



[HF 276](#) – Tax, Amusement Devices (LSB1042HV)
Staff Contact: Maria Wagenhofer (515.281.5270) maria.wagenhofer@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 276](#) provides for an exemption of sales tax on the sales price from the operation of amusement devices less the prizes paid during the operation of such devices. Under current law, sales tax is imposed on the entirety of sales prices derived from the operation of amusement devices. This Bill would impose a sales tax only on the net revenue from the operation of amusement devices.

Background

The Iowa Department of Inspections and Appeals (DIA) regulates the registration of all electrical and mechanical amusement devices. Under Iowa Code chapter [99B](#), an electrical or mechanical amusement device that awards a prize where the outcome is not primarily determined by the skill or knowledge of the operator must be registered by the DIA. An amusement device must meet the following requirements:

- A prize of merchandise may not exceed \$50.
- A cash prize may not be awarded.
- A device may not be designed or adapted to cause or to enable a person to cause the release of free games or portions of games when designated as a potential award for use of the device.
- A device may not be designed or adapted to enable a person to increase the chances of winning free games or portions of games by paying more than is ordinarily required to play the game.
- Awards must only be redeemed on the premises where the device is located and only for merchandise sold in the normal course of business for the premises.

An electrical or mechanical amusement device requiring registration may be located on premises for which a current class “C,” special class “C,” class “D,” or class “F” retail alcohol license has been issued or at a location for which a class “B” or class “E” retail alcohol license had been issued prior to April 2004. The total number of electrical or mechanical amusement devices registered in the State may not exceed 6,938. For FY 2022, the DIA reported in the LSA [Fee Project](#) that there were 5,566 devices registered, 14 device manufacturers registered, 43 device distributors registered, and 10 device owners registered.

Iowa Administrative Code chapters [481 IAC 104](#) and [481 IAC 105](#) establish additional provisions regulating amusement devices and registered amusement devices.

Assumptions

- The Bill is effective July 1, 2023 (FY 2024).
- Current average annual sales collected from amusement devices are estimated to equal approximately \$82,000 per company.
- An estimated 75.0% of current taxable sales are paid out in prizes. Therefore, net revenue from the operation of amusement devices is estimated to be 25.0% of sales.
- It is estimated that there are approximately 40 vendors that make taxable sales in Iowa.

- Growth trends in future fiscal years are based on Consumer Price Index (CPI-U) less food and energy average estimated increases of 2.2% from FY 2024 to FY 2028.

Fiscal Impact

House File 276 would 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.

Fiscal Impact of House File 276				
(in millions)				
	General Fund	SAVE	LOST	
FY 2024	\$ -2.1	\$ -0.4	\$ -0.4	
FY 2025	-2.1	-0.4	-0.4	
FY 2026	-2.2	-0.4	-0.4	
FY 2027	-2.2	-0.4	-0.4	
FY 2028	-2.3	-0.5	-0.4	

Sources

Department of Revenue
Iowa Department of Inspections and Appeals
LSA analysis and calculations

/s/ Jennifer Acton

February 15, 2023

Doc ID 1369000

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.