Iowa Targeted Jobs Withholding Tax Credit Program Evaluation Study

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Preface

Iowa Code Section 2.48 requires certain state agencies, including the Department of Revenue, to review a schedule of tax expenditures each year and file a report with the legislature. Each review is required to assess the tax expenditure's equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purpose of the enacting legislation. A review may also include recommendations for better aligning a tax expenditure with the original intent of the enacting legislation. The Iowa Targeted Jobs Withholding Tax Credit Program (TJC) is scheduled for review in 2022.

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Executive Summary

The Iowa Targeted Jobs Withholding Tax Credit Program (TJC) is awarded to businesses for relocating to Iowa, creating new jobs or retaining existing jobs, or making capital investment in one of the pilot project cities. The TJC is equal to 3.0 percent of the gross wages paid by the eligible business to each employee filling the resulting new or retained jobs. This tax credit was enacted in 2006 to help to cities in Iowa along the State's boarders, designated as pilot project cities, attract and retain businesses. Eligible businesses claim the tax credit on quarterly withholding tax returns and then divert the same amount of funds to the pilot project city. The pilot project city spends the diverted withholding taxes on urban renewal projects related to the business or provides the funds to the business to reinvest. Current pilot project cities enrolled in this program include Sioux City (bordering South Dakota and Nebraska), Council Bluffs (bordering Nebraska), Burlington, Fort Madison, and Keokuk (all bordering Illinois).

This is the third evaluation of the TJC. The major findings of the study are these:

Other States' Comparable Job Creation Tax Credits for New Jobs

- Seventeen states, including Iowa, offer tax credits to businesses conditioned on the number of qualified jobs and calculated as a percentage of the payroll of those jobs. Four states border Iowa TJC pilot project cities. Among these four states, South Dakota does not have an income tax. The other three states (Nebraska, Missouri, and Illinois) all have payroll tax credit programs.

Descriptive Statistics of Iowa Targeted Jobs Withholding Tax Credit Program and Awards and Claims

- Across all pilot project cities, a total of $64.0 million of TJC tax credits for 84 awards were issued between FY 2007 and FY 2022.

- Eligible businesses signing TJC agreements pledged capital investments totaling $1.2 billion between 2007 and 2022. The pledged capital investments peaked in 2015 at nearly $490.0 million. The total number of pledged new jobs over the 84 projects totaled 2,587, while pledged retained jobs totaled 2,856.

- Accounting for 56.1 percent of all awards, Sioux City has the largest number of initial agreements totaling $35.9 million through FY 2022. Fort Madison has the second highest number of awards with $9.5 million, accounting for 14.8 percent of all awards. Council Bluffs has the smallest total awards at $2.8 million, accounting for just 4.4 percent of the total.

- From FY 2013 through the second quarter of FY 2022, a total of $42.9 million of TJC Tax Credits have been claimed by businesses on 1,460 quarterly withholding returns. The annual claim amounts made on withholding returns generally ranged between $3.0 million and $6.0 million. The count of claims made each year peaked at 192 in FY 2016 and declined to 96 by FY 2021.

I. Introduction

The purpose of this study is to analyze tax data and other pertinent information to evaluate the Iowa Targeted Jobs Withholding Tax Credit Program (TJC). This study will focus on its utilization, economic impact, equity, simplicity, competitiveness, adequacy, and extent of conformance with the original intent of its enacting legislation. This is the third evaluation of the TJC.

The TJC was commenced on July 1, 2006, as defined in Iowa Code Section 403.19A. The goal of the program is to create an incentive to allow Iowa border cities to compete with cities in neighboring states by retaining existing businesses as well as attracting new business investment by offering of a tax credit for existing and new businesses who commit to making investments and retaining or creating new jobs. The enacting legislation allowed for four pilot project cities, each of which must contain three or more census tracts, subject to approval by the Iowa Economic Development Authority (IEDA). One city was required to be in a county bordering South Dakota, one city in a county bordering Nebraska, and two cities in counties bordering a state other than South Dakota or Nebraska. Eligible pilot project cities were also required to contain three or more census tracts. Current pilot project cities enrolled in this program include Sioux City (bordering South Dakota and Nebraska), Council Bluffs (bordering Nebraska), Burlington, Fort Madison, and Keokuk (all bordering Illinois).

