

FEB 15 2002  
Place On Calendar

REPRINTED

HOUSE FILE 2378  
BY COMMITTEE ON ECONOMIC  
DEVELOPMENT

(SUCCESSOR TO HSB 531)

Passed House, Date <sup>(p.638)</sup> 3-6-02 Passed Senate, Date <sup>(p.1044)</sup> 4/9/02  
Vote: Ayes 74 Nays 22 Vote: Ayes 49 Nays 0  
Approved 5/2/02

*re passed 4-10-02  
vote 95-0*

*(p.1300)*

A BILL FOR

1 An Act relating to the enterprise zone program and providing an  
2 effective date.

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

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HF 2378

1 Section 1. Section 15E.192, subsections 2, 3, and 4, Code  
2 2001, are amended to read as follows:

3 2. A city with a population of twenty-four thousand or  
4 more, as shown by the ~~1990~~ 2000 certified federal census, may  
5 create an economic development enterprise zone as authorized  
6 in this division, subject to certification by the department  
7 of economic development, by designating one or more contiguous  
8 census tracts, as determined in the most recent federal  
9 census, or designating other geographic units approved by the  
10 department of economic development for that purpose. If there  
11 is an area in the city which meets the requirements for  
12 eligibility for an urban or rural enterprise community under  
13 Title XIII of the federal Omnibus Budget Reconciliation Act of  
14 1993, such area shall be designated by the state an economic  
15 development enterprise zone. The area meeting the  
16 requirements for eligibility for an urban or rural enterprise  
17 community shall not be included for the purpose of determining  
18 the area limitation pursuant to subsection 4. In creating an  
19 enterprise zone, a city with a population of twenty-four  
20 thousand or more, as shown by the ~~1990~~ 2000 certified federal  
21 census, may designate as part of the area tracts or approved  
22 geographic units located in a contiguous city if such tracts  
23 or approved geographic units meet the criteria and the city  
24 agrees to being included. The city may establish more than  
25 one enterprise zone. Reference in this division to "city"  
26 means a city with a population of twenty-four thousand or  
27 more, as shown by the ~~1990~~ 2000 certified federal census.

28 ~~3.--a.--A-county-may-designate-an-enterprise-zone-within-an~~  
29 ~~area-located-in-one-or-more-contiguous-census-tracts-or-other~~  
30 ~~geographic-units-of-the-county-that-meets-at-least-two-of-the~~  
31 ~~following-distress-criteria:~~

32 ~~(1)--The-area-has-a-per-capita-income-of-nine-thousand-six~~  
33 ~~hundred-dollars-or-less-based-according-to-the-1990-census.~~

34 ~~(2)--The-area-has-a-family-poverty-rate-of-twelve-percent~~  
35 ~~or-more-according-to-the-1990-census.~~

1     ~~(3)--Ten percent or more of the housing units in the area~~  
2     ~~are vacant.~~

3     ~~(4)--The valuations of each class of property in the~~  
4     ~~designated area of the census tract is seventy-five percent or~~  
5     ~~less of the countywide average for that classification based~~  
6     ~~upon the most recent valuations for property tax purposes.~~

7     ~~(5)--The area is a blighted area, as defined in section~~  
8     ~~403.17.~~

9     ~~b.--The department shall not approve more than five~~  
10    ~~enterprise zones designated under this subsection prior to~~  
11    ~~July 1, 2001.~~

12    4.   a. A county or city which meets the distress criteria  
13    provided in section 15E.194, Code 2001, may apply to the  
14    department for an area to be certified as an enterprise zone  
15    at any time prior to July 1, 2003. However, the total amount  
16    of land designated as enterprise zones under subsections 1 and  
17    2, and any other enterprise zones certified by the department,  
18    excluding those approved pursuant to section 15E.194,  
19    subsection 4, shall not exceed in the aggregate one percent of  
20    the total county area.

21    b. An enterprise zone certified by the department shall  
22    not be decertified or amended.

23    c. A county or city may apply to the department for an  
24    area to be certified as an enterprise zone at any time prior  
25    to July 1, 2005. However, the total amount of land designated  
26    as enterprise zones under subsections 1 and 2, and any other  
27    enterprise zones certified by the department, excluding those  
28    approved pursuant to section 15E.194, subsection 4, shall not  
29    exceed in the aggregate one percent of the total county area.

30    Sec. 2. Section 15E.193B, subsection 1, Code Supplement  
31    2001, is amended to read as follows:

32    1. A housing business qualifying under this section is  
33    eligible to receive incentives and assistance only as provided  
34    in this section. An eligible housing business shall not  
35    receive incentives or assistance for a home or multiple

1 dwelling unit built or rehabilitated in an enterprise zone  
2 designated pursuant to section 15E.194, subsection 4.

3 Sections 15E.193 and 15E.196 do not apply to an eligible  
4 housing business qualifying under this section.

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

7 a. An eligible housing business may claim a tax credit up  
8 to a maximum of ten percent of the new investment which is  
9 directly related to the building or rehabilitating of a  
10 minimum of four single-family homes located in that part of a  
11 city or county in which there is a designated enterprise zone  
12 or one multiple dwelling unit building containing three or  
13 more individual dwelling units located in that part of a city  
14 or county in which there is a designated enterprise zone. The  
15 new investment that may be used to compute the tax credit  
16 shall not exceed the new investment used for the first one  
17 hundred forty thousand dollars of value for each single-family  
18 home or for each unit of a multiple dwelling unit building  
19 containing three or more units. The tax credit may be used to  
20 reduce the tax liability imposed under chapter 422, division  
21 II, III, or V, or chapter 432. Any credit in excess of the  
22 tax liability for the tax year may be credited to the tax  
23 liability for the following seven years or until depleted,  
24 whichever occurs earlier. If the business is a partnership, S  
25 corporation, limited liability company, or estate or trust  
26 electing to have the income taxed directly to the individual,  
27 an individual may claim the tax credit allowed. The amount  
28 claimed by the individual shall be based upon the pro rata  
29 share of the individual's earnings of the partnership, S  
30 corporation, limited liability company, or estate or trust.

31 Sec. 4. Section 15E.193C, subsections 5 and 10, Code  
32 Supplement 2001, are amended to read as follows:

33 5. Prior to applying for assistance under this section, an  
34 eligible development business shall enter into an agreement  
35 with at least one business for purposes of locating the

1 business in all or a portion of the building space for a  
2 period of at least five years. The locating business must  
3 occupy at least seventy-five percent of the total building  
4 space and meet the criteria provided in section 15E.193,  
5 subsection 1, paragraphs "a", "b", and "c", and create at  
6 least ten full-time positions.

