



HF 76 – Income Taxation, Voluntary Contributions (LSB1861YH)
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Fiscal Note Version – New

Description

House File 76 adds an additional voluntary income tax contribution option to the Iowa individual income tax form. The change is effective beginning tax year 2019. The new option will allow taxpayers to contribute money to up to five State funds through their annual income tax return filing. Contributions to a specific fund will be deposited to that fund.

The Department of Revenue (DOR) and the Department of Management (DOM) are directed to identify and list all current State funds and make the list available to taxpayers for use in the contribution process. Any contributions made to a State fund through this process are to be considered charitable contributions. No additional State income tax benefit is provided.

Background

The Iowa individual income tax return currently lists four voluntary contribution programs. The programs are:

- Iowa State Fair
- Volunteer Firefighters and Veterans Trust Fund (combined)
- Fish and Wildlife Fund
- Child Abuse Prevention

The average total amount contributed to the four current programs over the past seven calendar years is \$340,000, with approximately 40.0% contributed to the Fish and Wildlife Fund and 20.0% contributed to each of the other three options.

Fiscal Impact

It is unknown how Iowa taxpayers will respond to additional contribution options provided on the individual income tax return when the amounts contributed do not provide any additional federal or State tax benefit beyond what is already available (a charitable contribution deduction). Based on contribution histories for the existing programs, it is likely the contributed amounts will be less than \$100,000 per year, with a portion of that amount being the result of lower contributions to the existing contribution options.

The DOR identifies significant administrative costs associated with modifying the existing individual income tax return and associated computer systems. The Department estimates the one-time staff and contractor costs to be \$320,000 in FY 2020.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

February 6, 2019

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
