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The Senate
State of Iowa
Eighty-fifth General Assembly
STATEHOUSE
Des Moines, IA 50319

COMMITTEES

Commerce, Ranking Member
Labor and Business Relations
State Government

Transportation, Infrastructure, and Capitals
Appropriations Subcommittee

The Anderson Report

Thank you for the honor of representing you in the Iowa Senate. Please feel free to contact me with your questions, comments and ideas. You can reach me at **712-898-2505** or email to bill.anderson@legis.iowa.gov.

I have written a number of times this session on issues which will assist us in achieving our goals of creating 200,000 jobs and increasing family incomes by 25%. With the passage of the Targeted Jobs Tax Credit another tool has been preserved for job creators.

Today in the Senate we will consider "The Iowa Reinvestment Act." The act authorizes the establishment of reinvestment districts for purposes of expediting economic development. The House passed HF 641 87-9 on April 24, 2013.

Targeted Jobs

For years, Iowa has been losing the battle along our borders on job creation. This year the Iowa Legislature decided to help Iowa businesses by voting to extend the Targeted Jobs Program for five more years, giving communities a much-needed boost when it comes to employment and taxation.

Currently, only businesses located in, or moving into urban renewal areas in pilot project cities are eligible for the pilot project benefits of the Targeted Jobs Program. The bill modifies the program by removing the requirement that employers only have withholding agreements with pilot project cities in urban renewal areas. Additionally, it requires withholding credits be deposited into a withholding project fund instead of the urban renewal purpose or special funds. Finally, the bill modifies the contents of a withholding agreement and requires the pilot cities to annually submit compliance information to the Iowa Economic Development Authority.

The Targeted Jobs Program is a positive step for economic growth in border communities. It allows businesses along the state border to be competitive with our neighbors across the state line. However, the legislation is not a permanent fix. Five years from now, we will be back to the drawing board and working on legislation to re-examine border community economies. Iowa cannot continue to lose jobs and money to other states. We need to enact permanent, meaningful legislation that puts our state on competitive footing with our neighbors. My hope is we will pass meaningful, permanent property tax reform this year, and no longer need tax credits to retain and attract businesses.

Iowa Reinvestment Act

The Iowa Reinvestment Act (HF 641) authorizes the establishment of reinvestment districts for purposes of expediting economic development by capturing two-thirds of the state sales tax and the state hotel excise tax generated by new projects within an established district to be used for capital investment of the new project. The district proposal would require state oversight and approval by the economic development authority board.

The bill authorizes a municipality to be eligible to establish a reinvestment district consisting of an area suitable for development that shall meet the following criteria: consist of real property that the governing body determines will be substantially benefited by development in the proposed district, must be in whole or in part of either an urban renewal or enterprise zone (economically distressed areas), it can be no larger than 25 contiguous acres, and cannot encompass an entire city or county.

Before the municipality submits a proposed district plan to Iowa Economic Development Authority (IEDA) for approval, it must be approved by resolution of the governing body of the municipality. The plan shall state the intent to establish a district and all of the following: a finding that the area in the proposed district is suitable for development, a legal description of the real estate forming the boundaries of the area to be included in the district along with a map identifying existing parcels of real estate located in the proposed district, a list of names and addresses of the owners of record of the parcels to be included in the district, and a list of all projects proposed to be undertaken in the district, a detailed description of those projects and a project plan for each individual project.

The municipality shall submit the resolution, the feasibility study and an economic impact study and all other accompanying materials to IEDA for its evaluation and approval. The IEDA board must then evaluate each district plan and their corresponding studies.

Once a reinvestment district is approved by IEDA, the municipality may adopt an ordinance establishing the district and then notify the Department of Revenue that a district has been established. The ordinance shall include all the financial information including that contained in the feasibility study and economic impact analysis. The district is then eligible to use two-thirds of the sales tax and hotel excise tax generated by the new projects in the established district to finance a portion of the costs for only the new projects included in the plan. The revenues may not be used for any other purpose.

A municipality may amend or modify projects. However, if they seek to do so they must go through the same process outlined above. A district is dissolved twenty years from the date of its establishment. Also, if the projects are completed at any time before that time period they no longer qualify for the sales tax rebate and the district must dissolve.