



## Fiscal Services Division

### ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

May 8, 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 Human Services

##### **ARC 6965C (AF)**

**Rule Summary** Amends definitions and program titles to create uniformity with other State and federal references and removes specific references to form titles to reduce the need for future rulemakings to keep form title references current. Updates language relating to child care assistance for foster care providers to reflect a change in the source of funding for the program. Details the method by which a child care provider may request a review of the calculation of a half-day rate.

**State or Federal Law Implemented:** Iowa Code section 234.6.

**Fiscal Impact** **Agency Response:** No fiscal impact.

**LSA Response:** The LSA concurs. The Department estimates expending approximately \$1.7 million in FY 2023 and \$2.1 million in FY 2024 in child care assistance payments to foster care providers. This rulemaking shifts the expenditure from the Child and Family Services appropriation to the Child Care Assistance appropriation.

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#### Department of Revenue

##### **ARC 6989C (AF)**

**Rule Summary** Exempts diapers from sales tax and provides definitions of “adult diapers” and “children’s diapers.”

**State or Federal Law Implemented:** 2022 Iowa Acts, Senate File 2367 (Department of Revenue, Sales Tax Act), division II.

**Fiscal Impact** **Agency Response:** No fiscal impact beyond the statute the rulemaking seeks to implement. The LSA fiscal estimate for SF 2367, division II, estimates a reduction to General Fund revenue in FY 2023 of \$4.7 million, which increases to \$9.5 million in FY 2024, the first full fiscal year of the new exemption.

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**LSA Response:** The LSA concurs. Table 2 in the ***Fiscal Note*** for SF 2367 includes a cumulative fiscal impact for various sales tax exemptions. Isolating the fiscal impact of the exemption of sales tax for only the sales of child and adult diapers results in the following estimates for FY 2023:

- A decrease of \$0.8 million to the Secure an Advanced Vision for Education (SAVE) Fund.
- A decrease of \$0.8 million to local option sales tax (LOST).
- A net decrease of \$3.9 million to the General Fund.

The following are the estimates for FY 2024:

- A decrease of \$1.6 million to SAVE.
- A decrease of \$1.5 million to LOST.
- A net decrease of \$7.9 million to the General Fund.

### **ARC 7004C (AF)**

**Rule Summary** Expands the sales and use tax exemption for manufacturers of marketable food products for human consumption to be an exemption for manufacturers of food or food ingredients.

**State or Federal Law Implemented:** 2022 Iowa Acts, Senate File 2367, division VIII (Department of Revenue, Sales Tax Act).

**Fiscal Impact** **Agency Response:** This rulemaking has no fiscal impact to the State of Iowa beyond the legislation it seeks to implement. The Legislative Services Agency (LSA) estimated that division VIII of SF 2367 would result in a \$4.2 million reduction to the General Fund, a \$0.8 million reduction to the Secure an Advanced Vision for Education (SAVE) Fund, and a \$0.8 million reduction to local option sales tax (LOST) revenues in FY 2023.

**LSA Response:** The LSA concurs. The ***Fiscal Note*** for SF 2367 estimates a \$4.2 million decrease to the General Fund, a \$0.8 million decrease to SAVE, and a \$0.8 million decrease to LOST revenues beginning in FY 2023.

### **ARC 7009C (AF)**

**Rule Summary** Rescinds a recently implemented rule that made all commercial recreation services subject to sales tax and replaces it with the text of the original rule, which provides that commercial recreation services that are led by an instructor who has special training and who imparts guidance or knowledge to the participant at a level of knowledge or skill not known to an ordinary person engaging in the service are exempt from sales tax.

**State or Federal Law Implemented:** Iowa Code section 423.2.

**Fiscal Impact** **Agency Response:** This rulemaking reverses a recent rule change that had a fiscal impact of a \$5.0 million increase for sales tax and a \$0.8 million increase for local option sales tax (LOST) in fiscal year 2024, increasing gradually thereafter due to inflation. Because this rulemaking reverses that rule change, this rulemaking will have the inverse fiscal impact, decreasing sales tax revenue by \$5.0 million in fiscal year 2024.

The LSA fiscal impact statement for the Notice of Intended Action for this rulemaking, ARC 6947C, concurred in part with the Department's statement above, due to uncertainty regarding tax collected pursuant to 701 IAC 216.3. On January 6, 2023, two days after 701 IAC 216.3 took effect, the Department advised taxpayers to ignore the newly adopted 701 IAC 216.3 and that the Department would issue refunds to anyone who paid tax pursuant to 701 IAC 216.3.

**LSA Response:** The LSA concurs. Since this rulemaking is reverting back to the previous language related to the taxability of commercial recreation services and the Department of Revenue did not collect sales tax under the rescinded rulemaking, there

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is no realized fiscal impact in FY 2024 compared to current sales tax collections for FY 2023.

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### Department of Education

#### **ARC 6979C (AF)**

**Rule Summary** Clarifies the role of the Department of Education in providing family mentoring for deaf or hard-of-hearing children. Specifies the qualifications of family mentors and characteristics of family mentoring programs required to be a part of the Family Support Mentoring Program.

**State or Federal Law Implemented:** 2022 Iowa Acts, House File 604 (Deaf Children, Language and Literacy Development).

**Fiscal Impact** **Agency Response:** No fiscal impact.

**LSA Response:** The LSA concurs. The proposed rulemaking is contingent upon an appropriation by the General Assembly. The ***Fiscal Note*** for HF 604 estimated the cost to the Iowa School for the Deaf for establishment and ongoing costs of the Family Support Mentoring Program to be \$300,000. The ***Fiscal Note*** additionally estimated a cost of \$80,000 to the Department of Public Health (now a division of the Department of Health and Human Services) for establishment and ongoing costs of the Family Support Mentoring Program.

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