

4/19/01 Referred To: Economic Dev

FEB 21 2001

HOUSE FILE 350

Place On Calendar

BY COMMITTEE ON ECONOMIC DEVELOPMENT

(SUCCESSOR TO HF 105)

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to the enterprise zone program.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 350

1 Section 1. Section 15E.193B, subsection 2, Code 2001, is
2 amended to read as follows:

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

15 Sec. 2. Section 15E.193B, subsection 6, paragraph a, Code
16 2001, is amended to read as follows:

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

1 the income taxed directly to the individual, an individual may
2 claim the tax credit allowed. The amount claimed by the
3 individual shall be based upon the pro rata share of the
4 individual's earnings of the partnership, S corporation,
5 limited liability company, or estate or trust.

6 Sec. 3. Section 15E.194, subsection 4, Code 2001, is
7 amended to read as follows:

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

28 EXPLANATION

29 This bill amends the enterprise zone program administered
30 by the department of economic development.

31 Currently, a city or county may designate an enterprise
32 zone when a business closure occurs involving the loss of
33 full-time employees at one place of business totaling at least
34 1,000 employees or 4 percent or more of the county's resident
35 labor force, whichever is lower. The enterprise zone may be

1 established on the property of the place of business that has
2 closed and may include an area up to an additional one mile
3 adjacent to the property.

4 The bill amends the allowable area adjacent to the property
5 that may be included in the enterprise zone from one mile to
6 five miles. The bill also allows an enterprise zone
7 designated on or after June 1, 2000, to be amended to change
8 the boundaries of the enterprise zone. The bill provides that
9 the amended boundaries must be approved by the department
10 within three years of the date the enterprise zone was
11 certified.

12 The bill amends the housing business portion of the
13 enterprise zone program. The bill eliminates the \$120,000
14 maximum limit that a single-family home or each unit of a
15 multiple dwelling unit containing three or more units may be
16 worth after completion of the building or rehabilitation. The
17 bill provides that new investment that may be used to compute
18 the tax credit that a housing business may claim shall not
19 exceed the new investment used for the first \$140,000 of value
20 for each single-family home or for each unit of a multiple
21 dwelling unit building containing three or more units.

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**HOUSE FILE 350
FISCAL NOTE**

A fiscal note for **House File 350** 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 350 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

House File 350 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 1553HV, MDF)

FILED FEBRUARY 27, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR