Ways and Means Acts – Fiscal Notes

General Fund Revenue Report

(Dollars in Millions)

Act	Short Title/Provision	Revenue / Tax Type	General Fund Fiscal Impact Estimate FY 2007	FY 2008	FY 2009
HF 319	Internal Revenue Code (IRC) Update Act - Direct Impacts	Pers/Corp Inc. Tax	-10.200	-13.100	-6.900
HF 319	IRC Update Act - Automatic Impacts (Federal Deductibility)	Pers/Corp Inc. Tax	4.900	11.300	8.700
HF 648	Enterprise Zone Tax Incentive Act	Taxes	0.000	0.000	-1.200
HF 874	Admin. & Reg. Approp. Act - Additional Dep. of Revenue Auditors	Taxes	0.000	4.600	4.600
HF 874	Admin. & Reg. Approp. Act - Dep. of Commerce Fees	Fees	0.000	0.100	0.100
HF 892	Film Industry Incentive Tax Credit Act	Taxes	0.000	-0.201	-0.563
HF 912	Web Portal Tax Credit Act	Sales Tax	0.000	0.000	-3.870
HF 923	Department of Revenue Policy Act - Bank Sales Tax	Sales Tax	0.000	0.471	0.471
HF 923	Department of Revenue Policy Act - Cigar Tax	Tobacco Tax	0.100	0.130	0.000
SF 128	Cigarette & Tobacco Tax Increase Act [1]	Cig. & Tob. Tax	34.600	138.600	140.100
SF 128	Cigarette & Tobacco Tax Increase Act - Sales Tax Impact [1]	Sales Tax	-1.200	-8.000	-7.500
SF 403	Supplemental Appropriations Act - DCI Fees for Riverboats	Fees	0.247	0.000	0.000
SF 403	Supplemental Appropriations Act - Fire Marshal Fees	Fees	0.100	0.000	0.000
SF 551	Ag/DNR Appropriations Act - Wine Tax to General Fund	Wine Tax	0.000	0.283	0.283
SF 566	Historic Preservation Tax Credit Act	Pers/Corp Inc. Tax	0.000	-0.300	-2.100
SF 575	Justice System Appropriations Act - DCI Fees for Riverboats	Fees	0.000	0.636	0.636
SF 575	Justice System Appropriations Act - Fire Marshal Fees	Fees	0.000	0.390	0.390
SF 580	Tax Amnesty Act	Taxes	0.000	16.000	0.000
SF 590	Earned Income Tax Credit Expansion Act	Pers. Income Tax	0.000	-10.000	-9.900
SF 593	Court Procedures Act - Court Costs	Fees	0.000	0.257	0.486
SF 601	Standing Appropriations Act - Judicial Fines to the General Fund	Fees	0.000	18.010	18.010
SF 601	Standing Appropriations Act - Restaurant Inspection Fee	Fees	0.000	0.240	0.240
SF 601	Standing Appropriations Act - Wage-Benefit Tax Credit Capped	Pers/Corp Inc. Tax	0.000	6.000	6.000
SF 601	Standing Appropriations Act - Underground Storage Tank Fund Transfer	Transfer	0.000	3.000	0.000
SF 601	Standing Appropriations Act - Private School Tuition Tax Credit Expansion	Pers. Income Tax	0.000	0.000	-2.500
			$ 28.547	$ 168.416	$ 145.483

[1] The estimates listed on this table for SF 128 (Cigarette & Tobacco Tax Increase Act) were calculated on June 15, 2007, and differ slightly from the amounts estimated by the Revenue Estimating Conference (REC) on April 6, 2007.

SF 128 Cigarette/Tobacco Tax Increases and Health Care Trust Fund Act
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

Senate File 128 increased the cigarette tax rate from $0.36 per pack of 20 cigarettes to $1.36 per pack and increases the tobacco tax rate from 22.0% of the wholesale cost to 50.0% of the wholesale cost. As amended by language in HF 923 (Department of Revenue Technical and Policy Act) cigars are taxed at 50.0% of the wholesale price or $0.50 per cigar, whichever is less. This Act also changed the tax on moist snuff from a tax at the wholesale cost to a tax rate of $1.19 per ounce. This Act provides that tax receipts are annually appropriated from the General Fund to a Health Care Trust Fund beginning July 1, 2007. The effective date was March 16, 2007.

Background

The cigarette tax was last increased in 1991 when it was raised from $0.31 per pack to the current rate of $0.36 per pack. The tobacco tax was also increased that year, increasing from 19.0% to 22.0% of the wholesale price.

Under current law, the Revenue Estimating Conference (REC) projects gross cigarette tax revenues to be $89.5 million in FY 2008 and $90.4 million in FY 2009. Gross tobacco tax receipts are projected to be $9.7 million in FY 2008 and $10.0 million in FY 2009. Receipts from cigarette and tobacco tax are currently deposited in the General Fund.

Assumptions

Cigarette Tax:

1. The retail price of a pack of cigarettes is $3.64.
2. Iowa currently loses about 8.8% of cigarette tax revenue from various types of evasion. The rate of tax evasion following the rate change is assumed to equal 18.35%.
3. Based on research, a $1.00 per pack (27.5%) increase in price has an elasticity equal to negative 0.7. Overall cigarette demand is estimated to decrease by 19.2% as a result of the tax increase.

4. Preemptive buying equal to 21.5% of normal purchases is assumed to occur over the month and a half preceding the rate change and offsetting reductions in purchases are spread over six months following the rate change. Although this Act is effective on enactment, preemptive buying is still expected to occur prior to the tax increase.
5. Fiscal Year 2009 cigarette demand is assumed to decline by 1.0% from the previous year (prior to the tax change).
6. The increase in the cost of cigarettes will have a higher negative impact on the sale of cigarettes in Iowa border communities.

Tobacco Tax:

1. Assumes the same assumptions used for cigarettes in regards to tax evasion and early purchasing rates resulting from the increase in tax.
2. A retail margin of 20.0% over the wholesale price is assumed for tobacco products (other than cigarettes).
3. The demand price elasticity assumed for a tax rate change from 22.0% to 50.0% of the wholesale price (equivalent to a 23.0% retail price increase) equals negative 0.67. Overall demand is estimated to decrease 15.4% as a result of the tax increase.
4. Assumes that a 50.0% tax rate on the wholesale cost of moist snuff is equivalent to a tax rate of $1.19 per ounce in the amount of tax revenue generated.
5. Assumes that tobacco tax revenues from cigars prior to the tax increase accounted for approximately 27.0% tobacco tax receipts. Based on data from the report, *The Tax Burden on Other Tobacco Products 2005*, premium cigars accounted for approximately 4.0% and non-premium cigars accounted for approximately 23.0% of the total other tobacco tax revenue prior to the tax increase.

Sales Tax (State, Local Option Sales Tax (LOST), and School Infrastructure Local Option Sales Tax (SILO):

1. Due to the cigarette/tobacco tax increase, demand is estimated to decrease nearly 20.0% from the pre-tax increase projections.
2. Tax evasion is estimated at 18.35%.
3. Statewide, the percent of local option sales tax (LOST) is assumed to remain at the FY 2006 level of 0.69% and the School Infrastructure Local Option Sales Tax (SILO) is assumed to be at 0.99%.

FY 2007 General Fund and Health Care Trust Fund: Cigarette and Tobacco tax receipts will be deposited in the General Fund. Beginning in FY 2008, the first $127.6 million of cigarette and tobacco tax receipts will be appropriated annually to the Health Care Trust Fund. Changes to the General Fund are based on FY 2007 and FY 2008 REC projections for Cigarette and Tobacco taxes. Impacts on the General Fund in FY 2009 assume a 1.0% decrease from the FY 2008 REC projections for the cigarette tax and a 2.1% increase for the tobacco tax.

Section 1 of SF 128 increases the minimum amount a retailer can charge for cigarettes from 6.0% to 8.0% of the basic cost of cigarettes. Section 2 increases the minimum amount a wholesaler can charge for cigarettes from 3.0% to 4.0% of the basic cost of cigarettes. Although these sections may have an impact on State sales tax, local option sales tax (LOST), and school infrastructure local option sales tax (SILO), that amount is unknown and not addressed in this fiscal note.

Fiscal Impact

These fiscal estimates have been revised since the release of the original fiscal note to reflect a higher tax evasion percentage on the sales tax (from 8.8% to 18.35%), an effective date of March 16, 2007, and a change in the cigar tax enacted in HF 923.

Overall impacts to the cigarette tax, tobacco tax, sales tax (including Local Option Sales Tax (LOST) and School Infrastructure Local Option (SILO) Sales tax), General Fund, and Health Care Trust (HCT) Fund are provided below.

Cigarette Tax Impact:

Cigarette tax receipts will increase above current REC estimates. The receipts will be deposited in the General Fund and the Health Care Trust (HCT) Fund will receive a standing appropriation consisting of cigarette tax receipts beginning in FY 2008. The overall impact in revenues generated from the increase in the cigarette tax is an additional $32.7 million in FY 2007, $133.0 million in FY 2008, and $134.0 million in FY 2009 (see table below).

	Cigarette Tax (Dollars in Millions)		
	Estimated Current Law	**Estimated SF 128**	**Estimated SF 128 Vs. Current Law**
FY 2007 Cigarette Tax	$ 89.5	$ 122.2	$ 32.7
FY 2008 Cigarette Tax	$ 90.4	$ 223.4	$ 133.0
FY 2009 Cigarette Tax	$ 89.5	$ 223.5	$ 134.0

Tobacco Tax Impact:

Tobacco tax receipts will increase above current REC estimates. The receipts will be deposited in the General Fund and the Health Care Trust (HCT) Fund will receive a standing appropriation consisting of tobacco tax receipts beginning in FY 2008. The overall impact in revenues generated from the increase in the tobacco tax is an additional $1.9 million in FY 2007, $5.6 million in FY 2008, and $6.0 million in FY 2009.