The most significant program modifications have included allowing two additional cities to qualify for participation, permitting businesses that retain jobs to be eligible to participate in addition to those that create jobs, and creating expanded oversight and reporting requirements for the IEDA. Additional changes have included allowing governmental entities to be considered eligible businesses and withholding agreements. The sunset date for the TJC was originally extended to 2018 and then subsequently extended over several legislative sessions to where it is now with a sunset date of June 30, 2024. (See Appendix 1. A Brief History of the Iowa Targeted Jobs Withholding Tax Credit Program by Effective Date)

Section III of the study describes the TJC and discusses similar tax credits in other states. Section IV presents descriptive statistics regarding characteristics of TJC operations, contributors, and tax credit utilization, including the timing of claims and the amount of credits carried forward each year

II.Tax Credit Programs for Job Creation in Iowa and the United States

A. The Iowa Targeted Jobs Withholding Tax Credit Program

Eligible businesses for the TJC are professional services, industrial enterprises, medical treatment facilities, manufacturing facilities, corporate headquarters, government entities, and research facilities. Businesses cannot include retail operations or businesses that would close or substantially reduce operations in one part of the State to relocated to a participating pilot project city. Eligible qualifying investments are defined as capital investments in real property (including the purchase price of land and existing buildings), site preparation, building construction, long-term lease costs, and investments in depreciable assets.

Targeted jobs include new or retained jobs resulting from established out-of-state businesses that are moving to Iowa or existing Iowa businesses expanding in Iowa that pay a wage equal to or above the countywide average wage as calculated by the Iowa Workforce Development. Under the Program, a pilot project city and IEDA enter into a withholding agreement with an eligible business to invest and create, or retain jobs, within city limits for a period of up to ten years. In the withholding agreement, pilot project cities, IEDA, and businesses establish the projected number of jobs to be created or retained before the contract expires. If, following an 18-month performance period that began on the date the withholding agreement was approved, the IEDA determines that the employer has not met the requirements of the withholding agreement relating to retaining jobs, the agreement is terminated by IEDA. When this happens the pilot project city and the business is no longer eligible for withholding tax credits. If, following the three-year performance period, the IEDA determines that the employer has not met or is incapable of meeting the requirements of the withholding agreement relating to creating jobs or the qualifying investment prior to the end of the withholding agreement, the IEDA may reduce future credits allowed under the agreement or negotiate with the other parties to terminate the agreement early.

The TJC equals 3.0 percent of the gross wages paid by the business to each employee filling targeted jobs. Each quarter, eligible businesses claim the withholding tax credit and then remit the same amount of funds to designated accounts established by pilot project cities. If the amount of withholding due for employees in targeted jobs is less than 3.0 percent of the gross wages paid, the employer can claim the credit against other withholding taxes due that tax period or carry the credit forward for up to ten years. The tax credit is not refundable and not transferable. Those employees whose wages are subject to the TJC receive full credit for the amount withheld from their paychecks when filing their individual income tax returns. The diverted withholding taxes must be used or pledged by the pilot project city for a project related to the employer pursuant to the withholding agreement.

A pilot project city arranges for matching local financial support for the project from a private donor, a business, or the city. The local match required is one dollar for every dollar of withholding tax credit received by the pilot project city. If the project, when completed, will increase the amount of an employer’s taxable capital investment by an amount equal to at least 10.0 percent of the amount of withholding tax credit dollars received by the pilot project city, then the pilot project city must contribute at least 10.0 percent of the local match. A pilot project city’s contribution to the local match may include the dollar value of any property tax abatement provided by the city to the business for new construction.

The following uses an example to illustrate the general award and claim process for the Iowa TJC:

- A hypothetical healthcare business already located in a pilot project city plans to make an investment of $1.5 million to expand its office space. The investment includes the cost of purchasing an adjacent lot, preparing the site, and constructing the additional space alongside an existing building. With the expansion, the business pledges to create five new jobs and retain its 15 existing jobs with an average hourly wage of $20 per hour. Without that investment, the business indicates it would close the location in the pilot project city and relocate in a neighboring state. Thus, eliminating all jobs at the business.

- It is established that no other Iowa city is competing with the pilot project city for this business. Thus, the business is eligible for the TJC program. The average annual salary of each pledged job created and retained job is $42,400 per job. During negotiations between the business, pilot project city, and IEDA, it is established that the 11-total eligible TJC Tax Credits per award year is $1,272 per job, or 3.0 percent, which totals $25,440 for all 20 pledged jobs. The agreement length was negotiated for five years. Therefore, the total TJC award would be $127,200.

- The pilot project city needs to arrange $127,200 to meet the required dollar for dollar local match funding under the TJC project. It is calculated that the completed TJC project will increase local property tax revenue by $13,000 due to the business expansion, which is more than 10.0 percent of the award amount ($12,720). Given that estimate, the pilot project city needs to provide at least 10.0 percent of the $127,200 in required local matching funds from the pilot project city's own funds. The pilot project city offers a five-year property tax abatement worth $3,000 per year. The remaining local match funding, $112,200, is met by the awarded healthcare business through the $1.5 million investment.

