



[SF 574](#) – Economic Development Authority, Major Economic Growth Attraction Program (LSB1228SV.1)

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Fiscal Note Version – As amended by House amendment [S-5057](#)

Description

[Senate File 574](#) as amended by House amendment [S-5057](#) creates the Major Economic Growth and Attraction (MEGA) Program under the Iowa Economic Development Authority (IEDA). The Bill as amended allows foreign businesses to acquire agricultural land in Iowa and receive tax credits if the foreign business meets certain requirements. Program tax credits under the Bill as amended include a Qualifying Investment Tax Credit, a sales tax refund, and a Withholding Tax Credit. The [IEDA Board](#) may not authorize tax incentives available under the Program, or an exemption to restrictions on agricultural land holdings, for more than two eligible businesses, or on or after January 1, 2027, whichever occurs first.

Applications for the MEGA Program will be submitted to the IEDA and must include an application fee set by the IEDA. The terms and value of tax incentives under the Program may be negotiated by the IEDA and the eligible business. If the eligible business fails to comply with requirements of the Program or agreements with the IEDA, the eligible business may be required to repay tax incentives or may be subject to a reduction or elimination of tax incentives.

To be eligible for the Program, a business must meet certain requirements, including having a minimum proposed project cost of \$1.000 billion.

The IEDA may authorize an investment tax credit for an eligible business of up to 5.0% of the business's qualifying investment. The tax credit is allowed against individual and corporate income taxes, the franchise tax, the insurance premiums tax, and the moneys and credits tax. The tax credit may not be claimed until after the project has been placed in service and at least 50.0% of the project jobs specified in the contract have been created.

An eligible business that has been issued a tax incentive under the Program will receive a refund of the sales and use taxes paid for gas, electricity, water, and sewer utility services; tangible personal property; or services rendered, furnished, or performed that contributed to the construction or equipping of the facility. The refund will be paid by the Iowa Department of Revenue equally over five years. A contractor or subcontractor who willfully makes a false report of tax paid under the Program commits an aggravated misdemeanor.

An eligible business may claim a withholding tax credit of up to 3.0% of the gross wages paid to each employee in a project job that pays at least the qualifying wage threshold under the agreement. If the amount withheld is less than 3.0% of the gross wages, the business will receive a credit against the remaining withholding tax due, or the business may carry forward the credit up to five consecutive years or until depleted.

An eligible business may apply for additional federal, State, and local incentives except for those under the [High Quality Jobs Program](#), the [Targeted Jobs Withholding Tax Credit](#), or other incentives at the discretion of the IEDA.

A community in which an eligible business's project is located may grant the eligible business a property tax exemption for a portion of the actual value added by improvements to real property directly related to the eligible business's project jobs. The exemption is not applied to levies on school districts within the taxing jurisdiction.

Division II of the Bill as amended provides that of the \$11.7 million appropriation that the IEDA received in FY 2024 from the Skilled Worker and Job Creation Fund for the High Quality Jobs Program, \$300,000 will be allocated for the [Certified Sites Program](#). Moneys allocated must be used to certify sites in counties with a population of less than 50,000 and to certify at least two sites in each congressional district.

The Bill as amended takes effect upon enactment.

Background

Under current law, a foreign business may not acquire agricultural land in the State except as stated in Iowa Code section [91.3\(3\)](#). A foreign business is defined under Iowa Code section [91.1](#) as a corporation incorporated under the laws of a foreign country, or a business entity whether or not incorporated, in which a majority interest is owned directly or indirectly by nonresident aliens. Legal entities, holding companies, multiple corporations, and other business arrangements do not affect the determination of ownership or control of a foreign business.

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of between \$855 and \$8,540.

