IOWA Department of REVENUE

Iowa's Targeted Jobs Withholding Tax Credit Evaluation Study

December 2012

By
Zhong Jin

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 to track tax credit awards and claims. In addition, the Department was directed to perform periodic evaluations of tax credit programs. This is the first evaluation study completed for this tax credit.

As part of the evaluation, an advisory panel was convened to provide input and advice on the study's scope and analysis. We wish to thank the members of the panel: Byran Smith the Fort Madison City Administrator, Dr. Peter Orazem of Iowa State University, Marty Dougherty the Sioux City Economic Development Director, Tim Whipple of the Iowa Economic Development Authority, Eric Shofroth of the Iowa Economic Development Authority, Barbara Sloniker of the Sioux City Chamber of Commerce, and Ed Wallace of Iowa Workforce Development. (The assistance of an advisory panel implies no responsibility for the final product.)

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.

Table of Contents

Executive Summary 4

Comments from the Targeted Jobs Program Pilot Project Cities 6

I. Introduction 11

II. The Iowa Targeted Jobs Withholding Tax Credit 11

III. Other States' Payroll Tax Credits for New Jobs 13

IV. Literature Review 17

V. Descriptive Statistics for the Targeted Jobs Withholding Tax Credit 18
A. Award Details 18
B. Claim Details 19
C. Payment Details 21
D. Investment and Jobs Details 21

VI. Economic Analysis of the Targeted Jobs Program 22
A. Labor Cost, Establishments, and Employment Comparison between Border Counties 22
B. Benefits Comparison between Payroll Tax Credit in Nebraska and in Iowa 24
C. Direct Benefit to State Revenue 25

VII. Conclusion 26

References 27

Tables and Figures 28
Figure 1. Map of Five Pilot Project Cities 29

Table 1. Economic Indicators for Pilot Project City Counties and Neighboring Counties, 2010 30

Table 2. State Payroll Tax Credit Programs on Job Creation 31

Figure 2. Total Targeted Jobs Withholding Tax Credit Awards by Fiscal Year, FY 2007 – FY 2012 38

Table 3. Targeted Jobs Withholding Tax Credit Awards Distribution by Award Size 39

Figure 3. Total Amount of the Targeted Jobs Withholding Tax Credit Awards by Pilot Project City 40

Figure 4. Number of the Targeted Jobs Withholding Tax Credit Awards by Pilot Project City 41

Figure 5. Average Amount of Targeted Jobs Withholding Tax Credit Awards by Pilot Project City. 42

Table 4. Targeted Jobs Withholding Tax Credit Awards, Pledged Investment, and Pledged Jobs by Pilot Project City 43

Table 5. Targeted Jobs Withholding Tax Credit Awards by Industry 43

Table 6. Targeted Jobs Withholding Tax Credit Claims by Quarter, Calendar Year, and Fiscal Year 44

Table 7. Targeted Jobs Withholding Tax Credit Claims by Pilot Project City 45

Table 8. Targeted Jobs Withholding Tax Credit Claims by Industry 45

Table 9. Comparison between Targeted Jobs Withholding Tax Credit Potential Claims and Actual Claims by Fiscal Year 46

Table 10. Comparison between Targeted Jobs Withholding Tax Credit Potential Claims and Actual Claims by Pilot Project City 46

Table 11. Comparison between Targeted Jobs Withholding Tax Credit Contingent Liabilities and Expected Claims 47

Table 12. Targeted Jobs Program Payments Remitted to Cities by Fiscal Year 47

Table 13. Targeted Jobs Program Payments by Pilot Project City 48

Table 14. Targeted Jobs Program Reported Investment and Jobs by Fiscal Year 48

Table 15. Targeted Jobs Program Reported Investment and Jobs by Pilot Project City 49

Table 16. Targeted Jobs Program Reported Investment, Jobs, and Claims by Fiscal Year 49

Figure 6. Employment of Targeted Jobs Withholding Tax Credit Awarded Businesses by Calendar Year 50

Figure 7. Employment of Targeted Jobs Withholding Tax Credit Awarded Businesses after Eliminating Exited Businesses by Calendar Year 51

Table 17. Relative Labor Costs for Pilot Project Cities, 2001-2011 52

Table 18. Relative Labor Costs after the Targeted Jobs Withholding Tax Credit for Marginal Jobs in Pilot Project Cities, 2001-2011 53

Table 19. Employment and Number of Establishments in the Healthcare Industry in Woodbury County, Iowa and Union County, South Dakota 54

Figure 8. Payroll Tax Credit for New Jobs in Pilot Project Cities and in Nebraska, 2011 55

Table 20. Estimated Net Individual Income Tax Revenue Impact of the Targeted Jobs Program, CY 2007 to CY 2011 56

Table 21. Estimated Net Individual Income Tax Revenue Impact of the Targeted Jobs Program Based on Self-Reported Employment Data, FY 2012 56

Executive Summary

The Iowa Targeted Jobs Withholding Tax Credit (TJC) was enacted in tax year 2006. The tax credit is awarded to businesses for relocating to Iowa, creating new jobs or retaining existing jobs, or making capital investment in pilot project cities. The tax credit equals three percent of the gross wages paid by the business to each employee filling those eligible new jobs and is available for ten years. The eligible business claims the tax credit and then diverts the same amount of funds to the pilot project city. The city spends the diverted withholding taxes on urban renewal projects related to the business. The current pilot project cities include Sioux City, Council Bluffs, Burlington, Fort Madison, and Keokuk.

Other States' Payroll Tax Credits for New Jobs

- There are nineteen states that have payroll tax credits conditioned on the number of new jobs created and calculated as a percentage of payroll of new jobs.

- Among Iowa's neighboring states, Illinois, Missouri, and Nebraska offer similar payroll tax credit programs. South Dakota does not have income taxes.

Targeted Jobs Withholding Tax Credit Awards

- Between FY 2007 and FY 2012, there were 39 TJC awards totaling $37.6 million.

- The average TJC award has been nearly $1 million over the life of the agreement. The average award amount increased from $0.4 million in FY 2008 to a peak of $2.1 million in FY 2011.

- Sioux City had the largest total awards at $12.9 million and the highest number of awards at 27. Fort Madison had the second highest amount of awards with $9.2 million. Keokuk had a total of $7.0 million and Burlington had $6.8 million in awards. Council Bluffs had the smallest total awards at $1.7 million.

- The top three industries receiving TJC awards are manufacturing, healthcare and social assistance, and wholesale trade. The manufacturing industry received eleven awards (32.4%) totaling $20.5 million (56.9%). The healthcare and social assistance industry received nine awards (26.5%) totaling $6.9 million (19.3%). The wholesale trade industry received five awards (14.7%) totaling $1.6 million (4.5%).

Targeted Jobs Withholding Tax Credit Claims

- Between FY 2007 and FY 2012, $7.5 million of tax credits have been claimed by awarded businesses. Annual total claims increased steadily from $7,949 in FY 2007 to nearly $3 million in FY 2012.

- Awarded businesses in Sioux City claimed the largest total credits at $3 million (40.2%). However, awarded businesses in Sioux City had the smallest average total claim by company between FY 2007 and FY 2012, which was $136,464.

- Awarded businesses in the manufacturing industry claimed the largest total credits at $4.6 million. Awarded businesses in the healthcare and social assistance industry were second with total claims of $1 million.

Targeted Jobs Program Payments

- Payments received by pilot project cities totaled $7.8 million between FY 2007 and FY 2012, slightly higher than total claims because claims made by some awarded businesses could not be identified.

- Consistent with the claim data, Sioux City received the largest amount of total payments at $3.4 million.

Targeted Jobs Program Investment and Jobs

- Based on data reported by awarded businesses to the pilot project cities, capital investments made by awarded businesses through FY 2012 totaled $138 million. The number of new jobs created by awarded businesses through FY 2012 totaled 574. The number of jobs retained by awarded businesses through FY 2012 totaled 1,855.

- Between FY 2007 and FY 2012, for every dollar of tax credit claims made by the awarded businesses, $19 was invested. Between FY 2007 and FY 2012, for every job either created or retained by the awarded businesses, $2,985 of TJC was claimed.

- Through FY 2012 investments made by awarded businesses in Fort Madison were the highest among all pilot project cities at $67 million. The number of new jobs created by awarded businesses through FY 2012 was also the highest in Fort Madison at 291. The number of jobs retained by awarded businesses in Burlington was the highest at 650.

- Between FY 2007 and FY 2012, awarded businesses in Fort Madison invested $37 for every dollar claimed, the highest among all pilot project cities. Between FY 2007 and FY 2012, awarded businesses in Burlington claimed $2,240 for every job either created or retained, the lowest among all pilot project cities.

- It generally takes three to four years for awarded businesses to complete their pledged investment, but awarded businesses can claim tax credits for ten years. It is forecasted that for every dollar of tax credit claims made by the awarded businesses during the ten year benefit period, eight dollars will be invested. For every job either created or retained by the awarded businesses, $9,363 of TJC will be claimed over the ten year benefit period.

Estimated Impacts of the Targeted Jobs Program on Individual Income Tax

- Based on data from Iowa Workforce Development, total individual income tax revenues attributed to new jobs between CY 2007 and CY 2011 were estimated to be $11.7 million. The net fiscal gain to the state is $5.8 million after offsetting tax credit claims, assuming all the new jobs would not have been created without the Targeted Jobs Program.

- Based on employment data reported by the awarded businesses for FY 2012, total individual income tax revenues attributed to both new jobs and retained jobs in FY 2012 were estimated to be $5.5 million. Offsetting $2.9 million of tax credit claims in FY 2012, the net fiscal gain attributed to new jobs was estimated to be $0.6 million and the net fiscal gain attributed to retained jobs was estimated to be $2.0 million, totaling $2.6 million for that one year.

Comments from the Targeted Jobs Program Pilot Project Cities

- Response from Sioux City (Page 7 – Page 8)
- Response from Burlington (Page 9 – Page 10)

December 24, 2012

Amy Rehder Harris, PhD
Manager
Tax Research and Policy Analysis Section
Iowa Department of Revenue
Des Moines, IA 50319

Dear Amy:

On behalf of the *City of Sioux City* and *The Siouxland Initiative* we appreciate the opportunity to comment on the critical importance of the *Targeted Jobs Tax Credit Withholding Program* to our joint economic development efforts and our community's future.

The "Targeted Jobs" program is helping to create a more competitive business environment for border communities in Iowa. The program is a critical tool to retain and attract good paying jobs and increase capital investment in Iowa. Targeted Jobs allows for a more level playing field with states with no income tax or a similar wage credit program. Businesses and communities provide matching funds. Funds are used for capital costs of expansion projects in urban renewal areas.

Results of the Tax Credit Evaluation Study clearly indicate Targeted Jobs is an effective resource for economic development. Nearly 1,500 jobs exist in Sioux City because of this program. Over $98 million in new private investment has been leveraged by the program in Sioux City alone. Many completed projects are in advanced manufacturing & healthcare. Benefits apply only to qualified jobs paying above the average wage for the region. In fact due to the quality of the projects the average hourly wage of all jobs incentivized under the Targeted Jobs program in Sioux City exceeds $30/hour.

We believe it is important to understand that the time frame of the study was limited to the prior fiscal year and several key economic development projects have occurred in 2012 and are not shown in the study. These include two of the largest and most significant projects done with the program. Both are currently under construction and will be completed in early 2013:

- **Sabre Industries:** In 2012, Sioux City faced heated competition for the company's expansion from a number of out-of-state locations including Nebraska, Texas, and Louisiana. The Targeted Jobs program and the Iowa New Jobs Training Program (260E) played a critical role in addressing the company's need for skilled labor and business assistance and their decision to build their new facilities in Iowa.
- The Sabre Industries project is a model of Targeted Jobs program effectiveness, *helping to create and retain 532 jobs and leverage $26 million in private capital investment.* Sabre Industries is a global leader in the production of communications towers and electric transmission towers and a home-grown company with facilities in other states.

- **St. Luke's Sunnybrook clinic:** Sioux City has been hit exceptionally hard by the medical community moving to Dakota Dunes, South Dakota. The Targeted Jobs Program is the first and only program offered by the State of Iowa that allows for incentives to help communities retain medical and other businesses that have traditionally been considered "service" industries (medical professionals, architects, engineering firms, etc.). Many of these companies offer high wages and provide capital investment that broadens Sioux City's tax base.
- In 2012 St. Luke's committed to the construction of a *new $27 million healthcare clinic which will include a minimum of 82 jobs* with additional employees and private investment to follow as the building is fully leased.

We feel it is important to stress the competitive nature of economic development and why this program is necessary and so critical for border communities in Iowa. There are currently 19 competing states that have similar withholding tax credit programs, including the neighboring states of Nebraska, Missouri, and Illinois. In addition there are 9 states, including South Dakota, that have no income tax.

For years, Sioux City leaders have battled to keep businesses from leaving for locations on the other side of the river in the neighboring states of South Dakota and Nebraska. South Dakota offers an environment with no corporate or personal income tax and in many cases lower costs for unemployment insurance, workers compensation and other regulations. For medical practices there is no "certificate of need" requirement and higher Medicare reimbursement rates. Nebraska's "Advantage Program" offers wage credits for all employees (regardless of wage) as well as numerous other aggressive tax credits and exemptions.

It is also important to recognize that the unique structure of the Targeted Jobs program creates no risk to the State of Iowa. No funding is provided up front and benefits are not received until business' compliance with jobs and investment is verified each quarter. The program works in tandem with the Iowa New Jobs Training Program (260E) and in many projects the two programs have produced excellent results as new employees are trained in higher skills and find immediate employment.

Thank you and your department for the time taken over the past few months to review the Targeted Jobs program. The positive impact of this innovative program is being felt by the many Iowans now employed in quality jobs and the communities now benefitting from the capital investment and economic growth it has encouraged. We believe the extension of the Targeted Jobs is essential to the economic future of Sioux City and other border communities in our state.
Sincerely,

RE Scott

Robert E. Scott
Mayor
Sioux City, Iowa

Chris McGowan

Chris McGowan
President
The Siouxland Initiative

Greater BURLINGTON Partnership
Making Connections, Building Community

Chamber of Commerce
Economic Development
Convention & Visitors Bureau
Downtown Partners, Inc.

January 3, 2013

Amy Rehder Harris, Manager
Tax Research and Policy Analysis Section
Iowa Department of Revenue
Des Moines IA 50319

Ms. Harris:

Thank you for the opportunity to share comments regarding Greater Burlington's experience with the Targeted Jobs Withholding Tax Credit Program. In short, our experience can be summarized in one phrase: effective and transformative.

The Burlington area is like many rural communities along the Mississippi River in the Midwest. Since the 1970's, our community has lost both population and employment consistently for four decades. Many of our early industries became uncompetitive, and jobs were lost to other states and to global competition.

Rather than continuing in economic decline, our community leaders decided to aggressively enhance our economic development efforts. We strengthened our ties with existing companies, invested more resources in business attraction, and launched entrepreneurial, workforce development, and real estate redevelopment efforts. During that same time period, Burlington was accepted as a pilot city for the Targeted Jobs program.

The timing of those enhanced efforts and the new financial assistance program could not have been better.

The results speak for themselves. The county's unemployment rate has dropped by 40%, the job creation rate is at its highest level in more than 40 years, private capital investment has increased, and existing employers have expanded and diversified their product lines. Instead of managing plant closures, our community is now celebrating expansions. We are also currently witnessing a major 25+ acre redevelopment as a direct result of the Targeted Jobs program.

