



[HF 830](#) – Social Media, Censorship (LSB2352HV)
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Fiscal Note Version – New

Description

[House File 830](#) relates to the ability of elected officials to access and utilize certain Internet websites. The Bill creates new Iowa Code chapter 554E, and prohibits a technology company from intentionally affecting the ability of an elected official to access or utilize numerous technology company websites.

The Bill tasks the Iowa Department of Revenue (IDR) or the Iowa Economic Development Authority (IEDA) to determine that a company violates Iowa Code chapter 554E, which shall prohibit the company from receiving tax credits or other economic benefits from State or local governmental entities until the State determines the company is no longer in violation of Iowa Code chapter 554E.

The Bill requires the Department and the Authority to make available on their Internet sites a system to allow elected officials to report potential violations of Iowa Code chapter 554E.

The Bill takes effect upon enactment and applies to tax credits and financial assistance approved before, on, or after the effective date of the Bill that have not yet been claimed by a company in violation of Iowa Code chapter 554E.

Background

The IEDA administers State tax credits, with a statutory cap of \$155.0 million in FY 2021. The IEDA has the authority through Iowa Code section [15.333](#) to award Investment Tax Credits. Businesses may claim a tax credit on corporate, income, and insurance premium taxes equal to a percentage of the new investments directly related to new jobs created or retained by a project. Eligible investments include the cost of machinery and equipment purchased for use in the operation of the business, the purchase price of real property and any buildings and structures located on the property, the cost of improvements made to the property, and base rent paid by a business to a third-party developer. Since 2007, the IEDA has awarded \$45.7 million in Investment Tax Credits to four technology firms for four projects totaling \$2.800 billion in investments that involve 203 new and retained jobs. Most of these credits are from IEDA's High Quality Jobs Program (HQJP), which provides tax benefits to eligible companies that create high-paying jobs and make capital investments. The HQJP has a statutory cap of \$105.0 million per year to use in tax credits. In FY 2020, IEDA awarded \$26.0 million in HQJP tax credits to 24 projects. Tax credits can be claimed for five years in most cases.

The IEDA is also authorized to provide sales and use tax exemptions to eligible businesses, including contractors and subcontractors on a project after construction is completed, as part of the HQJP. In FY 2019, \$28.3 million was claimed in State sales and use taxes, \$24.6 million due to the HQJP. Since 2007, the IEDA has awarded \$84.1 million in sales and use tax exemptions to three technology corporations for eight projects totaling \$4.9 billion in investments that involve 391 new and retained jobs. Sales and use tax exemptions to eligible businesses can also affect the Local Option Sales Tax (LOST) in jurisdictions with local sales

and use taxes.

Local governments also have the authority to award eligible businesses property tax credits and economic incentives in conjunction with IEDA's tax credit programs, including the HQJP. Since 2007, four technology companies have received full or partial property tax exemptions in conjunction with IEDA's tax credit programs for six projects totaling \$2.700 billion. Tax-increment financing (TIF) and infrastructure improvements have also been awarded by local governments to technology corporations for five projects. Iowa Code section [427.1](#) allows property tax exemptions for web search portal businesses and data center businesses. In 2020, there was \$766.9 million in assessed value derived from these exemptions.

Assessed property evaluations within a school district affect the amount of State General Fund dollars sent to each school district. The State, by operation of the State School Foundation Aid Formula, funds school districts up to 87.0% of total funding after a uniform levy of \$5.40 is assessed on all property within a district. Beyond 87.0%, an additional levy is assessed on all property within a district to reach 100.0% of per pupil funding for a school district.

