



THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

**STATE APPEAL BOARD**  
RICHARD D. JOHNSON, AUDITOR OF STATE  
MICHAEL L. FITZGERALD, TREASURER OF STATE  
CYNTHIA P. EISENHAUER, DIRECTOR

CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

**DEPARTMENT OF MANAGEMENT**  
RICHARD OSHLO, INTERIM DIRECTOR

January 8, 2010

**EMBARGOED UNTIL 10:00 A.M 1/8/10**

The Honorable Chet Culver  
Governor  
Iowa State Capitol  
Des Moines, IA 50319

Dear Governor Culver:

Please find attached the "State of Iowa Tax Credit Review Report," which presents a comprehensive review of the State's tax credit programs.

On November 19, 2009, you designated a seven-member Tax Credit Review Panel. Each director on the Panel conducted an in-depth review of existing tax credit programs. This examination included an analysis of the major provisions, costs and benefits, recent historical information, and oversight and responsibility for each tax credit. In addition, the Panel held public hearings on December 15, 2009 in Cedar Rapids and on December 16, 2009 in Urbandale. During these forums over 80 individuals and organizations shared their ideas and concerns related to specific tax credits and to the overall state policy regarding the use of tax credits.

This report includes the Panel's key findings and recommendations. I direct your attention to our conclusion that prudent stewardship of taxpayers' dollars demands much greater transparency for tax credits. Specifically, we recommend that all business-related tax credits currently not capped be included under the global budget cap that you initiated in your FY 2010 budget recommendations last year, that a five-year sunset be required for all tax credits to provide greater accountability, and that eight tax credit programs be eliminated. The Panel is also making specific recommendations for selected tax credits. Based on these recommendations, the State General Fund budget would have approximately \$55.2 million more in available revenue in FY 2011, taking into consideration the tax year in which the tax credits will be claimed, and approximately \$106.3 million more in FY 2012.

While tax credits should be transparent just like every other expenditure in the General Fund budget, we also acknowledge that tax credits can be an effective tool when properly administered with full accountability.

Please let me know if you wish to discuss these recommendations with the panel members. The Panel will continue to work together to develop an effective Return on Investment calculation and other details as needed.



THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

*Richard Oshlo, Jr.*  
CHESTER J. CULVER, GOVERNOR  
PATTY JUDGE, LT. GOVERNOR

Sincerely,

Richard Oshlo, Jr.  
Interim Director

**STATE APPEAL BOARD**  
RICHARD D. JOHNSON, AUDITOR OF STATE  
MICHAEL L. FITZGERALD, TREASURER OF STATE  
CYNTHIA P. EISENHAUER, DIRECTOR

**DEPARTMENT OF MANAGEMENT**  
RICHARD OSHLO, INTERIM DIRECTOR

# State of Iowa Tax Credit Review Report

## BACKGROUND

On November 19, 2009, Governor Culver ordered a comprehensive review of the State's tax credit programs. During recent months, the Culver-Judge Administration has worked to address the budget challenges facing the State of Iowa. In preparation for submission of the Governor's FY 2011 budget recommendations to the General Assembly in January, the Administration is reviewing all areas of state spending, including the annual state investment in the form of tax credits. Evaluation of the cost and effectiveness of each tax credit program is essential to ensure that Iowans are receiving an appropriate return on their investment.

The Governor asked the six agency directors that oversee the tax credit programs to serve as members of a panel and charged them with conducting a comprehensive study of Iowa's tax credits. Panel members are:

- Richard Oshlo, Interim Director, Iowa Department of Management
- Rob Berntsen, Chair, Iowa Utilities Board
- Fred Hubbell, Interim Director, Iowa Department of Economic Development
- Bret Mills, Executive Director, Iowa Finance Authority
- Cyndi Pederson, Director, Iowa Department of Cultural Affairs
- Mark Schuling, Director, Iowa Department of Revenue
- Jeff Ward, Executive Director, Iowa Agricultural Development Authority

### **Awarding of Tax Credits**

Iowa has two categories of tax credits: automatic and awarded. Awarded credits require application and a specific award in order for a taxpayer to claim the credit. The total amount of the awarded credits may also be capped on a fiscal-year basis. Automatic credits may be claimed by any eligible taxpayer and the amount of claims has no limit or cap. More information about each of Iowa's tax credit programs may be found in the Tax Credit User's Manual from the Iowa Department of Revenue, which can be found at <http://www.iowa.gov/tax/taxlaw/IDRTaxCreditsUsersManual.pdf>.

