

McKinley
Harper
Drake

SSB-1255
Ways & Means

Succeeded By
SENATE FILE (SF) HF 522
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CHAIRPERSON MCKIBBEN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a community renewal initiative by establishing
2 a community development program to provide tax credits for
3 income tax, franchise tax, and premiums tax for businesses
4 contributing to community development projects to aid certain
5 neighborhoods and communities or contributing to child care
6 benefits for employees and including effective and
7 applicability date provisions.

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

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1 Section 1. NEW SECTION. 15.380 SHORT TITLE.

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

4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

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

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

10 2. a. "Child care" means the same as defined in section
11 237A.1.

12 b. "Child care center" means a facility licensed pursuant
13 to section 237A.2 to provide child care.

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

22 4. "Contribution" includes cash, material or supplies,
23 real estate, labor, professional services, technical
24 assistance, or equipment. "Contribution" does not include
25 investments made by a financial institution or insurance
26 company in the normal course of its business.

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

34 6. "Distressed or blighted area" means an area designated
35 or that qualifies under section 15E.194 to be designated an

1 enterprise zone pursuant to chapter 15E, division XVIII,
2 designated as a slum or blighted area pursuant to chapter 403,
3 or designated as a revitalization area pursuant to chapter
4 404.

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

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

17 9. "Job training" means those activities which provide
18 specific vocational skills including special apprenticeship or
19 on-the-job training programs not otherwise available.

20 10. "Neighborhood area" means a specific geographic area
21 certified by the department as having a readily identifiable
22 residential population and which may include, but is not
23 limited to, any of the following factors:

24 a. A sense of belonging or identity that ties residents to
25 a given area.

26 b. Social, cultural, political, or economic activities
27 around which people organize themselves.

28 c. The existence of cohesive organizations formed by
29 residents.

30 d. A city with a population of less than ten thousand or a
31 region within a rural area may be certified as a neighborhood
32 area.

33 e. A history of acting or being treated as a distinct or
34 cohesive unit.

35 11. "Physical revitalization" means activities designed

1 for the physical improvement of any part or all of a
2 neighborhood area. These activities may include, but are not
3 limited to, such programs as commercial area revitalization;
4 housing construction or rehabilitation; improvements to or
5 acquisition or construction of facilities used by nonprofit
6 organizations for community purposes or related planning and
7 promotional activities designed to aid in those programs.

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

11 (1) A person or organization that is exempt from federal
12 income taxation under the Internal Revenue Code as defined in
13 section 422.3.

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

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

19 b. "Qualifying organization" does not include any of the
20 following:

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

23 (2) A foundation or trust of a postsecondary educational
24 institution.

25 (3) A church-affiliated religious organization unless the
26 organization is without religious discrimination or is not
27 controlled by a single denomination.

28 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT AND
29 CHILD CARE CENTER TAX CREDITS -- APPROVAL OF PROJECTS AND
30 PROPOSALS.

31 1. TAX CREDITS.

32 a. A business which engages in the activities of providing
33 physical revitalization, economic development, job training or
34 education for individuals, community services, or crime
35 prevention in the state shall receive a community development

1 tax credit as provided in section 15.383 if the director
 2 annually approves the proposal of the business. However, a
 3 proposal for a community development tax credit shall not be
 4 approved which does not have the endorsement of the agency of
 5 local government for the area in which the business is
 6 engaging in such activities that the proposal is consistent
 7 with the overall community or neighborhood development plan
 8 adopted by that local government.

9 b. A business which for the benefit of its employees
 10 builds, contributes to, or operates a new or existing child
 11 care center in the state or subsidizes access to a child care
 12 center in the state shall receive a child care center tax
 13 credit as provided in section 15.383 if the director annually
 14 approves the proposal of the business.

15 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
 16 development projects in distressed or blighted areas for which
 17 community development tax credits under this part may be
 18 approved, the following guidelines apply:

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

22 b. Applicants may not administer more than one economic
 23 development project at a time. A project may include more
 24 than one building, provided that the proposal meets all other
 25 eligibility requirements as set forth in this subsection and
 26 rules of the department.

27 c. Applications will be accepted by the department at any
 28 time of the year and will be approved on a case-by-case basis
 29 as all the necessary requirements are met and as credits
 30 become available.

31 d. A maximum authorization of one hundred fifty thousand
 32 dollars in community development tax credits will be permitted
 33 per project and no more than five percent of the credits
 34 authorized for the project shall normally be allowed for
 35 administrative and operating expenses. In unusual

1 circumstances, a higher percentage may be allowed at the
2 discretion of the department.

3 e. Applicants must obtain a nonbinding commitment from a
4 prospective business or businesses willing to locate to the
5 facility and demonstrate that at least one job will be created
6 or retained for every ten thousand dollars in credits
7 requested. Eligible types of businesses include retail,
8 commercial, service, and manufacturing.

9 f. Applicants must agree to retain ownership of all
10 properties acquired under this part for a minimum of five
11 years and agree to contractual conditions with the department
12 governing the use or eventual disposition, or both, of those
13 properties. Contract conditions shall include, but are not
14 limited to, lease terms and arrangements for the first five
15 years, and a clause stipulating that the eventual purchase
16 price will be no less than seventy-five percent of the fair
17 market value of the facility, excluding the value of leasehold
18 improvements.

19 3. COMMUNITY DEVELOPMENT PROJECTS. For community
20 development projects, other than economic development
21 projects, for which community development tax credits under
22 this part may be approved, the following procedures, criteria,
23 and priorities apply:

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

27 b. All proposals shall be made on the forms supplied by
28 the department. Each proposal shall contain a project budget
29 and shall identify, if possible, the items and amounts of the
30 budget which will be provided for from contributions from any
31 business. A project budget shall be approved by the
32 department. The department may request any additional
33 information it determines necessary to evaluate a proposal or
34 plan.

35 c. Community development projects and the budgets for them

1 may be approved for a period of up to three years at the
2 discretion of the director.

3 d. An annual application deadline shall be determined by
4 the department and application materials shall be distributed
5 upon request no less than sixty days prior to the actual
6 application deadline.

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

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

12 (2) The project will result in the provision of essential
13 services to low-income and moderate-income persons which would
14 not otherwise be provided in the affected neighborhood area
15 and for which there are not other resources.

