

REPRINTED

FEB 21 2001

Place On Calendar

HOUSE FILE 349
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

(SUCCESSOR TO HF 119)

Passed House, Date ^(P. 533) 2/28/01 Passed Senate, Date ^(P. 1465) 5/2/01
Vote: Ayes 95 Nays 0 Vote: Ayes 46 Nays 3
Approved 5/16/01

A BILL FOR

1 An Act relating to the enterprise zone program by creating an
2 eligible development business portion of the program, amending
3 the incentives and assistance provisions available under the
4 enterprise zone program, and providing a retroactive
5 applicability date.

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

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HF 349

1 Section 1. Section 15.333, subsection 1, Code 2001, is
2 amended to read as follows:

3 1. An eligible business may claim a corporate tax credit
4 up to a maximum of ten percent of the new investment which is
5 directly related to new jobs created by the location or
6 expansion of an eligible business under the program. Any
7 credit in excess of the tax liability for the tax year may be
8 credited to the tax liability for the following seven years or
9 until depleted, whichever occurs earlier. If the business is
10 a partnership, subchapter S corporation, limited liability
11 company, or estate or trust electing to have the income taxed
12 directly to the individual, an individual may claim the tax
13 credit allowed. The amount claimed by the individual shall be
14 based upon the pro rata share of the individual's earnings of
15 the partnership, subchapter S corporation, limited liability
16 company, or estate or trust. For purposes of this section,
17 "new investment directly related to new jobs created by the
18 location or expansion of an eligible business under the
19 program" means the cost of machinery and equipment, as defined
20 in section 427A.1, subsection 1, paragraphs "e" and "j",
21 purchased for use in the operation of the eligible business,
22 the purchase price of which has been depreciated in accordance
23 with generally accepted accounting principles, and the cost of
24 improvements made to real property which is used in the
25 operation of the eligible business ~~and which receives a~~
26 ~~partial property tax exemption for the actual value added~~
27 ~~under section 15-332.~~

28 Sec. 2. NEW SECTION. 15E.193C ELIGIBLE DEVELOPMENT
29 BUSINESS.

30 1. A development business qualifying under this section is
31 eligible to receive incentives and assistance only as provided
32 in this section. Sections 15E.193, 15E.193B, and 15E.196 do
33 not apply to an eligible development business qualifying under
34 this section.

35 2. An eligible development business includes a developer

1 or development contractor that constructs, expands, or
2 rehabilitates a building space with a minimum capital
3 investment of at least five hundred thousand dollars in that
4 part of a city or county in which there is a designated
5 enterprise zone. An eligible development business is eligible
6 for one, but not both, of the following exemptions to the
7 capital investment requirements:

8 a. For an eligible development business purchasing a
9 vacant building suitable for industrial use, the fair market
10 value of the building and land, not to exceed two hundred
11 fifty thousand dollars, as determined by the local enterprise
12 zone commission, shall be deducted from the capital investment
13 requirement.

14 b. For an eligible development business that rehabilitates
15 a building space that has been in an enterprise zone for at
16 least five years, the fair market value as established by an
17 appraisal of the building, not to exceed two hundred fifty
18 thousand dollars, shall be deducted from the capital
19 investment requirement.

20 3. Upon completion of the construction, expansion, or
21 rehabilitation project by the eligible development business,
22 the building space shall not be occupied by a retail business.

23 4. An eligible development business shall complete its
24 construction, expansion, or rehabilitation within three years
25 from the time the eligible development business receives
26 approval from the department. The failure to complete
27 construction, expansion, or rehabilitation within three years
28 shall result in the eligible development business becoming
29 ineligible and subject to the repayment requirements and
30 penalties provided in subsection 8.

31 5. Prior to applying for assistance under this section, an
32 eligible development business shall enter into an agreement
33 with at least one business for purposes of locating the
34 business in all or a portion of the building space for a
35 period of at least five years.

1 6. An eligible development business shall provide the
2 enterprise zone commission with all of the following
3 information:

4 a. The long-term strategic plan for the development
5 business which shall include infrastructure needs and a copy
6 of any agreement entered into by the eligible development
7 business as required under subsection 5.

8 b. Information relating to the benefits the development
9 business will bring to the area.

10 c. Examples of why the development business should be
11 considered or would be considered a good business enterprise.

12 d. An affidavit that the development business has not,
13 within the last five years, violated state or federal
14 environmental and worker safety statutes, rules, and
15 regulations or if such violation has occurred that there were
16 mitigating circumstances or the violations did not seriously
17 affect public health or safety or the environment.

18 7. An eligible development business, which has been
19 approved to receive incentives and assistance by the
20 department of economic development pursuant to section
21 15E.195, shall be eligible to receive all of the following
22 incentives and assistance for a period not to exceed ten
23 years:

24 a. An eligible development business may claim a tax credit
25 up to a maximum of ten percent of the new investment that is
26 directly related to the construction, expansion, or
27 rehabilitation of building space to be used for manufacturing,
28 processing, cold storage, distribution, or office facilities.
29 For purposes of this section, "new investment" includes the
30 purchase price of land and the cost of improvements made to
31 real property. The tax credit may be claimed by an eligible
32 development business for the tax year in which the
33 construction, expansion, or rehabilitation is completed. The
34 tax credit may be used to reduce the tax liability imposed
35 under chapter 422, division II, III, or V. Any credit in

1 excess of the tax liability for the tax year may be credited
2 to the tax liability for the following seven years or until
3 depleted, whichever occurs earlier. If the business is a
4 partnership, S corporation, limited liability company, or
5 estate or trust electing to have the income taxed directly to
6 the individual, an individual may claim the tax credit
7 allowed. The amount claimed by the individual shall be based
8 upon the pro rata share of the individual's earnings of the
9 partnership, S corporation, limited liability company, or
10 estate or trust.

11 b. Sales, services, and use tax refund, as provided in
12 section 15.331A.

13 c. The county or city for which an eligible enterprise
14 zone is certified may exempt from all property taxation all or
15 a portion of the value added to the property upon which an
16 eligible development business constructs, expands, or
17 rehabilitates property in an enterprise zone. The amount of
18 value added for purposes of this shall be the amount of the
19 increase in assessed valuation of the property following the
20 construction, expansion, or rehabilitation by the development
21 business in the enterprise zone. If an exemption provided
22 pursuant to this is made applicable to only a portion of the
23 property within an enterprise zone, the definition of that
24 subset of eligible property must be by uniform criteria that
25 further some planning objective established by the city or
26 county enterprise zone commission and approved by the city or
27 county. The exemption may be allowed for a period not to
28 exceed ten years beginning the year the eligible development
29 business enters into an agreement with the county or city to
30 construct, expand, or rehabilitate property in an enterprise
31 zone.

32 8. If a development business has received incentives or
33 assistance under this section and fails to maintain the
34 requirements of this section to be an eligible development
35 business, the business is subject to repayment of all or a

1 portion of the incentives and assistance that it has received.
2 The department of revenue and finance shall have the authority
3 to recover the value of state taxes or incentives provided
4 under this section. The value of state incentives provided
5 under this section includes applicable interest and penalties.
6 The department of economic development and the city and
7 county, as applicable, shall enter into an agreement with the
8 business specifying the method for determining the amount of
9 incentives or assistance paid which will be repaid in the
10 event of failure to maintain the requirements of this section.
11 In addition, a business that fails to maintain the
12 requirements of this section shall not receive incentives or
13 assistance for each year during which the business is not in
14 compliance.

15 9. The department of economic development and the
16 department of revenue and finance shall each adopt rules
17 pursuant to chapter 17A to jointly administer this section.

18 10. An eligible business under section 15E.193 is not
19 eligible for incentives and assistance listed in section
20 15E.196 if the property is owned, or was previously owned, by
21 an approved development business that has received incentives
22 and assistance under this section 15E.193C.

23 11. If, within five years of the completion of a
24 construction, expansion, or rehabilitation project, the
25 development business, or its successor, sells or leases any
26 space to any retail business, the development business shall
27 proportionally refund any tax credits, refunds, or exemptions
28 which were claimed under this section.

29 Sec. 3. Section 15E.195, Code 2001, is amended to read as
30 follows:

31 15E.195 ENTERPRISE ZONE COMMISSION.

