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[HF 2641](#) – Department of Revenue, Omnibus Bill (LSB5409HV.3)  
Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
Fiscal Note Version – Final Action

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**Description**

[House File 2641](#) contains 28 divisions. Please note that for this **Fiscal Note**, the term “Department” refers to the Department of Revenue and the term “sales tax” also refers to the use tax when applicable.

- **Division I** relates to Iowa tax administration and tax penalties. The Division:
  - Allows the Department, through agreements, to collect taxes and fees from sellers making sales at the State fair and at county fairs.
  - Creates monetary penalties for persons who fail to file certain income tax forms.
  - Expands and creates criminal penalties for situations where a person willfully makes false or frivolous applications for tax refunds, rebates, credits, or other tax benefits (perjury).
  - Expands the availability of power of attorney or other authority procedures that will allow others to act and receive information on behalf of a taxpayer.
  - Allows the Department to distribute a website reference (instead of a physical document) specifying the rights of the taxpayer and obligations of the Department during an audit, taxpayer appeal procedures, and the procedures the Department may use in enforcing the tax laws, including notices of assessment and jeopardy assessment and the filing and enforcement of liens (Taxpayer Bill of Rights).
  - Allows a taxpayer to elect to receive correspondence from the Department electronically.
  - Allows the Department to redact information prior to disclosure of a record in a court or contested case.
  - Provides that the period of examination is unlimited in any action by the Department to recover or rescind a tax expenditure.
  - Removes the role of the Department in the application for reinstatement for various forms of corporations.
  - Establishes a due date that is the last day of the fourth month following the end of the taxpayer’s tax year (April 30 for calendar year filers) for the moneys and credits tax (credit unions) and requires that the tax return be on a form prepared by the Department.
- **Division II** relates to sales and use tax. The Division:
  - Requires that, at the time of registration of a snowmobile or all-terrain vehicle, and in situations where there is not satisfactory evidence that the sales tax has already been paid, the county recorder shall collect sales tax. The tax shall be remitted to the Department on a monthly basis.
  - Adds services arising from software sold as tangible personal property to the description of services subject to the State sales tax.
  - Adds the term “specified digital product” to the description of components of a transaction that make that transaction not a bundled transaction.
  - Expands the existing sales tax exemption for preserve whitetail deer to apply the exemption to the commercial service of preserve whitetail deer hunting. Based on existing language, the exemption applies to sales that occurred between July 1, 2005, and December 31, 2015. Specifies that refunds of taxes already paid on these

transactions are not allowed. The tax exemption will only apply to taxpayers who have yet to pay the tax on the service.

- Clarifies existing sales tax exemptions available for tribal governments, designated exempt entities, and governmental entity construction contracts.
- Removes language that applies the use tax at a rate of 6.0% to the purchase or installed price of manufactured housing. A reference applying the use tax at a rate of 5.0% remains.
- Clarifies the duty to collect and remit sales and use taxes and also clarifies the joint liability of the purchaser and retailer for the payment of the tax until the tax is paid.
- **Division III** modifies required loss carryback provisions for taxpayers who report a net operating loss. Specifies that a taxpayer may elect to waive a carryback period in favor of a loss carryforward period of up to 20 years. The change applies to tax year 2020 and after.
- **Division IV** updates federal Internal Revenue Code references related to the Research Activities Tax Credit. The changes are effective upon enactment and apply to tax year 2019 and after.
- **Division V** relates to partnership and other pass-through entity tax returns and audits.
- **Division VI** amends 2020 Iowa Acts, [HF 2565](#) (Public Agency Payment Setoff Act), by making changes to effective dates and requiring the adoption of administrative rules. The changes are effective upon enactment and apply beginning with the enactment date of HF 2565.
- **Division VII** clarifies that Iowa tax relief from spousal joint and several liability is available under all circumstances for which such relief would be granted through the federal Internal Revenue Code. The change also provides a mechanism for the Department to allow the nonrequesting spouse to intervene in the Department's process for deciding whether to grant relief.
- **Division VIII** relates to business taxation, the business interest expense deduction, and Global Intangible Low-Taxed Income (GILTI). The Division:
  - Decouples Iowa tax law from recent federal Internal Revenue Code changes that limit the deduction of business interest expenses for income tax purposes, beginning tax year 2020. The change will reduce business taxable income.
  - Allows business taxpayers to deduct GILTI from Iowa business taxable income. The change will reduce business taxable income.
  - Rescinds recent Department rules related to the GILTI deduction.
- **Division IX** expands the existing State sales tax and State hotel and motel tax diversion for the support of reinvestment districts. The Division:
  - Expands the definition of "municipality" to include a joint board or other legal entity established between two or more contiguous municipalities. Under current law, the term only refers to a county or a city.
  - Allows the Economic Development Authority Board to approve additional reinvestment districts for a time period beginning July 1, 2020, through June 30, 2025. The aggregate amount of State sales tax and State hotel and motel tax diversions allowed for all districts approved during the new time frame may total up to \$100.0 million. The maximum size allowed for a single new district is 75 acres.
  - Allows the Economic Development Authority Board to extend the 20-year maximum number of years a reinvestment district may receive State sales tax and State hotel and motel tax diversions for up to an additional 5 years under specified circumstances.
- **Division X** exempts certain sales of computer peripherals from the sales tax. The new exemption applies to the sale of computer peripherals in the same manner as a similar exemption applies to the sale of computers. The term "computer peripheral" is defined as an ancillary device connected to the computer digitally, by cable, or by other medium, used to put information into or get information out of a computer.

