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Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study

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The Iowa Department of Revenue

30 March 2009

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IOWA Department of REVENUE

Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study

March 2009

By
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Mike Lipsman

Tax Research and Program Analysis Section
Iowa Department of Revenue

Preface

During the 2005 Legislative Session the Iowa Department of Revenue received an appropriation to establish the Tax Credits Tracking and Analysis Program (TCTAP) to track tax credit awards and claims. In addition, the Department was directed to perform periodic evaluations of tax credit programs. The purpose of these studies is three-fold:

- To provide a comparison of the Iowa tax credit program to similar federal and other states' programs
- To summarize information related to the usage of the Iowa tax credit
- To evaluate the economic impact of the tax credit program

The evaluation of the State's Historic Preservation and Cultural and Entertainment District Tax Credit represents the fifth of these studies.

As part of the evaluation, an advisory panel was convened to provide input and advice on the report's scope and analysis. We wish to thank Jack Porter from the Iowa Department of Cultural Affairs, and Jill Connors from Gronen Restoration, for their assistance.

In addition, we wish to thank David Inbody and Neal Young, two former Department employees, who provided assistance during the early part of this research project.

This study and other evaluations of Iowa tax credits can be found on the Tax Credits Tracking and Analysis Program Web page on the Iowa Department of Revenue Web site located at: **http://www.state.ia.us/tax/taxlaw/creditstudy.html.**

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Executive Summary

Iowa introduced the Historic Preservation and Cultural and Entertainment District (HPCED) Tax Credit Program in 2000. The program allows property owners or developers to claim tax credits equal to 25 percent of qualified rehabilitation costs for eligible historic properties in Iowa. In tax year 2002, the tax credit was made transferable and refundable at a discounted amount. In tax year 2005, the cap of the tax credit was increased to $6.5 million per year. In tax year 2007, the cap of the tax credit was increased to $10 million for fiscal year 2008, $15 million for fiscal year 2009, and $20 million for fiscal year 2010 and subsequent years. In addition, the tax credit was made fully refundable in 2007.

The major findings of the study are:

Historic Preservation Tax Credits Across the United States

- The Federal Historic Preservation Tax Credit program offers a tax credit equal to 20 percent of project cost. The Federal tax credit is nonrefundable and nontransferable.

- There are currently 29 states that have historic preservation tax credit programs in the U.S. Among Iowa's neighboring states, only Wisconsin and Missouri have historic preservation tax credits.

- Ten of the 29 states have an annual cap and 15 states have a per-project cap for the tax credit. Iowa has both. Neither Wisconsin nor Missouri have caps for their tax credits.

- Six states make the historic preservation tax credit at least partially refundable and four of six (including Iowa) make it fully refundable. Neither Wisconsin nor Missouri allows the tax credit to be refunded.

- Fifteen states allow the tax credit to be transferred, including Iowa. Neither Wisconsin nor Missouri allows the tax credit to be transferred.

Awards, Ownership Structure, Claims, and Transfers of Historic Preservation Tax Credit

- From 2001 through 2008, there were 99 projects in Iowa awarded 213 HPCED Tax Credits totaling $89.9 million. Polk, Dubuque, and Scott are the three counties that have the highest amount of tax credits and the largest number of awards. Projects in 23 counties received tax credit awards during this period.

- From 2001 through 2008, there were 51 recipients of HPCED Tax Credits in Iowa. Twenty of the 51 recipients are pass-through entities. Most tax credit recipients and the shareholders of the pass-through entities that received the credits are Iowa residents.

- In 2007 and 2008, two surveys were sent to 76 HPCED Tax Credit recipients, whose projects were completed, to collect information on funding sources and claims history. Only 42 of the questionnaires were returned to the Iowa Department of Revenue.

- Based on information from the surveys, 28 of the 42 that responded, reported they made tax credit claims from 2001 through 2008. The total amount of reported claims is $12.5 million, 78.1 percent of the total awards to those 28 projects. After the credit became fully refundable in 2007, the reported claim-to-award ratio increased to 98.5 percent.

- Based on information from the IA148 Tax Credits Schedule, about $4.85 million of tax credits were claimed in 2006, where $3.61 million were issued as refunds. Most tax credits were claimed against corporate income tax. In 2007, the preliminary results show that about $3 million in tax credits were claimed and most were issued as refunds. Insurance companies claimed the most credits in 2007.

- In 2007 and 2008, there were 79 tax credit transfers with a total value of $20.41 million. Insurance companies bought the most tax credits, $8.26 million.

Funding Sources and Case Studies

- Based on the survey information, the Iowa HPCED Tax Credits accounted for 17.1 percent of total historic preservation project costs. Total public financial assistance, including the federal, state, and local subsides, accounted for 69.9 percent of total project costs, if all tax credits are claimed. For every one dollar of state tax credit, $3.77 of federal and private money had been leveraged.

- The cities of Dubuque and Davenport were chosen for case studies because they have the largest number of projects and the most awarded credits. Des Moines was not chosen because the impacts of historic preservation projects in this city are difficult to distinguish from other city developments, such as the new city library and new downtown office buildings.

- The average annual growth rate for historic preservation rehabilitation property values is 51 percent, compared to 5 percent for all properties in the City of Dubuque between 2001 and 2006. The average annual growth rate for the value of properties neighboring historic properties is 9.7 percent, compared to 3.7 percent for other properties in downtown Dubuque between 2000 and 2007. Data on property values in Davenport is not available currently.

- Retail, restaurant, and hotel sales revenue within a 0.1 mile radius of neighboring historic properties in the City of Dubuque grew at an annual rate of 7.8 percent, compared to 3.8 percent for other areas. Retail, restaurant, and hotel sales revenue within a 0.1 mile radius of neighboring historic properties in Davenport declined at an annual rate of 2.4 percent, compared to 4.4 percent of annual growth for other areas.

- Employment within a 0.1 mile radius of neighboring historic properties in the City of Dubuque grew at an annual rate of 8.9 percent, compared to 2.8 percent for other areas. Employment within a 0.1 mile radius of neighboring historic properties in Davenport declined at an annual rate of 2.4 percent, compared to 3.6 percent of annual growth rate for other areas.

- The median salary within a 0.1 mile radius of neighboring historic properties in the City of Dubuque grew at an annual rate of 1.9 percent, compared to a 2.7 percent annual growth rate for other areas. The median salary within a 0.1 mile radius of neighboring historic properties in Davenport grew at an annual rate of 4.5 percent, compared to 2.0 percent of annual growth rate for other areas.

Summary

- The HPCED Tax Credit appears to play an important role in promoting historic preservation activity in Iowa.

- The results of the case studies of the economic impacts of historic preservation projects located in Dubuque and Davenport that benefited from the HPCED tax credit are mixed. The projects in Dubuque seemed to stimulate additional business growth in surrounding areas, while in Davenport there is no evidence of spillover economic benefits. One implication of these findings is that often many interrelated conditions must exist for historic preservation projects to act as a catalyst for community revitalization.

Comments from the Historic Preservation Tax Credits Evaluation Study Advisors

Response from the Department of Cultural Affairs, State Historical Society of Iowa

Response from Gronen Restoration, Dubuque, Iowa

IOWA DEPARTMENT OF
CULTURAL
AFFAIRS
State Historical Society of Iowa
Iowa Arts Council

Cyndi Pederson, Director
Mary Jane Olney, Deputy Director

Chester J. Culver, Governor
Patty Judge, Lt. Governor

March 25, 2009

Mark Schuling

Iowa Department of Revenue
1305 E. Walnut
Des Moines, IA 50319

Dear Mr. Schuling:

On behalf of the Department of Cultural Affairs, State Historical Society of Iowa, we appreciate the opportunity to comment on the draft evaluation study report. As you know, the Historic Preservation and Cultural and Entertainment District Tax Credit program (STC) is administrated by our department. First authorized by the Iowa legislature in 2000, this program has grown from its original authorization of $2.4 M to a proposed $50 M in less than 10 years. We are very proud of not only the increased economic development growth but also the preservation of significant historic properties in our state. Our department has approved over $237 M in total qualified rehabilitation costs invested in 82 completed projects through SFY08. At the same time, approximately $300 M in qualified rehabilitation costs have been approved for 89 completed projects by the National Park Service for the federal historic tax credit program.

The evaluation study does a great job in reporting the impact of the STC program for the city of Dubuque. They have done an outstanding job of capitalizing on the STC program to preserve their historic resources, attract investment to their community, establish a comprehensive "green" ideology, leverage tourism dollars and develop a strong jobs market. Their projects are primarily commercial, office, and mixed-use commercial properties, which integrated upper story housing with ground-floor commercial and have completion dates as early as 2002. Please find attached a map our department created to illustrate another key point in the evaluation of the economic impact of historic preservation projects funded by the STC. Note the general location of the 13 completed projects is primarily concentrated within their main street business district. Only 2 projects lie outside their downtown area and even those projects are located within existing retail, office or residential areas. Dubuque has been recognized time and again for their dedication to preserving historic areas, including designation as an Iowa Great Place, a Cultural and Entertainment District, a Main Street Iowa community, a Preserve America community, and as one of the National Trust for Historic Preservation's Dozen Distinctive Destinations of 2005. This dedication to the complementary partnership of preservation and economic development is paying off, as seen in the evaluation study.

The evaluation for the City of Davenport is not easily explained, but we believe the reason for the disparity lies in not only where the STC projects are located, but also the type of projects and

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their relatively recent completion date. The two projects located downtown are the Mississippi Hotel and the Adler Theatre rehabilitation. The Mississippi Hotel is a conversion into low-moderate income housing project that was completed in September 2007 and the Adler Theatre project was completed in February 2007. Three projects are located to the eastern edge of downtown in a former warehouse/industrial area and all are warehouse conversion projects into low-moderate income housing projects. Two were completed in the spring of 2005 and one in the spring of 2007. Our map includes projects which are located at the former Marycrest College site and are a conversion from a college dorm rooms into primarily low-moderate or senior housing project. We understand these projects were not used in the evaluation study because the Marycrest campus is well outside the downtown area and is primarily located in a residential area. As a result of the primarily residential nature of the projects, the recent completion dates, and their widespread locations, the economic impact of the remaining projects appear not to be readily measured by the same factors as in Dubuque, i.e. sales tax increase, employment growth, or property tax increase. However, these projects created 145 low-moderate housing units for a total 182 housing units where none existed previously. Davenport's more recent acceptance of the relationship of preservation to economic development will soon begin to pay off as rehabilitation projects currently underway are completed.

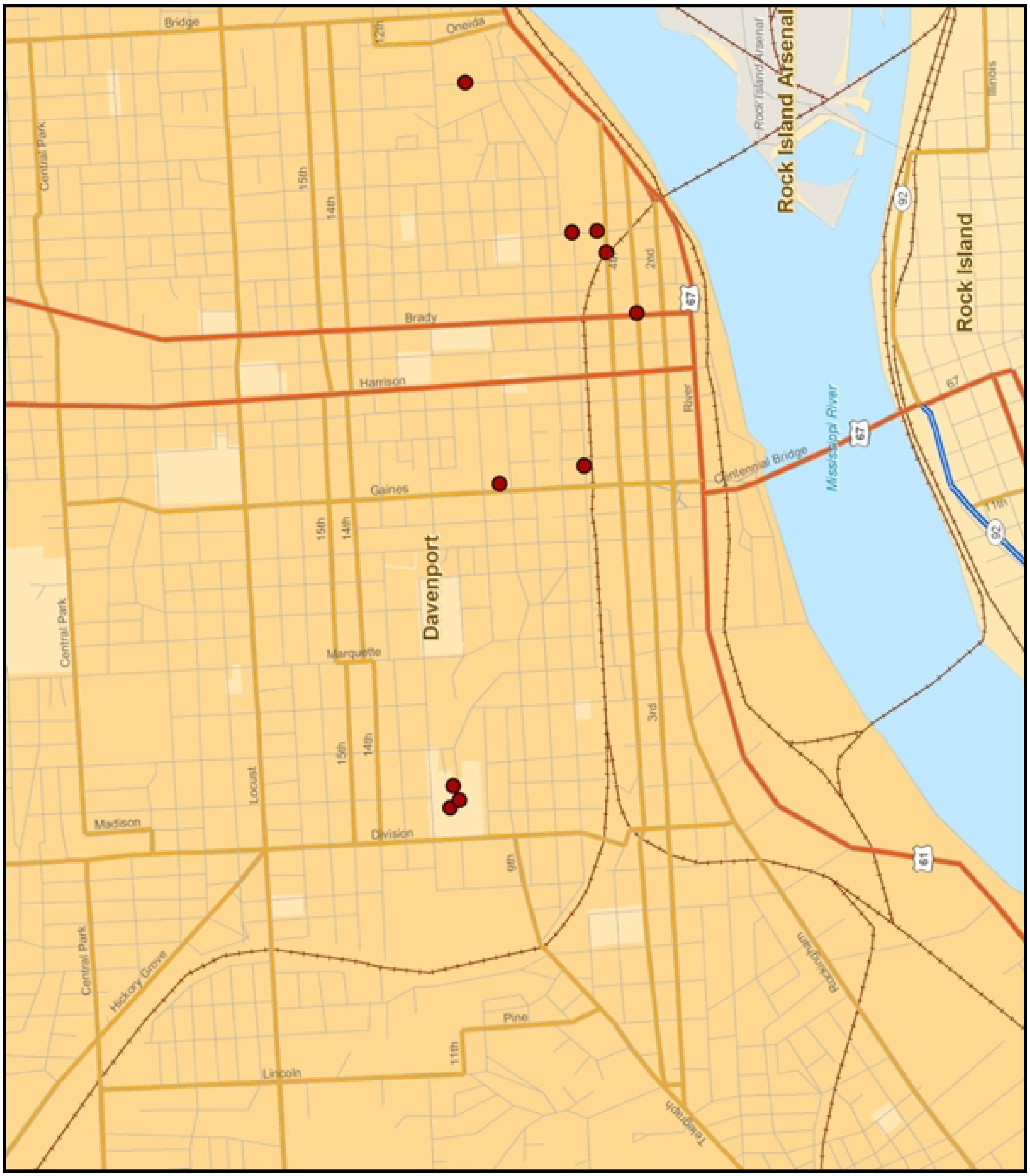
We know the STC program generates economic growth not only because it stimulates jobs and material purchases during construction, but also provides long-term retail, office or housing related jobs and economic stimulus. We also know by the very nature of preserving our historic resources, historic preservation is a vital component in our green initiative. Witness the recent designation by the National Trust for Historic Preservation's designation of the City of Dubuque as one of three pilot projects for their Preservation Green Lab. The National Trust will be working with Dubuque to integrate green building practices into rehabilitation of buildings in their Millworking Historic District and to develop other sustainability policies and programs that promote historic preservation.