32 1. A county which designates an enterprise zone pursuant
33 to section 15E.194, subsection 1, and in which an eligible
34 enterprise zone is certified shall establish an enterprise
35 zone commission to review applications from qualified

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

28 2. A city with a population of twenty-four thousand or
29 more which designates an enterprise zone pursuant to section
30 15E.194, subsection 2, and in which an eligible enterprise
31 zone is certified shall establish an enterprise zone
32 commission to review applications from qualified businesses
33 located within or requesting to locate within an enterprise
34 zone to receive incentives or assistance as provided in
35 section 15E.196. The enterprise zone commission shall review

1 applications from qualified housing businesses requesting to
2 receive incentives or assistance as provided in section
3 15E.193B. The enterprise zone commission shall also review
4 applications from qualified development businesses requesting
5 to receive incentives or assistance as provided in section
6 15E.193C. The commission shall consist of nine members. Six
7 of these members shall consist of one representative of an
8 international labor organization, one member with economic
9 development expertise chosen by the department of economic
10 development, one representative of the city council, one
11 member of the local community college board of directors, one
12 member of the city planning and zoning commission, and one
13 representative of the local workforce development center.
14 These six members shall select the remaining three members.
15 If the enterprise zone consists of an area meeting the
16 requirements for eligibility for an urban enterprise community
17 under Title XIII of the federal Omnibus Budget Reconciliation
18 Act of 1993, one of the remaining three members shall be a
19 representative of that community. If a city contiguous to the
20 city designating the enterprise zone is included in an
21 enterprise zone, a representative of the contiguous city,
22 chosen by the city council, shall be a member of the
23 commission. A city in which an eligible enterprise zone is
24 certified shall have only one enterprise zone commission. If
25 a city has established an enterprise zone commission prior to
26 the effective date of this Act, the city may petition to the
27 department of economic development to change the structure of
28 the existing commission.

29 3. The commission may adopt more stringent requirements,
30 including requirements related to compensation and benefits,
31 for a business to be eligible for incentives or assistance
32 than provided in sections 15E.193, and 15E.193B, and 15E.193C.
33 The commission may develop as an additional requirement that
34 preference in hiring be given to individuals who live within
35 the enterprise zone. The commission shall work with the local

1 workforce development center to determine the labor
2 availability in the area. The commission shall examine and
3 evaluate building codes and zoning in the enterprise zone and
4 make recommendations to the appropriate governing body in an
5 effort to promote more affordable housing development.

6 4. If the enterprise zone commission determines that a
7 business qualifies and is eligible to receive incentives or
8 assistance as provided in ~~either section 15E.193B or section,~~
9 15E.193C, or 15E.196, the commission shall submit an
10 application for incentives or assistance to the department of
11 economic development. The department may approve, defer, or
12 deny the application.

13 5. In making its decision, the commission or department
14 shall consider the impact of the eligible business on other
15 businesses in competition with it and compare the compensation
16 package of businesses in competition with the business being
17 considered for incentives or assistance. The commission or
18 department shall make a good faith effort to identify existing
19 Iowa businesses within an industry in competition with the
20 business being considered for incentives or assistance. The
21 commission or department shall also make a good faith effort
22 to determine the probability that the proposed incentives or
23 assistance will displace employees of existing businesses. In
24 determining the impact on businesses in competition with the
25 business seeking incentives or assistance, jobs created as a
26 result of other jobs being displaced elsewhere in the state
27 shall not be considered direct jobs created.

28 However, if the commission or department finds that an
29 eligible business has a record of violations of the law,
30 including but not limited to environmental and worker safety
31 statutes, rules, and regulations, over a period of time that
32 tends to show a consistent pattern, the eligible business
33 shall not qualify for incentives or assistance under section
34 15E.193B, 15E.193C, or section 15E.196, unless the commission
35 or department finds that the violations did not seriously

1 affect public health or safety or the environment, or if it
2 did that there were mitigating circumstances. In making the
3 findings and determinations regarding violations, mitigating
4 circumstances, and whether an eligible business is eligible
5 for incentives or assistance under section 15E.193B, 15E.193C,
6 or **section** 15E.196, the commission or department shall be
7 exempt from chapter 17A. If requested by the commission or
8 department, the business shall provide copies of materials
9 documenting the type of violation, any fees or penalties
10 assessed, court filings, final disposition of any findings and
11 any other information which would assist the commission or
12 department in assessing the nature of any violation.

13 6. A business that is approved to receive incentives or
14 assistance shall, for the length of its designation as an
15 enterprise zone business, certify annually to the county or
16 city, as applicable, and the department of economic
17 development its compliance with the requirements of **either**
18 section 15E.193, or-section 15E.193B, or 15E.193C.

19 Sec. 4. Section 15E.196, Code 2001, is amended by adding
20 the following new subsection:

21 NEW SUBSECTION. 7. A business eligible to receive
22 incentives and assistance described in this section and
23 located in a building for which incentives and assistance are
24 or have been claimed by an approved development business under
25 section 15E.193C is not eligible to receive the following
26 incentives and assistance:

27 a. An investment tax credit under subsection 3 for the
28 portion of the investment tax credit that is claimed on the
29 purchase price of land or improvements to real property by an
30 approved development business pursuant to section 15E.193C,
31 subsection 7, paragraph "a".

32 b. Sales, services, and use tax refund under subsection 2
33 that is made pursuant to section 15E.193C, subsection 7,
34 paragraph "b".

35 c. A property tax exemption under subsection 5 for

1 improvements to real property that are exempted from property
2 taxation pursuant to section 15E.193C, subsection 7, paragraph
3 "c".

4 Sec. 5. RETROACTIVE APPLICABILITY. This Act is
5 retroactively applicable to January 1, 2001, and is applicable
6 on and after that date.

7 EXPLANATION

8 This bill amends the enterprise zone program administered
9 by the department of economic development.

10 The bill creates a new type of eligible business under the
11 program. The bill provides that a development business is
12 eligible to receive incentives and assistance under the
13 program if the business constructs, expands, or rehabilitates
14 a building space with a minimum capital investment of at least
15 \$500,000 in that part of a city or county in which there is a
16 designated enterprise zone. The bill provides for two
17 possible exemptions to the capital investment requirement.
18 The bill provides that, upon completion of the construction,
19 expansion, or rehabilitation project, the building space shall
20 not be occupied by retail business. The bill provides that
21 the development business shall complete the construction,
22 expansion, or rehabilitation of the building space within
23 three years from the time the business receives approval from
24 the department. The bill provides that, prior to applying for
25 assistance, an eligible development business shall enter into
26 an agreement with at least one business for purposes of
27 locating the business in all or a portion of the building
28 space for a period of at least five years.

29 The bill provides that an eligible development business
30 which has been approved to receive incentives and assistance
31 shall be eligible to receive a new investment tax credit for
32 up to a maximum of 10 percent of the new investment; a sales,
33 services, and use tax refund; and a property tax exemption for
34 all or a portion of the value added to the property. The
35 incentives and assistance may be received for a period of 10

1 years. The bill provides for the repayment of incentives and
2 assistance received under the program if a development
3 business fails to meet the requirements of the program or if
4 the building space is sold or leased to retail business within
5 five years of the completion of construction, expansion, or
6 rehabilitation.

7 The bill provides that a business eligible to receive
8 incentives and assistance under the other portion of the
9 enterprise zone program and located in a building for which a
10 development business received incentives and assistance under
11 the program shall receive reduced incentives and assistance.
12 The bill provides that an eligible business shall not receive
13 a benefit that has already been received by an eligible
14 development business.

15 The bill amends the new investment tax credit under the new
16 jobs and income Act that is also currently available under the
17 enterprise zone program. The bill amends the term "new
18 investment directly related to new jobs created by the
19 location or expansion of an eligible business under the
20 program" to remove the requirement that the cost of
21 improvements made to real property must be that which receives
22 a partial property tax exemption for the actual value added.

23 The bill provides a number of conforming amendments
24 necessary as a result of adding the development business
25 provisions to the enterprise zone program.

26 The bill is retroactively applicable to January 1, 2001,
27 and is applicable on and after that date.

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HOUSE FILE 349

H-1076

1 Amend House File 349 as follows:

2 1. Page 1, by inserting after line 27 the
3 following:

4 "Sec. ____ . Section 15E.193B, subsection 2, Code
5 2001, is amended to read as follows:

6 2. An eligible housing business under this section
7 includes a housing developer, housing contractor, or
8 nonprofit organization that builds or rehabilitates a
9 minimum of four single-family homes ~~with a value,~~
10 ~~after completion of the building or rehabilitation,~~
11 ~~not exceeding one hundred twenty thousand dollars for~~
12 ~~each home~~ located in that part of a city or county in
13 which there is a designated enterprise zone or one
14 multiple dwelling unit building containing three or
15 more individual dwelling units ~~with a total value per~~
16 ~~unit, after completion of the building or~~
17 ~~rehabilitation, not exceeding one hundred twenty~~
18 ~~thousand dollars~~ located in that part of a city or
19 county in which there is a designated enterprise zone.

