

FEB 26 2002  
WAYS AND MEANS

HOUSE FILE 2543  
BY COMMITTEE ON ECONOMIC  
DEVELOPMENT

(SUCCESSOR TO HF 2392)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the establishment of renaissance zones,  
2 providing certain tax exemptions, refunds, and credits to  
3 persons located in the renaissance zones, reimbursing school  
4 districts for lost property tax due to renaissance zone  
5 designation, and providing an applicability date.

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

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HF 2543

1 Section 1. Section 15.329, Code 2001, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. Any business located in a renaissance  
4 zone designated pursuant to section 15E.46 shall be considered  
5 an eligible business for purposes of sections 15.331 and  
6 15.331A for the duration of the renaissance zone designation.

7 Sec. 2. NEW SECTION. 15E.41 PURPOSE.

8 The general assembly finds that a continuing need exists in  
9 the state for programs to assist certain local governmental  
10 units in encouraging economic development, the consequent job  
11 creation and retention, and ancillary economic growth in the  
12 state. To meet this need, it is necessary to assist and  
13 encourage the creation of renaissance zones and to provide  
14 temporary relief from certain taxes within the renaissance  
15 zones.

16 Sec. 3. NEW SECTION. 15E.42 DEFINITIONS.

17 As used in this division, unless the context otherwise  
18 requires:

19 1. "Board" means the Iowa economic development board  
20 created in section 15.103.

21 2. "Department" means the Iowa department of economic  
22 development created in section 15.105.

23 3. "Development plan" means a written plan that addresses  
24 the criteria for designation of a renaissance zone set out in  
25 section 15E.45.

26 4. "Distinct geographic area" means a unique, separate  
27 geographic area designated by a local governmental unit and  
28 subject to the size limitations in section 15E.43.

29 5. "Local governmental unit" means a county, city, or  
30 township.

31 6. "Qualified local governmental unit" means either of the  
32 following:

33 a. A county.

34 b. A city or township that contains an urban renewal area  
35 as defined in section 403.17.

1 7. "Renaissance zone" means a geographic area so  
2 designated by the board under this division.

3 8. "Rural area" means an area that lies outside the  
4 boundaries of an urban area.

5 9. "Urban area" means a contiguous distinct geographic  
6 area within one or more cities with a population of twenty-  
7 five thousand or more.

8 Sec. 4. NEW SECTION. 15E.43 QUALIFICATIONS.

9 1. A qualified local governmental unit may apply to the  
10 board to designate the qualified local governmental unit or  
11 part thereof as a renaissance zone if all of the following  
12 criteria are met:

13 a. The geographic area of the proposed renaissance zone is  
14 located within the boundaries of the qualified local  
15 governmental unit.

16 b. The application includes a development plan.

17 c. The proposed renaissance zone is not more than five  
18 thousand acres in size.

19 d. The proposed renaissance zone does not contain more  
20 than ten distinct geographic areas. The minimum size of a  
21 distinct geographic area is five acres. A distinct geographic  
22 area may include, but shall not consist solely of, publicly  
23 owned land.

24 e. The application includes the proposed duration of  
25 renaissance zone status, which shall not exceed fifteen years.

26 f. The written approval of the governing body of the  
27 qualified local governmental unit applying for the designation  
28 and the governing body of the local governmental unit in which  
29 the proposed renaissance zone would be located.

30 2. A qualified local governmental unit shall not be a part  
31 of more than one renaissance zone.

32 3. A qualified local governmental unit shall not have more  
33 than one application under consideration by the board at any  
34 time.

35 4. A qualified local governmental unit may apply to the

1 board to amend the distinct geographic areas within a  
2 designated renaissance zone provided that the total number of  
3 distinct geographic areas within the renaissance zone does not  
4 exceed ten distinct geographic areas.

5 5. A qualified local governmental unit may apply to the  
6 board to extend the duration of renaissance zone status for  
7 any distinct geographic area in a renaissance zone or for an  
8 entire renaissance zone. Renaissance zone status shall not be  
9 extended past June 30, 2022.