7 ~~10.--An-eligible-business-under-section-15E:193-is-not~~  
8 ~~eligible-for-incentives-and-assistance-listed-in-section~~  
9 ~~15E:196-if-the-property-is-owned,or-was-previously-owned,by~~  
10 ~~an-approved-development-business-that-has-received-incentives~~  
11 ~~and-assistance-under-this-section.~~

12 Sec. 5. Section 15E.194, subsections 1, 2, and 4, Code  
13 2001, are amended to read as follows:

14 1. An enterprise zone may be designated by a county which  
15 meets at least two of the following criteria:

16 a. The county has an average weekly wage that ranks among  
17 the bottom twenty-five counties in the state based on the 1995  
18 2000 annual average weekly wage for employees in private  
19 business.

20 b. The county has a family poverty rate that ranks among  
21 the top twenty-five counties in the state based on the 1990  
22 2000 census.

23 c. The county has experienced a percentage population loss  
24 that ranks among the top twenty-five counties in the state  
25 between 1990 ~~and~~ 1995 and 2000.

26 d. The county has a percentage of persons sixty-five years  
27 of age or older that ranks among the top twenty-five counties  
28 in the state based on the 1990 2000 census.

29 2. An enterprise zone may be designated by a city which  
30 meets at least two of the following criteria:

31 a. The area has a per capita income of ~~nine-thousand-six~~  
32 hundred twelve thousand six hundred forty-eight dollars or  
33 less based on the 1990 2000 census.

34 b. The area has a family poverty rate of twelve percent or  
35 higher based on the 1990 2000 census.

1 c. Ten percent or more of the housing units are vacant in  
2 the area.

3 d. The valuations of each class of property in the  
4 designated area is seventy-five percent or less of the  
5 citywide average for that classification based upon the most  
6 recent valuations for property tax purposes.

7 e. The area is a blighted area, as defined in section  
8 403.17.

9 4. a. A city of any size or any county may designate an  
10 enterprise zone at any time prior to July 1, 2010, when a  
11 business closure occurs involving the loss of full-time  
12 employees, not including retail employees, at one place of  
13 business totaling at least one thousand employees or four  
14 percent or more of the county's resident labor force based on  
15 the most recent annual resident labor force statistics from  
16 the department of workforce development, whichever is lower.  
17 The enterprise zone may be established on the property of the  
18 place of business that has closed and the enterprise zone may  
19 include an area up to an additional ~~one-mile~~ three miles  
20 adjacent to the property. The area meeting the requirements  
21 for enterprise zone eligibility under this subsection shall  
22 not be included for the purpose of determining the area  
23 limitation pursuant to section 15E.192, subsection 4. An  
24 eligible housing business under section 15E.193B shall not  
25 receive incentives or assistance for a home or multiple  
26 dwelling unit built or rehabilitated in an enterprise zone  
27 designated pursuant to this subsection.

28 b. The area included in an enterprise zone designated  
29 under this subsection on or after June 1, 2000, may be amended  
30 to change the boundaries of the enterprise zone. Such an  
31 amendment must be approved by the department within three  
32 years of the date the enterprise zone was certified.

33 Sec. 6. Section 15E.192, subsection 4, paragraph a, Code  
34 2003, is amended by striking the paragraph.

35 Sec. 7. Section 422.6, unnumbered paragraph 1, Code 2001,

1 is amended to read as follows:

2 The tax imposed by section 422.5 less the credits allowed  
3 under sections 15.333, 15.335, ~~15E.193A~~, 422.10, 422.11,  
4 422.11A, and 422.11B, and the personal exemption credit  
5 allowed under section 422.12 apply to and are a charge against  
6 estates and trusts with respect to their taxable income, and  
7 the rates are the same as those applicable to individuals.  
8 The fiduciary shall make the return of income for the estate  
9 or trust for which the fiduciary acts, whether the income is  
10 taxable to the estate or trust or to the beneficiaries.  
11 However, for tax years ending after August 5, 1997, if the  
12 trust is a qualified preneed funeral trust as set forth in  
13 section 685 of the Internal Revenue Code and the trustee has  
14 elected the special tax treatment under section 685 of the  
15 Internal Revenue Code, neither the trust nor the beneficiary  
16 is subject to Iowa income tax on income accruing to the trust.

17 Sec. 8. Section 15E.193A, Code 2001, is repealed.

18 Sec. 9. EFFECTIVE DATE. Section 6 of this Act, striking  
19 section 15E.192, subsection 4, paragraph "a", Code 2003, takes  
20 effect July 1, 2003.

21 EXPLANATION

22 This bill amends the enterprise zone program which is  
23 administered by the department of economic development.

24 The bill changes all the references to the 1990 certified  
25 federal census to the 2000 certified federal census. The bill  
26 allows counties and cities currently meeting distress criteria  
27 based on the 1990 census to continue to designate enterprise  
28 zones until July 1, 2003. The bill allows counties and cities  
29 meeting the distress criteria based on the 2000 census to  
30 designate enterprise zones between the effective date of the  
31 bill (July 1, 2002) and July 1, 2005.

32 The bill provides that a certified enterprise zone shall  
33 not be decertified or amended.

34 The bill adds a tax credit under the housing portion of the  
35 enterprise zone program for insurance companies to claim

1 against the tax on gross premiums.

2 The bill eliminates a special provision which allowed a  
3 county to designate an enterprise zone if certain criteria  
4 were met. The special provision limited the department to  
5 approving not more than five such enterprise zones prior to  
6 July 1, 2001.

7 The bill amends one of the possible distress criteria which  
8 cities may meet in order to designate an enterprise zone. The  
9 bill raises the per capita income level from \$9,600 to  
10 \$12,648.

11 The bill amends the provision of the Code which allows an  
12 enterprise zone to be established on the property of the place  
13 on which a business closure occurred which results in a  
14 significant loss of employment. The bill amends the area that  
15 may be included in such an enterprise zone from one mile  
16 adjacent to the property to three miles adjacent to the  
17 property. The bill also provides that an eligible housing  
18 business under the enterprise zone program shall not receive  
19 incentives or assistance for a home or multiple dwelling unit  
20 built or rehabilitated in such an enterprise zone.

