



**Department of Revenue**

**New Jobs Tax Credit  
Tax Credits Program Evaluation Study**

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## Preface

Iowa Code Section 2.48 directs the Department of Revenue to review certain tax expenditures it administers. The review shall consist of evaluating the tax credit and assess its equity, simplicity, competitiveness, public purpose, adequacy, and extent of conformance with the original purpose of the legislation that enacted the tax expenditure, as those issues pertain to taxation in Iowa. The schedule provided in Iowa Code Section 2.48 requires a review in 2025 of the New Jobs Tax Credit authorized under section 422.11A. This is the Department of Revenue's third evaluation study completed for this expenditure. Prior studies were completed in 2015 and 2020.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel:

Lisa Connell	Iowa Economic Development Authority
Nicole Crain	Iowa Association of Business and Industry
David Frisvold	University of Iowa
Tyler McCarville	Kirkwood Community College
Jana Van Der Kamp	Iowa Workforce Development

The assistance of an advisory panel implies no responsibility for the content and conclusions of the evaluation study. This report was also reviewed by Robin Anderson, Ph.D., State Chief Economist and Division Administrator of the Research and Policy Division. This study and other evaluations of Iowa tax credits can be found on the [evaluation study web page](#) on the Iowa Department of Revenue website.

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## **Executive Summary**

The New Jobs Tax Credit was created in 1985 to provide additional tax benefits for businesses participating in the Iowa Industrial New Jobs Training Program (260E). Participating businesses are eligible for the tax credit if they have increased their employment by at least 10 percent of existing employment.

The New Jobs Tax Credit is equal to six percent of eligible wages paid to employees for each new job and is claimed against corporation and individual income taxes. The tax credit is nonrefundable, may be carried forward for up to ten years, and is nontransferable. The tax credit can only be claimed once for each eligible new job.

The major findings of the study are these:

### **Other State Incentives for Neighboring States**

- The New Jobs Tax Credit is unique because eligible businesses must have both an active contract for training new employees with a community college and meet conditions for job creation. No comparable job incentive program in a neighboring state has such a dual requirement.
- All of Iowa's neighboring states, with the exception of South Dakota which does not have an income tax, offer various income, payroll or sales tax incentives directly associated with job creation.
- Missouri and Wisconsin provide fully refundable income tax credits while Minnesota's Greater Minnesota Jobs Expansion Program allows refundable sales tax refunds for eligible businesses.
- Only the Missouri Works program provides tax credits which are fully transferable.

### **New Jobs Tax Credit Claims**

- Between tax years 2006 and 2024 there were 14,110 New Jobs Tax Credit claims, with total tax credit claim amounts reducing corporation income and individual income taxes by \$38.0 million.
- While only 7.0 percent of claims were made on corporation income tax returns, 53.0 percent of the total claim amount was made against Iowa corporation income tax. The remaining claims were filed by members of pass-through entities on individual income tax returns.

### **Economic Analysis of the New Jobs Tax Credit**

- Of the 1,230 businesses with a 260E agreement, 292 (23.7%) were associated with New Jobs Tax Credit claims.
- More than half (53%) of New Jobs Tax Credits were claimed within three years after the business enters into a 260E agreement.

- More than 50 percent of claims matched to businesses with 260E agreements were associated with three of the 15 Iowa community colleges: Kirkwood Community College, Des Moines Area Community College, and Northeast Iowa Community College.
- Of the 292 businesses associated with a New Jobs Tax Credit claim, manufacturing businesses accounted for 150 (51.4%) of the businesses claiming the New Jobs Tax Credit and claim amounts totaled \$10.5 million.
- It is estimated that, on average, each 260E agreement associated with a tax credit claim represents 37 new jobs created and \$1,217 of New Jobs Tax Credits per position.
- Based on the total amount of New Jobs Tax Credit claims (\$38.0 million) made between tax years 2006 and 2024, it is estimated these claims represent approximately 31,000 new jobs created under the program. Note that this estimate only represents those 260E agreements with New Jobs Tax Credit claims and not the total number of new jobs created under the 260E program overall.
- Businesses with New Jobs Tax Credit claims, on average, were more likely to create jobs at a higher ratio of their new jobs pledged when compared to businesses without any claims. For employers claiming the New Jobs Tax Credits, their ratio of actual jobs created to the number of new jobs pledged was 0.86, slightly higher than 0.81 for eligible employers without any claims over the period covered by the 260E agreement.
- Nearly half (602) of the 1,230 businesses with 260E agreements had a base employment between 1 to 99 jobs. These businesses accounted for 52.7 percent of the businesses with tax credit claims, the highest among all base employment groups.
- Of the businesses claiming the New Jobs Tax Credits against corporation income tax, these employers also claimed \$73.5 million in Investment Tax Credits that are associated with the High Quality Jobs Program.
- Businesses have increasingly underutilized the New Jobs Tax Credit program. The utilization rate is defined as the ratio in the number of 260E agreements associated with a tax credit claim compared to the total number of 260E agreements for each fiscal year. Between fiscal year 2014 and fiscal year 2024, the utilization rate generally trended down, dropping from 25.0 percent in 2014 to 8.0 percent in 2023.

## **I. Introduction**

The New Jobs Tax Credit was created as an additional incentive for job creation associated with the Iowa Industrial New Jobs Training Program (260E). The purpose of this evaluation study is to analyze tax data and other pertinent information in order to assess the New Jobs Tax Credit with particular attention to the nature of its utilization and economic impact.

Section II of this report provides background on the New Jobs Tax Credit. Section III provides information about similar tax credit programs in other states. Section IV provides a review of existing literature concerning economic development incentives for state job creation programs. Section V presents data regarding New Jobs Tax Credit claims. Section VI provides an analysis of the economic effects and utilization of the credit. The final section of this report provides a brief conclusion.

## **II. Background of the New Jobs Tax Credit**

The Industrial New Jobs Training Program became effective July 1, 1983 with a purpose to incentivize the expansion and training of Iowa's workforce. Information regarding the Industrial New Jobs Training Program is provided for in Iowa Code Chapter 260E. A component of the Industrial New Jobs Training Program is the New Jobs Tax Credit applicable to income tax under Iowa Code Section 422.11A. The New Jobs Tax Credit, created in 1985 in response to the farm crisis, was the first Iowa income tax credit associated with job creation.