We believe the STC program serves our state well by not only preserving our valuable historic resources for future generations of Iowans to enjoy and admire, but also by providing immediate and dramatic stimulus for economic growth in our state. We look forward to working with the Department of Revenue in developing and reporting on the success of the STC program by requiring all recipients to return an economic survey upon completion of their STC project and to more fully develop a study to investigate the fiscal effects of the STC program on state taxes and the tax base of communities statewide.

Sincerely,

Cyndi

Cyndi Pederson
Director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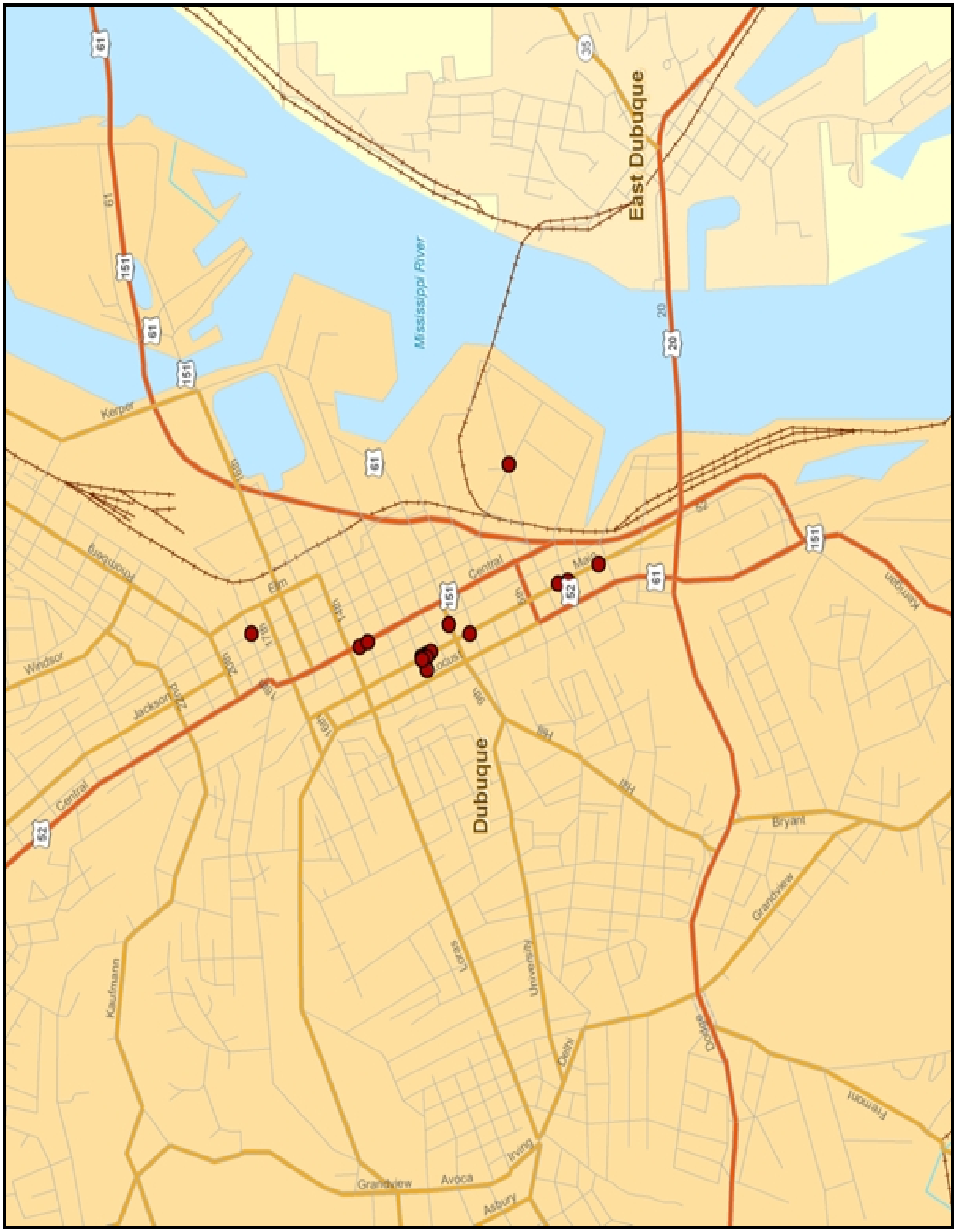
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Kaufmann
Loras
University
Delhi
Dodge
Fremont
Kerrigan
Irving
Avoca
Asbury

24 March 2009

Michael A. Lipsman, Manager
Tax Research and Program Analysis Section
Iowa Dept. of Revenue
Hoover State Office Building
1305 E. Walnut
Des Moines, IA 50319

Dear Michael:

Following our discussions related to your 2009 study on the economic impacts of Iowa's State Historic Tax Credit program, I would like to take this opportunity to relate the importance of this program – and its success – in the City of Dubuque.

Dubuque has used this tax credit program for 23 different projects since its inception in 2000. In that time, we have literally seen a transformation of our city's core. The rehabilitated buildings are now home to retail, restaurant, office, and other commercial uses . . . and have added over 600 permanent jobs to our community (for a net new annual payroll increase of over $20,000,000). Some of the buildings have been redeveloped as mixed-use, providing much-needed urban housing units, as well.

With the pending arrival of IBM in our historic Roshek Building, we are slated to house another 1,300 jobs (with a net annual payroll of $60,000,000) in a rehabilitated building, for which the developer is planning to use State Historic Tax Credits. These credits will leverage additional funding from the Federal Historic Tax Credit and New Market Tax Credit programs, along with private investment. This project is creating hundreds of construction jobs and requires the purchase of large quantities of building materials, thus infusing a total of $46,000,000 into our local and regional economy in the coming months. Imagine, too, how many more jobs will follow, as these construction workers and IBM employees spend their paychecks at stores, restaurants, and other businesses.

IBM officials stated that they chose Dubuque, over hundreds of other locations nationwide, due to our community's public/private partnerships and its "sense of place". Every building and area of town they pointed to as a reason for coming were developed using the State Historic Tax Credit program, or were developed on the heels of catalytic projects that had used the program. It is safe to say that IBM would not have chosen Dubuque had it not been for this tax credit program.

Retaining IBM in the future also depends upon a continued, strong State Historic Tax Credit program. We will only be able to develop the type of housing their employees are looking for if these credits are available consistently in the coming years. IBM has asked numerous times, "When

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will your warehouse district be done?" IBM's Senior Vice President Mike Daniels mentioned that "the type of people we are attracting [look for] the kind of environment stimulation that comes from being in a vibrant downtown area." Providing attractive, urban housing will be difficult enough, given our short timeline. But it will be impossible to rehabilitate the district without the State Historic Tax Credit. There is enormous potential! We have nearly 1,000,000 square feet of mostly-vacant space in our Historic Millwork (Warehouse) District. Our current plans would infuse at least 400 housing units into this district, within walking distance of our downtown.

We would be remiss to not do everything in our power to rehabilitate our urban cores and provide an environment conducive to attracting and retaining quality companies and young professionals. Communities large and small across Iowa have buildings similar to those in Dubuque, just waiting for redevelopment. Use of the State Historic Tax Credit program can be transformational throughout our state, bringing high-quality jobs and adding to a sustained quality of life.

I'd like to thank you and your department for your efforts these past months to delve into the "real numbers" associated with this program. I appreciate the amount of time spent and the care taken to provide our legislators with concrete information, as opposed to estimates. I would encourage the readers of this report to talk to their constituents, especially those involved in historic rehabilitation work, and to see for themselves the great work that has been done across our state . . . thanks to the State Historic Tax Credit program.

Sincerely,

Jill Connors
Resource Development Director
Gronen Restoration
Dubuque, Iowa

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I. Introduction

The Iowa General Assembly created a Historic Preservation Tax Credit (STC) in 2000. In 2003, the General Assembly expanded the scope of the tax credit program to include properties located in Cultural and Entertainment Districts (CED). The goal behind this tax credit program is to encourage the private sector to protect historic properties, preserve the cultural heritage of Iowa communities, and increase investment in local communities.

This evaluation study is an attempt to understand the economic impact of the Historic Preservation and Cultural and Entertainment District (HPCED) Tax Credit Program in Iowa. The study describes the legislative history of the Iowa credit, compares the Iowa tax credit program with similar federal and other states' tax credit programs, and analyzes the geographic distribution, type, status, claims, and transfers of the credits over the past seven years. In addition, case studies are employed to analyze community level economic impacts of the credits.

Due to data limitations and the small number of historic preservation projects completed to date, a follow-up study is anticipated. The final section of the report suggests topics and approaches proposed for the future study.

II. Legislative Review

A. Description of the Federal Historic Preservation Tax Incentive Program

Since 1976, federal law has provided a tax credit equal to 20 percent of project costs for the qualified rehabilitation of certain historic buildings for income-producing uses. The federal credits are administered by State Historic Preservation Offices and by the Technical Preservation Service, which is a part of National Park Service under the U. S. Department of Interior.

To be eligible for the federal credit, a building must be designated as "historic." To qualify as "historic", a building must be listed individually in the National Register of Historic Places, be a contributing building of a historic district that is listed in the National Register of Historic Places, or be a contributing building of a Local Historic District that has been certified by the U.S. Department of the Interior (DOI) as substantially meeting National Register criteria.

The federal historic preservation credits are limited to income-producing, depreciable property (either commercial or residential rental property). A taxpayer's personal residence does not qualify for the federal credit. The rehabilitation must be "substantial," meaning that a minimum amount must be invested during the rehabilitation project. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building and its structural components.[1] Qualified work for the federal credits includes costs associated with work undertaken on the historic building, as well as architectural and engineering fees, legal expenses, development fees, and other construction-related costs, if such costs are added to the basis of the property and are determined to be reasonable and related to the services performed. Acquisition costs, furnishing costs, new additions that expand the building, new building construction, parking lots, sidewalks, and landscaping are not allowed under the federal or state tax credit programs.

In order to qualify for the federal credit, the rehabilitation project must follow the Secretary of the Interior's Standards for Rehabilitation. The federal tax credits can be carried back one year and forward 20 years, or until the credit is exhausted, whichever is sooner. The credit is not refundable

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[1] Adjusted basis of the building = purchase price of the property - the cost of the land at the time of purchase - depreciation taken for an income-producing property + cost of any capital improvements made since purchase, according to U.S. Department of the Interior http://www.nps.gov/history/hps/tps/tax/download/intro_rowhouses.pdf.

and is not transferable. Until 2007, the federal historic preservation tax credit has leveraged more than $45 billion in private investments to create about 382,000 rehabilitated housing units, according to National Park Service. Currently, Iowa is ranked 22nd with 12 Federal part three projects approved for a total amount of $40 million federal tax credits, according to the 2008 Annual Report for Federal Tax Incentives for Rehabilitating Historic Buildings.

