



HF 747 – Service Contracts (LSB2469HZ)

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Fiscal Note Version – New

Description

[House File 747](#) combines the regulation of motor vehicle service contracts (MVSC), currently under Iowa Code chapter [516E](#), and residential service contracts (RSC), currently under Iowa Code chapter [523C](#). Going forward, both MVSCs and RSCs would be regulated under Iowa Code chapter [523C](#) and Iowa Code chapter [516E](#) would be repealed. The existing oversight framework would remain in its current form. [House File 747](#) proposes fee changes displayed in **Table 1** below.

[House File 747](#) also creates the Service Company Oversight Fund (SCOF) which will receive one-third of all fees collected under Iowa Code chapter [523C](#) while the remaining two-thirds will be deposited in the Commerce Revolving Fund (CRF). The SCOF may be used for administration and enforcement as well as education and outreach. The Insurance Division anticipates using the SCOF to develop an electronic filing system and database.

[House File 747](#) proposes the following changes to existing fees:

- The MVSC provider filing fee is eliminated.
- The RSC annual license fee is increased from \$250 to \$500 to match the MVSC annual license fee.
- The MVSC form filing fee is increased from \$10 to \$50 per service contract.

Assumptions

The number of service contract providers and transactions will remain relatively consistent in future fiscal years.

Fiscal Impact

[House File 747](#) will result in an annual estimated net increase in revenue of \$111,800 beginning in FY 2020. Of this net increase, the SCOF will receive \$37,300 and the CRF will receive \$74,500. **Table 1** below illustrates in greater detail the fee and revenue changes. Despite creating a net increase in total revenue, [House File 747](#) will reduce revenues for the Commerce Revolving Fund by an estimated \$96,900 (**Table 2**).

Table 1
HF 747 — Estimated Fiscal Impact of Proposed Fee Changes

	MVSC Provider Filing Fee	MVSC Form Filing Fee	MVSC License & Reg. Fees	RSC Sales Fee	RSC Annual License Fee	Total
Current Fee	\$ 100	\$ 10	\$ 500	3.0%	\$ 250	
Current Revenues	\$ 59,700	\$ 41,000	\$ 60,100	\$ 346,100	\$ 7,500	\$ 514,400
Proposed Fee	\$ 0	\$ 50	\$ 500	3.0%	\$ 500	
Proposed Revenues	\$ 0	\$ 205,000	\$ 60,100	\$ 346,100	\$ 15,000	\$ 626,200
Change in Revenue	\$ -59,700	\$ 164,000	\$ 0	\$ 0	\$ 7,500	\$ 111,800

Distribution of Revenues			
	Current Revenue	New Revenue	Total Revenue
Service Company Oversight Fund Deposits	\$ 171,467	\$ 37,267	\$ 208,733
Commerce Revolving Fund Deposits	342,933	74,533	417,467
Total Annual Revenue	\$ 514,400	\$ 111,800	\$ 626,200

Table 2
HF 747 — Annual Estimated Fiscal Impact on the Commerce Revolving Fund

	FY 2020
Fees - Current Law	\$ 514,400
Fees - HF 747	417,467
Net Reduction	\$ -96,933

Sources

Department of Commerce, Insurance Division
 LSA calculations and analysis

/s/ Holly M. Lyons

April 12, 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.