	Tobacco Tax (Dollars in Millions)					
	Estimated Current Law		Estimated SF 128		Estimated SF 128 Vs. Current Law	
FY 2007 Tobacco Tax	$	9.7	$	11.6	$	1.9
FY 2008 Tobacco Tax	$	10.0	$	15.6	$	5.6
FY 2009 Tobacco Tax	$	10.2	$	16.2	$	6.0

Sales Tax Impact:

The estimated change in the State sales tax revenue will impact the General Fund. The amounts displayed for LOST and SILO represent statewide totals. The overall impact of the state sales tax ($0.05 rate) is a decrease of $1.2 million in FY 2007, a decrease of $8.0 million in FY 2008, and a decrease of $7.5 million in FY 2009.

Overall General Fund Impact:

The estimated gross impact to the General Fund will be an increase of $33.4 million in FY 2007, $130.6 million in FY 2008, and $132.6 million in FY 2009.

	General Fund Impact of SF 128 (Dollars in Millions)					
	FY07		FY08		FY09	
General Fund Impact	**$**	**33.4**	**$**	**130.6**	**$**	**132.6**

This Act appropriates increased cigarette and tobacco tax revenue from the General Fund to the Health Care Trust Fund as provided as follows:

- FY 2007 - $0.0
- FY 2008 - $127.6 Million
- FY 2009 - $127.6 Million

Funding Source

Beginning in FY 2008, the General Assembly created a standing appropriation from the General Fund from the first $127.6 million generated from the cigarette and tobacco tax for the Health Care Trust Fund.

Effective Date

This Act became effective upon enactment.

Enactment Date

This Act was passed by the General Assembly on March 13, 2007, and signed by the Governor on March 15, 2007.

Sources

Iowa Department of Revenue
Revenue Estimating Conference Tax Receipt Projections
Campaign for Tobacco Free Kids, *State Cigarette Prices, Taxes, and Costs per Pack*
The Tax Burden on Other Tobacco Products 2005
LSA Calculations

SF 558 - Game Bird Habitat Development Program Act
Analyst: Debra Kozel (Phone: (515) 281-6767) (deb.kozel@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

Senate File 558 creates the Game Bird Habitat Development Program and increases the wildlife habitat fee from $8.00 to $11.00. The $3.00 fee increase will be distributed to the Program and allocated for the following:

- Two dollars to the Game Bird Wetlands Conservation Account. The Department of Natural Resources (DNR) will accumulate the funds until the account reaches $1.0 million or to an amount that will qualify for matching federal funding. The DNR will apply for the matching federal funds, and once obtained, the money will be used for wetlands projects that develop game bird habitat in areas that are accessible for public hunting.
- One dollar to the new Game Bird Buffer Strip Assistance Account. The DNR will accumulate funds for a three-year period. At that time, the DNR will have developed procedures detailing buffer strip project eligibility requirements for the establishment of game bird habitat. Funding will be used to develop buffer strip projects that will develop game bird habitat areas that are accessible for public hunting. Landowners will receive cost share assistance for improvement projects that may or may not be eligible for matching federal funds. This Act also permits the DNR to use funds to publicize this Program.
- The DNR may use a portion of the funds to pay administrative expenditures related to the Program.

Background

Game birds refer to birds that are hunted for sport. The DNR estimates there are 140,000 resident and 40,000 nonresident pheasant hunters in Iowa. Although the Department manages 300,000 acres of public hunting areas, there is approximately 34.0 million acres in private land. The DNR estimates that between 700,000 and 750,000 pheasants were harvested during the 2006 hunting season.

This Act increases the habitat fee and uses the fee increase to encourage private landowners to develop conservation wetlands or buffer strips that will be accessible for public hunting of game birds. Wetlands are land areas that are covered by water some or all of the time, thereby reducing flooding and soil erosion. They also provide habitat areas for game birds and provide food and shelter for migrating birds. Buffer strips are small strips of land that have permanent vegetation designed to slow down water runoff and trap sediment, nutrients, and pesticides from farm fields. Buffer strips reduce noise and odor and provide food, nesting cover, and shelter for game birds.

Assumptions

The DNR estimates 236,000 wildlife habitat fees will be collected.

Fiscal Impact

The fiscal impact of SF 558 is an increase in revenue to the Fish and Game Protection Fund of approximately $707,000 per year beginning in FY 2008. The funds will be allocated as follows:

- $471,000 for the Game Bird Wetlands Conservation Account.
- $236,000 for the Game Bird Buffer Strip Assistance Account.

Funding Source

Fees paid will be deposited in the Fish and Game Protection Fund for administration of the Program.

Enactment Date

This Act was approved by the General Assembly on April 25, 2007, and signed by the Governor on May 25, 2007.

Source

Department of Natural Resources

SF 564 - Wild & Dangerous Animal Regulation Act
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Fiscal Note Version – Final Action

Description

Senate File 564 creates a new section in the Code of Iowa, for the regulation of wild animals to be administered by the Department of Agriculture and Land Stewardship in coordination with local governments. This Act creates new crimes, and imposes an aggravated misdemeanor offense for those crimes.

Background

This Act specifies requirements for ownership of wild animals and requires owners to register animals with the Department of Agriculture and Land Stewardship, pay a registration fee, and have a microchip implanted in the animal. The fee amount varies, depending on the type of animal being registered. Violators are subject to a civil penalty of at least $200 per day and up to $2,000, with each day of occurrence being considered a separate offense. A person that intentionally causes a wild animal to escape is guilty of an aggravated misdemeanor. The average State costs for one aggravated misdemeanor conviction ranges from $2,600 (court costs and probation) to $6,300 (court costs, jury trial, indigent defense, prison and parole). The maximum costs will be incurred across multiple years while the offender is supervised in the correctional system, either in prison or in the community.

Assumptions

1. Two additional positions would be required by the Department. Salary costs are estimated at $101,000 for FY 2008, with an annual increase of 4.5%. This would include a veterinarian and a livestock inspector.
2. First year equipment costs are estimated at $37,000 with a purchase of two vehicles at $32,000 and two computers at $5,000.
3. Estimated annual expenditures for travel and miscellaneous expenses are $17,000 per year.
4. The annual registration fee paid for the first year varies from $50 to $500. The renewal registration fee is one-half of the registration fee.
5. Using an average fee of $110 and dividing that into the total expenditures of $155,000, the Department would need to register approximately 1,400 animals to offset expenditures. The average number of animals per county would be 14. However, the number of wild animals in possession is unknown.

Correctional Impact

The creation of new offenses carries the potential for a correctional impact on court caseloads, prisons, county jails, Community-Based Corrections (CBC) and indigent defense resources. However, due to a lack of data, the correctional impact cannot be estimated.

Fiscal Impact

The fiscal impact of SF 564 is an increase in expenditures of $155,000 and 2.00 FTE positions in FY 2008 and $123,000 for FY 2009. For each year after that, there would be an increase in salary expense and potentially some travel expense. It should be noted that since the number of wild animals in possession is currently unknown, it may be possible that additional staff may be required once the Program has been implemented and the number of wild animals in possession becomes known. Some or all of the additional cost may be offset by the registration fee revenue.

Funding Source

This Act does not specify the funding source to implement the Program.

Enactment Date

This Act was approved by the General Assembly on April 29, 2007, and signed by the Governor on May 25, 2007.

Sources

Department of Agriculture and Land Stewardship
Department of Human Rights, Criminal and Juvenile Justice Planning Division

SF 566 - Historic Tax Credit Program Enhancements Act

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Fiscal Note Version – Final Action

Description

Senate File 566 modifies the current tax credit program for renovation and preservation of historic buildings and for Cultural and Entertainment Districts. This Act:

- Modifies all tax credits issued previously through the Program to make them fully refundable in the redemption year. Current law allows unused credits to be refunded at approximately 75.0% of value.
- Makes all future tax credits issued through the Program refundable at 100.0% of value. Current law allows unused credits to be refunded at approximately 75.0% of value.
- Increases the current annual tax credit limit from $6.4 million to $10.0 million for FY 2008, $15.0 million for FY 2009, and $20.0 million for FY 2010 and succeeding fiscal years.
- Allocates 10.0% of available new credits to projects with a cost of $500,000 or less and 40.0% to projects in cultural and entertainment districts. The remaining credits are available for any qualified project.
- Limits the number of years in the future that tax credits may be reserved to three years. The current limit is five years.
- Provides a procedure for the Department of Cultural Affairs to reissue tax credit certificates with future effective dates. The procedure does not apply to tax credits that have been sold.

Background

The State Historic Preservation Tax Credit Program was created in HF 2560 (Income and Property Tax Credits, Deductions, and Exemptions Act of 2000). The original Program limited awards to $2.4 million per year. When demand exceeded the limit, the Department of Cultural Affairs issued credits from the tax credit allocation for future years. Tax credits are currently issued or reserved as far out as 2017.

The Program was expanded to include projects within Certified Cultural and Entertainment Districts, with $4.0 million added to the annual cap through FY 2015. That legislation (HF 868 – Iowa Values Fund Act of 2005) also forbids the award of tax credits more than five years into the future.