The Industrial New Jobs Training Program, commonly referred to as "260E" after the Iowa Code chapter which authorizes the program, assists businesses creating new positions with employee training. The 260E program allows eligible businesses and community colleges to enter into 260E agreements to train new employees. Eligible businesses may be new, expanding, or relocating to the state. Employees qualifying for training services must fill newly-created positions and be subject to Iowa withholding tax. In addition, a qualifying business must be engaged in manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development. Employees receiving training must fill positions which did not exist during the six months prior to the date of the 260E agreement. Businesses cannot have closed or reduced their employment base in order to relocate the same operations to another area of the state to benefit from the program. The costs for on-the-job training are also limited to no more than 50 percent of the annual gross payroll for up to one year of the new jobs. Training services provided under the program may include new job training, adult education and job-related instruction, or skill assessment, among others. Under Iowa Administrative Code 871, Chapter 62, each community college is required to establish a monitoring system to ensure compliance with the program and 260E agreement for each participating business.

Employee training is financed by the sale of bonds by the business's partner college. The participating business diverts 1.5 percent of gross wages from the withholding taxes generated by the new positions to the community college to retire the bonds. The business then claims a New Jobs Credit from Withholding on their withholding tax return equal to that of the payment made to the community college. Participating businesses must remit payments to the community colleges before making any withholding credit claims. Because of this structure, the training is available at essentially no cost to the business, since the bonds are retired with dollars otherwise paid to the state as withholding taxes. A Supplemental New Jobs Credit from Withholding is also available to businesses that have received an Enterprise Zone Program award from the Iowa Economic Development Authority (IEDA) or if a business surpasses established wage thresholds. If eligible, the business diverts an additional 1.5 percent of gross payroll from withholding taxes generated by the new positions, for a total of 3.0 percent.

While the 260E program is administered by fifteen of Iowa's community colleges, the program is coordinated by Iowa Workforce Development (IWD). Previously, the program was coordinated by IEDA, until July, 2022. IWD also administers or coordinates several other job training programs, such as the Accelerated Career Education Program (260G), Jobs Training Program (260F), and the STEM and Student Internship Programs.

In addition to 260E withholding credits, a business may be eligible to claim a one-time New Jobs Tax Credit applicable to income tax if the business meets additional requirements while covered by a 260E agreement. To qualify, the business must increase its employment at the location covered by the agreement by at least 10 percent of the base employment. Only new jobs covered by the agreement or those directly related to those jobs are used to determine if the 10 percent threshold for increasing employment has been met. Base employment means the original number of full-time jobs at the location specified in the agreement as of the agreement date. A full-time job includes any position with an average work week of 35 hours or more, a salaried position, or an aggregate number of part-time positions which equal one full-time position.

The New Jobs Tax Credit is equal to six percent of taxable wages for each new job, up to the amount the employer is required to contribute to the State unemployment compensation fund, which is \$38,200 per new job for 2024. Thus, for 2024, the tax credit is limited to \$2,292 per new job. While the New Jobs Tax Credit can be claimed in any year covered by the 260E agreement, the tax credit cannot be claimed until the base employment has been exceeded by at least 10 percent. In the case a business is without a base employment, such as a new facility, the tax credit can be claimed for all eligible new jobs. Since one new job could employ multiple employees due to turnover, qualifying new jobs can only be claimed for the maximum of one year's employment wages.

The New Jobs Tax Credit may be applied against corporation income and individual income taxes. If eligible, the New Jobs Tax Credit is automatic, that is, the taxpayer simply reports the amount earned on their income tax return in addition to completing the supporting IA 133 and IA 148 forms with their return. Taxpayers filing corporation income tax returns must also complete Schedule C1. If the eligible business is organized as a

pass-through entity, such as a S corporation or partnership, the tax credit is passed through to its members and claimed based on each member's pro rata share of the income of the entity. The New Jobs Tax Credit is also nonrefundable, which means that while the tax credit offsets tax liability, any credit amount greater than the tax liability in the initial tax year of the claim is not paid to the claimant and remains unused. A refundable tax credit, by contrast, provides a net payment, or "refund," to the taxpayer in the event the credit amount exceeds tax liability. Unused New Jobs Tax Credits can be carried forward for up to ten tax years. The tax credit is also not transferable, which means it may not be sold or traded to other taxpayers.

### **III. Other State Incentives for Neighboring States**

The Iowa New Jobs Tax Credit is unique because eligible businesses must have both an active contract for training new employees with a community college and meet conditions for job creation. Among Iowa's neighboring states, none have a comparable job incentive program with similar dual requirements. However, broadening the comparison to state programs encouraging job creation, tax credits associated with job creation were identified in almost all neighboring states. The following comparison focuses on statewide tax incentive programs available in Iowa's neighboring states (see Table 1). This table was compiled in an attempt to gauge the competitiveness and adequacy of Iowa's New Jobs Tax Credit compared to other states. Available incentive programs are administered by each of the neighboring state's Department of Economic Development or their equivalent agency.

Among Iowa's neighboring states, South Dakota does not have a comparable income tax credit program focused on job creation as the state does not have an income tax. Minnesota has a sales tax credit program to encourage job creation. The other four states (Nebraska, Missouri, Illinois, and Wisconsin) offer an income tax credit or payroll tax credit program directly associated with job creation that is available statewide.

Minnesota does not have an income tax incentive tied to job creation but the state does offer a sales tax incentive through the Greater Minnesota Job Expansion Program. Employers increasing their employment by a minimum of two full-time equivalent employees or 10 percent of the current number of employees, whichever is greater, are eligible for the program. The program allows those eligible employers to receive sales tax refunds from their purchases and use of tangible personal property and taxable services over a seven-year period.

Illinois offers the Economic Development for a Growing Economy Credit (EDGE). This program provides a nonrefundable income tax credit of 50 percent of income tax withheld for new jobs created in the state, increasing to 75 percent if the jobs are created in underserved areas. Additional credits are also available for qualified training costs. The program categorizes businesses into two tiers based on the amount of capital investment and the number of jobs created. Tier 1 includes businesses with fewer than 100 employees, has no investment requirement, and increase their employment by five



percent. Tier 1 also includes businesses with more than 100 employees, increase their employment by at least 10 percent, and make a capital investment of at least \$2.5 million. Tier 2 is reserved for any sized business creating at least 100 jobs and making a capital investment of at least \$50 million. Tax credit benefits are available for up to 15 years depending on the number of jobs created and the amount of investment made.

The Missouri Works program is designed to incentivize the expansion and retention of Missouri's workforce. To be eligible for this tax credit, businesses in rural counties are required to create at least two new jobs to be eligible for a tax credit equal to 100 percent of the withholding tax of the newly created jobs. Most other businesses are required to create at least ten new jobs to be eligible for the tax credit. Large businesses must create at least 100 new jobs to be eligible for an incentive equal to either six percent or seven percent of the payroll of the new jobs. The benefit period is either five or six years depending on the size and location of the project. The program excludes gambling establishments, food and drinking places, public utilities, educational services, religious organizations, public administration, ethanol distillation or production, biodiesel production, healthcare and social services.