10 Sec. 5. NEW SECTION. 15E.44 DUTIES OF THE BOARD.

11 1. Applications for designation as a renaissance zone must  
12 be submitted between July 1, 2002, and January 1, 2003. The  
13 board shall review all applications submitted and determine  
14 which applications meet the criteria contained in section  
15 15E.45 between January 1, 2003, and February 28, 2003. The  
16 board shall require the same committee of the board that  
17 considers applications for enterprise zone designation to  
18 consider applications for renaissance zone designation.

19 2. The board shall do all of the following:

20 a. Designate renaissance zones no later than February 28,  
21 2003.

22 b. Subject to subsection 3, approve or reject the duration  
23 of renaissance zone status as submitted in the application,  
24 which shall not exceed fifteen years.

25 c. Subject to subsection 3, approve or reject the  
26 geographic boundaries and the total area of the renaissance  
27 zone as submitted in the application.

28 3. The board shall not alter the geographic boundaries of  
29 the renaissance zone or the duration of the renaissance zone  
30 status described in the application unless the qualified local  
31 governmental unit in which the renaissance zone is to be  
32 located consents by resolution to the alteration.

33 Sec. 6. NEW SECTION. 15E.45 CRITERIA.

34 1. In making a determination regarding the designation of  
35 a renaissance zone, the board shall consider all of the

1 following criteria:

2 a. Evidence of adverse economic and socioeconomic  
3 conditions within the proposed renaissance zone.

4 b. The viability of the development plan.

5 c. Whether the development plan is creative and innovative  
6 in comparison to other applications.

7 d. Public and private commitment to and other resources  
8 available for the proposed renaissance zone.

9 e. How renaissance zone designation would relate to a  
10 broader plan for the community as a whole.

11 f. The level of demonstrated cooperation from surrounding  
12 communities.

13 g. How the local regulatory burden will be eased for  
14 businesses operating in the proposed renaissance zone.

15 h. Public and private commitment to improving abandoned  
16 real property.

17 i. Any other information required by the board.

18 2. Applications which include new business activity shall  
19 receive priority consideration.

20 3. The board shall not designate an area as a renaissance  
21 zone unless, as a part of the application, the qualified local  
22 governmental unit provides to the board a copy of a resolution  
23 adopted by the governing body of the qualified local  
24 governmental unit and each local governmental unit, within  
25 which the proposed renaissance zone is to be located, that  
26 states, if the renaissance zone designation is granted, that  
27 persons and property within the renaissance zone will be  
28 exempt from property taxes levied by that local governmental  
29 unit for the duration of renaissance zone status.

30 Sec. 7. NEW SECTION. 15E.46 DESIGNATION OF RENAISSANCE  
31 ZONES.

32 1. Pursuant to section 15E.44, the board shall not  
33 designate more than eleven renaissance zones within the state.  
34 Not more than five of the renaissance zones shall be located  
35 in urban areas and not more than six of the renaissance zones

1 shall be located in rural areas. For purposes of determining  
2 whether a renaissance zone is located in an urban area or a  
3 rural area under this section, if any part of the renaissance  
4 zone is located within an urban area, the entire renaissance  
5 zone shall be considered to be located in an urban area.

6 2. In addition to the renaissance zones in subsection 1,  
7 the board may, on its own motion, designate an additional five  
8 renaissance zones for agricultural processing facilities if  
9 the governing body of the qualified local governmental unit  
10 and each local governmental unit, within which the proposed  
11 renaissance zone is to be located, agrees pursuant to a  
12 resolution. A renaissance zone designated pursuant to this  
13 subsection shall consist of one continuous distinct geographic  
14 area. The board may revoke the renaissance zone designation  
15 for all or a portion of a renaissance zone designated pursuant  
16 to this subsection if the board determines that the  
17 agricultural processing facility fails to commence operation  
18 or ceases operation in the renaissance zone.