Although Burlington has only executed three withholding agreements, the results have proven most beneficial. There are several reasons why this program has been successful:

Strategic Investments are Encouraged. In each Burlington project, the investments by the companies were strategic in nature. The investments diversified product lines, increased efficiency, and solidified the future of the facilities within our community. Each investment was an inflection point for the local company- it increased competitiveness for the long-term.

Job Retention was Given Due Consideration. Retaining high quality jobs is just as important if not more critical than creating new positions. This program rightly supported the retention of employees. In Burlington's case, more than 750 jobs were retained due to the support of the program. Because of the way the program is structured, only the highest paid positions receive an incentive- yet that targeted assistance has retained other positions as well.

Simplified Program Rules. When designing a financial assistance program, simple, clear, and direct program rules are far superior to those with complicated formulas. The qualifying criterion for the use of this program is straightforward, and it allows for corporate decision-makers to adequately evaluate the program benefits.

Local Administration. Although it is somewhat unusual for local communities to administer a state program, it has worked well in the case of the Targeted Jobs program. The flexibility allows for successful negotiations to take place at the community level, and it ensures that the company is meeting its obligations to the local authorities.

Competitive Advantage. It is without question that this program is a powerful economic development tool. It provides border communities with the right tools to close a deal and enhance competitiveness.

In summary, the Targeted Jobs Withholding Tax Credit Program has played a major role in transforming our local economy. As a pilot community, we have taken the responsibility to evaluate the program quite seriously and have been judicious with our use of the program. It has been a great experience, and we would encourage the State of Iowa to continue its utilization of this highly targeted and effective program.

Best regards,

Jason Hutcheson
President & CEO

I. Introduction

The Iowa Targeted Jobs Withholding Tax Credit Program (TJC) was enacted in the 2006 Iowa Legislative session to help Iowa border cities compete with cities in neighboring states in attracting business investment and creating new jobs. Between FY 2007 and FY 2012, $37.6 million was awarded to 39 businesses and $7.5 million has been claimed by these businesses, based on information received from the pilot project cities and Iowa Department of Revenue withholding data.

This study describes the tax credit and similar programs in other states. It presents details about tax credit awards and claims, and summarizes the payment information. Future tax credit claims are also forecasted based on the historical pattern of claims. Information is provided about the investment, new jobs created, and existing jobs retained under the program as reported by awarded businesses.

The impact of TJC on employment and the number of establishments in border counties is also compared with competing border counties in neighboring states. The impact on individual income tax revenues is also estimated using various measures of gains in employment and average tax rates.

II. The Iowa Targeted Jobs Withholding Tax Credit

The Iowa Targeted Jobs Withholding Tax Credit Program (TJC) was enacted in the 2006 Iowa Legislative session and became effective on July 1, 2006. The goal of the program was to help Iowa border cities compete with cities in neighboring states in attracting business investment and creating new jobs. The legislation allowed for four pilot project cities, each of which must contain three or more census tracts, subject to approval by the Iowa Economic Development Authority (EDA). One city was required to be in a county bordering South Dakota, one city in a county bordering Nebraska, and two cities in counties bordering a state other than South Dakota or Nebraska. Current pilot project cities include: Sioux City (South Dakota and Nebraska borders), Council Bluffs (Nebraska border), Burlington (Illinois border), and Keokuk and Fort Madison (Missouri and Illinois borders) (see Figure 1). Based on the 2010 census, the population was 82,678 in Sioux City, 62,230 in Council Bluffs, 25,663 in Burlington, 11,051 in Fort Madison, and 10,780 in Keokuk. Because Keokuk and Fort Madison are in Lee County and Lee County has a total population fewer than 45,000 (35,862 in the 2010 census), they are considered as one pilot project city.

Under the program, a pilot project city enters into a ten year withholding agreement with an eligible business to invest in an urban renewal area and create jobs within its city limits, subject to approval by EDA. The eligible business is awarded a Targeted Jobs Withholding Tax Credit (TJC), equal to three percent of the gross wages paid by the business to each employee filling those eligible new jobs. The eligible business claims the tax credit during the ten year period and then diverts the same amount of funds to the pilot project city. The city spends the diverted withholding taxes on urban renewal projects related to the business.

Since 2006, the program has been modified four times. In the 2006 code, the program required the existing business to create new jobs to be eligible and had a sunset date of June 30, 2010. The 2007 Iowa Legislative session adjusted the definition of the pilot project city. If two eligible cities are approved which are located in the same county and the county has a total population of fewer than 45,000, the two approved eligible cities shall be considered one pilot project city. The 2009 Iowa Legislative session added a requirement that the total amount of withholding tax credits awarded must be specified on the withholding agreement and cannot exceed the qualifying investment, effective July 1, 2009, and extended the program's sunset date to June 30, 2013. In addition, the pilot project cities were prohibited from using the program to compete against other Iowa cities. Pilot project cities were also required to submit an annual report to EDA detailing the amount of payments under the withholding agreement. EDA was authorized to approve or deny a withholding agreement if the agreement fails to meet the statutory requirements of the program. During the 2011 Iowa Legislative Session, the program was expanded to award credits to businesses for retained jobs in lieu of created jobs. The 2012 Iowa Legislative session tightened the definition of the eligible business by explicitly excluding government entities from the program.

The program applies to both businesses already in pilot project cities and businesses relocating from other states. Eligible businesses under the Targeted Jobs Withholding Tax Credit program include professional services or industrial enterprises, including medical treatment facilities, manufacturing facilities, corporate headquarters, and research facilities. Government entities are ineligible for the program. In practice, retail businesses are also considered ineligible, according to business developers from pilot project cities. If a business is already located in Iowa, it must create or retain at least ten jobs, each paying a wage at least equal to the average county wage, or make a qualifying investment of at least $500,000 within the urban renewal area. Qualifying investment means a capital investment in real property including land and existing buildings, site preparation, building construction, long-term lease costs, or a capital investment in depreciable assets. Businesses relocating to Iowa do not have the same requirements to be eligible for the TJC. However, according to city business developers, pilot project cities require all businesses to meet the minimum job creation or retention threshold and the minimum investment threshold to be eligible for awards.

In the withholding agreement, pilot project cities and businesses establish the projected number of jobs to be created or retained before the contract expires. If a business does not meet the wage or employment requirements of the withholding agreement, cities will terminate the withholding agreement and the eligibility to future TJC claims will also cease.[1] However, if the business initially met the specified number of jobs created or retained under the withholding agreement and subsequently the number of jobs falls below that number, the business is considered to still meet the terms of the withholding agreement until eighteen months after the date of the decrease in the number of jobs. However, the language in the Code regarding the termination of the agreement is vague.

Businesses cannot claim tax credits for jobs that exceed the number in the contract. Thus the projected number of jobs is the maximum number of eligible jobs under the agreement. The tax credit award amount is the cap of the aggregate tax credit claim over the ten year contract. If the number of jobs created or retained is below the projected number of eligible jobs but above the minimum number of eligible jobs required, the business is allowed to claim withholding tax credits. Moreover, the average county wage threshold used by the city to determine the eligibility of the jobs is chosen at the time the withholding agreement is signed and does not change during the life of the agreement, even when new jobs are created several years after the withholding agreement is signed.

Pilot project cities negotiate withholding agreements with businesses. After the city and the business have agreed on a contract, the city submits it to EDA. Once the city receives approval from EDA, it can sign the agreement with the business. At that point, the city notifies the Department of Revenue (IDR) and sends a copy of the agreement to IDR. IDR assigns a certificate number to each withholding agreement to facilitate businesses making claims.[2] Pilot project cities are responsible for monitoring the progress of the business projects receiving TJC awards and ensuring businesses' compliance. Each quarter, pilot project cities provide to IDR the amount of payments that they receive from businesses. Pilot project cities are also required to provide annual reports on project progress to the Department of Management and EDA.

[1] See Iowa Code §§ 403.19A(f).
[2] Assigning certificate numbers for TJC was a part of an IDR administrative change made effective in September 2012.

The withholding agreement has a term of up to ten years. During the life of the withholding agreement, the eligible business can claim the TJC equal to three percent of the gross wages paid by the business to each eligible employee. If the amount of withholding due for those employees is less than three percent of the gross wages paid, the employer can claim the credit against other withholding taxes due that tax period or may carry the credit forward for up to ten years. The tax credit is not refundable and not transferable. Those employees whose wages are subject to a TJC receive full credit for the amount withheld from their paychecks when filing their individual income tax returns.

Each quarter, the eligible businesses claim the tax credit and then remit the same amount of funds to designated accounts established by pilot project cities. Cities are directed to spend the funds on urban renewal projects related to the business. Iowa urban renewal areas are established by cities to finance public improvements related to residential, commercial, or industrial development, to redevelop slum or blighted areas, to fund private economic development, and to finance construction of low and moderate income housing.[3] Cities are also required to provide a $1 match for every withholding dollar received. This match can be provided by a private donor, the pilot project city, the eligible business, or a combination of all three. The match fund can be either in the form of cash or in-kind contributions to be used for the project. According to city business developers, after verifying that investment has been undertaken, pilot project cities often return the diverted withholding taxes to awarded businesses, which usually provide the matching funds as well. The withholding tax credits and the matching funds are used by the business to reimburse part of the promised capital investment for the project. Pilot project cities also have the responsibility to monitor the implementation of the investment projects and the job creation promised by awarded businesses.

To illustrate the competition faced by pilot project cities, population, private nonfarm employment, private nonfarm establishments, and average wages in 2010 in Iowa counties where pilot project cities are located are compared with those in bordering counties in neighboring states (see Table 1). For Sioux City, Fort Madison, Burlington, and Keokuk, the population, employment, and the number of private establishments in their counties are higher than their adjacent counties in neighboring states. Population, employment, and the number of private establishments in Council Bluffs are lower than the bordering county in Nebraska. Average annual wages in Woodbury County and Pottawattamie County are lower than those in their neighboring counties in Nebraska and South Dakota. Average annual wages in Lee County and Des Moines County are higher than those in their neighboring counties in Illinois and Missouri.

III. Other States' Payroll Tax Credits for New Jobs

Many states have business incentive programs that offer tax credits to businesses to invest in the state and create jobs. To narrow down the tax credit programs to those most similar to Iowa Targeted Jobs Program, tax credit programs from other states were chosen based on three conditions: whether the tax credit program is targeted toward border cities, whether the tax credit program requires businesses to create new jobs, and whether the tax credit is calculated as a percentage of payroll of new jobs. Nineteen states have at least one program that meets at least one of these conditions. In addition, there are also seven states without an income tax.[4] Also, New Hampshire and Tennessee do not tax wage income.

In addition to Iowa, two states offer payroll tax credits for job creation and retention targeting specific border cities (see Table 2). In Pennsylvania, the New Philadelphia Jobs Creation Tax Credit provides a corporate income tax credit to businesses for up to eight years for creating at least 25 new jobs or

[3] See Iowa Code §§ 403.3, 403.6, and 403.17(25).
[4] These states are Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming

increasing its number of full time employees by 20 percent within Philadelphia, which borders New Jersey. The credit for each new job equals the greater of two percent of annual wages paid for each new job or $3,000. Tax credits claimed by each business cannot exceed 50 percent of the corporate income tax liability of the business and can be recaptured if businesses fail to meet the job growth requirements. The credit is nonrefundable and cannot be carried forward. In New Jersey, the Qualified Municipality Open for Business Incentive Program awards businesses credits equal to $2,500 in the first year and $1,250 in the second year for each new job created in qualified cities that can be claimed against corporate income tax liability. The only qualified city is Camden on the Pennsylvania border. The credit is nonrefundable and can be carried forward for five years.

Sixteen states, including Iowa, offer tax credits to businesses conditioned on the number of new jobs created where these credits are calculated as a percentage of payroll of new jobs.[5] Most states require businesses to create a minimum number of new jobs to be eligible for the credit. Both Kansas and Missouri require high impacted businesses which create at least 100 new jobs, the highest among the states, to be eligible for their highest tax credit rates. Arkansas, Louisiana, and Oklahoma have requirements for businesses to increase their annual payroll by a minimum amount to be eligible for the credit. Iowa requires businesses to relocate to Iowa, create at least ten new jobs, or invest at least $500,000 to be eligible for the Targeted Jobs Withholding Tax Credit.

Eight states use a tier system to assign different tax credit rates to eligible businesses based on location, wage, industry, or the number of new jobs created.[6] Another eight states, including Iowa, calculate the tax credit using a single rate applied to the annual payroll of new jobs created.[7] New Mexico has the highest credit rate (10%). Montana and North Dakota have the lowest credit rate (1%). Iowa's TJC awards three percent of payroll of new jobs. Kansas, New Jersey, and Ohio calculate tax credits as a percentage of the new employees' state withholding rather than wages. In Massachusetts, the payroll tax credit is 50 percent of the eligible jobs' salaries multiplied by the applicable Massachusetts income tax rate of the newly hired persons.

Fifteen states specify industries that are qualified or not qualified for their payroll tax credits.[8] Ten states set the maximum amount of the payroll tax credit that a business can claim every year.[9] Missouri ($80 million) and Kansas ($6 million for job expansion and up to $2.4 million for job retention) have an annual statewide cap on their programs. Most states allow eligible businesses to claim tax credits for more than one year, with that time span referred to as the benefit period. Eight states including Iowa have a maximum benefit period of at least ten years.[10] Ohio's maximum benefit period is 15 years, the longest among all states. Arkansas, Maryland, Nebraska, New York, and Pennsylvania have a clawback provision in their tax credit agreements allowing the state to recapture tax credits if businesses fail to meet the conditions in their agreements. Iowa's Targeted Jobs Program does not have a clawback provision, but does end the tax credit agreement after 18 months if businesses no longer meet the requirements in the agreement. The payroll tax credits are refundable in six states.[11] Eight states including Iowa with nonrefundable tax credits allow unused tax

[5] These states are Delaware, Illinois, Iowa, Kansas, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, Ohio, Pennsylvania, and South Carolina.
[6] These states are Arkansas, Delaware, Louisiana, Maryland, Missouri, Mississippi, Nebraska, and South Carolina
[7] These states are Illinois, Iowa, Montana, North Dakota, New Mexico, New York, Oklahoma, and Pennsylvania
[8] These states are Arkansas, Illinois, Iowa, Kansas, Louisiana, Massachusetts, Maryland, Missouri, Mississippi, Montana, North Dakota, Nebraska, New York, Oklahoma, and South Carolina
[9] These states are Arkansas, Delaware, Kansas, Maryland, Mississippi, Missouri, New Jersey, New Mexico, Pennsylvania, and South Carolina
[10] These states are Arkansas, Illinois, Iowa, Louisiana, Nebraska, New Jersey, Ohio, and Oklahoma
[11] These states are Arkansas, Delaware, Missouri, New Mexico, Ohio, and Oklahoma

credits to be carried forward.[12] The longest carryforward period is offered in South Carolina at 15 years. The carryforward period in Iowa is ten years.

The Iowa Targeted Jobs Program diverts a portion of Iowa income tax revenues to cities because awarded companies claim tax credits against targeted employees' Iowa individual income tax withholding. The companies then remit payments equal to the tax credits claimed to the pilot project cities. Among all the states, Missouri is the only one with a similar withholding tax diversion program. The Missouri Manufacturing Jobs Act offers subsidies to manufacturers in the automobile and light duty motor vehicle manufacturing industry and their suppliers for making capital investment and creating new jobs or retaining jobs. The subsidies allow the eligible manufacturers to retain 100 percent of the withholding tax for 10 years from all full-time jobs at the facility if a new product is produced there, or 50 percent of the withholding tax for seven years from all full-time jobs at the facility if existing production is expanded. The subsidies allow eligible suppliers to retain 100 percent of the withholding tax for three years from new jobs if wages of new jobs are at least 100 percent of county average wage, or retain 100 percent of the withholding tax for five years from new jobs if wages of new jobs are at least 120 percent of county average wage.