Assumptions

1. There are approximately $7.0 million in projects with tax credit reservations prior to FY 2008 where the project has not been completed. With the changes in this Act, the tax credits for those projects will be refundable at 100.0% of value, rather than at 75.0%. It is assumed that under current law, the average redemption value would have been 85.0%. It is further assumed that one-third of those projects will be completed and receive the credits each year in FY 2008 through FY 2011. Since the tax credit reservation years for the credits are in the past, the tax credits will be redeemed in the fiscal year the project is completed.
2. New tax credit certificates issued from the FY 2008 allocation will be used 50.0% in FY 2009 and 50.0% in FY 2010.
3. New tax credits issued from the FY 2009 allocation will be used 85.0% in FY 2010 and 15.0% in FY 2011.
4. Starting in FY 2010, the increase in tax credits allowed for a fiscal year will result in increased credit redemptions in the next fiscal year.
5. Since the tax credits are refundable under current law and the proposed law, tax credits issued through the Program do not impact the calculation of the local option income surtax for schools.

Fiscal Impact

The tax credit changes contained in this Act will decrease net General Fund revenue by the following estimated amounts:

Net General Fund Direct Impact by Fiscal Year
In Millions of Dollars

Fiscal Year	Increase in Tax Credits Available	Fiscal Impact: Increase in Tax Credit Redemption
FY 2008	$3.6	$0.3
FY 2009	$8.6	$2.1
FY 2010	$13.6	$9.5
FY 2011	$13.6	$15.1
FY 2012	$13.6	$13.6
FY 2013	$13.6	$13.6
FY 2014	$13.6	$13.6
FY 2015	$13.6	$13.6
FY 2016	$17.6	$13.6
FY 2017	$17.6	$17.6

The tax credit does not sunset, so the fiscal impact will continue as long as sufficient demand for the program exists.

Funding Source

The increase in tax credits allowed by this Act will impact the State General Fund.

Effective Date

This Act is effective July 1, 2007, and applies to tax credits reserved or awarded prior to the effective date as well as those issued after the effective date.

Enactment Date

This Act was approved by the General Assembly on April 24, 2007, and signed by the Governor on May 21, 2007.

Sources

Department of Cultural Affairs
Legislative Services Agency Analysis

SF 580 - Tax Amnesty Program Act

Analyst: Jeff Robinson (Phone: (515) 281-4614) (Jeff.Robinson@legis.state.ia.us)

Fiscal Note Version – Final Action

Description

Senate File 580 creates a tax amnesty program to be administered by the Department of Revenue. The amnesty period is September 4, 2007, through October 31, 2007. The Program covers tax liabilities delinquent as of December 31, 2006. Taxpayers utilizing the amnesty period will pay one-half of the regular interest due and will not be subject to civil penalties or criminal prosecution.

Taxes covered by the amnesty include individual and corporate income tax, franchise (bank) tax, sales/use tax, inheritance/estate tax, drug stamp tax, cigarette tax, tobacco tax, hotel/motel tax, local option sales taxes, automobile rental tax, equipment tax, petroleum diminution fees, and motor fuel tax.

This Act appropriates a total of $860,000 to the Department of Revenue from the State General Fund to administer the amnesty program and to provide for increased auditing and enforcement.

Background

Iowa's last tax amnesty occurred September 2, through October 31, 1986. The Department of Revenue and Finance report released in January 1987 concluded that collections under the Program totaled $35.0 million, with $9.0 million of that amount identified as revenue that would not have otherwise been collected. Almost all revenue collected was from taxes owed to the General Fund.

Fiscal Impact

The Department of Revenue estimates that a total of $53.9 million will be collected from General Fund revenue sources through the proposed tax amnesty period, and that $16.0 million will be revenue that would not otherwise be collected. All revenue will be deposited during FY 2008.

Funding Source

The majority of new revenue generated by this Act will accrue to the State General Fund. Small amounts of Road Use Tax Fund and local option sales tax money may also be generated.

Effective Date

This Act was effective on enactment.

Enactment Date

This Act was approved by the General Assembly on April 27, 2007, and signed by the Governor on May 24, 2007.

Source

Department of Revenue

SF 590 - State Earned Income Tax Credit Act
Analyst: Jeff Robinson (Phone: (515) 281-4614) (Jeff.Robinson@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

Senate File 590 increases the Iowa Earned Income Tax Credit percentage from 6.5% of the federal credit amount to 7.0% and also makes the credit refundable. The changes are effective January 1, 2007.

Background

The current Iowa Earned Income Tax Credit is equal to 6.5% of the taxpayer's federal credit amount. The current credit is not refundable, so the benefit to the taxpayer is limited to the Iowa tax liability.

Making the Earned Income Tax Credit refundable will move the calculation of the credit from its current location on the Iowa tax return from before calculation of the local option income surtax for schools to after the surtax calculation. The surtax currently yields an amount equal to 3.0% of net Iowa income tax revenue, so making the Earned Income Tax Credit refundable will increase local option income surtax revenue approximately $242,000 per year and reduce net General Fund revenue by the same amount. This impact is in addition to the tax model projections calculated by the Department of Revenue.

Assumptions

The Department of Revenue micro-simulation model was used to estimate the impact of SF 590. The model is based on a near-universe of Iowa tax returns for tax year 2004, including relevant information from each taxpayer's federal income tax return. The model is adjusted for assumed future trends in population and income growth.

Fiscal Impact

Converting Iowa's current Earned Income Tax Credit to a refundable credit and increasing the percentage to 7.0% is projected to reduce net General Fund income by the following amounts:

- FY 2008 - $10.0 million
- FY 2009 - $ 9.9 million
- FY 2010 - $ 9.6 million
- FY 2011 - $ 9.2 million

The Department of Revenue model results were adjusted for the local-option-income-surtax-for-schools issue noted in the background section above.

Making the tax credit refundable may cause additional lower-income Iowans to file tax returns than would otherwise be the case. Should this occur, the net General Fund impact could be marginally higher than projected.

Funding Source

The additional tax credits allowed under this Act will impact the State General Fund.

Effective Date

This Act was effective on enactment and applies retroactively to January 1, 2007, for tax years beginning on or after that date.

Enactment Date

This Act was approved by the General Assembly on April 27, 2007, and signed by the Governor on May 15, 2007.

Source

Department of Revenue

SF 593 - Court Costs Act
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

Senate File 593 requires the Clerk of District Court to collect a fee for filing of a probation revocation proceeding equal to the fee for filing and docketing a complaint, information, or citation in the underlying case from which the motion arises. This Act increases the fee for filing and indexing a transcript in a probate proceeding from $5 to $50. Under this Act, if the Judicial Branch revokes the probation of a defendant that receives a deferred judgment and imposes a fine, the Judicial Branch will apply applicable surcharges, penalties, and fees prior to reducing the amount of the fine by an amount equal to the amount of the civil penalty previously assessed against the defendant. This Act also extends the same protections of a protective order or no-contact order to a new group of individuals that include victims or witnesses of a domestic abuse criminal case.

Background

- Currently, the Judicial Branch does not charge a filing fee in a probation revocation proceeding.
- The current filing fee for a simple misdemeanor is $50 and for an indictable misdemeanor is $100.
- In FY 2006, there were 329 probation revocation petitions for simple misdemeanors and 9,481 petitions for indictable misdemeanors.
- Under current practice for deferred judgments, the criminal fine can also be revoked and the civil penalty imposed. If the civil penalty is imposed, the 32.0% criminal surcharge is not applied. If the probation is revoked, the suspension of the criminal fine can also be revoked and the civil penalty imposed. If the criminal fine is imposed, the 32.0% criminal surcharge applies.
- As of February 28, 2007, there had been $3.5 million imposed and $1.1 million collected on civil penalties for deferred judgments for FY 2007.
- As of February 28, 2007, there had been $13.1 million imposed and $4.2 million collected on the 32.0% criminal penalty surcharge for FY 2007.
- Violations of protective orders or no-contact orders are punishable by contempt proceedings.
- Under current law for protective order or no-contact orders, convicted offenders are required to serve seven days in the county jail.

- There were 1,283 convictions for violations of no-contact or protective orders in FY 2006 involving 1,059 offenders. Some offenders violated the order multiple times.
- Under current law, the filing fee for a protective order or a no-contact order can be waived.

Assumptions

1. The number of deferred judgments that are revoked in a year cannot be determined.
2. The first-year collection rate for simple misdemeanor probation revocation proceedings would be 72.9% and the second-year and on-going collection rate would be 83.8%.
3. The first-year collection rate for indictable misdemeanor probation revocation proceedings would be 25.8% and the second-year and on-going collection rate would be 49.8%.
4. The current one-year collection rate for civil penalties for deferred judgments is 26.3%.
5. The current one-year collection rate for the 32.0% criminal penalty surcharge is 32.1%.
6. The Judicial Branch will assess the required 32.0% criminal surcharge, court costs, and fees on the total amount of the fine prior to the reduction for payment of money towards the civil penalty.
7. Court costs for a contempt proceeding are approximately $100.00 per case. This amount includes the salary costs of magistrate judge or District Associate Judge, plus a court attendant and Clerk of Court staff.
8. The number of filing fees waived cannot be determined since existing law is extended to a new group of individuals.
9. The marginal cost per day for county jails is $15.00 per inmate.

Correctional Impact

It is not possible to forecast the number of convictions for protective orders or no-contact orders under the Act as amended. Therefore, it is not possible to estimate the number of offenders held in county jails.

Fiscal Impact

The revenue increase for adding a filing fee in a probation revocation proceeding would be an estimated $257,000 in FY 2008 and $486,000 in FY 2009.

The revenue impact for increasing the filing and indexing a transcript fee for probate proceedings from $5 to $50 cannot be determined.

The revenue impact of reducing a deferred judgment fine by an amount equal to the amount of the civil penalty previously assessed and paid by the defendant cannot be determined; however, revenue could potentially be reduced. The revenue impact for requiring the 32.0% criminal penalty surcharge to be applied to the criminal fine prior to credit for the civil penalty already paid should be revenue neutral as it maintains current practice.

