



## Fiscal Services Division

### ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

August 15, 2023

Iowa Code section 17A.4(4) requires the Legislative Services Agency (LSA) to analyze the fiscal impact of all administrative rules with an impact of \$100,000 or more and provide a summary of the impact to the Administrative Rules Review Committee (ARRC). Fiscal Impact Statements filed by State agencies can be found on our website at [www.legis.iowa.gov/publications/fiscal/adminRulesFiscalImpact](http://www.legis.iowa.gov/publications/fiscal/adminRulesFiscalImpact).

With each rule summary, the rulemaking type is indicated in parentheses following the ARC number. The acronyms have the following meanings: Notice of Intended Action (**NOIA**), Amended Notice of Intended Action (**ANOIA**), Notice of Termination (**NOT**), Adopted and Filed Emergency (**AFE**), Filed Emergency After Notice (**FEAN**), and Adopted and Filed (**AF**).

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#### Department of Revenue

#### ARC 7050C (NOIA)

**Rule Summary** Implements the deductions for farm tenancy agreement income and farm capital gains enacted in 2022 Iowa Acts, House File 2317 (Income Tax Rate Reduction and Exemptions Act), divisions II and III. The legislation repealed the previous Iowa capital gain deduction for gains resulting from the sale of a business, the sale of real property used in a business, the sale of timber, and the sale of employer securities to an Iowa employee stock ownership plan, and provided a capital gain deduction for taxpayers who have held real property used in a farming business for 10 years and who have materially participated in a farming business for 10 years. The legislation also provided an election for retired farmers and eligible individuals to elect to deduct capital gains from the sale of real property used in a farming business, breeding livestock, and cattle or horses or to deduct income from a farm tenancy agreement covering real property. The deductions are effective for tax years beginning on or after January 1, 2023.

**State or Federal Law Implemented:** 2022 Iowa Acts, HF 2317 (Income Tax Rate Reduction and Exemptions Act).

**Fiscal Impact** **Agency Response:** No known fiscal impact beyond that of the legislation it is intended to implement. The final **Fiscal Note** for HF 2317 found that division II is projected to reduce the General Fund revenue by the following:

- FY 2024 – \$2.1 million.
- FY 2025 – \$2.0 million.
- FY 2026 – \$1.8 million.
- FY 2027 – \$1.5 million.
- FY 2028 – \$1.6 million.

The final **Fiscal Note** for HF 2317 found that division III is projected to reduce General Fund revenue by the following:

- FY 2024 – \$7.2 million.
- FY 2025 – \$6.9 million.
- FY 2026 – \$6.1 million.

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- FY 2027 – \$5.4 million.
- FY 2028 – \$5.7 million.

**LSA Response:** The LSA concurs.

## ARC 7051C (NOIA)

**Rule Summary** Provides guidance as to how and when an employee-owner may make a single, irrevocable lifetime election to exclude from net income a net capital gain from the sale or exchange of qualifying capital stock in a qualifying corporation

**State or Federal Law Implemented:** Iowa Code section 422.7; 2022 Iowa Acts, House File 2317 (Income Tax Rate Reduction and Exemptions Act).

**Fiscal Impact** **Agency Response:** No known fiscal impact beyond that of the legislation it is intended to implement. The Department of Revenue projects that the stock capital gain income tax exclusion will reduce tax liability and General Fund revenue by the following amounts:

- FY 2024 – \$4.0 million.
- FY 2025 – \$7.6 million.
- FY 2026 – \$10.3 million.
- FY 2027 – \$9.0 million.
- FY 2028 – \$9.5 million.

**LSA Response:** The LSA concurs.

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## Department of Transportation

## ARC 7046C (NOIA)

**Rule Summary** Adds both an annual small crane permit at a fee of \$400 pursuant to 2022 Iowa Acts, House File 2518 (Crane, Annual Permit Act) and an annual all-systems overweight permit at a fee of \$500 pursuant to 2022 Iowa Acts, Senate File 2376 (Overweight Vehicle Permits Act). Establishes procedures for distribution of funds collected for the annual all-systems permit to counties who participate in the all-systems permit and eliminates the requirement that overweight vehicles operating under a permit must display flashing amber lights.