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

19 f. Approval or disapproval of proposals shall be based on
20 the following criteria:

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

24 (2) The qualifying organization submitting the proposal
25 must demonstrate its capacity to adequately administer the
26 project.

27 (3) There must be a demonstrated need for the program in
28 the neighborhood area within which the project is to be
29 carried out.

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

34 (5) The proposal must be consistent with all locally
35 approved community or neighborhood development plans for the

1 area.

2 (6) Proposals submitted subsequent to the first year will
3 be evaluated on performance of the first-year project, other
4 resources developed, continued need, and potential for
5 eventual self-sufficiency.

6 g. In no case shall a project be approved that does not
7 have a written endorsement of the appropriate local public
8 authority.

9 h. The maximum amount of community development tax credits
10 allowed per project is one hundred fifty thousand dollars.

11 i. For purposes of the criterion in paragraph "f",
12 subparagraph (1), an area is experiencing problems endangering
13 its existence as a viable and stable neighborhood if some of
14 the following factors are present: declining population, high
15 percentage of people dependent on public assistance,
16 persistent or substantial unemployment or underemployment,
17 lower than average family incomes, financial disinvestment,
18 insurance and financial redlining, general weakened market
19 conditions on the neighborhood commercial strip as indicated
20 by declining rents or vacant stores, excessive abandonment of
21 properties, a significant percentage of neighborhood residents
22 on fixed incomes, unsanitary or inadequate housing,
23 overcrowding, property speculation, high rates of crime and
24 delinquency, high degree of drug or alcohol abuse, increasing
25 cases of mental health problems, significant numbers of
26 single-parent households, high degree of infant mortality and
27 disease, disabilities, general unsanitary conditions in the
28 area, or poor city and public utility services.

29 4. CHILD CARE EMPLOYEE BENEFITS. For child care employee
30 benefits for which a child care center tax credit under this
31 part may be approved, the following apply:

32 a. A proposal for a project shall be submitted by a
33 business located in or doing business in the state.

34 b. The proposal shall be on forms supplied by the
35 department. The proposal shall identify the location of the

1 child care center which must be in the state. The proposal
2 shall contain a statement on whether the business is also
3 seeking a community development tax credit for providing child
4 care for its employees.

5 c. To be eligible for a child care center tax credit, the
6 business must provide child care employee benefits for its
7 employees through any of the following:

8 (1) Build a new structure or rehabilitate an existing
9 structure to be used as a child care center. A business may
10 do the building or rehabilitating in conjunction with another
11 business or entity but only the business's actual costs shall
12 be considered in determining the amount of credit. At least
13 five children of its employees are provided child care at the
14 center.

15 (2) Operate or lease a child care center where at least
16 five children of its employees are provided child care at the
17 center.

18 (3) Donate money, supplies, or other tangible personal
19 property to a child care center where at least five of its
20 employees are provided child care.

21 (4) Pay the cost for the equivalent of five children of
22 its employees to attend a child care center.

23 d. A business is ineligible for a child care center tax
24 credit if any of the following applies:

25 (1) It derives income from the operation, lease, or
26 management of more than one child care center.

27 (2) The business has received a community development tax
28 credit for activities related to the child care center for
29 which it is seeking a tax credit.

30 e. An annual application deadline shall be determine by
31 the department and application material shall be distributed
32 upon request no less than sixty days prior to the actual
33 application deadline.

34 5. TAX CREDIT APPLICATION.

35 a. The department shall approve or disapprove applications

1 for community development tax credits to businesses which have
2 invested in approved economic development projects or other
3 community development projects or for child care center tax
4 credits for businesses that have provided child care for the
5 benefit of their employees. The director, upon approval of an
6 application, shall notify the director of revenue and finance
7 and the governor of those businesses entitled to a tax credit.

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

10 (1) Businesses wanting to donate to a particular community
11 development project or wanting to provide child care employee
12 benefits, but first wishing to verify the eligibility of the
13 donation or provision of child care employee benefits for a
14 tax credit, may submit a tax credit eligibility confirmation
15 form to the department. The department will confirm in
16 writing whether or not the donation or the provision of child
17 care employee benefits qualifies for credit and how the value
18 of the credit will be determined. This confirmation will not
19 constitute credit approval. However, in the case of community
20 development tax credit, the qualifying organization for the
21 project may reserve credits for specific donors.

22 (2) In order to qualify for credit, donations or providing
23 of child care employee benefits must occur during the approved
24 project period with the exception of donated audit services,
25 which may occur anytime during the six-month period following
26 the project period, and must be directly related to the
27 approved project.

28 (3) Businesses wishing to apply for credit must complete a
29 community development tax credit application or child care
30 center tax credit application. A business providing child
31 care for the benefit of its employees may complete and file
32 both applications, but only one credit shall be approved.

33 (4) Tax credit applications are to be signed by the
34 qualifying organization or the managing entity of the child
35 care center, as applicable, and submitted directly to the

1 department not later than one year following the date of
2 donation or providing of child care employee benefits.

3 (5) The order in which completed credit applications are
4 received by the department will determine the order in which
5 credits are approved. Facsimile copies will not be considered
6 completed applications.

7 (6) Every transmittal of community development tax credit
8 applications to the department must be accompanied by a
9 project report prepared by the qualifying organization.

10 (7) The department shall examine all submitted
11 applications and determine which donations or child care
12 employee benefits meet the eligibility criteria.

13 c. The department shall establish by rule the methods to
14 be used in determining the value of contributions or child
15 care employee benefits of a business.

16 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
17 DOCUMENTATION.

18 1. For a tax credit application approved pursuant to
19 section 15.382, the community development tax credit or child
20 care center tax credit available under this part may be used
21 to reduce the tax liability imposed under chapter 422,
22 division II, III, or V, or chapter 432.

23 2. Subject to subsections 4 and 5, the amount of the
24 community development tax credit shall be a percentage of the
25 contribution made by the business during the tax year as
26 follows:

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

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

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

35 (2) A metropolitan statistical area but the county has

1 only one city which has more than fifteen thousand
2 inhabitants.

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

6 3. Subject to subsections 4 and 6, the amount of the child
7 care center tax credit shall be twenty-five percent of the
8 cost to provide the child care employee benefits.

9 4. a. The tax credit shall not exceed one hundred
10 thousand dollars annually.