It is not possible to estimate the fiscal impact for protective order and no-contact orders, as the number of offenders is unknown. However, one conviction under this Act will cost the State $100 in court costs. Holding one offender in county jail for seven days is estimated to cost the county $105. Any potential decrease in revenue is assumed to be minimal.

Enactment Date

This Act was approved by the General Assembly on April 27, 2007, and signed by the Governor on May 24, 2007.

Sources

Judicial Branch
Department of Human Rights, Criminal and Juvenile Justice Planning Division

HF 95 - Targeted Jobs Withholding Eligible Cities Act
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 95 allows two qualified cities located in a county with a population of less than 45,000 persons to count as one city in the application process for inclusion in the Targeted Jobs Withholding Tax Credit Program enacted in 2006. This effectively expands the Program's limit for cities bordering Illinois from two cities to three cities.

Background

House File 2731 (Targeted Jobs Withholding Tax Credit Act of 2006) allows four cities in Iowa to utilize a special tax incentive for designated employers in Urban Renewal (Tax Increment Financing) Areas. The special incentive is in the form of retention of employee withholding tax payments that would normally be forwarded to the State General Fund. The four cities included Sioux City, Council Bluffs, and two cities bordering Illinois. An application process was specified in the Act for determining the two eastern cities.

Without knowing the size of the eastern cities that would eventually qualify, the Fiscal Note for HF 2731 used population as a basic assumption in determining the additional impact of the two eastern cities. For calculation purposes, Davenport was assumed to be one of the two cities.

Since Davenport was not chosen as one of the two eastern cities, the Fiscal Note for HF 2731 was based on population assumptions that are higher than the combination of the three cities that are eligible after enactment of HF 95.

Fiscal Impact

Enactment of HF 95 allows three cities to qualify under this tax incentive program. Without the Act, only two cities may qualify. The enactment of HF 95 does have a direct fiscal impact, as it will allow qualified employers to retain employee withholding tax that they would not be able to retain without the Act. The Department of Economic Development estimates that the retained withholding tax will total $185,000 in FY 2008 and $413,000 in FY 2009, with growth in future years.

However, since the fiscal note for HF 2731 (2006 Session) assumed the two cities on the Illinois border would have a larger population than the three cities that will qualify with enactment of HF 95, and given that the FY 2008 Revenue Estimating Conference revenue projection utilized the HF 2731 fiscal note estimate, the enactment of HF 95 does not impact the current General Fund net revenue estimate for FY 2008.

Current law provides a process to be used if cities fail to maintain eligibility for the Program. Under that process, a replacement city could be named. The preceding paragraph assumes that in the future, Davenport does not become one of the designated cities.

Funding Source

The tax credits impact the State General Fund.

Effective Date

The Act was effective on enactment and applies retroactively to July 1, 2006.

Enactment Date

This Act was approved by the General Assembly on January 31, 2007, and signed by the Governor on February 6, 2007.

Sources

HF 2731 Fiscal Note (2006 Session)
Revenue Estimating Conference background files
Department of Economic Development

HF 319 – Internal Revenue Code (IRC) Update Act

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version – Final Action

Description

House File 319 updates Iowa's tax laws to incorporate federal Internal Revenue Code (IRC) changes made by Congress in 2006. Specific federal legislation addressed by this fiscal estimate includes:

- The Tax Increase Prevention Act (HR 4297)
- The Pension Protection Act (HR 4)
- The Tax Relief and Health Care Act (HR 6111)

The three federal Acts have a total of seven provisions with significant and measurable impacts on Iowa revenue when the Code of Iowa is updated to incorporate the federal changes through passage of this Act. The fiscal impact is the estimated net impact of all seven provisions. The provisions relate to:

- Extension of Section 179 depreciation expensing
- Elimination of income limits on Individual Retirement Account (IRA) to Roth IRA conversions
- Inflation indexing of IRA contribution income limits
- Tax-free distribution of IRA withdrawals donated to charity
- Deduction for college tuition and fees
- Deduction for educator out-of-pocket expense
- Itemized deduction for mortgage insurance payments

Fiscal Impact

House File 319 is projected to decrease net General Fund revenue by:

- FY 2007: $ 10.2 million
- FY 2008: $ 13.1 million
- FY 2009: $ 6.9 million

Related Revenue Issue

Since Iowa allows all taxpayers to deduct federal income tax paid from their State taxable income, when Congress takes actions that reduces federal taxes owed, most Iowa taxpayers see a corresponding increase in their State tax bill. The State tax bill increases occur automatically when federal tax reductions are enacted and do not requires legislative action. The Department of Revenue estimates that this "deductibility effect" will increase net General Fund revenue by the following amounts.

- FY 2007: $ 4.9 million
- FY 2008: $ 11.3 million
- FY 2009: $ 8.7 million

Funding Source

All tax law changes contained in this Act impact the State General Fund.

Effective Date

This Act was effective on enactment and applies retroactively to January 1, 2007, for tax years beginning on or after that date.

Enactment Date

This Act was approved by the General Assembly on March 5, 2007, and signed by the Governor on March 9, 2007.

Source

Department of Revenue

HF 641 - Court Procedures and Fees Act

Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.state.ia.us)

Fiscal Note Version – Final Action

Description

House File 641 relates to Judicial Branch practices and procedures, including issuance of a driver's license when delinquent on court obligations, and the distribution of court revenue to cities and counties, and the State. This Act allows a waiver of the $25 praecipe filing fee for political subdivisions of the State if a county attorney or their designee collects the delinquent debt. This Act also allows a person that has a suspended license to enter into an installment agreement with the county attorney under Section 321.210B, Code of Iowa, to pay the fine, penalty, court cost, or surcharge and to have the person's license reinstated by the Department of Transportation.

Background

- House File 807 (FY 2006 Judicial Branch Appropriations Act) increased the filing fee for the collection of debts after an order or the debtor has received judgment.
- In FY 2006, the State General Fund received $1.9 million in revenue from the $25 praecipe filing fee.
- As of February 28, 2007, the State General Fund had received $1.0 million from the $25 praecipe filing fee for FY 2007.
- There are currently 32 county attorneys or county attorney designees that collect delinquent court debt.
- Of the delinquent debt collected, 35.0% of the amount recovered by the county attorney or their designee is deposited in the county general fund and 65.0% is deposited in the State General Fund. Once $1.2 million has been distributed to the State General Fund under Section 602.8108, Code of Iowa, the remainder is to be deposited as follows: 35.0% to the County General Fund, 33.0% to the county attorney or their designee, and 32.0% to the State General Fund.
- This formula was codified as an incentive for the collection of old, outstanding court debt.
- In FY 2006, the $1.2 million cap was exceeded by $1,100.

Assumptions

1. The $25 filing fee will continue to be taxed as a court cost in every case, both civil and criminal, except when the filing fee is waived for political subdivisions collecting delinquent debt on behalf of the State.
2. The Judicial Branch will continue to collect from the defendant.

3. In FY 2007, the monthly collections were approximately $125,000. This is approximately $1.5 million annually.
4. For the State to receive $1.2 million and reach the cap in Section 602.8107(4), Code of Iowa, there would need to be approximately $1,850,000 generated through collections. Of this, the State would receive 65.0% or $1,200,000 and the county general fund would receive 35.0% or $647,500. Once the cap is met, the second half of the formula will take effect that allows the county general fund to keep 35.0%, the county attorneys to keep 33.0%, and the State General Fund to receive 32.0%.
5. Although revenues for this type of collection increased slightly from FY 2006 to FY 2007, there is no way to determine if collections will continue to increase. However, it is likely that if Polk County starts participating, additional money will be generated for both the State General Fund and the county general fund under the formulas, assuming the county attorney offices are successful in collecting old, outstanding court debt.

Fiscal Impact

The fiscal impact for the county attorney installment agreements is $300,000 in one-time programming costs to the Judicial Branch.

The fiscal impact for waiving the $25 praecipe filing fee for political subdivisions with a county attorney or their designee is participating in delinquent court debt collection is anticipated to be a minimal revenue reduction to the State General Fund.

Funding Source

The Department of Transportation will transfer $100,000 to the Judicial Branch and $200,000 was appropriated from the General Fund to the Judicial Branch for one-time computer programming costs in SF 601 (FY 2008 Standing Appropriations Act).

Effective Date

The county attorney installment agreements will go into effect on January 1, 2008, for all counties in Iowa, except for Polk and Linn counties where it may go into effect sooner.

Enactment Date

This Act was approved by the General Assembly on April 28, 2007, and signed by the Governor on May 25, 2007.

Sources

Judicial Branch
Department of Transportation

HF 648 - Enterprise Zone, Significant Lay-Offs Act
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 648 relates to distress criteria for enterprise zones. This Act changes the business closure requirement to a business closure or a permanent layoff requirement. The permanent layoff must occur on or after February 1, 2007.

Background

Currently, a city or county may designate an enterprise zone at any time prior to July 1, 2010, when a business closure occurs involving the loss of full-time non-retail employees at one place of business. The loss must total at least 1,000 employees or 4.0% or more of the county's resident labor force, based on the most recent annual resident labor force statistics from the Department of Workforce Development (IWD), whichever is lower. A permanent layoff is defined by the IWD as displacement of 50 or more workers from employment with no planned rehiring scheduled. Zone awards can continue for ten years after a zone has been designated. Over the past two years, five counties would have qualified under the expanded requirements for enterprise zones.