Enacted in 2020, the Imagine Nebraska Act provides various tax benefits to employers in Nebraska, including tax credits, with a value dependent on the number of new jobs created and the amount of investment. Employment tax credit values range between four and nine percent of the average wage of the new jobs. An additional one percent is available if the employer is a benefit corporation or if the project is located in an extremely blighted area. A minimum of five new jobs with a \$250,000 capital investment is required, or 20 new jobs with no investment requirement, to receive benefits. The tax credit is nonrefundable and may be carried forward for up to three years after the end of the performance period covered by the program. In addition to being utilized against various tax types, such as income tax and withholding tax, the tax credit may also be used to repay loans made through the program, reimburse qualifying job training expenses or offset taxpayer-sponsored childcare expenses.

Wisconsin offers the Business Development Tax Credit (BTC) Program, a refundable jobs tax credit. The program requires expansion or retention of a business's workforce and approval from the Wisconsin Economic Development Corporation. As of 2024, the program also requires a minimum \$250,000 capital investment to qualify. Eligible businesses can receive an income tax credit up to 10 percent of total wages paid to eligible employees during the tax year, and in some cases a percentage of eligible training costs incurred for the new employee. An additional tax credit for up to five percent of total wages paid is also available if the eligible employee is located in a distressed area. New jobs in retail, loan companies, media businesses, farms, telemarketing, pawn shops, certain medical facilities, and financial institutions are not eligible for the credit.

## IV. Literature Review

While there is limited literature specific to Iowa, there is a large volume of research investigating the effectiveness of tax incentives and policies promoting economic development and job creation. A review of relevant literature concerning the effectiveness of state-level job creation programs results in varying conclusions. While some studies suggest there is little to no impact of tax credits incentivizing job creation, others have found evidence that tax credits do indeed stimulate job growth. A challenge in examining the effectiveness of tax incentives focused on job creation is determining whether jobs created under such programs are jobs that would have been created even without the incentive. Another is determining the extent to which tax credit incentives impact a business's decision to locate or expand jobs in one state or another.

Two tax credit programs were found to have similarities with Iowa's New Jobs Tax Credit program, Georgia's Job Tax Credit and the California Competes Tax Credit. Both incentive programs provide nonrefundable tax credits which promote job creation in those states.

Gurmu et al. (2022) examined the effectiveness of job creation for Georgia's Job Tax Credit program. The program is an automatic tax credit and has a value of up to \$3,500 each year per new job created. The value of the tax credit depends on specific requirements, such as the number of jobs created and the location of each job. The tax credit is nonrefundable and cannot exceed 50 percent of the taxpayer's income tax liability. The authors used multiple empirical approaches to estimate the impact of the program's tax credit incentives on county-level employment. They found that there was little to no impact on employment directly as a result of the program, concluding that most jobs receiving the tax credit would have been created regardless if the program existed. Sjoquist and Bluestone (2022) suggest one reason for this may be that the value of Georgia's tax credit is relatively small when compared to the overall cost of hiring a new employee, which would include employee wages, benefits, etc. Another reason may be that, in the case of Georgia, the tax credit may only be applied to the tax liability of the business, so a business with little to no tax liability may have a diminished incentive.

However, an earlier study by Faulk (2002) also examined Georgia's same Job Tax Credit program by exploiting businesses that were eligible for the tax credit but did not utilize the tax credit, concluding that the program did lead to higher employment among tax credit recipients. Specifically, businesses receiving the tax credit created about 25 percent more jobs than businesses that did not receive the tax credit. Neumark and Grijalva (2017) also found evidence, at least during periods of economic downturn, that targeted tax credits may increase job growth.

Freedman et al. (2021) evaluated the effectiveness of the California Competes Tax Credit (CCTC) in promoting both job creation and economic growth. The CCTC is a nonrefundable income tax credit promoting economic development and job growth in the state, with high-poverty areas receiving preferential consideration. Projects are evaluated on various criteria and scored based on a cost-benefit ratio. The authors found a

significant multiplier effect in terms of employment growth associated with the program. That is, for each incentivized job under the CCTC program, employment increased by over two jobs in the geographic areas associated with tax credit awards. Hyman et al. (2022) also evaluated the effectiveness of the CCTC program and came to similar conclusions, finding a significant positive effect on local employment.

A comprehensive analysis by Bartik (2017a) of various economic development incentives from 33 states over a 25-year period covered 45 different industries. Economic simulation models were used by the author to analyze tax rates and various economic incentives over time, which included not only tax credits but also property tax abatement incentives. Bartik (2017b) summarized his findings, suggesting incentives were effective only about 6.0 percent of the time at impacting the decisions of the businesses receiving them. That is, 94.0 percent of the time there would have been similar economic growth even without the incentive.

States have also evaluated the effectiveness of their tax incentive programs associated with job creation. The Rhode Island Department of Revenue (2023) estimated the impact of that state's New Qualified Jobs Incentive Act, which provides corporation tax credits between \$2,500 and \$7,500 per eligible new job created. While the study did not focus on the number of jobs created under the program, the study did include a cost-benefit analysis to measure the program's overall fiscal impact. Their analysis found that if only 19.4 percent of jobs associated with the program were directly created as a result of program incentives, the resulting impact to the state's general revenue would be net positive. In other words, the cost of the program would be offset if even one of the five new jobs existed because of the tax incentive.

While conclusions on the effectiveness of job creation from state tax credit incentives may be mixed, Bartik (2020) identified six basic characteristics to better improve program policies. Specifically, they are 1) target distressed geographic areas, 2) target specific industries, 3) not favor large businesses, 4) enhance business inputs, 5) adapt to local needs, and 6) require better evaluation. The author suggests implementing such features would lead to better outcomes and lower program costs. While such features are not currently implemented for the New Jobs Tax Credit directly, some, such as the targeting of specific industries, are implemented as part of the 260E program overall.

## **V. New Jobs Tax Credit Claims**

Complete New Jobs Tax Credit claim data is first available for tax year 2006 when the IA 148 Tax Credits Schedule was introduced. For tax years 1985 through 2005, claims were made by reporting an amount on the "other nonrefundable credits" line on the IA 1040 for individuals or the IA 1120 for corporations. Historical data is available about claims reported on those lines for tax years prior to 2006, but it is not possible to distinguish the amount of New Jobs Tax Credit claims from other nonrefundable credits available in those same tax years. Therefore, the analysis in this study only considers New Jobs Tax Credit claims beginning in tax year 2006.

Between tax years 2006 and 2024, there were 14,110 New Jobs Tax Credit claims, including claims filed by members of pass-through entities and claims of credits carried forward from prior years (see Table 2). The total amount of tax liability reduced by claims between tax years 2006 and 2024 was \$38.0 million (the collection and verification of claim data from the IA 148 Tax Credits Schedule are incomplete for tax year 2024).