There are four states bordering Iowa pilot project cities. Among these four states, South Dakota does not have an income tax. The other three states (Nebraska, Missouri, and Illinois) all have payroll tax credit programs. The Nebraska Advantage Act categorizes businesses into six tiers based on investment and projected jobs creation:

- Tier 1: $1 million new investment and 10 new jobs;
- Tier 2: $3 million new investment and 30 new jobs;
- Tier 3: 30 new jobs;
- Tier 4: $10 million new investment and 100 new jobs;
- Tier 5: $30 million new investment;
- Tier 6: $10 million new investment and 75 new jobs, or $100 million new investment and 50 new jobs.

For a business in Tier 1 through Tier 4, the payroll tax credit rate, which rises as wage rises, equals:

- Three percent of the annual payroll of new employees if the average wage of new employees equals at least 60 percent of the Nebraska average annual wage;
- Four percent if the average wage equals at least 75 percent of the Nebraska average;
- Five percent If the average wage equals at least 100 percent of the Nebraska average; or
- Six percent if the average wage is at least 125 percent of the Nebraska average.

Employees with an annual salary more than $1 million are excluded from the calculation of the average new employee wage. For a business in Tier 6, the tax credit rate is ten percent of annual payroll of new employees. Without new employees, Tier 5 businesses are not eligible for a payroll tax credit.

In addition to the payroll tax credit, businesses in Tier 1 can claim an investment tax credit of three percent of the investment. Businesses in Tier 2 or Tier 4 can also claim an investment tax credit equal to ten percent of investment, a refund of the sales tax paid for qualified capital purchases, and a property tax exemption. Tier 5 businesses can claim a refund of sales tax paid for qualified capital purchases and a property tax exemption. For businesses in Tier 6, the investment tax credit rate is fifteen percent. Businesses in Tier 6 may also be eligible for a refund of the sales tax paid for qualified capital purchases and a property tax exemption.

[12] These states are Arkansas, Illinois, Iowa, Maryland, Mississippi, Nebraska, New Jersey, and South Carolina

Nebraska businesses in Tier 1, Tier 3, or Tier 6 have a maximum benefit period of ten years. Businesses in Tier 2, Tier 4, or Tier 5 have a maximum benefit period of seven years. Industry qualifications also differ among the tiers. Tax credits in the Nebraska Advantage Act are nonrefundable. Credits may be carried forward nine years after the year of application for a Tier 1 or Tier 3 business, fourteen years for a Tier 2 or Tier 4 business, or ten years for a Tier 6 business. If businesses fail to meet the requirements during the benefit period, the tax credits claimed can be recaptured by the Nebraska Department of Revenue.

The Iowa Targeted Jobs Program requires the eligible business to locate in a urban renewal area in a pilot project city, while the Nebraska Advantage Act has no restriction on the location of the eligible business. Also, the Nebraska payroll tax credit claimed is kept by the business, while the TJC claims must be remitted to the pilot project cities. Businesses are required to create a minimum number of new jobs to receive payroll tax credits from the Nebraska Advantage Act. Businesses do not have to meet the minimum number of new jobs requirement to be eligible for the Iowa TJC under any of the following conditions:

- The business relocates to pilot project cities from other states;
- The business is already located in Iowa and makes new investment of at least $500,000 in pilot project cities; or
- The business is already located in Iowa and retains at least ten existing jobs.

Besides the tax credit under the Missouri Manufacturing Jobs Act, Missouri also offers the Missouri Quality Jobs Tax Credit that targets small businesses, technology businesses, and high impact businesses. To be eligible for this tax credit, small businesses are required to create at least 20 new jobs if they are located in rural areas or create at least 40 new jobs if they are located in non-rural areas. Technology businesses are required to create at least ten new jobs to be eligible for the tax credit. High impact businesses must create at least 100 new jobs. The program excludes gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, and public administration companies.

The Missouri Quality Jobs Tax Credit equals 100 percent of the individual income tax withheld for new employees of eligible small businesses. The benefit period is three years if the average wage of new jobs is between 100 percent and 119 percent of the county average wage, or five years if the average wage of new jobs is at least 120 percent of the county average wage. For an eligible technology business, the tax credit rate is five percent of payroll of new jobs each year for five years, plus an average wage bonus. The average wage bonus is 0.5 percent if the company average wage falls between 120 percent and 140 percent of the county average wage, or one percent if the company average wage is greater than 140 percent of the county average wage. An eligible high impact business can claim a tax credit of three percent of payroll of new jobs each year for five years, plus the average wage bonus and a local incentives bonus. The local incentives bonus, effectively a state tax credit to match local incentives provided to the business, equals:

- One percent of payroll of new jobs if local incentives provided to the business equal 10 to 24 percent of new local tax revenues derived from the business;
- Two percent if local incentives provided to the business equal 25 to 49 percent of new local tax revenues derived from the business; or
- Three percent of payroll of new jobs if local incentives provided to the business equal at least 50 percent of new local tax revenues derived from the business.

The Missouri Quality Jobs Tax Credit is nonrefundable. The credit cannot be carried forward. The overall funding limit for the credit is $80 million per year and there is no clawback provision.

The Illinois Job Tax Credit requires eligible businesses to be located in an enterprise zone or a foreign trade zone or subzone, and create at least five new jobs. A high impact business, which is a business with a minimum investment of $12 million and 500 new jobs or a business with a minimum investment of $30 million and 1,500 retained jobs, is eligible. The tax credit equals $500 per new employee for one year. The Illinois Job Tax Credit does not have a clawback provision, is nonrefundable, and can be carried forward for five years.

The Illinois Economic Development for a Growing Economy (EDGE) Credit offers a negotiable percentage of payroll of new jobs to businesses for up to ten years. The credit requires a business to make an investment of at least $5 million in capital improvements and create a minimum of 25 new full-time jobs in Illinois. For a company with 100 or fewer employees, the company must agree to make a capital investment of $1 million and create at least five new full time jobs. Businesses in retail trade and personal service are not qualified for the credit. This credit has no clawback provision, is nonrefundable, and cannot be carried forward.

IV. Literature Review

The Iowa TJC encourages companies to create new jobs or retain existing jobs in pilot project cities. Three studies evaluated the economic impacts of similar state job creation tax incentives for North Carolina, Maryland, and Kentucky using various methods. Most found evidence that tax incentives had impacts on the state economy; however, the magnitude of such impacts was small.

Luger and Bae (2005) estimated the induced impacts of the North Carolina Job Creation Tax Credit which awarded businesses for creating new jobs. The award ranged from $500 to $12,500 for each new job based on the location of the new jobs. The authors estimated that the job creation tax credit in North Carolina created 97 jobs in 1999 which would not have been created if there were no tax credits. For these 97 new jobs, the average credit claimed was $147,463. The credit was repealed in 2007.

Sohn and Knaap (2005) evaluated the effectiveness of Maryland's Job Creation Tax Credit awarded to businesses for creating new jobs in Priority Funding Areas. The estimated results showed that Maryland's Job Creation Tax Credit was strongly associated with increasing employment growth rates in the service, transportation, communication, and utilities industries. For manufacturing, finance, insurance, and real estate industries, the credit had little effect.

Hoyt, Jepsen, and Troske (2008) evaluated the effectiveness of job creation tax incentives on employment in all Kentucky counties from 1992 to 2004, along with other business incentives. It was estimated that a ten percent increase in the aggregate tax credit claims received by all firms in a county was associated with an increase in the county employment by 0.013 percent two years later. For border counties, a ten percent increase in the aggregate tax credit claims received by all firms in each county was estimated to increase the county employment two years later by 0.017 percent.

Other studies evaluated the impacts of location-based federal job creation tax incentives on economic growth of the eligible locations and focused on the location-based Federal Empowerment Zone (EZ) program which expired in 2010 (Hanson and Rohlin, 2011a and 2011b). The EZ program included grants, low-interest loans, and a wage tax credit, which allowed an employer operating in the EZ to claim a tax credit for wages paid to an employee who resided within EZ boundaries. The amount of the credit was 20 percent of the first $15,000 in wages paid, for a maximum credit of $3,000 per employee. The studies found that the wage tax credits offered by the EZ program induced 0.17 more new establishments per 1,000 existing establishments, compared to areas that received similar grants and low-interest loans but no wage tax credit.

Several studies have also investigated the effect of general state tax policies on border counties or cities to attract business investment using border counties information across the nation. These studies showed that the competition between tax policies in neighboring states can influence economic growth. The impact was slightly higher in border areas than interior areas.

Bittlingmayer, Eathington, Hall, and Orazem (2005) conducted a comprehensive study on the relationship between business climate indexes and state economic growth. The study used the State Business Tax Climate Index published by the Tax Foundation as a comprehensive measure of state tax policies, including state tax rates and tax bases. Economic growth in border counties was measured by four indicators (payroll growth, growth of the number of sole proprietors, employment growth, and population growth). From 1970 to 2002, the estimated effects were positive and statistically significant, suggesting that differences in state tax policies can explain part of the difference in economic growth. However, the magnitudes of the estimated effects were small, suggesting only a small fraction of differences in economic growth between border counties could be explained by the tax policy differences.

Chirinko and Wilson (2008) built a twin-counties model to identify the effects of tax policies on economic growth in neighboring counties across state borders. Using data from 3,150 border counties, the authors estimated that the elimination of one state's investment tax credit while the competing state had no policy change would reduce the number of manufacturing establishments by 0.22 percent in the state eliminating the tax credit.

Rohlin, Rosenthal, and Ross (2010) expected that differentiation in state tax policies, such as reliance on business taxes compared to personal income taxes, would affect the number of new businesses along state borders. The areas along state borders were grouped based on the distance to the state border (0 to 1 mile, 1 to 5 miles, and 5 to 10 miles). The study found that tax policy's impact on creating new businesses was stronger for areas closer to the border compared to areas located more interior. Using the Tax Foundation's Business Tax Climate Index, the results were consistent, suggesting that more competitive state business-related taxes had a greater impact on economic growth in areas closer to the state border.

V. Descriptive Statistics for the Targeted Jobs Withholding Tax Credit

A. Award Details

A total of $37.6 million of Targeted Jobs Withholding Tax Credits have been awarded in all pilot project cities between FY 2007 and FY 2012.[13] The total amount of TJC awards made each year grew from $0.8 million in FY 2007 to $8 million in FY 2009 (see Figure 2). Awards dropped to $2.6 million in FY 2010. The highest amount of awards was issued in FY 2011 with nearly $14.7 million approved and FY 2009 was second.

The largest four awards account for 41.8 percent of the total amount of awards (see Table 3). Pilot project cities have approved 21 projects (53.9%) with an award amount less than $500,000, accounting for only $5.3 million (14.3%) of total TJC awards. Eight projects (20.5%) have been approved with the award amount between $500,000 and $1 million. Six projects (15.4%) have been approved with the award amount between $1 million and $2.5 million.

[13] For FY 2013 through the end of December 2012, five businesses received TJC awards, totaling $8.6 million.

Among the pilot project cities through FY 2012, Sioux City has the largest total awards at $12.9 million, accounting for 34.3 percent of all awards (see Figure 3).[14] Fort Madison has the second highest amount of awards with $9.2 million, accounting for 24.5 percent of all awards. Keokuk has a total of $7.0 million and Burlington has $6.8 million in awards. Council Bluffs has the smallest total awards at $1.7 million, accounting for just 4.5 percent of the total amount.

Sioux City has 27 awards, the highest number among all pilot cities, accounting for 69.2 percent of total approved projects through FY 2012 (see Figure 4). Fort Madison is a distant second with four awards that account for 10.3 percent of all awards. Burlington has two awards, the lowest number of awards. Both Keokuk and Council Bluffs have three awards.

Although it has the highest number of awards and the largest total awards, Sioux City has the smallest average award at $0.5 million (see Figure 5). This suggests that Sioux City had success with a relatively large number of medium and small projects. Burlington has the largest average award at $3.4 million, despite the fact that it has the lowest number of awards and the second smallest total awards. Both the largest award ($6.2 million) and the smallest award ($0.05 million) were made by Fort Madison.

Awarded businesses in Sioux City agreed to invest $56.6 million over the ten year period (see Table 4). The average pledged investment is $2.1 million in Sioux City, which is the lowest in all pilot project cities and is consistent with the award distribution. The average number of new jobs promised by awarded businesses in Fort Madison is 118, which is the highest number among all cities. Awarded businesses in Sioux City promised to retain 744 existing jobs, higher than total numbers of retained jobs in other cities.

The top three industries receiving TJC awards are manufacturing, health care and social assistance, and wholesale trade (see Table 5). The manufacturing industry received eleven awards (32.4%) totaling $20.5 million (56.9%). The average award amount in the manufacturing industry, $1.9 million, was also the largest among all industries. The health care and social assistance industry received nine awards (26.5%) totaling $6.9 million (19.3%). The wholesale trade industry received five awards (14.7%) totaling $1.6 million (4.5%). The remaining nine businesses (26.5%) are in a range of other industries including professional, scientific, and technical services, construction, transportation and warehousing, finance and insurance, and information.

B. Claim Details

Between FY 2007 and FY 2012, a total of $7.5 million (362 claims) of Targeted Jobs Withholding Tax Credits were claimed by businesses located in all pilot project cities (see Table 6). The total amount of claims made on withholding returns grew from $7,949 in FY 2007 to $3.0 million in FY 2012.[15] The count of claims made each year grew from four in FY 2007 to 97 in FY 2012. The average number of claims made in a quarter was 16 and the average quarterly claim made by a company was $20,621. The average quarterly total tax credits claimed was $339,306. The highest quarterly total claims, at $0.9 million, were made by 26 companies in the first quarter of 2012. Also in the first quarter of 2012, the average amount of claims was the highest ($35,016), followed by the 20 companies claiming an average $30,404 in the third quarter of 2011.

Among the 39 companies with TJC awards, three companies had not made any claims through FY 2012. For the other 36 companies, a total of 362 claims were made from FY 2007 to FY 2012 (see

[14] Currently, all awards issued in FY 2013 to date were received by businesses in Sioux City.
[15] The total claim amount for third quarter of CY 2012 is $361,102 by the end of CY 2012.

Table 7). Companies in Sioux City made 273 claims (75.4%), the highest number among all pilot project cities, totaling $3.0 million (40.2%). Companies in Council Bluffs made 11 claims (3.0%) from FY 2007 to FY 2012, the lowest number among all cities. Companies in Council Bluffs also claimed the lowest total amount ($260,541, 3.5%). Compared to the total payroll from 2007 to 2011 in each city, Fort Madison had the highest claims-to-payroll ratio (0.16%) and Council Bluffs had the lowest claims-to-payroll ratio (0.01%).

Although Sioux City had the highest total claims among pilot project cities, the average quarterly credit claimed by a Sioux City company was the lowest ($10,997) among all cities in the program, which is consistent with the award distribution among pilot project cities. Companies in Burlington made the highest average quarterly claim ($91,707). In Sioux City, the average total credits claimed by a company between FY 2007 and FY 2012 was $136,464, lower than those in Burlington ($1,650,731), Council Bluffs ($260,541), Fort Madison ($605,445), and Keokuk ($244,969).

The claims across industries are consistent with awards. Companies in the manufacturing industry made the largest number of claims, 128 (35.4% of the number of all claims), totaling $4.6 million which was 62.1 percent of the amount of all claims between FY 2007 and FY 2012 (see Table 8). Companies in the health care and social assistance industry made 87 claims (24.0%), totaling $1.0 million (14.0%), which were the second largest among all industries. Most companies claiming tax credits in the health care and social assistance industry were located in Sioux City. The average quarterly claim ($36,243) and the average total claims ($463,906) made by a company in the manufacturing industry were higher than those made by companies in other industries.