The amount of awarded tax credits substantially increased between FY 2001 and FY 2007, but has since declined and in FY 2009 was at its lowest level since FY 2004. The increase was due to higher utilization and the higher caps for some of the existing programs as well as the addition of new tax credit programs. The increase during FY 2007 was largely due to awards made to biofuel producers.

In FY 2009, the total amount of awards decreased by just over 24 percent. The High Quality Jobs Program, the Soy-Based Transformer Fluid Tax Credit, and the Venture Capital – Qualified Business or Community-Based Seed Capital Tax Credit all experienced a decrease by more than fifty percent.

The decrease for the High Quality Jobs Program is likely due to the economic slowdown. The Soy-Based Transformer Fluid Tax Credit decreased because of a lack of demand for the tax credits. The Venture Capital – Qualified Business or Community-Based Seed Capital Tax Credit decreased because the credit reached its lifetime program cap in FY 2008 and, therefore, had no additional funds to award in FY 2009. The greatest growth in awards was seen in the Film Investment and Film Expenditure Tax Credits.

### **Tax Credit Claims**

As a result of successful efforts by the Department of Revenue to improve the reporting by taxpayers and the tracking of tax credits, new data on the amount of tax credits claimed is now available. However, this data is limited because prior to the 2006 tax year, most tax credits were aggregated on tax forms. This prevented collection of data on tax credit claims by each tax credit program. With the implementation of the IA 148 Tax Credits Schedule, the availability of detailed tax credit claim data has improved. A summary of data from the IA 148 for tax year 2006 has been published separately and can be found online at <http://www.state.ia.us/tax/taxlaw/TaxCreditsClaimReport2006.pdf>.

After consistent growth in individual tax credit claims since 2000, in 2007 there was some leveling off. In fact, total individual tax credit claims decreased nearly 1.5 percent in 2007 to \$130.3 million. Credits increased in tax year 2008 by just over \$10 million to \$140.5 million. This increase can be attributed to an increase of the Earned Income Tax Credit from 6.5 percent of 7.0 percent and making it refundable and increases in “other” nonrefundable tax credit claims.

The majority of tax credits claims made against corporate income tax are claimed through the Research Activities Tax Credit. In tax years 2001 through 2005, Research Activities Tax Credit claims accounted for over 80 percent of the dollars of all corporate income tax credit claims. In 2006 and 2007, the Research Activities Tax Credit only accounted for about 55 percent of the total credits and totaled \$33.6 million and \$38.2 million, respectively.

In tax years 2006 and 2007, about 80 percent of nonrefundable tax credit claims were made on individual income tax returns. In both of those years, nonrefundable tax credit claims were made against corporate income, franchise, individual income, and insurance premium taxes. In 2006, refundable tax credit claims were only made against corporate income and individual income taxes, with almost 90 percent of those claims being made against corporate income tax. In 2007, refundable tax credits were also claimed against franchise, insurance premium, and replacement taxes. The majority of those claims were again claimed against corporate income tax.

Additional information about the State’s tax credits can be obtained by requesting a copy of the “State of Iowa Agency Reports on Tax Credits” from the Department of Management.

## **REVIEW APPROACH**

Panel members gathered and reviewed information using the following approaches:

### **Internal Review**

The directors from the six state agencies that oversee the tax credit programs conducted an internal review of their respective department's tax credit programs. This review looked at internal agency documents as well as data from the Department of Revenue and addressed oversight, accountability, transparency, public reporting, and cost-benefit for each tax credit. The individual reviews for each of the 35 tax credits were compiled into the report, "State of Iowa Agency Reports on Tax Credits." This report was made available to the public on December 13, 2009 and is posted on the Department of Management's website at [http://www.dom.state.ia.us/tax\\_credit\\_review/index.html](http://www.dom.state.ia.us/tax_credit_review/index.html).