Nearly \$4.1 million New Jobs Tax Credits were claimed for tax year 2007, the highest for the period between 2006 and 2024. The total amount of New Job Tax Credits applied against tax liability fell to \$2.3 million in tax year 2009, which reflects the recession constraining tax liability and thus limiting nonrefundable tax credit claims. Overall, tax credit claims have generally declined since tax year 2007, falling below \$2.0 million for the first time in tax year 2017 and below \$1.0 million in tax year 2022. It could be the case that the coronavirus pandemic has also impacted the amount of tax credit claims in more recent tax years. Though tax year 2024 claim information is not yet complete, claims made to date are less than \$100,000. The total amount of tax credits available to be claimed, which includes both tax credits carried forward as well as tax credits earned in the current tax year, has also declined from \$15.5 million in tax year 2006 to \$1.3 million by tax year 2023. Note that tax credits can also sometimes remain unclaimed. This can happen for many possible reasons; for example, a taxpayer moved from the state, became deceased, or is no longer required to file a return because they fell below the income filing threshold.

More than half (53.0%) of the New Jobs Tax Credit claim amounts, \$20.0 million, were made against corporation income tax and 47.0 percent of the total tax credit claim amounts, \$18.0 million, were made against individual income tax by members of pass-through entities (see Table 3). Although the total dollar amount of claims is fairly evenly distributed between the tax types, 93.0 percent of the number of claims were made against individual income tax. The average individual income tax claim of \$1,368 is significantly less than the average corporation income tax claim of \$20,990, reflecting the pro rata share of tax credits among multiple members of pass-through entities.

## **VI. Economic Analysis of the New Jobs Tax Credit**

### **A. Matching 260E Contracts and New Jobs Tax Credit Claims**

In 2012, a comprehensive database for 260E contracts was established. Currently managed by IWD, the 260E database includes contract information such as the tax credit certificate number, business identity, the contract period, the number of jobs at the beginning of the 260E contract period (base employment), the number of new jobs the business promised to create under the 260E contract (new jobs pledged), the address of the work site, industry information, and estimated average wage information.

New Jobs Tax Credit claims against individual or corporation income tax must be associated with a 260E contract. However, taxpayers reporting a New Jobs Tax Credit claim on the IA 148 Tax Credits Schedule filed with an income tax return were not required

to report the associated 260E tax credit certificate number until tax year 2014. Without that common tax credit certificate number in the tax years covered in this study, many New Jobs Tax Credit claims do not directly identify an associated 260E contract. In addition, tax credit claims which could be matched were more likely to be associated with tax years 2014 or later. There are also other possible reasons for the inability to match all claim amounts to 260E contracts beyond the lack of the tax credit certificate number. A business with a 260E contract may have merged or been acquired, so the claimant does not appear in the IWD database. It is also possible that the business with the 260E contract is a subsidiary in which the claim is being made by the parent company.

In order to analyze the usage of this credit by businesses participating in the 260E program, efforts were made to match each New Jobs Tax Credit claim to the participating businesses based on the business directly making the claim, the pass-through entity associated with the claim, or the tax credit certificate provided with the claim. However, for the reasons mentioned previously, the claimed amounts in the forthcoming analysis section of this study do not exactly match the total tax credit claim amounts shown in Table 2 and Table 3.

### **B. New Jobs Tax Credit Claim Timing**

Recall that businesses that have entered into a 260E agreement may claim the New Jobs Tax Credit only after the 10.0 percent job growth threshold has been met. Using the tax credit certificate number reported with tax credit claims, it is possible to determine the timing of those claims. That is, on average, how long after the 260E agreement begins are New Jobs Tax Credits claimed. More than half (53%) of New Jobs Tax Credits are claimed within three years after the business enters into a 260E agreement and over 70 percent of claims are made within five years (see Table 4).

### **C. Location of Job Creation Associated with the New Jobs Tax Credit**

There are 15 community college districts in Iowa. Tax credit claims associated with each community college provides important information about the location of jobs and investments supported by the New Jobs Tax Credit program. The 1,230 businesses with a 260E contract in the IWD database were grouped together based on the community college with which the business signed the 260E contract (see Table 5). Of the businesses with 260E contracts, 292 of the businesses were associated with New Jobs Tax Credit claims.

The distribution of the 292 businesses with tax credit claims are highly concentrated among the associated community colleges; 67 businesses were with Kirkwood Community College (22.9%), 61 businesses were with Des Moines Area Community College (20.9%), and 37 businesses were with Northeast Iowa Community College (12.7%). These three colleges accounted for more than half of the businesses making New Jobs Tax Credit claims. Conversely, Southwestern Community College only accounted for two businesses, less than one percent, of all businesses making a tax credit claim.

\$6.6 million (23.8%) of New Jobs Tax Credit claim amounts were associated with Des Moines Area Community College, the highest of all community colleges. Total tax credit claim amounts associated with Kirkwood Community College were \$5.5 million (19.9%) and \$4.3 million (15.4%) for Northeast Iowa Community College, respectively. These three colleges accounted for nearly 60 percent of all tax credit claim amounts.

Among the businesses associated with each community college, the tax credit was utilized by 44.2 percent for businesses associated with Northwest Iowa Community College and by 41.6 percent for businesses associated with Kirkwood Community College, which were the highest utilization rates among all community colleges.

Data was not available to compare how community colleges each approached promoting the New Jobs Tax Credit, but the varying utilization across the community colleges might suggest that marketing and resources matter. The population and number of businesses in the community college district may also be relevant. Colleges in more urban areas may simply have more businesses eligible for the tax credit. Overall, less than a quarter of the businesses with 260E agreements have claimed the tax credit.

The number of jobs pledged based on the 260E contract data in the IWD database also provides insight as to where employers are investing and creating new jobs, regardless if the New Jobs Tax Credit was claimed. While the number of jobs pledged per county across the state varies, nearly every county in Iowa reflects investment under the 260E program since 2002 (see Figure 1).

#### **D. New Jobs Tax Credit Claims by Industry**

Another interesting analysis to consider is whether businesses participating in the 260E program differentially make claims to the New Jobs Tax Credit based on the industry in which the business operates. Businesses in the IWD database were grouped into seven industries using the North American Industry Classification System (NAICS) and “other” to evaluate the equity of the tax credit between industries (see Table 6). Of the 292 businesses associated with a New Jobs Tax Credit claims, manufacturing businesses accounted for 150 (51.4%) of the businesses claiming the New Jobs Tax Credit and claim amounts totaled \$10.5 million, 37.8 percent of the total claim amount.

