

REMI Analysis Apple Data Center Project
Date 09/05/2017

This document presents an analysis of the Apple Data Center project proposed by the Iowa Economic Development Authority, completed by the Iowa Department of Revenue using the Regional Economic Models, Inc. Tax PI model. The model is used to analyze the expected impact of the project, such as the change in employment and tax revenues the State of Iowa expects to experience as the result of the Apple Data Center project locating within its borders.

Project Information and Assumptions:

- Site preparation and construction costs will be an estimated \$17.5 million in 2018, \$208.3 million in 2019, \$190.8 in 2020, \$190.8 in 2021, and \$47.7 in 2022.
- Other equipment cost will be \$22.5 million in 2020 and \$22.5 million in 2022 when each building is expected to be completed.
- Computer equipment cost will be \$300 million in 2020 and \$300 million in 2022.
- In 2019, 5 direct jobs will be created at the Waukee location. In 2020, an additional 22 direct jobs will be created. In 2022, an additional 23 jobs will be created.
- EDA incentives include:
 - o Investment tax credit award of \$19.65 million with required five-year amortization resulting in an estimated \$3.93 million every tax year between 2018 and 2022, with claims expected in calendar years 2020 through 2024.
- Local incentives include:
 - o 71% property tax exemption totaling an estimated \$188.2 million over the next 20 years. This analysis does not incorporate local incentives.

Detailed Results:

Table 1: Projected Changes in Private Employment by Industry between 2018 and 2030

- Total employment is forecasted to increase by 178 in 2018 and rise to 2,081 in 2020, then drop to 684 in 2022, mainly due to the construction employment increase. After the construction period, the direct employment from the project in the information sector (50) dominates total employment gains. As the initial impact of the project dissipates over time, the long-term total employment increase is forecasted to exceed 80.

Table 2: Projected Changes in Personal Income between 2018 and 2030

- Personal income is forecasted to increase by \$10.60 million in 2018, rise to \$138.89 million in 2020 dominated by wages of construction workers, then fall to \$7.24 million in 2030.

Table 3: Projected Direct Net Impacts on State Tax Revenue between 2018 and 2030

- The direct fiscal impact net of EDA incentives summed over calendar years 2018 through 2030 is forecasted to be \$11.80 million in individual income tax revenues, \$9.60 million in sales and use tax revenues, but -\$18.55 million in corporate income tax revenues. The net direct State fiscal impact is an estimated \$2.86 million.

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- The direct fiscal impact only includes tax revenues directly generated by the construction under the project and the operation of the business, such as individual income tax from the direct increased employment, sales and use tax from the increased taxable purchases by those employees and taxable construction purchases by the business, and corporate income tax from increased business profits offset by tax credits.

Table 4: Projected Total Net Impacts on State Tax Revenue between 2018 and 2030

- The total fiscal impact net of EDA incentives summed over calendar years 2018 through 2030 is forecasted to be \$18.68 million in individual income tax revenues, \$15.85 million in sales and use tax revenues, but -\$18.42 million in corporate income tax revenues. The net total State fiscal impact is an estimated \$16.12 million.
- The total fiscal impact includes the direct fiscal impact and changes in tax revenues from the spillover effects from economic activities generated by the direct investment and employment under the project.

Figure 1: Net Present Values of EDA Incentives, Direct Fiscal Impact, and Total Fiscal Impact, 2018-2030

- The estimated net present values of the direct State fiscal impact and the total State fiscal impact, both incorporating expected tax incentive claims, covering calendar years 2018 through 2030 are \$0.91 million and \$4.38 million respectively.

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Table 1. Projected Changes in Private Employment by Industry between 2018 and 2030

Calendar Year	Construction	Scientific, and Technical Services	Manufacturing	Wholesale Trade	Retail Trade	Transportation and Warehousing	Information	Finance and Insurance	Real Estate and Rental and Leasing	Administrative and Waste Management Services	Educational Services	Health Care and Social Assistance	Arts, Entertainment, and Recreation	Accommodation and Food Services	Other Services	Total
2018	128	3	4	2	14	1	1	3	1	2	1	7	1	4	6	178
2019	1,482	31	44	23	156	16	11	32	14	22	7	88	11	47	68	2,052
2020	1,311	38	209	24	156	16	34	31	13	27	7	90	11	47	67	2,081
2021	1,266	28	34	19	124	12	32	23	10	19	6	72	8	36	52	1,741
2022	304	19	153	8	48	5	53	9	4	14	2	28	3	15	19	684
2023	-3	5	-2	-1	-2	-1	51	-2	-1	3	0	-3	0	0	-3	41
2024	-5	5	-2	0	-1	0	51	-1	0	3	0	-2	0	1	-1	48
2025	0	6	-1	0	4	1	51	0	1	5	0	2	0	3	1	73
2026	0	7	0	0	4	1	51	1	1	5	0	2	0	3	1	76
2027	0	7	0	0	5	1	51	1	1	5	0	2	0	4	2	79
2028	0	7	0	0	5	1	52	1	1	5	0	2	0	4	2	80
2029	0	7	1	0	5	1	52	1	1	5	0	3	1	4	2	83
2030	0	7	1	1	5	1	52	1	1	5	0	3	1	4	2	84