20 Sec. ____ . Section 15E.193B, subsection 6,
21 paragraph a, Code 2001, is amended to read as follows:

22 a. An eligible housing business may claim a tax
23 credit up to a maximum of ten percent of the new
24 investment which is directly related to the building
25 or rehabilitating of a minimum of four single-family
26 homes located in that part of a city or county in
27 which there is a designated enterprise zone or one
28 multiple dwelling unit building containing three or
29 more individual dwelling units located in that part of
30 a city or county in which there is a designated
31 enterprise zone. The new investment that may be used
32 to compute the tax credit shall not exceed the new
33 investment used for the first one hundred forty
34 thousand dollars of value for each single-family home
35 or for each unit of a multiple dwelling unit building
36 containing three or more units. The tax credit may be
37 used to reduce the tax liability imposed under chapter
38 422, division II, III, or V. Any credit in excess of
39 the tax liability for the tax year may be credited to
40 the tax liability for the following seven years or
41 until depleted, whichever occurs earlier. If the
42 business is a partnership, S corporation, limited
43 liability company, or estate or trust electing to have
44 the income taxed directly to the individual, an
45 individual may claim the tax credit allowed. The
46 amount claimed by the individual shall be based upon
47 the pro rata share of the individual's earnings of the
48 partnership, S corporation, limited liability company,
49 or estate or trust."

50 2. Page 5, by inserting after line 28 the

H-1076

H-1076

Page 2

1 following:

2 "Sec. ____ Section 15E.194, subsection 4, Code
3 2001, is amended to read as follows:

4 4. A city of any size or any county may designate
5 an enterprise zone at any time prior to July 1, 2010,
6 when a business closure occurs involving the loss of
7 full-time employees, not including retail employees,
8 at one place of business totaling at least one
9 thousand employees or four percent or more of the
10 county's resident labor force based on the most recent
11 annual resident labor force statistics from the
12 department of workforce development, whichever is
13 lower. The enterprise zone may be established on the
14 property of the place of business that has closed and
15 the enterprise zone may include an area up to an
16 additional ~~one mile~~ five miles adjacent to the
17 property. The area meeting the requirements for
18 enterprise zone eligibility under this subsection
19 shall not be included for the purpose of determining
20 the area limitation pursuant to section 15E.192,
21 subsection 4. The area included in an enterprise zone
22 designated under this subsection on or after June 1,
23 2000, may be amended to change the boundaries of the
24 enterprise zone. Such an amendment must be approved
25 by the department within three years of the date the
26 enterprise zone was certified."

27 3. Title page, by striking lines 1 through 4 and
28 inserting the following: "An Act relating to the
29 enterprise zone program and providing a retroactive".

30 4. By renumbering as necessary.

By JENKINS of Black Hawk

H-1076 FILED FEBRUARY 22, 2001

Adopted
2/28/01 (P. 533)

HOUSE FILE 349**H-1083**

1 Amend House File 349 as follows:

2 1. Page 3, line 35, by inserting after the words
3 "or V" the following: "or chapter 432".

By JENKINS of Black Hawk

H-1083 FILED FEBRUARY 27, 2001

Adopted 2/28/01 (P. 533)

HOUSE FILE 349

H-1077

- 1 Amend the amendment, H-1076, to House File 349, as
2 follows:
- 3 1. Page 1, by inserting after line 1 the
4 following:
5 "____. Page 1, line 11, by inserting after the
6 word "company," the following: "cooperative organized
7 under chapter 501 and filing as a partnership for
8 federal tax purposes,".
- 9 _____. Page 1, line 16, by inserting after the word
10 "company," the following: "cooperative organized
11 under chapter 501 and filing as a partnership for
12 federal tax purposes,".
- 13 2. Page 1, line 43, by inserting after the word
14 "company," the following: "cooperative organized
15 under chapter 501 and filing as a partnership for
16 federal tax purposes,".
- 17 3. Page 1, line 48, by inserting after the word
18 "company," the following: "cooperative organized
'9 under chapter 501 and filing as a partnership for
.0 federal tax purposes,".
- 21 4. Page 1, by inserting after line 49 the
22 following:
23 "____. Page 4, line 4, by inserting after the word
24 "company," the following: "cooperative organized
25 under chapter 501 and filing as a partnership for
26 federal tax purposes,".
- 27 _____. Page 4, line 9, by inserting after the word
28 "company," the following: "cooperative organized
29 under chapter 501 and filing as a partnership for
30 federal tax purposes,".
- 31 5. By renumbering as necessary.

By JENKINS of Black Hawk

H-1077 FILED FEBRUARY 22, 2001

Adopted
2/28/01
(p. 533)

HOUSE FILE 349
FISCAL NOTE

A fiscal note for **Amendment H-1076 to House File 349** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-1076 to House File 349 amends the housing business portion of the Enterprise Zone Program to eliminate the \$120,000 maximum limit for a single-family home or each unit of a multiple dwelling unit containing three or more units. The new investment may be used to compute the tax credit up to \$140,000 of the investment. The Bill also amends the allowable area adjacent to the closed property that may be included in the Enterprise Zone from one mile to five miles.

ASSUMPTIONS

1. The expansion to a five-mile radius will result in one additional business project per year.
2. Removing the cap on the value of the eligible housing or rental units is expected to have minimal impact. The average value (\$82,000) is currently well below the cap.
3. Administrative costs can be absorbed by current staffing.
4. A portion of the tax credits may be offset by new tax liabilities generated by the expansions. The amount of the offset cannot be determined from available information.

FISCAL IMPACT

Amendment H-1076 is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The change is projected to create \$451,000 in tax credits in FY 2003. General Fund revenues will decrease by a similar amount.

SOURCE

Department of Economic Development

(LSB 1760HV.3, MDF)

FILED FEBRUARY 27, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 349
FISCAL NOTE**

A fiscal note for **House File 349** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 349 amends the Enterprise Zone Program and creates a new type of eligible business. A development business is eligible for incentives and assistance if the business constructs, expands, or rehabilitates a building space with a minimum capital investment of at least \$500,000. The development business is required to have at least a five-year agreement for a non-retail business to locate in the building. Repayment of incentives is required if the development business fails to meet the Program requirements. A business locating in the building for which the development business receives incentives can receive reduced incentives, but it cannot receive incentives which are already being paid to the development business.

ASSUMPTIONS

1. The number of projects will increase by 10.0% because of including development businesses.
2. Development businesses will receive investment tax credit only on construction costs and not for machinery and equipment costs or research and development. This is estimated to be 36.5% of the average tax credits and refunds currently claimed by a business project.
3. Administrative costs will be absorbed by the Department of Economic Development utilizing existing staff.
4. Some portion of the tax credits will be offset by new taxes generated by the construction and expansion projects. The amount of the offset cannot be determined from available information.

FISCAL IMPACT

House File 349 is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The change is projected to create \$60,000 in tax credits in FY 2003 and decrease General Fund revenues by a similar amount.

SOURCE

Department of Economic Development

(LSB 1760HV, MDF)

FILED FEBRUARY 27, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

**HOUSE FILE 349
FISCAL NOTE**

A fiscal note for **Amendment H-1077 to H-1076 to House File 349** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-1077 to H-1076 to House File 349 amends the tax credit provisions under the new jobs and income program and the housing business portion of the Enterprise Zone Program. The Amendment permits cooperatives organized under Chapter 501 electing to have the income taxed directly to an individual to claim the tax credit to be allocated to the individual cooperative member on a pro rata share of the individual's earnings in the cooperative.

ASSUMPTIONS

1. The change will result in two additional projects in FY 2003 and two to three projects annually in subsequent years.
2. The estimated average cost per project is \$126,000 per year, based on the average credits and refunds claimed by businesses during FY 2000.
3. Administrative costs can be absorbed by current staffing.
4. A portion of the tax credits may be offset by new tax liabilities generated by the expansions. The amount of the offset cannot be determined from available information.

FISCAL IMPACT

Amendment H-1077 is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The change is projected to create \$251,000 in tax credits in FY 2003. General Fund revenues will decrease by a similar amount.

SOURCE

Department of Economic Development

(LSB 1760HV.2, MDF)

FILED FEBRUARY 27, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 349

H-1067

1 Amend House File 349 as follows:

2 1. Page 1, by inserting after line 27 the
3 following:

4 "Sec. ____ . Section 15E.193B, subsection 2, Code
5 2001, is amended to read as follows:

6 2. An eligible housing business under this section
7 includes a housing developer, housing contractor, or
8 nonprofit organization that builds or rehabilitates a
9 minimum of four single-family homes ~~with a value,~~
10 ~~after completion of the building or rehabilitation,~~
11 ~~not exceeding one hundred twenty thousand dollars for~~
12 ~~each home~~ located in that part of a city or county in
13 which there is a designated enterprise zone or one
14 multiple dwelling unit building containing three or
15 more individual dwelling units ~~with a total value per~~
16 ~~unit, after completion of the building or~~
17 ~~rehabilitation, not exceeding one hundred twenty~~
18 ~~thousand dollars~~ located in that part of a city or
19 county in which there is a designated enterprise zone.