21 The bill amends two provisions relating to business  
22 development enterprise zones. The bill eliminates a provision  
23 which prohibited an eligible business from receiving  
24 enterprise zone incentives and assistance if the eligible  
25 business is located on property which is owned, or was  
26 previously owned, by an approved development business that had  
27 received enterprise zone incentives and assistance. The bill  
28 also provides that an eligible development business must enter  
29 into an agreement with a business which will occupy at least  
30 75 percent of the total building space, meet employment level  
31 criteria, and meet certain criteria relating to employee wages  
32 and benefits and the type of business locating in the  
33 building.

34 The bill repeals Code section 15E.193A relating to the  
35 ability of certain businesses located outside of an enterprise

1 zone to receive enterprise zone incentives and assistance.

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Jenkins, Chair  
Elgin  
Hatch

02378

HSB 531

ECONOMIC DEVELOPMENT

SENATE/HOUSE FILE \_\_\_\_\_

BY (PROPOSED DEPARTMENT OF  
ECONOMIC DEVELOPMENT BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the enterprise zone program and providing an  
2 effective date.

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

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1 Section 1. Section 15E.192, subsections 2, 3, and 4, Code  
2 2001, are amended to read as follows:

3 2. A city with a population of twenty-four thousand or  
4 more, as shown by the ~~1990~~ 2000 certified federal census, may  
5 create an economic development enterprise zone as authorized  
6 in this division, subject to certification by the department  
7 of economic development, by designating one or more contiguous  
8 census tracts, as determined in the most recent federal  
9 census, or designating other geographic units approved by the  
10 department of economic development for that purpose. If there  
11 is an area in the city which meets the requirements for  
12 eligibility for an urban or rural enterprise community under  
13 Title XIII of the federal Omnibus Budget Reconciliation Act of  
14 1993, such area shall be designated by the state an economic  
15 development enterprise zone. The area meeting the  
16 requirements for eligibility for an urban or rural enterprise  
17 community shall not be included for the purpose of determining  
18 the area limitation pursuant to subsection 4. In creating an  
19 enterprise zone, a city with a population of twenty-four  
20 thousand or more, as shown by the ~~1990~~ 2000 certified federal  
21 census, may designate as part of the area tracts or approved  
22 geographic units located in a contiguous city if such tracts  
23 or approved geographic units meet the criteria and the city  
24 agrees to being included. The city may establish more than  
25 one enterprise zone. Reference in this division to "city"  
26 means a city with a population of twenty-four thousand or  
27 more, as shown by the ~~1990~~ 2000 certified federal census.

28 ~~3.--a.--A county may designate an enterprise zone within an~~  
29 ~~area located in one or more contiguous census tracts or other~~  
30 ~~geographic units of the county that meets at least two of the~~  
31 ~~following distress criteria:~~

32 ~~(1)--The area has a per capita income of nine thousand six~~  
33 ~~hundred dollars or less based according to the 1990 census.~~

34 ~~(2)--The area has a family poverty rate of twelve percent~~  
35 ~~or more according to the 1990 census.~~

1 (3)--Ten-percent-or-more-of-the-housing-units-in-the-area  
2 are-vacant-

3 (4)--The-valuations-of-each-class-of-property-in-the  
4 designated-area-of-the-census-tract-is-seventy-five-percent-or  
5 less-of-the-countywide-average-for-that-classification-based  
6 upon-the-most-recent-valuations-for-property-tax-purposes-

7 (5)--The-area-is-a-blighted-area,-as-defined-in-section  
8 403.17-

9 b.--The-department-shall-not-approve-more-than-five  
10 enterprise-zones-designated-under-this-subsection-prior-to  
11 July-17-2001-

12 4. a. A county or city which meets the distress criteria  
13 provided in section 15E.194, Code 2001, may apply to the  
14 department for an area to be certified as an enterprise zone  
15 at any time prior to July 1, 2003. However, the total amount  
16 of land designated as enterprise zones under subsections 1 and  
17 2, and any other enterprise zones certified by the department,  
18 excluding those approved pursuant to section 15E.194,  
19 subsection 4, shall not exceed in the aggregate one percent of  
20 the total county area.

21 b. An enterprise zone certified by the department shall  
22 not be decertified or amended.

23 c. A county or city may apply to the department for an  
24 area to be certified as an enterprise zone at any time prior  
25 to July 1, 2005. However, the total amount of land designated  
26 as enterprise zones under subsections 1 and 2, and any other  
27 enterprise zones certified by the department, excluding those  
28 approved pursuant to section 15E.194, subsection 4, shall not  
29 exceed in the aggregate one percent of the total county area.

30 Sec. 2. Section 15E.193C, subsections 5 and 10, Code  
31 Supplement 2001, are amended to read as follows:

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

1 period of at least five years. The locating business must  
2 occupy at least seventy-five percent of the total building  
3 space and meet the criteria provided in section 15E.193,  
4 subsection 1, paragraphs "a", "b", and "c", and create at  
5 least three full-time positions.

6 ~~10.--An-eligible-business-under-section-15E:193-is-not~~  
7 ~~eligible-for-incentives-and-assistance-listed-in-section~~  
8 ~~15E:196-if-the-property-is-owned,-or-was-previously-owned,-by~~  
9 ~~an-approved-development-business-that-has-received-incentives~~  
10 ~~and-assistance-under-this-section.~~

11 Sec. 3. Section 15E.194, subsections 1 and 2, Code 2001,  
12 are amended to read as follows:

13 1. An enterprise zone may be designated by a county which  
14 meets at least two of the following criteria:

15 a. The county has an average weekly wage that ranks among  
16 the bottom twenty-five counties in the state based on the 1995  
17 2000 annual average weekly wage for employees in private  
18 business.

19 b. The county has a family poverty rate that ranks among  
20 the top twenty-five counties in the state based on the 1990  
21 2000 census.

22 c. The county has experienced a percentage population loss  
23 that ranks among the top twenty-five counties in the state  
24 between 1990 and 1995 and 2000.

25 d. The county has a percentage of persons sixty-five years  
26 of age or older that ranks among the top twenty-five counties  
27 in the state based on the 1990 2000 census.

28 2. An enterprise zone may be designated by a city which  
29 meets at least two of the following criteria:

30 a. The area has a per capita income of nine thousand six  
31 hundred dollars or less based on the 1990 2000 census.

32 b. The area has a family poverty rate of twelve percent or  
33 higher based on the 1990 2000 census.