11 b. Any tax credit in excess of the business's tax
12 liability for a tax year may be credited to the tax liability
13 for the following five tax years or until depleted, whichever
14 is the earlier.

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

18 d. To be eligible to receive the tax credit, a business
19 shall provide documentation of the contributions or costs on
20 which the credit is based. The documentation shall be as
21 specified by rules of the department.

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

32 6. The total amount of child care center tax credits that
33 may be approved pursuant to this part shall not exceed two
34 million dollars in any fiscal year.

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

1 CHILD CARE CENTER TAX CREDIT.

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

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

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

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

18 NEW SUBSECTION. 11. The taxes imposed under this division
19 shall be reduced by a community development tax credit or
20 child care center tax credit received pursuant to sections
21 15.380 through 15.383.

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

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

27 NEW SUBSECTION. 4. The taxes imposed under this division
28 shall be reduced by a community development tax credit or
29 child care center tax credit received pursuant to sections
30 15.380 through 15.383.

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

34 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR
35 CHILD CARE CENTER TAX CREDIT.

1 The tax imposed under this chapter shall be reduced by a
2 community development tax credit or child care center tax
3 credit received pursuant to sections 15.380 through 15.383.

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

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

11 EXPLANATION

12 This bill establishes a community development program
13 administered by the department of economic development. The
14 program is to provide tax incentives to businesses which make
15 contributions to projects in communities or neighborhoods that
16 would benefit by these projects or make expenditures to
17 provide child care benefits to its employees. The projects
18 involve the providing of physical revitalization, economic
19 development, job training or education for individuals,
20 community services, and crime prevention. Community services
21 projects include projects providing for group and family
22 counseling, mental health services and centers, child and
23 adult care, senior citizen centers, recreation programs,
24 sheltered workshops, and substance abuse counseling. The
25 child care employee benefits involve the business building or
26 rehabilitating an existing structure as a child care center
27 for use of its employees, paying for children of employees to
28 attend a child care center, operating or leasing a center, or
29 donating money or tangible property to a center at which its
30 employees' children attend.

31 The tax incentives are provided in the form of tax credits
32 which may be used to offset the tax liability under the
33 individual and corporate income taxes, financial institution
34 franchise tax, and the insurance gross premiums tax. The
35 amount of the community development tax credit, subject to

1 limitation, equals 50 percent, or 75 percent in cities of
 2 15,000 or less in population, of the contributions made by the
 3 business to the project. Not more than \$150,000 in tax
 4 credits may be allowed for any one project. The maximum
 5 amount of credit a business may receive for a project is
 6 \$100,000. Projects and tax credits associated with the
 7 projects must be approved by the department of economic
 8 development. The total amount of tax credits that may be
 9 approved in a fiscal year shall not exceed \$2 million.

10 The amount of the child care center tax credit equals 25
 11 percent of the expenditures for providing child care employee
 12 benefits with a maximum credit of \$100,000. The tax credits
 13 must be approved by the department of economic development.
 14 Not more than \$2 million in these credits may be approved in a
 15 fiscal year.

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

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Substituted for by H.F. 714

WITHDRAWN

FILED APR 16 '01

SENATE FILE 522

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1255)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

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SF 522

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2 This part shall be known as and may be cited as the
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5 As used in this part, unless the context otherwise
6 requires:

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

11 2. a. "Child care" means the same as defined in section
12 237A.1.

13 b. "Child care center" means a facility licensed pursuant
14 to section 237A.2 to provide child care.

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

23 4. "Contribution" includes cash, material or supplies,
24 real estate, labor, professional services, technical
25 assistance, or equipment. "Contribution" does not include
26 investments made by a financial institution or insurance
27 company in the normal course of its business.

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

35 6. "Distressed or blighted area" means an area designated

1 or that qualifies under section 15E.194 to be designated an
2 enterprise zone pursuant to chapter 15E, division XVIII,
3 designated as a slum or blighted area pursuant to chapter 403,
4 or designated as a revitalization area pursuant to chapter
5 404.

6 7. "Economic development" means the acquisition,
7 renovation, improvement, or the furnishing or equipping of
8 existing buildings and real estate in distressed or blighted
9 areas of the state when this acquisition, renovation,
10 improvement, or the furnishing or equipping of the existing
11 buildings and real estate will result in the creation or
12 retention of jobs within the state.

13 8. "Education" includes literacy programs, adult basic
14 education and general educational development certificate
15 programs, training for the physically or mentally challenged,
16 and educational programs approved as beneficial to the
17 participants by the department of education.

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19 specific vocational skills including special apprenticeship or
20 on-the-job training programs not otherwise available.

21 10. "Neighborhood area" means a specific geographic area
22 certified by the department as having a readily identifiable
23 residential population and which may include, but is not
24 limited to, any of the following factors:

25 a. A sense of belonging or identity that ties residents to
26 a given area.

27 b. Social, cultural, political, or economic activities
28 around which people organize themselves.

29 c. The existence of cohesive organizations formed by
30 residents.

31 d. A city with a population of less than ten thousand or a
32 region within a rural area may be certified as a neighborhood
33 area.

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35 cohesive unit.

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2 for the physical improvement of any part or all of a
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4 limited to, such programs as commercial area revitalization;
5 housing construction or rehabilitation; improvements to or
6 acquisition or construction of facilities used by nonprofit
7 organizations for community purposes or related planning and
8 promotional activities designed to aid in those programs.

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

12 (1) A person or organization that is exempt from federal
13 income taxation under the Internal Revenue Code as defined in
14 section 422.3.

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

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

20 b. "Qualifying organization" does not include any of the
21 following:

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

24 (2) A foundation or trust of a postsecondary educational
25 institution.

26 (3) A church-affiliated religious organization unless the
27 organization is without religious discrimination or is not
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9 adopted by that local government.

10 b. A business which for the benefit of its employees
11 builds, contributes to, or operates a new or existing child
12 care center in the state or subsidizes access to a child care
13 center in the state shall receive a child care center tax
14 credit as provided in section 15.383 if the director annually
15 approves the proposal of the business.

16 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
17 development projects in distressed or blighted areas for which
18 community development tax credits under this part may be
19 approved, the following guidelines apply:

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

23 b. Applicants may not administer more than one economic
24 development project at a time. A project may include more
25 than one building, provided that the proposal meets all other
26 eligibility requirements as set forth in this subsection and
27 rules of the department.