### **Public Input**

On December 15, 2009, 85 individuals attended a public hearing held at the Kirkwood Community College's Center for Continuing Education in Cedar Rapids, Iowa. The Panel heard three-minute presentations from 29 individuals from the public and five-minute presentations from the following 14 stakeholders:

- City of Dubuque – Mayor Roy Buol and Mike Blouin
- Iowa Policy Project – Peter Fisher
- Iowa Taxpayers Association – Steve Evans and Ed Wallace
- Iowa Historic Preservation Alliance/Historic Tax Credit Coalition – Jill Conners
- Iowa Community Foundations – Dan Baldwin and Nancy Van Milligan
- Grasshorse Technologies – Kathy Buxton and Vivan Jennings
- Iowa Biotechnology Association – Roman Terrill
- Iowa Citizen Action Network – Amy Logsdon
- Iowa Natural Heritage Foundation – Duane Sand
- Iowa Advocates for Choice in Education – Trish Wilger
- Iowa Association of Community Colleges Trustees/Kirkwood Community College- Steve Ovel and Dee Baird
- Greater Muscatine Chamber of Commerce – Bill Phelan
- HNI Corporation – Gary Carlson
- UI College of Law – Len Sandler

On December 16, 2009, approximately 124 individuals attended the public hearing held at the Urbandale Public Library in Urbandale, Iowa. The Panel also heard three-minute presentations from 25 individuals from the public and five-minute presentations from the following 15 stakeholders:

- Iowa Business Council – Elliott Smith
- Iowa Federation of Labor – Jan Laue
- Iowa Chamber Alliance – Dave Roederer
- Child and Family Policy Center – Charlie Bruner and Victor Elias
- Greater Des Moines Partnership – David Maahs
- Iowa Association of Community College Trustees/DMACC – Rob Denson
- Iowa League of Cities – Alan Kemp
- Iowa Motion Picture Association – Tammy Shutters
- AFSCME – Charlie Wishman
- Professional Developers of Iowa – Jason White
- City of Des Moines – Matt Anderson

- Iowa Renewable Fuels Association – Lucy Norton
- Iowa Association of Business and Industry – Mike Ralston
- Iowa Association of School Boards – Russ Wiesley
- Kemin Industries – Andrew Yersin

The Panel also reviewed eighty-five written comments submitted through the Governor’s website at <http://www.governor.iowa.gov/>. These comments are available on the Department of Management’s website at [http://www.dom.state.ia.us/tax\\_credit\\_review/index.html](http://www.dom.state.ia.us/tax_credit_review/index.html).

Public comments were also submitted through e-mails and letters sent directly to the Governor’s Office and Department of Management. These comments are available at [http://www.dom.state.ia.us/tax\\_credit\\_review/index.html](http://www.dom.state.ia.us/tax_credit_review/index.html).

## **KEY FINDINGS**

Based on an analysis of the “State of Iowa Agency Reports on Tax Credits” and public comments, the Panel identified six overarching key findings that relate to protecting taxpayers’ dollars and making tax credits more effective.

### **Accountability and Transparency of Tax Credits**

When the General Fund budget is printed, it is virtually impossible to identify what is being “spent” that year in the form of tax credits. It is also impossible to ascertain the resulting loss of revenue because the “cash” figure for tax credits is imbedded and not broken out in the Revenue Estimating Conference’s revenue estimates. On the other hand, any appropriation in the General Fund budget is visible and, therefore, automatically subject to greater debate. As a result, the public does not have the information needed to analyze and discuss the effectiveness and the impact of tax credits on the budget. Without greater transparency, it is very difficult for taxpayers to determine whether tax credits have been effective in generating economic activity and helping businesses start up and become competitive. It is also difficult for state policy makers to predict the impact of tax credits on the budget.