- **Division XI** allows for an increase in the total annual maximum dollar amount of School Tuition Organization Tax Credits that may be issued in a calendar year, beginning January 1, 2022. Under current law, the annual maximum is \$15.0 million. Under the Bill, the annual amount could reach a maximum of \$20.0 million. The Division also removes a current restriction limiting corporate taxpayers to no more than 25.0% of the annual maximum amount of School Tuition Organization Tax Credits allowed for a calendar year.
- **Division XII** excludes from Iowa income taxation the amount of any federal, State, or local grant provided to a communications service provider where the proceeds of the grant were used to install broadband infrastructure in targeted service areas. The change takes effect upon enactment and applies to tax year 2019 and after.
- **Division XIII** relates to local assessors. The Division:
  - Requires local assessor appointments to be confirmed by the Department before the appointment is effective.
  - Prohibits a local assessor from personally assessing property the assessor or a member of the assessor's immediate family owns.
  - Requires approval of the relevant city attorney or county attorney when a [Conference Board](#) employs special counsel to assist with litigation involving assessments.
- **Division XIV** excludes the forgiven loan proceeds a business receives through the federal Paycheck Protection Program (PPP) from taxable income for Iowa income tax purposes.
- **Division XV** exempts income taxpayers receive through the federal [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) in the form of emergency student grants from the State income tax. The exemption applies to any tax year ending after March 27, 2020.
- **Division XVI** exempts the income taxpayers receive through the federal CARES Act in the form of stimulus tax refund payments from the State income tax. The CARES Act payments equal a maximum of \$1,200 per taxpayer and \$500 per dependent.
- **Division XVII** specifies how an Iowa resident's share of a business entity's entity-level tax payments to another state or foreign country on income that is also subject to Iowa income tax is to be determined for Iowa income tax purposes. This change will reduce Iowa taxable income.
- **Division XVIII** exempts any financial assistance grant provided to a business by the Iowa Economic Development Authority under the [Iowa Small Business Relief Grant Program](#) from Iowa income tax. The change is effective upon enactment and applies retroactively to any tax year ending on or after March 23, 2020.
- **Division XIX** changes how Iowa tax law couples with federal Internal Revenue Code references to depreciation schedules known as "Section 179 expensing." The current coupling provision in the Iowa Code does not automatically couple with future changes to the federal tax code related to Section 179 expensing. With this change, Iowa will automatically couple with future federal tax law changes in this tax item.
- **Division XX** allows funds in an Iowa Educational Savings Plan Trust (529 Plan) to be used for participation in a certified apprenticeship program.
- **Division XXI** extends the tax year 2019 contribution deadline for 529 Plan and First-Time Homebuyer Account contributions until July 31, 2020.
- **Division XXII** specifies conditions under which refunds of qualified 529 Plan higher education expenses may be recontributed to the original 529 Plan account without impacting the account contributor's taxable income.
- **Division XXIII** exempts personal protective equipment and materials assembled to become personal protective equipment and donated by a business during a specified time frame from the State use tax. The change is retroactive to January 1, 2020.
- **Division XXIV** amends 2020 Iowa Acts, [SF 2413](#) (Food Operations Trespass Act), which created food operation trespass penalties. This change removes food establishments and farmers markets from the definition of a food operation.

