End of Session – Compromise Proposal

Division I		
Triggers		Removal of the triggers from the 2018 tax reform
Installment Sales		Allows for installment sales made prior to 2023, that qualify for the capital gains deduction now to remain qualified for the duration of the installment.
Inheritance Tax		Phase out the inheritance tax by 2024.
Division II		
COVID-19 Grants		Exempts any COVID-19 grant awards from Iowa Income Tax
Federal PPP Loans		Allows for FY19 paycheck protection loans not to be counted as income, but still allows for the company to deduct salaries and rent from their income tax.
HQJ Program: COVID-19 Extension		Allows IEDA to grant a waiver on any High Quality Jobs Program award that is out of compliance with the award due to the pandemic.
Division III		
Housing Trust Fund		Increase the cap from Real Estate Transfer Tax (RETT) from $3m to $7m
Workforce Housing		Sets credit to $40m for FY22 and $35m for subsequent years. • $15m for urban / rural, each. IEDA allocates remaining $5m as necessary • IEDA, with State Economist, sets housing construction cost requirements
Downtown Loan		Creates a Downtown Loan Guarantee program to encourage reinvestment in downtown/main street areas. • IEDA may appropriate/transfer other legally available funds. • IEDA may guarantee loans, up to 5 years, for community catalyst or main street grant projects that include a housing component.
Disaster Housing		Creates a standing disaster recovery housing assistance program. • Assists homeowners/renters whose primary residence is destroyed due to natural disaster in counties where Gov has issued a disaster proclamation • IEDA may appropriate/transfer other legally available funds.
Brownfield/Grayfield		Extend 10 years and increase spend to $15m (from $10m)

Division IV		
Reduce IEDA Cap		Lower High Quality Job Program cap and Workforce Housing Tax Credits to allow for bonus depreciation
Bonus Depreciation		Allows for Iowa to couple with the Federal bonus depreciation and recouple with the 30% interest expense limitation.
Manufacturing 4.0		Creates a grant program for manufacturers to use for investments in smart manufacturing environment that leverages joint capabilities of hardware, software, & workers in an integrated way. • Maximum $75k grant award per business • For employers with fewer than 75 employees • Requires business to provide info on investments • IEDA may appropriate/transfer other legally available funds.
Energy Infrastructure Loan		Creates new energy infrastructure revolving loan program • Funded with unobligated funds in the alt energy revolving loan program • Program may receive general fund appropriation • Energy Center may charge interest on loans and issue forgivable loans
HQJ Program – Day Care Centers		Permits IEDA to consider onsite day care as bonus criteria for awarding a High Quality Job Program
Investment in Qualifying Business and Equity Investments (Angel Investor)		Allows IEDA board to split the $10m cap each year between Angel Investors and Innovation Funds.
Early Childhood and Child and Dependent Care Tax Credits		Expands the number of Iowans eligible to claim this tax credit, from those earning less than $45k to those earning less than $90k.
Beginning Farmer Tax Credit		Expands program & eligibility: • Removes requirement for a non-building land lease as part of agreement for tax credit • Landowner can now enter into agreements with multiple beginning farmers during any tax year • Removes $50k tax credit cap that any single landowner can receive from all agreements; caps it at $50k per any one agreement Increases number of years a landowner can participate in the program

<table>
<tr><th colspan="3">Division V</th></tr>
<tr><td>MHDS Funding</td><td></td><td>Funding. Uses general fund for the MHDS regions and phases out MH property tax levy over two years, by FY23; results in $100m reduction in property taxes.
Funding will be placed in the MHDS Fund and distributed to regions as part of performance-based contract. The performance-based contracts will establish guardrails for regional expenditures and equity of services to ensure statewide outcomes.
Levy Reduction. In FY22, the max levy will be reduced to $21.14; in FY23, the levy will be reduced to $0. Regions are to first use property taxes levied, then spend reserve funds down to make budgets whole. Counties will be required to send fund balances to the region.
FY 22- spend their fund balances down to 40%.
FY 23 -spend down to 20%.
FY 24 -funds depleted.
MDHS incentive fund. Created to house unspent funds from MHDS regions to fill future budget shortfalls. Excess from per capita distribution reverts to the incentive fund each year. Moneys in the incentive fund will carry forward.
Regions submitting requests for incentives must submit documentation to the department by October 31.
The department has until December 15 to approve funding.
Funding is then awarded from the incentive fund to the regions by Jan 1.
To improve equity in access to services, this funding can be allocated to those regions demonstrating a need above and beyond per capita allocation.
Growth factor. Per capita distribution from the state increases each year until $42 per capita, then allows for annual growth to the fund:
A total of 5% of sales tax growth may be added to the MDHS system:
Up to 1.5% of sales tax growth added to the per capita rate for regions
Up to 3.5% of sales tax growth added to the incentive funds
If no growth in sales tax, the per capita is the same as the previous year.</td></tr>
<tr><td>Telehealth, Mental Health Parity</td><td></td><td>Requires health carriers to reimburse for mental health on the same basis and at the same rate as the health carrier would have paid for the same care provided in person.</td></tr>
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Property tax replacement payments		Phase out backfill from FY23 through FY27 by modifying the methodology for replacing property tax based off of the assessed value as of January 1, 2019. • If a taxing authority has increased their valuation between January 1, 2012 and January 1, 2019, their backfill will be phased out within 5 years. • If a taxing authority have not seen an increase, then they will be phased out within 8 years.
School Foundation Percentage		Raises state foundation aid from 87.5% per pupil to 88.4% per pupil, starting in FY23. This increase in school foundation percentage makes up for revenue lost to school districts when we phase out backfill from all educational levies. This language is designed to ensure phasing out backfill will do no harm to overall school funding.
Public Education and Recreation Tax Levy		Repeals Code chapter 300 which allows for a voter-approved property tax levy of $.135 centers per $1,000 of assessed value to fund educational, recreational, cultural, and other community services and programs. Mostly this is used to build playgrounds and parks on school grounds or in conjunction with a city. The Division would allow for educational, recreational, cultural, and other community services and programs to be incorporated in the SAVE funding source under Code section 423F. Any unspent funds from a Chapter 300 levy must be spent by June 30, 2022. Allows a school district who has PERL to be limited to ½ levy for FY24. Also does not allow for any new votes on PERL
Elderly Property Tax Credit		The bill expands the eligible claimants from 65 and over, claimants who are totally disabled and over the age of 23 to also include anyone over the age of 70 with a household income of less than 250^ of the federal poverty level. The credit amounts are capped at $1,000 per claim.
Transit Fund		Creates a transit hotel/motel tax of up to $.05 on a hotel/motel nightly rental. The rate would have to be voted on by the governing body of the transit system and placed on the next General Election. If voters approve the tax, the governing body is to reduce its overall transit property levy dollar for dollar and then cap the transit property levy. In the case of DART, the transit hotel/motel tax will be voted on in each of the 12 jurisdictions simultaneously. An aggregate total of 50% of the vote plus 1 will be needed to pass the measure. Current hotel/motel rates: • 5% state • 7% local • Potential 5% for transit