For all businesses in the manufacturing industry, New Jobs Tax Credit claims were associated with 22.8 percent of manufacturing businesses, a lower share than businesses in the professional, scientific, and technical services industry (31.8%). Businesses from the professional, scientific, and technical services industry (such as engineering consulting and manufacturing consulting) accounted for 16.4 percent of the total businesses with New Jobs Tax Credit claims and 18.6 percent of the total amount claimed. The wholesale trade industry accounted for 9.6 percent of the total businesses with New Jobs Tax Credit claims and 15.0 percent of the total amount claimed, respectively.

## **E. Job Creation Associated with New Jobs Tax Credit Claims**

As employers participating in the 260E program are required to report their job creation progress each year to their partner college, it is possible to match the reported number of jobs created for a 260E agreement to those employers making tax credit claims. The self-reported job creation data has been captured in the IWD database since its inception. For the purpose of this analysis, job creation data was used for the most recent year available for each 260E contract.

Of the 260E contracts reporting job creation data, 308 were able to be matched to New Jobs Tax Credit claims. These contracts reflect a total of \$13.8 million in tax credit claims and 11,336 new jobs created. Thus, on average, each contract represents 37 new jobs created and \$1,217 of New Jobs Tax Credits per position. Based on this average tax credit per position, it can be estimated that the total \$38.0 million of New Jobs Tax Credit claims, as shown in Table 2, made between tax years 2006 and 2024 represent approximately 31,000 new jobs created under the program. Note that this estimate only represents those 260E agreements with New Jobs Tax Credit claims and not the total number of new jobs created under the 260E program overall.

Employers with 260E agreements also provide information on their base employment and the number of new jobs pledged for each contract. To further analyze employment impacts of the New Jobs Tax Credit program, the employment data collected by the community colleges was used to compare employers claiming the New Jobs Tax Credit to those employers that had no tax credit claim.

The average base employment of employers claiming the New Jobs Tax Credit was 120 and that of employers without any claims was 237. The average new jobs pledged of employers claiming the New Jobs Tax Credit was 43 and that of employers without any claims was 53. The average actual jobs created of employers claiming the New Jobs Tax Credit was 37 and that of employers without any claims was 43. As the base employment is smaller for employers claiming the tax credit relative to those 260E employers that did not, this may suggest why the number of jobs pledged and jobs created were also lower for those employers claiming the tax credit.

The ratio of new jobs pledged to base employment can be used as a measurement of an employer's plan of job creation relative to their existing employment size. The ratio of actual jobs created to new jobs pledged can be used as a measurement of progress made by employers. For employers claiming the New Jobs Tax Credit, their ratio of new jobs pledged to base employment was 0.36, slightly higher than that for 260E employers without any claims (0.22). For employers claiming the New Jobs Tax Credit, their ratio of actual jobs created to new jobs pledged was 0.86, slightly higher than 0.81 for eligible employers without any claims. Overall, results suggest that employers planning to create more jobs relative to their base employment and fulfilled job creation closer to their hiring pledges, were more likely to claim the New Jobs Tax Credit. Note that this analysis is limited to only the period covered by the 260E agreement. As such, there may be other factors impacting a business making a New Jobs Tax Credit claim to those that did not. For example, a business may be better positioned for growth prior to signing the 260E

agreement or the business simply may have a better understanding of the tax credit program. For these reasons, comparisons or conclusions drawn from this analysis should be made with these considerations in mind.

#### **F. Utilization and Effectiveness of the New Jobs Tax Credit**

Although businesses with New Jobs Tax Credit claims experienced higher employment growth rates and experienced higher average job gains at the 260E location during the period covered by the 260E agreement, the utilization of the tax credit varies widely among associated community colleges and industry groups. To further analyze claiming behavior among businesses claiming the New Jobs Tax Credit, employers were divided into four groups based on their base employment level (see Table 7). Nearly half (602) of the businesses with 260E agreements had a base employment between 1 to 99 jobs, accounting for 52.7 percent of claims and \$7.9 million (28.5%) of the total amount of claims. Interestingly, the average tax credit per business of \$51,330 was the lowest among all base employment groups, while an average tax credit per business for employers with more than 250 jobs was \$235,270. This suggests employers in the 1 to 99 base employment group may, on average, be adding fewer jobs as it relates to New Jobs Tax Credit claims when compared to other base employment groups. Employers with over 250 jobs accounted for 9.9 percent of claims and \$6.8 million (24.6%) of the total amount of claims. Total tax credit claims for all 292 businesses were \$27.8 million, with an average tax credit per business of \$95,099.

Only 23.7 percent (292) of the 1,230 businesses with a 260E contract in the IWD database could be associated with a New Jobs Tax Credit claim. The low utilization of the New Jobs Tax Credit may have many possible explanations including the business failing to meet the 10 percent threshold for job growth or lack of knowledge about the availability of the tax credit. It is also possible administrative costs, such as additional tax preparer fees or resources needed to collect the required data, exceeded the benefits. A lack of simplicity surrounding the tax credit may also be a factor contributing to its low utilization. For example, the tax credit requires participation under the 260E program and meeting a job growth threshold. In addition, calculating the tax credit based on the qualifying wages of the new jobs, rather than simply having the tax credit be a fixed-dollar amount, may add to its complexity.

Another possible reason for this underutilization may be that some employers used other tax incentives. For example, a business may have been eligible for other tax incentives under the High Quality Jobs Program (HQJP), which also encourages job creation in Iowa. The Investment Tax Credit under the HQJP, like the New Jobs Tax Credit, is also applicable to income taxes. Unlike the New Jobs Tax Credit, which is automatically available to a business meeting the job growth threshold requirement, HQJP incentives are based on the need of the business, the quality of the jobs, the percentage of created jobs defined as high-quality, and the economic impact of the project. For corporations making New Jobs Tax Credit claims against corporation income tax between tax years 2006 and 2024, these businesses made over three times (\$73.5 million) the total amount of Investment Tax Credit claims over the same period when compared to New Jobs Tax Credit claims (\$20.0 million).



The tax liability of the company may also be a factor in the utilization of the New Jobs Tax Credit. That is, if businesses with 260E agreements had positive tax liability to allow them to claim the New Jobs Tax Credit. Recall that the New Jobs Tax Credit is a nonrefundable tax credit, which requires the tax credit to offset tax liability. Iowa corporation returns were used to determine whether or not businesses with New Jobs Tax Credit claims had positive tax liabilities. Out of the 286 businesses which could be identified, only 49 (17.1%) had made New Jobs Tax Credit claims. This low utilization rate among businesses with positive tax liability suggests that the tax liability of a business may not be a significant factor in determining to utilize the tax credit.

Overall, businesses have increasingly underutilized the New Jobs Tax Credit program in recent years (see Figure 2). The utilization rate is defined as the ratio in the number of 260E agreements associated with a tax credit claim compared to the total number of 260E agreements for each fiscal year. Between fiscal year 2014 and fiscal year 2024, the utilization rate generally trended down, dropping from 25.0 percent in 2014 to 8.0 percent in 2023. There have been no claims associated with a fiscal year 2024 260E agreement.

