



Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

November 14, 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.

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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Economic Development Authority

ARC 7105C (NOIA)

Rule Summary Increases the maximum Renewable Chemical Production Tax Credit for businesses that have been in operation for five years or more from \$500,000 to \$1.0 million. Removes the requirement that the Iowa Economic Development Authority (IEDA) maintains a wait list if demand for credits exceeds the annual allocation. Creates a competitive award process for the credit. Removes serine, threonine, and lysine as eligible chemicals to receive the credit. Extends the credit for renewable chemicals produced from the end of calendar year 2026 until the end of calendar year 2035.

State or Federal Law Implemented: Iowa Code sections 15.316, 15.317, 15.318, 15.319, 15.320, 2023 Iowa Acts, Senate File 575 (Economic Development Authority Policy Act).

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

LSA Response: The LSA concurs. This rulemaking has no fiscal impact to the State beyond the legislation it is intended to implement. The Renewable Chemical Production Tax Credit is equal to \$0.05 per pound of renewable chemical produced. The IEDA may allocate up to \$5.0 million in credits each fiscal year. The **Fiscal Note** for SF 575 estimates a reduction in General Fund revenue by the following amounts:

- FY 2027 – \$400,000
- FY 2028 – \$1.1 million
- FY 2029 – \$2.1 million
- FY 2030 – \$2.7 million
- FY 2031 – \$3.0 million

ARC 7106C (NOIA)

Rule Summary Implements changes to multiple tax credit programs administered by the Iowa Economic Development Authority (IEDA). Extends the availability of the Hoover Presidential Library Tax Credit until the end of calendar year 2024. Increases the allocation of available Endow Iowa Tax Credits from \$6.0 million to \$13.0 million for tax year 2023. Specifies that the change to the maximum amount of tax credits granted to a taxpayer applies to endowment gifts made to an endow Iowa-qualified community foundation on or after January 1, 2023. Changes the Workforce Housing Tax Incentives Program by adding construction of new dwelling units in urban areas as an eligible project type.

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Previously, greenfield development was an eligible project type in only small cities. Changes the Innovation Fund Tax Credit by removing the requirement for IEDA to establish a wait list for fiscal years in which the amount of tax credit certificates applied for exceeds the amount allocated. Extends the authority of IEDA to continue certifying new funds for the Innovation Fund Tax Credit until June 30, 2028, from June 30, 2023.

State or Federal Law Implemented: Iowa Code sections [15E.364](#), [15E.305](#), [15.353](#), and [15E.52](#); 2023 Iowa Acts, [House File 703](#) (Hoover Tax Credit Extension Act); 2023 Iowa Acts, [House File 710](#) (Sports Wagering Receipt and County Endowment Funds Act); and 2023 Iowa Acts, [Senate File 575](#) (Economic Development Authority Policy Act).

Fiscal Impact Agency Response: No fiscal impact.

LSA Response: The LSA concurs. This rulemaking has no fiscal impact to the State beyond the legislation it is intended to implement.

The **Fiscal Note** for HF 703 related to the Hoover Presidential Library Tax Credit estimated a reduction in General Fund revenue by \$560,000 in FY 2025 and \$38,000 annually from FY 2026 through FY 2030.

The **Fiscal Note** for HF 710 related to Endow Iowa Tax Credits estimated a reduction in General Fund revenue by the following amounts:

- FY 2024 – \$2.8 million
- FY 2025 – \$2.1 million
- FY 2026 – \$400,000
- FY 2027 – \$200,000
- FY 2028 – \$100,000

Also estimated is a reduction in school district surtax collected by the following amounts:

- FY 2024 – \$71,000
- FY 2025 – \$54,000
- FY 2026 – \$11,000
- FY 2027 – \$5,000
- FY 2028 – \$2,000

The **Fiscal Note** for SF 575 estimated a reduction in General Fund revenue related to changes to the Innovation Fund Tax Credit by the following amounts:

- FY 2024 – \$100,000
- FY 2025 – \$1.3 million
- FY 2026 – \$3.2 million
- FY 2027 – \$2.9 million
- FY 2028 – \$4.4 million

The fiscal impact of changes to the Workforce Housing Tax Credit cannot be estimated due to a lack of data.

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Department of Revenue

ARC 7102C (AF)

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 2022 Iowa Acts, HF 2317, found that division II is projected to reduce General Fund revenue by the following amounts:

- 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 amounts:

- FY 2024 – \$7.2 million
- FY 2025 – \$6.9 million
- FY 2026 – \$6.1 million
- FY 2027 – \$5.4 million
- FY 2028 – \$5.7 million

LSA Response: The LSA concurs.

ARC 7103C (AF)

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 and 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

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LSA Response: The LSA concurs.

ARC 7109C (NOIA)

Rule Summary Implements statutory changes to the retirement income exclusion from a partial to a full exclusion for qualifying taxpayers receiving distributions from qualifying plans. Identifies certain plans that qualify for the exclusion and defines how survivors with an insurable interest may qualify for the exclusion. Updates items of income that are required to be added back to Iowa taxable income to determine whether a taxpayer has a filing requirement, including eliminating excluded retirement income from the required add backs.

State or Federal Law Implemented: Iowa Code sections 422.7, 422.5, 422.13, and 422.16; 2022 Iowa Acts, House File 2317 (Income Tax Rate Reduction and Exemptions Act); 2022 Iowa Acts, House File 2552 (Department of Revenue Omnibus Act).

Fiscal Impact **Agency Response:** No fiscal impact to the State of Iowa beyond that of the legislation it is intended to implement. The final ***Fiscal Note*** for HF 2317, found that divisions IV through VI, which includes income tax rate reductions and retirement income exclusions, are projected to reduce General Fund revenue by the following amounts:

- FY 2024 – \$482.0 million
- FY 2025 – \$666.8 million
- FY 2026 – \$1.227 billion
- FY 2027 – \$1.651 billion
- FY 2028 – \$1.690 billion

LSA Response: The LSA concurs.

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