- **Division XXV** prohibits counties and cities from adopting or enforcing an ordinance that prohibits short-term rental properties. The language also prohibits local restrictions related to distance separation requirements for single-family homes and duplexes and cities and counties are required to consider short-term rental properties as residential land for zoning purposes.
- **Division XXVI** modifies the conditions under which a Rural Improvement Zone (RIZ or Zone) may be created or exist. The change removes a requirement that a RIZ be associated with a private lake and instead allows the creation or existence of a RIZ that is a private development that is adjacent to or abuts a private or public lake. The change applies to any RIZ currently in existence or created in the future.
- **Division XXVII** allows tax credits for projects approved prior to July 1, 2015, under the former Housing Enterprise Zone (HEZ) Program to qualify as transferable tax credits. The change is retroactive to May 30, 2014. To qualify for the additional transfer criteria created in the Bill, the tax credits must have been awarded:
  - Before July 1, 2015.
  - For a housing development project located in a blighted area.
  - For a project located in a county that has a population of less than 105,000. This requirement excludes projects in Polk, Linn, Scott, Johnson, and Black Hawk counties.
  - For a project where the eligible housing business submitted a written request to transfer the credits before July 1, 2019.
- **Division XXVIII** creates a “Flying Our Colors” license plate and requires the Department of Transportation (DOT) to design the plate. The plate requires two fees, an initial special fee of \$35 and an annual special fee of \$10. These fees are deposited in the Road Use Tax Fund (RUTF). At the end of each month, the Treasurer of State is required to credit the amount equal to the special fees deposited in the RUTF from the Statutory Allocations Fund (SAF) to the Flood Mitigation Fund. The language also specifies that the initial fee for a personalized plate is \$25 and the annual renewal fee for such plate is \$5. The fees for personalized plates are not subject to deposit in the Flood Mitigation Fund.

### **Provisions with No Fiscal Impact**

The Department has determined that the following provisions have no fiscal impact on tax revenue:

- Department Administrative Changes (Division I)
- Research Activities Tax Credit Update (Division IV)
- Partnership and Pass-Through Entity Audits (Division V)
- Setoff Procedures Effective Date (Division VI)
- Married Taxpayers Joint Liability (Division VII)
- Local Assessor Changes (Division XIII)
- Emergency Student Grant Exemption (Division XV)
- Section 179 Expensing Conformity (Division XIX)
- 529 Plan and First-Time Homebuyer Contribution Date Change (Division XXI)
- 529 Plan Recontribution (Division XXII)
- Food Operation Trespass (Division XXIV)
- Short-Term Rental Property (Division XXV)

### **Fiscal Impact Assumptions**

**Preserve Whitetail Deer Hunting.** The estimated amount of sales tax owed by taxpayers for preserve whitetail deer hunting over the applicable time frame is estimated from Department records to be \$0.2 million.

**Net Operating Loss Carryforward.** The estimate for this change was provided by the Department.

**Business Interest Expense Deduction.** The estimate for this change was developed by the Department based on the business interest expense deduction from tax year 2018 corporate income tax filings, projected interest rates provided by Moody's Analytics, and a projected 25.0%/75.0% spread of the impact between the current fiscal year and the succeeding fiscal year.

**Global Intangible Low-Taxed Income Exemption.** The Department bases the fiscal impact estimate for this change on the provision's national impact as estimated by the [Joint Committee on Taxation](#) at the time the provision was adopted by Congress. The Department warns that the actual impact of the lowa exemption could differ significantly from this estimate.

**Reinvestment District Sales Tax.** The Department assumes that the maximum \$100.0 million State sales and State hotel and motel sales tax diversion will occur in 20 equal installments (\$5.0 million per year).

**Computer Peripherals Sales Tax Exemption.** The Department concludes that the addition of items attached to a computer, physically or digitally, will not increase the value of the sales tax exemption to qualified purchasers of the peripherals (no fiscal impact). This would be true if the change simply codifies current practice. The Department response does not provide a reason as to why this change has no fiscal impact.

**School Tuition Organization Tax Credit Increase.** The estimate for this change was provided by the Department based on the previous patterns of tax credit award and redemption for this tax credit and further assuming that the tax credit limit will reach the maximum \$20.0 million in annual credits in the shortest time frame allowed under the change (calendar year 2025).