### **Return on Investment of Tax Credits**

Comparing the costs and benefits of a tax credit program is a complicated process, and can vary greatly between tax credits. Often, several years lapse before sufficient data is available for analysis. Benefits are even more difficult to measure as the magnitude of the direct and indirect benefits derived by the taxpayer and the State are not always obvious. Several key considerations should be taken into account in determining benefits. First, the State should determine whether the public investment produced greater business activity that the recipient engaged in and, if so, how much and for how long. Second, the State should determine whether the tax credit produced a net increase in economic activity. Additionally, many credits are intended to serve as an incentive for a particular behavior, which should be measured. For these reasons, each tax credit program should be evaluated using sound cost-effectiveness analyses techniques that incorporate appropriate assumptions.

### **Transferability of Tax Credits**

Transferability provisions allow entities that are awarded tax credits by the State to sell the credit, often below the value of the credit itself and with the aid of a broker, to a third party that then claims the credit

for the full value on an Iowa tax filing. Transferability allows entities that are the direct beneficiaries of the tax credit program with low or zero tax liability to still benefit from a tax credit, and it also allows those entities to immediately receive cash from an award, not waiting until they file their tax return.

Transferability of tax credits complicates the projection of revenues and the tracking of credits, creates uncertainty about when credits will be claimed because the purchasing entity may utilize a different fiscal year than the entity awarded the credit, and siphons resources from awarded entities through brokerage fees. In essence, the individual or entity that benefits from the tax credit is not the entity that is the objective of the tax credit program or is undertaking the original intent of the public policy for the tax credit program. Once tax credits are transferred, it creates limited recourse for the State to recover funds claimed in instances where the business awarded the original credit does not fulfill the contracted obligations or if the credit was awarded in error. Additionally, transferability has also resulted in abuses in some tax credit programs.

### **Capping of Tax Credits**

Last year Governor Culver proposed in his budget recommendations for FY 2010 the creation of a fiscal year cap of \$200 million for uncapped tax credits. The rationale underlying this proposal was to provide more effective management of Iowa state government budget resources so that there would be no surprise “expenditures.” The Legislature successfully adopted this concept by passing legislation that put a \$185 million cap on five tax credit programs administered by the Department of Economic Development. While some tax credit programs have individual caps, approximately 7 business-related tax credit programs have no separate annual cap or are not included in the \$185 million global cap established in FY 2010. As a result, it is very difficult to have any predictability and stability for the State budget.

### **Sunsetting of Tax Credits**

Currently only a handful of tax credits have expiration dates. Without a mechanism to require a review of the on-going effectiveness of a tax credit, such as a five-year sunset, state policy makers do not have the information needed to know if a tax credit should be revised, eliminated, or extended. For instance, the Panel identified two tax credits which continue to exist despite not being used, the Assistive Device and Economic Development Region Revolving Fund Tax Credits. Economic challenges facing the State change regularly, and, as a result, tax credits should be reviewed regularly. Having an opportunity to review the effectiveness of a tax credit program on a regular basis would help to ensure that the State does not maintain a tax credit that is not providing economic activity, creating jobs, or helping businesses, or achieving the desired results.

### **Refundability of Tax Credits**

This practice allows a taxpayer with a tax credit claim in excess of any Iowa tax liability to receive the difference as a payment with the filing of a tax return. Refundability increases the fiscal impact of a tax credit because a claim is not limited to the tax generated on the income earned by the taxpayer. A taxpayer may receive a refund even though the taxpayer has no tax liability and paid no Iowa income taxes. In the case of Iowa’s Research Activities Tax Credit, refundability makes it one of the most generous in the nation and, according to testimony received, is not the most valuable aspect of this program.

## **RECOMMENDATIONS**

Based on the above-referenced findings, the Panel developed and approved the following overarching recommendations:

### **Provide Greater Transparency of Tax Credits**

The Panel strongly recommends that the Revenue Estimating Conference (REC) make available a list of the types and amounts of tax credit claims that it includes in its Tax Receipts calculation at each meeting. This will allow the public and state policy makers to more fully see the impact of tax credits on the General Fund budget.