B. Description of the Iowa Historic Preservation and Cultural and Entertainment District Tax Credit

Iowa's Historic Preservation and Cultural and Entertainment District (HPCED) Tax Credit is defined in Iowa Code Sections 404A, 422.11D, 422.33(10), 422.64(4), and 432.12A. Administrative rules for the tax credit are found in 223 IAC 48, 701 IAC 42.15, 701 IAC 52.18, and 701 IAC 58.10. The Iowa General Assembly created the program during the 2000 legislative session. The program became effective July 1, 2000.

Credits are awarded by the Iowa Department of Cultural Affairs (DCA). There are now three funding streams for tax credits: The first applies to any historic property within the state (STC), the second applies only to historic properties located in designated Cultural and Entertainment Districts (CED) and designated structures in an Iowa Great Place. The third applies only to the small projects with a project cost of less than $500,000 (SP). According to the instructions on the DCA tax credit application, a completed application consists of three parts. The three parts can be submitted together or separately to the State Historic Preservation Officer (SHPO).

In 2000, the General Assembly created the STC part of the tax credit program with an annual funding stream of $2.4 million per fiscal year. The legislation established that the tax credit be equal to 25 percent of qualified rehabilitation costs for eligible historic properties in Iowa. Eligibility requirements established by the 2000 legislation included: the property or district in which the property was located must be listed on or be eligible for listing on the National Register of Historic Places, be a barn constructed before 1937, or be a locally designated historic landmark. Unlike the federal tax credit program, owner-occupied residences were made eligible for the Iowa tax credit. Also, multifamily housing could qualify as a commercial property. For commercial property, rehabilitation costs must equal at least 50 percent of the assessed value of the property prior to rehabilitation. For residential property or barns, rehabilitation costs must equal the lesser of $25,000 or 25 percent of the property's market value prior to rehabilitation. For housing, rehabilitation costs used to calculate the credit are capped at $100,000 per unit. Properties that are awarded the federal tax credit are also encouraged to apply for the HPCED Tax Credit program. Qualified expenditures for the federal tax credit also qualify for the State tax credit.

Initially, the credit could only be claimed against individual income tax or corporate income tax. During the 2002 legislative session, legislation was passed that allowed the credit to also be taken against franchise and insurance premium taxes. These changes were made retroactive to tax years beginning on or after January 1, 2001. In addition, the credit was made transferable and refundable at a discounted amount.

In 2005, legislation increased the tax credit cap for the CED funding stream to $4 million annually for fiscal years 2006 through 2015. In 2007, the combined amount for the three funding streams was increased to $10 million for fiscal year 2008, $15 million for fiscal year 2009, and $20 million for fiscal year 2010 and subsequent years. This legislation requires 10 percent of tax credits awarded each fiscal year to be designated for projects with a cost of less than $500,000, and 40 percent of the tax credits awarded be designated to projects located in Cultural and Entertainment Districts or located in places designated as an Iowa Great Place. The remaining 50 percent of the tax credit can be used statewide. In addition, the tax credit was made fully refundable for tax year 2007 and after.

C. Description of Other States' Historic Preservation Tax Credits

As of December 2008, 29 states (including Iowa) had tax credits for the preservation of historic properties. In some cases, they piggyback on the federal credit. In other cases, the credits are specifically for properties ineligible for the federal credit. Although the federal credit has been in existence since 1976, most state credits were introduced much later. Table 1 summarizes the federal and other states' credits providing information on credit percentages, minimum investment requirements, tax credit caps, refundability, transferability, and credit carry forward allowances. Of the 29 states, 11 states began their credit before 2000. Iowa was one of the states to start the credit in 2000. For many states, including Iowa, the past seven years have brought modifications of the original credits.

Iowa offers a 25 percent credit for eligible projects. The vast majority of states offer credits between 20 percent and 30 percent of qualified expenditures. New Mexico has the highest percentage (50 percent) among the 29 states. A few states, such as Connecticut, Delaware, Kentucky, North Carolina, New York, and Rhode Island, offer a 30 percent credit for historic preservation projects.

Twenty-three states impose minimum expenditure requirements for historic preservation projects to receive tax credits. It is difficult to compare Iowa's requirements with those of other states because the calculations to determine qualified expenditures are different across the states. Some states require a percentage of the total expenditure or assessed property value to be spent on the projects. Other states require a minimum amount of investment. Iowa requires a higher percentage of minimum expenditure for the commercial property (50 percent of property value, excluding land) than is required for residential property (the lower of $25,000 and 25 percent of property value, excluding land). This is in line with most other states. Only Louisiana has a higher requirement for residential property ($20,000) than for commercial property ($10,000).

Iowa has both a per-unit cap (similar to 15 of 29 states) and an overall annual cap (similar to 10 of 29 states) for the tax credit program. Only Connecticut and Massachusetts have higher annual caps than Iowa. Iowa is the only state to earmark a portion of funding for small projects, with 10 percent of credits set aside for those projects.

Iowa is one of six states to make the credit refundable. The other states with refundable credits include: Ohio, Maine, Maryland, New York and Louisiana. Louisiana makes the refundability available only for homeowners. New York makes the credit refundable for historic barn projects. Before 2007, the credit could be refunded at a discounted amount in Iowa. In 2007, the Iowa legislature made the HPCED Tax Credit fully refundable, in line with Ohio, Maine and Maryland.

Fifteen states allow the tax credits to be transferred. The credit can be freely transferred among investors in most states, but there are some exceptions. Connecticut only allows the credit to be transferred among the partners of a syndication partnership. In Michigan, only credits for commercial projects are transferable. In South Carolina, only pass-through entities can transfer their historic preservation tax credits.

In 2007, Iowa reduced the carry forward to one year because of the change making the credit fully refundable. Most other states have longer carry forward periods than Iowa, but they do not allow the credit to be refunded. New York and Rhode Island have no time limits set for their credit carry forward period.

Among our neighboring states, only Wisconsin and Missouri have historic preservation tax credits. Neither state has an annual cap on the amount of tax credit awards. They also do not allow the credits to be transferred or refunded. The rate of the credit for both states is 25 percent.

III. Analysis of Iowa's Historic Preservation Tax Credit Awards and Claims

Award data have been provided by the DCA and information on ownership structure was collected by IDR. Information regarding the HPCED Tax Credit claims was not available before 2006 because the claims were filed on the "other refundable credits" line of the individual income tax return (IA 1040) and could not be distinguished from other refundable tax credit claims. Similarly, HPCED Tax Credit claims against other taxes could not be separately identified prior to 2006. Therefore, before the introduction of the IA 148 Tax Credits Schedule (see Appendix A), the data on tax credit claims were not available.

To collect data on the financing of the historic preservation projects and evaluate the economic impacts of the State tax credits, two surveys were conducted, one in April 2007 and another in August 2008. In the surveys, a questionnaire (see Appendix B) was mailed to the tax credit applicants and owners of 76 completed projects awarded the HPCED Tax Credits. On the questionnaires, the award recipients were asked to provide their funding sources and the amounts of their claims each year from 2001 through 2008. After two months of further communication following each survey, including two mailings and several follow-up phone calls, only 42 of 76 questionnaires were returned to IDR.

A. Tax Credit Awards by Year

The Department of Cultural Affairs began awarding Historic Preservation Tax Credits in tax year 2001. According to information provided by DCA, a total of 107 properties have received 213 tax credit awards through 2008. These tax credits totaled $89.8 million and are eligible to be claimed in tax years 2001 through 2014. Table 2 provides information on the tax credit awards by year, including the number of awards, and the minimum, average, median and maximum award size. It is important to note that many properties receive awards over multiple years. The total credits awarded each year are in line with the statewide cap established by the legislature. In most years, the average tax credit awarded is larger than the median tax credit awarded.[2] This shows that the HPCED Tax Credit is distributed to a large number of relatively small projects and a few high value projects each year. The only exceptions are 2003 and 2004, where the average value is lower than the median value.

B. Tax Credit Awards by County

Table 3 shows the breakdown of tax credit awards and projects by county. Of the 99 counties in the state of Iowa, 23 have received HPCED Tax Credit awards to fund historic rehabilitation projects. However, the awards are relatively concentrated in a few counties. Over half of the projects are located in three counties: Polk, Dubuque and Scott. These three counties combined account for 61.0 percent of the number of awards and 70.8 percent of the dollar amount of awards. Each of these counties has more than ten projects and has received more than $10 million of credits. Polk County has the largest number and the highest amount of HPCED Tax Credit awards, but Dubuque County has the most projects approved for HPCED Tax Credit awards.

Figure 1 maps the geographic breakdown of the 99 projects by county. A total of 23 counties have at least one property that has been awarded HPCED Tax Credits. Also, Figure 2 shows the geographic breakdown of the $89.8 million of awarded tax credits by county.

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[2] Median is defined as the value that separates the higher half and the lower half of the data.

C. Ownership Structure of Award Recipients
IDR data shows that the types of ownership for award recipients includes sole proprietorships, corporations, and pass-through entities, such as partnerships, limited liability companies, and S-corporations. In addition, some shareholders of corporations, limited liability companies, and partnerships are pass-through entities. There are 51 entities that received the HPCED Tax Credits through 2008. Among them, 20 are pass-through entities and the other 31 award recipients include individuals and C-corporations. Figure 3 presents how the tax credits are distributed through the ownership structures of the HPCED Tax Credit award recipients. A few pass-through entity shareholders among the original award recipients (Layer 1) are partially owned by other pass-through entities (Layer 2). There are 118 underlying shareholders in these 20 pass-through entities from Layer 2 through Layer 4. Three of 20 Layer 1 pass-through entities are owned by non-Iowa residents. In total, ten of the 118 shareholders reside in other states.

D. Tax Credit Claims
Two different approaches have been used to assess the data on tax credit claims. One approach was to use a survey to ask the HPCED Tax Credit recipients to voluntarily provide their claim history from 2001 through 2008. The other approach collected information from the IA 148 Tax Credits Schedule for tax years 2006 and 2007. Results from these two approaches are analyzed separately.

Survey Analysis
The tax credit claims information from the survey is presented in Table 4. There were 28 respondents who reported tax credit claims. For these 28 respondents, the total amount of claims between 2001 and 2008 is about $12.5 million, compared to their total award amounts of about $16 million. The ratio of claims to awards is 78.1 percent. The amount claimed each year grew from $0.8 million in 2001 to more than $3 million in 2007, as more developers completed their projects and were eligible to make tax credit claims. A possible reason that only 78.1 percent of the awards were claimed is that the award recipients may not have had adequate tax liability to claim all of the tax credits. Also, the HPCED Tax Credit was only refundable at a discounted rate until tax year 2007.

After the credit became fully refundable in 2007, four companies claimed their credits for the first time. The four companies together had been awarded $3.9 million and they claimed $3.84 million in 2007, accounting for 98.5 percent of their awards.

IA 148 Tax Credits Schedule Analysis
The HPCED Tax Credit claim information from the IA 148 form is only available for tax years 2006 and 2007.[3] Table 5 shows the claim data extracted from the IA 148. About $1.2 million was claimed in 2006 as nonrefundable tax credits. In 2006, banks claimed $560,000, nearly half of the tax credits claimed. Individuals made about $400,000 of nonrefundable claims. About $3.6 million were claimed in 2006 as refundable tax credits, with most of those claims made against corporate income tax.

For tax year 2006, the HPCED Tax Credits were refundable only at a discount rate. The amount of the discount was dependent on interest rates established annually by IDR. In 2006, taxpayers received $0.747 per dollar for refunded tax credits. The total amount of HPCED Tax Credit claims made during tax year 2006 was about $4.85 million.

In tax year 2007, HPCED Tax Credit became fully refundable. Consequently, nearly $3 million of refundable tax credits have been claimed in 2007, based on the most recent information available. Insurance companies have claimed $1.3 million and banks have claimed $860,000 among the total 28 claims made so far.

[3] Data from IA148 in 2007 is still not complete because some 2007 tax returns have not yet been filed.

E. Transferred Tax Credits

Prior to the 2007 Legislative Session, the HPCED Tax Credit was transferable and refundable at a discounted rate. For the award recipients that did not have enough tax liability to utilize their tax credits, they could sell their credits to other taxpayers or claim the refundable credit at a discounted rate.

Since 2007, tax credit certificates for transferred credits have been issued by IDR. There have been 79 transferred certificates issued involving 26 projects during 2007 and 2008. Table 6 shows the tax credits that have been transferred by the year for which the credits are eligible to be claimed.[4] It is estimated that claims for transferred credits will peak at $ 7.9 million in tax year 2008 and decline gradually to less than $1 million in tax year 2012. A possible reason that tax credit transfers continue even though the credit is fully refundable is that the original recipients might need cash now and may not be able to wait to make their claims.