**Corporate School Tuition Organization Tax Credit.** The Department reports that corporate donations account for less than the 10.0% of total credits allocated under current law and therefore the removal of the 25.0% limitations on the portion of a year's annual credit that may be awarded to corporate taxpayers will have no fiscal impact. The LSA agrees that under the current maximum School Tuition Tax Credit limit of \$15.0 million per year, this change will have no fiscal impact. However, combined with the annual limit increase provided in this Division, removal of the corporate income tax percentage limit could result in a fiscal impact until the tax credit cap reaches \$20.0 million. Any additional fiscal impact from the combination of divisions of the two changes will not occur until at least FY 2023 and is not included in the fiscal impact calculation for this Bill.

**Broadband Infrastructure Grant Tax Exemption.** There is no information available within Iowa income tax records concerning the amount of income individuals or for-profit entities receive through State, federal, and local broadband infrastructure grants. The fiscal impact estimate was developed using award amounts available from published sources. Since the exemption applies beginning tax year 2019, and since taxpayers have until July 31, 2020, to file tax year 2019 returns, the change has a projected impact for FY 2020.

**Federal Paycheck Protection Program (PPP).** The exemption for business income generated through forgiven PPP loans applies to a subset of Iowa business entities whose forgiven PPP loans are not already tax-exempt under current law. The Department estimates that the total amount of PPP loans forgiven in Iowa will be \$4,959.1 million and that the new exemption will impact \$1,105.0 million of that amount. The Department assumes that the associated exclusion of business expenses paid for with forgiven PPP loans will equal 90.0% of the \$1,105.0 million,

and this will result in a net statewide decrease in taxable business income of \$110.5 million. The Department estimates that across all types of businesses with projected PPP loans forgiven, the average tax rate will equal 5.2%. The combination of assumptions results in a tax decrease of \$5.8 million as a result of this provision.

**Federal Stimulus Tax Refund Payment Exemption.** The Department has determined that the stimulus tax refund payments distributed to lowans through the federal CARES Act are exempt from Iowa income tax under existing law.

**Entity-Level Exemption for Income Tax Paid to Others.** In tax year 2017, Iowa Out-of-State Tax Credit claims totaled \$102.8 million. Of this amount, \$12.6 million was claimed for income earned in 11 states that impose income tax at the entity level for pass-through entities. Of the taxpayers who claimed the Iowa credit who also identified states that taxed pass-through entities at the entity level, approximately 33.3% of claim amounts were identified by taxpayers who reported pass-through income on their Iowa Schedule E tax form. It is therefore assumed that claims for the Out-of-State Tax Credit will increase by 33.3% of \$12.6 million under the proposal (\$4.2 million annually).

**Iowa Small Business Relief Grant Program Tax Exemption.** An estimated \$24.1 million in grants were awarded to Iowa businesses. Assuming that without this exemption, the full amount will be included on business tax returns during the 2020 tax year and assuming an average marginal tax rate of 5.5% across all impacted businesses, the new exemption is projected to reduce FY 2021 net General Fund revenue by \$1.3 million. Please note that the exemption language in the Bill is open-ended. If the Iowa Economic Development Authority awards financial assistance in the future using the same grant program created in 2020, the value of those grants will also be exempt from Iowa income tax.

**529 Plan Apprenticeship Program.** The Department estimates that this change will decrease annual State income taxes for qualified taxpayers by \$50,000.

**Personal Protective Equipment.** The Department estimates that Iowa business will utilize \$72.2 million in materials to manufacture qualified (donated) personal protective equipment in FY 2020 and \$36.1 million in FY 2021. The use tax rate is 6.0%, with 5.0% retained by the State General Fund and 1.0% dedicated to school infrastructure.

**Rural Improvement Zones.** Currently, the location of a Rural Improvement Zone (RIZ or Zone) is restricted to areas around private lakes. The change in the Bill will allow new Zones near or abutted to public lakes. This could expand the number of RIZ areas. Rural Improvement Zones impact the State General Fund through the interaction of the school aid formula and the tax increment financing (TIF) option available to a RIZ. Rural Improvement Zones also impact local government property tax revenue by concentrating development in areas that are subject to TIF. While this change is assumed for the purposes of this **Fiscal Note** to have no immediate fiscal impact, the impact on property tax and the State School Aid appropriation could become significant in future years if new Zones develop as a result of this change.