20 Sec. ____ . Section 15E.193B, subsection 6,
21 paragraph a, Code 2001, is amended to read as follows:

22 a. An eligible housing business may claim a tax
23 credit up to a maximum of ten percent of the new
24 investment which is directly related to the building
25 or rehabilitating of a minimum of four single-family
26 homes located in that part of a city or county in
27 which there is a designated enterprise zone or one
28 multiple dwelling unit building containing three or
29 more individual dwelling units located in that part of
30 a city or county in which there is a designated
31 enterprise zone. The new investment that may be used
32 to compute the tax credit shall not exceed the new
33 investment used for the first one hundred forty
34 thousand dollars of value for each single-family home
35 or for each unit of a multiple dwelling unit building
36 containing three or more units. The tax credit may be
37 used to reduce the tax liability imposed under chapter
38 422, division II, III, or V. Any credit in excess of
39 the tax liability for the tax year may be credited to
40 the tax liability for the following seven years or
41 until depleted, whichever occurs earlier. If the
42 business is a partnership, S corporation, limited
43 liability company, or estate or trust electing to have
44 the income taxed directly to the individual, an
45 individual may claim the tax credit allowed. The
46 amount claimed by the individual shall be based upon
47 the pro rata share of the individual's earnings of the
48 partnership, S corporation, limited liability company,
49 or estate or trust."

50 2. Page 5, by inserting after line 28 the

H-1067

H-1067

Page 2

1 following:

2 "Sec. _____. Section 15E.194, subsection 4, Code
3 2001, is amended to read as follows:

4 4. A city of any size or any county may designate
5 an enterprise zone at any time prior to July 1, 2010,
6 when a business closure occurs involving the loss of
7 full-time employees, not including retail employees,
8 at one place of business totaling at least one
9 thousand employees or four percent or more of the
10 county's resident labor force based on the most recent
11 annual resident labor force statistics from the
12 department of workforce development, whichever is
13 lower. The enterprise zone may be established on the
14 property of the place of business that has closed and
15 the enterprise zone may include an area up to an
16 additional ~~one-mile~~ five miles adjacent to the
17 property. The area meeting the requirements for
18 enterprise zone eligibility under this subsection
19 shall not be included for the purpose of determining
20 the area limitation pursuant to section 15E.192,
21 subsection 4. The area included in an enterprise zone
22 designated under this subsection on or after June 1,
23 2000, may be amended to change the boundaries of the
24 enterprise zone. Such an amendment must be approved
25 by the department within three years of the date the
26 enterprise zone was certified."

27 3. By renumbering as necessary.

By JENKINS of Black Hawk

H-1067 FILED FEBRUARY 21, 2001

W/D
2/28/01
(P. 530)

S- 3/1/01 Small Business Etc.
S- 4/5/01 Do Pass
S- 4/12/01 UNFINISHED BUSINESS CALENDAR

HOUSE FILE 349
BY COMMITTEE ON ECONOMIC
DEVELOPMENT

(SUCCESSOR TO HF 119)

(As Amended and Passed by the House February 28, 2001)

Re Passed House, Date 5/3/01 (p. 1812) Passed Senate, Date 5/2/01
Vote: Ayes 94 Nays 0 Vote: Ayes 46 Nays 3
Approved 5/16/01

A BILL FOR

1 An Act relating to the enterprise zone program and providing a
2 retroactive applicability date.

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

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House Amendments _____

1 Section 1. Section 15.333, subsection 1, Code 2001, is
2 amended to read as follows:

3 1. An eligible business may claim a corporate tax credit
4 up to a maximum of ten percent of the new investment which is
5 directly related to new jobs created by the location or
6 expansion of an eligible business under the program. Any
7 credit in excess of the tax liability for the tax year may be
8 credited to the tax liability for the following seven years or
9 until depleted, whichever occurs earlier. If the business is
10 a partnership, subchapter S corporation, limited liability
11 company, cooperative organized under chapter 501 and filing as
12 a partnership for federal tax purposes, or estate or trust
13 electing to have the income taxed directly to the individual,
14 an individual may claim the tax credit allowed. The amount
15 claimed by the individual shall be based upon the pro rata
16 share of the individual's earnings of the partnership,
17 subchapter S corporation, limited liability company,
18 cooperative organized under chapter 501 and filing as a
19 partnership for federal tax purposes, or estate or trust. For
20 purposes of this section, "new investment directly related to
21 new jobs created by the location or expansion of an eligible
22 business under the program" means the cost of machinery and
23 equipment, as defined in section 427A.1, subsection 1,
24 paragraphs "e" and "j", purchased for use in the operation of
25 the eligible business, the purchase price of which has been
26 depreciated in accordance with generally accepted accounting
27 principles, and the cost of improvements made to real property
28 which is used in the operation of the eligible business and
29 ~~which receives a partial property tax exemption for the actual~~
30 ~~value added under section 15.332.~~

31 Sec. 2. Section 15E.193B, subsection 2, Code 2001, is
32 amended to read as follows:

33 2. An eligible housing business under this section
34 includes a housing developer, housing contractor, or nonprofit
35 organization that builds or rehabilitates a minimum of four

1 single-family homes with a value, after completion of the
2 building or rehabilitation, not exceeding one hundred twenty
3 thousand dollars for each home located in that part of a city
4 or county in which there is a designated enterprise zone or
5 one multiple dwelling unit building containing three or more
6 individual dwelling units with a total value per unit, after
7 completion of the building or rehabilitation, not exceeding
8 one hundred twenty thousand dollars located in that part of a
9 city or county in which there is a designated enterprise zone.

10 Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code
11 2001, is amended to read as follows:

12 a. An eligible housing business may claim a tax credit up
13 to a maximum of ten percent of the new investment which is
14 directly related to the building or rehabilitating of a
15 minimum of four single-family homes located in that part of a
16 city or county in which there is a designated enterprise zone
17 or one multiple dwelling unit building containing three or
18 more individual dwelling units located in that part of a city
19 or county in which there is a designated enterprise zone. The
20 new investment that may be used to compute the tax credit
21 shall not exceed the new investment used for the first one
22 hundred forty thousand dollars of value for each single-family
23 home or for each unit of a multiple dwelling unit building
24 containing three or more units. The tax credit may be used to
25 reduce the tax liability imposed under chapter 422, division
26 II, III, or V. Any credit in excess of the tax liability for
27 the tax year may be credited to the tax liability for the
28 following seven years or until depleted, whichever occurs
29 earlier. If the business is a partnership, S corporation,
30 limited liability company, cooperative organized under chapter
31 501 and filing as a partnership for federal tax purposes, or
32 estate or trust electing to have the income taxed directly to
33 the individual, an individual may claim the tax credit
34 allowed. The amount claimed by the individual shall be based
35 upon the pro rata share of the individual's earnings of the

1 partnership, S corporation, limited liability company,
2 cooperative organized under chapter 501 and filing as a
3 partnership for federal tax purposes, or estate or trust.

4 Sec. 4. NEW SECTION. 15E.193C ELIGIBLE DEVELOPMENT
5 BUSINESS.

6 1. A development business qualifying under this section is
7 eligible to receive incentives and assistance only as provided
8 in this section. Sections 15E.193, 15E.193B, and 15E.196 do
9 not apply to an eligible development business qualifying under
10 this section.

11 2. An eligible development business includes a developer
12 or development contractor that constructs, expands, or
13 rehabilitates a building space with a minimum capital
14 investment of at least five hundred thousand dollars in that
15 part of a city or county in which there is a designated
16 enterprise zone. An eligible development business is eligible
17 for one, but not both, of the following exemptions to the
18 capital investment requirements:

19 a. For an eligible development business purchasing a
20 vacant building suitable for industrial use, the fair market
21 value of the building and land, not to exceed two hundred
22 fifty thousand dollars, as determined by the local enterprise
23 zone commission, shall be deducted from the capital investment
24 requirement.

25 b. For an eligible development business that rehabilitates
26 a building space that has been in an enterprise zone for at
27 least five years, the fair market value as established by an
28 appraisal of the building, not to exceed two hundred fifty
29 thousand dollars, shall be deducted from the capital
30 investment requirement.

31 3. Upon completion of the construction, expansion, or
32 rehabilitation project by the eligible development business,
33 the building space shall not be occupied by a retail business.

34 4. An eligible development business shall complete its
35 construction, expansion, or rehabilitation within three years

1 from the time the eligible development business receives
2 approval from the department. The failure to complete
3 construction, expansion, or rehabilitation within three years
4 shall result in the eligible development business becoming
5 ineligible and subject to the repayment requirements and
6 penalties provided in subsection 8.