19 3. A renaissance zone approved and designated by the board  
20 shall become effective on March 1, 2003.

21 Sec. 8. NEW SECTION. 15E.47 TAX INCENTIVES.

22 1. All of the following incentives shall be available  
23 during the duration of renaissance zone designation:

24 a. All residents within the renaissance zone shall be  
25 exempt from paying personal income taxes under chapter 422,  
26 division II.

27 b. A taxpayer with a business located in a renaissance  
28 zone shall be exempt from corporate income tax under chapter  
29 422, division III, on the portion of net income reasonably  
30 attributable to the trade or business or sources within the  
31 renaissance zone. The method of attributing net income  
32 received from within the renaissance zone and net income  
33 received from outside the renaissance zone shall be calculated  
34 in a similar manner to that used in section 422.33, subsection  
35 2. A taxpayer with an office of a financial institution

1 located in a renaissance zone shall also be exempt from the  
2 franchise tax in chapter 422, division V, on the portion of  
3 net income received through the business activity in offices  
4 located in the renaissance zone as determined by rules adopted  
5 by the director of revenue and finance pursuant to section  
6 422.65 on allocating the franchise tax.

7 c. All taxpayers owning property within the renaissance  
8 zone shall be exempt from paying local property taxes on the  
9 property located solely in the renaissance zone as provided in  
10 section 427.1, subsection 34. This incentive shall not be  
11 available to owners of residential rental property located in  
12 the renaissance zone in tax years in which the property is not  
13 in substantial compliance with all applicable state and local  
14 zoning, building, housing, and health laws, ordinances, or  
15 codes.

16 d. The tax imposed on the gross receipts from the sale,  
17 furnishing, or service of gas, electricity, water, and heat to  
18 persons in the renaissance zone shall be exempted as provided  
19 in section 422.45, subsection 63.

20 e. A business located in a renaissance zone shall be  
21 eligible to receive, for businesses located within the  
22 renaissance zone, the new jobs credit from withholding, as  
23 provided in section 15.331, and the sales, services, and use  
24 tax refund, provided in section 15.331A.

25 2. During the last three years that the taxpayer is  
26 eligible for an exemption, refund, or credit described in this  
27 section, the exemption, refund, or credit shall be reduced by  
28 the following percentages:

29 a. For the tax year that is two years before the final  
30 year of designation as a renaissance zone, the reduction shall  
31 be twenty-five percent.

32 b. For the tax year immediately preceding the final year  
33 of designation as a renaissance zone, the reduction shall be  
34 fifty percent.

35 c. For the tax year that is the final year of designation

1 as a renaissance zone, the reduction shall be seventy-five  
2 percent.

3 Sec. 9. NEW SECTION. 15E.48 EXCEPTIONS.

4 1. A taxpayer shall not be eligible for the incentives  
5 provided in section 15E.47 during any tax years in which the  
6 taxpayer is delinquent in paying any federal, state, or local  
7 taxes.

8 2. A taxpayer shall not be eligible for the incentives  
9 provided in section 15E.47 during any tax years in which the  
10 taxpayer owns residential rental property that is not in  
11 substantial compliance with all applicable state and local  
12 zoning, building, and housing laws, ordinances, or codes.

13 3. An individual who is a resident of a renaissance zone  
14 is eligible for an exemption, refund, or credit under section  
15 15E.47 only until the department of revenue and finance  
16 determines that the aggregate state and local tax revenue  
17 forgone as a result of all exemptions, refunds, or credits  
18 granted under section 15E.47 to that individual reaches ten  
19 million dollars.

20 4. A business located in a qualified local governmental  
21 unit that relocates from outside a renaissance zone into a  
22 renaissance zone in that same qualified local governmental  
23 unit shall not receive the exemptions, refunds, or credits  
24 provided in section 15E.47 unless the governing body of the  
25 qualified local governmental unit in which the renaissance  
26 zone is located approves the relocation of the business.