Table 7 shows the distribution of transfers by purchaser type. Banks have purchased the largest number of HPCED Tax Credits. Insurance companies purchased the most credits in terms of dollars. Combined, the purchases from insurance companies and banks account for $13 million, or two-thirds of the total transferred tax credits during 2007 and 2008.

IV. Evaluation of the HPCED Tax Credit

A. Literature Review and Methodology

There are numerous papers that evaluate the effect of state historic preservation programs. These studies come from a variety of approaches. Mason (2005) provides a thorough review of the literature. The article provided a detailed review of the evaluation methodologies employed by previous studies and lists the advantages and drawbacks of these methods. Also, the Brookings paper discusses previous efforts made by states to evaluate their programs for preserving their historic heritage and possibly stimulating economic activity.

There are a large number of papers that employ input-output models to estimate the direct and indirect effects of historic preservation activities.[5] Most recent works provide estimates of impacts on jobs, investment, and wages as the benefits of these programs. Some of these studies including Rutgers et. al. (2002) on Florida, Leithe and Tigue (1999) on Georgia, Maryland Governor's Office (2004) on Maryland, Clarion (2002) on Michigan, Rutgers et. al. (2001) on Missouri, Lipman, Frizzell & Mitchell LLC (2005) on Rhode Island, Palmetto Conservation Foundation (2002) on South Carolina, and Rutgers et. al. (1999) on Texas. The common feature of these studies is that they consider historic preservation expenditures as inputs. Then, the researchers apply a multiplier, such as an IMPLAN or RIMSII multiplier, to the expenditures to arrive at economic benefits as outputs. Generally, these models are used to estimate the number of newly created jobs and the additional economic expenditures in the region. Some papers using this method also focus on specific industries. Clarion (2005) and West Virginia University (1997) singled out heritage tourism in Colorado and West Virginia, respectively. They both conclude that the historic preservation programs in their states helped create more expenditures and jobs. One article (Listokin et. al., 1998) examines the relative economic effects of historic rehabilitation projects and new construction, concluding that

[4] The certificate issuance date is not always the date that the awardees are eligible to file claims.

[5] Input-output models assume an economy with a number of industries. Each of these industries uses input from itself and other industries to produce a product. The model can be used to predict the effect of changes in one industry on others and by consumers, government, and foreign suppliers on the economy (See Dietzenbacher and Michael, 2004).

historic rehabilitation yields greater economic benefits than new construction on a per dollar of investment basis. The article also compares the economic impacts of historic preservation expenditures to expenditures in other industries, such as manufacturing and publishing. The results show that historic preservation is a good investment.

Although input-output models have been widely used in other studies, this study does not employ this methodology. This is because input-output models usually lack evidence of economic impacts supported by actual data. The economic impacts claimed in such studies are generally used to forecast rather than evaluate the existing programs based on actual measures of changes in economic activity.

Some other studies employ a case study approach. Deravi (2002) examines pre-designation and post-designation property values, compares the repeat sale price appreciation of properties in historic areas with general surrounding areas, and compares the long-run property value trends in historic areas relative to general housing prices. He found that historic area designation has a substantial positive impact on property values. In all seven areas studied, historic districts had greater property value appreciation over both the short-term and long-term. The South Carolina Department of Archives and History (2000) used a similar method. This case study compares repeat sales price appreciation and annualized rates of return. Real estate appraisal data was used in a statistical regression model to examine the impacts of historic designation on home values. The report concludes that homes in historic districts had higher rates of return and faster appreciation than those not in historic districts. The historic designation program enhanced home values by 21 percent if everything else is held equal. Similarly, Leichenko, et al. (2001) evaluates the impacts of historic designation on home prices using a statistical regression technique with data collected from nine Texas cities. For seven of the nine cities, the authors found that there were statistically significant positive effects of historic designation on home prices. Also, they find that nationally designated districts had a greater impact than state and locally designated districts.

The regression techniques can be used to isolate the impacts of historic preservation projects from other concurrent events. This method is helpful in providing a precise and objective estimation of the economic benefits of historic preservation. However, this method does have some drawbacks. It requires that researchers compile a large amount of data to make the analysis consistent and robust, which has often proven to be difficult in practice.

A two step approach is adopted to evaluate the impacts of historic preservation projects in Iowa for this study. First, the impact of the State tax credits on the viability of the historic preservation projects is studied. One crucial question in this study is whether Iowa's HPCED Tax Credits have leveraged significant private investment. Specifically, if there were no State tax credit, would the historic preservation projects still be viable on their own? The analysis for this research question is based on the evaluation of the total cost of completed projects and the weight of different source of funding. The data used for this part of the analysis were obtained through surveys conducted by IDR and DCA.

The second step analyzes the impacts of the historic preservation projects on local communities. Key indicators studied include the changes in the amounts and percentages of retail sales, personal income, number of businesses, and employment in the vicinity of completed historic preservation projects. Also, the assessed values of the historic properties and neighboring properties are compared.

Since most of the projects receiving HPCED Tax Credits are clustered in a few counties, namely Dubuque, Polk and Scott, it is natural to use the case study method to estimate the impacts of the HPCED Tax Credit on the counties' economies. This case study approach facilitates the simultaneous analysis of several economic impact measures. In order to focus the analysis on areas located in close proximity to the historic preservation projects, geographic information system (GIS) software was used.

B. Survey: Funding Sources

Table 8 describes the major funding sources for the 42 completed projects for which surveys were received. The total project costs of the completed historic preservation projects receiving State tax credits is about $142 million. The HPCED Tax Credit is the second largest public funding source, and the largest State public funding source for the historic preservation properties for which surveys were received. The historic preservation tax credits awards to these projects account for $24.3 million (17.1 percent) of total costs. The largest overall public funding source is the federal low income housing tax credit, which accounts for 24 percent of the total costs. More than one-third of total costs, about $49.1 million, are provided by external private investors. The private investors put $49.1 million into the projects, accounting for 34.6 percent of the project costs. Other public funding sources include grants and low-interest loans provided by all levels of government.

The amount of tax credits received from the State of Iowa, including the HPCED Tax Credits and Enterprise Zone Program Tax Credits, is about $27.6 million, accounting for 19.4 percent of the total project costs. For every one dollar of State tax credits $1.78 of private money was leveraged. Combining the federal tax credits, the State tax credits, and the local public assistance, $99.3 million of public financing has been provided to the historic preservation projects for which surveys were completed, which accounts for 69.9 percent of the total project costs. Thus, for every dollar of public money, there was $0.50 of private money leveraged by these Iowa historic preservation projects. If the federal tax credits and private investment are considered "out of state money", the total amount of "out of state money" is $104.1 million (73.3 percent). For every one dollar of State tax credits $3.77 of out of state money was leveraged.

C. Case Studies

Dubuque and Davenport were chosen for case studies because they contain the largest number of historic preservation projects receiving the State tax credits and a large number of projects are concentrated in their downtown areas.[6] The analyses of the projects located in these two cities show different economic impacts. The analysis for Dubuque shows positive benefits to surrounding properties and businesses. Few such benefits were found for the projects in Davenport. The explanation for the different outcomes of these analyses is that there are differences between these two cities in terms of their local economies and geography. Also, the types of projects done in the two cities are different.

Both Dubuque and Davenport are cities located along the Mississippi River in eastern Iowa. Both cities have histories as hubs for both river and railroad transportation. Also, both cities have major Mississippi River bridges that carry the traffic of national highways, but Davenport is located on and encircled by interstate highways, while Dubuque is not on the interstate highway system. Also, Davenport is part of a metropolitan area consisting of five major cities and a combined population of over 375,000, whereas Dubuque has a population of fewer than 60,000 with only a few very small communities nearby.

The differences between the two communities that most explain the difference in how historic preservation projects have impacted their local economies are the types of buildings and businesses located in the two cities' downtowns and the usage of the rehabilitated properties. Although, several

[6] Generally, a cluster of historic preservation projects should be expected to have more of an economic impact than would a single isolated historic property.

decades ago many historic buildings located in downtown Dubuque were demolished as part of an urban renewal project, many substantial buildings still remain today that date from the late 19th and early 20th centuries. Also, the area of Dubuque between the bluffs and the Mississippi river contains a rich mix of industrial, public, residential, retail, and warehouse structures. Furthermore, in recent years, tourism and family oriented recreation activities have been expanded through numerous improvements around the city's Ice Harbor area.

Until the 1960s downtown Davenport served as the major retail and professional center of the entire Quad-Cities. Bettendorf, IA, Moline, IL, and Rock Island, IL also had retail districts but they were small in comparison to downtown Davenport. On the other hand, the other three cities contained much more heavy industry with John Deere having most of its factories in Moline, International Harvester and the Arsenal in Rock Island, and Case in Bettendorf. There were some clothing and food manufacturers and warehouses located around the periphery of downtown Davenport, but these companies were generally small. Today, most retail businesses on the Iowa side of the river have migrated to the city's edge along old U.S. Highway 6 (Kimberly Road) and along Interstate 74. Also, many professional and business services firms (law, accounting, and medical services businesses) have left downtown Davenport. There has been an expansion of gaming activities in downtown Davenport, but as has been found in other parts of the country this type of development often does not stimulate other types of tourism and retail business.

Reflecting the differences between the economies of downtown Dubuque and downtown Davenport the historic preservation projects in Dubuque have involved mixed use structures that provide space for office, retail, and residential uses. The historic preservation projects in Davenport, on the other hand, have largely resulted in buildings dedicated to low-cost housing.

Davenport has ten completed historic preservation projects that were awarded State tax credits through June 2008. There are fifteen completed historic preservation projects that have received State tax credits through June 2008 in the City of Dubuque. Polk County, which also has a large number of projects and HPCED Tax Credit awards, was not chosen because the historic preservation projects in Des Moines are located too close to other city developments for their impacts to be clearly distinguished.

In these case studies, employment, salary, property value, and retail sales revenue are used to measure the economic impacts of the historic preservation projects. Geographic information system (GIS) software was used to distinguish the impacts attributable to these projects from the impacts of other developments in the two cities. Economic data come from IDR, Iowa Workforce Development (IWD), and the Dubuque City Assessor's Office.

First, the values of historic properties rehabilitated using State tax credits are examined. Currently, only the data on assessed property values in Dubuque are available. Figure 4 illustrates the comparison between historic preservation rehabilitation project property values from 1995 to 2006 and average property values in the City of Dubuque over the 2000 to 2006 period. On average, the valuations for rehabilitation project properties show a steeper slope than for other properties over the study period. This suggests the rehabilitation activity assisted by HPCED Tax Credits and other forms of public financing increased property values significantly.

Comparing the values of historic properties before and after the rehabilitation projects, the average property value rose from $150,000 to $1.15 million, while the average property value in the City of Dubuque only rose from $100,000 to $126,000 during the same period. The average annual rate of return on historic preservation rehabilitation properties is 51 percent, compared to 5 percent for all properties in the City of Dubuque. But the average investment cost of the historic preservation projects is more than $3 million per property for the historic preservation projects in Dubuque. The sum of the assessed property values before the historic preservation projects and the project investments is higher than the assessed property values after the historic preservation projects. Consequently, the return on investment for the historic preservation projects is negative when calculated based on assessed property values.[7]

Although the increase in values of the studied historic properties alone were not large enough to justify the public support they received, the spill-over effects of the historic preservation activities onto surrounding properties were examined to determine to what extent they may generate positive externalities. To measure the spill-over effects it was necessary to first define areas that would likely be impacted. A buffer zone measuring 0.1 mile in radius (about one city block) was created around each historic preservation project using GIS software.[8] The properties and businesses located within the buffer zones are logically expected to be those most likely positively affected by the historic preservation projects. This is because the rehabilitation activities should make the historic buildings more desirable destinations and provide more usable space. To test this hypothesis retail sales activity and employment within the buffer zones were analyzed to determine if they grew at the higher speeds than in areas outside the buffer zones.

To evaluate whether the historic preservation projects improve the values of their neighboring properties in the buffer zones, the growth rates of the assessed property values within and outside the buffer zones were compared. To make the properties comparable, the sample of the properties was confined to the downtown area in the City of Dubuque. Table 9 presents the comparison of the property values. In the buffer zones, the average assessed property values grew at an annual rate of 9.7 percent between 2000 and 2007, compared to an annual rate of 3.7 percent for other downtown properties. This result is consistent with the expectation that historic preservation projects have a positive impact on their neighboring properties.