7 5. Prior to applying for assistance under this section, an
8 eligible development business shall enter into an agreement
9 with at least one business for purposes of locating the
10 business in all or a portion of the building space for a
11 period of at least five years.

12 6. An eligible development business shall provide the
13 enterprise zone commission with all of the following
14 information:

15 a. The long-term strategic plan for the development
16 business which shall include infrastructure needs and a copy
17 of any agreement entered into by the eligible development
18 business as required under subsection 5.

19 b. Information relating to the benefits the development
20 business will bring to the area.

21 c. Examples of why the development business should be
22 considered or would be considered a good business enterprise.

23 d. An affidavit that the development business has not,
24 within the last five years, violated state or federal
25 environmental and worker safety statutes, rules, and
26 regulations or if such violation has occurred that there were
27 mitigating circumstances or the violations did not seriously
28 affect public health or safety or the environment.

29 7. An eligible development business, which has been
30 approved to receive incentives and assistance by the
31 department of economic development pursuant to section
32 15E.195, shall be eligible to receive all of the following
33 incentives and assistance for a period not to exceed ten
34 years:

35 a. An eligible development business may claim a tax credit

1 up to a maximum of ten percent of the new investment that is
2 directly related to the construction, expansion, or
3 rehabilitation of building space to be used for manufacturing,
4 processing, cold storage, distribution, or office facilities.
5 For purposes of this section, "new investment" includes the
6 purchase price of land and the cost of improvements made to
7 real property. The tax credit may be claimed by an eligible
8 development business for the tax year in which the
9 construction, expansion, or rehabilitation is completed. The
10 tax credit may be used to reduce the tax liability imposed
11 under chapter 422, division II, III, or V or chapter 432. Any
12 credit in excess of the tax liability for the tax year may be
13 credited to the tax liability for the following seven years or
14 until depleted, whichever occurs earlier. If the business is
15 a partnership, S corporation, limited liability company,
16 cooperative organized under chapter 501 and filing as a
17 partnership for federal tax purposes, or estate or trust
18 electing to have the income taxed directly to the individual,
19 an individual may claim the tax credit allowed. The amount
20 claimed by the individual shall be based upon the pro rata
21 share of the individual's earnings of the partnership, S
22 corporation, limited liability company, cooperative organized
23 under chapter 501 and filing as a partnership for federal tax
24 purposes, or estate or trust.

25 b. Sales, services, and use tax refund, as provided in
26 section 15.331A.

27 c. The county or city for which an eligible enterprise
28 zone is certified may exempt from all property taxation all or
29 a portion of the value added to the property upon which an
30 eligible development business constructs, expands, or
31 rehabilitates property in an enterprise zone. The amount of
32 value added for purposes of this shall be the amount of the
33 increase in assessed valuation of the property following the
34 construction, expansion, or rehabilitation by the development
35 business in the enterprise zone. If an exemption provided

1 pursuant to this is made applicable to only a portion of the
2 property within an enterprise zone, the definition of that
3 subset of eligible property must be by uniform criteria that
4 further some planning objective established by the city or
5 county enterprise zone commission and approved by the city or
6 county. The exemption may be allowed for a period not to
7 exceed ten years beginning the year the eligible development
8 business enters into an agreement with the county or city to
9 construct, expand, or rehabilitate property in an enterprise
10 zone.

11 8. If a development business has received incentives or
12 assistance under this section and fails to maintain the
13 requirements of this section to be an eligible development
14 business, the business is subject to repayment of all or a
15 portion of the incentives and assistance that it has received.
16 The department of revenue and finance shall have the authority
17 to recover the value of state taxes or incentives provided
18 under this section. The value of state incentives provided
19 under this section includes applicable interest and penalties.
20 The department of economic development and the city and
21 county, as applicable, shall enter into an agreement with the
22 business specifying the method for determining the amount of
23 incentives or assistance paid which will be repaid in the
24 event of failure to maintain the requirements of this section.
25 In addition, a business that fails to maintain the
26 requirements of this section shall not receive incentives or
27 assistance for each year during which the business is not in
28 compliance.

29 9. The department of economic development and the
30 department of revenue and finance shall each adopt rules
31 pursuant to chapter 17A to jointly administer this section.

32 10. An eligible business under section 15E.193 is not
33 eligible for incentives and assistance listed in section
34 15E.196 if the property is owned, or was previously owned, by
35 an approved development business that has received incentives

1 and assistance under this section 15E.193C.

2 11. If, within five years of the completion of a
3 construction, expansion, or rehabilitation project, the
4 development business, or its successor, sells or leases any
5 space to any retail business, the development business shall
6 proportionally refund any tax credits, refunds, or exemptions
7 which were claimed under this section.

8 Sec. 5. Section 15E.194, subsection 4, Code 2001, is
9 amended to read as follows:

10 4. A city of any size or any county may designate an
11 enterprise zone at any time prior to July 1, 2010, when a
12 business closure occurs involving the loss of full-time
13 employees, not including retail employees, at one place of
14 business totaling at least one thousand employees or four
15 percent or more of the county's resident labor force based on
16 the most recent annual resident labor force statistics from
17 the department of workforce development, whichever is lower.
18 The enterprise zone may be established on the property of the
19 place of business that has closed and the enterprise zone may
20 include an area up to an additional ~~one-mile~~ five miles
21 adjacent to the property. The area meeting the requirements
22 for enterprise zone eligibility under this subsection shall
23 not be included for the purpose of determining the area
24 limitation pursuant to section 15E.192, subsection 4. The
25 area included in an enterprise zone designated under this
26 subsection on or after June 1, 2000, may be amended to change
27 the boundaries of the enterprise zone. Such an amendment must
28 be approved by the department within three years of the date
29 the enterprise zone was certified.

30 Sec. 6. Section 15E.195, Code 2001, is amended to read as
31 follows:

32 15E.195 ENTERPRISE ZONE COMMISSION.

33 1. A county which designates an enterprise zone pursuant
34 to section 15E.194, subsection 1, and in which an eligible
35 enterprise zone is certified shall establish an enterprise

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

29 2. A city with a population of twenty-four thousand or
30 more which designates an enterprise zone pursuant to section
31 15E.194, subsection 2, and in which an eligible enterprise
32 zone is certified shall establish an enterprise zone
33 commission to review applications from qualified businesses
34 located within or requesting to locate within an enterprise
35 zone to receive incentives or assistance as provided in

1 section 15E.196. The enterprise zone commission shall review
2 applications from qualified housing businesses requesting to
3 receive incentives or assistance as provided in section
4 15E.193B. The enterprise zone commission shall also review
5 applications from qualified development businesses requesting
6 to receive incentives or assistance as provided in section
7 15E.193C. The commission shall consist of nine members. Six
8 of these members shall consist of one representative of an
9 international labor organization, one member with economic
10 development expertise chosen by the department of economic
11 development, one representative of the city council, one
12 member of the local community college board of directors, one
13 member of the city planning and zoning commission, and one
14 representative of the local workforce development center.
15 These six members shall select the remaining three members.
16 If the enterprise zone consists of an area meeting the
17 requirements for eligibility for an urban enterprise community
18 under Title XIII of the federal Omnibus Budget Reconciliation
19 Act of 1993, one of the remaining three members shall be a
20 representative of that community. If a city contiguous to the
21 city designating the enterprise zone is included in an
22 enterprise zone, a representative of the contiguous city,
23 chosen by the city council, shall be a member of the
24 commission. A city in which an eligible enterprise zone is
25 certified shall have only one enterprise zone commission. If
26 a city has established an enterprise zone commission prior to
27 the effective date of this Act, the city may petition to the
28 department of economic development to change the structure of
29 the existing commission.

30 3. The commission may adopt more stringent requirements,
31 including requirements related to compensation and benefits,
32 for a business to be eligible for incentives or assistance
33 than provided in sections 15E.193, and 15E.193B, and 15E.193C.
34 The commission may develop as an additional requirement that
35 preference in hiring be given to individuals who live within

1 the enterprise zone. The commission shall work with the local
2 workforce development center to determine the labor
3 availability in the area. The commission shall examine and
4 evaluate building codes and zoning in the enterprise zone and
5 make recommendations to the appropriate governing body in an
6 effort to promote more affordable housing development.

7 4. If the enterprise zone commission determines that a
8 business qualifies and is eligible to receive incentives or
9 assistance as provided in ~~either~~ section 15E.193B ~~or~~ section,
10 15E.193C, or 15E.196, the commission shall submit an
11 application for incentives or assistance to the department of
12 economic development. The department may approve, defer, or
13 deny the application.