28 c. Applications will be accepted by the department at any
29 time of the year and will be approved on a case-by-case basis
30 as all the necessary requirements are met and as credits
31 become available.

32 d. A maximum authorization of one hundred fifty thousand
33 dollars in community development tax credits will be permitted
34 per project and no more than five percent of the credits
35 authorized for the project shall normally be allowed for

1 administrative and operating expenses. In unusual
2 circumstances, a higher percentage may be allowed at the
3 discretion of the department.

4 e. Applicants must obtain a nonbinding commitment from a
5 prospective business or businesses willing to locate to the
6 facility and demonstrate that at least one job will be created
7 or retained for every ten thousand dollars in credits
8 requested. Eligible types of businesses include retail,
9 commercial, service, and manufacturing.

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

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

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

26 c. Community development projects and the budgets for them
27 may be approved for a period of up to three years at the
28 discretion of the director.

29 d. An annual application deadline shall be determined by
30 the department and application materials shall be distributed
31 upon request no less than sixty days prior to the actual
32 application deadline.

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

35 (1) The project substantially contributes to self-help

1 efforts by residents of the neighborhood area to be served in
2 addressing locally defined objectives.

3 (2) The project will result in the provision of essential
4 services to low-income and moderate-income families which
5 would not otherwise be provided in the affected neighborhood
6 area and for which there are not other resources. "Low-income
7 and moderate-income families" means those families, including
8 single-person households, earning no more than eighty percent
9 of the higher of the median family income of the county or the
10 statewide nonmetropolitan area as determined by the latest
11 United States department of housing and urban development,
12 section 8 income guidelines.

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

16 f. Approval or disapproval of proposals shall be based on
17 the following criteria:

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

21 (2) The qualifying organization submitting the proposal
22 must demonstrate its capacity to adequately administer the
23 project.

24 (3) There must be a demonstrated need for the program in
25 the neighborhood area within which the project is to be
26 carried out.

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

31 (5) The proposal must be consistent with all locally
32 approved community or neighborhood development plans for the
33 area.

34 (6) Proposals submitted subsequent to the first year will
35 be evaluated on performance of the first-year project, other

1 resources developed, continued need, and potential for
2 eventual self-sufficiency.

3 g. In no case shall a project be approved that does not
4 have a written endorsement of the appropriate local public
5 authority.

6 h. The maximum amount of community development tax credits
7 allowed per project is one hundred fifty thousand dollars.

8 i. For purposes of the criterion in paragraph "f",
9 subparagraph (1), an area is experiencing problems endangering
10 its existence as a viable and stable neighborhood if some of
11 the following factors are present: declining population, high
12 percentage of people dependent on public assistance,
13 persistent or substantial unemployment or underemployment,
14 lower than average family incomes, financial disinvestment,
15 insurance and financial redlining, general weakened market
16 conditions on the neighborhood commercial strip as indicated
17 by declining rents or vacant stores, excessive abandonment of
18 properties, a significant percentage of neighborhood residents
19 on fixed incomes, unsanitary or inadequate housing,
20 overcrowding, significant proportion of the property is rental
21 property, property speculation, high rates of crime and
22 delinquency, high degree of drug or alcohol abuse, increasing
23 cases of mental health problems, significant numbers of
24 single-parent households, high degree of infant mortality and
25 disease, disabilities, general unsanitary conditions in the
26 area, or poor city and public utility services.

27 4. CHILD CARE EMPLOYEE BENEFITS. For child care employee
28 benefits for which a child care center tax credit under this
29 part may be approved, the following apply:

30 a. A proposal for a project shall be submitted by a
31 business located in or doing business in the state.

32 b. The proposal shall be on forms supplied by the
33 department. The proposal shall identify the location of the
34 child care center which must be in the state. The proposal
35 shall contain a statement on whether the business is also

1 seeking a community development tax credit for providing child
2 care for its employees.

3 c. To be eligible for a child care center tax credit, the
4 business must provide child care employee benefits for its
5 employees through any of the following:

6 (1) Build a new structure or rehabilitate an existing
7 structure to be used as a child care center. A business may
8 do the building or rehabilitating in conjunction with another
9 business or entity but only the business's actual costs shall
10 be considered in determining the amount of credit. At least
11 five children of its employees are provided child care at the
12 center.

13 (2) Operate or lease a child care center where at least
14 five children of its employees are provided child care at the
15 center.

16 (3) Donate money, supplies, or other tangible personal
17 property to a child care center where at least five children
18 of its employees are provided child care.

19 (4) Pay the cost for the equivalent of five children of
20 its employees to attend a child care center.

21 d. A business is ineligible for a child care center tax
22 credit if any of the following applies:

23 (1) It derives income from the operation, lease, or
24 management of more than one child care center.

25 (2) The business has received a community development tax
26 credit for activities related to the child care center for
27 which it is seeking a tax credit.

28 e. An annual application deadline shall be determined by
29 the department and application material shall be distributed
30 upon request no less than sixty days prior to the actual
31 application deadline.

32 5. TAX CREDIT APPLICATION.

33 a. The department shall approve or disapprove applications
34 for community development tax credits to businesses which have
35 invested in approved economic development projects or other

1 community development projects or for child care center tax
2 credits for businesses that have provided child care for the
3 benefit of their employees. The director, upon approval of an
4 application, shall notify the director of revenue and finance
5 and the governor of those businesses entitled to a tax credit.

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

8 (1) Businesses wanting to donate to a particular community
9 development project or wanting to provide child care employee
10 benefits, but first wishing to verify the eligibility of the
11 donation or provision of child care employee benefits for a
12 tax credit, may submit a tax credit eligibility confirmation
13 form to the department. The department will confirm in
14 writing whether or not the donation or the provision of child
15 care employee benefits qualifies for credit and how the value
16 of the credit will be determined. This confirmation will not
17 constitute credit approval.

18 (2) In order to qualify for credit, donations or providing
19 of child care employee benefits must occur during the approved
20 project period with the exception of donated audit services,
21 which may occur anytime during the six-month period following
22 the project period, and must be directly related to the
23 approved project.

24 (3) Businesses wishing to apply for credit must complete a
25 community development tax credit application or child care
26 center tax credit application. A business providing child
27 care for the benefit of its employees may complete and file
28 both applications, but only one credit shall be approved.