### **Eliminate the Transferability Provision For All Tax Credits**

Currently the following credits are transferable:

- Brownfield/Grayfield Redevelopment Tax Credit
- Enterprise Zone Program, Housing Component Tax Credit
- Film, Television, and Video Project Promotion Expenditures Tax Credit
- Film, Television, and Video Project Promotion Investment Tax Credit
- Historic Preservation and Cultural and Entertainment District Tax Credit
- Renewable Energy Tax Credit
- Venture Capital Tax Credit, Iowa Fund of Funds
- Wind Energy Production Tax Credit

The Panel concludes that transferability does not contribute to an effective tax credit program and has contributed, in some instances, to abuse. The Panel recommends that the State eliminate the ability to transfer all State tax credits. We are mindful of the fact that elimination of transferability could change the economics of certain projects.

### **Develop an Effective Return on Investment Calculation For All Tax Credits**

Currently the process for calculating a Return on Investment for each tax credit is incomplete and inconsistent. It is completed for some credit but not for others, and whether the State is using an effective methodology is unclear. Admittedly, such a calculation is not easy, and the Department of Economic Development has developed a basic methodology for making this calculation. Without having a Return on Investment calculation, the State cannot know how effective these tax credits have been and whether changes should be made. Therefore, the Panel recommends that the Department of Economic Development and the Department of Revenue, working with the other departments represented on this Panel, develop an appropriate Return on Investment calculation for each tax credit.

### **Establish a Five-Year Sunset For All Tax Credits**

As part of state government's accountability to taxpayers, the Panel recommends that the State require a five-year sunset for each tax credit. Only approximately eight tax credits now have a sunset provision. Requiring a five-year sunset for every tax credit allows state policy makers and the public to know which tax credits are working and which ones are not. It also provides an opportunity for a determination to be made as to whether the original economic development objectives for each tax credit are still relevant or need to be adjusted. With an automatic sunset, the public and state policy makers will be able to know the costs and benefits of each tax credit to help determine how effective it has been and the Legislature will be able to review and re-authorize any tax credit program at that time. This will provide greater transparency and accountability. The automatic sunset would prevent the award of additional credits without legislative re-approval of a program, however, credits awarded prior to a sunset date will still be honored after that date.

The following tax credit programs currently do not have a sunset provision:

- Accelerated Career Education Program (ACE) (260G)
- Agricultural Asset Transfer Tax Credit

- Assistive Device Tax Credit
- Charitable Conservation Contribution Tax Credit
- Child and Dependent Care Tax Credit
- Claim of Right Tax Credit
- Early Childhood Development Tax Credit
- Earned Income Tax Credit
- Economic Development Region Revolving Fund Tax Credit
- Endow Iowa Tax Credit
- Enterprise Zone Tax Credit Business Only
- Film, Television, and Video Project Promotion Program
- Franchise Tax Credit
- High Quality Jobs Program
- Historical Preservation and Cultural and Entertainment District Tax Credit
- Iowa Industrial New Jobs Training Program (260E)
- Iowa Jobs Training Program (260F)
- Motor Vehicle Fuel Tax Credit
- Research Activities Tax Credit
- S Corporation Apportionment Tax Credit
- School Tuition Organization Tax Credit
- Tuition Textbook Tax Credit
- Venture Capital Tax Credit, Iowa Fund of Funds
- Venture Capital Tax Credit, Venture Capital Funds
- Wind Energy Production Tax Credit

### **Cap All Currently Uncapped Tax Credits**

Last year Governor Culver and the Legislature succeeded in developing a \$185 million “global” cap for five tax credits. The five tax credits are Assistive Device; Enterprise Zone Program (EZ); Film, Television, and Video Project Promotion (Expenditures) and (Investment); and High Quality Jobs Program (HQJP). The 7 business-related credits listed below still have no individual caps or are not part of the \$185 million global cap.

- Biodiesel Blended Fuel Tax Credit
- Charitable Conservation Contribution Tax Credit
- E85 Gasoline Promotion Tax Credit
- Ethanol Promotion Tax Credit
- Iowa Industrial New Jobs Training Program (260E)
- Research Activities Tax Credit
- Targeted Jobs Tax Credit from Withholding

State policy makers need a more effective method of determining the impact of tax credit programs on the General Fund budget. By expanding the policy initiated last year of having a global cap of \$185 million annually for business-related tax credits, the State will be able to manage its General Fund budget more effectively. Accordingly, the Panel recommends moving all business-related credits under the \$185 million cap.