Assumptions

1. The change in criteria will not prohibit any current counties from designating enterprise zones.
2. There are currently 28 counties that qualify for an enterprise zone.
3. The average award for an enterprise zone business project is $713,000, and 89.0% of the award is for Investment Tax Credits that must be amortized over five-years. The credits are not transferable and are only refundable if certain criteria are satisfied.
4. Projects will average the same annual business awards for a new eligible county as the current county enterprise zones. Currently, county enterprise zones generate approximately $73.4 million in business awards annually for 28 eligible counties. Average annual county awards per county total $2.6 million.
5. Awards will be issued during the year that a zone is certified.
6. Due to the time needed to establish new zones, approve projects, and begin operations, the first project awards will not be exercised until FY 2009.
7. Each year, for the period FY 2007 through FY 2010, a new county will become eligible to designate enterprise zones resulting from significant lay-offs as defined by HF 648.

8. A project will not take place in every enterprise zone.
9. All awards will be exercised.

Fiscal Impact

Sufficient information is not available to determine how many additional enterprise zones would be created. However, following the assumption that a county will be added each year, FY 2007 through FY 2010, State General Fund revenue would be reduced as follows:

- $1.2 million in FY 2009
- $2.9 million in FY 2010
- $5.1 million in FY 2011
- $7.7 million in FY 2012
- $9.1 million in FY 2013
- $10.0 million in FY 2014

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending salary dollars within the State and growth in other businesses created and expanded to meet the needs of the new business. Negative indirect impacts may include the effect of the new business on other Iowa businesses when competing for labor, capital, and sales, as well as the additional demand for schools, roads, police and fire protection, and other government services that necessarily result from higher levels of employment and population.

Funding Source

No funding is required because this Act results in a decrease in General Fund revenue.

Enactment Date

The Act was approved by the General Assembly on April 24, 2007, and signed by the Governor on May 24, 2007.

Sources

Iowa Department of Economic Development
Iowa Department of Workforce Development

HF 742 – Off Highway Vehicles Act
Analyst: Debra Kozel (Phone: (515) 281-6767) (deb.kozel@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 742 makes the following changes for registering and operating snowmobiles or all-terrain vehicles (ATV) administered by the Department of Natural Resources (DNR):

- Implements an electronic registration and renewal system.
- Allows a one-time registration fee of $25.00 for a snowmobile that is more than 30 years old.
- Requires a nonresident to obtain a user permit fee when operating a snowmobile or ATV in Iowa for an annual fee of $15.00 plus an administrative fee.
- Allows an unregistered snowmobile or ATV to be registered for a cost of $20.00 after September 1 of each year. This includes a $5.00 registration fee for the remainder of the current year and $15.00 for the following year. The snowmobile owner saves $10.00 on the current year registration.
- Extends the time period to register a new snowmobile or ATV with the DNR from 10 days to 45 days.
- Specifies the county writing fee for registration is $1.25 and the writing fee for a licensed agent is $1.00.
- Revises scheduled fines for snowmobile violations that are deposited in the General Fund.
- Allows the Department to charge fees for certified instruction courses. The fees will not exceed the actual cost of the course.
- Specifies persons over age 12, but under age 18, cannot operate an ATV on public land or ice, or land purchased with ATV registration funds, without a safety certificate issued by the DNR.
- Specifies persons under the age of 12 cannot operate an ATV or off-road motorcycle unless the person is taking the Department's Safety Course and is being supervised by the instructor or being supervised by a responsible person 18 years or older that is experienced with off-road motorcycles and has a valid driver's license or safety certificate issued by the DNR.
- Specifies that a person convicted of a violation while their registration privilege has been suspended or revoked is guilty of the following:
  - A simple misdemeanor if the person had no other violations within the previous three years.
  - A serious misdemeanor if the person had one other violation in the previous three years.
  - An aggravated misdemeanor if the person had two or more convictions in the past three years.

Background

The registration fees for snowmobiles changed from a biennial fee of $25.00 to an annual fee of $15.00 beginning in FY 2005. This Act implements procedures to increase the efficiency of snowmobile and ATV registration.

Assumptions

1. It is estimated there are 35,000 resident operators of snowmobiles and 200 non-resident operators of snowmobiles in Iowa. It is estimated there are 54,000 ATV resident operators in Iowa and the annual growth rate is estimated at 3.0% per year.
2. It is estimated that registration revenues will increase by $225,000 in FY 2008 and $250,000 in FY 2009. The increased funding will leverage additional National Recreational Trail federal funds that require a 20.0% State match.
3. It is estimated that administrative and enforcement expenditures related to the Program will increase by $150,000 per year.
4. The average State costs for one simple misdemeanor conviction ranges from $20 (court costs) to $320 (court costs plus indigent defense).
5. The average State costs for one serious misdemeanor conviction ranges from $110 (court costs) to $3,300 (court costs, jury trial, indigent defense, and prison).
6. The average State costs for one aggravated misdemeanor conviction ranges from $2,600 (court costs and probation) to $6,300 (court costs, jury trial, indigent defense, prison and parole). The maximum costs will be incurred across multiple years while the offender is supervised in the correctional system, either in prison or in the community.

Correctional Impact

The correctional impact of HF 742 is expected to be minimal.

Fiscal Impact

The fiscal impact of HF 742 is an estimated increase in revenue to the Snowmobile Registration Fund and ATV Registration Fund of $225,000 for FY 2008 and $250,000 for FY 2009. Related program expenditures in the DNR are estimated to increase by $150,000 for FY 2008 and each year after. Remaining funds will be used for cost-share grants to local communities and is estimated to increase by $75,000 for FY 2008 and $100,000 for FY 2009.

Funding Source

Fees paid will be deposited in the Snowmobile Registration Fund and the ATV Registration Fund.

Enactment Date

This Act was approved by the General Assembly on April 17, 2007, and signed by the Governor on May 9, 2007.

Sources

Department of Human Rights, Criminal and Juvenile Justice Planning Division
Department of Natural Resources

HF 749 – Veterans License Plate Fund Act

Analyst: Mary Beth Mellick (Phone: (515) 281-8223) (marybeth.mellick@legis.state.ia.us)

Fiscal Note Version – Final Action

Description

House File 749 provides for the following changes for certain military and Emergency Medical Services special license plates:

- Requires the Department of Transportation (DOT) to establish new special license plates for recipients of the Distinguished Service Cross, Navy Cross, Air Force Cross, Soldier's Medal, Navy and Marine Corps Medal, and Airman's Medal. Emblems for the plates are to be designed by the Department in consultation with the Adjutant General.
- Directs the Treasurer of State to credit the special plate fees charged from the sale of the new military plates, and existing National Guard, Pearl Harbor Veteran, Purple Heart, Armed Forces Retired, Bronze Star, and Silver Star plates to the Veterans License Fee Fund. Prior to enactment of HF 749, the fees collected from the existing plates were deposited in the Road Use Tax Fund.
- Directs the Treasurer of State to credit the special plate fees charged for the issuance of Emergency Medical Services plates to the Emergency Medical Services Fund administered by the Department of Public Health. Prior to enactment of HF 749, the fees were deposited in the Road Use Tax Fund.
- The surviving spouse of a person that was issued an existing or new military plate may continue to apply for and use the plate subject to registration of the plate in the surviving spouse's name. Surviving spouses must pay an annual $5 special plate fee and the annual vehicle registration fee. If the surviving spouse remarries, the special plates are to be exchanged for regular registration plates.
- If a person entitled to a Congressional Medal of Honor, Ex-Prisoner of War, or Legion of Merit special plate chooses to be issued a different plate associated with military service, the person's surviving spouse may continue to use that plate until remarriage.
- Makes corrective amendments to change the name of the Congressional Medal of Honor special plate to Medal of Honor.
- The provisions relating to the new special military license plates take effect July 1, 2008.

Background

- County treasurers retain 4.0% of the total amount collected from each annual or semiannual vehicle registration and each duplicate registration card or plate issued for deposit into the county general fund.
- The annual special plate fees for the existing military plates are in addition to the annual vehicle registration fee. These fees are as follows:
  - Initial Issuance (letter-number designated plate): $25
  - Initial Issuance (personalized plate): $50 ($25 special plate fee, $25 personalized fee)
  - Annual Renewal (letter-number designated plate): $5
  - Annual Renewal (personalized plate): $5
- The special plate fee charged for the Emergency Medical Services plate is $25 for initial issuance, and is in addition to the annual vehicle registration fee. No annual special plate fee is collected. The plate is not available as a personalized plate.

Military Plates

Assumptions

1. There are an estimated 4,000 special National Guard, Pearl Harbor Veteran, Purple Heart, Armed Forces Retired, Bronze Star, and Silver Star plates currently issued.
2. There are an estimated 175 living persons that have received a Distinguished Service Cross, Navy Cross, or Air Force Cross. The number of living persons that have received a Soldier's Medal, Navy and Marine Corps Medal, or Airman's Medal is unknown.
3. For estimating purposes, it is assumed that the amount collected from the existing plates in FY 2008 and beyond will be the same amount that was collected in CY 2006.
4. For estimating purposes, it is assumed that a total of 25 new military plates will be issued annually, up to a total of 200. Of the 25 issued annually, 20 will be letter-designated and 5 will be personalized. The total amount collected annually from initial issuances and renewals is estimated to be between $750 and $1,000 beginning in FY 2008.
5. One-time programming costs to the DOT are estimated to be $53,000 and would be paid from the Motor Vehicle Division’s base budget, of which 96.0% is Road Use Tax Fund moneys and 4.0% is Primary Road Fund moneys.
6. The cost to manufacture the new special license plates is $4.00 per pair, and includes supplies, materials, and labor. Costs would be paid from the off-the-top Road Use Tax Fund allocation used for the manufacture of license plates.

Emergency Medical Services Plates

Assumptions

1. There are an estimated 900 special Emergency Medical Services plates currently issued.
2. In calendar year 2006, an estimated $2,200 was collected from the initial issuance of Emergency Medical Services plates.
3. The number of plates that will be issued, renewed, or exchanged in subsequent years is unknown. Therefore, the amount that will be collected from the special plate fees is unknown. For estimating purposes, it is assumed that the amount collected in FY 2008 and beyond will be the same amount that was collected in CY 2006.