If the historic preservation projects made the historic buildings more desirable destinations, the retail and hospitality businesses nearby should experience an increased growth rate in retail sales revenue. Therefore, retail businesses, restaurants, and hotels located within and outside the buffer zones were identified in both the cities of Dubuque and Davenport, based on sales tax records for 2000 and 2007. 2000 is the year before the HPCED tax credit became effective. 2007 is the latest year that complete sales tax data are available. Table 10 shows the growth rates for taxable sales of the retail businesses, restaurants, and hotels within and outside the buffer zones. In the City of Dubuque, the annualized growth rate for average sales revenue within the buffer zones was 7.8 percent from 2000 to 2007. Outside the buffer zones, average sales revenue grew at an annual rate of 3.8 percent over the same period. The number of retail businesses, restaurants, and hotels located within the buffer zones fell from 81 in 2000 to 62 in 2007 in Dubuque, an annual rate of -3.3 percent. Outside the buffer zones, the number of businesses decreased from 1,215 in 2000 to 1,117 in 2007, an annual rate of -1.1 percent. Combined, the total sales revenue for all retail and hospitality businesses in the buffer zones increased at an annual rate of 4.2 percent from 2000 to 2007. The total sales revenue increased at an annual rate of 2.8 percent outside the buffer zones over the same period in the City of Dubuque.

In Davenport, the average retail, restaurant, and lodging sales revenue inside the buffer zones decreased at an annual rate of 2.4 percent, compared to a growth rate of 4.4 percent outside the

[7] The assessed property value may not necessarily fully reflect the historic properties' current market values. The market values of the target historic properties are not available. Therefore, the assessed property values are used in the study.

[8] Separate regressions were run at the property level that show retail sales within a one block radius of the historic preservation projects are significantly positively affected by the distance between a historic preservation project and the retail businesses. Beyond the one block radius, the distance had an insignificant impact on retail sales.

buffer zones. But the number of retail stores and restaurants, increased by 2.5 percent per year, while the growth rate for the number of the businesses decreased by 0.6 percent outside the buffer zones. The total sales revenue in the buffer zones grew at an annual rate of 0.1 percent compared to 3.8 percent outside.

Employment information within and outside the buffer zones was obtained from data collected by IWD. Table 11 shows the comparison for both cities. In the City of Dubuque, from 2000 to 2007, the average annual non-farm employment in the buffer zones increased from 1,906 to 3,780, growing at a rate of 8.9 percent each year. Outside the buffer zones, the annual growth rate in employment is 2.8 percent. The number of employers inside the buffer zones grew at an annual rate of 3.6 percent compared with a rate of 6.4 percent outside the buffer zones in the City of Dubuque. The median salary increased by 1.9 percent annually inside the buffer zones compared to an annual rate of 2.7 percent outside the buffer zones in the City of Dubuque. The employment growth in the buffer zones outperformed the growth outside the buffer zones, but the wage growth rate inside the buffer zones is lower.

In Davenport, from 2000 to 2007, the average annual employment decreased at a rate of 2.4 percent inside the buffer zones compared to an increase of 3.6 percent annually outside from 2000 to 2007. Also, the number of employers inside the buffer zones increased at a lower rate, 5.5 percent, than outside, 6.2 percent. However, the median salary growth inside the buffer zones, 4.5 percent per year, is higher than outside, 2.0 percent per year.

In summary, the impacts of the historic preservation projects that received HPCED Tax Credits on local communities are mixed for the cities of Dubuque and Davenport. In the City of Dubuque, average retail sales, employment, and property values within a 0.1 mile radius of these historic buildings show higher growth rates than buildings located outside the buffer areas. However, the median salary experienced a lower growth rate than for the rest of the city. In Davenport, the results are the opposite. Retail sales and employment grew more slowly within a 0.1 mile radius of the historic buildings than the rest of Davenport. However, the median salary increased faster inside the buffer zones than outside.

To explain the different impacts of historic preservation projects on Dubuque and Davenport, the top three business types in term of the number of locations within the buffer areas in both cities were analyzed (see Table 12). In the City of Dubuque, the top three industries within the buffer zones in 2000 were Professional, Scientific, and Technical Services (15 businesses), Food Services and Drinking Places (7 businesses), and Wholesale Trade-Durable Goods (7 businesses). In 2007, the top three types of businesses within the buffer zones in Dubuque included Professional, Scientific, and Technical Services (22 businesses), Food Services and Drinking Places (21 businesses), and Ambulatory Health Care Services (11 businesses). Compared with the median salaries paid by other types of businesses, the low salary in the Food Services and Drinking Places sector and the replacement of the Wholesale Trade-Durable Goods sector by Ambulatory Health Care Services probably contributed the most to the lower median wage growth for the buffer areas in the City of Dubuque.

In Davenport, Professional, Scientific, and Technical Services (15 businesses), Administrative and Support Services (9 businesses), and Insurance Carriers and Related Activities (9 businesses) were the top three business types in the buffer zones in 2000. In 2007, the top three changed to Professional, Scientific, and Technical Services (32 businesses), Food Services and Drinking Places (14 businesses), and Credit Intermediation and Related Activities (10 businesses). Although the increased number of Food Services and Drinking Places businesses contributed negatively to the wage growth, the growth in professional services and the banking industry made the median salary rise at a higher rate within the buffer zones than for the rest of Davenport. However, the declines in sales revenue and employment within the buffer zones in Davenport still cannot be explained.

V. Future Study

Given the lack of data, this report does not examine all communities in Iowa with projects that received HPCED Tax Credit awards. Some research questions remain unanswered. Additional research on the impact of the HPCED Tax Credits in comparison to other types of local economic development assistance, such as the Main Street Program, the Vision Iowa Program, and low-income housing tax credits would be beneficial. Furthermore, research for this study was hampered by the low response rate for the surveys sent to HPCED Tax Credit award recipients. Only 42 of 76 owners of completed projects responded to the surveys. One way to obtain better compliance in the future is to require tax credit applicants to complete a survey prior to being awarded an HPCED Tax Credit certificate. Since these tax credit certificates are only awarded for completed historic preservation project all the relevant data should be available at that time.

In addition, it would be beneficial for future studies to more fully investigate the fiscal effects of the HPCED Tax Credit on State taxes and on the tax bases of local communities. The City of Dubuque and Davenport were chosen in this study because they are two of the top recipients of HPCED Tax Credits in terms of award amounts. There are another 21 counties that have received the benefits of HPCED Tax Credits. The impact of historic preservation activities supported by the tax credit in these other communities should be examined as well.

Another type of analysis that may be insightful is a comparison of historic preservation projects that received the State tax credit with projects that did not receive such credits. The data on historic preservation projects that have not received public assistance does not currently exist. Finally, a cross-state analysis of the impacts of various administrative features of their historic preservation tax credit programs would be useful. For example, there are significant differences among these programs in terms of project level caps, annual award caps, transferability, and refundability.

VI. Conclusion

The HPCED Tax Credit appears to play an important role in promoting historic preservation activity in the state of Iowa. This study provides information on how the statutory provisions for the Iowa tax credit program compare to those of similar federal and other states' tax credit programs. Also, the study provides information on the relative importance of different funding sources, including many different types of public assistance, for historic preservation projects. In addition, the study sheds light on the effects of the HPCED Tax Credit on local economies.

The full refundability, transferability, and the relatively high annual award limits make the Iowa HPCED Tax Credit a very attractive program compared to other states. This tax credit program is the largest State public financing source for historic preservation projects. Accounting for about 17.1 percent of the total project investment, the HPCED Tax Credit appears to be very important in determining the viability of many historic preservation projects in Iowa.
The economic impacts of the HPCED Tax Credit on local communities are mixed. The retail sales and employment increased at higher rates in the vicinity of historic preservation projects than in the rest of the City of Dubuque. But in Davenport the study found that the historic preservation projects had no significant positive impact on retail sales or employment.

The HPCED Tax Credit's annual cap will increase to $15 million in tax year 2009 and to $20 million in tax year 2010 and later. Given the transferability and the full refundability, most credits awarded will be claimed.

Iowa's Historic Preservation and Cultural and Entertainment District Tax Credit Program Evaluation Study

Tables and Figures

Table 1. Federal and State Historic Preservation Tax Credits

State	Tax Credit Rate		Minimum Expenditure Requirement	Per Project Cap	Per Year Cap	Transferable	Refundable	Carry Forward
	Residential	Commercial						
Federal	20% for income producing	20% for income producing	Greater of $5,000 or adjusted basis	No	No	No	No	20 years
Colorado	20% if federal credit is Not claimed, 10% if federal credit is claimed.		$5,000	$50,000	No	No	No	10 years
Connecticut	25% (including Nonresidential uses where at least 33% of total square footage is for residential use). 5% more for affordable housing. 30% for owner-occupied residence located in historic places.	25% for residential uses of commercial buildings	For commercial buildings, 25% of assessed value. For residential buildings in historic place: $25,000.	$5 million for regular residential building. $2.7 million for commercial building. $30,000 for residential building in historic place.	$50 million over 3 years for regular residential building. $15 million for commercial buildings. $3 million for residential building in historic place.	Yes, among the partners of a syndication partnership.	No	5 years for residential uses (both residential and commercial buildings). 4 years for residential building in historic place.
Delaware	20% for income producing; 30% for homeowner; 10% bonus for low-income housing.	20% for income producing	No	$20,000 for homeowner	$5 million	Yes	No	10 years
Georgia	25% effective 12/31/2008	25% effective 12/31/2008	No	$100,000 for homes and $300,000 for certified structure.	No	Yes	No	10 years
Indiana	20%	20%	$10,000	$100,000	$450,000 for commercial buildings and $250,000 for residential buildings.	No	No	15 years

Table 1 (cont). Federal and State Historic Preservation Tax Credits

State	Tax Credit Rate		Minimum Expenditure Requirement	Per Project Cap	Per Year Cap	Transferable	Refundable	Carry Forward
	Residential	Commercial						
Iowa	25%	25%	50% of assessed commercial property value, less land value. 25% of fair market value for residential property or $25,000.	$100,000 per residential unit.	$10 million for FY 2008, $15 for FY 2009, $20 million for FY 2010 and thereafter. 10% of credits are for small projects, 40% of credits are for CEDs.	Yes	Yes	1 year
Kansas	25%	25%	$5,000	No	No	Yes	No	10 years
Kentucky	30%	20%	For residential projects, $20,000. For others, $20,000 or adjusted basis, whichever is greater, subject to $400,000.	For residential projects, $60,000. For other projects, $400,000.	$3 million	Yes	No	No
Louisiana	25%	25% for properties in "downtown development districts".	$10,000 for income producing projects; $20,000 for residential projects.	$5 million for downtown development districts.	$1 million for residence. No cap for commercial projects.	Yes	Yes	5 years
Maine	25% for a four year period, if it meets the affordable housing requirements, the rate is 30%.	25% for a four year period, if it meets the affordable housing requirements, the rate is 30%.	Same as federal tax credit. Or projects between $50,000 and $250,000 in qualifying rehabilitation expenses, but do not claim the federal credit.	$5 million per structure.	No	No	Yes	No

Table 1 (cont). Federal and State Historic Preservation Tax Credits

State	Tax Credit Rate		Minimum Expenditure Requirement	Per Project Cap	Per Year Cap	Transferable	Refundable	Carry Forward
	Residential	Commercial						
Maryland	20%	20%	$5,000 for homeowner. A rehab cost that exceeds the adjusted basis of property for commercial applicants.	Commercial: $3 million. Residential: $50,000.	No cap for owner-occupied properties. No more than 75% of available funds can go to single jurisdiction.	No	Yes	No
Massachusetts	25%	20%	25% of adjusted basis.	No	$50 million	Yes	No	5 years
Michigan	25%	25%, reduce to 20% if federal 20% credit is claimed.	10% of State Equalized Value of the property.	No	No	No	No	10 years
Mississippi	25%	25%	$5,000 for owner-occupied properties. 50% of the total basis for commercial.	No	No	No	No	10 years
Missouri	25%	25%	50% of the adjusted basis.	No	No	Yes	No	10 years
Montana	25% of federal credits.	25% of federal credits.	Same as the federal credits.	No	No	No	No	7 years
New Mexico	50%	50%	No	$25,000 for properties outside Arts and Cultural districts, $50,000 for properties in Arts and Cultural districts.	No	No	No	4 years