### **Eliminate Certain Tax Credits**

The Panel has learned that several tax credit programs are not being fully utilized, are no longer necessary because of changing economic conditions or the availability of federal funds, have been improperly managed, or the resources for the credit have been exhausted. Therefore, the Panel recommends that the following tax credit programs be eliminated:

- Assistive Device Tax Credit
- Disaster Recovery Housing Project Tax Credit
- Early Childhood Development Tax Credit
- Economic Development Region Revolving Fund Tax Credit
- Film, Television, and Video Project Promotion Expenditures Tax Credit
- Film Television, and Video Project Promotion Investment Tax Credit
- Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund
- Venture Capital Tax Credit – Venture Capital Funds

### **Eliminate Refundability Provision of Research Activities Tax Credit**

The Panel is concerned that the refundability portion of the Research Activities Tax Credit (RATC) is not equitable and makes the Research Activities Tax Credit more costly than comparable credits in surrounding states. It seems unreasonable for the State to be providing successful, larger corporations refund checks for amounts of the Research Activities Tax Credit over its tax due to the State. Therefore, the Panel recommends that the refundability provision of the Research Activities Tax Credit be eliminated for large companies defined as those with gross receipts in excess of \$20.0 million yearly and that these companies receive a five-year carry-forward for their research investment.

### **Discussion of Specific Tax Credits**

The Panel is making specific recommendations for each of the following credits:

**Accelerated Career Education Program (ACE) (260G):** Recommend requiring more transparency and disclosure on training outcomes, student placement, and wage history. Also recommend a change in legislation to remove the IDED from the ACE infrastructure application review process and make a direct appropriation of \$5.5 million divided among each of the community colleges for infrastructure projects that are approved by their boards of trustees. Each community college would receive \$366,666 each fiscal year. Also, recommend that a report from the newly implemented customer tracking system be submitted to the IDED by June 30, 2010.

**Agricultural Assets Transfer Tax Credit:** Recommend Iowa Agricultural Development Authority provide a list of agricultural asset owners receiving the credit; allow some flexibility in the cap amount as the value of crop share certificates is variable based on crop yields and crop process; and subject the program to a five-year sunset.

**Assistive Device Tax Credit:** Recommend eliminating this tax credit program.

**Biodiesel Blended Fuel Tax Credit:** Recommend this credit be reviewed based on the future economic viability of soybean based biodiesel fuel and possibly replaced with a biofuel usage mandate.

**Brownfield/Grayfield Redevelopment Tax Credit:** Recommend extension of the program for a set period of 3-5 years; move it under the global cap; and eliminate its transferability provision.

**Charitable Conservation Contribution Tax Credit:** Require taxpayers to provide information on the nature of land conveyances and the recipients of these conveyances with any tax credit claim and move the credit under the global cap.

**Child and Dependent Care Tax Credit:** Recommend no change.

**Claim of Right Tax Credit:** Recommend no change.

**Disaster Recovery Housing Project Tax Credit:** Recommend elimination of this tax credit program. The credit has not been implemented due to the federal stimulus resources made available to IFA in 2009.

**E85 Gasoline Promotion Tax Credit:** Recommend that this credit be reviewed based on the future economic viability of corn-based ethanol as a motor fuel. Recommend that the credit be possibly replaced with a biofuel usage mandate and that it be placed under the global cap.

**Early Childhood Development Tax Credit:** Recommend elimination of this tax credit program and shifting \$500,000 available to the early childhood pre-school programs as an appropriation.

**Earned Income Tax Credit:** Recommend no change.

**Economic Development Region Revolving Fund Tax Credit:** Recommend elimination of this tax credit program.

**Endow Iowa Tax Credit:** Recommend a five-year sunset provision. It already has an annual cap of \$3.0 million.

**Enterprise Zone Program (Housing Only):** Recommend limiting this credit to projects located within existing incorporated community boundaries; eliminate its transferability; and include a five-year sunset provision. Tax credit is already under the global cap.