The amount of the Iowa TJC a company can claim is determined by the number of eligible jobs and the wages of those jobs each quarter. Companies and cities specify in the tax credit agreements the award amount based on the expected number of jobs created or retained and the expected wage level. The award amount is the maximum potential tax credits available for companies to claim. However, many companies do not claim all potential credits because they do not create the expected number of new jobs or retain the expected number of existing jobs. If ten percent of all existing awards had been claimed each year of the ten year agreements, total claims between FY 2007 and FY 2012 would have been over $10.6 million (see Table 9). The actual total claims between FY 2007 and FY 2012 were $7.5 million, only about 70.7 percent of potential claims. However, this under-utilization may reflect that the agreements establish the maximum number of jobs eligible for the credit, skewing jobs expectation upward. Also, some jobs may not be created until late in the ten year benefit period, even though the award reflects all expected jobs for the ten years.

The ratio of actual claims to the potential claims measures the utilization rate of the Targeted Jobs Withholding Tax Credit program. For awarded companies in Sioux City, the actual claims ($3.0 million) were 71.7 percent of their potential claims ($4.2 million) between FY 2007 and FY 2012 (see Table 10). For awarded companies in all other cities, the actual claims between FY 2007 and FY 2012 were $4.5 million, accounting for 69.1 percent of their potential claims ($6.5 million).

Under current law, the Targeted Jobs Program will expire at the end of FY 2013. Companies can continue making tax credit claims after the expiration of the program because the benefit period of the Targeted Jobs Withholding Tax Credit is usually ten years. Therefore, the TJC claims will likely affect State revenues through FY 2023. To forecast tax credit claims after FY 2012, it is assumed that the total awards in FY 2013 will equal the total awards in FY 2011 ($14.1 million).[16] If all potential tax credits were to be claimed, the contingent liability between FY 2013 and FY 2023 is $41.5 million,

[16] By the end of 2012, FY 2013 awards equaled $8.6 million. Therefore it was assumed that award amount in FY 2013 would equal the maximum award amount made in prior fiscal years.

assuming that companies would claim 10 percent of their awards every year for ten years (see Table 11). Based on the actual claims made between FY 2007 and FY 2012, expected claims between FY 2013 and FY 2023 are $32.4 million, about 78.1 percent of the contingent liabilities based on potential claims.

C. Payment Details

Between FY 2007 and FY 2012, awarded companies paid $7.8 million to cities (394 payments) (see Table 12). The total amount of payments made each year grew along with the claims made each year. The annual count of payments also increased from three to 105 between FY 2007 and FY 2012, compared to claims in FY 2007 (four) and FY 2012 (85). The overall number of payments and total payments are higher than total claims. The main reason is that some companies have not made claims in a consistent way, such as a company using different federal employer identification numbers to make some claims that could not identified in the IDR withholding database.[17]

Sioux City received $3.4 million in payments (44.1%) and Fort Madison received $1.8 million (23.2%) (see Table 13). Burlington received $1.6 million (20.3%) from FY 2007 to FY 2012. Companies in Council Bluffs paid the lowest total amount ($0.2 million, 3.0%). Keokuk received $0.7 million (9.4%). Payments received by some cities are lower than claims made by companies in those cities because some payments for the second quarter of 2012 had yet not been received at the time data was gathered for this study.

D. Investment and Jobs Details

The Targeted Jobs Program requires awarded businesses to create new jobs, retain existing jobs, or make capital investment. Based on reports provided by pilot project cities through FY 2012, awarded businesses pledged to make $240.0 million of capital investment, create 910 new jobs, and retain 2,240 existing jobs (see Table 14). Up to FY 2012, the total actual capital investment was $134.6 million, the number of new jobs created was 521, and the number of existing jobs retained was 1,805. Council Bluffs is not included because it did not provide the information to EDA or IDR.

Pledged investment and jobs of businesses receiving awards by fiscal year were compared with actual investment and jobs creation by these businesses. The ratio of actual investment to pledged investment was more than 100 percent for businesses receiving TJC awards in FY 2008. This ratio dropped to 78.4 percent for businesses receiving TJC awards in FY 2009, 62.8 percent for FY 2010, 34.8 percent for FY 2011, and 13.2 percent for FY 2012. This suggests that awarded businesses take three to four years to complete their capital investment. However, for businesses with long-term lease costs as part of pledged investment, those investments will not be completed until the end of their leases. Jobs creation takes similar periods. Businesses receiving awards between FY 2007 and FY 2009 had higher ratios of actual jobs created or retained to pledged jobs created or retained than businesses receiving awards in FY 2011 and FY 2012. The ratio of actual jobs created to pledged jobs created was more than 200 percent in FY 2010, higher than that in any other fiscal year.

Among all pilot project cities, awarded businesses in Fort Madison made the largest amount of capital investment, totaling $67.6 million through FY 2012 (see Table 15). Awarded businesses in Fort Madison also created 291 new jobs, the highest among all cities. Awarded businesses in Burlington retained 650 existing jobs, the highest among all cities.

[17] Since September 2012, all companies claiming withholding tax credits, including TJC, need to submit their federal employer identification numbers and indicate the certificate numbers when making a tax credit claim.

The ratio of actual total investment to actual total claims for all awarded businesses suggests that $19 was invested for every dollar of TJC claimed. Awarded businesses in Fort Madison invested $37 for every dollar claimed, the highest among all pilot project cities. For all awarded businesses, $2,985 was claimed for every job either created or retained. Awarded businesses in Burlington claimed $2,240 for every job either created or retained, the lowest among all pilot project cities.

Awarded businesses can claim tax credits after the completion of capital investment and job creation because the benefit period is ten years. The total investment and the number of jobs created or retained by awarded businesses were forecasted (see Table 16). It was assumed businesses that received awards in FY 2007 and FY 2008 had completed the capital investment and job creation but businesses that received awards between FY 2009 and FY 2012 will eventually invest the pledged amount and create the pledged number of jobs over the ten year period. The expected TJC claims over the life of the contract made by businesses receiving awards in each fiscal year are also forecasted using the same method as in Table 11.

The ratio of forecasted total investment to forecasted total claims is eight dollars, suggesting that over the life of the contract, awarded businesses will invest eight dollars for every one dollar of TJC claim. The ratio for businesses receiving awards in FY 2011 was the highest at $11. The ratio of forecasted total claims to forecasted total jobs created or retained was $9,363, suggesting that awarded businesses will claim $9,363 in TJC over ten years for every job created or retained.

In addition to the self-reported employment data provided by pilot project cities, employment data from IWD were also used to measure impacts of TJC on employment. Employment data from IWD between CY 2006 and CY 2011 were used to calculate the change in employment of awarded businesses. For businesses receiving awards in CY 2007, their total employment steadily rose from 1,610 in CY 2006 to 2,640 in CY 2009 (see Figure 6). Because of the acquisition of Northwest Airlines by Delta Airlines and the subsequent closing of the office in Iowa, the total employment of businesses receiving awards in 2007 dropped to 2,388 in 2010 and 1,519 in 2011. For businesses receiving awards in CY 2008, their total employment steadily rose from 1,261 in CY 2007 to 2,085 in CY 2011. Employment of businesses receiving awards in CY 2009 increased from 203 in CY 2008 to 456 in CY 2011. Employment of businesses receiving awards in CY 2010 increased from 670 in CY 2009 to 700 in CY 2011.

To isolate the employment changes of awarded businesses participating in the Targeted Jobs Program during the whole period from FY 2007 to FY 2012, employment of Northwest Airlines and other exited businesses are excluded (see Figure 7). For businesses receiving awards in CY 2007 and staying in the program through FY 2012, their total employment was almost flat between CY 2007 and CY 2011. For businesses receiving awards after CY 2007, there was little change from Figure 6.

VI. Economic Analysis of the Targeted Jobs Program

A. Labor Cost, Establishments, and Employment Comparison between Border Counties

The Targeted Jobs Program is aimed to increase employment and investment in pilot project cities by reducing the costs of doing business. The direct impact of the withholding tax credit is to effectively reduce a company's labor cost for new jobs created or existing jobs retained in urban renewal areas within pilot project cities. The hope is that the pilot project cities will become more competitive relative to cities in neighboring states.

The four Iowa border counties where pilot project cities are located include: Sioux City in Woodbury County, Ford Madison and Keokuk in Lee County, Council Bluffs in Pottawattamie County, and

Burlington in Des Moines County. For each of these four Iowa counties, the border county from the neighboring state(s) is considered as a competing county to form a set of cross-border pairs. There are six pairs of competing counties: Woodbury County and Dakota County, Nebraska; Woodbury County and Union County, South Dakota; Pottawattamie County and Douglas County, Nebraska; Lee County and Hancock County, Illinois; Lee County and Clark County, Missouri; and Des Moines County and Henderson County, Illinois.

To compare costs of doing business in Iowa counties where pilot project cities are located to counties in neighboring states, a relative labor cost is calculated to measure the cost of jobs (see Table 17). The relative labor cost is calculated for each pair as the ratio of the average weekly wage in the Iowa county to the average weekly wage in the county from the neighboring state. The labor cost here only focuses on wage compensation. If the relative labor cost is higher than 100 percent, the average weekly wage in the Iowa county is higher than that in the competing county across the state border. If the value is less than 100 percent, the labor cost is lower in the Iowa county. Because county private sector average wages can be skewed by differences in the industry structure between counties, county average weekly wages in the manufacturing sector from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics are compared for most pairs. For the pair of Des Moines County and Henderson County, Illinois, county private sector average weekly wages are used because manufacturing wages are not available for Henderson County. For the pair of Woodbury County and Union County, South Dakota, the relative labor cost in the healthcare industry is also considered. A large number of awards in Sioux City are concentrated in the healthcare industry due to intense competition for jobs in this industry between Sioux City and cities in neighboring states.

For Sioux City in Woodbury County, there are two competing counties: Dakota County in Nebraska and Union County in South Dakota. The relative labor costs in the manufacturing sector in both pairs were mostly higher than 100 percent from 2001 to 2011 suggesting that the labor cost in the manufacturing sector in Sioux City was higher than that in other two competing counties. However, in the healthcare industry the relative labor cost in Woodbury County compared to Union County was just above 70 percent for most years between 2001 and 2011, suggesting that Sioux City was competitive on labor costs in the healthcare industry.

For Burlington, Fort Madison, and Keokuk (Lee County and Des Moines County), their relative labor costs were all higher than 100 percent between 2001 and 2011, showing that labor costs in these three cities were considerably higher than those in competing counties in Illinois and Missouri. A possible reason for the consistent wage difference across the borders is that there is no comparable competing city in counties in Illinois and Missouri bordering Lee County and Des Moines County. The wage difference comes mostly from the urban-rural wage gap. For Council Bluffs, the comparison between Pottawattamie County and Douglas County, Nebraska showed that the relative labor costs in the manufacturing sector increased from about 80 percent to about 90 percent between 2001 and 2011. This indicates that wages have been rising in Pottawattamie County relative to Douglas County in Nebraska over the last decade, although Iowa wages remain lower.

Because TJC only applies to the jobs created or retained under the program, only the relative labor cost of those jobs are reduced by the tax credit claims. To show the magnitude of the tax credit's impact on helping pilot project cities lower the relative labor cost to compete with counties from neighboring states, the ratios are recalculated where the Iowa county average wage is assumed to affect new jobs eligible for TJC and thus are reduced by three percent (see Table 18). Although relative labor costs for the new jobs are lower for all pairs, compared to the relative labor costs in Table 16. The magnitude of the tax credit's impact on relative labor cost is small for most counties. For only one pair, Woodbury County and Union County, TJC reduces the relative labor cost below

100 percent in 2001, 2003, 2004, and 2011. Of course, this analysis ignores any job tax credit available in neighboring states.

To further investigate the impact of the Targeted Jobs Program, the labor cost, employment growth, and the number of establishments of pilot project cities were compared with those in their competing areas in neighboring states. The healthcare industry in Sioux City was chosen to be the example because most TJC award recipients in the healthcare industry were clustered in Sioux City (see Table 19). According to business developers in Sioux City, the competition for healthcare businesses with border areas in South Dakota was the focus of business development strategies for cities on both sides of the border.

From 2002 to 2011, the available data suggests that the average labor costs in the healthcare industry for Woodbury County had been between 70.1 percent and 74.2 percent of costs in neighboring Union County, South Dakota (see Table 17). With the TJC, the relative labor costs of new jobs in the healthcare industry in Woodbury County were only slightly lower (see Table 18). Between 2001 and 2006, healthcare industry employment in Woodbury County decreased from 8,118 to 7,699, a 5.2 percent drop. During the same period, the healthcare industry employment in Union County rose from 457 to 715 (56.5%) increase. The number of healthcare establishments in Woodbury County also dropped from 320 in 2001 to 307 in 2006 (-4.1%), while the number of healthcare establishments in Union County, South Dakota increased 48.3 percent from 2001 (29) to 2006 (43).

Coinciding with the enactment of the Targeted Jobs Program, employment in the healthcare industry in Woodbury County grew from 7,608 in 2007 to 7,905 in 2011, a 3.9 percent increase, which was lower than the growth rate of healthcare industry employment in Union County, South Dakota between 2007 and 2011 (26.6%). The number of healthcare establishments in Woodbury County increased from 312 in 2007 to 321 in 2011 (2.9%). While the growth rate of healthcare establishments in Union County was 15.9 percent between 2007 and 2011, it was still lower than the growth rate in previous years in Union County, but higher than that in Woodbury County between 2007 and 2011.

B. Benefits Comparison between Payroll Tax Credit in Nebraska and in Iowa

In the prior section, tax incentives in neighboring states were not taken into consideration. As seen in Section II, several neighboring states have similar payroll tax credits. Because both Sioux City and Council Bluffs are on the Nebraska border and Nebraska is a major competitor for Iowa to attract businesses, in is instructive to examine the relative advantage between benefits of the Nebraska Advantage Act and TJC. The Nebraska Advantage Act provides payroll tax credits, investment tax credits, and sales tax refunds to eligible businesses for creating new jobs and making new investment in Nebraska. This analysis focuses on the payroll tax credit component of the Nebraska Advantage Act.

For a job to qualify for TJC, the wage must exceed the average county wage at the date of the contract. The 2011 average weekly county wage was $646 for Pottawattamie County and $658 for Woodbury County, according to the Bureau of Labor Statistics. The Nebraska Advantage Act has a tier system to categorize businesses with different qualifications and benefits as discussed in Section II. For Tier 1 through Tier 4 businesses, the wage of an eligible job is required to be at least 60 percent of the Nebraska average wage. The 2011 Nebraska average weekly wage was $736, which means that a job would be eligible for a $13.26 weekly tax credit under the Nebraska Advantage Act at a wage of only $442 (see Figure 8). In both Sioux City and Council Bluffs, the same job is ineligible for TJC. If the weekly wage of a new job is $646, the weekly tax credit would be $19.38 (3%) in Council Bluffs, $25.84 (4%) in Nebraska, and zero in Sioux City. If the weekly wage of the new job is

$658, the weekly tax credit would be $19.74 in Sioux City or Council Bluffs and $26.32 in Nebraska, 33.3 percent higher than the tax credit available in Iowa pilot project cities.