Table 1 (cont). Federal and State Historic Preservation Tax Credits

State	Tax Credit Rate		Minimum Expenditure Requirement	Per Project Cap	Per Year Cap	Transferable	Refundable	Carry Forward
	Residential	Commercial						
New York	20%	30% of federal credit. 25% for historic barn.	$5,000	$100,000 for commercial. $25,000 for residential.	No	No	Yes, for a barn	Unlimited
North Carolina	30%	20%	For homeowner, $25,000. For commercial, same as federal credit.	No	No	No	No	5 years
North Dakota	25%	25%	No	$250,000	No	No	No	5 years
Ohio	25%	25%	No	No	100 Projects	No	Yes	No
Oklahoma	20%	20%	Same as federal credits	No	No	Yes	No	10 years
Rhode Island	25%, 26% or 27% depending on criteria.	25%, 26% or 27% depending on criteria.	50% of adjusted basis for commercial. $2,000 for residential.	No for commercial. $2,000 for residential.	No	Yes	No	As long as the property exists.
South Carolina	10%	10%	$15,000 for non-commercial.	No	No	Yes, for pass-through entity allocation.	No	10 years
Utah	20%	20%	$10,000 over 3 years.	No	No	No	No	No
Vermont	No	10% for projects approved for federal credit. 25% for façade improvement project. 50% for certain code improvement project.	No	$25,000 for 25% projects. $50,000 for 50% projects.	$1.5 million	Yes	No	9 years
Virginia	25%	25%	25% of assessed value for owner-occupied building. 50% of assessed value for nonowner-occupied building.	No	No	Yes	No	10 years

Table 1 (cont). Federal and State Historic Preservation Tax Credits

State	Tax Credit Rate		Minimum Expenditure Requirement	Per Project Cap	Per Year Cap	Transferable	Refundable	Carry Forward
	Residential	Commercial						
West Virginia	20%	10% for buildings eligible for federal credit.	20% of assessed value for homeowner projects.	No	No	Yes	No	5 years
Wisconsin	25%	5%	$10,000 over 2 years, extendable to 5 years for residential. For commercial, equal to adjusted basis.	No	No	No	No	No

Table 2. HPCED Tax Credit Awards by Fiscal Year

Fiscal Year	Total		Summary Statistics			
	Awards	Credits Awarded	Minimum	Average	Maximum	Median
2001	18	$2.4 million	$5,900	$133,300	$602,800	$56,300
2002	14	$2.4 million	$2,700	$171,400	$800,000	$39,600
2003	7	$2.4 million	$10,000	$342,900	$933,700	$350,000
2004	5	$2.4 million	$25,000	$480,000	$778,400	$525,000
2005	8	$2.4 million	$3,400	$338,600	$959,200	$75,000
2006	16	$6.4 million	$1,400	$400,000	$1,975,000	$220,800
2007	15	$6.4 million	$5,900	$426,700	$1,662,300	$196,100
2008	22	$10 million	$15,800	$454,500	$1,536,800	$228,300
2009	35	$15 million	$900	$428,600	$2,331,400	$198,300
2010	40	$20 million	$5,500	$492,500	$3,068,200	$120,000
2011	28	$20 million	$1,000	$689,300	$8,500,000	$322,300
2012	2	$0.8 million	$150,400	$407,000	$663,600	$407,000
2013	1	$0.07 million	$72,400	$72,400	$72,400	$72,400
2014	2	$0.07 million	$23,900	$41,600	$59,400	$41,600
Total	213	$ 89.8 million				

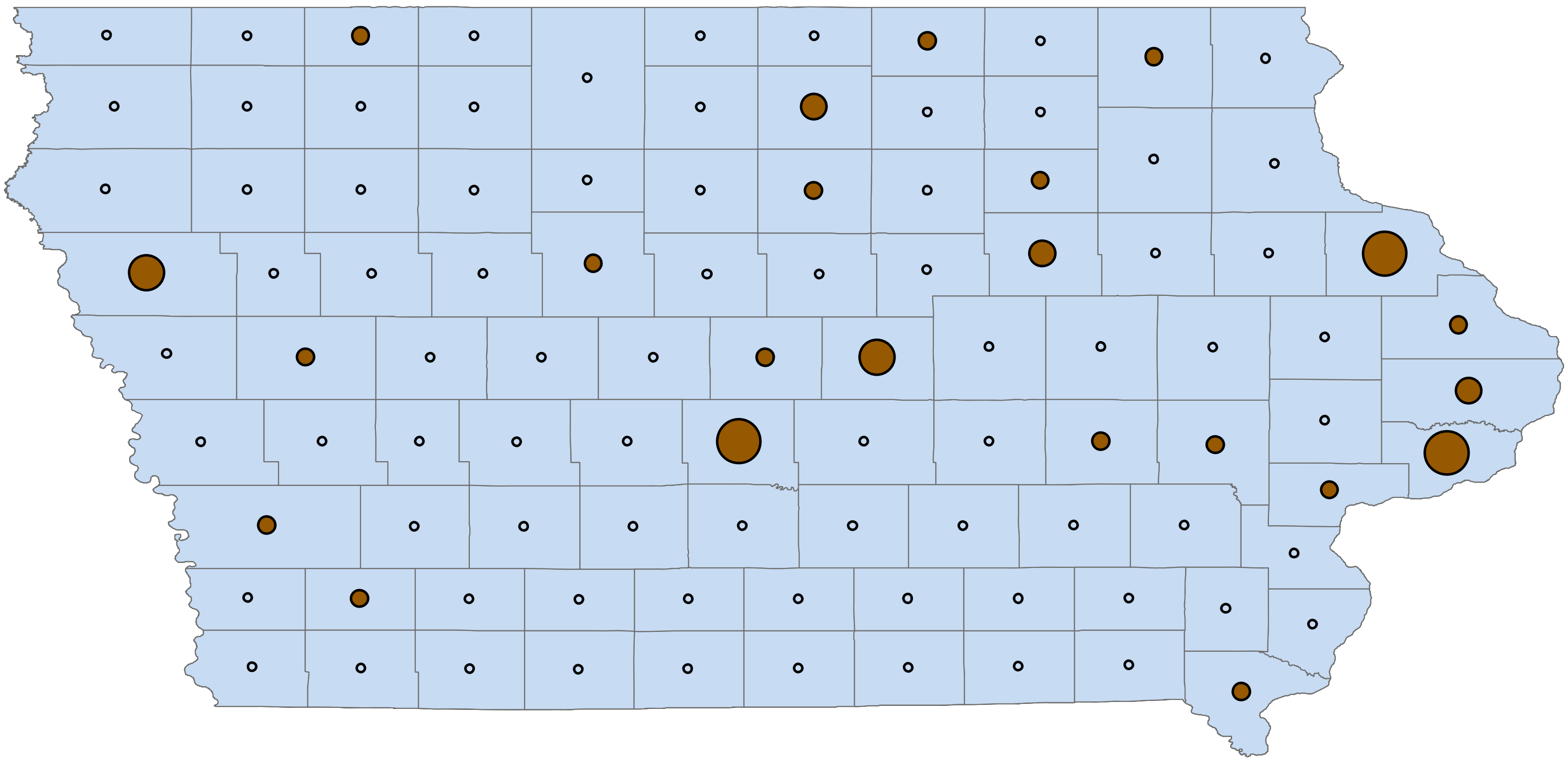
Source: “STC Summary,” December 19, 2008, Iowa Department of Cultural Affairs.
The total credits awarded may not add up due to rounding.

Table 3. HPCED Tax Credit Awards and Projects by County

County	Awards	Projects	Total Credits (in millions)
Black Hawk	8	6	$2.38
Bremer	3	1	$0.14
Cerro Gordo	8	3	$5.00
Clinton	9	4	$1.93
Crawford	1	1	$0.02
Dickinson	2	1	$0.74
Dubuque	45	23	$12.76
Franklin	1	1	$0.01
Iowa	1	1	$0.02
Jackson	2	1	$0.88
Johnson	2	1	$1.19
Lee	3	2	$1.82
Marshall	11	8	$0.61
Mitchell	1	1	$0.02
Montgomery	2	1	$0.10
Muscatine	4	1	$1.02
Polk	53	17	$25.89
Pottawattamie	3	3	$0.85
Scott	32	14	$24.89
Story	2	2	$0.01
Webster	3	1	$0.93
Winneshiek	3	2	$0.66
Woodbury	14	4	$7.90
Total	213	99	$89.80

Source: “STC Summary,” December 19, 2007, Iowa Department of Cultural Affairs.