14 5. In making its decision, the commission or department
15 shall consider the impact of the eligible business on other
16 businesses in competition with it and compare the compensation
17 package of businesses in competition with the business being
18 considered for incentives or assistance. The commission or
19 department shall make a good faith effort to identify existing
20 Iowa businesses within an industry in competition with the
21 business being considered for incentives or assistance. The
22 commission or department shall also make a good faith effort
23 to determine the probability that the proposed incentives or
24 assistance will displace employees of existing businesses. In
25 determining the impact on businesses in competition with the
26 business seeking incentives or assistance, jobs created as a
27 result of other jobs being displaced elsewhere in the state
28 shall not be considered direct jobs created.

29 However, if the commission or department finds that an
30 eligible business has a record of violations of the law,
31 including but not limited to environmental and worker safety
32 statutes, rules, and regulations, over a period of time that
33 tends to show a consistent pattern, the eligible business
34 shall not qualify for incentives or assistance under section
35 15E.193B, 15E.193C, or ~~section~~ 15E.196, unless the commission

1 or department finds that the violations did not seriously
2 affect public health or safety or the environment, or if it
3 did that there were mitigating circumstances. In making the
4 findings and determinations regarding violations, mitigating
5 circumstances, and whether an eligible business is eligible
6 for incentives or assistance under section 15E.193B, 15E.193C,
7 or ~~section~~ 15E.196, the commission or department shall be
8 exempt from chapter 17A. If requested by the commission or
9 department, the business shall provide copies of materials
10 documenting the type of violation, any fees or penalties
11 assessed, court filings, final disposition of any findings and
12 any other information which would assist the commission or
13 department in assessing the nature of any violation.

14 6. A business that is approved to receive incentives or
15 assistance shall, for the length of its designation as an
16 enterprise zone business, certify annually to the county or
17 city, as applicable, and the department of economic
18 development its compliance with the requirements of either
19 section 15E.193, ~~or-section~~ 15E.193B, or 15E.193C.

20 Sec. 7. Section 15E.196, Code 2001, is amended by adding
21 the following new subsection:

22 NEW SUBSECTION. 7. A business eligible to receive
23 incentives and assistance described in this section and
24 located in a building for which incentives and assistance are
25 or have been claimed by an approved development business under
26 section 15E.193C is not eligible to receive the following
27 incentives and assistance:

28 a. An investment tax credit under subsection 3 for the
29 portion of the investment tax credit that is claimed on the
30 purchase price of land or improvements to real property by an
31 approved development business pursuant to section 15E.193C,
32 subsection 7, paragraph "a".

33 b. Sales, services, and use tax refund under subsection 2
34 that is made pursuant to section 15E.193C, subsection 7,
35 paragraph "b".

1 c. A property tax exemption under subsection 5 for
2 improvements to real property that are exempted from property
3 taxation pursuant to section 15E.193C, subsection 7, paragraph
4 "c".

5 Sec. 8. RETROACTIVE APPLICABILITY. This Act is
6 retroactively applicable to January 1, 2001, and is applicable
7 on and after that date.

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HOUSE FILE 349

S-3409

- 1 Amend House File 349, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 1, by striking lines 11 and 12, and
- 4 inserting the following: "company, or estate or
- 5 trust".
- 6 2. Page 1, by striking lines 18 and 19, and
- 7 inserting the following: "or estate or trust. For".
- 8 3. By striking page 1, line 31, through page 3,
- 9 line 3.
- 10 4. Page 5, by striking lines 16 and 17, and
- 11 inserting the following: "or estate or trust".
- 12 5. Page 5, by striking lines 22 through 24, and
- 13 inserting the following: "corporation, limited
- 14 liability company, or estate or trust."
- 15 6. Page 7, by striking lines 8 through 29.
- 16 7. By renumbering as necessary.

By JOHN REDWINE

S-3409 FILED APRIL 19, 2001

W/D
5/2/01
(p. 1464)

HOUSE FILE 349

S-3475

- 1 Amend House File 349, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 1, by striking lines 11 and 12, and
- 4 inserting the following: "company, or estate or
- 5 trust".
- 6 2. Page 1, by striking lines 18 and 19, and
- 7 inserting the following: "or estate or trust. For".
- 8 3. Page 2, by striking lines 30 and 31 and
- 9 inserting the following: "limited liability company,
- 10 or".
- 11 4. Page 3, by striking lines 2 and 3 and
- 12 inserting the following: "or estate or trust."
- 13 5. Page 5, by striking lines 16 and 17, and
- 14 inserting the following: "or estate or trust".
- 15 6. Page 5, by striking lines 22 through 24, and
- 16 inserting the following: "corporation, limited
- 17 liability company, or estate or trust."
- 18 7. Page 7, by striking lines 8 through 29.
- 19 8. By renumbering as necessary.

By JOHN REDWINE

S-3475 FILED APRIL 24, 2001

Adopted
5/2/01
(p. 1464)

A fiscal note for House File 349 as amended by Senate Amendment S-3475 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 349, as amended by Senate Amendment S-3475, amends the Enterprise Zone Program and creates a new type of eligible business. A development business is eligible for incentives and assistance if the business constructs, expands, or rehabilitates a building space with a minimum capital investment of at least \$500,000. The development business is required to have at least a five-year agreement for a non-retail business to locate in the building. Repayment of incentives is required if the development business fails to meet the Program requirements. A business locating in the building for which the development business receives incentives can receive reduced incentives, but it cannot receive incentives which are already being paid to the development business.

The Bill as amended also would change the housing business portion of the Enterprise Zone Program to eliminate the \$120,000 maximum limit for a single-family home or each unit of a multiple dwelling apartment building containing three or more units. The new investment may be used to compute a tax credit of up to \$140,000 of the investment.

ASSUMPTIONS

1. The number of projects will increase by 10.0% because of including development businesses.
2. Development businesses will receive investment tax credit only on construction costs and not for machinery and equipment costs or research and development. This is estimated to be 36.5% of the average tax credits and refunds currently claimed by a business project.
3. Administrative costs will be absorbed by the Department of Economic Development utilizing existing staff.
4. Some portion of the tax credits will be offset by new taxes generated by the construction and expansion projects. The amount of the offset cannot be determined from available information.
5. Removing the cap on the value of the eligible housing or rental units is expected to have a minimal impact. The average value (\$82,000) is currently well below the cap.

FISCAL IMPACT

House File 349, as amended by Senate Amendment S-3475, is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The change is projected to create \$60,000 in tax credits in FY 2003 and decrease General Fund revenues by a similar amount. The change regarding the cap on the value of eligible

-2-

housing and rental units is expected to have a minimal impact.

SOURCE

Department of Economic Development

(LSB 1760HV.5, MDF)

FILED APRIL 25, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 349

S-3600

1 Amend House File 349, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 3, by inserting after line 3, the
4 following:

5 "Sec. 500. Section 15E.193B, subsection 6,
6 paragraph b, Code 2001, is amended to read as follows:

7 b. Sales, services, and use tax refund for taxes
8 paid by an eligible business including an eligible
9 business acting as a contractor or subcontractor, as
10 provided in section 15.331A."

11 2. Page 12, by striking line 5, and inserting the
12 following:

13 "Sec. ____ . RETROACTIVE APPLICABILITY.

14 1. Section 500 of this Act, being deemed of
15 immediate importance, takes effect upon enactment and
16 is retroactively applicable to July 1, 1998.

17 2. With the exception of section 500 of this Act,
18 this Act is".

19 3. Title page, lines 1 and 2, by striking the
20 words "a retroactive applicability date" and inserting
21 the following: "effective date and retroactive
22 applicability date provisions".

23 4. By renumbering as necessary.

By SANDRA GREINER
STEVE KING

S-3600 FILED MAY 2, 2001

ADOPTED

(p. 1464)

HOUSE FILE 349

S-3614

1 Amend the amendment, S-3409, to House File 349, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 1, by striking line 15 and inserting the
5 following:

6 "____. Page 7, line 20, by striking the word
7 "five" and inserting the following: "three".

8 ____ . Page 7, line 29, by inserting after the word
9 "certified." the following: "In enterprise zones
10 designated pursuant to this subsection, only an
11 eligible business under section 15E.193 shall be
12 eligible for incentives and assistance."

13 2. By renumbering as necessary.

By MARK SHEARER

S-3614 FILED MAY 2, 2001

RULED OUT OF ORDER

(p. 1464)

HOUSE FILE 349

S-3616

1 Amend the amendment, S-3475, to House File 349, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 1, by striking line 18 and inserting the
5 following:

6 "____. Page 7, line 20, by striking the word
7 "five" and inserting the following: "three".

8 _____. Page 7, line 29, by inserting after the word
9 "certified." the following: "In enterprise zones
10 designated pursuant to this subsection, only an
11 eligible business under section 15E.193 shall be
12 eligible for incentives and assistance."