- IEDA assesses the economic impact of the proposed investment project based on the submitted information and makes a recommendation on the TJC agreement to the IEDA Board. If the Board approves the TJC agreement for the proposed project, the IEDA prepares the legal documents and a contract for the business, the IEDA, and the pilot project city to sign. This contract defines conditions, responsibilities, and benefits under the TJC program.

- Notice of the withholding agreement is provided to IDR following its execution. The IDR designates the business as eligible to make tax credit claims on withholding tax returns during the five years under the contract. The business claims TJC tax credits ($6,360 each quarter) on their withholding tax return and submits the $6,360 to the pilot project city. The pilot project city sends the funds back to the business to use on the project.

- Any project costs covered with the State withholding tax credits do not count toward the local match. During the five-year contract period, the business must complete an annual report for IEDA detailing investment and job information as of June 30 of each year.

- In the withholding agreement, the pilot project city, IEDA, and business establish that five new jobs will be created and 15 existing jobs will be retained before the contract expires. Following the 18-month performance period, if IEDA determines that the business did not retain the 15 jobs, the agreement shall be terminated by IEDA and the pilot project city.

- Following the three-year performance period, if IEDA determines that the business did not create the five jobs pledged in the agreement or retain the 15 pledged jobs, future benefits to the business under the agreement may be reduced or IEDA may negotiate with the other parties to terminate the agreement early.

B. Targeted Jobs Tax Credit Programs in Other States

Seventeen states, including Iowa, offer tax credits to businesses conditioned on the number of qualified jobs calculated as a percentage of the payroll of those jobs. (See Table 1: State Payroll Tax Credit Programs for Job Creation) Most states require businesses to create a minimum number of new jobs in order to be eligible for the tax credit. For example, to be eligible for the highest tax credit rates offered, both Kansas and Missouri require high impacted businesses to create at least 100 new jobs, the highest among the states offering such credits.

As noted above, Iowa requires businesses to be located in a pilot project city or to relocate to one of the pilot project cities in Iowa. New Jersey is the only other state with a tax credit program that is limited to border cities. The only qualified New Jersey city is Camden, which is located on the Pennsylvania border. The New Jersey Qualified Municipality Open for Business Incentive Program awards businesses tax credits equal to $2,500 in the first year and $1,250 in the second year for each new job created in qualified cities. Unlike Iowa's TJC, the New Jersey tax credits are claimed against corporate income tax liability, are nonrefundable, and can be carried forward for five years.

Nine states specify that the new jobs must meet certain wage criteria to qualify for tax credits under their programs. Oklahoma's 21st Century Quality Jobs Incentive Act requires each business to create jobs with at least 300.0 percent of the county minimum wage in Oklahoma to be eligible, which is the highest percentage required among these nine programs. Nebraska's program includes some created jobs requirements with at least 60.0 percent of the state average wage as eligible jobs. Missouri's program allows some created jobs with at least 80.0 percent of the county average wage in Missouri to be eligible. The TJC program in Iowa requires businesses to create jobs with wages meeting or exceeding 100.0 percent of the county average wage.

Seven states use a tier system to assign different tax credit rates to eligible businesses based on location, wage, industry, or the number of new jobs created. In Georgia and New Jersey, the award amount for each qualified job is fixed and does not depend on the wage level. Eight states, including Iowa, calculate the tax credit using a single rate applied to the annual or quarterly payroll of new jobs created. Alternatively, North Dakota offers a tax credit equal to 1.0 percent of payroll in the first three years and 0.5 percent in the next two years. New Jersey offers a fixed dollar amount of tax credit per job. New Mexico offers the highest payroll tax credit rate of 10.0 percent compared to Iowa's TJC payroll tax rate of 3.0 percent on targeted jobs. Three states, Ohio, South Carolina, and Utah, calculate tax credits as a percentage of the new employees' state withholding, or payroll taxes, rather than the wages on which the taxes are calculated.

Thirteen states specify industries that are qualified or not qualified for their payroll tax credit. For example, Iowa excludes retailers or those industries that would negatively impact another part of the State by moving to a pilot project city. Five states, not including Iowa, have specified a maximum amount of payroll tax credits that any business can claim per year. However, Iowa's program limits overall claims by specifying a total benefit maximum over the life of each project or have annual statewide caps on programs. For example, since

2016, Missouri allows $106.0 million for the life of a project. Kansas allows $6.0 million for job expansion and up to $2.4 million for job retention a year.

Most states allow eligible businesses to claim tax credits for more than one year. That time span is referred to as the benefit period. Eleven states including Iowa have a maximum benefit period of ten years or more. Ohio's maximum benefit period is 15 years, the longest among all states. New Jersey credits are only available for two years. For businesses that fail to meet the conditions in their agreements, Arkansas, Iowa, Nebraska, and New York have a claw-back provision in their tax credit agreements allowing the state to recapture tax credits. In Iowa, the IEDA issues a default to recapture tax credits generally in proportion to the business's actual performance in regard to job creation/retention or investment compared to the promised performance if the fundamental eligibility requirements of the program are still met.