**Enterprise Zone Tax Credit Transfers.** The Department and the Iowa Economic Development Authority report that seven projects totaling \$430,000 meet the new tax credit transfer requirements established in the Bill. It is assumed that completed projects will start claiming credits in FY 2021. Transferred tax credits under the HEZ Program typically take three years to be fully redeemed. The average tax credit redemption pattern of transferred housing tax credits is:

- First year = 46.5%
- Second year = 46.5%

- Third year = 7.0%

**Flying Our Colors License Plate.** The LSA assumes that 1,750 “Flying Our Colors” new license plates will be issued in each of the first two years they are available. The \$25 initial fee will produce a projected \$61,250 in revenue in FY 2021 and FY 2022 for deposit into the Flood Mitigation Fund. The annual \$10 fee will also produce additional income for the Flood Mitigation Fund of \$17,500 in FY 2022 and \$35,000 for FY 2023 and each succeeding fiscal year.

### Fiscal Impacts

**Table 1** provides the projected net State General Fund fiscal impact of the various provisions of the Bill.

**Table 1**

<b>General Fund Estimated Fiscal Impact by Provision</b>		In Millions					
Division	Provision	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
II	Preserve Whitetail Deer Sales Tax	\$ 0.0	\$ -0.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
III	Net Operating Loss	0.0	-1.0	-1.0	-1.1	-1.1	-1.1
VIII	Business Interest Expense	0.0	-6.2	-4.1	-8.8	-14.4	-16.7
VIII	Global Intangible Low-Taxed Income	0.0	-13.8	-5.1	-5.1	-5.2	-5.3
IX	Reinvestment Districts Sales Tax Diversion	0.0	-5.0	-5.0	-5.0	-5.0	-5.0
X	Computer Peripherals Sales Tax Exemption	0.0	0.0	0.0	0.0	0.0	0.0
XI	School Tuition Organization Tax Credit Increase	0.0	0.0	0.0	-1.0	-2.5	-4.1
XI	Corporate School Tuition Organization Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0
XII	Broadband Infrastructure Grants Exemption	-0.9	-2.3	-1.5	-1.5	-1.6	-1.6
XIV	Paycheck Protection Program Loans	0.0	-5.8	0.0	0.0	0.0	0.0
XVI	Federal Stimulus Tax Refund Exemption	0.0	0.0	0.0	0.0	0.0	0.0
XVII	Entity-Level Income Tax Paid	0.0	-4.2	-4.2	-4.3	-4.3	-4.4
XVIII	Iowa Small Business Relief Grants Exemption	0.0	-1.3	0.0	0.0	0.0	0.0
XX	529 Plan Apprenticeship Programs	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
XXIII	Personal Protective Equipment Sales Tax Exemption	-3.6	-1.8	0.0	0.0	0.0	0.0
XXVI	Rural Improvement Zone Expansion	0.0	0.0	0.0	0.0	0.0	0.0
XXVII	Enterprise Zone Tax Credit Transfer	0.0	-0.2	-0.2	0.0	0.0	0.0
Total		\$ -4.5	\$ -41.9	\$ -21.2	\$ -26.9	\$ -34.2	\$ -38.3

In addition to the reductions in State General Fund revenue, the sales tax exemptions are projected to reduce school infrastructure tax collections by \$0.5 million per year and local option sales tax collections by \$0.5 million per year, with both impacts beginning FY 2021. A minor reduction in the yield from the income tax surtax for schools is also projected.

The creation of a new “Flying Our Colors” license plate will increase Flood Mitigation Fund income. The \$25 initial fee for the plate will produce a projected \$61,250 in revenue in FY 2021 and FY 2022 for deposit into the Flood Mitigation Fund. The annual \$10 fee will also produce additional income for the Fund of \$17,500 in FY 2022 and \$35,000 for FY 2023 and each succeeding fiscal year.

### Correctional Impact

#### **Assumptions**

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay; revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

**Fraudulent Practice**

The amendment to Iowa Code section [421.27\(6\)](#) makes numerous changes to and expands the criminal offense of fraudulent practice. The penalty for fraudulent practice is defined in Iowa Code sections [714.9](#) through [714.13](#). The penalty for fraudulent practice ranges from a simple misdemeanor to a Class C felony depending on the amount of money or value of property involved. In addition to the criminal penalties, a person who commits a fraudulent practice is liable for a penalty of \$1,500 or an amount equal to 75.0% of the tax benefit fraudulently claimed.

