



[SF 601](#) – Sales Tax Exemption, Food Banks (LSB2808SV)
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Fiscal Note Version – New

Description

[Senate File 601](#) exempts from the sales tax and use tax the purchase price from the sale or rental of tangible personal property or services furnished to a nonprofit food bank if the property or services are to be used by the nonprofit food bank for a charitable purpose. The exemption does not include specified digital products.

Background

A nonprofit food bank is defined as an organization under Iowa Code chapter [504](#) and qualifying under Section [501\(c\)\(3\)](#) of the Internal Revenue Code as an organization exempt from federal income tax that maintains an established operation involving the provision of food or edible commodities or the products thereof on a regular basis to persons in need or to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food on a regular basis to persons in need.

Six major food banks serve Iowa as part of the [Iowa Food Bank Association](#):

- River Bend Food Bank (includes St. Stephen's Food Bank)
- Northeast Food Bank
- Food Bank of Siouxland
- HACAP Food Reservoir (includes Linn Community Food Bank)
- Food Bank for the Heartland
- Food Bank of Iowa (merged with Food Bank of Southern Iowa)

In addition, there are 57 smaller food banks across the State.

Assumptions

- Of the six major food banks that serve Iowa, two would not be included in this new exemption. One is based in Omaha (Food Bank for the Heartland) and is assumed to not make significant purchases subject to Iowa sales/use tax. Another (Hawkeye Area Community Action Program) already qualifies for a sales/use tax exemption as a community action agency under Iowa Code section [423.3\(79\)](#).
- From information provided by the Iowa Food Bank Association, it is estimated that FY 2019 purchases that would qualify for the sales/use tax exemption were \$3.1 million.
- An estimated 57 additional smaller food banks and food pantries will qualify under the Bill. These entities are estimated to represent 5.0% of total purchases of all qualifying entries.
- Growth trends in future fiscal years are based on Consumer Price Index Urban (CPI-U) average estimated increases of 2.34% from FY 2019 to FY 2026.

Fiscal Impact

Senate File 601 will reduce revenues to the General Fund, Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) by the estimated amounts listed below.

	<u>General Fund</u>	<u>SAVE</u>	<u>LOST</u>
FY 2022	\$ 170,000	\$ 34,000	\$ 33,000
FY 2023	174,000	35,000	34,000
FY 2024	178,000	36,000	35,000
FY 2025	182,000	36,000	35,000
FY 2026	186,000	37,000	36,000

Sources

Department of Revenue
Iowa Food Bank Association
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.

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