**State or Federal Law Implemented:** 2022 Iowa Acts, HF 2518 (Crane, Annual Permit Act); 2022 Iowa Acts, SF 2376 (Overweight Vehicle Permits Act); and 2022 Iowa Acts, Senate File 527 (Oversize Loads, Amber Lights and All-Systems Permits Act).

**Fiscal Impact** **Agency Response:** No fiscal impact to the State of Iowa beyond any impact calculated by the Legislative Services Agency for the underlying legislation.

**LSA Response:** The LSA concurs. Under SF 2376, revenue from the new all-systems overweight permit is deposited into the Road Use Tax Fund (RUTF), and then 75.0% of that revenue is credited to the Department of Transportation (DOT) to distribute to counties that have jurisdiction over secondary roads on which vehicles issued permits under Iowa Code section 321E.8 are authorized to operate. The **Fiscal Note** for SF 2376 estimated increased net revenues to the RUTF by \$425,000 per year and increased revenue to the DOT for distribution to counties by \$1.3 million per year. **Figure 1** includes the year-to-date revenue through May 2023 to the RUTF and distributions to counties from the new all-systems overweight permit. The permit was first issued in January 2023.

**Figure 1 — 2023 Year-to-Date All-Systems Overweight Permit Fee Revenue**

Month	Total Deposited into RUTF	75.0% Distributed to Counties	Net Total to RUTF	Total Counties Participating
<b>January</b>	\$ 553,500	\$ 415,125	\$ 138,375	40
<b>February</b>	203,500	152,625	50,875	54
<b>March</b>	331,000	248,250	82,750	59
<b>April</b>	196,500	147,375	49,125	66
<b>May</b>	118,500	88,875	29,625	67
<b>Total</b>	<u>\$ 1,403,000</u>	<u>\$ 1,052,250</u>	<u>\$ 350,750</u>	

The **Fiscal Note** for SF 2376 also estimated a significant but unknown repair cost to the State highway system, and a one-time expense of \$10.3 million among all 99 counties in order to evaluate bridge infrastructure. Expenses may be incurred over a number of years beginning in FY 2023.

The **Fiscal Note** for HF 2518 estimated reduced net revenues to the RUTF by \$8,000 annually, which included the annual trip permit for cranes resulting in \$10,000 in revenue, while eliminating single-trip permits will reduce revenue by \$18,000. Since January 1, 2023, the DOT has issued 14 small crane permits for a total of \$5,600.

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**Department of Veterans Affairs**

**ARC 7047C (NOIA)**

**Rule Summary** Updates income and asset guidelines for the Veterans Trust Fund.

**State or Federal Law Implemented:** Iowa Code section 35A.13.

**Fiscal Impact** **Agency Response:** This rulemaking has a fiscal impact on the State in the form of cost reductions.

**LSA Response:** The LSA concurs. Based on past applications, the Iowa Department of Veterans Affairs (IDVA) estimates that reducing the eligibility threshold from 300.0% of the federal poverty level (FPL) to 200.0% of the FPL would decrease application approvals by 30.0%. In CY 2022, 521 applications for aid were approved for a total cost of \$1.5 million. Therefore, the IDVA is anticipating an estimated \$500,000 reduction in annual costs.

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## Iowa Workforce Development Board

### ARC 7052C (NOIA)

**Rule Summary** Establishes rules and procedures for implementation and administration of the new Iowa Office of Apprenticeship.

**State or Federal Law Implemented:** 2023 Iowa Acts, Senate File 318 (Iowa Registered Apprenticeship Act).

**Fiscal Impact** **Agency Response:** There is no immediate fiscal impact for the creation and implementation of this rulemaking; however, the Iowa Office of Apprenticeship will have costs associated with it over the next five years in terms of personnel and implementation costs. No estimate is available at this time because the Iowa Department of Workforce Development (IWD) continues to coordinate with the existing Office of Apprenticeship and U.S. Department of Labor (DOL) to determine scope of responsibility and timing of transition of the program. IWD does not anticipate any additional fiscal impact in the current fiscal year and anticipates that there will be a request for a general appropriation in future legislative sessions once the amount of staff and resources necessary to fully implement this program are determined.

**LSA Response:** The LSA concurs.

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