In both Nebraska and Iowa, the level of the payroll tax credit increases with the wage level of the eligible job. Under the Nebraska Advantage Act, the tax credit rate also rises when the wage of the eligible job increases. If the weekly wage of the eligible job reaches $736, the payroll tax credit available every week would be $36.80, five percent of the weekly wage. The TJC claim for an eligible job with a weekly wage of $736 is only $22.08, 40 percent lower than that available in Nebraska. If the weekly wage of the eligible job reaches $920, the TJC claim would equal $27.60 every week, while the Nebraska Advantage Act provides $55.20 of payroll tax credit, double the Iowa credit.

C. Direct Benefit to State Revenue

The direct fiscal impact of the Targeted Jobs Program includes individual income tax revenue generated from new jobs created under the program, less the tax credits equal to three percent of gross payroll of these new jobs. To estimate the increased individual income tax revenue between CY 2007 and CY 2011, numbers of eligible new employees were estimated as the difference between the employment at each awarded business in pilot project cities in a base year and the employment in following years using data from the Iowa Workforce Development (IWD) (see Table 20). The IWD data would include all new jobs including those not eligible for TJC. For each awarded business, the base year is the year prior to the award start year designated in the tax credit agreement. The estimated number of eligible new employees was 201 in CY 2007, 1,073 in CY 2008, 1,477 in CY 2009, 1,491 in CY 2010, and 1,001 in CY 2011. The drop reflects some companies exiting the Targeted Jobs Program. The average annual wages from CY 2007 to CY 2011 are also estimated for all the employees of awarded businesses using the IWD data. The increased payroll was estimated by multiplying the number of eligible new employees by the average annual wage.

To estimate increased individual income tax revenue, it is assumed that new employees were the only earners in their households. For the 201 new employees in CY 2007, the average wage was $55,175. Based on the average adjusted gross income of households with similar reported wage income from 2007 Iowa individual income tax returns, the average Iowa adjusted gross income of these new employees was estimated to be $65,217 and their effective average tax rate was estimated to be 3.5 percent. The increased individual income tax liability was estimated to be $0.5 million. Similarly, the increased individual income tax liability was estimated to be $2.6 million in CY 2008, $3.3 million in CY 2009, $3.0 million for CY 2010, and $2.3 million for CY 2011.

The net fiscal impact of increased employment was estimated as the difference between the estimated additional tax liability and the actual Targeted Jobs Withholding Tax Credit claims in CY 2007 through 2011. The estimated net fiscal impact was $0.3 million for CY 2007, $2.1 million for CY 2008, $2.1 million for CY 2009, $1.3 million for CY 2010 and -$0.1 million for CY 2011. The total net fiscal impact on Iowa individual income tax revenue was estimated to be $5.7 million between CY 2007 and CY 2011.

Using self-reported employment data provided by pilot project cities (summarized in Section V), the impact of these created jobs or retained jobs on Iowa individual income tax revenue was also estimated (see Table 21). Because the self-reported employment data were only the cumulative results through FY 2012, the impact on individual income tax is only estimated for FY 2012, assuming the jobs would not have been created or retained without TJC. It is assumed that the estimated adjusted gross income of employees in created or retained jobs by all awarded businesses in FY 2012 was $65,173 and the estimated average effective tax rate was 3.5 percent, based on the latest IDR data available from the 2010 individual income tax returns.

The estimated additional total individual income tax liability in FY 2012 was $5.5 million and the actual tax credit claims were $2.9 million. Therefore, the net estimated additional individual income tax revenue was $2.6 million in FY 2012. There were 574 new jobs created through FY 2012 and the net individual income tax revenue generated by them was $0.57 million in FY 2012. There were 1,855 existing jobs retained through FY 2012 and the net individual income tax revenue generated by them was $2.05 million. Among pilot project cities, the net tax revenue from new jobs was the highest in Sioux City totaling $0.23 million in FY 2012. The estimated net tax revenue from retained jobs was the highest in Burlington totaling $0.88 million. The net fiscal impact generated by both new jobs and retained jobs was the highest in Burlington totaling nearly $1.0 million.

VII. Conclusion

The Iowa Targeted Jobs Program (TJC) was created to help Iowa border cities compete with cities in neighboring states in attracting business investment and creating new jobs. Currently there are five pilot project cities: Sioux City, Council Bluffs, Burlington, Keokuk, and Fort Madison. Between FY 2007 and FY 2012, $37.6 million was awarded to 39 businesses and $7.5 million has been claimed by these businesses, based on information received from the pilot project cities and Iowa Department of Revenue withholding data.

Based on data reported by awarded businesses, they made $138 million of capital investments through FY 2012. Awarded businesses also created 574 new jobs and retained 1,855 existing jobs through FY 2012. Between FY 2007 and FY 2012, for every dollar of tax credit claims made by the awarded businesses, $19 was invested. Between FY 2007 and FY 2012, for every job either created or retained by the awarded businesses, $2,985 of TJC was claimed.

The benefit period of TJC is ten years and awarded businesses can make claims after they complete the capital investment and the job creation. It is forecasted that by the end of the ten-year period, for every dollar of tax credit claims made by the awarded businesses, $8 will have been invested. For every job either created or retained by the awarded businesses, an estimated $9,363 of TJC will be claimed over the ten year benefit period.

Based on data from Iowa Workforce Development, the net fiscal gain to the state attributed to new jobs at the awarded businesses between CY 2007 and CY 2011 is $5.8 million, assuming all the new jobs would not have been created without the Targeted Jobs Program. Based on employment data reported by the awarded businesses for FY 2012, the net fiscal gain attributed to new jobs was estimated to be $0.6 million and the net fiscal gain attributed to retained jobs was estimated to be $2.0 million, totaling $2.6 million for FY 2012.

References

Bittlingmayer, George, Liesl Eathington, Arthur P. Hall, and Peter F. Orazem, "Business Climate Indexes: Which Work, Which Don't, and What Can They. Say About the Kansas Economy?" June 2005, Research report prepared for Kansas, Inc

Chirinko, Robert S. and Daniel J. Wilson, "State Investment Tax Incentives: A Zero-Sum Game?" Working Paper 2008, Federal Reserve Bank of San Francisco

Hanson, Andrew and Shawn Rohlin, "The Effect of Location Based Tax Incentives on Establishment Location and Employment Across Industry Sectors," Public Finance Review, March 2011a, vol. 39 no. 2 195-225

Hanson, Andrew and Shawn Rohlin, "Do Location-Based Tax Incentives Attract New Business Establishments?" Journal of Regional Science, Volume 51, Issue 3, pages 427–449, August 2011b

Hoyt, William H., Christopher Jepsen, and Kenneth R. Troske, "Business Incentives and Employment: What Incentives Work and Where?" 2008, working paper, University of Kentucky

Luger, Michael I. and Suho Bae, "The Effectiveness of State Business Tax Incentive Programs: The Case of North Carolina," Economic Development Quarterly, November 2005, vol. 19, no. 4, 327-345

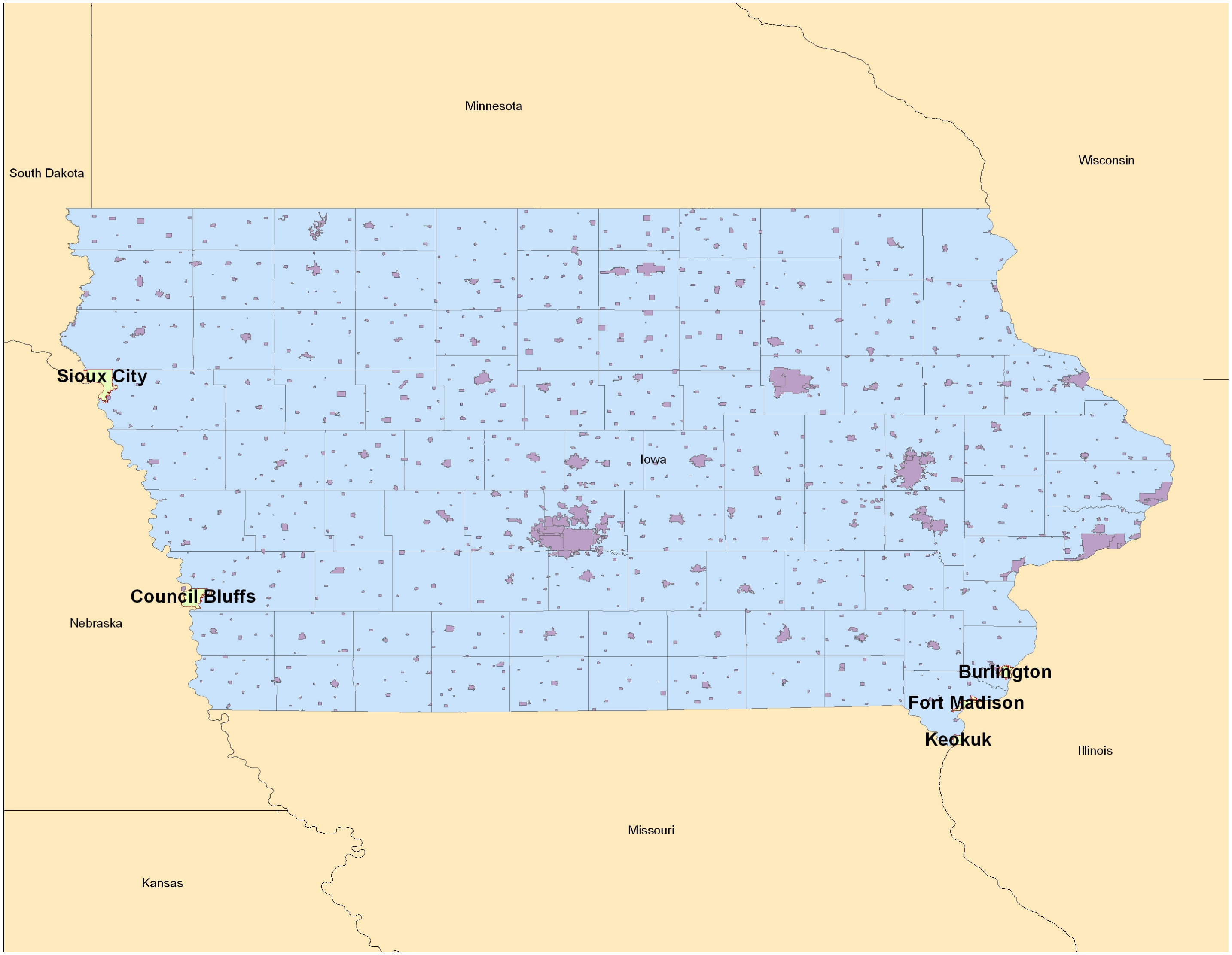
Rohlin, Shawn, Stuart S. Rosenthal, and Amanda Ross, "State Tax Effects and Entrepreneurship Estimates from a Border Model With Agglomeration Economies", Working Paper, Syracuse University, 2010

Sohn, Jungyul and Gerrit-Jan Knaap, "Does the Job Creation Tax Credit Program in Maryland Help Concentrate Employment Growth?" Economic Development Quarterly, November 2005, vol. 19, no. 4, 313-326

TaxCreditResearch.com, Outlaw Consulting, accessed at http://www.taxcreditresearch.com/ in July 2012

Tables and Figures

Figure 1. Map of Five Pilot Project Cities



Source: Iowa Department of Revenue

Table 1. Economic Indicators for Pilot Project City Counties and Neighboring Counties, 2010

	Sioux City			Burlington	
	Woodbury County, IA	Dakota County, NE	Union County, SD	Des Moines County, IA	Henderson County, IL
Population	102,172	21,006	14,399	40,325	7,331
Private Nonfarm Employment	46,488	10,078	8,240	19,000	641
Private Nonfarm Establishments	2,756	431	476	1,123	111
Average Annual Wage	$32,902	$34,378	$47,056	$35,482	$26,736

	Fort Madison and Keokuk			Council Bluffs	
	Lee County, IA	Hancock County, IL	Clark County, MO	Pottawattamie County, IA	Douglas County, NE
Population	35,862	19,104	7,139	93,158	517,110
Private Nonfarm Employment	12,842	2,793	977	30,824	310,438
Private Nonfarm Establishments	947	428	146	1,998	14,962
Average Annual Wage	$35,710	$28,859	$23,204	$32,260	$43,555

Source: The U.S. Census Bureau, 2010 Census and the U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Table 2. State Payroll Tax Credit Programs on Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
Arkansas	Job Creation Income Tax Credit (Advantage Arkansas)	2003	A percentage of payroll of new employees: 1% in a tier 1 county, 2% in a tier 2 county, 3% in a tier 3 county, or 4% in a tier 4 county. Limit: 50 percent of a business' income tax liability. Benefit period: 5 years.	Statewide	Annual payroll of all new jobs is greater than $125,000 in a tier 1 county, $100,000 in a tier 2 county, $75,000 in a tier 3 county, or $50,000 in a tier 4 county	Manufacturers; software; motion picture production; distribution centers; office sector businesses; corporate headquarters; commercial, physical and biological research; scientific and technical services; and nonretail businesses if the business has 75% of revenue derived out of state that have average wages in excess of 110% of the county or state average wage, whichever is less	Yes	No	Yes, 9 years
	Payroll Rebate (Create Rebate)	2003	3.9% of annual payroll in tier 1 counties, 4.25% of annual payroll in tier 2 counties, 4.5% of annual payroll in tier 3 counties, and 5% of annual payroll in tier 4 counties. Benefit period: up to 10 years.	Relocate to Arkansas	New job's payroll is at least $2,000,000 within 24 months after the contract is signed; For tech companies with a 5% credit, the average wage for new employees must be at least 175% of the lesser of the state or county average wage. The payroll for new employees must exceed $250,000.		No	Yes	No
Delaware	New Economy Jobs Program Credit	2010	25% of withholding payments of all new jobs plus 0.075% for new job in excess of the 50 new jobs. Limit: 40% of withholding payments and 65% in certain regions. Benefit period: 9 years	High tax credit limit for certain regions	At least 50 new jobs	All eligible	No	Yes	No
Illinois	Job Tax Credit	1986	$500 per new job. Benefit period: 1 year	An enterpise zone, or a foreign trade zone or subzone	At least 5 new jobs	All eligible	No	No	Yes, 5 years