34 c. Ten percent or more of the housing units are vacant in  
35 the area.

1 d. The valuations of each class of property in the  
2 designated area is seventy-five percent or less of the  
3 citywide average for that classification based upon the most  
4 recent valuations for property tax purposes.

5 e. The area is a blighted area, as defined in section  
6 403.17.

7 Sec. 4. Section 15E.192, subsection 4, paragraph a, Code  
8 2003, is amended by striking the paragraph.

9 Sec. 5. Section 422.6, unnumbered paragraph 1, Code 2001,  
10 is amended to read as follows:

11 The tax imposed by section 422.5 less the credits allowed  
12 under sections 15.333, 15.335, ~~15E.193A~~, 422.10, 422.11,  
13 422.11A, and 422.11B, and the personal exemption credit  
14 allowed under section 422.12 apply to and are a charge against  
15 estates and trusts with respect to their taxable income, and  
16 the rates are the same as those applicable to individuals.  
17 The fiduciary shall make the return of income for the estate  
18 or trust for which the fiduciary acts, whether the income is  
19 taxable to the estate or trust or to the beneficiaries.  
20 However, for tax years ending after August 5, 1997, if the  
21 trust is a qualified preneed funeral trust as set forth in  
22 section 685 of the Internal Revenue Code and the trustee has  
23 elected the special tax treatment under section 685 of the  
24 Internal Revenue Code, neither the trust nor the beneficiary  
25 is subject to Iowa income tax on income accruing to the trust.

26 Sec. 6. Section 15E.193A, Code 2001, is repealed.

27 Sec. 7. EFFECTIVE DATE. Section 4 of this Act, striking  
28 section 15E.192, subsection 4, paragraph "a", Code 2003, takes  
29 effect July 1, 2003.

30 EXPLANATION

31 This bill amends the enterprise zone program which is  
32 administered by the department of economic development.  
33 The bill changes all the references to the 1990 certified  
34 federal census to the 2000 certified federal census. The bill  
35 allows counties and cities currently meeting distress criteria

1 based on the 1990 census to continue to designate enterprise  
2 zones until July 1, 2003. The bill allows counties and cities  
3 meeting the distress criteria based on the 2000 census to  
4 designate enterprise zones between the effective date of the  
5 bill (July 1, 2002) and July 1, 2005.

6 The bill provides that a certified enterprise zone shall  
7 not be decertified or amended.

8 The bill eliminates a special provision which allowed a  
9 county to designate an enterprise zone if certain criteria  
10 were met. The special provision limited the department to  
11 approving not more than five such enterprise zones prior to  
12 July 1, 2001.

13 The bill amends two provisions relating to business  
14 development enterprise zones. The bill eliminates a provision  
15 which prohibited an eligible business from receiving  
16 enterprise zone incentives and assistance if the eligible  
17 business is located on property which is owned, or was  
18 previously owned, by an approved development business that had  
19 received enterprise zone incentives and assistance. The bill  
20 also provides that an eligible development business must enter  
21 into an agreement with a business which will occupy at least  
22 75 percent of the total building space, meet employment level  
23 criteria, and meet certain criteria relating to employee wages  
24 and benefits and the type of business locating in the  
25 building.

26 The bill repeals Code section 15E.193A relating to the  
27 ability of certain businesses located outside of an enterprise  
28 zone to receive enterprise zone incentives and assistance.

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**TO:** The Iowa General Assembly  
**FROM:** Georgia Soliday, IDED Legislative Liaison  
**DATE:** November 26, 2001  
**RE:** Update and Clarification of Enterprise Zone Program



This bill makes some updates and clarifications to the Enterprise Zone Program. The program currently references the 1990 census as a basis for the distress criteria used to designate an Enterprise Zone. Because we now have the 2000 census data information, the Department is proposing a change to update this date. In addition, time frames are established for when new Enterprise Zones can be set up and a sunset is designated for expiring Enterprise Zones.

The Department is also proposing to delete unused sections of the code under the Enterprise Zone division such as the alternative eligible business criteria and a special designation for five additional zones that expired July 1, 2001. Further clean-up language is included to make clarifications in the Development Business section that passed during the 2001 session.

The code section for the Enterprise Zone program begins at 15E.191.

## HOUSE FILE 2378

H-8109

1 Amend House File 2378 as follows:

2 1. Page 3, line 31, by striking the figure "5",  
3 and inserting the following: "2, 5,".

4 2. Page 3, by inserting after line 32 the  
5 following:

6 "2. An eligible development business includes a  
7 developer or development contractor that constructs,  
8 expands, or rehabilitates a building space within a  
9 designated enterprise zone with a minimum capital  
10 investment of at least five hundred thousand dollars  
11 in that part of a city or county in which there is a  
12 designated enterprise zone. A development business is  
13 eligible to receive incentives and assistance under  
14 this section if businesses locating into the building  
15 space have not closed or reduced its operation in one  
16 area of the state or a city and relocated  
17 substantially the same operation in the enterprise  
18 zone. An eligible development business is eligible  
19 for one, but not both, of the following exemptions to  
20 the capital investment requirements:

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

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

35 3. Page 4, by striking lines 2 through 6 and  
36 inserting the following: "period of at least five  
37 years. Nonretail businesses locating in a building  
38 space must together occupy at least seventy-five  
39 percent of the total building space, create at least  
40 ten full-time positions, meet the criteria provided in  
41 section 15E.193, subsection 1, paragraphs "a", "b",  
42 and "c", and not share common ownership or common  
43 management with the development business. The  
44 development business shall only receive incentives and  
45 assistance for the portion of the building that is  
46 leased to nonretail businesses."

47 4. Page 4, by inserting after line 11 the  
48 following:

49 "Sec. \_\_\_\_ . Section 15E.193C, Code Supplement 2001,  
50 is amended by adding the following new subsection:

H-8109

**H-8109**

Page 2

1     NEW SUBSECTION. 12. An approved development  
2 business shall submit an annual report to the  
3 department of economic development detailing and  
4 certifying the number of signed leases, jobs created,  
5 and total occupancy of the building. An approved  
6 development business shall begin submitting annual  
7 reports the year upon approval of the application and  
8 shall continue to submit annual reports until  
9 incentives and assistance provided pursuant to this  
10 section are no longer received by the approved  
11 development business."  
12     5. By renumbering as necessary.