C. Targeted Job Tax Incentive Programs in Neighboring States

Four states border Iowa TJC pilot project cities. Among these four states, South Dakota does not have an income tax. The other three states (Nebraska, Missouri, and Illinois) all have payroll tax credit programs.

The Nebraska Advantage Act categorizes businesses into six tiers based on investments and projected job creation. These tiers can range from $1.0 million in new investments with at least ten new jobs to $10.0 million in new investments with at least 50 new jobs. On average, most tiers can claim 3.0 percent of the business investment as the tax credit rate. If businesses fail to meet the requirements during the benefit period, the tax credits claimed can be recaptured by the Nebraska Department of Revenue. Claims to the Nebraska payroll tax credit are kept by the business, while amounts claimed under the Iowa TJC must be remitted to the pilot project cities. However, as noted above, it is the practice of the Iowa cities to then return the payments to the businesses for investments in a project.

The Missouri Works program targets businesses in its designated Enhanced Enterprise Zones, which are rural zones and other specified areas in Missouri. To be eligible for this tax credit, businesses in the Enhanced Enterprise Zones are required to create at least two new jobs paying at least 80.0 percent of the county average wage and make $100,000 of new investment. If the business is located in a rural area, then it needs to create at least two new jobs paying at least 90.0 percent of the county average wage and make $100,000 of new investment. For other areas, businesses need to create at least ten new jobs paying at least 90.0 percent of the county average wage. Large projects require businesses to create at least 100 new jobs paying at least 120.0 percent of the county average wage. The program excludes gambling, retail trade, food and drinking businesses, public utilities, educational services, religious organizations, and public administration companies. This program awards tax credits equal to 100.0 percent of the individual income tax withheld for new employees of eligible businesses. The benefit period is five or six years. The tax credit issued under the Missouri Works program is refundable. Beginning in FY 2023, the annual statewide limit on tax credit awards is $116.0 million.

The Illinois Economic Development for a Growing Economy (EDGE) Credit is available through June 30, 2027 and offers a negotiable percentage of payroll of new jobs to businesses for up to ten years. The credit requires a business to make an investment of at least $5.0 million in capital improvements and create a minimum of 25 new full-time jobs in Illinois. For a company with 100 or fewer employees, the company must agree to make a capital investment of $1.0 million and create at least five new full-time jobs. Businesses in retail trade and personal service are not qualified for the credit. This credit has no claw-back provision, and cannot be carried forward.

III. Descriptive Statistics of Iowa Targeted Jobs Withholding Tax Credit Program and Awards and Claims

A. Iowa Targeted Jobs Withholding Tax Credit Program Awards

Across all pilot project cities, a total of $64.0 million of TJC tax credits for 84 awards were issued between FY 2007 and FY 2022.The total amount of TJC awards made on the initial agreements each year grew from $0.8 million in FY 2007 to $10.3 million in FY 2018. Awards dropped to $0 in FY 2020 and FY 2021, due to the COVID-19 Pandemic, but slowly started to rise again to $760,000. The fiscal year associated with each project reflects the year when the tax credit certificate number was issued to the business and the award was reported to IDR, not necessarily the year in which the EDA Board approved the initial agreement. (See Table 2. Targeted Jobs Withholding Tax Credit Awards by Fiscal Year, 2007-2022)

Eligible businesses signing TJC agreements pledged capital investment totaling $1.2 billion between 2007 and 2022. The pledged capital investment peaked in 2015 at nearly $490.0 million. The total number of pledged new jobs over the 84 projects totaled 2,587, while pledged retained jobs totaled 2,856. The average TJC tax benefits awarded per pledged job over the life of the program is $11,760. Since the awarded benefits are claimed over the life of the agreement, lasting between five to ten years, which begins when the job is created or as long as the job is retained. Average tax credits awarded per pledged job ranged from only $2,067 in 2015 to $58,182 in 2018 indicating that the size of awards is unique to the individual elements of each business. (See Table 3. Jobs and Investment Pledged by Businesses Participating in Targeted Jobs Program by Fiscal Year, 2007-2022)

Among the pilot project cities, Sioux City has the largest number of initial agreements totaling $35.9 million through FY 2022, accounting for 56.1 percent of all awards. Fort Madison has the second highest dollar amount in awards with $9.5 million, accounting for 14.8 percent of all awards. Council Bluffs has the smallest total awards at $2.8 million, accounting for just 4.4 percent of the total. (See Table 4. Targeted Jobs Withholding Tax Credit Awards by Pilot Project City, 2007-2022)