29 (4) Tax credit applications are to be signed by the
30 qualifying organization or the managing entity of the child
31 care center, as applicable, and submitted directly to the
32 department not later than one year following the date of
33 donation or providing of child care employee benefits.

34 (5) The order in which completed credit applications are
35 received by the department will determine the order in which

1 credits are approved. Facsimile copies will not be considered
2 completed applications.

3 (6) Every transmittal of community development tax credit
4 applications to the department must be accompanied by a
5 project report prepared by the qualifying organization.

6 (7) The department shall examine all submitted
7 applications and determine which donations or child care
8 employee benefits meet the eligibility criteria.

9 c. The department shall establish by rule the methods to
10 be used in determining the value of contributions or child
11 care employee benefits of a business.

12 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
13 DOCUMENTATION.

14 1. For a tax credit application approved pursuant to
15 section 15.382, the community development tax credit or child
16 care center tax credit available under this part may be used
17 to reduce the tax liability imposed under chapter 422,
18 division II, III, or V, or chapter 432 or 533.

19 2. Subject to subsections 4 and 5, the amount of the
20 community development tax credit shall be fifty percent of the
21 contribution made by the business during the tax year.

22 3. Subject to subsections 4 and 6, the amount of the child
23 care center tax credit shall be twenty-five percent of the
24 cost to provide the child care employee benefits.

25 4. a. The tax credit shall not exceed one hundred
26 thousand dollars annually.

27 b. Any tax credit in excess of the business's tax
28 liability for a tax year may be credited to the tax liability
29 for the following five tax years or until depleted, whichever
30 is the earlier.

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

34 d. To be eligible to receive the tax credit, a business
35 shall provide documentation of the contributions or costs on

1 which the credit is based. The documentation shall be as
2 specified by rules of the department.

3 5. The total amount of community development tax credits
4 that may be approved pursuant to this part shall not exceed
5 two million dollars in any fiscal year.

6 6. The total amount of child care center tax credits that
7 may be approved pursuant to this part shall not exceed two
8 million dollars in any fiscal year.

9 Sec. 5. NEW SECTION. 422.11C COMMUNITY DEVELOPMENT OR
10 CHILD CARE CENTER TAX CREDIT.

11 The taxes imposed under this division, less the credits
12 allowed under sections 422.12 and 422.12B, shall be reduced by
13 a community development tax credit or child care center tax
14 credit received pursuant to sections 15.380 through 15.383.

15 An individual may claim the tax credit allowed a
16 partnership, limited liability company, S corporation, or
17 estate or trust electing to have the income taxed directly to
18 the individual. The amount claimed by the individual shall be
19 based upon the pro rata share of the individual's earnings of
20 the partnership, limited liability company, S corporation, or
21 estate or trust.

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

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

27 NEW SUBSECTION. 11. The taxes imposed under this division
28 shall be reduced by a community development tax credit or
29 child care center tax credit received pursuant to sections
30 15.380 through 15.383.

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

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

1 NEW SUBSECTION. 4. The taxes imposed under this division
2 shall be reduced by a community development tax credit or
3 child care center tax credit received pursuant to sections
4 15.380 through 15.383.

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

8 Sec. 8. NEW SECTION. 432.12A COMMUNITY DEVELOPMENT OR
9 CHILD CARE CENTER TAX CREDIT.

10 The tax imposed under this chapter shall be reduced by a
11 community development tax credit or child care center tax
12 credit received pursuant to sections 15.380 through 15.383.

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

16 Sec. 9. Section 533.24, Code 2001, is amended by adding
17 the following new unnumbered paragraph:

18 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
19 credits under this section shall be reduced by a community
20 development tax credit or child care center tax credit
21 received pursuant to sections 15.380 through 15.383. Any
22 credit in excess of the tax liability for the tax year may be
23 credited to the tax liability for the following five tax years
24 or until depleted, whichever is earlier.

25 Sec. 10. EFFECTIVE AND APPLICABILITY DATE. This Act,
26 being deemed of immediate importance, takes effect upon
27 enactment. Sections 5 through 9 of this Act apply to tax
28 years beginning on or after January 1, 2002.

29 EXPLANATION

30 This bill establishes a community development program
31 administered by the department of economic development. The
32 program is to provide tax incentives to businesses which make
33 contributions to projects in communities or neighborhoods that
34 would benefit by these projects or make expenditures to
35 provide child care benefits to its employees. The projects

1 involve the providing of physical revitalization, economic
2 development, job training or education for individuals,
3 community services, and crime prevention. Community services
4 projects include projects providing for group and family
5 counseling, mental health services and centers, child and
6 adult care, senior citizen centers, recreation programs,
7 sheltered workshops, and substance abuse counseling. The
8 child care employee benefits involve the business building or
9 rehabilitating an existing structure as a child care center
10 for use of its employees, paying for children of employees to
11 attend a child care center, operating or leasing a center, or
12 donating money or tangible property to a center at which its
13 employees' children attend.

14 The tax incentives are provided in the form of tax credits
15 which may be used to offset the tax liability under the
16 individual and corporate income taxes, financial institution
17 franchise tax, and the insurance gross premiums tax. The
18 amount of the community development tax credit, subject to
19 limitation, equals 50 percent, or 75 percent in cities of
20 15,000 or less in population, of the contributions made by the
21 business to the project. Not more than \$150,000 in tax
22 credits may be allowed for any one project. The maximum
23 amount of credit a business may receive for a project is
24 \$100,000. Projects and tax credits associated with the
25 projects must be approved by the department of economic
26 development. The total amount of tax credits that may be
27 approved in a fiscal year shall not exceed \$2 million.

28 The amount of the child care center tax credit equals 25
29 percent of the expenditures for providing child care employee
30 benefits with a maximum credit of \$100,000. The tax credits
31 must be approved by the department of economic development.
32 Not more than \$2 million in these credits may be approved in a
33 fiscal year.

34 The bill takes effect upon enactment and the tax credit
35 provisions are effective January 1, 2002, for tax years

1 beginning on or after that date.

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SENATE FILE 522
FISCAL NOTE

A fiscal note for **Senate File 522** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 522 establishes a Community Development Program administered by the Department of Economic Development. The Program would provide tax incentives to businesses which make contributions to qualified projects in communities or neighborhoods or to provide child care benefits to the company's employees.