Assumptions

Correctional Impact Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice policies and practices.
- A lag effect of six months is assumed from the effective date of the Bill as amended to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Fiscal Impact Assumptions

- The Program will be enacted on July 1, 2024; the first agreement will be entered into by the IEDA during FY 2025; and the first claims will be made in FY 2028.
- Because there are no program caps in the Bill as amended, it is assumed that the full amount of the award will be made for each of the tax credits proposed and that all credits will be fully refunded rather than carried forward against future tax liability.
- All credits will be remitted in the same year they are claimed.
- Up to two projects may qualify under the terms of the Bill as amended over the next five years.
- The IEDA will allocate the full amount of the award in the first year of the project, but claims will not be made until three years after the award is granted, upon project completion.
- The 50.0% requirement for jobs created will be met in the first year of the project completion.
- The withholding tax credit will be remitted over a maximum of five years due to the restriction of not withholding more than 3.0% of wages in any one year.
- An amount equal to 25.0% of a project investment will be eligible for a sales tax refund under the MEGA Program.

- Businesses eligible for the Program will have no defaults on the contracts causing IDR to recoup the remitted credits.
- Growth trends are based on the Consumer Price Index (CPU-I) less food and energy average estimated increases of 2.0%.

Correctional Impact

Senate File 574 as amended creates a new criminal offense, and the correctional impact cannot be estimated due to a lack of existing conviction data. **Figure 1** shows estimates for sentencing to State prison, parole, probation, or community-based corrections (CBC) residential facilities; LOS in months under those supervisions; and supervision marginal costs per day for aggravated misdemeanors. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2024, for information related to the correctional system.

Figure 1 — Sentencing Estimate and LOS

Conviction Offense Class	Percent Ordered to State Prison	FY 2023 Avg LOS in Prison (All Releases)	Marginal Prison Cost Per Day	Percent Ordered to Probation	FY23 Field Avg LOS on Probation	Avg Cost Per Day on Probation	Percent Sentenced to CBC Residential Facility	Marginal Cost CBC Per Day	Percent Ordered to County Jail	Marginal Cost Per Day Jail	FY 23 Field Avg LOS on Parole	Marginal Cost Per Day Parole
Aggravated Misdemeanor (Non-Persons)	30.4%	7.5	\$ 24.94	45.0%	25.1	\$ 7.67	3.6%	\$ 20.00	71.7%	\$50.00	11.9	\$ 7.67

Minority Impact

Senate File 574 as amended creates a new criminal offense. As a result, Criminal and Juvenile Justice Planning (CJJP) of the Department of Management (DOM) cannot use existing data to estimate the minority impact of the Bill as amended. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 16, 2024, for information related to minorities in the criminal justice system.

Fiscal Impact

The Bill as amended is estimated to reduce General Fund revenue by \$18.2 million in FY 2028 to \$18.9 million per project per year in FY 2032 when fully phased in. The fiscal impact of the property tax exemption will be borne by the local government authority and is unknown.

Figure 2 shows the estimated fiscal impact of the MEGA Program for one project over the five-year period.

Figure 2 — MEGA Program Award Fiscal Impact Per Project (in Millions)

	Qualifying Investment Tax Credit*	Sales Tax Refund**	Withholding Tax Refund***	Total Tax Credits/Refunds
Award in FY 2025	\$ 50.0	\$ 15.0	\$ 27.7	\$ 92.7
Claims by Year				
FY 2026	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
FY 2027	0.0	0.0	0.0	0.0
FY 2028	10.0	3.0	5.2	18.2
FY 2029	10.0	3.0	5.4	18.4
FY 2030	10.0	3.0	5.5	18.5
FY 2031	10.0	3.0	5.7	18.7
FY 2032	10.0	3.0	5.9	18.9

*Qualifying Investment Tax Credit = 5.0% of \$1.000 billion investment, claimed over five years.
 **Sales Tax Refund = 6.0% of 25.0% of the \$1.000 billion investment, claimed over five years.
 ***Withholding Tax Refund = 3.0% of withholding, claimed over five years.

Sources

Iowa Department of Revenue
Iowa Economic Development Authority
Legislative Services Agency

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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