Participating businesses in Sioux City had the highest pledged investment, $461.3 million. The total pledged capital investment from participating businesses in Council Bluff was $355.5 million, the second highest amount. The highest number of pledged new jobs was 1,430 in Sioux City with 473 in Fort Madison as the second highest. The highest total number of pledged retained jobs was 1,186 in Sioux City with and 558 in Keokuk as the second highest. Average tax credits awarded per pledged job in Council Bluffs is just under $6,900, the lowest among the pilot project cities. The highest average tax credits awarded per pledged job is $13,716 for Sioux City. (See Table 5. Jobs and Investment Pledged by Businesses Participating in Targeted Jobs Program by Pilot Project City, 2007-2022)

B. Iowa Targeted Jobs Withholding Tax Credit Program Claims

From FY 2013 through the second quarter of FY 2022, a total of $42.9 million of TJC Tax Credits have been claimed by businesses on 1,460 quarterly withholding returns. The annual claim amount made on withholding returns generally ranged between $3.0 million and $6.0 million. The count of claims made each year peaked at 192 in FY 2016 and declined to 96 in FY 2021. (See Table 6. Targeted Jobs Withholding Tax Credit Claims by Fiscal Year)

IV. Conclusion

This evaluation study provides an overview and analysis of the Iowa Targeted Jobs Withholding Tax Credit Program (TJC). The TJC program provides tax benefits for businesses to create and retain jobs in participating Iowa border cities.

Between award years 2007 and 2022, $64.0 million of TJC tax incentives were awarded under 84 agreements that either closed successfully or continue to be monitored by the Iowa Economic Development Authority. Eligible businesses signing TJC agreements pledged capital investment totaling $1.2 billion between 2007 and 2022. The pledged capital investment peaked in 2015 at nearly $490.0 million. The total number of pledged new jobs over the 84 projects totaled 2,587, while pledged retained jobs totaled 2,856. The average TJC tax benefits awarded per pledged job over the life of the program is $11,760. From FY 2013 through the second quarter of FY 2022, a total of $42.9 million of TJC Tax Credits have been claimed by businesses on 1,460 quarterly withholding returns.

The current TJC program is scheduled to expire June 30, 2024. Claims under existing agreements will impact General Fund revenues well after the expiration date since the length of TJC contracts can be up to 10 years.

Iowa's Targeted Jobs Tax Credit Program Evaluation Study

Appendixes, Tables, and Figures

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Appendix 1. A Brief History of the Iowa Targeted Jobs Withholding Tax Credit Program by Effective Date

July 1, 2006	The Iowa Targeted Jobs Withholding Tax Credit Program is commenced July 1, 2006, due to the enactment of 2006 House File 2731 on May 30, 2006 (Iowa Code Section 403.19A) for four eligible cities as pilot project cities.
July 1, 2006	2007 House File 95 was enacted by the 2007 General Assembly, but was applied retroactively to the beginning of the program to expand the original enacting legislation to include the approval of two eligible cities that are located in the same county if the county has a population of less than 45,000. It specifies that the combination of the two cities would be considered one pilot project, but one city no longer qualifying for the TJC would not jeopardized if the eligibility of the other was lost its status.
July 1, 2006	2011 Senate File 533 was enacted by the 2011 General Assembly, but was applied retroactively to the beginning of the program to expand the definition of eligible businesses to include businesses that retained jobs in addition or instead of the previous requirement of creating jobs.
July 1, 2006	2013 Senate File 433 was enacted by the 2013 General Assembly, but was applied retroactively to the beginning of the program to remove the requirement for the employer to be located within an urban renewal area. Also, the sunset date for the program was extended to June 30, 2018. IEDA's oversight of the program was expanded and participating cities were given the ability to negotiate the amount and length of agreements. Finally, IEDA became responsible for assessing compliance of retained jobs after 18-months and created jobs and investment after three years.
July 1, 2006	2018 Senate File 2417 was enacted by the 2018 General Assembly, but was applied retroactively to the beginning of the program to extend the sunset date from June 30, 2018 to June 30, 2019.
July 1, 2006	2019 House File 779 was enacted by the 2019 General Assembly, but was applied retroactively to the beginning of the program to extend the sunset date from June 30, 2019 to June 30, 2021.
July 1, 2006	2021 Senate File 619 was enacted by the 2021 General Assembly, but was applied retroactively to the beginning of the program to extend the sunset date from June 30, 2021 to June 30, 2024.
July 1, 2009	2009 Senate File 304 added requirements that withholding agreements provide for the total amount of withholding tax credits that does not exceed the qualifying project investment made, prohibits pilot project cities were prohibited from using the program's incentives to compete for jobs against other Iowa cities, and reporting requirements by pilot project cities to the IEDA.
July 1, 2012	2012 Senate File 2212 allowed governmental entities to be considered eligible business within the Program's requirement.

