care, senior
20 citizen centers, recreation programs, sheltered workshops, and
21 substance abuse counseling.

22 The tax incentives are provided in the form of tax credits
23 which may be used to offset the tax liability under the
24 individual and corporate taxes, financial institution
25 franchise tax, and the insurance premiums tax. The amount of
26 the credit, subject to limitation, equals 50 percent, or 75
27 percent in cities of 15,000 or less in population, of the
28 contributions made by the business to the project. Not more
29 than \$150,000 in tax credits may be allowed for any one
30 project. The maximum amount of credit a business may receive
31 for a project is \$100,000. Projects and tax credits
32 associated with the projects must be approved by the
33 department of economic development. The total amount of tax
34 credits that may be approved in a fiscal year shall not exceed
35 \$3 million.

1 The bill takes effect upon enactment and the tax credit
2 provisions are effective January 1, 2002, for tax years
3 beginning on or after that date.

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