**By** JENKINS of Black Hawk

**H-8109** FILED FEBRUARY 27, 2002

*adopted  
3-6-02  
p. 638*

# Legislative Fiscal Bureau

## Fiscal Note

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HF 2378 - Enterprise Zone Program (LSB 5305 HV)  
Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)  
Fiscal Note Version - New

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### Description

House File 2378 changes the references to the 1990 census to the 2000 census which changes the counties and cities meeting the economic distress criteria. Those meeting the criteria under the 1990 census can continue to designate enterprise zones until the end of FY 2003. Counties under the 2000 census can designate enterprise zones until the end of FY 2005. The radius of an enterprise zone is expanded from one mile to three miles. Housing businesses are excluded from the expanded enterprise zone benefits. A development business is required to have an agreement to lease at least 75.0% of the space to one business tenant and create at least ten jobs. The Bill makes various other eligibility and criteria modifications.

### Assumptions

1. An estimated 13 counties and three cities will become eligible due to the updating to the 2000 census. The three cities are unlikely to be considered blighted. The net effect of adding the new areas and ceasing activity in those no longer eligible will result in a 20.0% increase in tax credits.
2. The restrictions for Development Businesses are estimated to reduce overall use by 5.0%.
3. There will be a two-year lag in the impact of these changes for application, certification, and implementation of new enterprise zones.
4. The extension of the radius of an enterprise zone up to three miles will add one additional business project every other year, beginning in FY 2004. The average cost in tax credits per business project is \$126,000 per year.
5. Current reductions in taxes due to the Enterprise Zone Program are approximately \$5.4 million per year. Enterprise zone tax credit costs increase each year because new companies qualifying for tax credits and because of unused credits being carried forward.
6. Tax exemptions for local property taxes are under the control of local authorities and are not included in this estimate.
7. Data are not available to estimate the benefits derived from enterprise zone incentives.
8. The Department of Economic Development will perform duties relative to this change with existing staff.

### Fiscal Impact

The changes in HF 2378 are projected to cost \$126,000 in tax credit usage in FY 2004 and \$810,000 in FY 2005.

### Source

Department of Economic Development

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/s/ Dennis C Prouty

February 27, 2002

3/7/02 Small Business,  
Econ. Dev.  
3/14/02 Do Pass

HOUSE FILE 2378  
BY COMMITTEE ON ECONOMIC  
DEVELOPMENT

(SUCCESSOR TO HSB 531)

(As Amended and Passed by the House March 6, 2002)

Passed House, Date <sup>(p.1300)</sup> 4-10-02 Passed Senate, Date <sup>(p.1044)</sup> 4/9/02  
Vote: Ayes 95 Nays 0 Vote: Ayes 49 Nays 0  
Approved 5/2/02

A BILL FOR

1 An Act relating to the enterprise zone program and providing an  
2 effective date.

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

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House Amendments \_\_\_\_\_

1 Section 1. Section 15E.192, subsections 2, 3, and 4, Code  
2 2001, are amended to read as follows:

3 2. A city with a population of twenty-four thousand or  
4 more, as shown by the ~~1990~~ 2000 certified federal census, may  
5 create an economic development enterprise zone as authorized  
6 in this division, subject to certification by the department  
7 of economic development, by designating one or more contiguous  
8 census tracts, as determined in the most recent federal  
9 census, or designating other geographic units approved by the  
10 department of economic development for that purpose. If there  
11 is an area in the city which meets the requirements for  
12 eligibility for an urban or rural enterprise community under  
13 Title XIII of the federal Omnibus Budget Reconciliation Act of  
14 1993, such area shall be designated by the state an economic  
15 development enterprise zone. The area meeting the  
16 requirements for eligibility for an urban or rural enterprise  
17 community shall not be included for the purpose of determining  
18 the area limitation pursuant to subsection 4. In creating an  
19 enterprise zone, a city with a population of twenty-four  
20 thousand or more, as shown by the ~~1990~~ 2000 certified federal  
21 census, may designate as part of the area tracts or approved  
22 geographic units located in a contiguous city if such tracts  
23 or approved geographic units meet the criteria and the city  
24 agrees to being included. The city may establish more than  
25 one enterprise zone. Reference in this division to "city"  
26 means a city with a population of twenty-four thousand or  
27 more, as shown by the ~~1990~~ 2000 certified federal census.

28 ~~3.--a.--A county may designate an enterprise zone within an~~  
29 ~~area located in one or more contiguous census tracts or other~~  
30 ~~geographic units of the county that meets at least two of the~~  
31 ~~following distress criteria:~~

32 ~~(1)--The area has a per capita income of nine thousand six~~  
33 ~~hundred dollars or less based according to the 1990 census;~~

34 ~~(2)--The area has a family poverty rate of twelve percent~~  
35 ~~or more according to the 1990 census;~~

1     ~~{3}--Ten-percent-or-more-of-the-housing-units-in-the-area~~  
2     ~~are-vacant.~~

3     ~~{4}--The-valuations-of-each-class-of-property-in-the~~  
4     ~~designated-area-of-the-census-tract-is-seventy-five-percent-or~~  
5     ~~less-of-the-countywide-average-for-that-classification-based~~  
6     ~~upon-the-most-recent-valuations-for-property-tax-purposes.~~

7     ~~{5}--The-area-is-a-blighted-area,as-defined-in-section~~  
8     ~~403:17.~~

9     ~~b.--The-department-shall-not-approve-more-than-five~~  
10    ~~enterprise-zones-designated-under-this-subsection-prior-to~~  
11    ~~July-17-2001.~~

12    4.   a. A county or city which meets the distress criteria  
13    provided in section 15E.194, Code 2001, may apply to the  
14    department for an area to be certified as an enterprise zone  
15    at any time prior to July 1, 2003. However, the total amount  
16    of land designated as enterprise zones under subsections 1 and  
17    2, and any other enterprise zones certified by the department,  
18    excluding those approved pursuant to section 15E.194,  
19    subsection 4, shall not exceed in the aggregate one percent of  
20    the total county area.

21    b. An enterprise zone certified by the department shall  
22    not be decertified or amended.

23    c. A county or city may apply to the department for an  
24    area to be certified as an enterprise zone at any time prior  
25    to July 1, 2005. However, the total amount of land designated  
26    as enterprise zones under subsections 1 and 2, and any other  
27    enterprise zones certified by the department, excluding those  
28    approved pursuant to section 15E.194, subsection 4, shall not  
29    exceed in the aggregate one percent of the total county area.