**Enterprise Zone Tax Credit (Business Only):** Recommend that the ability to create new zones be allowed to sunset at the end of FY 2010; providing the ability to negotiate and cap New Jobs Supplemental Credit from withholding awards; and remove the annual pool of refundable investment tax credits for value-added agricultural projects. Also recommend an Interim Legislative Study Committee to investigate and define the future of the Enterprise Zone program. Tax credit is already under the global cap.

**Ethanol Promotion Tax Credit:** Recommend review of this credit based on the future economic viability of corn-based ethanol as a motor fuel and possibly replace with a biofuel usage mandate.

**Film, Television, and Video Project Promotion Expenditures Tax Credit:** Recommend elimination of this tax credit program.

**Film, Television, and Video Project Promotion Investment Tax Credit:** Recommend elimination of this tax credit program.

**Franchise Tax Credit:** Recommend no changes.

**High Quality Jobs Program (HQJP):** Recommend removing the \$4 million annual pool of refundable Investment Tax Credits for value-added agriculture projects.

**Historic Preservation and Cultural and Entertainment District Tax Credit:** Recommend developing a searchable database maintained by the Department of Revenue; lowering the number of required jobs offered to 250 for projects in the “jobs projects queue”; eliminating the transferability; and including a sunset provision. This tax credit is individually capped at \$50 million annually.

**Iowa Industrial New Jobs Training Program (260E):** Recommend elimination of bond financing for 260E program; creating a state-funded training fund of \$20M through appropriations and/or withholding tax diversion; requiring recipients to meet Grow Iowa Values Fund and High Quality Job Creation guidelines; requiring company match (based on company employment), ranging from 0.5:1.0 to 1.0:1.0 match of company dollars to state dollars; dedicating 60 percent of the training dollars to eligible companies; dedicating 40 percent of the training dollars to community college districts to create courses based on recommendations from their district employer Skills Alliances; requiring training guidelines resulting in workers with portable skills; using training dollars for both new workers ;and moving this tax credit program under the global cap.

**Iowa Jobs Training Program (260F):** Recommend further analysis of this program based on an effective Return on Investment calculation, place under the global cap, and make it subject to a sunset provision.

**Minimum Tax Credit:** Recommend a sunset provision.

**Motor Fuel Tax Credit:** Recommend no changes.

**Renewable Energy Tax Credit:** Recommend providing more transparency for the application approval process; and eliminating the transferability provision.

**Research Activities Tax Credit:** Recommend elimination of refundability for large companies defined as those with gross receipts in excess of \$20.0 million yearly and that these companies receive a five-year carry-forward for their research investment. Recommend moving the tax credit under the global \$185 million cap because of the impact on the General Fund.

**S Corporation Tax Credit:** Recommend no changes.

**School Tuition Organization Tax Credit:** Recommend that the credit cap be lowered to \$5 million (the cap for the 2007 tax year) and that the credit rate be reduced to 40 percent which will garner \$12.5 million in donations if fully awarded.

**Targeted Jobs Tax Credit from Withholding:** Recommend removing IDDED from the approval/oversight process, or, allow IDDED the opportunity to cap the amount of the withholding

agreement; impose a maximum amount allowable per withholding agreement; negotiate the amount of the award with the pilot community or directly with the employer; and revise the timeline for sunset be considered, currently sunset is 2013; and place it under the global cap.

**Tuition and Textbook Tax Credit:** Recommend limiting the tax credit to taxpayers with annual gross income of \$45,000 or less.

**Venture Capital Tax Credit – Iowa Fund of Funds:** Recommend that the credit be moved to the Department of Economic Development, be placed under the global cap, and that its transferability provision be eliminated.

**Venture Capital Tax Credit – Qualified Business or Community-Based Seed Capital Fund:** Recommend elimination of this tax credit program because the credit has been fully awarded.

**Venture Capital Tax Credit – Venture Capital Funds:** Recommend elimination of this tax credit program and that the remaining \$2.6 million be returned to the General Fund.

**Wage-Benefit Tax Credit:** Recommend that the tax credit be allowed to sunset in January 1, 2012.

**Wind Energy Production Tax Credit:** Recommend providing more transparency as it relates to applications, which are currently filed as confidential, conducting a cost study on return on investment; and eliminating of the transferability provision.