Table 1. State Payroll Tax Credit Programs for Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
Alabama	Jobs Act Incentives	2015	Up to 4.5% of payroll of new employees; Benefit period: 10 years	Statewide	At least 25 new jobs	chemical manufacturing, data centers, metal/machining, engineering, design and research projects.	No
Arkansas	Payroll Rebate (Create Rebate)	2003	3.9% of annual payroll in tier 1 counties, 4.25% of annual payroll in tier 2 counties, 4.5% of annual payroll in tier 3 counties, and 5% of annual payroll in tier 4 counties; Benefit period: up to 10 years	Statewide	Total payroll of created job is at least $2,000,000 within 24 months after the contract is signed; For tech companies with a 5% credit, the average wage for new employees must be at least 175% of the lesser of the state or county average wage	Manufacturers; software; motion picture production; distribution centers; office sector businesses; corporate headquarters; commercial, physical and biological research; scientific and technical services	No
Georgia	Quality Jobs Tax Credits (QJTC)	2010	$2,500 for each job if wages are between 110% and 120% of county average wage; $3,000 if wages are between 120% and 150% of county average wage; $4,000 if wages are between 150% and 175% of county average wage; $4,500 if wages are between 175% and 200% of county average wage; $5,000 if if wage is above 200% of county average wage; Benefit years: 7 years	Statewide	At least 50 new jobs with wage at least 10% higher than the county average wage	All eligible	No

Table 1A. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
Illinois	Economic Development for a Growing Economy (EDGE) Credit	2009, expired in 2016, and reenacted in 2017	A negotiable percentage of payroll of new jobs. Benefit period: 10 years	Statewide	Invest at least $5 million and create a minimum of 25 new full-time jobs. For a company with 100 or fewer employees, the company must invest $1 million and create at least 5 new full-time jobs.	No retail trade and personal services	No
Iowa	Targeted Jobs Withholding Tax Credit	2007	3% of the payroll of new jobs. Benefit period: Up to 10 years	5 pilot project cities	Relocating to Iowa; or if already in Iowa, at least 10 new jobs, at least $500,000 investment, or at least retaining 10 jobs	Non-retail and not government entity	Yes
Kansas	Promoting Employment Across Kansas Act	2009	A negotiable percentage of payroll of new jobs. Limit is $6 million for job expansion and up to $2.4 million for job retention. Benefit period: 10 years.	Statewide	Within two years from the date of the agreement, 10 new jobs for businesses relocated in a metro-county, 5 new jobs for relocating to a nonmetro-county, and 100 new jobs for high impact projects. Commencing January 1, 2013 and ending December 31, 2014, retained jobs can also be eligible for the tax credit	Excludes gambling, religious organizations, retail trade, educational services, public administration, utilities, and bioscience	No
Louisiana	Quality Jobs Program	2007	6% cash rebate of 80% of annual gross payroll for new jobs. Beginning on July 1, 2018, 6% of 100% of annual gross payroll for new jobs. Benefit period: 10 years.	Statewide	At least 5 new jobs. Minimum annual payroll thresholds on net new jobs are $250,000 for companies with less than 50 employees and $500,000 for companies with 50 or more employees	Bioscience, manufacturing, environmental technology, food technology, advanced materials, or oil and gas field service	No

Table 1B. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
Missouri	Missouri Works	2013	For enhanced enterprise zones, rural zones, and statewide works, 100% of the withholding tax of the new jobs. For large projects, 6% or 7% of the payroll of the new jobs, depending on the wage levels. Annual limit is $106 million for 2016 forward. Benefit period: 5 or 6 years	Statewide	For enhanced enterprise zones, at least 2 new jobs with at least 80% of county average wage and $100,000 of new investment. For rural zones, at least 2 new jobs with at least 90% of county average wage and $100,000 of new investment. For statewide works, at least 10 new jobs with at least 90% of county average wage. For large projects awarded with 6% of new payroll, at least 100 new jobs with at least 120% of county average wage. For large projects awarded with 7% of new payroll, at least 100 new jobs with at least 140% of county average wage	Excludes gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, and public administration companies	No