Table 2. Projected Changes in Personal Income between 2018 and 2030

Calendar Year	Baseline Personal Income (\$ Million)	Forecasted Personal Income (\$ Million)	Income Change (\$ Million)	Income Change as Percent of Baseline
2018	\$147,767	\$147,777	\$10.60	0.0072%
2019	\$153,786	\$153,913	\$127.70	0.0830%
2020	\$160,051	\$160,190	\$138.89	0.0868%
2021	\$166,916	\$167,034	\$117.37	0.0703%
2022	\$173,313	\$173,365	\$51.90	0.0299%
2023	\$180,348	\$180,350	\$2.06	0.0011%
2024	\$188,020	\$188,021	\$1.50	0.0008%
2025	\$194,987	\$194,993	\$5.60	0.0029%
2026	\$202,226	\$202,232	\$6.02	0.0030%
2027	\$210,580	\$210,586	\$6.35	0.0030%
2028	\$219,137	\$219,143	\$6.66	0.0030%
2029	\$228,052	\$228,059	\$6.96	0.0031%
2030	\$237,452	\$237,459	\$7.24	0.0031%

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Table 3. Projected Direct Net Impacts on State Tax Revenue between 2018 and 2030

Calendar Year	Individual Income Tax (\$ Million)	Sales and Use Tax (\$ Million)	Corporate Income Tax (\$ Million)	Total (\$ Million)
2018	\$0.13	\$0.10	\$0.01	\$0.24
2019	\$1.68	\$1.32	\$0.09	\$3.09
2020	\$3.24	\$2.58	-\$3.69	\$2.14
2021	\$3.12	\$2.53	-\$3.66	\$1.99
2022	\$2.06	\$1.71	-\$3.72	\$0.04
2023	\$0.66	\$0.58	-\$3.81	-\$2.57
2024	\$0.04	\$0.06	-\$3.91	-\$3.80
2025	\$0.09	\$0.07	\$0.02	\$0.17
2026	\$0.14	\$0.11	\$0.02	\$0.28
2027	\$0.15	\$0.12	\$0.02	\$0.30
2028	\$0.16	\$0.13	\$0.03	\$0.31
2029	\$0.17	\$0.14	\$0.03	\$0.33
2030	\$0.17	\$0.14	\$0.03	\$0.35
Total	\$11.80	\$9.60	-\$18.55	\$2.86

Table 4. Projected Total Net Impacts on State Tax Revenue between 2018 and 2030

Calendar Year	Individual Income Tax (\$ Million)	Sales and Use Tax (\$ Million)	Corporate Income Tax (\$ Million)	Total (\$ Million)
2018	\$0.17	\$0.13	\$0.01	\$0.31
2019	\$2.21	\$1.73	\$0.11	\$4.05
2020	\$4.26	\$3.38	-\$3.68	\$3.96
2021	\$4.62	\$3.71	-\$3.64	\$4.69
2022	\$3.56	\$2.91	-\$3.69	\$2.77
2023	\$1.70	\$1.45	-\$3.81	-\$0.65
2024	\$0.85	\$0.77	-\$3.87	-\$2.26
2025	\$0.49	\$0.50	\$0.03	\$1.02
2026	\$0.27	\$0.34	\$0.03	\$0.63
2027	\$0.15	\$0.25	\$0.02	\$0.43
2028	\$0.11	\$0.22	\$0.02	\$0.35
2029	\$0.12	\$0.22	\$0.03	\$0.37
2030	\$0.16	\$0.25	\$0.03	\$0.44
Total	\$18.68	\$15.85	-\$18.42	\$16.12

Figure 1. Net Present Values of Direct Fiscal Impact and Total Fiscal Impact, 2018-2030