Correctional Impact

The Bill expands the current offense of fraudulent practice, and the correctional impact cannot be determined due to a lack of data. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2020, for information related to the correctional system.

Minority Impact

The Bill expands the definition of an existing offense, and the minority impact cannot be determined due to a lack of data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 15, 2020, for information related to minorities in the criminal justice system.

Fiscal Impact

The fiscal impact of this section cannot be estimated due to the unknown correctional impact. The State cost for a fraudulent practice conviction ranges from \$40 to \$350 for a simple misdemeanor and \$11,600 to \$19,400 for a Class C felony. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the Department of Corrections (DOC). The cost would be incurred across multiple fiscal years for prison and parole supervision.

**Perjury**

The Bill enacts new Iowa Code section 421.27A by creating a criminal offense for perjury and defines the circumstances in which a person commits perjury. A person who commits the criminal offense of perjury under this new language commits a Class D felony. A Class D felony is punishable by confinement for no more than five years and fine of at least \$750 but not more than \$7,500.

Correctional Impact

The Bill creates a new offense, and the correctional impact cannot be estimated. **Table 2** provides estimates for sentencing to State prison, parole, probation, or community-based corrections (CBC) residential facilities; length of stay (LOS) under those supervisions; and supervision marginal costs per day for all convictions of aggravated misdemeanors and Class D felonies.

**Table 2 — Sentencing Estimates and LOS**

Conviction Offense Class	Percent to Prison	FY 19 Avg Length of Stay Prison (months)	FY 19 Marginal Cost/Day Prison	FY 19 Avg Length of Stay Parole (months)	FY 19 Marginal Cost/Day Parole	Percent to Probation	FY 19 Avg Length of Stay Probation (months)	FY 19 Avg Cost/Day Probation	Percent to CBC Residential Facility	FY 19 CBC Marginal Cost/Day	Percent to County Jail	Avg Length of Stay in County Jail	Marginal Cost/Day
Class D Felony Non-Persons	76.0%	12.2	\$20.38	13.0	\$6.12	64.0%	31.8	\$6.12	12.0%	\$12.58	29.0%	N/A	\$50.00



Please refer to the LSA memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2020, for information related to the correctional system.

#### Minority Impact

The Bill creates a new offense, and the minority impact cannot be determined. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 15, 2020, for information related to minorities in the criminal justice system.

#### Fiscal Impact

The fiscal impact of this new offense cannot be estimated due to the unknown correctional impact. The State cost for one Class D felony conviction ranges from \$10,000 to \$14,700. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC. The cost would be incurred across multiple fiscal years for prison and parole supervision.

#### **Unlawful Disclosure of Tax Return Information and Tax Investigation Information**

The amendment to Iowa Code section [422.20\(1\)](#) adds an intent element, “willfully or recklessly,” to the criminal offense related to the unlawful disclosure of tax return information by State personnel or former State personnel. A person who commits a violation under Iowa Code section 422.20(1) commits a serious misdemeanor.

The amendment to Iowa Code section [422.72\(1\)\(a\)](#) adds the intent element of “willfully or recklessly” to the criminal offense related to the unlawful disclosure by State personnel or former State personnel of the business affairs, operations, or information obtained through a tax-related investigation. A person who unlawfully discloses such information commits a serious misdemeanor under Iowa Code section 422.72(4).

A serious misdemeanor is punishable by confinement for no more than one year and a fine of at least \$315 but not more than \$1,875.

#### Correctional Impact

The Bill adds an intent element to the current offenses under Iowa Code sections 422.20(1) and 422.72(1)(a), and the correctional impact cannot be determined due to a lack of data. Refer to the LSA memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2020, for information related to the correctional system.

#### Minority Impact

The Bill modifies the definition of existing offenses, and the minority impact cannot be determined due to a lack of data. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 15, 2020, for information related to minorities in the criminal justice system.

#### Fiscal Impact

The fiscal impact of the modified offenses cannot be estimated due to the unknown correctional impact. The State cost for one serious misdemeanor conviction ranges from \$410 to \$4,900. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC. The cost would be incurred across multiple fiscal years for prison and parole supervision.

**Sources**

Iowa Department of Revenue

Moody's Analytics

[House File 2103 Fiscal Note](#)

[House File 2620 Fiscal Note](#)

[Cost Estimates Used for Correctional Impact Statements](#)

[Minority Impact Statement](#)

Legislative Services Agency 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.

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