30    Sec. 2. Section 15E.193B, subsection 1, Code Supplement  
31    2001, is amended to read as follows:

32    1. A housing business qualifying under this section is  
33    eligible to receive incentives and assistance only as provided  
34    in this section. An eligible housing business shall not  
35    receive incentives or assistance for a home or multiple

1 dwelling unit built or rehabilitated in an enterprise zone  
2 designated pursuant to section 15E.194, subsection 4.

3 Sections 15E.193 and 15E.196 do not apply to an eligible  
4 housing business qualifying under this section.

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

7 a. An eligible housing business may claim a tax credit up  
8 to a maximum of ten percent of the new investment which is  
9 directly related to the building or rehabilitating of a  
10 minimum of four single-family homes located in that part of a  
11 city or county in which there is a designated enterprise zone  
12 or one multiple dwelling unit building containing three or  
13 more individual dwelling units located in that part of a city  
14 or county in which there is a designated enterprise zone. The  
15 new investment that may be used to compute the tax credit  
16 shall not exceed the new investment used for the first one  
17 hundred forty thousand dollars of value for each single-family  
18 home or for each unit of a multiple dwelling unit building  
19 containing three or more units. The tax credit may be used to  
20 reduce the tax liability imposed under chapter 422, division  
21 II, III, or V, or chapter 432. Any credit in excess of the  
22 tax liability for the tax year may be credited to the tax  
23 liability for the following seven years or until depleted,  
24 whichever occurs earlier. If the business is a partnership, S  
25 corporation, limited liability company, or estate or trust  
26 electing to have the income taxed directly to the individual,  
27 an individual may claim the tax credit allowed. The amount  
28 claimed by the individual shall be based upon the pro rata  
29 share of the individual's earnings of the partnership, S  
30 corporation, limited liability company, or estate or trust.

31 Sec. 4. Section 15E.193C, subsections 2, 5, and 10, Code  
32 Supplement 2001, are amended to read as follows:

33 2. An eligible development business includes a developer  
34 or development contractor that constructs, expands, or  
35 rehabilitates a building space within a designated enterprise

1 zone with a minimum capital investment of at least five  
2 hundred thousand dollars in that part of a city or county in  
3 which there is a designated enterprise zone. A development  
4 business is eligible to receive incentives and assistance  
5 under this section if businesses locating into the building  
6 space have not closed or reduced its operation in one area of  
7 the state or a city and relocated substantially the same  
8 operation in the enterprise zone. An eligible development  
9 business is eligible for one, but not both, of the following  
10 exemptions to the capital investment requirements:

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

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

23 5. Prior to applying for assistance under this section, an  
24 eligible development business shall enter into an agreement  
25 with at least one business for purposes of locating the  
26 business in all or a portion of the building space for a  
27 period of at least five years. Nonretail businesses locating  
28 in a building space must together occupy at least seventy-five  
29 percent of the total building space, create at least ten full-  
30 time positions, meet the criteria provided in section 15E.193,  
31 subsection 1, paragraphs "a", "b", and "c", and not share  
32 common ownership or common management with the development  
33 business. The development business shall only receive  
34 incentives and assistance for the portion of the building that  
35 is leased to nonretail businesses.

1 ~~10.--An-eligible-business-under-section-15E.193-is-not~~  
2 ~~eligible-for-incentives-and-assistance-listed-in-section~~  
3 ~~15E.196-if-the-property-is-owned,--or-was-previously-owned,--by~~  
4 ~~an-approved-development-business-that-has-received-incentives~~  
5 ~~and-assistance-under-this-section.~~

6 Sec. 5. Section 15E.193C, Code Supplement 2001, is amended  
7 by adding the following new subsection:

8 NEW SUBSECTION. 12. An approved development business  
9 shall submit an annual report to the department of economic  
10 development detailing and certifying the number of signed  
11 leases, jobs created, and total occupancy of the building. An  
12 approved development business shall begin submitting annual  
13 reports the year upon approval of the application and shall  
14 continue to submit annual reports until incentives and  
15 assistance provided pursuant to this section are no longer  
16 received by the approved development business.

17 Sec. 6. Section 15E.194, subsections 1, 2, and 4, Code  
18 2001, are amended to read as follows:

19 1. An enterprise zone may be designated by a county which  
20 meets at least two of the following criteria:

21 a. The county has an average weekly wage that ranks among  
22 the bottom twenty-five counties in the state based on the ~~1995~~  
23 2000 annual average weekly wage for employees in private  
24 business.

25 b. The county has a family poverty rate that ranks among  
26 the top twenty-five counties in the state based on the ~~1990~~  
27 2000 census.

28 c. The county has experienced a percentage population loss  
29 that ranks among the top twenty-five counties in the state  
30 between ~~1990-and 1995~~ and 2000.

31 d. The county has a percentage of persons sixty-five years  
32 of age or older that ranks among the top twenty-five counties  
33 in the state based on the ~~1990~~ 2000 census.

34 2. An enterprise zone may be designated by a city which  
35 meets at least two of the following criteria:

1 a. The area has a per capita income of ~~nine-thousand-six~~  
2 hundred twelve thousand six hundred forty-eight dollars or  
3 less based on the ~~1990~~ 2000 census.

4 b. The area has a family poverty rate of twelve percent or  
5 higher based on the ~~1990~~ 2000 census.

6 c. Ten percent or more of the housing units are vacant in  
7 the area.

8 d. The valuations of each class of property in the  
9 designated area is seventy-five percent or less of the  
10 citywide average for that classification based upon the most  
11 recent valuations for property tax purposes.

12 e. The area is a blighted area, as defined in section  
13 403.17.

14 4. a. A city of any size or any county may designate an  
15 enterprise zone at any time prior to July 1, 2010, when a  
16 business closure occurs involving the loss of full-time  
17 employees, not including retail employees, at one place of  
18 business totaling at least one thousand employees or four  
19 percent or more of the county's resident labor force based on  
20 the most recent annual resident labor force statistics from  
21 the department of workforce development, whichever is lower.  
22 The enterprise zone may be established on the property of the  
23 place of business that has closed and the enterprise zone may  
24 include an area up to an additional ~~one-mile~~ three miles  
25 adjacent to the property. The area meeting the requirements  
26 for enterprise zone eligibility under this subsection shall  
27 not be included for the purpose of determining the area  
28 limitation pursuant to section 15E.192, subsection 4. An  
29 eligible housing business under section 15E.193B shall not  
30 receive incentives or assistance for a home or multiple  
31 dwelling unit built or rehabilitated in an enterprise zone  
32 designated pursuant to this subsection.