Assumptions

- There are no potential legal decisions over the next two years that would cause the State to recoup any previously awarded benefits until FY 2024 at the earliest.
- The Legislative Services Agency (LSA) cannot assume the result of theoretical legal proceedings. For purposes of this fiscal note, however, the LSA will illustrate the fiscal impact if one taxpayer that has signed contracts with the State of Iowa and local government jurisdictions, and has been operational in the State since 2019, is found in court to have violated provisions of the Bill prohibiting online censorship.
- The Bill would lead to the revocation of tax credits provided under Iowa Code section [15.335B](#), including tax credits awarded through the HQJP, including both Investment Tax Credits and Sales and Use Tax Refunds, beginning in FY 2024.
- Prospective Investment Tax Credit and sales tax impacts would occur beginning FY 2024, and prospective property tax impacts would begin with assessment year (AY) 2024 and would affect property tax revenues beginning with FY 2026.
- The estimated timing of fiscal impacts resulting from the revocation of unclaimed tax credits that have already been allocated or awarded reflects the projected timing of awarded claims under current law, according to Iowa Department of Revenue (IDR).
- Estimates of the currently exempt sales made nonexempt by the proposal are based on an Iowa IDR analysis of sales reported as exempt by taxpayers assumed to be affected by the proposal. It is assumed that the share of currently exempt sales tax authorized by Iowa Code section [423.3](#)(92), (93), and (95) and made nonexempt by the proposal is proportionate among all affected taxpayers.
- Estimates of property tax impacts are based on the value of commercial property receiving web/data exemptions under Iowa Code section [427.1](#)(35), (36), and (37). The estimates are from the IDR abstracts of assessment. The value of commercial property receiving web/data exemptions was \$766.9 million in AY 2020. This fiscal note assumes that 20.0% of the value will be affected by the Bill.
- Estimated property tax impacts assume a levy rate of \$37.21430 per \$1,000 of taxable valuation and a commercial rollback rate of 90.0%.
- Property tax impacts would reduce expenditures from the General Fund for per pupil payments based on the School Aid Formula.
- Growth in estimated impacts arising from the elimination of sales tax exemptions and property tax exemptions and rebates reflects 2.0% annual inflation.

- Changes to corporate income tax and sales and use tax liability as a result of the proposal are estimated to lead to General Fund revenue increases. Changes to sales and use tax liability also affect LOST assessed at 1.0%. Changes to property tax liability are assumed to decrease expenditures from the General Fund by operation of the State School Foundation Aid Formula; otherwise such changes will lead to revenue increases for affected local jurisdictions.
- The fiscal note does not include the potential secondary impact that may result from extensive litigation of a large corporation, taxpayer, and/or employer.

Fiscal Impact

If one taxpayer is adversely affected through a legal decision, the Bill is estimated to increase General Fund revenue by \$6.6 million beginning in FY 2024 before dropping to a \$3.8 million increase in FY 2025, and remaining relatively stable through FY 2030. The Bill increases revenue to local jurisdictions by \$0.6 million beginning in FY 2024 before dropping to a \$0.2 million positive impact in FY 2025, increasing to \$4.8 million in FY 2026, and increasing slightly through FY 2030. **Table 1** below outlines the estimated fiscal impact of the Bill on the State General Fund and local government jurisdictions.

Table 1: Estimated Tax Impact of House File 830							
Estimated General Fund Increases (\$ Millions)					Estimated Local Jurisdiction Increases (\$ Millions)		
Fiscal Year	Revocation of Tax Credits Allocated or Awarded	Change in State School Foundation Aid	Elimination of Sales and Use Tax Exemptions	Total General Fund Impact	Property Tax	Local Options Sales Tax (LOST)	Total Impact on Local Jurisdictions
FY 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2023	-	-	-	-	-	-	-
FY 2024	3.1	-	3.5	6.6	-	0.6	0.6
FY 2025	2.4	-	1.5	3.8	-	0.2	0.2
FY 2026	2.0	0.9	1.5	4.4	4.6	0.2	4.8
FY 2027	3.4	0.9	1.5	5.8	4.7	0.3	4.9
FY 2028	1.9	0.9	1.5	4.3	4.8	0.3	5.0
FY 2029	1.2	0.9	1.6	3.7	4.9	0.3	5.1
FY 2030	1.7	1.0	1.6	4.3	5.0	0.3	5.2

Sources

Iowa Economic Development Authority
Iowa Department of Revenue
Legislative Services Agency

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March 22, 2021

Doc ID 1217277

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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