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

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

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
Maryland	Job Creation Tax Credit	1996	The lesser of $1,000 per job or 2.5% of the total wages of new jobs. If the new jobs are in a Revitalization Area, the credit equals the lesser of $1,500 or 5% of the wages of new jobs. Benefit period: 1 year. Limit: $1 million per project	Statewide	At least 60 new jobs, or 30 high paying new jobs, or 25 new jobs in a State Priority Funding Area	Manufacturing, transportation, agriculture, public utility, warehousing, Research & Development, biotechnology, programming, financial services, company headquarters, or tourism	Yes	No	Yes, 5 years
Massachusetts	Job Creation Incentive Payment	2003	50% of the eligible jobs' salaries multiplied by the applicable Massachusetts income tax rate of the newly hired persons. Benefit period: 3 years.	Statewide	At least 10 new jobs	Biotechnology, medical device manufacturing, or marine science technology	No	No	No
Missouri	Missouri Quality Jobs	2005	Small businesses: 100% of the withholding tax of the new jobs for 3 years if the average wage of new jobs is 100-119% of county average wage or 5 years if the average wage is at least 120% of county average wage. Technology businesses: 5% of the payroll of the new jobs for five years plus average wage bonus. High Impact businesses: 3% of the payroll of the new jobs for five years plus average wage bonus and local incentives bonus. Limit for the whole program: $80 million per year	Statewide	For small business, 20 or more new jobs in rural areas, 40 or more new jobs in nonrural areas; For technology businesses, 10 or more new jobs; For high impact businesses,100 or more new jobs; Retained jobs may also be eligible	Excludes gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, and public administration companies	No	Yes	No

h

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
Mississippi	Job Tax Credit	1989	10% of payroll of new jobs for Tier III county, 5% of payroll of new jobs for Tier II county, and 2.5% of payroll for Tier I county. Benefit period: 5 years. Limit: 50% of income tax liability	Statewide	10 or more new jobs for tier III county, 15 or more new jobs for tier II county, and 20 or more new jobs for tier I county	Manufacturing, telecommunications, processing, warehousing, distribution, wholesale, research , air transportation and maintenance, hotels (over 150 rooms), movie studios, data processing, or software	No	No	Yes, 5 years
Montana	New/Expanded Industry Credit	2007	1% of the total wages paid to new full-time employees. Benefit period: 3 years.	Statewide	Relocating to Montana or increase full-time employment by at least 30% in a manufacturing business	Manufacturing	No	No	No
Nebraska	Nebraska Advantage Act	2006	For a tier 1, 2, 3, or 4 project: 3% of payroll of new employees if the average wage is at least 60% of the Nebraska average wage; 4% if it is at least 75% of the Nebraska average wage; 5% if it is at least 100% of the Nebraska average wage; 6% if it is at least 125% of the Nebraska average wage; effective 1/1/2009, exclude any employee with wage over of $1 million. For tier 2 or 4, the credit is 10% of the investment. For tier 1, 3% of the investment. For tier 6, 15% of the investment. For a tier 1, 3, or 6 project, benefit period: 10 years; For a tier 2, 4, or 5 project, benefit period: 7 years.	Statewide	Tier 1, investment of at least one million dollars and the hiring of at least ten new employees; Tier 2, investment of at least three million dollars and the hiring of at least thirty new employees; Tier 3, the hiring of at least thirty new employees; Tier 4, investment of at least ten million dollars and the hiring of at least one hundred new employees; Tier 5, investment of at least thirty million dollars; and Tier 6 investment in qualified property of at least ten million dollars and the hiring of at least seventy-five new employees, or investment of at least one hundred million dollars and the hiring of at least fifty new employees.	For a tier 1 project: research; the assembly, fabrication, manufacture, or processing of tangible personal property; sale of software development services, computer systems design, product testing services, or guidance or surveillance; For a tier 2, tier 3, tier 4, or tier 5 project: data processing, telecommunication, insurance, or financial services; headquarter facilities; and storage, warehousing, distribution, transportation, or sale of tangible personal property. For a tier 6 project: any non-retail business	Yes	No	Yes, 9 years for a tier 1 or tier 3 project, 14 years for a tier 2 or tier 4 project, or 10 year for a tier 6 project.

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
New Jersey	Business Employment Incentive Grants	2009	Up to 80% of the total amount of employees' state income taxes withheld by the company during the calendar year. Limit: $50,000 per employee over the course of the grant. Benefit period: 10 years.	Statewide	25 new jobs or 10 new jobs in high tech or bio-tech industries	All eligible	No	No	No
	Municipal Rehabilitation and Economic Recovery Act	2002	$2,500 in the first year and $1,250 in the second year for each qualifying job. Benefit period: 1 year.	Camden	No	All eligible	No	Partially refundable	Yes, 5 years
New Mexico	High-Wage Jobs Tax Credit	2004	10% of wages and benefits for new employees in high-wage jobs against withholding tax. Limit: $12,000 per eligible employee. Benefit period: 4 years.	Statewide	New jobs must be paid at least $40,000 annually in a municipality of 40,000 or more residents, and at least $28,000 elsewhere in the state	All eligible	No	Yes	No
New York	Economic Transformation and Facility Redevelopment Program Jobs Tax Credit	2011	6.85% of gross wages paid for each net new job. Benefit period: 5 years.	Economic transformation area	At least 5 net new jobs in an economic transformation area	Types of businesses that generally do not qualify for this credit include retail, professional services, real estate holdings companies, or landlords for the above business types	Yes	No	No
North Dakota	New Industry Wage and Salary Credit	1969	1% of payroll in the first three years of business and 0.5% in the fourth and fifth years. Benefit period: 5 years.	Statewide	Relocating to North Dakota	Assembling, fabricating, manufacturing, and mixing or processing any agricultural, mineral, or manufactured products	No	No	No

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

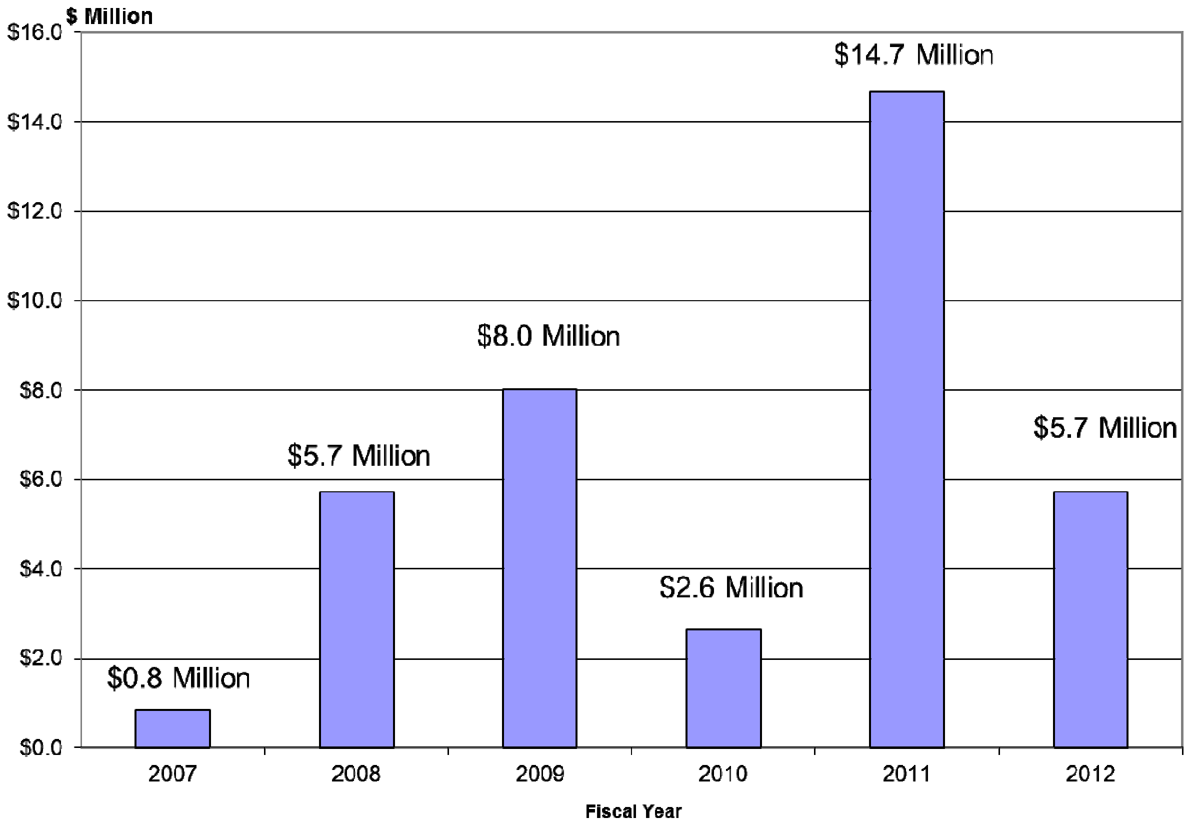
State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
Ohio	FRAN/CAT - New Jobs Refundable Credit	2001	A negotiable percentage of state tax withholdings on the wages of new employees. Benefit period: 15 years.	Statewide	At least 25 new full-time positions paying at least 150% of minimum wage (10 new jobs if over 400% of minimum wage)	All eligible	No	Yes	No
Oklahoma	Quality Jobs Program/ Small Employer Quality Jobs	1993	A negotiable percentage of payroll up to a 6% of payroll of new jobs. Benefit period: 10 years.	Statewide	A $2.5 million taxable payroll for any four consecutive quarters during the first 12 quarters in the program and have an average wage equal to or above the average county wage in which the company is locating or expanding	Manufacturing, research, central administrative offices, warehousing or distribution if 40% of the product is shipped out of state, certain enumerated service industries, oil and gas company headquarters	No	Yes	No
	21st Century Quality Jobs Incentive Act	2009	A negotiable percentage of payroll up to a 7% of payroll of new jobs. Benefit period: 10 years.	Statewide		Specialty hospitals (except psychiatric and substance abuse hospitals), performing arts companies, electric utility activities, engineering construction, motion picture and video industries, sound recording industries, financial investment activities, insurance carriers, professional services, and electronic equipment repair and maintenance activities	No	Yes	No

Table 2. (Continued) State Payroll Tax Credit Programs on Job Creation

State	Name	Enactment Date	Tax Credit	Location Qualification	Job Qualification	Industry Qualification	Clawback Provision	Refundable	Credit Carry Forward
Pennsylvania	New Philadelphia Jobs Creation Tax Credit	2009	The greater of 2% of the annual wages paid for each new job or $3,000 with a negotiable limit. Benefit period: 8 years.	Philadelphia	At least 25 new jobs in Philadelphia or increase its number of full time employees by 20% within five years from the start date	All eligible	Yes	No	No
South Carolina	Job Development Credit	2001	A percentage of South Carolina income tax withholding on new employees: 100% in a least developed county, 85% in an under developed county, 70% in a moderately developed county, and 55% in a developed county. Benefit period: 5 years. Limit: 50 percent of the company's corporate income tax liability	Statewide	At least 10 new jobs	Manufacturing, certain tourism functions, processing, warehousing, distribution, research and development, corporate office facilities, certain medical, surgical, and other health services, certain qualifying service-related industries, certain technology intensive facilities (effective for tax years beginning on or after June 30, 2001), and renewable energy manufacturing facilities	No	No	Yes, 15 years

Source: TaxCreditResearch.com, Department of Revenue Web Sites of Various States

Figure 2. Total Targeted Jobs Withholding Tax Credit Awards by Fiscal Year, FY 2007 – FY 2012



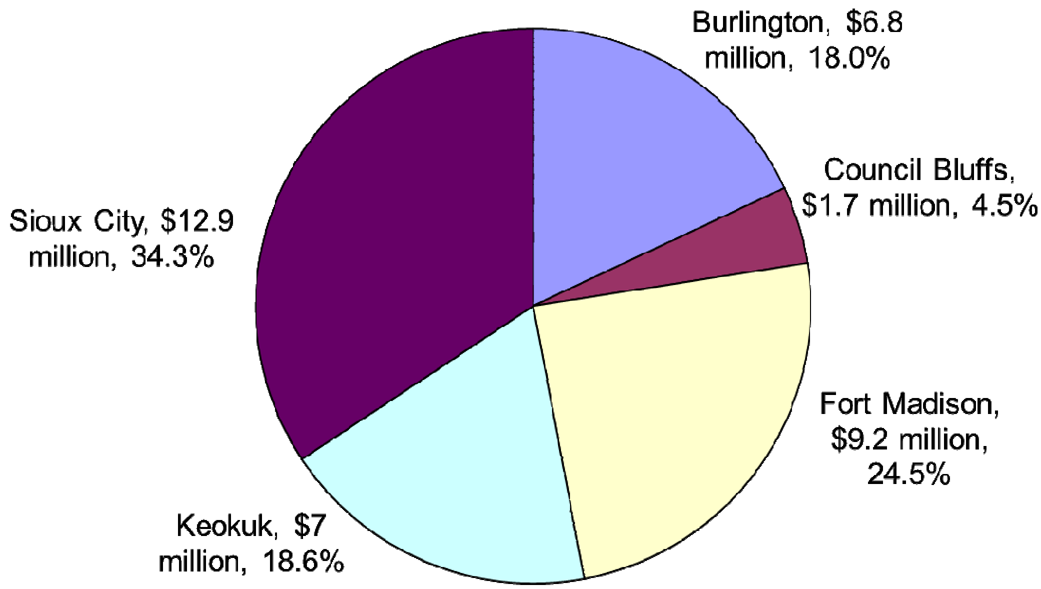
Source: Iowa Department of Revenue

Table 3. Targeted Jobs Withholding Tax Credit Awards Distribution by Award Size

Award Size	Number of Awards	Distribution of Number of Awards	Total Awards ($ Million)	Distribution of Total Awards	Average Award ($ Million)
$100,000 or Less	3	7.7%	$0.2	0.6%	$0.07
$100,000 - $499,999	18	46.2%	$5.1	13.7%	$0.3
$500,000 - $999,999	8	20.5%	$5.4	14.5%	$0.7
$1 Million - $2.49 Million	6	15.4%	$11.1	29.5%	$1.8
$2.5 Million and Over	4	10.3%	$15.7	41.8%	$3.9
Total	39	100.0%	$37.6	100.0%	

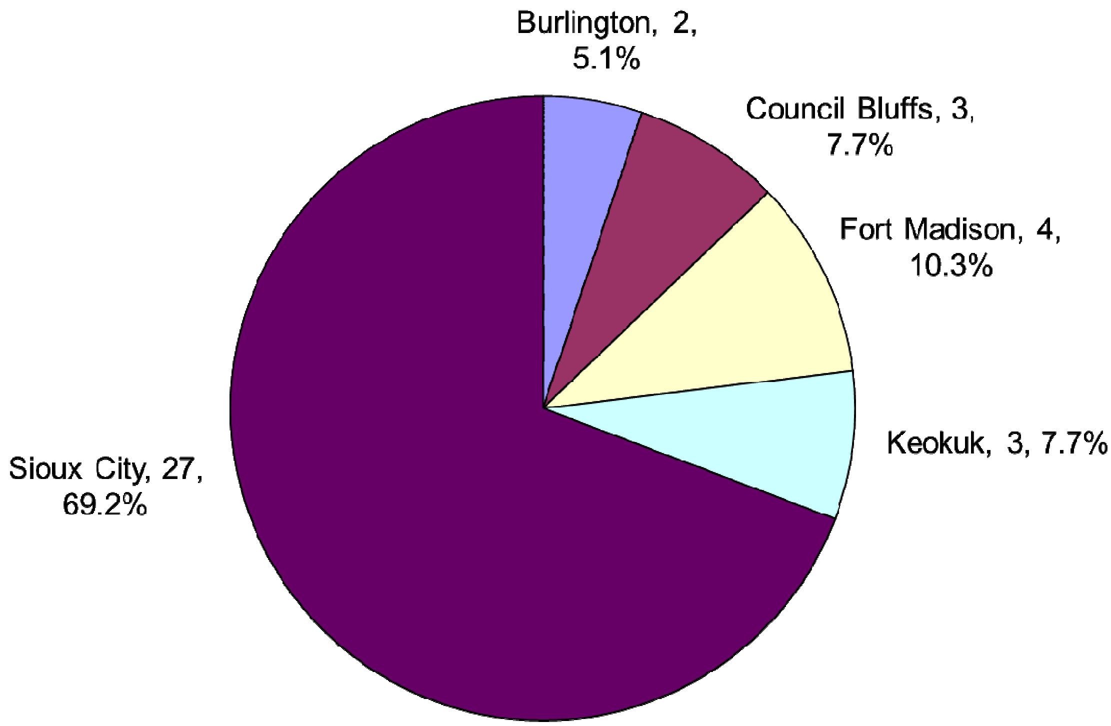
Source: Iowa Department of Revenue

Figure 3. Total Amount of the Targeted Jobs Withholding Tax Credit Awards by Pilot Project City