13 2. By renumbering as necessary.

By MARK SHEARER

S-3616 FILED MAY 2, 2001

LOST

(P. 1464)

SENATE AMENDMENT TO HOUSE FILE 349

H-1935

- 1 Amend House File 349, as amended, passed, and
2 reprinted by the House, as follows:
3 1. Page 1, by striking lines 11 and 12, and
4 inserting the following: "company, or estate or
5 trust".
6 2. Page 1, by striking lines 18 and 19, and
7 inserting the following: "or estate or trust. For".
8 3. Page 2, by striking lines 30 and 31 and
9 inserting the following: "limited liability company,
10 or".
11 4. Page 3, by striking lines 2 and 3 and
12 inserting the following: "or estate or trust."
13 5. Page 3, by inserting after line 3, the
14 following:
15 "Sec. 500. Section 15E.193B, subsection 6,
16 paragraph b, Code 2001, is amended to read as follows:
17 b. Sales, services, and use tax refund for taxes
18 paid by an eligible business including an eligible
19 business acting as a contractor or subcontractor, as
20 provided in section 15.331A."
21 6. Page 5, by striking lines 16 and 17, and
22 inserting the following: "or estate or trust".
23 7. Page 5, by striking lines 22 through 24, and
24 inserting the following: "corporation, limited
25 liability company, or estate or trust."
26 8. Page 7, by striking lines 8 through 29.
27 9. Page 12, by striking line 5, and inserting the
28 following:
29 "Sec. _____. RETROACTIVE APPLICABILITY.
30 1. Section 500 of this Act, being deemed of
31 immediate importance, takes effect upon enactment and
32 is retroactively applicable to July 1, 1998.
33 2. With the exception of section 500 of this Act,
34 this Act is".
35 10. Title page, lines 1 and 2, by striking the
36 words "a retroactive applicability date" and inserting
37 the following: "effective date and retroactive
38 applicability date provisions".
39 11. By renumbering, relettering, or redesignating
40 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-1935 FILED MAY 2, 2001

Concurred 5/3/01 (p. 1813)

**HOUSE FILE 349
FISCAL NOTE**

A fiscal note for **House File 349 as amended and passed by the Senate** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 349 as amended and passed by the Senate changes the Enterprise Zone Program and creates a new type of eligible business. A development business is eligible for incentives and assistance if the business constructs, expands, or rehabilitates a building space with a minimum capital investment of at least \$500,000. The development business is required to have at least a five-year agreement for a non-retail business to locate in the building. Repayment of incentives is required if the development business fails to meet the Program requirements. A business locating in the building for which the development business receives incentives can receive reduced incentives, but it cannot receive incentives which are already being paid to the development business.

The Bill as amended and passed by the Senate also would change the housing business portion of the Enterprise Zone Program to eliminate the \$120,000 maximum limit for a single-family home or each unit of a multiple dwelling apartment building containing three or more units. The new investment may be used to compute a tax credit of up to \$140,000 of the investment.

The Bill amends the housing business section of the Enterprise Zone Program to clarify eligibility for tax credits and makes the clarification retroactive to 1998.

BACKGROUND

In regard to the clarification of eligibility of a housing business, a \$400,000 housing project received approval from the Department of Economic Development in 1998. The business acted as its own subcontractor for the project. The Department of Revenue and Finance ruled that the business did not qualify as a contractor or subcontractor for sales, services, and use tax refund under Section 15.331A, Code of Iowa. The project did not receive tax credits.

ASSUMPTIONS

1. The number of projects will increase by 10.0% because of including development businesses.
2. Development businesses will receive investment tax credits only on construction costs and not for machinery and equipment costs or research and development. This is estimated to be 36.5% of the average tax credits and refunds currently claimed by a business project.
3. Administrative costs will be absorbed by the Department of Economic Development utilizing existing staff.
4. Some portion of the tax credits will be offset by new taxes generated by the construction and expansion projects. The amount of the offset cannot

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be determined from available information.

5. Removing the cap on the value of the eligible housing or rental units is expected to have a minimal impact. The average value (\$82,000) is currently well below the cap.
6. The \$400,000 housing project will generate \$40,000 in tax credits. The project will be completed in FY 2002, and the business will receive the tax credits.

FISCAL IMPACT

House File 349 as amended and passed by the Senate will create \$40,000 in tax credits in FY 2002 due to the change regarding a housing business acting as its own contractor or subcontractor. FY 2002 General Fund revenues will decrease by a similar amount.

The change affecting development businesses is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The change is projected to create \$60,000 in tax credits in FY 2003 and decrease General Fund revenues by a similar amount.

The change regarding the cap on the value of eligible housing and rental units is expected to have a minimal impact.

SOURCE

Department of Economic Development

(LSB 1760hv.6, MDF)

FILED MAY 3, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 349

AN ACT

RELATING TO THE ENTERPRISE ZONE PROGRAM AND PROVIDING
EFFECTIVE DATE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 15.333, subsection 1, Code 2001, is amended to read as follows:

1. An eligible business may claim a corporate tax credit up to a maximum of ten percent of the new investment which is directly related to new jobs created by the location or expansion of an eligible business under the program. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, subchapter S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, subchapter S corporation, limited liability company, or estate or trust. For purposes of this section, "new investment directly related to new jobs created by the location or expansion of an eligible business under the program" means the cost of machinery and equipment, as defined in section 427A.1, subsection 1, paragraphs "e" and "j", purchased for use in the operation of the eligible business, the purchase price of which has been depreciated in accordance with generally accepted accounting principles, and the cost of improvements made to real property which is used in the operation of the eligible business ~~and which receives a partial property tax exemption for the actual value added under section 15-332.~~

Sec. 2. Section 15E.193B, subsection 2, Code 2001, is amended to read as follows:

2. An eligible housing business under this section includes a housing developer, housing contractor, or nonprofit organization that builds or rehabilitates a minimum of four single-family homes ~~with a value, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars for each home~~ located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units ~~with a total value per unit, after completion of the building or rehabilitation, not exceeding one hundred twenty thousand dollars~~ located in that part of a city or county in which there is a designated enterprise zone.

Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code 2001, is amended to read as follows:

a. An eligible housing business may claim a tax credit up to a maximum of ten percent of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes located in that part of a city or county in which there is a designated enterprise zone or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated enterprise zone. The new investment that may be used to compute the tax credit shall not exceed the new investment used for the first one hundred forty thousand dollars of value for each single-family home or for each unit of a multiple dwelling unit building containing three or more units. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the

individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, or estate or trust.

Sec. 4. Section 15E.193B, subsection 6, paragraph b, Code 2001, is amended to read as follows:

b. Sales, services, and use tax refund for taxes paid by an eligible business including an eligible business acting as a contractor or subcontractor, as provided in section 15.331A.

Sec. 5. NEW SECTION. 15E.193C ELIGIBLE DEVELOPMENT BUSINESS.

1. A development business qualifying under this section is eligible to receive incentives and assistance only as provided in this section. Sections 15E.193, 15E.193B, and 15E.196 do not apply to an eligible development business qualifying under this section.

2. An eligible development business includes a developer or development contractor that constructs, expands, or rehabilitates a building space with a minimum capital investment of at least five hundred thousand dollars in that part of a city or county in which there is a designated enterprise zone. An eligible development business is eligible for one, but not both, of the following exemptions to the capital investment requirements:

a. For an eligible development business purchasing a vacant building suitable for industrial use, the fair market value of the building and land, not to exceed two hundred fifty thousand dollars, as determined by the local enterprise zone commission, shall be deducted from the capital investment requirement.

b. For an eligible development business that rehabilitates a building space that has been in an enterprise zone for at least five years, the fair market value as established by an appraisal of the building, not to exceed two hundred fifty thousand dollars, shall be deducted from the capital investment requirement.

3. Upon completion of the construction, expansion, or rehabilitation project by the eligible development business, the building space shall not be occupied by a retail business.

4. An eligible development business shall complete its construction, expansion, or rehabilitation within three years from the time the eligible development business receives approval from the department. The failure to complete construction, expansion, or rehabilitation within three years shall result in the eligible development business becoming ineligible and subject to the repayment requirements and penalties provided in subsection 8.

5. Prior to applying for assistance under this section, an eligible development business shall enter into an agreement with at least one business for purposes of locating the business in all or a portion of the building space for a period of at least five years.

6. An eligible development business shall provide the enterprise zone commission with all of the following information:

a. The long-term strategic plan for the development business which shall include infrastructure needs and a copy of any agreement entered into by the eligible development business as required under subsection 5.

b. Information relating to the benefits the development business will bring to the area.

c. Examples of why the development business should be considered or would be considered a good business enterprise.

d. An affidavit that the development business has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations or if such violation has occurred that there were mitigating circumstances or the violations did not seriously affect public health or safety or the environment.