Figure 1. HPCED Tax Credit Awards by County



County Map

Awards

- 0
- 1-4
- 5-9
- 10-14
- More than 15

Figure 2: HPCED Tax Credits by County

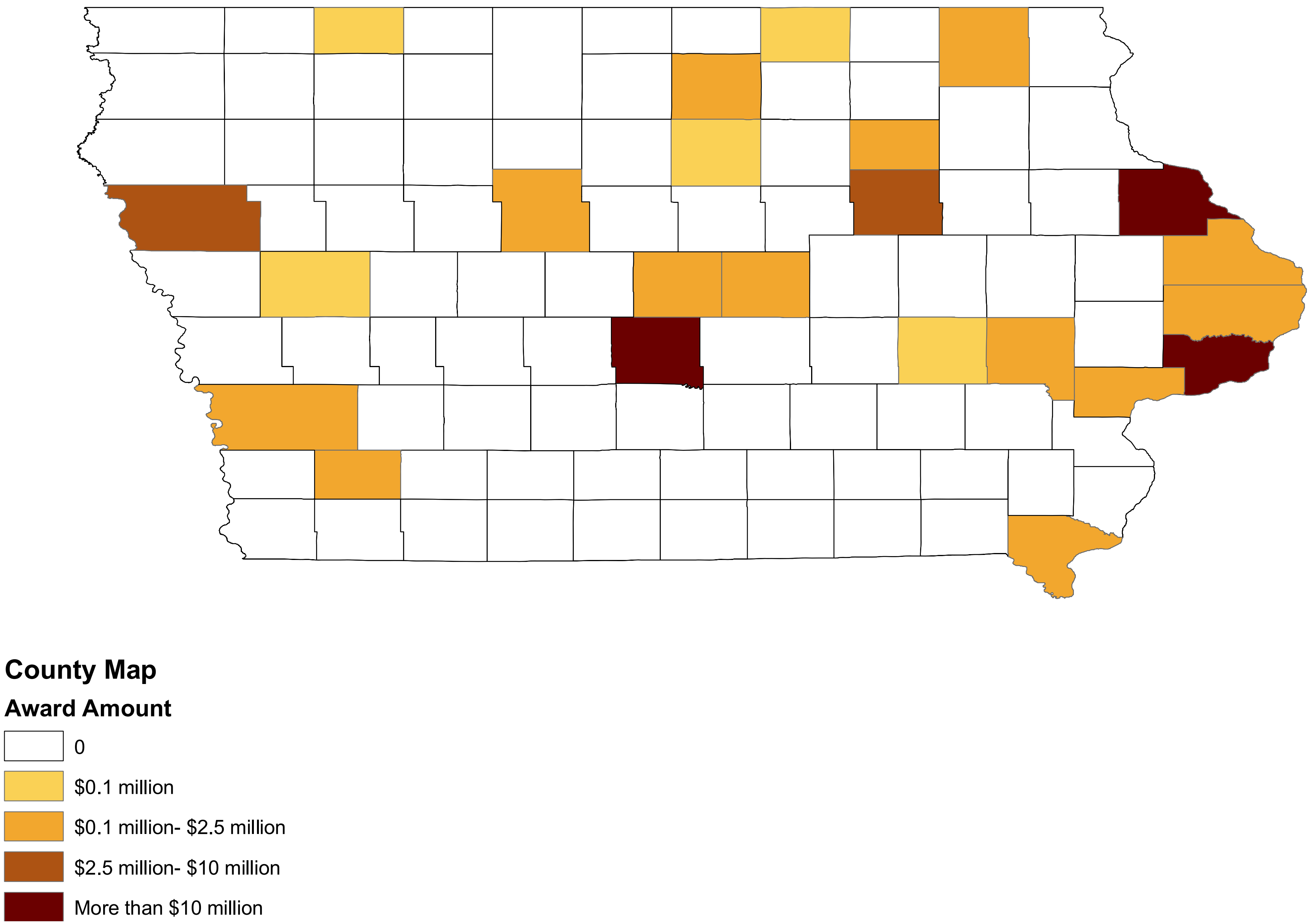


Figure 3. HPCED Tax Credit Award Recipients' Ownership Structure Chart

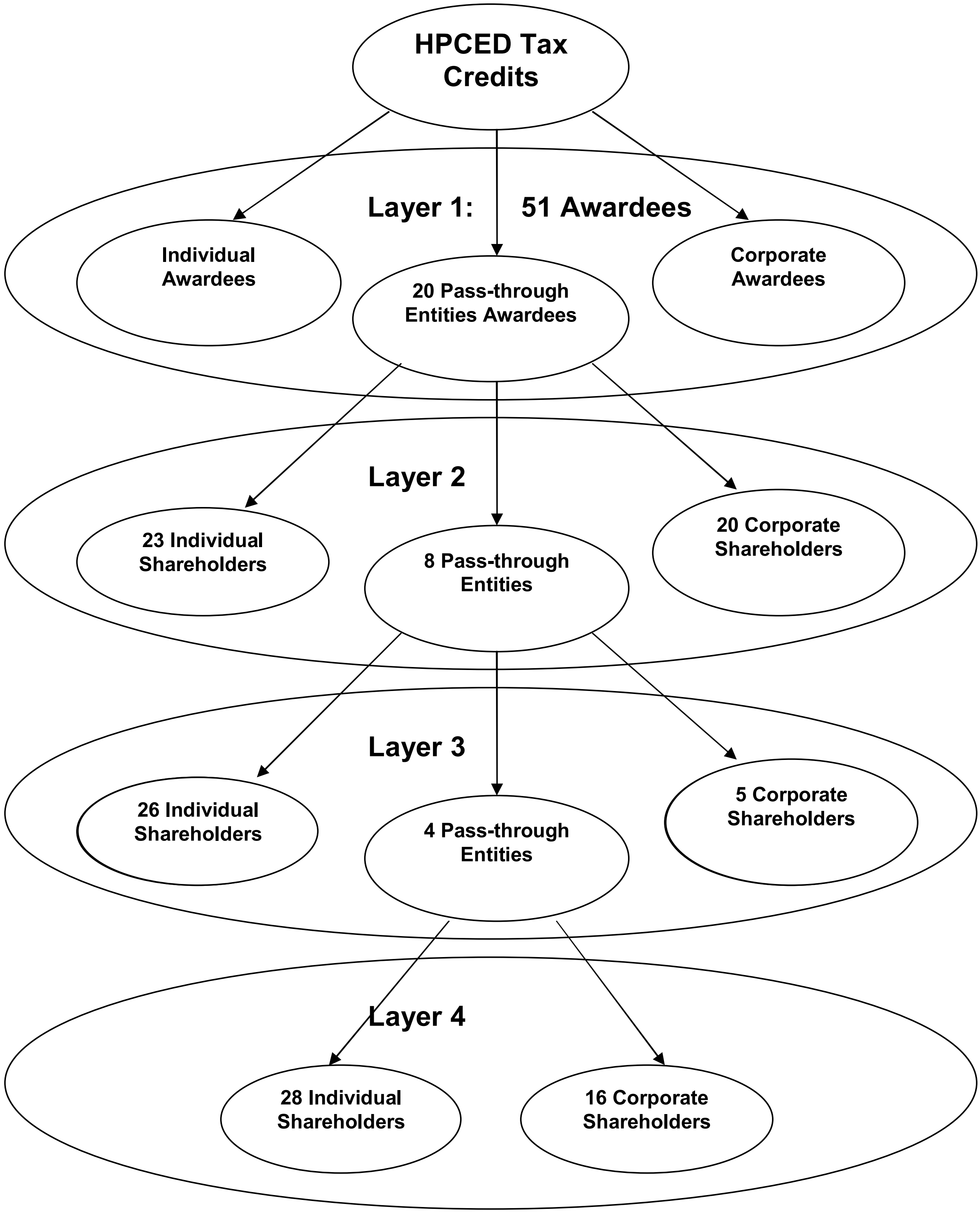


Table 4. Claims of the HPCED Tax Credit , From Survey

Tax Year	Number of Claimants	Dollar Value of Claims
2001	2	$850,000
2002	3	$1,134,000
2003	4	$1,393,000
2004	4	$1,176,000
2005	7	$1,576,000
2006	11	$2,319,000
2007	5	$3,844,000
2008	1	$250,000
Total	28	$12,540,000

Source: Surveys by IDR and DCA.
Total number of claimants may not add up because some claimants made claims over multiple years.

Table 5. Claims of the HPCED Tax Credit, Refundable and Nonrefundable, 2006-2007

2006, Nonrefundable

Tax Type	Number of Tax Credit Claims	Amount Carried Forward from Previous Tax Year	Amount of New Tax Credits for Current Tax Year	Total Amount of Tax Credits for Current Year	Amount of Tax Credits Applied in Current Tax Year	Amount of Expired Tax Credits	Amount of Tax Credits Carried Forward to Next Tax Year
Corporate Income Tax	4	$0	$136,399	$136,399	$136,399	$0	$0
Franchise Tax	4	$0	$556,122	$556,122	$556,122	$0	$0
Individual Income Tax	10	$3,430	$389,079	$392,509	$379,022	$0	$13,487
Insurance Premium Tax	1	$0	$174,125	$174,125	$174,125	$0	$0
Total	19	$3,430	$1,255,725	$1,259,155	$1,245,668	$0	$13,487

2006, Refundable

Tax Type	Number of Tax Credit Claims	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	6	$3,609,217
Individual Income Tax	2	$176
Total	8	$3,609,393

2007, Refundable (Preliminary)

Tax Type	Number of Tax Credit Claims	Amount of Tax Credits Applied in Current Tax Year
Corporate Income Tax	6	$236,293
Franchise Tax	6	$856,716
Individual Income Tax	15	$642,084
Insurance Premium Tax	1	$1,342,050
Total	28	$3,077,143

Table 6. Transfers of the HPCED Tax Credit by Tax Year of Claim

Tax Year	Number of Transfers	Dollar Value of Transfers
2006	18	$ 1.35 million
2007	6	$ 1.95 million
2008	34	$ 7.89 million
2009	10	$ 4.41 million
2010	5	$ 1.67 million
2011	5	$ 2.47 million
2012	1	$ 0.66 million
Total	79	$ 20.41 million

Sources: Tax Credit Certificate Documents in Project Files as of July 2006, Iowa Department of Cultural Affairs; Transferred Tax Credit Database, Iowa Department of Revenue

Table 7. Distribution of HPCED Tax Credit Transfers by Purchaser Type in 2007 and 2008

Purchaser Type	Number of Projects	Number of Certificates	Dollar Value of Certificates
Banks	10	24	$ 5.15 million
Individuals	10	33	$ 6.67 million
Insurance Companies	6	11	$ 8.26 million
Corporations	3	12	$ 0.33 million
Total	29[1]	80	$ 20.41 million

[1] One project transferred tax credit certificates to both banks and insurance companies.

Source: Transferred Tax Credit Database, Iowa Department of Revenue

Table 8. Funding Sources for Completed Projects

Funding Sources	Value (million)	Percentage
Total State Tax Credit	$28	19.40%
HPCED Tax Credit	$24	17.10%
Enterprise Zone Program	$3	2.30%
Total Public Funding	$99	69.90%
Federal Historic Preservation Tax Credit	$21	14.80%
Federal Low-cost Housing Tax Credit	$34	24.00%
Other Local Public Funding Sources	$17	11.80%
Private Financing (Debt and Equity)	$49	34.60%
Total Cost*	$142	100%

Source: Surveys conducted by IDR in April, 2007 and August, 2008.

* Total cost is below the sum of total public funding and private financing probably because the HPCED tax credit can only be refunded at a discounted rate before 2007.

Figure 4. Average Values of Rehabilitation Properties in Dubuque

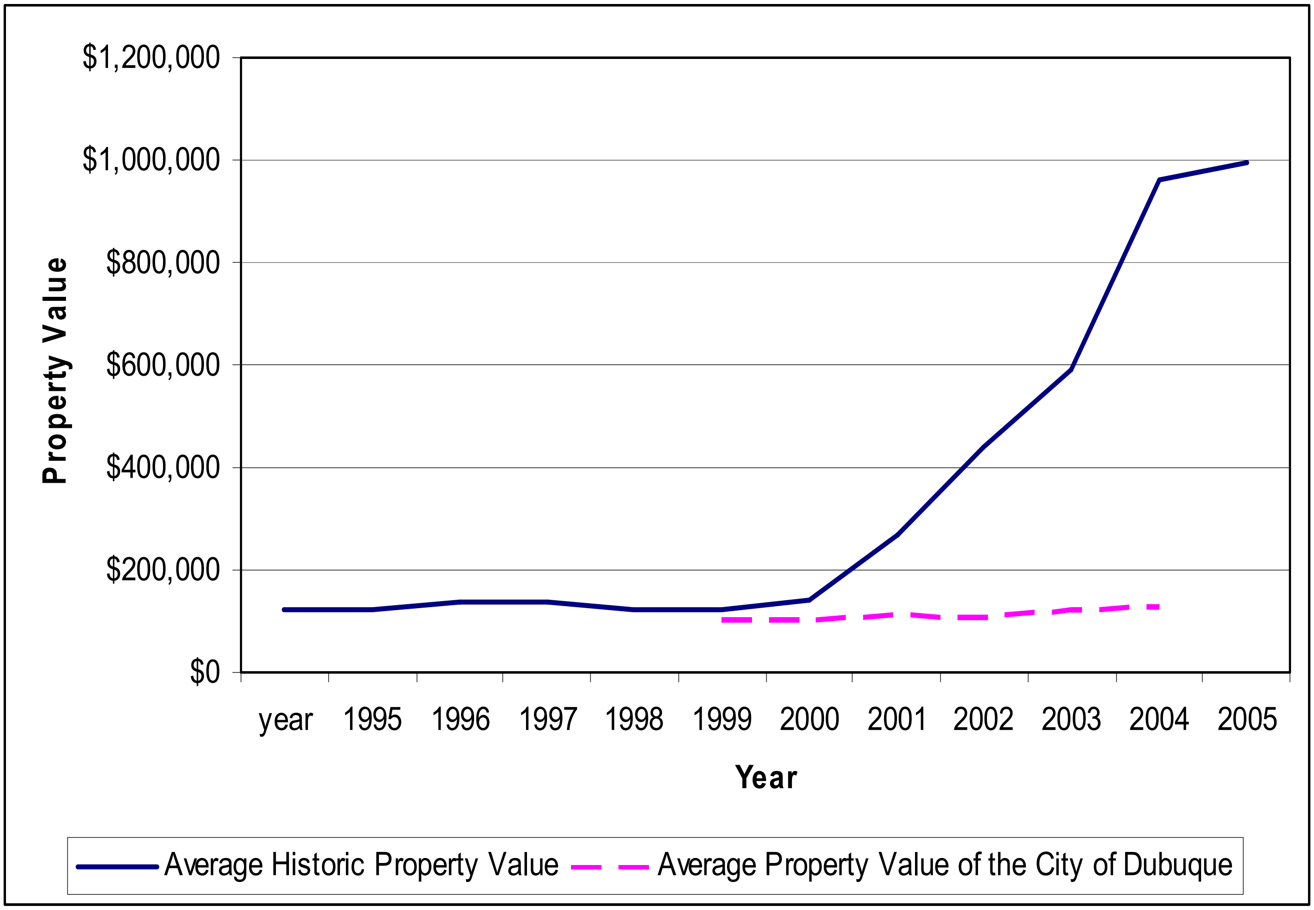


Table 9: Property Values Comparison, Dubuque

	Buffer Zone Average Property Value	Non-Buffer Zone Average Property Value
2000	$66,350	$128,599
2007	$139,374	$171,651
Growth Rate	110.06%	33.48%
Annualized Rate	9.72%	3.68%

Source: Dubuque Accessors
Buffer zone: The 0.1 mile radius area surrounding the historic properties
Buffer zone sale: The stand alone sales revenue of the retail businesses located in the buffer zone.