27 5. If a business relocates more than twenty-five full-time  
28 equivalent jobs from one or more local governmental units  
29 other than a local governmental unit in which a renaissance  
30 zone is located to a local governmental unit within a  
31 renaissance zone, the business shall notify the department of  
32 economic development and the local governmental unit or units  
33 from which the jobs are being relocated of the relocation.  
34 The business is not eligible for the exemptions, refunds, or  
35 credits provided in section 15E.47 if the local governmental

1 unit from which the jobs are being relocated adopts a  
2 resolution objecting to the relocation of the jobs within  
3 sixty days after the notification by the business. The  
4 business becomes eligible for the exemptions, refunds, and  
5 credits provided in section 15E.47 sixty days after the  
6 notification if the local governmental unit failed to object  
7 or if the local governmental unit has objected to the  
8 relocation when the local governmental unit rescinds its  
9 objection by resolution. A local governmental unit that  
10 objects to the relocation of jobs shall file a copy of all  
11 resolutions of objections and rescission with the department  
12 of revenue and finance, the department of economic  
13 development, and the local governmental units that designated  
14 the renaissance zone into which the jobs are transferred.

15 Sec. 10. NEW SECTION. 15E.49 APPLICATION FORM.

16 The form of the application for a renaissance zone  
17 designation shall be as specified by the department. At a  
18 minimum, the application form shall incorporate the criteria  
19 listed in section 15E.45. The board may request any  
20 information from an applicant, in addition to that contained  
21 in an application, as may be needed to permit the board to  
22 discharge its responsibilities under this division.

23 Sec. 11. NEW SECTION. 15E.50 REPORTING.

24 By January 15 of each year, the board shall file a report  
25 with the general assembly which includes, but is not limited  
26 to, all of the following:

- 27 1. The number of new jobs created in renaissance zones.
- 28 2. The percentage change in value of property located in  
29 renaissance zones.
- 30 3. The average wage of new jobs created in renaissance  
31 zones.
- 32 4. The percentage change of adjusted gross income of  
33 residents located in renaissance zones.

34 Sec. 12. NEW SECTION. 15E.51 RULES.

35 The department shall adopt rules pursuant to chapter 17A

1 regarding the specific requirements for development plans and  
2 application forms.

3 Sec. 13. Section 257.4, Code Supplement 2001, is amended  
4 by adding the following new subsection:

5 NEW SUBSECTION. 1A. Each year, the department of  
6 management shall make the computations in this subsection for  
7 any school district in which a renaissance zone designated  
8 pursuant to section 15E.44 is located. The department shall  
9 compute a property tax levy rate based on the total of all  
10 taxable property in the school district plus the property  
11 exempt due to the renaissance zone. The department shall  
12 multiply the computed levy rate by the value of the taxable  
13 property in the school district to determine the dollar amount  
14 that will be raised through the property tax levy. The  
15 department shall subtract that dollar amount from the dollar  
16 amount needed to be raised as computed in subsection 1. The  
17 remainder shall be considered supplementary aid under section  
18 257.16.

19 Sec. 14. Section 257.16, unnumbered paragraph 1, Code  
20 2001, is amended to read as follows:

21 There is appropriated each year from the general fund of  
22 the state an amount necessary to pay the foundation aid and  
23 supplementary aid under section 257.4, subsection subsections  
24 1A and 2.

25 Sec. 15. Section 422.45, Code Supplement 2001, is amended  
26 by adding the following new subsection:

27 NEW SUBSECTION. 63. The gross receipts from the sale,  
28 furnishing, or service of gas, electricity, water, and heat to  
29 persons located in a renaissance zone designated pursuant to  
30 chapter 15E for the duration of the renaissance zone  
31 designation.

32 Sec. 16. Section 427.1, Code Supplement 2001, is amended  
33 by adding the following new subsection:

34 NEW SUBSECTION. 34. RENAISSANCE ZONES. The property  
35 located solely in a renaissance zone designated pursuant to

1 chapter 15E for the duration of the renaissance zone  
2 designation.