The tax incentives would be provided in the form of tax credits equal to 50.0% of the contribution and the tax incentive for a day care project is limited to 25.0% of the expenditure. The amount of credit for a single project or single company is limited.

The total amount of credits granted in a single fiscal year for community and neighborhood projects is limited to \$2.0 million and the total amount for employee day care is also limited to \$2.0 million. All tax incentives must be approved by the Department of Economic Development.

The Bill is effective upon enactment and the tax incentives are effective beginning in 2002.

ASSUMPTIONS

1. The credits will be fully utilized.
2. The Department of Economic Development will approve projects in time for some companies to adjust estimated tax payments in the first six months of 2002. This adjustment will reduce FY 2002 General Fund revenues by \$1.0 million. The remaining \$3.0 million in calendar year 2002 tax incentives will impact FY 2003.
3. The tax credits available in calendar year 2003 will reduce estimate payments by \$1.0 million per quarter. This will impact FY 2003 general Fund receipts by \$2.0 million and FY 2004 receipts by \$2.0 million. The impact of credits in future calendar years will be the same as 2003.

FISCAL IMPACT

The tax incentives in Senate File 522 will reduce General Fund receipts by the following schedule:

FY 2002 - \$1.0 million
FY 2003 - \$5.0 million
FY 2004 - \$4.0 million

The fiscal impact for FY 2005 and subsequent years will be the same as FY 2004.

SOURCE

Legislative Fiscal Bureau analysis

(LSB 3152SV, JWR)

FILED APRIL 26, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 522

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1 Amend Senate File 522 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. NEW SECTION. 15.380 SHORT TITLE.

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

7 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.

8 As used in this part, unless the context otherwise
9 requires:

10 1. "Business" means all businesses operating
11 within the state and includes individuals operating a
12 sole proprietorship or having rental, royalty, or farm
13 income in this state and includes a consortium of
14 businesses.

15 2. a. "Child care" means the same as defined in
16 section 237A.1.

17 b. "Child care center" means a facility licensed
18 pursuant to section 237A.2 to provide child care.

19 3. "Community services" means, but is not limited
20 to, individual, group, and family counseling; parent
21 and early childhood education; mental health services;
22 primary care and community medical health centers;
23 child and adult care services; senior citizen service
24 centers; recreation programs; nutrition programs;
25 emergency shelters for persons suffering from physical
26 abuse or rape; services for the handicapped; sheltered
27 workshops, vocational counseling; substance abuse
28 counseling; and referral services.

29 4. "Contribution" includes cash, material or
30 supplies, real estate, labor, professional services,
31 technical assistance, or equipment. "Contribution"
32 does not include investments made by a financial
33 institution or insurance company in the normal course
34 of its business.

35 5. "Crime prevention" means activities which
36 include but are not limited to services to ex-
37 offenders, local civilian organizations that help
38 prevent crime or provide aid to victims of crime,
39 mediation services aimed at resolving disputes and
40 conflicts before they become criminal incidents, or
41 services to juveniles who have had contact with the
42 court or police.

43 6. "Distressed or blighted area" means an area
44 designated or that qualifies under section 15E.194 to
45 be designated an enterprise zone pursuant to chapter
46 15E, division XVIII, designated as a slum or blighted
47 area pursuant to chapter 403, or designated as a
48 revitalization area pursuant to chapter 404.

49 7. "Economic development" means the acquisition,
50 renovation, improvement, or the furnishing or

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

7 8. "Education" includes literacy programs, adult
8 basic education and general educational development
9 certificate programs, English as a second language
10 program designed to teach English to students or
11 adults whose native language is other than English,
12 training for the physically or mentally challenged,
13 and educational programs to assist persons who have
14 dropped out of school for reason other than death or
15 transfer to another school or to assist students who
16 are at-risk of dropping out or failing to meet the
17 goals of the educational agenda established by the
18 school district.

19 9. "Job training" means those activities which
20 provide specific vocational skills including special
21 apprenticeship or on-the-job training programs not
22 otherwise available.

23 10. "Neighborhood area" means a specific
24 geographic area certified by the department as having
25 a readily identifiable residential population and
26 which may include, but is not limited to, any of the
27 following factors:

28 a. A sense of belonging or identity that ties
29 residents to a given area.

30 b. Social, cultural, political, or economic
31 activities around which people organize themselves.

32 c. The existence of cohesive organizations formed
33 by residents.

34 d. A city with a population of less than ten
35 thousand or a region within a rural area may be
36 certified as a neighborhood area.

37 e. A history of acting or being treated as a
38 distinct or cohesive unit.

39 f. The area is designated as a community
40 empowerment area in accordance with chapter 28.

41 11. "Physical revitalization" means activities
42 designed for the physical improvement of any part or
43 all of a neighborhood area. These activities may
44 include, but are not limited to, such programs as
45 commercial area revitalization; housing construction
46 or rehabilitation; improvements to or acquisition or
47 construction of facilities used by nonprofit
48 organizations for community purposes or related
49 planning and promotional activities designed to aid in
50 those programs.

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1 12. a. "Qualifying organization" means an
2 organization performing community services or economic
3 development activities in the state and is any of the
4 following:

5 (1) A person or organization that is exempt from
6 federal income taxation under the Internal Revenue
7 Code as defined in section 422.3.

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

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

14 (4) A community empowerment area board created in
15 accordance with chapter 28.

16 b. "Qualifying organization" does not include any
17 of the following:

18 (1) A unit or agency of the state, local
19 government, or educational institution. This
20 subparagraph shall not be interpreted to prevent a
21 community empowerment area board from being considered
22 a qualifying organization.

23 (2) A foundation or trust of a postsecondary
24 educational institution.

25 (3) A church-affiliated religious organization
26 unless the organization is without religious
27 discrimination or is not controlled by a single
28 denomination.

29 Sec. 3. NEW SECTION. 15.382 COMMUNITY
30 DEVELOPMENT AND CHILD CARE CENTER TAX CREDITS --
31 APPROVAL OF PROJECTS AND PROPOSALS.

32 1. TAX CREDITS.

33 a. A business which engages in the activities of
34 providing physical revitalization, economic
35 development, job training or education for
36 individuals, community services, or crime prevention
37 in the state shall receive a community development tax
38 credit as provided in section 15.383 if the director
39 annually approves the proposal of the business.