33 b. The area included in an enterprise zone designated  
34 under this subsection on or after June 1, 2000, may be amended  
35 to change the boundaries of the enterprise zone. Such an

1 amendment must be approved by the department within three  
2 years of the date the enterprise zone was certified.

3 Sec. 7. Section 15E.192, subsection 4, paragraph a, Code  
4 2003, is amended by striking the paragraph.

5 Sec. 8. Section 422.6, unnumbered paragraph 1, Code 2001,  
6 is amended to read as follows:

7 The tax imposed by section 422.5 less the credits allowed  
8 under sections 15.333, 15.335, ~~15E.193A~~, 422.10, 422.11,  
9 422.11A, and 422.11B, and the personal exemption credit  
10 allowed under section 422.12 apply to and are a charge against  
11 estates and trusts with respect to their taxable income, and  
12 the rates are the same as those applicable to individuals.  
13 The fiduciary shall make the return of income for the estate  
14 or trust for which the fiduciary acts, whether the income is  
15 taxable to the estate or trust or to the beneficiaries.  
16 However, for tax years ending after August 5, 1997, if the  
17 trust is a qualified preneed funeral trust as set forth in  
18 section 685 of the Internal Revenue Code and the trustee has  
19 elected the special tax treatment under section 685 of the  
20 Internal Revenue Code, neither the trust nor the beneficiary  
21 is subject to Iowa income tax on income accruing to the trust.

22 Sec. 9. Section 15E.193A, Code 2001, is repealed.

23 Sec. 10. EFFECTIVE DATE. Section 7 of this Act, striking  
24 section 15E.192, subsection 4, paragraph "a", Code 2003, takes  
25 effect July 1, 2003.

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HOUSE FILE 2378

S-5392

1 Amend House File 2378, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 4, by striking lines 28 through 30 and  
4 inserting the following: "in a building space must  
5 create at least ten full-time positions, meet the  
6 criteria provided in section 15E.193,".

7 2. Page 4, by striking lines 33 through 35 and  
8 inserting the following: "business. A development  
9 business shall receive a pro rata share of the total  
10 incentives and assistance available to the development  
11 business based on the percentage of the building that  
12 is leased to nonretail businesses. The department  
13 shall determine the procedure for issuing the  
14 incentives and assistance on a pro rata basis."

15 3. Page 7, by striking line 23 and inserting the  
16 following:

17 "Sec. 10. EFFECTIVE AND RETROACTIVE APPLICABILITY  
18 DATES.

19 1. Section 4 of this Act, amending section  
20 15E.193C, subsections 2, 5, and 10, Code 2001, being  
21 deemed of immediate importance, takes effect April 30,  
22 2002, and, if approved by the governor after April 30,  
23 2002, shall apply retroactively to April 30, 2002.

24 2. Section 7 of this Act, striking".

25 4. Title page, line 2, by striking the word  
26 "date" and" inserting the following: "and retroactive  
27 applicability dates".

By KITTY REHBERG  
MARK SHEARER

S-5392 FILED APRIL 4, 2002

*adopted*  
*4/9/02*  
*(P. 1043)*

## SENATE AMENDMENT TO HOUSE FILE 2378

H-8571

1 Amend House File 2378, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 4, by striking lines 28 through 30 and  
4 inserting the following: "in a building space must  
5 create at least ten full-time positions, meet the  
6 criteria provided in section 15E.193,".  
7 2. Page 4, by striking lines 33 through 35 and  
8 inserting the following: "business. A development  
9 business shall receive a pro rata share of the total  
10 incentives and assistance available to the development  
11 business based on the percentage of the building that  
12 is leased to nonretail businesses. The department  
13 shall determine the procedure for issuing the  
14 incentives and assistance on a pro rata basis."  
15 3. Page 7, by striking line 23 and inserting the  
16 following:  
17 "Sec. 10. EFFECTIVE AND RETROACTIVE APPLICABILITY  
18 DATES.  
19 1. Section 4 of this Act, amending section  
20 15E.193C, subsections 2, 5, and 10, Code 2001, being  
21 deemed of immediate importance, takes effect April 30,  
22 2002, and, if approved by the governor after April 30,  
23 2002, shall apply retroactively to April 30, 2002.  
24 2. Section 7 of this Act, striking".  
25 4. Title page, line 2, by striking the word  
26 "date" and" inserting the following: "and retroactive  
27 applicability dates".

RECEIVED FROM THE SENATE

H-8571 FILED APRIL 9, 2002

*House Concurred*  
*4-10-02*  
*(p. 1300)*

## HOUSE FILE 2378

## AN ACT

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

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

Section 1. Section 15E.192, subsections 2, 3, and 4, Code 2001, are amended to read as follows:

2. A city with a population of twenty-four thousand or more, as shown by the 1990 2000 certified federal census, may create an economic development enterprise zone as authorized in this division, subject to certification by the department of economic development, by designating one or more contiguous census tracts, as determined in the most recent federal census, or designating other geographic units approved by the department of economic development for that purpose. If there is an area in the city which meets the requirements for eligibility for an urban or rural enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, such area shall be designated by the state an economic development enterprise zone. The area meeting the requirements for eligibility for an urban or rural enterprise community shall not be included for the purpose of determining the area limitation pursuant to subsection 4. In creating an enterprise zone, a city with a population of twenty-four thousand or more, as shown by the 1990 2000 certified federal census, may designate as part of the area tracts or approved geographic units located in a contiguous city if such tracts or approved geographic units meet the criteria and the city agrees to being included. The city may establish more than one enterprise zone. Reference in this division to "city" means a city with a population of twenty-four thousand or

more, as shown by the 1990 2000 certified federal census.