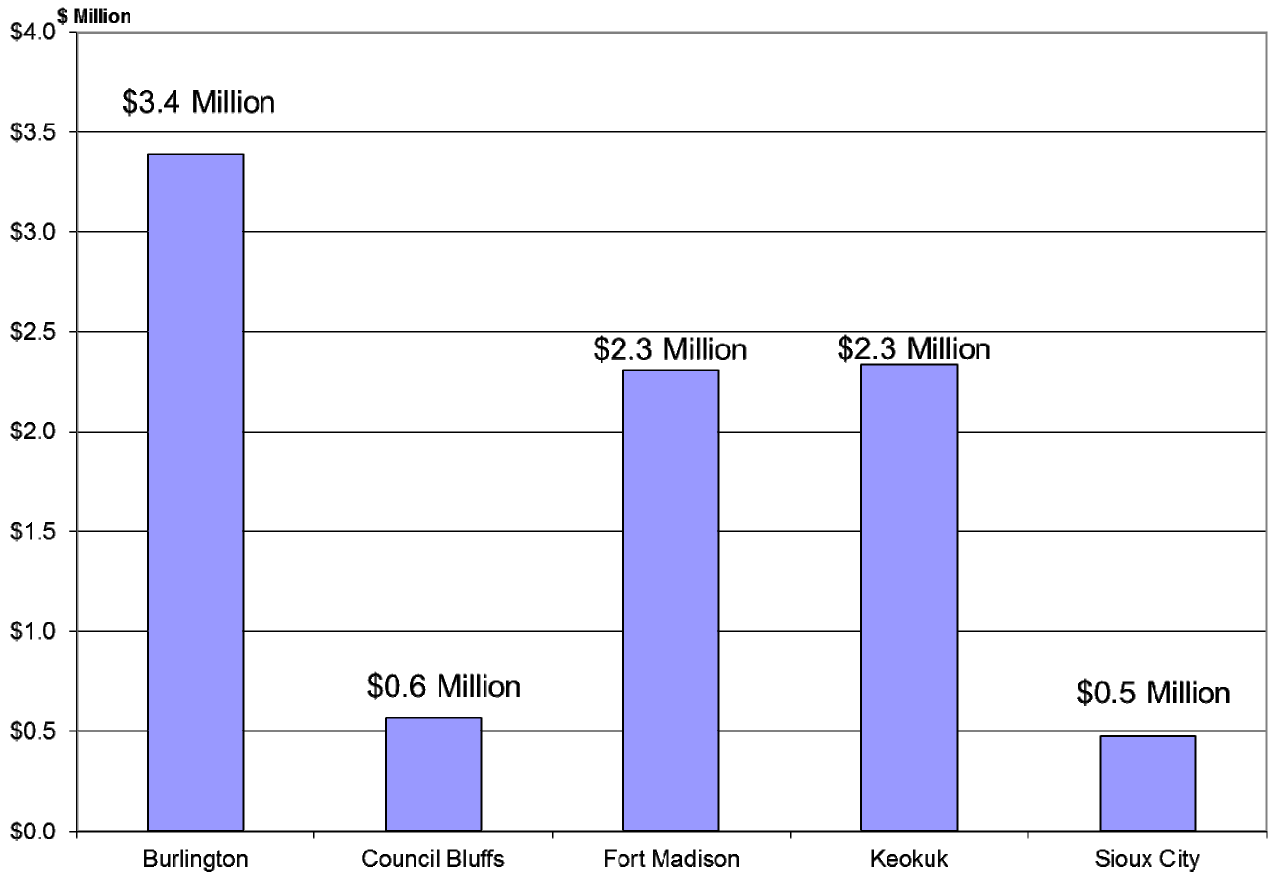
Source: Iowa Department of Revenue

Figure 4. Number of the Targeted Jobs Withholding Tax Credit Awards by Pilot Project City



Source: Iowa Department of Revenue

Figure 5. Average Amount of Targeted Jobs Withholding Tax Credit Awards by Pilot Project City



Source: Iowa Department of Revenue

Table 4. Targeted Jobs Withholding Tax Credit Awards, Pledged Investment, and Pledged Jobs by Pilot Project City

City	Number of Awards	Total Awards	Average Award	Pledged Investment	Average Pledged Investment	Pledged New Jobs	Average Pledged New Jobs	Pledged Retained Jobs	Average Pledged Retained Jobs
Burlington	2	$6,772,100	$3,386,050	$41,211,861	$20,605,931	52	26	538	269
Council Bluffs	3	$1,702,914	$567,638	$300,470,000	$100,156,667	80	27	56	19
Fort Madison	4	$9,231,028	$2,307,757	$101,440,000	$25,360,000	473	118	444	111
Keokuk	3	$7,002,806	$2,334,269	$40,668,600	$13,556,200	0	0	558	186
Sioux City	27	$12,909,467	$478,128	$56,605,776	$2,096,510	429	16	744	28
Total	39	$37,618,315		$540,396,237		1,034		2,340	

Source: Pilot Project Cities

Table 5. Targeted Jobs Withholding Tax Credit Awards by Industry

Sector	Number of Awards	Share of Number of Awards	Total Amounts	Share of Total Amounts	Average Amount
Manufacturing	11	32.4%	$20,452,526	56.9%	$1,859,321
Health Care and Social Assistance	9	26.5%	$6,923,310	19.3%	$769,257
Wholesale Trade	5	14.7%	$1,613,332	4.5%	$322,666
All Other Sectors	9	26.5%	$6,955,918	19.4%	$772,880
Total	34	100.0%	$35,945,086	100.0%	

Source: Iowa Department of Revenue and Iowa Workforce Development

Note: All Other Sectors include Professional, Scientific, and Technical Services; Construction; Transportation and Warehousing; Finance and Insurance; and Information

Note: Only 34 of 39 projects could be identified in the IWD records.

Table 6. Targeted Jobs Withholding Tax Credit Claims by Quarter, Calendar Year, and Fiscal Year

Period	Count	Average Claim	Claims
Q1 2007	1	$1,864	$1,864
Q2 2007	3	$2,028	$6,085
Q3 2007	4	$15,775	$63,101
Q4 2007	6	$16,720	$100,322
Q1 2008	8	$12,667	$101,338
Q2 2008	10	$10,382	$103,823
Q3 2008	11	$13,164	$144,802
Q4 2008	13	$15,786	$205,213
Q1 2009	17	$15,638	$265,842
Q2 2009	19	$14,172	$269,261
Q3 2009	20	$15,180	$303,594
Q4 2009	22	$18,647	$410,230
Q1 2010	22	$15,044	$330,966
Q2 2010	21	$17,655	$370,755
Q3 2010	22	$19,818	$435,999
Q4 2010	21	$20,236	$424,946
Q1 2011	22	$18,917	$416,165
Q2 2011	23	$25,335	$582,707
Q3 2011	20	$30,404	$608,086
Q4 2011	26	$27,602	$717,646
Q1 2012	26	$35,016	$910,420
Q2 2012	25	$27,663	$691,568
Average	16	$20,621	$339,306
CY 2007	14	$12,241	$171,372
CY 2008	42	$13,218	$555,176
CY 2009	78	$16,012	$1,248,927
CY 2010	86	$18,171	$1,562,666
CY 2011	91	$25,545	$2,324,604
CY 2012	51	$31,412	$1,601,988
Average	60		$1,244,122
FY 2007	4	$1,987	$7,949
FY 2008	28	$13,164	$368,584
FY 2009	60	$14,752	$885,118
FY 2010	85	$16,653	$1,415,544
FY 2011	88	$21,134	$1,859,817
FY 2012	97	$30,183	$2,927,720
Average	60		$1,244,122
Total	362		$7,464,733

Source: Iowa Department of Revenue Withholding Return Data
Note: Data in CY 2012 is incomplete and only includes the first six months.

Table 7. Targeted Jobs Withholding Tax Credit Claims by Pilot Project City

City	Number of Claims	Share of Number of Claims	Total Claims	Share of Total Claims	Average Quarterly Claim by Company	Average Total Claim by Company	Total Payroll (2007-2011)	Ratio of Total Claims to Payroll
Burlington	18	5.0%	$1,650,731	22.1%	$91,707	$1,650,731	$1,925,991,722	0.09%
Council Bluffs	11	3.0%	$260,541	3.5%	$23,686	$260,541	$5,105,676,110	0.01%
Fort Madison	46	12.7%	$1,816,336	24.3%	$39,486	$605,445	$1,105,137,875	0.16%
Keokuk	14	3.9%	$734,908	9.8%	$52,493	$244,969	$1,097,305,018	0.07%
Sioux City	273	75.4%	$3,002,216	40.2%	$10,997	$136,464	$7,274,874,671	0.04%
Average	72	100.0%	$1,492,947	100.0%	$20,621	$233,273		
Total	362		$7,464,733				$16,508,985,396	0.05%

Source: Iowa Department of Revenue and Iowa Workforce Development

Table 8. Targeted Jobs Withholding Tax Credit Claims by Industry

Industry	Number of Claims	Share of Number of Claims	Total Amount	Share of Total Claims	Average Quarterly Claim by Company	Average Total Claim by Company
Manufacturing	128	35.4%	$4,639,059	62.1%	$36,243	$463,906
Health Care and Social Assistance	87	24.0%	$1,044,537	14.0%	$12,006	$130,567
Wholesale Trade	51	14.1%	$462,396	6.2%	$9,067	$115,599
Other Industries	96	26.5%	$1,318,741	17.7%	$13,737	$164,843
Total	362	100.0%	$7,464,733	100.0%		

Source: Iowa Department of Revenue and Iowa Workforce Development

Table 9. Comparison between Targeted Jobs Withholding Tax Credit Potential Claims and Actual Claims by Fiscal Year

Fiscal Year	Potential Claims	Actual Claims
2007	$84,570	$7,949
2008	$656,029	$368,584
2009	$1,457,429	$885,118
2010	$1,721,246	$1,415,544
2011	$3,134,514	$1,859,817
2012	$3,508,993	$2,927,720
Total	$10,562,781	$7,464,733
Claim Ratio	70.7%	

Source: Iowa Department of Revenue
Note: Include 33 agreements

Table 10. Comparison between Targeted Jobs Withholding Tax Credit Potential Claims and Actual Claims by Pilot Project City

	Sioux City		Other Pilot Project Cities	
Fiscal Year	**Potential Claims**	**Actual Claims**	**Potential Claims**	**Actual Claims**
2007	$168,070	$7,949	$0	$0
2008	$490,770	$362,480	$165,259	$6,104
2009	$762,170	$539,830	$695,259	$345,288
2010	$782,370	$625,221	$938,876	$790,323
2011	$915,792	$658,152	$2,218,722	$1,201,665
2012	$1,069,799	$808,584	$2,439,193	$2,119,136
Total	$4,188,971	$3,002,216	$6,457,310	$4,462,517
Ratio		71.7%		69.1%

Source: Iowa Department of Revenue

Table 11. Comparison between Targeted Jobs Withholding Tax Credit Contingent Liabilities and Expected Claims

Fiscal Year	Contingent Liabilities Based on Potential Claims	Expected Claims Based on Historical Claims
2013	$5,193,877	$3,401,763
2014	$5,193,877	$3,992,197
2015	$5,193,877	$3,985,331
2016	$5,193,877	$3,985,437
2017	$5,109,307	$3,656,746
2018	$4,537,848	$3,352,580
2019	$3,736,448	$3,242,335
2020	$3,472,631	$3,110,883
2021	$2,059,363	$2,001,635
2022	$1,184,885	$1,173,854
2023	$576,300	$470,005
Total	$41,452,291	$32,372,765
Claim Ratio	78.1%	

Source: Iowa Department of Revenue

Table 12. Targeted Jobs Program Payments Remitted to Cities by Fiscal Year

Fiscal Year	Count	Payments
2007	3	$7,790
2008	29	$350,526
2009	74	$992,176
2010	90	$1,498,947
2011	93	$1,992,007
2012	105	$2,938,385
Average	66	$1,296,638
Total	394	$7,779,831

Source: Pilot Project Cities

Table 13. Targeted Jobs Program Payments by Pilot Project City

City	Count	Share of Count	Total Payments	Share of Payments	Average Quarterly Payment by Company	Average Total Payment by Company
Burlington	17	4.3%	$1,578,612	20.3%	$92,860	$1,578,612
Council Bluffs	10	2.5%	$231,477	3.0%	$23,148	$231,477
Fort Madison	50	12.7%	$1,804,582	23.2%	$36,092	$601,527
Keokuk	13	3.3%	$734,063	9.4%	$56,466	$244,688
Sioux City	304	77.2%	$3,431,097	44.1%	$11,287	$155,959
Average	79	100.0%	$1,555,966	100.0%	$19,746	$478,273
Total	394		$7,779,831			

Source: Pilot Project Cities

Table 14. Targeted Jobs Program Reported Investment and Jobs by Fiscal Year

FY When Projects Were Awarded	Pledged Investment	Actual Investment up to FY 2012	Ratio of Actual Investment to the Pledged	Pledged New Jobs	Actual New Jobs up to FY 2012	Ratio of Actual New Jobs to the Pledged	Pledged Retained Jobs	Actual Retained Jobs up to FY 2012	Ratio of Actual Retained Jobs to the Pledged
2007	$1,240,000	$687,986	55.5%	11	15	136.4%	38	38	100.0%
2008	$53,911,500	$60,142,235	111.6%	343	333	97.1%	522	594	113.8%
2009	$10,026,000	$7,864,509	78.4%	63	53	84.1%	119	121	101.7%
2010	$55,898,000	$35,126,307	62.8%	36	76	211.1%	630	411	65.2%
2011	$70,065,000	$24,384,520	34.8%	204	40	19.6%	504	411	81.5%
2012	$48,785,737	$6,418,214	13.2%	263	4	1.5%	427	230	53.9%
Total	$239,926,237	$134,623,770	56.1%	920	521	56.6%	2,240	1,805	80.6%

Source: Pilot Project Cities and Iowa Department of Revenue
Note: Only active projects are included. Data of projects from Council Bluffs are not available.