Table 1C. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
Nebraska	Nebraska Advantage Act	2006	For a tier 1, 2, 3, or 4 project: 3% of payroll of new employees if the average wage is at least 60% of the Nebraska average wage; 4% if it is at least 75% of the Nebraska average wage; 5% if it is at least 100% of the Nebraska average wage; 6% if it is at least 125% of the Nebraska average wage; effective 1/1/2009, exclude any employee with wage over of $1 million. For tier 2 or 4, the credit is 10% of the investment. For tier 1, 3% of the investment. For tier 6, 15% of the investment. For a tier 1, 3, or 6 project, benefit period: 10 years; For a tier 2, 4, or 5 project, benefit period: 7 years	Statewide	Tier 1, investment of at least one million dollars and the hiring of at least ten new employees; Tier 2, investment of at least three million dollars and the hiring of at least thirty new employees; Tier 3, the hiring of at least thirty new employees; Tier 4, investment of at least ten million dollars and the hiring of at least one hundred new employees; Tier 5, investment of at least thirty million dollars; and Tier 6 investment in qualified property of at least ten million dollars and the hiring of at least seventy-five new employees, or investment of at least one hundred million dollars and the hiring of at least fifty new employees.	For a tier 1 project: research; the assembly, fabrication, manufacture, or processing of tangible personal property; sale of software development services, computer systems design, product testing services, or guidance or surveillance; For a tier 2, tier 3, tier 4, or tier 5 project: data processing, telecommunication, insurance, or financial services; headquarter facilities; and storage, warehousing, distribution, transportation, or sale of tangible personal property. For a tier 6 project: any non-retail business	Yes

Table 1D. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
New Jersey	Municipal Rehabilitation and Economic Recovery Act	2002	$2,500 in the first year and $1,250 in the second year for each qualifying job. Benefit period: 2 year.	Camden	No	All eligible	No
New Mexico	High-Wage Jobs Tax Credit	2004	10% of wages and benefits for new employees in high-wage jobs against withholding tax. Limit: $12,000 per eligible employee. Benefit period: 4 years	Statewide	New jobs must be paid at least $40,000 annually in a municipality of 40,000 or more residents, and at least $28,000 elsewhere in the state	All eligible	No
New York	Excelsior Jobs Program	2011	6.85% of gross wages paid for each net new job. Benefit period: 10 years.	Statewide	At least 5 net new jobs	Scientific Research and Development, Software Development, Agriculture, Manufacturing, Financial Services, Back Office, Distribution, Music Production, Entertainment Companies, and other firms creating at least 300 net new jobs and investing at least $6 million	Yes
North Dakota	New Industry Wage and Salary Credit	1969	1% of payroll in the first three years of business and 0.5% in the fourth and fifth years. Benefit period: 5 years.	Statewide	Relocating to North Dakota	Assembling, fabricating, manufacturing, and mixing or processing any agricultural, mineral, or manufactured products	No

Table 1E. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
Ohio	Job Creation Tax Credit Program Servicing	2004	A negotiable percentage of state tax withholdings on the wages of new employees. Benefit period: 15 years.	Statewide	At least 10 new full-time positions paying at least 150% of minimum wage	All eligible	No
Oklahoma	Quality Jobs Program/ Small Employer Quality Jobs	1993	A negotiable percentage of payroll up to a 6% of payroll of new jobs. Benefit period: 10 years.	Statewide	A $2.5 million taxable payroll for any four consecutive quarters during the first 12 quarters in the program and have an average wage equal to or above the average county wage in which the company is locating or expanding	Manufacturing, research, central administrative offices, warehousing or distribution if 40% of the product is shipped out of state, certain enumerated service industries, oil and gas company headquarters	No
	21st Century Quality Jobs Incentive Act	2009	A negotiable percentage of payroll up to a 10% of payroll of new jobs. Benefit period: 10 years.	Statewide	Requires at least 10 full-time jobs at an annual average wage of the lesser of $95,243 or 300% of the county's average wage	Specialty hospitals (except psychiatric and substance abuse hospitals), performing arts companies, electric utility activities, engineering construction, motion picture and video industries, sound recording industries, financial investment activities, insurance carriers, professional services, and electronic equipment repair and maintenance activities	No

Table 1D. State Payroll Tax Credit Programs for Job Creation (Continued)

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision
South Carolina	Job Development Credit	2001	100% of South Carolina income tax withholding on new employees. Benefit period: 10 years. Limit: $3,250 per employee	Statewide	At least 10 new jobs	Manufacturing, certain tourism functions, processing, warehousing, distribution, research and development, corporate office facilities, certain medical, surgical, and other health services, certain qualifying service-related industries, certain technology intensive facilities (effective for tax years beginning on or after June 30, 2001), and renewable energy manufacturing facilities	No
Utah	Targeted Business Income Tax	2017	A negotiable percentage of state tax withholdings on the wages of new employees. The limit for the total awards each year: $300,000	Be located in an enterprise zone and a county with a population of less than 25,000 and an unemployment rate higher than the state average	Create new jobs	Not be engaged in construction, retail trade or public utility activities	No