## **VII. Conclusion**

This evaluation study provides detailed information about the New Jobs Tax Credit, an incentive associated with the Iowa Industrial New Jobs Training Program (260E), along with providing updates that have occurred since the last evaluation study conducted in 2020.

To be eligible for the New Jobs Tax Credit, a business must enter into an agreement with a partner community college under the Industrial New Jobs Training Program. Furthermore, the New Jobs Tax Credit is limited to businesses which have increased their employment at the location covered by the agreement by at least 10 percent.

Although Iowa Code does not include language concerning the legislature's intent in enacting the New Jobs Tax Credit, the purpose of the tax credit is clearly intended to promote the expansion and training of Iowa's workforce. The tax credit provides additional tax benefits for businesses participating in the 260E program. There were 14,110 New Jobs Tax Credit claims between tax years 2006 and 2024, reducing the claimants' tax liability by \$38.0 million. These tax credit claims were estimated to represent approximately 31,000 in new jobs created under the program. Of the businesses associated with a New Jobs Tax Credit claim, the majority of businesses are associated with the manufacturing sector. Tax credit claims are also concentrated among three community college districts. Between fiscal year 2014 and fiscal year 2024, the utilization rate of the tax credit generally trended down.

A total of 1,230 businesses have entered into a 260E agreement and pledged new jobs in nearly every Iowa county. However, the fact that three-fourths of businesses (938) with 260E agreements have no associated claims to the New Jobs Tax Credit suggests that

the New Jobs Tax Credit appears to serve as more of a bonus to the 260E program for those taxpayers which claim the tax credit.

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# **New Jobs Tax Credit Evaluation Study**

## **Tables and Figures**

**Table 1. Other State Incentives**

State	Program	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Transferable	Refundable	Credit Carry Forward
Illinois	Economic Development for a Growing Economy (EDGE) Credit	1999	50 percent of income tax withholdings of new jobs; 75 percent if the project is located in an underserved area. Benefit period: 10 or 15 years depending on project size	Statewide	At least 5 percent of existing employment for businesses with less than 100 employees; at least 10 percent of existing employment and \$2.5 million of new investment; at least 100 new jobs and \$50 million of new investment for others	All eligible	Yes	No	No	Yes, 5 years
Iowa	New Jobs Tax Credit	1985	6% of the taxable wage of eligible jobs up to qualifying taxable wage	Statewide	Businesses must have a 260E contract and increase the number of jobs at the contract location by at least 10% of base employment	A business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development.	No	No	No	Yes, 10 years
Minnesota	Greater Minnesota Job Expansion Program	2013	Purchases and use of tangible personal property and taxable services made by a qualified business are eligible for a sales tax refund	Statewide, except for Twin Cities Metro Area	Increase employment at the business's facility by a minimum of two full time equivalent (FTE) employees or 10 percent of the current number of employees, whichever is greater, within three years	The business must not be engaged primarily in: retail sales, lobbying, gambling, entertainment, professional sports, political consulting, leisure, hospitality, professional services or serve as a public utility.	No	No	Yes	No
Missouri	Missouri Works	2013	Minimum two new jobs in certain areas: 100% of the withholding tax of the new jobs for 5 or 6 years. Minimum 100 new jobs: 6% or 7% of the payroll of the new jobs for 5 or 6 years.	Statewide	Minimum two new jobs in rural areas with a wage 90% of county average and a \$100,000 investment; minimum 10 or more jobs created in other areas. For large businesses, 100 or more new jobs with a wage 120-140% of county average.	Excludes gambling establishments, food and drinking places, public utilities, educational services, religious organizations, public administration, ethanol distillation or production, biodiesel production, healthcare and social services.	No	Yes	Yes	No

**Table 1. (Continued) Other State Incentives**

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Transferable	Refundable	Credit Carry Forward
Nebraska	Imagine Nebraska Act	2020	4% to 9% of the average wage of new employees depending on the number of jobs created and amount of investment. Additional 1% available for each: 1) employer being a benefit corporation and 2) location in a blighted area.	Statewide	At least five jobs and a minimum \$250,000 investment; up to 250 jobs and a \$250 million investment; 20 jobs with no investment requirement. Wage threshold based on statewide average.	Manufacturing, testing laboratories, rail and truck transportation, insurance, telecommunications, telemarketing, data processing, computer facilities management, warehousing, administrative management, logistics, aircraft services, research, renewable electricity production, computer system design, financial services, postharvest activities, and processing.	Yes	No	No	Yes, 3 years following the end of the performance period.
Wisconsin	Business Development Tax Credit (BTC) Program	2015	Up to 10% of annual wages paid to eligible employees earning at least 150% of federal minimum wage. Up to an additional 5% of the annual wages if located in distressed area.	Statewide	Negotiated; minimum \$250,000 investment required as of 2024	Retail, loan companies, media businesses, farms, telemarketing, pawn shops, certain medical facilities, and financial institutions are not eligible for the credit	No	No	Yes	No

Source: Department of Revenue websites of various states

**Table 2. New Jobs Tax Credit Claims by Tax Year**

Tax Year	Number of Tax Credit Claims	Total Amount of Tax Credits Carried Forward from Previous Year	Total Current Year Amount of Tax Credits	Total Amount of Tax Credits Available	Total Amount of Tax Credits Applied to Tax Liability	Total Amount of Tax Credits Carried Forward
2006	1,329	\$12,481,831	\$2,997,535	\$15,479,366	\$3,478,652	\$12,003,931
2007	1,403	\$11,396,154	\$3,283,903	\$14,680,057	\$4,059,004	\$10,596,612
2008	1,740	\$11,104,056	\$2,899,497	\$14,003,553	\$3,302,911	\$10,754,222
2009	1,784	\$9,922,079	\$1,741,841	\$11,663,920	\$2,295,174	\$8,131,090
2010	1,315	\$8,068,212	\$3,140,545	\$11,208,757	\$3,041,065	\$7,998,127
2011	1,201	\$7,478,816	\$2,789,807	\$10,268,623	\$2,505,807	\$7,742,030
2012	975	\$7,239,235	\$3,019,596	\$10,258,831	\$2,423,451	\$7,838,260
2013	768	\$7,283,795	\$1,842,379	\$9,126,174	\$2,058,076	\$5,701,039
2014	733	\$5,588,133	\$3,178,491	\$8,766,590	\$2,146,108	\$6,209,207
2015	578	\$4,691,325	\$1,852,087	\$6,543,412	\$2,486,747	\$3,312,217
2016	498	\$2,913,502	\$1,429,072	\$4,342,574	\$2,124,798	\$2,405,429
2017	493	\$2,762,154	\$938,222	\$3,700,367	\$1,177,282	\$2,291,123
2018	284	\$2,048,720	\$1,128,174	\$3,176,894	\$1,250,726	\$1,839,756
2019	346	\$1,653,860	\$997,582	\$2,651,442	\$1,734,637	\$1,330,546
2020	130	\$1,258,711	\$998,203	\$2,256,914	\$1,055,873	\$1,178,974
2021	251	\$711,862	\$2,855,813	\$3,567,675	\$1,579,720	\$1,992,411
2022	138	\$523,194	\$950,380	\$1,473,574	\$366,553	\$1,079,754
2023	114	\$732,912	\$604,221	\$1,337,133	\$782,905	\$553,728
2024*	30	\$53,905	\$111,705	\$165,610	\$92,907	\$72,703
Total	14,110		\$36,759,053		\$37,962,396	