7. An eligible development business, which has been approved to receive incentives and assistance by the department of economic development pursuant to section 15E.195, shall be eligible to receive all of the following incentives and assistance for a period not to exceed ten years:

a. An eligible development business may claim a tax credit up to a maximum of ten percent of the new investment that is directly related to the construction, expansion, or rehabilitation of building space to be used for manufacturing, processing, cold storage, distribution, or office facilities. For purposes of this section, "new investment" includes the purchase price of land and the cost of improvements made to real property. The tax credit may be claimed by an eligible development business for the tax year in which the construction, expansion, or rehabilitation is completed. The tax credit may be used to reduce the tax liability imposed under chapter 422, division II, III, or V or chapter 432. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs earlier. If the business is a partnership, S corporation, limited liability company, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, S corporation, limited liability company, or estate or trust.

b. Sales, services, and use tax refund, as provided in section 15.331A.

c. The county or city for which an eligible enterprise zone is certified may exempt from all property taxation all or a portion of the value added to the property upon which an eligible development business constructs, expands, or rehabilitates property in an enterprise zone. The amount of value added for purposes of this shall be the amount of the increase in assessed valuation of the property following the construction, expansion, or rehabilitation by the development business in the enterprise zone. If an exemption provided pursuant to this is made applicable to only a portion of the property within an enterprise zone, the definition of that subset of eligible property must be by uniform criteria that further some planning objective established by the city or

county enterprise zone commission and approved by the city or county. The exemption may be allowed for a period not to exceed ten years beginning the year the eligible development business enters into an agreement with the county or city to construct, expand, or rehabilitate property in an enterprise zone.

8. If a development business has received incentives or assistance under this section and fails to maintain the requirements of this section to be an eligible development business, the business is subject to repayment of all or a portion of the incentives and assistance that it has received. The department of revenue and finance shall have the authority to recover the value of state taxes or incentives provided under this section. The value of state incentives provided under this section includes applicable interest and penalties. The department of economic development and the city and county, as applicable, shall enter into an agreement with the business specifying the method for determining the amount of incentives or assistance paid which will be repaid in the event of failure to maintain the requirements of this section. In addition, a business that fails to maintain the requirements of this section shall not receive incentives or assistance for each year during which the business is not in compliance.

9. The department of economic development and the department of revenue and finance shall each adopt rules pursuant to chapter 17A to jointly administer this section.

10. An eligible business under section 15E.193 is not eligible for incentives and assistance listed in section 15E.196 if the property is owned, or was previously owned, by an approved development business that has received incentives and assistance under this section 15E.193C.

11. If, within five years of the completion of a construction, expansion, or rehabilitation project, the development business, or its successor, sells or leases any space to any retail business, the development business shall proportionally refund any tax credits, refunds, or exemptions which were claimed under this section.

Sec. 6. Section 15E.195, Code 2001, is amended to read as follows:

15E.195 ENTERPRISE ZONE COMMISSION.

1. A county which designates an enterprise zone pursuant to section 15E.194, subsection 1, and in which an eligible enterprise zone is certified shall establish an enterprise zone commission to review applications from qualified businesses located within or requesting to locate within an enterprise zone designated pursuant to section 15E.194, subsection 1, to receive incentives or assistance as provided in section 15E.196. The enterprise zone commission shall also review applications from qualified housing businesses requesting to receive incentives or assistance as provided in section 15E.193B. The enterprise zone commission shall also review applications from qualified development businesses requesting to receive incentives or assistance as provided in section 15E.193C. The commission shall consist of nine members. Five of these members shall consist of one representative of the board of supervisors, one member with economic development expertise chosen by the department of economic development, one representative of the county zoning board, one member of the local community college board of directors, and one representative of the local workforce development center. These five members shall select the remaining four members. If the enterprise zone consists of an area meeting the requirements for eligibility for an urban or rural enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, one of the remaining four members shall be a representative of that community. A county shall have only one enterprise zone commission to review applications for incentives and assistance for businesses located within or requesting to locate within a certified enterprise zone designated pursuant to section 15E.194, subsection 1.

2. A city with a population of twenty-four thousand or more which designates an enterprise zone pursuant to section 15E.194, subsection 2, and in which an eligible enterprise

zone is certified shall establish an enterprise zone commission to review applications from qualified businesses located within or requesting to locate within an enterprise zone to receive incentives or assistance as provided in section 15E.196. The enterprise zone commission shall review applications from qualified housing businesses requesting to receive incentives or assistance as provided in section 15E.193B. The enterprise zone commission shall also review applications from qualified development businesses requesting to receive incentives or assistance as provided in section 15E.193C. The commission shall consist of nine members. Six of these members shall consist of one representative of an international labor organization, one member with economic development expertise chosen by the department of economic development, one representative of the city council, one member of the local community college board of directors, one member of the city planning and zoning commission, and one representative of the local workforce development center. These six members shall select the remaining three members. If the enterprise zone consists of an area meeting the requirements for eligibility for an urban enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, one of the remaining three members shall be a representative of that community. If a city contiguous to the city designating the enterprise zone is included in an enterprise zone, a representative of the contiguous city, chosen by the city council, shall be a member of the commission. A city in which an eligible enterprise zone is certified shall have only one enterprise zone commission. If a city has established an enterprise zone commission prior to the effective date of this Act, the city may petition to the department of economic development to change the structure of the existing commission.

3. The commission may adopt more stringent requirements, including requirements related to compensation and benefits, for a business to be eligible for incentives or assistance than provided in sections 15E.193, and 15E.193B, and 15E.193C.

The commission may develop as an additional requirement that preference in hiring be given to individuals who live within the enterprise zone. The commission shall work with the local workforce development center to determine the labor availability in the area. The commission shall examine and evaluate building codes and zoning in the enterprise zone and make recommendations to the appropriate governing body in an effort to promote more affordable housing development.

4. If the enterprise zone commission determines that a business qualifies and is eligible to receive incentives or assistance as provided in either section 15E.193B or section 15E.193C, or 15E.196, the commission shall submit an application for incentives or assistance to the department of economic development. The department may approve, defer, or deny the application.

5. In making its decision, the commission or department shall consider the impact of the eligible business on other businesses in competition with it and compare the compensation package of businesses in competition with the business being considered for incentives or assistance. The commission or department shall make a good faith effort to identify existing Iowa businesses within an industry in competition with the business being considered for incentives or assistance. The commission or department shall also make a good faith effort to determine the probability that the proposed incentives or assistance will displace employees of existing businesses. In determining the impact on businesses in competition with the business seeking incentives or assistance, jobs created as a result of other jobs being displaced elsewhere in the state shall not be considered direct jobs created.

However, if the commission or department finds that an eligible business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the eligible business shall not qualify for incentives or assistance under section 15E.193B, 15E.193C, or section 15E.196, unless the commission

or department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether an eligible business is eligible for incentives or assistance under section 15E.193B, 15E.193C, or section 15E.196, the commission or department shall be exempt from chapter 17A. If requested by the commission or department, the business shall provide copies of materials documenting the type of violation, any fees or penalties assessed, court filings, final disposition of any findings and any other information which would assist the commission or department in assessing the nature of any violation.

6. A business that is approved to receive incentives or assistance shall, for the length of its designation as an enterprise zone business, certify annually to the county or city, as applicable, and the department of economic development its compliance with the requirements of either section 15E.193, or-section 15E.193B, or 15E.193C.

Sec. 7. Section 15E.196, Code 2001, is amended by adding the following new subsection:

NEW SUBSECTION. 7. A business eligible to receive incentives and assistance described in this section and located in a building for which incentives and assistance are or have been claimed by an approved development business under section 15E.193C is not eligible to receive the following incentives and assistance:

a. An investment tax credit under subsection 3 for the portion of the investment tax credit that is claimed on the purchase price of land or improvements to real property by an approved development business pursuant to section 15E.193C, subsection 7, paragraph "a".

b. Sales, services, and use tax refund under subsection 2 that is made pursuant to section 15E.193C, subsection 7, paragraph "b".

c. A property tax exemption under subsection 5 for improvements to real property that are exempted from property

taxation pursuant to section 15E.193C, subsection 7, paragraph "c".

Sec. 8. RETROACTIVE APPLICABILITY.

1. Section 4 of this Act, being deemed of immediate importance, takes effect upon enactment and is retroactively applicable to July 1, 1998.

2. With the exception of section 4 of this Act, this Act is retroactively applicable to January 1, 2001, and is applicable on and after that date.

BRENT SIEGRIST
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 349, Seventy-ninth General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved 5/16, 2001

THOMAS J. VILSACK
Governor