

Iowa Legislative Tax Expenditure Study Committee

Enacted in Senate File 2380 (Tax Administration and Tax Incentive Review Act of 2010).

See Iowa Code section 2.48 and 2010 Iowa Acts Chapter 1138

Senate File 2380 established a Legislative Tax Expenditure Committee. The Committee's tasks are to:

1. Evaluate any tax expenditure available under Iowa law and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purposes of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa.
2. Establish and maintain a system for making available to the public information about the amount and effectiveness of tax expenditures, and the extent to which tax expenditures comply with the original intent of the legislation that enacted the tax expenditure.
3. Engage in the regular review of the state's tax expenditures. For each tax expenditure reviewed, the committee shall submit a report to the legislative council containing the results of the review. The report shall contain a statement of the policy goals of the tax expenditure and a return on investment calculation for the tax expenditure. For purposes of this subparagraph, "return on investment calculation" means analyzing the cost to the state of providing the tax expenditure, analyzing the benefits realized by the state from providing the tax expenditure, and reaching a conclusion as to whether the benefits of the tax expenditure are worth the cost to the state of providing the tax expenditure.
4. The committee shall review tax expenditures and incentives according to the following schedule (only significant economic development incentives are listed below):
 - a. 2011 – High Quality Jobs Program, Research Activities Tax Credits
 - b. 2012 – Tax Increment Financing, Targeted Jobs Withholding Tax Credit
 - c. 2013 – Film Promotion Credits, Endow Iowa Tax Credits
 - d. 2014 – Historic Preservation, Wind Energy, Biofuel Incentives
 - e. 2015 – Enterprise Zone Program, New Jobs Tax Credit
 - f. The cycle repeats every five years

The staff work for the Committee is generally completed by the Tax Research and Policy Analysis Section of the Iowa Department of Revenue and the Iowa Economic Development Authority. To a lesser extent, the Legislative Services Agency participates in the analysis.

In 2011 the Committee held one meeting to organize and to review the programs listed for that year. The Committee did not make any program recommendations and the Committee has not yet determined how the "return on investment" calculation will be conducted.

Other Significant Iowa tax preference oversight and review procedures currently in place in Iowa include:

1. Reporting of past year usage and future year projections, by tax preference item, by the Department of Revenue, for the use of the Revenue Estimating Conference.
2. Reporting of individual companies receiving more than \$500,000 in benefits from the Research Activities Credit in one year.
3. A report completed every five years by the Tax Research and Policy Analysis Section of the Department of Revenue, detailing the annual cost of each Iowa tax expenditure (most recent report = 2005 Tax Expenditure Report).
4. An annual aggregate tax credit limit that provides a maximum incentive pool for the Economic Development Authority to award in any one fiscal year. The \$120.0 million maximum applies to many tax incentive programs that do not have annual award limits of their own.