3. ~~a. A county may designate an enterprise zone within an area located in one or more contiguous census tracts or other geographic units of the county that meets at least two of the following distress criteria:~~

~~(1) The area has a per capita income of nine thousand six hundred dollars or less based according to the 1990 census;~~

~~(2) The area has a family poverty rate of twelve percent or more according to the 1990 census;~~

~~(3) Ten percent or more of the housing units in the area are vacant;~~

~~(4) The valuations of each class of property in the designated area of the census tract is seventy-five percent or less of the countywide average for that classification based upon the most recent valuations for property tax purposes;~~

~~(5) The area is a blighted area, as defined in section 463.17;~~

~~b. The department shall not approve more than five enterprise zones designated under this subsection prior to July 1, 2001;~~

4. a. A county or city which meets the distress criteria provided in section 15E.194, Code 2001, may apply to the department for an area to be certified as an enterprise zone at any time prior to July 1, 2003. However, the total amount of land designated as enterprise zones under subsections 1 and 2, and any other enterprise zones certified by the department, excluding those approved pursuant to section 15E.194, subsection 4, shall not exceed in the aggregate one percent of the total county area.

b. An enterprise zone certified by the department shall not be decertified or amended.

c. A county or city may apply to the department for an area to be certified as an enterprise zone at any time prior to July 1, 2005. However, the total amount of land designated as enterprise zones under subsections 1 and 2, and any other

enterprise zones certified by the department, excluding those approved pursuant to section 15E.194, subsection 4, shall not exceed in the aggregate one percent of the total county area.

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

1. A housing business qualifying under this section is eligible to receive incentives and assistance only as provided in this section. An eligible housing business shall not receive incentives or assistance for a home or multiple dwelling unit built or rehabilitated in an enterprise zone designated pursuant to section 15E.194, subsection 4.

Sections 15E.193 and 15E.196 do not apply to an eligible housing business qualifying under this section.

Sec. 3. Section 15E.193B, subsection 6, paragraph a, Code Supplement 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, 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.

Sec. 4. Section 15E.193C, subsections 2, 5, and 10, Code Supplement 2001, are amended to read as follows:

2. An eligible development business includes a developer or development contractor that constructs, expands, or rehabilitates a building space within a designated enterprise zone 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~~. A development business is eligible to receive incentives and assistance under this section if businesses locating into the building space have not closed or reduced its operation in one area of the state or a city and relocated substantially the same operation in the 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.

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. Nonretail businesses locating in a building space must create at least ten full-time positions, meet the criteria provided in section 15E.193, subsection 1, paragraphs "a", "b", and "c", and not share common ownership or common management with the development business. A development business shall receive a pro rata share of the total incentives and assistance available to the development business based on the percentage of the building that is leased to nonretail businesses. The department shall determine the procedure for issuing the incentives and assistance on a pro rata basis.

~~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.~~

Sec. 5. Section 15E.193C, Code Supplement 2001, is amended by adding the following new subsection:

**NEW SUBSECTION.** 12. An approved development business shall submit an annual report to the department of economic development detailing and certifying the number of signed leases, jobs created, and total occupancy of the building. An approved development business shall begin submitting annual reports the year upon approval of the application and shall continue to submit annual reports until incentives and assistance provided pursuant to this section are no longer received by the approved development business.

Sec. 6. Section 15E.194, subsections 1, 2, and 4, Code 2001, are amended to read as follows:

1. An enterprise zone may be designated by a county which meets at least two of the following criteria:

a. The county has an average weekly wage that ranks among the bottom twenty-five counties in the state based on the 1995 2000 annual average weekly wage for employees in private business.

b. The county has a family poverty rate that ranks among the top twenty-five counties in the state based on the 1990 2000 census.

c. The county has experienced a percentage population loss that ranks among the top twenty-five counties in the state between 1990 and 1995 and 2000.

d. The county has a percentage of persons sixty-five years of age or older that ranks among the top twenty-five counties in the state based on the 1990 2000 census.

2. An enterprise zone may be designated by a city which meets at least two of the following criteria:

a. The area has a per capita income of nine-thousand-six hundred twelve thousand six hundred forty-eight dollars or less based on the 1990 2000 census.

b. The area has a family poverty rate of twelve percent or higher based on the 1990 2000 census.

c. Ten percent or more of the housing units are vacant in the area.

d. The valuations of each class of property in the designated area is seventy-five percent or less of the citywide average for that classification based upon the most recent valuations for property tax purposes.

e. The area is a blighted area, as defined in section 403.17.

4. a. A city of any size or any county may designate an enterprise zone at any time prior to July 1, 2010, when a business closure occurs involving the loss of full-time employees, not including retail employees, at one place of business totaling at least one thousand employees or four percent or more of the county's resident labor force based on the most recent annual resident labor force statistics from the department of workforce development, whichever is lower. The enterprise zone may be established on the property of the place of business that has closed and the enterprise zone may include an area up to an additional one-mile three miles

adjacent to the property. The area meeting the requirements for enterprise zone eligibility under this subsection shall not be included for the purpose of determining the area limitation pursuant to section 15E.192, subsection 4. An eligible housing business under section 15E.193B shall not receive incentives or assistance for a home or multiple dwelling unit built or rehabilitated in an enterprise zone designated pursuant to this subsection.

b. The area included in an enterprise zone designated under this subsection on or after June 1, 2000, may be amended to change the boundaries of the enterprise zone. Such an amendment must be approved by the department within three years of the date the enterprise zone was certified.

Sec. 7. Section 15E.192, subsection 4, paragraph a, Code 2003, is amended by striking the paragraph.

Sec. 8. Section 422.6, unnumbered paragraph 1, Code 2001, is amended to read as follows:

The tax imposed by section 422.5 less the credits allowed under sections 15.333, 15.335, ~~15E.193A~~, 422.10, 422.11, 422.11A, and 422.11B, and the personal exemption credit allowed under section 422.12 apply to and are a charge against estates and trusts with respect to their taxable income, and the rates are the same as those applicable to individuals. The fiduciary shall make the return of income for the estate or trust for which the fiduciary acts, whether the income is taxable to the estate or trust or to the beneficiaries. However, for tax years ending after August 5, 1997, if the trust is a qualified preneed funeral trust as set forth in section 685 of the Internal Revenue Code and the trustee has elected the special tax treatment under section 685 of the Internal Revenue Code, neither the trust nor the beneficiary is subject to Iowa income tax on income accruing to the trust.

Sec. 9. Section 15E.193A, Code 2001, is repealed.

Sec. 10. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.

1. Section 4 of this Act, amending section 15E.193C, subsections 2, 5, and 10, Code 2001, being deemed of immediate importance, takes effect April 30, 2002, and, if approved by the governor after April 30, 2002, shall apply retroactively to April 30, 2002.

2. Section 7 of this Act, striking section 15E.192, subsection 4, paragraph "a", Code 2003, takes effect July 1, 2003.

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BRENT SIEGRIST  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2378, Seventy-ninth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved 5/2, 2002

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THOMAS J. VILSACK  
Governor