Source: Various State Department of Revenue Websites

Table 2. Targeted Jobs Withholding Tax Credit Awards by Fiscal Year, 2007-2022

Fiscal Year	Number of Awards	Total Awards	Average Awards
2007	2	$845,700	$422,850
2008	15	$5,714,588	$380,973
2009	10	$6,764,000	$845,500
2010	2	$2,638,177	$1,319,089
2011	9	$14,678,793	$2,096,970
2012	9	$6,113,937	$679,326
2013	8	$9,685,051	$1,210,631
2014	0	$0	$0
2015	10	$2,214,081	$221,408
2016	5	$1,205,900	$241,180
2017	3	$1,944,293	$648,098
2018	4	$10,298,240	$2,574,560
2019	5	$1,147,839	$229,568
2020	0	$0	$0
2021	0	$0	$0
2022	2	$759,333	$379,667
Total	84	$64,009,932	$762,023

Source: The Iowa Economic Development Authority request
Note: Some businesses did not participate in the program after they signed the initial agreements; those agreements are not included in the right two columns.

Table 3. Jobs and Investment Pledged by Businesses Participating in Targeted Jobs Program by Fiscal Year, 2007-2022

Fiscal Year	Total Award Amount	Capital Investment Pledged	Created Jobs Pledged	Retained Jobs Pledged	Total Jobs Pledged	Average Awarded Credits Per Job
2007	$845,700	$1,240,000	11	38	49	$17,259
2008	$5,714,588	$325,851,468	170	292	462	$12,369
2009	$6,764,000	$48,803,000	350	449	799	$8,466
2010	$2,638,177	$35,000,000	0	422	422	$6,252
2011	$14,678,793	$90,963,000	240	712	952	$15,419
2012	$6,113,937	$22,349,782	81	252	333	$18,360
2013	$9,685,051	$56,700,955	208	361	569	$17,021
2015	$2,214,081	$489,631,279	950	121	1,071	$2,067
2016	$1,205,900	$38,188,000	191	48	239	$5,046
2017	$1,944,293	$40,981,163	263	33	296	$6,569
2018	$10,298,240	$22,404,002	92	85	177	$58,182
2019	$1,147,839	$4,500,000	0	43	43	$26,694
2022	$759,333	$8,800,000	31	0	31	$24,495
Total	$64,009,932	$1,185,412,649	2,587	2,856	5,443	$11,760

Source: The Iowa Economic Development Authority
Note: Some businesses did not participate in the program after they signed the initial agreements; those agreements are not included in this table.

Table 4. Targeted Jobs Withholding Tax Credit Awards by Pilot Project City, 2007-2022

Pilot City	Number of Awards	Total Awards	Average Awards
Sioux City	56	$35,880,473	56.1%
Fort Madison	7	$9,452,928	14.8%
Council Bluffs	8	$2,790,760	4.4%
Burlington	8	$8,382,965	13.1%
Keokuk	5	$7,502,806	11.7%
Total	84	$64,009,932	100.0%

Source: The Iowa Economic Development Authority
Note: Some businesses did not participate in the program after they signed the initial agreements; those agreements are not included in the right three columns.

Table 5. Jobs and Investment Pledged by Businesses Participating in Targeted Jobs Program by Pilot Project City, 2007-2022

Pilot City	Total Award Amount	Capital Investment Pledged	Created Jobs Pledged	Retained Jobs Pledged	Total Pledged Jobs	Average Awarded Credits Per Job
Sioux City	$35,880,473	$461,315,223	1,430	1,186	2,616	$13,716
Fort Madison	$9,452,928	$103,025,000	473	457	930	$10,164
Council Bluffs	$2,790,760	$355,478,065	289	117	406	$6,874
Burlington	$8,382,965	$219,177,761	272	538	810	$10,349
Keokuk	$7,502,806	$46,416,600	123	558	681	$11,017
Total	$64,009,932	$1,185,412,649	2,587	2,856	5,443	$11,760

Source: The Iowa Economic Development Authority
Note: Some businesses did not participate in the program after they signed the initial agreements; those agreements are not included in this table.

Table 6. Targeted Jobs Withholding Tax Credit Claims by Fiscal Year

Fiscal Year	Number of Claims	Total Claims	Average Claim
2013	154	$3,131,571	$20,335
2014	159	$3,683,087	$23,164
2015	181	$4,328,579	$23,915
2016	192	$5,090,734	$26,514
2017	190	$4,830,377	$25,423
2018	178	$4,961,663	$27,875
2019	145	$4,515,273	$31,140
2020	116	$5,579,918	$48,103
2021	96	$4,473,775	$46,602
2022	49	$2,322,778	$47,404
Total	1,460	$42,917,755	$29,396

Source: The Iowa Department of Revenue
Note: Tax year totals includes all claims reported on the four withholding quarterly returns filed for each fiscal year. Claim data from tax year 2022 are still incomplete.