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule

\* Incomplete data for tax year

**Table 3. New Jobs Tax Credit Claims by Tax Type, Tax Years 2006-2024**

Tax Year	Claims Against Individual Income Tax					Claims Against Corporation Income Tax				
	Number of Tax Credit Claims	Percentage of Total Number of Claims	Total Claim Amount	Percentage of Total Claim Amount	Average Claim Amount	Number of Tax Credit Claims	Percentage of Total Number of Claims	Total Claim Amount	Percentage of Total Claim Amount	Average Claim Amount
2006	1,235	93%	\$1,243,663	36%	\$1,007	94	7%	\$2,234,989	64%	\$23,776
2007	1,322	94%	\$1,751,610	43%	\$1,325	81	6%	\$2,307,394	57%	\$28,486
2008	1,650	95%	\$1,814,284	55%	\$1,100	90	5%	\$1,488,627	45%	\$16,540
2009	1,701	95%	\$1,529,236	67%	\$899	83	5%	\$765,938	33%	\$9,228
2010	1,245	95%	\$864,559	28%	\$694	70	5%	\$2,176,506	72%	\$31,093
2011	1,138	95%	\$1,184,585	47%	\$1,041	63	5%	\$1,321,222	53%	\$20,972
2012	908	93%	\$1,346,800	56%	\$1,483	67	7%	\$1,076,651	44%	\$16,069
2013	701	91%	\$715,808	35%	\$1,021	67	9%	\$1,342,268	65%	\$20,034
2014	666	91%	\$983,951	46%	\$1,477	67	9%	\$1,162,157	54%	\$17,346
2015	538	93%	\$1,412,144	57%	\$2,625	40	7%	\$1,074,603	43%	\$26,865
2016	455	91%	\$1,038,828	49%	\$2,283	43	9%	\$1,085,970	51%	\$25,255
2017	455	92%	\$674,565	57%	\$1,483	38	8%	\$502,717	43%	\$13,229
2018	253	89%	\$846,422	68%	\$3,346	31	11%	\$404,304	32%	\$13,042
2019	316	91%	\$1,100,580	63%	\$3,483	30	9%	\$634,057	37%	\$21,135
2020	104	80%	\$448,926	43%	\$4,317	26	20%	\$606,947	57%	\$23,344
2021	221	88%	\$348,603	22%	\$1,577	30	12%	\$1,231,117	78%	\$41,037
2022	116	84%	\$254,850	70%	\$2,197	22	16%	\$111,703	30%	\$5,077
2023	105	92%	\$348,871	45%	\$3,323	9	8%	\$434,034	55%	\$48,226
2024*	30	100%	\$92,907	100%	\$3,097	-	-	\$ -	-	\$ -
Total	13,159	93%	\$18,001,192	47%	\$1,368	951	7%	\$19,961,204	53%	\$20,990

Source: Iowa Department of Revenue, IA 148 Tax Credits Schedule

\* Incomplete data for tax year



**Table 4. Timing of New Jobs Tax Credit Claims**

Year Since 260E Agreement Began	Distribution of New Jobs Tax Credits Claimed
0	2.9%
1	12.7%
2	23.9%
3	13.3%
4	11.7%
5	7.0%
6	6.8%
7	5.0%
8	5.2%
9	4.8%
10 Years and More	6.7%
Total	100.0%

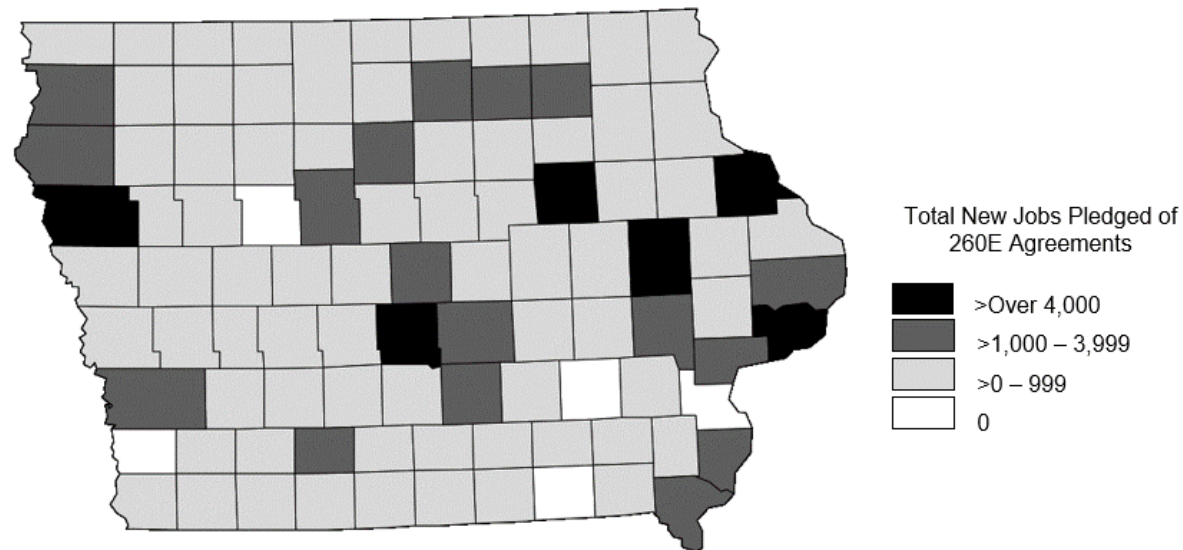
Source: Iowa Department of Revenue and Iowa Workforce Development