40 However, a proposal for a community development tax
41 credit shall not be approved which does not have the
42 endorsement of the local government for the area in
43 which the business is engaging in such activities that
44 the proposal is consistent with the overall community
45 or neighborhood development plan adopted by that local
46 government.

47 b. A business which for the benefit of its
48 employees builds, contributes to, or operates a new or
49 existing child care center in the state or subsidizes
50 access to a child care center in the state shall

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1 receive a child care center tax credit as provided in
2 section 15.383 if the director annually approves the
3 proposal of the business.

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

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

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

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

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

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

37 3. COMMUNITY DEVELOPMENT PROJECTS. For community
38 development projects, other than economic development
39 projects, for which community development tax credits
40 under this part may be approved, the following
41 procedures, criteria, and priorities apply:

42 a. A proposal for a proposed program shall be
43 submitted by a qualifying organization for carrying
44 out a specific project consistent with the purposes of
45 this part.

46 b. All proposals shall be made on the forms
47 supplied by the department. Each proposal shall
48 contain a project budget and shall identify, if
49 possible, the items and amounts of the budget which
50 will be provided for from contributions from any

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1 business. A project budget shall be approved by the
2 department. The department may request any additional
3 information it determines necessary to evaluate a
4 proposal or plan.

5 c. Community development projects and the budgets
6 for them may be approved for a period of up to three
7 years at the discretion of the director.

8 d. An annual application deadline shall be
9 determined by the department and application materials
10 shall be distributed upon request no less than sixty
11 days prior to the actual application deadline.

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

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

17 (2) The project will result in the provision of
18 essential services to low-income and moderate-income
19 families which would not otherwise be provided in the
20 affected neighborhood area and for which there are not
21 other resources. "Low-income and moderate-income
22 families" means those families, including single-
23 person households, earning no more than eighty percent
24 of the higher of the median family income of the
25 county or the statewide nonmetropolitan area as
26 determined by the latest United States department of
27 housing and urban development, section 8 income
28 guidelines.

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

32 f. Approval or disapproval of proposals shall be
33 based on the following criteria:

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

38 (2) The qualifying organization submitting the
39 proposal must demonstrate its capacity to adequately
40 administer the project.

41 (3) There must be a demonstrated need for the
42 program in the neighborhood area within which the
43 project is to be carried out.

44 (4) The proposal must demonstrate that residents
45 of the affected neighborhood area have been involved
46 in the planning of the proposed project and describe
47 the extent to which they will be involved in its
48 implementation.

49 (5) The proposal must be consistent with all
50 locally approved community or neighborhood development

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1 plans for the area.

2 (6) Proposals submitted subsequent to the first
3 year will be evaluated on performance of the first-
4 year project, other resources developed, continued
5 need, and potential for eventual self-sufficiency.

6 g. In no case shall a project be approved that
7 does not have a written endorsement of the appropriate
8 local public authority with notification given to the
9 community empowerment board.

10 h. The maximum amount of community development tax
11 credits allowed per project is one hundred fifty
12 thousand dollars.

13 i. For purposes of the criterion in paragraph "f",
14 subparagraph (1), an area is experiencing problems
15 endangering its existence as a viable and stable
16 neighborhood if some of the following factors are
17 present: declining population, high percentage of
18 people dependent on public assistance, persistent or
19 substantial unemployment or underemployment, lower
20 than average family incomes, financial disinvestment,
21 insurance and financial redlining, general weakened
22 market conditions on the neighborhood commercial strip
23 as indicated by declining rents or vacant stores,
24 excessive abandonment of properties, a significant
25 percentage of neighborhood residents on fixed incomes,
26 unsanitary or inadequate housing, overcrowding,
27 significant proportion of the property is rental
28 property, property speculation, high rates of crime
29 and delinquency, high degree of drug or alcohol abuse,
30 increasing cases of mental health problems,
31 significant numbers of single-parent households, high
32 degree of infant mortality and disease, disabilities,
33 general unsanitary conditions in the area, or poor
34 city and public utility services.

35 4. CHILD CARE EMPLOYEE BENEFITS. For child care
36 employee benefits for which a child care center tax
37 credit under this part may be approved, the following
38 apply:

39 a. A proposal for a project shall be submitted by
40 a business located in or doing business in the state.

41 b. The proposal shall be on forms supplied by the
42 department. The proposal shall identify the location
43 of the child care center which must be in the state.
44 The proposal shall contain a statement on whether the
45 business is also seeking a community development tax
46 credit for providing child care for its employees.

47 c. To be eligible for a child care center tax
48 credit, the business must provide child care employee
49 benefits for its employees through any of the
50 following:

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1 (1) Build a new structure or rehabilitate an
2 existing structure to be used as a child care center.
3 A business may do the building or rehabilitating in
4 conjunction with another business or entity but only
5 the business's actual costs shall be considered in
6 determining the amount of credit. At least five
7 children of its employees are provided child care at
8 the center.

9 (2) Operate or lease a child care center where at
10 least five children of its employees are provided
11 child care at the center.

12 (3) Donate money, supplies, or other tangible
13 personal property to a child care center where at
14 least five children of its employees are provided
15 child care.

16 (4) Pay the cost for the equivalent of five
17 children of its employees to attend a child care
18 center.

19 d. A business is ineligible for a child care
20 center tax credit if any of the following applies:

21 (1) It derives income from the operation, lease,
22 or management of more than one child care center.

23 (2) The business has received a community
24 development tax credit for activities related to the
25 child care center for which it is seeking a tax
26 credit.

27 e. An annual application deadline shall be
28 determined by the department and application material
29 shall be distributed upon request no less than sixty
30 days prior to the actual application deadline.

31 5. TAX CREDIT APPLICATION.

32 a. The department shall approve or disapprove
33 applications for community development tax credits to
34 businesses which have invested in approved economic
35 development projects or other community development
36 projects or for child care center tax credits for
37 businesses that have provided child care for the
38 benefit of their employees. The director, upon
39 approval of an application, shall notify the director
40 of revenue and finance and the governor of those
41 businesses entitled to a tax credit.

42 If the business meets the criteria for eligibility,
43 the department of economic development shall issue to
44 the business a certification of entitlement for the
45 community development tax credit or child care center
46 tax credit. The certification shall contain the name
47 of the business, address, tax identification number,
48 the amount of the credit, the tax year for which the
49 certificate applies, and any other information
50 required by the department of revenue and finance.