Table 15. Targeted Jobs Program Reported Investment and Jobs by Pilot Project City

City	Pledged Investment	Actual Investment up to FY 2012	Pledged New Jobs	Actual New Jobs up to FY 2012	Pledged Retained Jobs	Actual Retained Jobs up to FY 2012	Actual Tax Credit Claims	Ratio of Actual Investment to Actual Claims	Ratio of Actual Jobs to Actual Claims
Burlington	$41,211,861	$41,655,222	52	87	538	650	$1,650,731	$25	$2,240
Fort Madison	$101,440,000	$67,609,650	473	291	444	378	$1,816,336	$37	$2,715
Keokuk	$40,668,600	$3,482,892	0	0	558	305	$734,908	$5	$2,410
Sioux City	$56,605,776	$25,391,910	429	196	744	522	$2,740,791	$9	$3,817
Total	$239,926,237	$134,623,770	910	521	2,240	1,805	$6,942,767	$19	$2,985

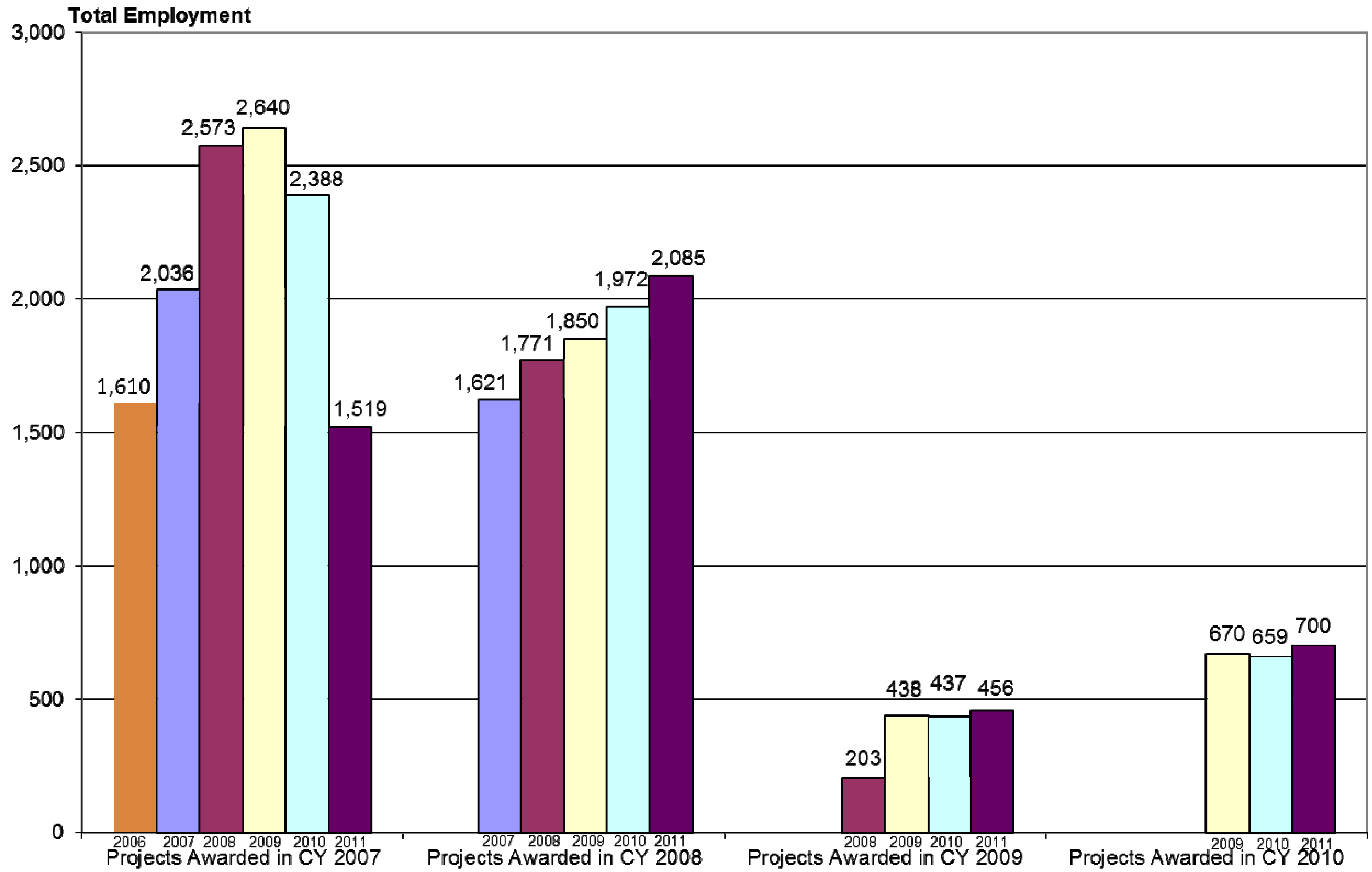
Source: Pilot Project Cities and Iowa Department of Revenue
Note: Only active projects are included. Data of projects from Council Bluffs are not available.

Table 16. Targeted Jobs Program Reported Investment, Jobs, and Claims by Fiscal Year

FY When Projects Were Awarded	Actual Investment up to FY 2012	Actual Jobs up to FY 2012	Claims Made by Businesses Receiving Awards in Each FY	Forecasted Total Investment	Forecasted Total Jobs Created or Retained	Expected Claim over Ten Year Agreement	Ratio of Forecasted Investment to Forecasted Claims	Ratio of Forecasted Claims to Forecasted Jobs
2007	$687,986	53	$562,809	$687,986	53	$689,716	$1	$13,014
2008	$60,142,235	927	$3,747,569	$60,142,235	927	$6,981,639	$9	$7,531
2009	$7,864,509	174	$641,577	$10,026,000	174	$2,213,419	$5	$12,721
2010	$35,126,307	487	$892,125	$55,898,000	706	$7,397,252	$8	$10,478
2011	$24,384,520	451	$923,499	$70,065,000	708	$6,115,578	$11	$8,638
2012	$6,418,214	234	$175,187	$48,785,737	690	$7,106,692	$7	$10,300
Total	$134,623,770	2,326	$6,942,767	$245,604,958	3,258	$30,504,296	$8	$9,363

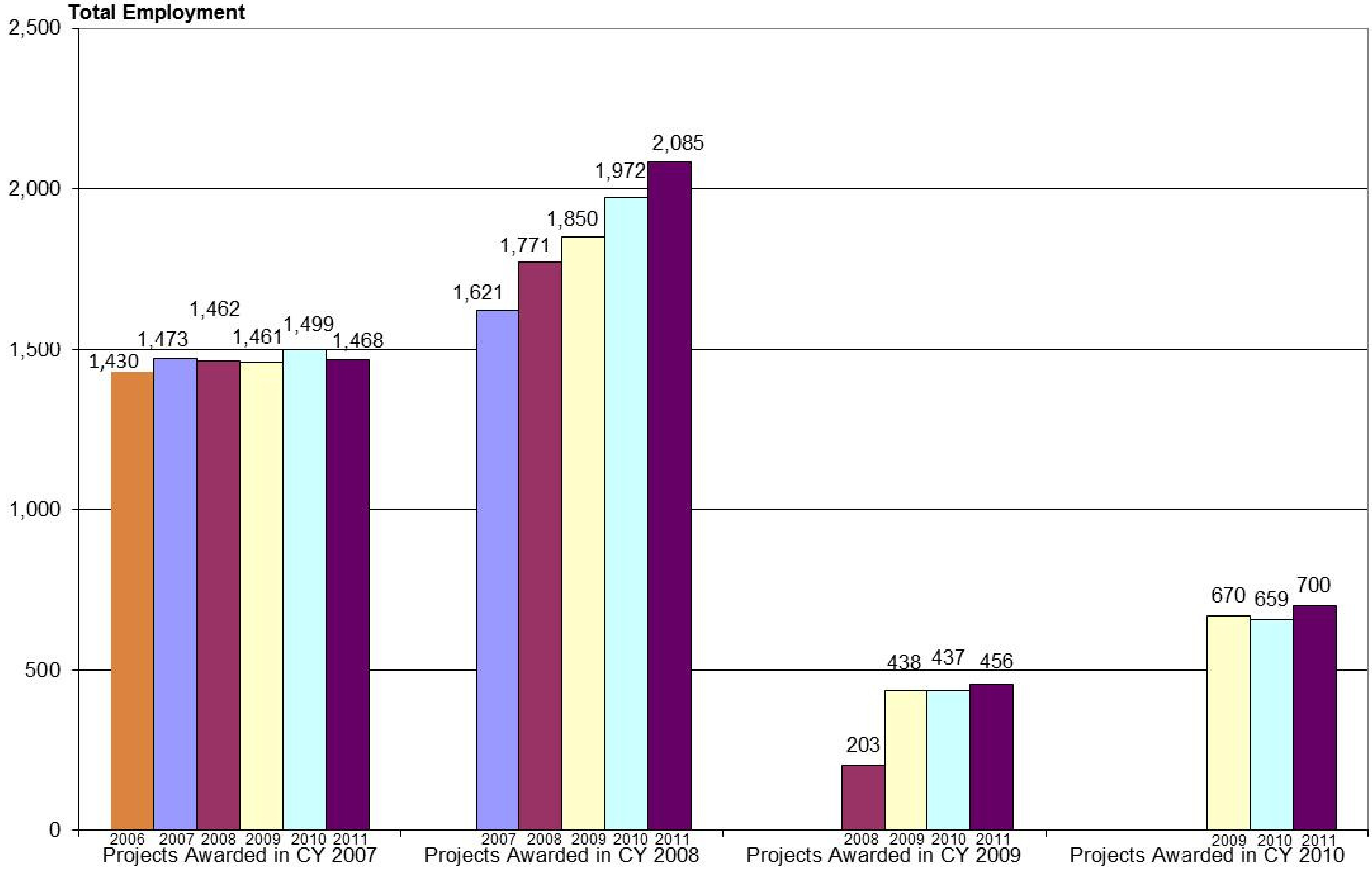
Source: Pilot Project Cities and Iowa Department of Revenue
Note: Only active projects are included. Data of projects from Council Bluffs are not available.

Figure 6. Employment of Targeted Jobs Withholding Tax Credit Awarded Businesses by Calendar Year



Source: Iowa Department of Revenue and Iowa Workforce Development

Figure 7. Employment of Targeted Jobs Withholding Tax Credit Awarded Businesses after Eliminating Exited Businesses by Calendar Year



Source: Iowa Department of Revenue and Iowa Workforce Development

Table 17. Relative Labor Costs for Pilot Project Cities, 2001-2011

	Sioux City, Manufacturing		Sioux City, Healthcare		Council Bluffs, Manufacturing
Year	Woodbury-Dakota, NE	Woodbury-Union, SD	Woodbury-Union, SD	Year	Pottawattamie-Douglas, NE
2001	121.2%	101.4%	87.0%	2001	81.1%
2002	122.8%	99.2%	70.1%	2002	80.8%
2003	115.1%	102.8%	72.4%	2003	83.9%
2004	127.8%	101.5%	N/A	2004	88.3%
2005	120.0%	103.3%	N/A	2005	91.8%
2006	112.1%	114.7%	71.1%	2006	84.2%
2007	119.3%	120.9%	73.3%	2007	87.9%
2008	133.8%	131.0%	74.2%	2008	85.1%
2009	125.8%	118.1%	70.2%	2009	86.9%
2010	146.0%	136.5%	70.8%	2010	90.6%
2011	120.1%	101.7%	73.1%	2011	90.5%

	Fort Madison and Keokuk, Manufacturing			Burlington, Private Sector
Year	Lee-Hancock, IL	Lee-Clark, MO	Year	Des Moines-Henderson, IL
2001	138.6%	196.9%	2001	143.5%
2002	131.8%	210.9%	2002	150.3%
2003	133.4%	217.5%	2003	154.0%
2004	128.1%	209.2%	2004	153.6%
2005	144.7%	217.8%	2005	146.6%
2006	140.3%	186.0%	2006	149.9%
2007	126.1%	178.4%	2007	142.7%
2008	118.6%	175.6%	2008	135.9%
2009	113.0%	205.0%	2009	129.6%
2010	128.5%	203.7%	2010	137.5%
2011	140.8%	174.3%	2011	132.7%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Note: N/A means not available.

Table 18. Relative Labor Costs after the Targeted Jobs Withholding Tax Credit for Marginal Jobs in Pilot Project Cities, 2001-2011

	Sioux City, Manufacturing		Sioux City, Healthcare
Year	Woodbury-Dakota, NE	Woodbury-Union, SD	Woodbury-Union, SD
2001	117.5%	98.4%	84.4%
2002	119.1%	96.3%	68.0%
2003	111.7%	99.7%	70.2%
2004	124.0%	98.5%	N/A
2005	116.4%	100.2%	N/A
2006	108.8%	111.3%	69.0%
2007	115.7%	117.2%	71.1%
2008	129.8%	127.0%	71.9%
2009	122.0%	114.5%	68.1%
2010	141.6%	132.4%	68.7%
2011	116.5%	98.7%	70.9%

	Council Bluffs, Manufacturing
Year	Pottawattamie-Douglas, NE
2001	78.7%
2002	78.4%
2003	81.4%
2004	85.7%
2005	89.1%
2006	81.6%
2007	85.3%
2008	82.5%
2009	84.3%
2010	87.8%
2011	87.8%

	Fort Madison and Keokuk, Manufacturing	
Year	Lee-Hancock, IL	Lee-Clark, MO
2001	134.4%	191.0%
2002	127.9%	204.6%
2003	129.4%	210.9%
2004	124.2%	202.9%
2005	140.4%	211.2%
2006	136.1%	180.4%
2007	122.3%	173.1%
2008	115.1%	170.3%
2009	109.6%	198.8%
2010	124.6%	197.6%
2011	136.6%	169.1%

	Burlington, Private Sector
Year	Des Moines-Henderson, IL
2001	139.2%
2002	145.8%
2003	149.4%
2004	149.0%
2005	142.2%
2006	145.4%
2007	138.4%
2008	131.9%
2009	125.7%
2010	133.3%
2011	128.7%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Note: N/A means not available.

Table 19. Employment and Number of Establishments in the Healthcare Industry in Woodbury County, Iowa and Union County, South Dakota

	Employment		Number of Establishments	
Year	**Woodbury**	**Union**	**Woodbury**	**Union**
2001	8,118	457	320	29
2002	7,981	527	313	34
2003	7,925	587	316	39
2004	7,738	N/A	322	45
2005	7,675	N/A	312	47
2006	7,699	715	307	43
2007	7,608	749	312	44
2008	7,657	821	315	46
2009	7,779	894	312	49
2010	7,811	950	309	50
2011	7,905	948	321	51
Growth 2001-2006	-5.2%	56.5%	-4.1%	48.3%
Growth 2007-2011	3.9%	26.6%	2.9%	15.9%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Note: N/A means not available.

Figure 8. Payroll Tax Credit for New Jobs in Pilot Project Cities and in Nebraska, 2011

Source: Quarterly Census of Employment & Wages, Bureau of Labor Statistics

Table 20. Estimated Net Individual Income Tax Revenue Impact of the Targeted Jobs Program, CY 2007 to CY 2011

Calendar Year	Estimated Eligible New Employees	Average Wage	Estimated Average Iowa Adjusted Gross Income	Estimated Effective Average Tax Rate	Estimated Tax Liability	Actual Claims	Net Fiscal Impact
2007	201	$55,175	$65,217	3.45%	$452,230	$171,372	$280,858
2008	1,073	$59,416	$70,106	3.52%	$2,644,727	$555,176	$2,089,551
2009	1,477	$57,295	$63,052	3.57%	$3,324,267	$1,248,927	$2,075,341
2010	1,491	$50,223	$59,362	3.37%	$2,979,714	$1,562,666	$1,417,048
2011	1,001	$56,471	$65,173	3.50%	$2,284,549	$2,324,604	-$40,055
Total	5,243				$11,685,487	$5,862,745	$5,822,742

Source: Iowa Department of Revenue and Iowa Workforce Development
Note: Adjusted gross income and effective tax rate are estimated using 2010 tax return because 2011 tax returns are not available yet.

Table 21. Estimated Net Individual Income Tax Revenue Impact of the Targeted Jobs Program Based on Self-Reported Employment Data, FY 2012

						Net Fiscal Impact in FY 2012		
City	Both Created and Retained Jobs	Estimated Adjusted Gross Income	Estimated Effective Tax Rate	Estimated Tax Liability	Actual Tax Credit Claim in FY 2012	New Jobs	Retained Jobs	All Jobs
Burlington	737	$65,173	3.50%	$1,681,138	$687,878	$117,250	$876,009	$993,260
Fort Madison	669	$65,173	3.50%	$1,526,026	$1,011,346	$223,874	$290,806	$514,680
Keokuk	305	$65,173	3.50%	$695,722	$419,912	$0	$275,810	$275,810
Sioux City	718	$65,173	3.50%	$1,637,797	$808,584	$226,359	$602,854	$829,213
Total	2,429			$5,540,683	$2,927,720	$567,484	$2,045,479	$2,612,963

Source: Iowa Department of Revenue and Pilot Project Cities
Note: Adjusted gross income and effective tax rate are estimated using 2010 tax return because 2011 tax returns are not available yet.
Note: Only active projects are included. Data of projects from Council Bluffs are not available.