3 Sec. 17. APPLICABILITY. The sales tax incentive for  
4 utilities in section 8 of this Act is applicable to all  
5 billing cycles beginning on or after January 1, 2003. Section  
6 8 of this Act shall not apply to billing cycles beginning  
7 after December 31, 2017.

8 EXPLANATION

9 This bill provides for the establishment of a program  
10 designating renaissance zones to assist local governments in  
11 encouraging economic development by providing certain tax  
12 exemptions, refunds, and credits.

13 The bill provides that applications for a designation of a  
14 renaissance zone may be made to the Iowa economic development  
15 board by a qualified local governmental unit which is defined  
16 as either a city or township that contains an urban renewal  
17 area or a county. Included in the application must be a  
18 development plan, proposed boundaries of the zone which must  
19 be located within the qualified local governmental unit, the  
20 proposed duration of the designation which shall not exceed 15  
21 years, and written approval of the city council and county  
22 board of supervisors. The bill provides that a qualified  
23 local governmental unit shall not be part of more than one  
24 renaissance zone and shall not have more than one application  
25 under consideration by the board. The bill provides that a  
26 qualified governmental unit may apply to amend a renaissance  
27 zone or to extend the duration of renaissance zone status.

28 The bill provides that applications must be submitted  
29 between July 1, 2002, and January 1, 2003. The board shall  
30 review all applications submitted and shall designate  
31 renaissance zones by February 28, 2003. The board shall not  
32 alter the boundaries or duration of a renaissance zone  
33 described in the application unless the qualified local  
34 governmental unit and the local governmental unit in which the  
35 renaissance zone is to be located consent by resolution. The

1 bill provides that criteria in determining designations of  
2 renaissance zones shall include:

3 1. Evidence of adverse economic and socioeconomic  
4 conditions.

5 2. The viability of the plan.

6 3. Whether the development plan is creative and  
7 innovative.

8 4. Public and private commitment to and other resources  
9 available for the zone.

10 5. How the plan relates to a broader plan for the  
11 community as a whole.

12 6. The level of demonstrated cooperation from surrounding  
13 communities.

14 7. How the local regulatory burden will be eased for  
15 businesses operating in the zone.

16 8. Commitment to improving abandoned real property.

17 9. A resolution from the governing body of the local  
18 governmental unit stating that if the renaissance zone  
19 designation is granted, persons and property within the  
20 renaissance zone are exempt from property taxes.

21 Applications which include new business activity shall  
22 receive priority consideration.

23 The bill provides that the board shall not designate more  
24 than a total of 11 zones, not more than five of which may be  
25 located in urban areas and not more than six of which may be  
26 located in rural areas. The bill provides that the board may,  
27 on its own motion, designate an additional five renaissance  
28 zones for agricultural processing facilities if the governing  
29 body of the qualified local governmental unit and each local  
30 governmental unit, within which the proposed renaissance zone  
31 is to be located, agrees pursuant to a resolution. The bill  
32 provides that the board may revoke the renaissance zone  
33 designation for all or a portion of an agricultural facility  
34 renaissance zone designated if the board determines that the  
35 agricultural processing facility fails to commence operation

1 or ceases operation in the renaissance zone. The bill  
2 provides that any renaissance zone approved and designated by  
3 the board shall become effective on March 1, 2003.

4 The bill provides the following tax incentives:

5 1. Exemption from personal net income tax to residents  
6 living in the zone.

7 2. Exemption from corporate and franchise taxes for  
8 businesses located within the renaissance zone on the portion  
9 of income attributed to the businesses located within the  
10 zone.

11 3. Exemption from local property tax.

12 4. Exemption from state sales tax on utilities.

13 5. The sales, services, and use tax refund, provided in  
14 Code section 15.331A, and the new jobs credit from  
15 withholding, provided in Code section 15.331, for businesses  
16 located within a zone.