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

3 (1) Businesses wanting to donate to a particular
4 community development project or wanting to provide
5 child care employee benefits, but first wishing to
6 verify the eligibility of the donation or provision of
7 child care employee benefits for a tax credit, may
8 submit a tax credit eligibility confirmation form to
9 the department. The department will confirm in
10 writing whether or not the donation or the provision
11 of child care employee benefits qualifies for credit
12 and how the value of the credit will be determined.
13 This confirmation will not constitute credit approval.

14 (2) In order to qualify for credit, donations or
15 providing of child care employee benefits must occur
16 during the approved project period with the exception
17 of donated audit services, which may occur anytime
18 during the six-month period following the project
19 period, and must be directly related to the approved
20 project.

21 (3) Businesses wishing to apply for credit must
22 complete a community development tax credit
23 application or child care center tax credit
24 application. A business providing child care for the
25 benefit of its employees may complete and file both
26 applications, but only one credit shall be approved.

27 (4) Tax credit applications are to be signed by
28 the qualifying organization or the managing entity of
29 the child care center, as applicable, and submitted
30 directly to the department not later than one year
31 following the date of donation or providing of child
32 care employee benefits.

33 (5) The order in which completed credit
34 applications are received by the department will
35 determine the order in which credits are approved.
36 Facsimile copies will not be considered completed
37 applications.

38 (6) Every transmittal of community development tax
39 credit applications to the department must be
40 accompanied by a project report prepared by the
41 qualifying organization.

42 (7) The department shall examine all submitted
43 applications and determine which donations or child
44 care employee benefits meet the eligibility criteria.

45 c. The department shall establish by rule the
46 methods to be used in determining the value of
47 contributions or child care employee benefits of a
48 business.

49 Sec. 4. NEW SECTION. 15.383 TAX CREDITS --
50 DOCUMENTATION.

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1 1. For a tax credit application approved pursuant
2 to section 15.382, the community development tax
3 credit or child care center tax credit available under
4 this part may be used to reduce the tax liability
5 imposed under chapter 422, division II, III, or V, or
6 chapter 432 or 533.

7 2. Subject to subsections 4 and 5, the amount of
8 the community development tax credit shall be fifty
9 percent of the contribution made by the business
10 during the tax year.

11 3. Subject to subsections 4 and 6, the amount of
12 the child care center tax credit shall be twenty-five
13 percent of the cost to provide the child care employee
14 benefits.

15 4. a. The tax credit shall not exceed one hundred
16 thousand dollars annually.

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

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

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

29 5. The total amount of community development tax
30 credits that may be approved pursuant to this part
31 shall not exceed two million dollars in any fiscal
32 year.

33 6. The total amount of child care center tax
34 credits that may be approved pursuant to this part
35 shall not exceed two million dollars in any fiscal
36 year.

37 Sec. 5. NEW SECTION. 422.11C COMMUNITY
38 DEVELOPMENT OR CHILD CARE CENTER TAX CREDIT.

39 The taxes imposed under this division, less the
40 credits allowed under sections 422.12 and 422.12B,
41 shall be reduced by a community development tax credit
42 or child care center tax credit received pursuant to
43 sections 15.380 through 15.383.

44 An individual may claim the tax credit allowed a
45 partnership, limited liability company, S corporation,
46 or estate or trust electing to have the income taxed
47 directly to the individual. The amount claimed by the
48 individual shall be based upon the pro rata share of
49 the individual's earnings of the partnership, limited
50 liability company, S corporation, or estate or trust.

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

5 If the community development tax credit or child
6 care center tax credit is taken on the tax return, a
7 deduction shall not be allowed for Iowa tax purposes
8 for contributions made to a community development
9 project or expenditures for providing child care
10 employee benefits which are deductible for federal tax
11 purposes.

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

14 NEW SUBSECTION. 11. The taxes imposed under this
15 division shall be reduced by a community development
16 tax credit or child care center tax credit received
17 pursuant to sections 15.380 through 15.383.

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

22 If the community development tax credit or child
23 care center tax credit is taken on the tax return, a
24 deduction shall not be allowed for Iowa tax purposes
25 for contributions made to a community development
26 project or expenditures for providing child care
27 employee benefits which are deductible for federal tax
28 purposes.

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

31 NEW SUBSECTION. 4. The taxes imposed under this
32 division shall be reduced by a community development
33 tax credit or child care center tax credit received
34 pursuant to sections 15.380 through 15.383.

35 Any credit in excess of the tax liability for the
36 tax year may be credited to the tax liability for the
37 following five tax years or until depleted, whichever
38 is earlier.

39 If the community development tax credit or child
40 care center tax credit is taken on the tax return, a
41 deduction shall not be allowed for Iowa tax purposes
42 for contributions made to a community development
43 project or expenditures for providing child care
44 employee benefits which are deductible for federal tax
45 purposes.

46 Sec. 8. NEW SECTION. 432.12A COMMUNITY
47 DEVELOPMENT OR CHILD CARE CENTER TAX CREDIT.

48 The tax imposed under this chapter shall be reduced
49 by a community development tax credit or child care
50 center tax credit received pursuant to sections 15.380

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1 through 15.383.

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

6 Sec. 9. Section 533.24, Code 2001, is amended by
7 adding the following new unnumbered paragraph:

8 NEW UNNUMBERED PARAGRAPH. The tax imposed on
9 moneys and credits under this section shall be reduced
10 by a community development tax credit or child care
11 center tax credit received pursuant to sections 15.380
12 through 15.383. Any credit in excess of the tax
13 liability for the tax year may be credited to the tax
14 liability for the following five tax years or until
15 depleted, whichever is earlier.

16 Sec. 10. EFFECTIVE AND APPLICABILITY PROVISION.
17 This Act takes effect only if the revenue estimating
18 conference estimates that, as a result of the
19 enactment of federal income tax legislation prior to
20 January 1, 2002, Iowa income tax receipts for the
21 fiscal year beginning July 1, 2001, will be increased
22 by \$7.9 million or more over the amount of Iowa income
23 tax receipts which would have been realized in the
24 absence of the enactment of such federal income tax
25 legislation. If this Act takes effect, sections 5
26 through 9 of this Act apply to tax years beginning on
27 or after January 1, 2002."

By PAUL MCKINLEY

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ADOPTED (p. 1490)