**Table 5. New Jobs Tax Credit Claims by Associated Community College, Tax Years 2006-2024**

Community College	Number of Businesses with 260E Contracts	Number of Businesses with New Jobs Tax Credit Claims	Distribution of Businesses with New Jobs Tax Credit Claims	Share of Businesses with New Jobs Tax Credit Claims	Total New Jobs Tax Credit Claim Amount	Average Claim Per Business	Distribution of Claim Amount
Des Moines Area Community College	272	61	20.9%	22.4%	\$6,607,456	\$108,319	23.8%
Eastern Iowa Community College	153	24	8.2%	15.7%	\$2,198,077	\$91,587	7.9%
Hawkeye Community College	120	22	7.5%	18.3%	\$2,019,054	\$91,775	7.3%
Indian Hills Community College	36	5	1.7%	13.9%	\$630,610	\$126,122	2.3%
Iowa Central Community College	31	11	3.8%	35.5%	\$2,119,638	\$192,694	7.6%
Iowa Lakes Community College	48	6	2.1%	12.5%	\$443,577	\$73,930	1.6%
Iowa Valley Community College	26	7	2.4%	26.9%	\$1,154,385	\$164,912	4.2%
Iowa Western Community College	28	4	1.4%	14.3%	\$97,764	\$24,441	0.4%
Kirkwood Community College	161	67	22.9%	41.6%	\$5,530,636	\$82,547	19.9%
North Iowa Area Community College	69	13	4.5%	18.8%	\$354,106	\$27,239	1.3%
Northeast Iowa Community College	133	37	12.7%	27.8%	\$4,281,875	\$115,726	15.4%
Northwest Iowa Community College	43	19	6.5%	44.2%	\$943,574	\$49,662	3.4%
Southeastern Community College	31	5	1.7%	16.1%	\$207,108	\$41,422	0.7%
Southwestern Community College	28	2	0.7%	7.1%	\$95,768	\$47,884	0.3%
Western Iowa Tech Community College	51	9	3.1%	17.6%	\$1,085,228	\$120,581	3.9%
Total	1,230	292	100%	23.7%	\$27,768,856	\$95,099	100%

Source: Iowa Department of Revenue and Iowa Workforce Development

**Figure 1. Total New Jobs Pledged of 260E Contracts by County, Contract Years 2002-2025**



Source: Iowa Workforce Development

**Table 6. New Jobs Tax Credit Claims by Industry, Tax Years 2006-2024**

Industry	Number of Businesses with 260E Contracts	Number of Businesses with New Jobs Tax Credit Claims	Distribution of Businesses with New Jobs Tax Credit Claims	Share of 260E Businesses with New Jobs Tax Credit Claims	Total New Jobs Tax Credit Claim Amount	Average Claim Per Business	Distribution of Claim Amount
Construction	55	15	5.1%	27.3%	\$782,264	\$52,151	2.8%
Finance and Insurance	54	5	1.7%	9.3%	\$1,239,926	\$247,985	4.5%
Information	39	6	2.1%	15.4%	\$688,873	\$114,812	2.5%
Manufacturing	659	150	51.4%	22.8%	\$10,483,942	\$69,893	37.8%
Other Industries	123	26	8.9%	21.1%	\$2,593,471	\$99,749	9.3%
Professional, Scientific, and Technical Services	151	48	16.4%	31.8%	\$5,161,431	\$107,530	18.6%
Transportation and Warehousing	47	14	4.8%	29.8%	\$2,663,239	\$190,231	9.6%
Wholesale Trade	102	28	9.6%	27.5%	\$4,155,710	\$148,418	15.0%
Total	1,230	292	100%	23.7%	\$27,768,856	\$95,099	100%

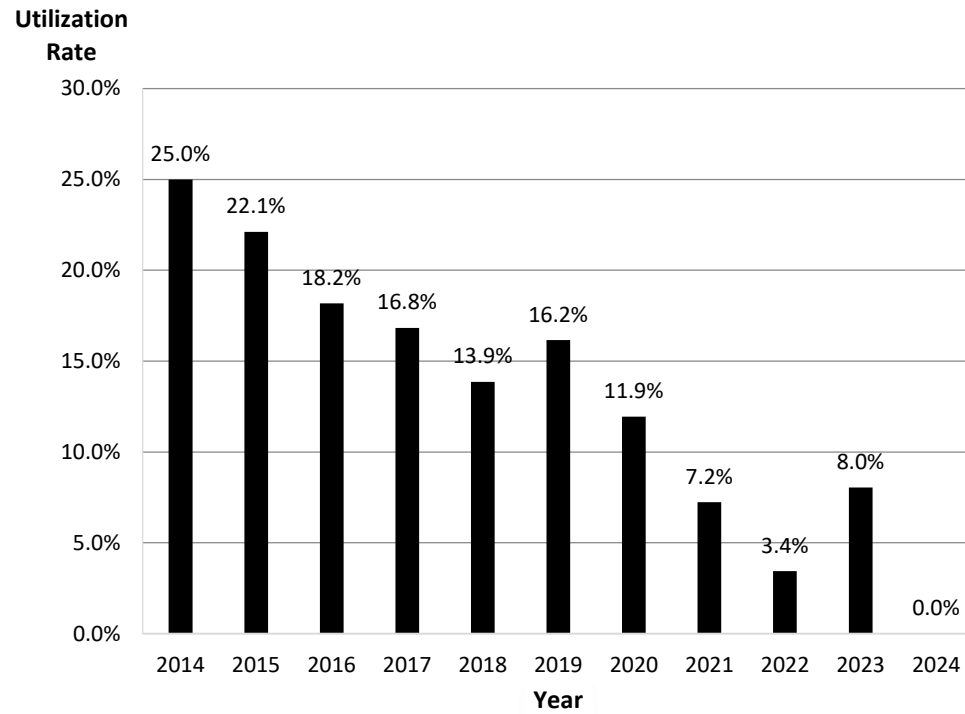
Source: Iowa Department of Revenue and Iowa Workforce Development

**Table 7. New Jobs Tax Credit Claims by Base Employment Level, Tax Years 2006-2024**

Base Employment	Number of Businesses with 260E Contracts	Number of Businesses with New Jobs Tax Credit Claims	Distribution of Businesses with New Jobs Tax Credit Claims	Share of Businesses with New Jobs Tax Credit Claims	Total New Jobs Tax Credit Claim Amount	Average Claim Per Business	Distribution of Claim Amount
0	310	60	20.5%	19.4%	\$6,177,237	\$102,954	22.2%
1 to 99	602	154	52.7%	25.6%	\$7,904,873	\$51,330	28.5%
100 to 249	186	49	16.8%	26.3%	\$6,863,909	\$140,080	24.7%
250 and Above	132	29	9.9%	22.0%	\$6,822,837	\$235,270	24.6%
Total	1,230	292	100.0%	23.7%	\$27,768,856	\$95,099	100.0%

Source: Iowa Department of Revenue and Iowa Workforce Development

**Figure 2. Utilization Rate of the New Jobs Tax Credit, Fiscal Years 2014-2024**



Source: Iowa Department of Revenue and Iowa Workforce Development