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**SF 597** – Blood Processing Centers, Sales Tax Exemption (LSB1397SV.3)  
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Fiscal Note Version – Final Action

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### **Description**

[Senate File 597](#) revises the sales and use tax exemption in Iowa Code section [423.3](#)(26A) for reagents and related accessory equipment sold or furnished to a regional blood testing facility under certain conditions and makes an exemption for tangible personal property sold or test laboratory services furnished that are directly and primarily involved in the processing of human blood.

### **Background**

The two main entities affected by the Bill are LifeServe Blood Center (LBC) and Mississippi Valley Regional Blood Center (MVRBC). For this analysis, expenditure data from IRS Tax Form 990 reported by the two agencies from 2014 to 2017 was utilized. The IRS 990 forms are representative of the total operations of federally tax-exempt organizations, in this case the nonprofit blood centers in the United States, so estimated allocation of activities in and outside of Iowa was obtained from the organizations.

### **Assumptions**

- Sales of laboratory testing reagents to MVRBC are already exempt under Iowa Code section [423.3](#)(26A).
- MVRBC medical supplies expenditures are 66.0% sourced in Iowa, with the remainder occurring in other states. Equipment rental and maintenance expenditures are 50.0% sourced in Iowa.
- LBC total expenditures are 85.0% sourced in Iowa, with the remainder occurring in other states.
- Total expenditures for medical supplies and testing supplies from 2014 to 2017 trended downward for both LBC and MVRBC. This trend is consistent with the federal Bureau of Labor Statistics' Producer Price Index for Blood and Organ Banks, which indicates the costs of inputs are falling. This rate of decline is projected to continue.
- MVRBC is located in Davenport, which has a 1.0% local option sales tax (LOST) for a total sales tax rate of 7.0%. LBC is located in Des Moines, which will have a LOST effective July 1, 2019.
- The IRS 990 reports are organized by the tax year, or calendar year. These totals were divided evenly to allocate amounts by the State fiscal years.
- The IRS 990 report for LBC's listing of laboratory reagents includes both testing that LBC directly performs, and testing as a service that LBC procures from other vendors.

### **Fiscal Impact**

The calendar year (CY) sales tax liability for 2019 for each nonprofit blood center is estimated in **Table 1**.

**Table 1 — CY 2019 Estimated Tax Liability for Nonprofit Blood Centers**

	<u>Mississippi Valley</u>	<u>LifeServe</u>	<u>Total</u>
Laboratory Reagents	Exempt	\$ 287,000	\$ 287,000
Blood Bags	\$ 0	214,000	214,000
Medical Supplies	271,000	131,000	402,000
Equipment Rental and Maintenance	66,000	34,000	100,000
<b>Total</b>	<b>\$ 337,000</b>	<b>\$ 666,000</b>	<b>\$ 1,003,000</b>

[Senate File 597](#) will reduce revenue to the General Fund, Secure an Advanced Vision for Education (SAVE) Fund, and LOST by the estimates presented in **Table 2**.

**Table 2 — Estimated Revenue Reduction by Fund**

	FY 2020	FY 2021	FY 2022	FY 2023
<b>General Fund</b>				
Receipts	\$ -734,000	\$ -697,000	\$ -662,000	\$ -629,000
<b>SAVE</b>				
Receipts	\$ -147,000	\$ -139,000	\$ -132,000	\$ -126,000
<b>LOST</b>				
Receipts	\$ -147,000	\$ -139,000	\$ -132,000	\$ -126,000

**Sources**

IRS 990 forms for Mississippi Valley Regional Blood Center, 2014-2017  
IRS 990 forms for LifeServe Blood Center, 2014-2017  
Interviews with Mississippi Valley Regional Blood Center and LifeServe Blood Center  
LSA analysis and calculations

/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.