Total Fiscal Impact – Summary

The number of special plates that will be issued, renewed, or exchanged is unknown, and the number of surviving spouses that continue to apply for and use the special military plates is unknown. Based on the amount collected in CY 2006 from the existing military and Emergency Medical Services plates, and the number of new military plates that are estimated to be issued and renewed annually, the estimated fiscal impact is as follows:

FY 2008:

- An increase of $27,000 to the Veteran's License Fee Fund.
- An increase of $2,000 to the Emergency Medical Services Fund.
- A decrease of $78,000 to the Road Use Tax Fund.

Subsequent Fiscal Years:

- An increase of $27,000 to the Veteran's License Fee Fund.
- An increase of $2,000 to the Emergency Medical Services Fund.
- A decrease of $28,000 to the Road Use Tax Fund.

Enactment Date

This Act was approved by the General Assembly on April 28, 2007, and signed by the Governor on May 24, 2007.

Source

Department of Transportation

HF 793 – Motor Vehicle Operation & Regulation Act
Analyst: Mary Beth Mellick (Phone: (515) 281-8223) (marybeth.mellick@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 793 makes numerous technical changes relating to the Department of Transportation (DOT), including the following changes for antique vehicles and implements of husbandry.

Antique Vehicles

- Changes the current annual vehicle registration fee of $5 for antique motor vehicles (motor vehicles 25 years old or older) to the same fee charged for older vehicles, and removes the requirement that antique vehicles be driven only for exhibition or education purposes.
- A person convicted of violating the provisions pertaining to antique vehicles is guilty of a simple misdemeanor punishable by a fine of $30.
- The provisions relating to antique vehicles take effect July 1, 2008.

Assumptions

There are an estimated 464,500 motor vehicles that qualify to be registered as an antique; however, an estimated 7,300 are actually registered. This analysis assumes that the current number of vehicles that qualify but are not registered as an antique, and the current number that are actually registered as an antique, will be registered in the same manner. The remaining 457,200 vehicles will be unaffected by the proposed legislation.

Implements of Husbandry

- Requires the owners of certain self-propelled implements of husbandry to apply for a permit from the DOT for an annual fee of $600 for each county where the vehicle will be operated, provided that the permit will not be issued for a vehicle that operates in more than ten counties, and the fees do not exceed $3,500 annually. The fees collected are to be equally distributed to those counties and deposited into the Secondary Road Fund.
- Only vehicles purchased or ordered before February 1, 2007, are eligible for a permit, that must be obtained prior to July 1, 2007. An existing permit, however, may be renewed annually upon payment of the appropriate permit fees.

- The owner of a vehicle that is operated without a permit is subject to a civil penalty of $10,000, in addition to other penalties that may apply.
- The provisions relating to implements of husbandry take effect on enactment.

Assumptions

1. The estimated number of implements of husbandry eligible to obtain a permit is 125. The number of counties where such vehicles will be operated and would require a $600 fee is unknown. Also unknown is the number that may be subject to a civil penalty.
2. Owners of implements of husbandry that do not obtain a permit prior to July 1, 2007, are subject to a civil penalty of $10,000, in addition to other penalties that may apply.

Technical and Other Changes

- Specifies that the owner of a motor vehicle that has been awarded the Legion of Merit is entitled to only one set of Legion of Merit special license plates.
- Repeals statutory language that increased the period of time a vehicle could be driven without registration plates if a card displaying a "registration applied for" is attached to the vehicle, from 45 days to 60 days. This provision takes effect on enactment.
- Requires tax revenues collected by a county treasurer from a regional transit district levy to be held by the county treasurer.

Summary of Fiscal Impact

The estimated fiscal impact of HF 793 for FY 2009 and subsequent years in regard to antique vehicles is an increase of $170,000 to the Road Use Tax Fund, and an increase of $7,000 to the general fund of counties. The fiscal impact associated with owners of certain implements of husbandry obtaining permits cannot be estimated since the number of counties in which the vehicle will be operated is unknown. However, assuming the current 125 vehicles qualify for an annual permit to operate in one county, the estimated minimum fiscal impact is $75,000 annually. This revenue would be deposited into the Secondary Road Fund of the counties. The amount of revenue generated from the $10,000 civil penalty cannot be determined, as the number of violations that will occur is unknown.

Enactment Date

This Act was approved by the General Assembly on April 28, 2007, and signed by the Governor on May 9, 2007.

Sources

Department of Transportation
Department of Human Rights (Criminal and Juvenile Justice Planning)

HF 892 - Film Promotion Program & Tax Credits Act
Analyst: Jeff Robinson (Phone: (515) 281-4614) (Jeff.Robinson@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 892 creates a Film, Television, and Video Project Promotion Program. The Program is administered by the Department of Economic Development.

This Act also creates two new income tax credits and an exclusion from taxable income. Each credit or exclusion is available to film, television, or video projects approved under the Program. The tax incentives include:

- An income tax credit equal to 25.0% of the qualified expenditures of the project. Unused tax credits may be carried forward up to five tax years, but may not be carried back to previous tax years. The tax credits are transferable.
- An income tax credit equal to 25.0% of a taxpayer's investment in a qualified project. Unused tax credits may be carried forward up to five tax years, but may not be carried back to previous tax years. The tax credits are transferable.
- An exclusion from taxable income for payments received for the rental, sale, or furnishing of tangible personal property or for services rendered to a qualified project.

The tax incentives are effective retroactive to January 1, 2007.

Assumptions

1. Qualified film expenditures will equal $1.33 million per year.
2. Qualified film investments will equal $1.50 million per year.
3. Taxable income excluded under the qualified expenditure exclusion will equal $1.33 million per year, and the average marginal income tax rate will equal 5.9%.
4. The tax credits will be redeemed on average over three years on the following schedule:
   - First year = 60.0%
   - Second Year = 30.0%
   - Third year = 10.0%.

5. Due to Program start-up, FY 2008 tax credit redemption will equal 40.0% of full projected costs and FY 2009 credit redemption will equal 75.0% of full projected cost.

Fiscal Impact

The tax credits and income exclusion contained in HF 892 will reduce net General Fund revenue by the following estimated amounts:

- FY 2008 = $201,000
- FY 2009 = $536,000
- FY 2010 = $786,000

The fiscal impact is projected to increase at the rate of inflation for future fiscal years.

Funding Source

The tax credits authorized in this Act impact the State General Fund. Administration of the new Program will be financed through the Department of Economic Development budget.

Effective Date

This Act was effective on enactment and applies retroactively to January 1, 2007, for tax years beginning on or after that date.

Enactment Date

This Act was approved by the General Assembly on April 18, 2007, and signed by the Governor on May 17, 2007.

Sources

Department of Economic Development
Department of Revenue
Legislative Services Agency

HF 897 - Electrician Licensure Act
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 897 provides for a statewide system of licensure and certification of electricians and installers, provisions regarding electrical inspections, and specifies related licensing and inspection fees. The new statewide licensure system supplements current licensure of electricians on a city-by-city basis, permitting electricians to practice on a statewide, as well as on a local basis. This Act creates an 11-member Electrical Examining Board within the Fire Marshal's Office. All political subdivisions performing electrical inspections prior to December 31, 2007, are required to continue performing them. This Act states that after December 31, 2012, a political subdivision may choose to discontinue performing its own inspections and permit the Board to have jurisdiction over inspections. This Act also creates an Electrician and Installer Licensing and Inspection Fund for deposit of all licensing, registration, examination, inspection, and renewal fees. The revenue in the Fund are appropriated and made available to the Board in consultation with the Fire Marshal's Office and the balance does not revert to the General Fund. Provisions related to the Examining Board take effect on enactment. Provisions of this Act relating to licensure take effect on January 1, 2008. Provisions relating to inspections take effect on January 1, 2009.

Background

- According to the Division of Labor, there are 1,102 electrical contractors registered in Iowa.
- According to the Department of Workforce Development, there are an estimated 5,980 electricians statewide.
- In FY 2006, there were 140 convictions for violations of Chapter 714 (Theft, Fraud, and Related Offenses), Code of Iowa; however, it is unknown how many convictions were for false information for licensing purposes.
- Life Safety Installers install fire and security alarm systems.
- Special Electricians install specialty items such as signs, irrigation, and air conditioning units.

Licensing and Inspection Program Expense Assumptions

1. The estimate for licensing assumes that 20.0% of those eligible for a State license will opt to maintain their local jurisdiction licensure. The estimates for inspections are based on State inspections only.

