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**SF 619** – Service Contracts (LSB2469SZ)

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Fiscal Note Version – New (Same as Fiscal Note for [SF 595](#))

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**Description**

[Senate File 619](#) 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both MVSCs and RSCs will be regulated under Iowa Code chapter [523C](#) and Iowa Code chapter [516E](#) would be repealed. The existing oversight framework will remain in its current form. [Senate File 619](#) proposes fee changes displayed in **Table 1**.

[Senate File 619](#) 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.

[Senate File 619](#) 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**

[Senate File 619](#) 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, [Senate File 619](#) will reduce revenues for the CRF by an estimated \$96,900 (**Table 2**).

**Table 1**  
**SF 619 — 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

  

<b>Distribution of Revenues</b>			
	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**  
**SF 619 — Annual Estimated Fiscal Impact on the Commerce Revolving Fund**

	FY 2020
Fees - Current Law	\$ 514,400
Fees - SF 619	417,467
Net Reduction	\$ -96,933

**Sources**

Department of Commerce, Insurance Division  
LSA calculations and analysis

/s/ Holly M. Lyons

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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.