



[HF 2431](#) – Home-Based Business Ordinances (LSB5079HV.1)
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Fiscal Note Version – Final Action

Description

[HF 2431](#) relates to the regulation home-based business ordinances by counties and cities. The Bill adds a new section to Iowa Code chapter [335](#).

The Bill permits the use of a residential property for a home-based business. The Bill defines “home-based business” as any business for the manufacture, provision, or sale of goods or services that is owned and operated by the owner or tenant of the residential property on which the business operates. Additionally, the Bill defines a “no-impact home-based business” as a home-based business for which the number of on-site employees and clients does not exceed county occupancy limits for the residential property. Counties are prevented from requiring a no-impact home-based business to apply, register, or obtain any permit, license, variance, or other type of prior approval from the county to operate the no-impact home-based business. Additionally, the Bill prevents a county from requiring the home-based business to rezone the property for the purpose of commercial use. However, the Bill allows for regulations to be placed on the business for the purposes of public safety, public health, and other community-related issues.

The Bill also amends Iowa Code chapter [137D](#) regarding home food processing establishments. The Bill defines “home food processing establishments” as a business on the premises of a residence in which homemade food items are produced for sale or resale, if the business has gross annual sales of less than \$50,000. The Bill excludes churches, fraternal societies, charitable organizations, or civic organizations. Additionally, the Bill requires home food processing establishments to abide by all food safety and storage regulations as defined in Iowa Code.

Home food processing establishments are required to be licensed through the Iowa Department of Inspection and Appeals (DIA) and are subject to periodic inspection by the DIA. The fee associated with licensure is \$50, and licenses are required to be renewed annually. Home food processing establishments will also be required to label a homemade food item with information identified by the Bill.

Home-based food processors found in violation of Iowa Code chapter 137D shall be subject to a civil penalty of \$100 to be collected by DIA or be required to suspend business operations.

DIA may suspend a license if:

- The licensee violates Iowa Code section [137D.6](#) or a rule established by that Iowa Code section.
- The licensee conducts an activity constituting a criminal offense in the home food processing establishment and is convicted of a serious misdemeanor or a more serious offense.

The Bill also makes changes to Iowa Code section [137F.1](#). The Bill defines “cottage food” as:

- Food that is not time/temperature controlled for the safety of the food.
- Food items such as pickles, vegetables, or fruits that have certain pH levels identified in Iowa Code section 137F.1.

Additionally, the Bill exempts cottage food from all licensing, permitting, inspection, and labeling requirements if the food is sold and delivered directly to the consumer by the producer or delivered by mail or by an employee. The food labeling requirements for cottage food are identified by provisions in the Bill.

Background

Home-based business regulations are currently under the discretion and regulation of county, city, or local government ordinances or laws.

Currently, home bakeries are required to be licensed under Iowa Code chapter 137D as a business on the premises of a residence in which prepared food is created for sale or resale with gross annual sales of less than \$35,000. The current Iowa Code provides guidance and regulations regarding the processing, sale, and licensing of home bakeries and food safety guidelines.

Food establishments are subject to license fees. All license fees are deposited into the General Fund. Food establishments selling products directly to consumers intended for preparation or consumption off the premises are subject to the following annual license fees under Iowa Code section [137F.6\(1\)\(f\)](#):

- \$150 if direct-to-consumer gross sales are less than \$250,000
- \$300 if direct-to-consumer gross sales are between \$250,000 and \$500,000
- \$400 if direct-to-consumer gross sales are greater than \$500,000

Assumptions

- The DIA inspection and licensing computer system will require updates to accommodate the new licenses and inspections, resulting in a one-time \$60,000 estimated cost during the first year of implementation.
- The DIA will require a temporary contract Information Technology (IT) Project Manager to administer the changes to system technology. The cost of a temporary contract IT Project Manager is priced by the State’s contract with Computer Aid, Inc., at \$82.37 per hour. The DIA estimates the project will require 780 hours of work by the contract IT Project Manager, resulting in a cost of \$64,000.
- An additional 0.5 full-time equivalent (FTE) position for a Senior Environmental Specialist, 2.0 FTE positions for Environmental Specialists, and a 0.5 FTE position for an Advanced Clerk will be required to regulate the home food processing establishments. The minimum annual cost for these FTE positions is \$50,000, \$170,000, and \$20,000, respectively.
- The DIA estimates annual licensure of approximately 800 home food processing establishments, resulting in a revenue increase of approximately \$40,000 annually.
- The DIA estimates that approximately 20% of small food processing establishments with gross annual sales of less than \$200,000 will seek licensure as a home food processing establishment, resulting in approximately \$11,000 of annual revenue loss.

Fiscal Impact

House File 2431 is estimated to increase DIA expenditures by a minimum of \$364,000 in Year 1 and a minimum of \$240,000 in all following years. Currently, the DIA does not have the staffing capacity to absorb the duties required in the Bill. No funding is identified in the Bill to fund these expenditures. **Table 1** below details the fiscal impact.

Revenue	Year 1	Year 2
License Fees	\$ 29,470	\$ 29,470
Expenditures	Year 1	Year 2
0.5 FTE position for a Senior Environmental Specialist	\$ -50,000	\$ -50,000
2.0 FTE positions for Environmental Specialists	-170,000	-170,000
0.5 FTE position for a Clerk Advanced	-20,000	-20,000
Temporary contract IT Project Manager	-64,249	
IT Updates	-60,000	
Total Annual Cost	\$ -364,249	\$ -240,000
Net Impact	\$ -334,779	\$ -210,530

Additionally, the Bill is expected to increase revenue to the DIA by approximately \$40,000 from the licensure of home food processing establishments to be deposited in a special fund in the State treasury. However, an estimated loss of 20% of small food processing establishment licensing fees is estimated to reduce DIA revenue by approximately \$11,000. In total, this would result in an estimated net annual revenue increase of \$29,000. An estimate of revenue from civil penalties could not be calculated due to an unknown number of possible violations for the new license.

Source

Iowa Department of Inspections and Appeals

/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.