2. The estimated number of personnel required to implement an inspection program is 37.0 FTE positions. This includes 30.0 FTE positions for inspectors, 3.0 FTE positions for supervisors, 1.0 FTE position for a Bureau Chief, and 3.0 FTE positions for administrative staff. The estimated personnel cost for inspections is $2.2 million. The inspection function does not begin until Calendar Year (CY) 2009. The estimate assumes that the carryforward balance from license and examination fees will cover the startup costs for the Program, hiring will occur so the Program can begin in January 2009, and there will be no start up lag in revenues or expenses.
3. The number of personnel required to implement a licensure program is 4.0 FTE positions at an estimated cost of $215,000. Due to a lag in hiring and training of personnel, these costs will be reduced by $54,000 (25.0%) for CY 2008.
4. Other recurring costs for these two programs would be approximately $241,000. This would include rent, printing, training, travel, and postage. These costs are pro-rated in CY 2008 to take into account a lag in the licensing program start up. The fiscal impact assumes the carryforward balance would be used to implement the inspection program and that it will start on January 1, 2009.
5. This Act establishes an 11-member board that is estimated to meet four times a year at a cost of $100 per board member per meeting for a total cost estimate of $4,400. This includes $50 per day in per diem expenses and actual expenses. This section takes effect on enactment. If the Board meets each month for six months in calendar year 2007 to work on rulemaking, the expenses would total $6,600. This is assumed to be absorbed within the Fire Marshal’s current budget until the Licensure Program is up and running.
6. The total one-time costs (including software, computers, and vehicles) is approximately $1.2 million. Since the Licensure Program starts in CY 2008, the one-time costs are pro-rated to take into account the startup lag in the Program.
7. The estimate assumes a 4.5% merit increase and 2.0% cost-of-living increase per year for personnel costs.
8. This Act requires the Board to establish a web-based licensure verification database for verification of licensure status on job sites and specifies identification procedures.
9. The State Fire Marshal or the State Fire Marshal’s designee will enforce the procedures and policies determined by the Board and the provisions of the National Electrical Code adopted by the Board.
10. Life Safety Installers are required to apply for certificates from the State Fire Marshal’s Office under Section 100C.3, Code of Iowa. The administration, enforcement, and fee will be set through Administrative Rule.

Examination, Licensing, and Inspection Program Revenue Assumptions

Examination

1. Approximately 900 Class A Master electricians will be required to take an examination at $125 per person.
2. Approximately 1,800 Class A Journeyman electricians will be required to take an examination at $60 per person.

3. The estimate for exam fees assumes that 20.0% of those eligible for a State license will opt to maintain their local jurisdiction licensure and inspections.
4. The revenue impact assumes that in the second and ongoing years, there will be approximately 5.0% of the eligible electricians sitting for this exam. The exam is required for those obtaining a new license and for those that let their original license expire.

Licensure

1. The examinations for licensure will be given as often as deemed necessary by the Board, but no less than one time per month.
2. An expired license may be renewed within a three month period from the date of expiration with the payment of the license fee plus 10.0% of the renewal fee. If the expired license is more than three months old, a new license will need to be issued.
3. This Act establishes seven licensing categories with a maximum annual fee for each category that can be adjusted by the Board through Administrative Rules. The fee amounts are for each year of a three-year license period (with the exception of the Apprentice License) or triple the amount reflected in this Act and in the table below.

License Type	Maximum Fee Amount Per Year
Electrical Contractor	$125
Class A Master	$125
Class B Master	$125
Class A Journeyman	$25
Class B Journeyman	$25
Special Electrician	$25
Apprentice	$20

4. Of the estimated 5,980 electricians, the estimate assumes that 4,784 will obtain a State license. The Department of Public Safety estimates approximately 30.0% would be eligible for a Master License (1,435), 60.0% would be eligible for a Journeyman License (2,870), and 10.0% would be eligible for an Apprentice License (479).
5. The number of Special Electricians are estimated to be approximately 600 people.
6. The total number of licenses estimated to be authorized in one year is approximately 7,300.
7. For a three-year licensure period, the revenue generated is estimated to be $776,000 in CY 2008 and $1.1 million in CY 2011.

Inspections

1. The estimated number of inspections annually is 45,000.
2. In CY 2009, the estimated annual revenue from inspections is approximately $8.5 million. This assumes that the carryforward balance from CY 2008 will be used to implement the Program so there is no lag in startup time.
3. Each separate inspection of an installation, replacement, or repair is $25. There will be approximately 2,000 (4.4%) separate inspections.
4. An inspection on zero to 100 amps is $25 plus $5 per branch circuit. The estimate assumes that 12,000 inspections (26.6%) will be for this amperage. The average of 15 branch circuits per permit up to 100 amps is $75.
5. An inspection on 100 to 200 amps is $35 plus $5 per branch circuit. The estimate assumes that 20,000 inspections (44.4%) will be for this amperage. The average of 40 branch circuits per permit up to 200 amps is $200.
6. An inspection for each additional 100 amps is $20 plus $5 per branch circuit. The estimate assumes that 4,000 inspections (8.9%) will be for this amperage. The average of 100 branch circuits per permit over 200 amps is $500.
7. An inspection for a field irrigation system is $60 per unit. The estimate assumes that 200 inspections (0.4%) will be completed.
8. Of the total number of inspections, the estimate assumes that 3,000 (6.7%) will need to be re-inspected, 1,500 (3.3%) will need to have a second re-inspection, and 250 (0.6%) will need subsequent inspections.
9. An owner-requested inspection is $30 plus $5 per branch circuit. The estimate assumes that 2,000 inspections (4.4%) will be requested. The average of 15 branch circuits is $75.
10. Fire and accident inspection costs $47 per hour plus expenses. The revenue estimate for this cannot be determined at this time.

Correctional Impact

If a Board member violates confidentiality requirements, they would be guilty of a simple misdemeanor. According to the Justice Data Warehouse, there have been no charges or convictions imposed against other Boards with similar requirements; therefore, no correctional impact is anticipated.

Fiscal Impact

Electrician Licensing and Inspection Program

Revenues	**CY 2007**	**CY 2008**	**CY 2009**	**CY 2010**	**CY 2011**	**CY 2012**
Carryforward Balance	$ 0	$ (6,600)	$ 433,000	$ 5,314,600	$ 11,007,200	$ 17,605,800
Licensure Revenue	0	776,000	11,000	11,000	1,085,000	11,000
Inspection Revenue	0	0	8,500,000	8,500,000	8,500,000	8,500,000
Exam Revenue	0	126,000	11,000	11,000	11,000	11,000
Total	$ 0	$ 895,400	$ 8,955,000	$ 13,836,600	$ 20,603,200	$ 26,127,800
Expenses						
Inspection Personnel Costs	$ 0	$ 0	$ 2,200,000	$ 2,343,000	$ 2,495,000	$ 2,657,000
Licensure Personnel Costs	0	161,000	226,000	241,000	257,000	274,000
Board Costs	6,600	4,400	4,400	4,400	4,400	4,400
Other Recurring Costs	0	87,000	241,000	241,000	241,000	241,000
One-Time Program Costs	0	210,000	969,000	0	0	0
Total	$ 6,600	$ 462,400	$ 3,640,400	$ 2,829,400	$ 2,997,400	$ 3,176,400
Net Revenue Per Calendar Year	(6,600)	$ 433,000	$ 5,314,600	$ 11,007,200	$ 17,605,800	$ 22,951,400

If the Board maintains the current maximum fee structure established in HF 897, by CY 2012, the Electrician and Installer Licensing and Inspection Fund is estimated to have a balance of approximately $23.0 million. Expenditures from the Fund are approved by the sole authority of the Board in consultation with the Fire Marshal's Office.

Revenue from the civil penalties in this Act cannot be determined and are not included in this estimate.

Local governments that currently license electricians would lose the corresponding revenue if electricians opted for the State license; however, that impact cannot be determined. Local jurisdictions that would opt to have State inspections rather than maintain local inspections would potentially lose FTE positions and revenue; however, that number cannot be determined.

Enactment Date

This Act was approved by the General Assembly on April 28, 2007, and signed by the Governor on May 25, 2007.

Sources

Iowa Workforce Development
Iowa Division of Labor
Department of Public Safety

HF 912 - Web Search Portal Business Sales & Property Tax Exemption Act
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

Section 1 of this Act provides for a sales and use tax exemption on specified equipment used in the operation and maintenance of a web search portal business. Qualifying web search portal businesses must be located in Iowa and make a minimum investment of $200.0 million within the first six years of operation in Iowa. In addition, the web search portal business must purchase, option, or lease land in Iowa by December 31, 2008.

Section 2 of this Act permits an annual sales tax refund for up to five years for an information technology facility on the sales price from fuels used in creating heat, power, and steam for processing or generating electrical current, or from the sale of electricity consumed by computers, machinery, or other equipment for the operation of the facility. Eligibility for a refund requires a business to have:

- A North American Industry Classification System (NAICS) number of 518210 or 541519.
- Capital expenditures for computers, machinery, and other equipment used for operation of the facility of at least $1.0 million.
- Certification that meets the Leadership in Energy Efficiency Design (LEED) standards.
- The amount of sales tax refunded will only be applied to the State sales tax and will not include any local option sales and services tax.

Section 3 of this Act also provides a property tax exemption for property utilized by a web search portal business that qualifies for the provisions for the sales and use tax exemption.

Background

The web search portal businesses require specific infrastructure needs that include access to a large network of fiber-optic cables, access to electric power grids with electrical redundancy, and access to an ample water supply used for keeping computer servers and other heat-generated equipment cool. There are currently no web search portal businesses in Iowa that would qualify for the tax exemptions specified in HF 912.

North Carolina and South Carolina have recently announced that a web search portal business will invest up to $600 million and will create over 200 jobs in their states. The newly created jobs will pay an average of $48,300 plus benefits. In each case, tax incentives were provided to the web search portal business.