Table 10. Retail, Restaurant, and Hotel Sales Revenue in Dubuque and Davenport

Dubuque

	Buffer Zone Average Sales	Non-Buffer Zone Average Sales	No. of Businesses in Buffer Zone	No. of Businesses in Non-Buffer Zone	Buffer Zone Total Sales	Non-Buffer Zone Total Sales
2000	$217,002	$152,980	81	1215	$17,577,128	$185,870,344
2007	$394,343	$206,686	62	1117	$24,449,271	$230,867,710
Growth Rate	81.72%	35.11%	-23.46%	-8.07%	39.10%	24.21%
Annualized Rate	7.75%	3.83%	-3.29%	-1.05%	4.21%	2.75%

Davenport

	Buffer Zone Average Sales	Non-Buffer Zone Average Sales	No. of Businesses in Buffer Zone	No. of Businesses in Non-Buffer Zone	Buffer Zone Total Sales	Non-Buffer Zone Total Sales
2000	$357,359	$208,619	50	1519	$17,867,961	$316,891,568
2007	$294,747	$294,747	61	1445	$17,979,596	$425,910,111
Growth Rate	-17.52%	41.29%	22.00%	-4.87%	0.62%	34.40%
Annualized Rate	-2.38%	4.41%	2.52%	-0.62%	0.08%	3.77%

Table 11. Employment and Salary in Dubuque and Davenport

Dubuque

	Buffer Zone Employment	Non-Buffer Zone Employment	No. of Employers in Buffer Zone	No. of Employers in Non-Buffer Zone	Buffer Zone Median Salary	Non-Buffer Zone Median Salary
2000	1,906	26,435	122	1,134	$19,769	$19,941
2007	3,780	32,997	162	1,859	$22,963	$24,634
Growth Rate	98.37%	24.82%	32.79%	63.93%	16.16%	23.53%
Annualized Rate	8.94%	2.81%	3.61%	6.37%	1.89%	2.68%

Davenport

	Buffer Zone Employment	Non-Buffer Zone Employment	No. of Employers in Buffer Zone	No. of Employers in Non-Buffer Zone	Buffer Zone Median Salary	Non-Buffer Zone Median Salary
2000	4,019	38,173	105	1,725	$23,100	$21,617
2007	3,320	50,613	161	2,797	$32,925	$25,246
Growth Rate	-17.39%	32.59%	53.33%	62.14%	42.53%	16.79%
Annualized Rate	-2.36%	3.59%	5.49%	6.23%	4.53%	1.96%

Table 12. Top Three Industries Located Within the Buffer Zones in Dubuque and Davenport

Dubuque

	2000			2007		
	Professional, Scientific, and Technical Services	Food Services and Drinking Places	Wholesale Trade-Durable Goods	Professional, Scientific, and Technical Services	Food Services and Drinking Places	Ambulatory Health Care Services
No. of Businesses	15	7	7	22	21	11
Total Employment	127	35	55	268	298	128
Median Wage	$28,662	$6,168	$43,372	$33,871	$9,366	$36,794

Davenport

	2000			2007		
	Professional, Scientific, and Technical Services	Administrative and Support Services	Insurance Carriers and Related Activities	Professional, Scientific, and Technical Services	Food Services and Drinking Places	Credit Intermediation and Related Activities
No. of Businesses	15	9	9	32	14	10
Total Employment	146	79	33	265	195	74
Median Wage	$23,100	$23,595	$21,990	$44,586	$11,588	$30,939

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Appendix A. IA148 Form

Iowa Department of Revenue
www.state.ia.us/tax

2008 IA 148 Tax Credits Schedule

Name(s)	Taxpayer Identification Number (SSN or FEIN)

Part I — Nonrefundable Credits

	A Tax Credit Code (see instr.)	B Certificate Number (if applicable)	C Amount Carried Forward From Prior Years	D Current Year Amount (earned by taxpayer or received from pass-through entity)	E Total Credit Available (C+D=E)	F Amount Applied Current Year (may not exceed total tax liability)	G Expired Credit Amount	H Amount Carried Forward to Future Years (E-F-G=H)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Part I Total (Sum of column F; enter amount on line 53 of IA 1040, line 10 of IA 1040C, or line 2 of schedule C1 of IA 1120 or line 13 of IA 1120A)

Part II — Refundable Credits

	I Tax Credit Code (see instr.)	J Certificate Number (if applicable)	K Current Year Amount (earned by taxpayer or received from pass-through entity)
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Part III — Total Credits

(Does not apply to individual income tax)

(Sum of Totals Part I and Part II; enter amount on line 17 of IA 1120F, line 30 of IA 1041, or the miscellaneous line of the Iowa Insurance Premium Tax Return)

Part II Total (Sum of column K; enter amount on line 66 of IA 1040, line 14 of IA 1040C, or line 3 of schedule C1 of IA 1120 or line 14 of IA 1120A)

Part IV — Pass -Through Entity Schedule

L Line Number from Part I or Part II Above	M Pass-Through Entity Name	N Pass-Through Entity Federal ID Number	O Taxpayer's Percentage Share of Credit Earned by Pass-Through Entity

41-148a (8/14/08)

Instructions for IA 148 Tax Credits Schedule

Attach the Tax Credits Schedule to the tax return on which tax credits are being claimed. The Tax Credits Schedule is used to claim tax credits against individual income tax, fiduciary income tax, corporation income tax, franchise tax, and insurance premium tax liabilities. Each credit should be entered on a separate line. Also, a separate line should be used for each unique tax credit certificate number.

Part I: Nonrefundable Tax Credits

Column A: Enter the tax credit code from the table below for the credit claimed on each line.

- 02 Economic Development Region Revolving Fund Credit
- 03 Endow Iowa Credit
- 04 Franchise Tax Credit (refer to worksheet IA 147)
- 06 Housing Investment Tax Credit
- 07 Investment Tax Credit (attach form IA 3468)
- 08 Iowa New Jobs Credit (attach form IA 133)
- 09 Minimum Tax Credit (attach form IA 8801 to IA 1040 and IA 1041; or form IA 8827 to IA 1120)
- 10 Renewable Energy Credit (476C)
- 11 S Corporation Apportionment Credit (attach form IA 134)
- 12 School Tuition Organization Credit
- 13 Venture Capital Credit-Fund of Funds
- 14 Venture Capital Credit-Qualified Business or Seed Capital Fund
- 15 Venture Capital Credit-Venture Capital Funds
- 16 Wind Energy Production Credit (476B)
- 17 Agricultural Assets Transfer Credit
- 18 Film Expenditure Tax Credit
- 19 Film Investment Tax Credit
- 20 Charitable Conservation Contribution Tax Credit

Column B: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following nonrefundable credits do not require a certificate number: charitable conservation contribution, franchise tax credit, minimum tax credit, and S corporation apportionment credit. If the tax credit certificate does not have a certificate number, leave blank. For non-awarded credits, leave blank.

Column C: Enter any amount carried forward from previous tax years for each of the credits being claimed.

Column D: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The instructions for column A indicate if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Column E: Add column C to column D and enter total in column E.

Column F: Enter the amount of each credit being applied to the current tax year. If credits available (the sum of column F) exceed total liability (line 52 of the IA 1040 for individual income tax), credits are to be claimed in the order provided in Iowa Administrative Rule 701-42.23 for individual income tax and fiduciary income tax and Iowa Administrative Rule 701-52.12 for corporation income tax, franchise tax, and insurance premiums tax. (To view the text of these rules, go to www.legis.state.ia.us/ACO/IAChtml/701.htm and scroll down to 42.23 or 52.12). The total of column F may not exceed total tax liability.

Column G: If the entire credit is not claimed by the end of the carryforward period, the remaining credit expires. Enter the amount of any credit that has expired.

Column H: Enter the amount from column E less any amount from column F and/or column G.

Part II: Refundable Tax Credits.

Column I: Enter the tax credit code from the table below for the credit claimed on each line.

- 51 Assistive Device Credit
- 52 Biodiesel Blended Fuel Credit (attach form IA 8864)
- 53 Claim of Right Credit
- 54 Ethanol Blended Gasoline Credit (attach form IA 6478)
- 55 E85 Gasoline Promotion Credit (attach form IA 135)
- 56 Historic Preservation Credit
- 57 Refundable Investment Tax Credit (attach form IA 3468)
- 58 Research Activities Credit (attach form IA 128 or Form IA 128A)
- 59 Supplemental Research Activities Credit (attach form IA 128 or form IA 128A)
- 61 Soy-Based Transformer Fluid Credit
- 62 Third Party Sales Tax Credit
- 63 Wage-Benefit Credit
- 64 Ethanol Promotion Credit (attach form IA 137)

Column J: Enter the tax credit certificate number received from the agency or organization that awarded the tax credit. Tax credits awarded before July 2006 may not have a certificate number. Several credits do not require the award of a tax credit certificate and/or number from an agency or organization. The following refundable credits do not require a certificate number: biodiesel blended fuel credit, claim of right credit, E85 gasoline promotion credit, ethanol blended gasoline credit, ethanol promotion credit, and research activities credit (if not doubled under an Iowa Department of Economic Development program). If the tax credit certificate does not have a number, leave blank. For non-awarded credits, leave blank.

Column K: Enter the total amount of credit you earned directly or received from a pass-through entity (see definition of pass-through entity in instructions for Part IV) during the current tax year. The instructions for column I indicate if a credit requires a separate form. If the credit you are claiming lists a form number, please attach that form to your tax return. If a credit is received from a pass-through entity, Part IV must also be completed for the credit.

Part III: Total Credits

Enter the sum of the total boxes for Part I and Part II. This total is entered on line 17 of IA 1120F, line 30 of IA 1041 or the miscellaneous line of the Iowa Insurance Premium Tax Return.

Part IV: Pass-Through Entity Schedule

Businesses that are organized as pass-through entities (such as partnerships, limited liability companies, cooperatives, S corporations, etc.) earn tax credits at the business level, but the credits are claimed by individuals and businesses that are members of the ownership group. For each line in Part I or Part II with a credit received from a pass-through entity, complete a corresponding line in Part IV to indicate the source of the credits. Part IV does not have to be completed for individuals claiming the S corporation apportionment credit.

Column L: Enter the line number from Part I or Part II that includes credits received from a pass-through entity. This includes any carryforward (column C) claimed from credits received in prior years from a pass-through entity.

Column M: Enter the name of the pass-through entity from which credits were received.

Column N: Enter the Federal Employer Identification Number (FEIN) of the pass-through entity from which credits were received. This FEIN should be the same number provided to the awarding agency or organization. It also should be the same FEIN used to complete any required information returns (such as form IA 1065 and Schedule K-1 for partnerships).

Column O: Enter the percentage share of credits earned by the pass-through entity that you are claiming. Enter the percentage with one decimal place.

Special Instructions

Related to Individual Income and Fiduciary Tax:

Individuals using filing status 3 (married filing separately on this combined return) must complete a separate form IA 148 for each spouse with credits to claim.

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. In 2008, individuals are allowed to claim all credits except the third party sales tax credit. All credits except the third party sales tax credit may also be claimed on fiduciary tax returns.

Related to Corporate Income Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. All of the credits except the claim of right credit, S corporation apportionment credit, and school tuition organization credit are allowed to be claimed on corporate income tax returns.

Related to Franchise Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the franchise tax: economic development region revolving fund credit, endow Iowa credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds, venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, wind energy production credit, film production tax credit, and film investment tax credit. The following refundable credits may be claimed against the franchise tax: historic preservation credit, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit. The minimum tax credit is reported on line 16 of the IA 1120F and will not appear on the IA 148.

Related to Insurance Premium Tax:

The list of credits included in the instructions for column A and column I include tax credits for all types of taxpayers. The following nonrefundable credits may be claimed against the insurance premium tax: economic development region revolving fund credit, endow Iowa credit, housing investment tax credit, investment tax credit, renewable energy credit, venture capital credit-fund of funds, venture capital credit-qualified business or seed capital fund, venture capital credit-venture capital funds, wind energy production credit, film production tax credit, and film investment tax credit. The following refundable credits may be claimed against the insurance premium tax: historic preservation credit, refundable investment tax credit, third party sales tax credit, and wage-benefit tax credit.

Appendix B. Survey Questionnaire

Property Name:
Project Number:

Part 1: Project Finance (complete once per project)

Sources of Funds:

1. Total Project Cost $________________________________
2. Private Financing (debt or equity) $________________________________
3. State Historic Preservation Tax Credit $________________________________
4. Federal Rehabilitation Investment Tax Credit$________________________________
5. Low Income Housing Tax Credit $________________________________
6. Enterprise Zone Tax Credits $________________________________
7. Other (specify) ________________ $________________________________
8. Other (specify) ________________ $________________________________
9. Other (specify) ________________ $________________________________
10. Other (specify) ________________ $________________________________
11. Other (specify) ________________ $________________________________
12. Is this property using Historic Property Tax Exemption? (localities are authorized by state law to exempt the value of all or a portion of property from taxation that meets certain conditions)
    ☐ Yes ☐ No
13. Is this property using local Property Tax Abatement? ☐ Yes ☐ No

Descriptions of other funding sources indicated in items 7 through 11:

____
____
____
____
____
____
____
____
____
____
____
____

Who filled out this section? Name ________________________
Telephone ________________________

Property Name:
Project Number:

Part 2: Tax Credit Claims (complete for each taxpayer claiming project credits)

1. Has any part of this credit been claimed (i.e., in Tax Year 2007 or earlier)?
   ☐ Yes ☐ No
2. If yes, who claimed the credit? Name: ____________________________
   Taxpayer ID (SSN or FEIN): ____________________________________
3. In what tax year(s) was the credit claimed? __________________________
4. Against what tax(es) was the credit claimed (choose all that apply)?
   ☐ Individual Income Tax ☐ Corporate Income Tax
   ☐ Insurance Premium Tax ☐ Franchise Tax
5. What was the amount claimed by tax year?
   2001: _________________________
   2002: _________________________
   2003: _________________________
   2004: _________________________
   2005: _________________________
   2006: _________________________
   2007: _________________________
   2008: _________________________
6. If this amount is less than the total available, what was done with remaining credits?
   ☐ Received a refund ☐ Transferred remaining credits to another taxpayer
   ☐ Other (specify) ____
7. If the credit has not been claimed, please explain why not?
   ____
   ____
   ____
   ____

Return questionnaire by fax to 515-242-6040 or email to michael.lipsman@iowa.gov attention Michael A. Lipsman