17 The bill provides that the tax incentives shall be phased  
18 out during the final three years of the renaissance zone  
19 designation.

20 The bill provides for exceptions to the tax incentives for  
21 tax delinquency, business relocation into a renaissance zone  
22 under some circumstances, and when tax incentives received by  
23 an individual accumulate to \$10 million during a designation  
24 of a renaissance zone.

25 The bill provides that the department of economic  
26 development shall specify the application form and the board  
27 may request any additional information not included on the  
28 form.

29 The bill provides that, by January 15 of each year, the  
30 board shall file a report with the general assembly which  
31 includes, but is not limited to, the number of new jobs  
32 created in renaissance zones, the percentage change in value  
33 of property located in renaissance zones, the average wage of  
34 new jobs created in renaissance zones, and the percentage  
35 change of adjusted gross income of residents located in

1 renaissance zones.

2 The bill requires the department of management to annually  
3 compute the dollar amount that a school district would lose  
4 due to the exemption of property in a renaissance zone from  
5 property tax. The bill provides that the lost dollar amount  
6 is paid to school districts from the state general fund in the  
7 form of supplementary aid.

8 An applicability date is provided for the exemption on  
9 state sales tax on utilities.

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# Legislative Fiscal Bureau

## Fiscal Note

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HF 2543 - Renaissance Zones (LSB 5471 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 2543 creates the Renaissance Zone Program and specifies the criteria and qualifications for establishing up to 16 Renaissance Zones. The Program provides tax incentives – exemptions from personal net income tax for Zone residents; exemption from corporate and franchise taxes for businesses located within the Zone; exemption from local property tax; exemption from sales tax on utilities; refund of sales, services, and use tax; and new jobs credit from withholding taxes. The tax incentives phase out over the final three years of the Renaissance Zone designation. The Bill provides for exceptions to the tax incentives. School districts are to be reimbursed for loss of revenue due to the property tax exemption. The Enterprise Zone designations become effective March 1, 2003.

### Assumptions

The Michigan Enterprise Zone Program initially was slow in designating Enterprise Zones. It is assumed Iowa will follow the same pattern, and because of the March effective date, the foregone taxes will not generate costs in FY 2003. Costs may begin to accumulate in FY 2004 and subsequent years.

### Fiscal Impact

There is insufficient information to estimate the costs or benefits of the Renaissance Zone Program.

### Sources

Department of Economic Development  
Michigan Renaissance Zone Program

/s/ Dennis C Prouty

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February 27, 2002

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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# Legislative Fiscal Bureau

## Fiscal Note

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HF 2543 - Renaissance Zones (LSB 5471 HV.1)

Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)

Fiscal Note Version - Revised

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### **Description**

House File 2543 creates the Renaissance Zone Program and specifies the criteria and qualifications for establishing up to 16 Renaissance Zones. The Program provides tax incentives – exemptions from personal net income tax for Zone residents; exemption from corporate and franchise taxes for businesses located within the Zone; exemption from local property tax; exemption from sales tax on utilities; refund of sales, services, and use tax; and new jobs training credit from withholding taxes. The tax incentives phase out over the final three years of the Renaissance Zone designation. The Bill provides for exceptions to the tax incentives. School districts are to be reimbursed for loss of revenue due to the property tax exemption. The Renaissance Zone designations become effective March 1, 2003.

### **Assumptions**

The Michigan Renaissance Zone Program initially was slow in designating Renaissance Zones. It is assumed Iowa will follow the same pattern, and because of the March effective date, the foregone taxes will not generate costs in FY 2003. Costs may begin to accumulate in FY 2004 and subsequent years.

### **Fiscal Impact**

There is insufficient information to estimate the costs or benefits of the Renaissance Zone Program.

### **Sources**

Department of Economic Development  
Michigan Renaissance Zone Program

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/s/ Dennis C Prouty

March 6, 2002

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