Assumptions

The following assumptions were used to estimate the fiscal impact for the web search portal business (**Sections 1 and 3**):

1. One building per year will be built for a total of three buildings in this analysis. Assumes construction on the first building will begin on January 1, 2009 and be completed by January 1, 2010.
2. Each building will have a total capital investment of $600.0 million. Building and exterior equipment will be $300.0 million and servers and other technology equipment will account for another $300.0 million.
3. Fifty percent of the investment in building and exterior equipment will be from labor and other nontaxable items.
4. Section 423.3(47), Code of Iowa, currently exempts computer servers from sales and use tax. This estimate assumes that 90.0% of the servers and other technology equipment are currently exempt from the sales and use tax.
5. The State sales tax rate is 5.0%. Beginning July 1, 2007, the estimated State-wide local option sales and services tax is 1.6% (includes both the county and school district local options sales tax).
6. For building and exterior expenses, 48.0% of the tax year impact will be realized in the same fiscal year and 52.0% of the tax year impact will occur in the subsequent fiscal year. For the servers and technology equipment purchases, it is assumed that these expenses will occur one quarter after completion of a building.
7. For property tax purposes, the investment in building structures and the land on which they are located will remain subject to property tax. Of the equipment investment amount, this assumes that 15.0% will be taxable. All of the computers, servers, and related equipment that is currently exempt from sales and use tax or made exempt from sales and use tax by this proposed legislation, would be exempt from property tax.
8. This assumption does not include any local property tax incentives.
9. Growth of 4.0% annually in taxable valuation.
10. Property tax rate of $37.75 per $1,000 of taxable valuation (average consolidated commercial property tax rate in metropolitan counties). The amount for the uniform levy (rate of $5.40 per $1,000 of taxable valuation) will not be levied because property tax exempted will be offset by State aid to school districts.
11. The first building will be assessed beginning in 2008. Taxes payable based on that assessment would begin in FY 2010.
12. Iowa’s share of energy use by data processing, hosting, and related services during 2006 was approximately 1.7% of the national total. Energy usage by these types of facilities is projected to increase at an annual rate of 11.8% through FY 2012 for this analysis.

13. Assumes the business will locate in an area that has the required infrastructure to support a web search portal business.
14. Assumes that beginning with FY 2010, 80 new jobs would be created annually through FY 2012 for a total of 240 new jobs. Based on a starting salary of $48,000, the estimated income tax (from salary income only) would be approximately $2,050. In addition, it is estimated that sales tax revenue for a family with an income level between $50,000 and $69,999 would be $1,055 in FY 2010. However, the overall impact due to income tax and sales tax to the State General Fund due to the newly created jobs is unknown.

The following assumptions were used to estimate the fiscal impact for **Section 2** of this Act:

1. To qualify for the sales tax refund, the business must be classified within the North American Industry Classification System (NAICS) under Code 518210 (Data Processing, Hosting, and Related Services).
2. During 2006 the estimated annual energy cost for servers and data centers was $3.3 billion.
3. Based on historical trends, estimated energy use by server farms and data centers is expected to increase by 11.8% each year from 2005 to 2010.
4. Based on data from 2002, Iowa had 126 businesses that provided data processing, hosting, and related services. These businesses accounted for 0.9% of the number of similar businesses in the United States and 1.7% of the profits. This analysis assumes that Iowa's market share in this industry will remain at this level through 2015.
5. Although no specific data is currently available regarding capital expenditures by eligible entity, data from the 2002 U.S. Economic Census indicates that the average revenues of the 126 businesses in Iowa coded as NAICS 518210 was approximately $7.3 million.
6. The Iowa Department of Economic Development (DED) has noted that there are 10 businesses that are certified as meeting the Leadership of Energy Efficiency Design (LEED) standards. The DED estimates that there are 20 companies currently in Iowa with primary NAICS codes of 518210 or 541519 and meet the investment requirement.
7. Assumes that ten businesses would qualify for refunds between July 1, 2007, and June 30, 2008. Assumes that an additional ten businesses could qualify for the sales tax refunds between July 1, 2008, and June 30, 2009, and beyond.
8. Initial requests can be filed as soon as July 1, 2007, and cover the period from July 1, 2007, through June 30, 2008. These refunds will impact General Fund revenues in FY 2009.

Fiscal Impact

The overall fiscal impact is based on the above assumptions and reflects the impact on the State General Fund and local taxes. The estimate does not take into account any new economic activity that may result from the proposed legislation.

The estimated fiscal impact of **Sections 1 and 3** (Web Search Portal Sales/Use and Property tax exemptions) for FY 2009 through FY 2012 related to the tax incentives is provided in the table below.

Estimated Impact of Sections 1 and 3 of HF 912 (in Millions)

State General Fund		FY 2009		FY 2010		FY 2011		FY 2012
Sales and Use Tax	$	- 3.6	$	- 12.7	$	- 22.0	$	- 31.3
Uniform Levy Replacement for School Aid	$	0.0	$	0.0	$	0.0	$	- 1.4
Total General Fund Impact	**$**	**- 3.6**	**$**	**- 12.7**	**$**	**- 22.0**	**$**	**- 32.7**

Local Tax Impact		FY 2009		FY 2010		FY 2011		FY 2012
Local Option Sales and Services Tax	$	- 1.2	$	- 4.1	$	- 7.2	$	- 10.2
Property Tax	$	0.0	$	0.0	$	0.0	$	- 9.6

The estimated fiscal impact of **Section 2** could be a potential decrease in General Fund revenues of $270,000 in FY 2009, $603,000 in FY 2010, and $683,000 in FY 2011.

Enactment Date

This Act was approved by the General Assembly on April 25, 2007, and signed by the Governor on May 25, 2007.

Sources

Iowa Department of Revenue
Iowa Department of Economic Development
Government Technology's Public CIO
SC.GOV (The Official Website of the state of South Carolina)
E-Commerce Times (http://www.ecommercetimes.com/story/55266.html)
North American Industry Classification System
U.S. Economic Census, 2002

HF 923 - Department of Revenue Policy and Technical Act
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version – Final Action

Description

House File 923 provides policy and technical administration changes in the administration of tax laws by the Department of Revenue. **Division I** pertains to tax administration policy and technical changes and **Division II** pertains to technical and policy changes to cigarette and tobacco tax law.

Background

This Act has two divisions and 55 sections. Four of these sections are expected to have a fiscal impact and are addressed below.

Assumptions

Sections 20, 33, 46, and 54 are expected to have a fiscal impact as detailed below.

Section 20 extends the sales tax on service charges levied by banks doing business in Iowa that are not regulated by either federal or Iowa authorities. The average amount of retail sales tax paid by banks in FY 2006 was $5,060 per bank. The FY 2006 Annual Report of the Superintendent of Banking notes that 93 bank offices were operated by State banks chartered outside of Iowa. Estimates for FY 2008 and FY 2009 assume the same amount of impacted banks and average amount of retail sales tax paid by banks as the FY 2006 amount.

Section 33 converts the standing appropriation of $115,000 from the General Fund provided to the Department of Revenue for the enforcement of the cigarette tax to a standing unlimited appropriation. It is estimated that the Department will need $152,500 in FY 2008 and $158,800 in FY 2009 to fully fund the enforcement.

Section 46 changes the tax rate on cigars to 50.0% of the wholesale price of the price of a cigar or $0.50 per cigar, whichever is less. As approved and enacted in SF 128 (Cigarette and Tobacco Tax Increase Act), the tax rate on cigars is 22.0% of the wholesale cost plus an additional 28.0% of the wholesale cost or $0.50 per cigar, whichever is less. Based on data from the report, *The Tax Burden on Other Tobacco Products 2005,* the estimate assumes that premium cigars accounted for approximately 4.0% and non-premium cigars accounted for approximately 23.0% of the total other tobacco sales tax revenue prior to the tax increase in Iowa.

Section 54 provides that cigar tax paid above $0.50 per cigar between March 15, 2007, and the effective date of this Act, be refunded. Refund claims must be filed prior to October 1, 2007. This estimate assumes that the amount refunded retroactive to March 15, 2007, will be claimed in FY 2007.

Section 9 adds that noncash contributions may be made by a taxpayer for the school tuition organization tax credit. The tax credit is currently capped at $5.0 million a year and adding noncash contributions is not expected to change the fiscal impact in future years.

Sections 3 and 4 require counties and cities with urban renewal areas to report to the Department of Management the estimated and actual Tax Increment Finance (TIF) revenues and all estimated and actual expenditures, proceeds from debt and all estimated and actual expenditures of the debt proceeds, and identification of any entity receiving a direct payment of taxes funded by TIF revenues. Requires the Department to make data available electronically. These sections are not expected to have a significant fiscal impact.

The other sections of this Act are not expected to generate any fiscal impact.

Fiscal Impact

The estimated impact of **Section 20** is an increase of $471,000 in sales tax revenue in FY 2008 and FY 2009.

The estimated impact of **Section 33** is an increase in the amount appropriated to the Department of Revenue. The Department estimates the amount needed to enforce the cigarette tax law will be $152,500 in FY 2008 and $158,800 in FY 2009. This is an increase of $37,500 in FY 2008 and $43,800 in FY 2009 in the appropriation amount above current law and a General Fund decrease.

The estimated impact of **Sections 46 and 54** will be an increase in tobacco tax revenue of $100,000 in FY 2007, $132,000 in FY 2008, and a minimal impact in FY 2009. The estimates are compared to the estimates made in SF 128 (Cigarette and Tobacco Tax Increase Act).

The overall General Fund impact is a net increase in revenue of $97,000 in FY 2007, $566,000 in FY 2008, and $424,000 in FY 2009.

	Estimated General Fund Impact Compared to Current Law		
	FY 2007	FY 2008	FY 2009
Banking Sales Tax	$ 0	$ 471,000	$ 471,000
Cigarette Tax Enforcement	$ 0	$ - 37,500	$ - 43,800
Cigar Tax	$ 97,091	$ 132,215	$ - 2,826
Total Impact	**$ 97,091**	**$ 565,715**	**$ 424,374**

Funding Source

The General Assembly converted the standing appropriation for the enforcement of the cigarette tax from $115,000 annually to a standing unlimited appropriation beginning in FY 2008.

Enactment Date

This Act was approved by the General Assembly on April 28, 2007 and signed by the Governor on May 24, 2007.

Sources

Iowa Department of Revenue
The Tax Burden on Other Tobacco Products 2005
LSA Calculations

2007 Fiscal Report (Graybook)

To view other sections of the 2007 Fiscal Report, click on the bookmarks at the left.