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[HF 673](#) – Sports Wagering Receipt and County Endowment Funds (LSB1521HV)  
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Fiscal Note Version – New

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## **Description**

[House File 673](#) relates to the distribution of tax receipts from Internet fantasy sports contests and sports wagering. The Bill is comprised of five divisions, including:

- Division I relates to sports wagering receipts.
- Division II relates to Sports Wagering Receipts Fund appropriations.
- Division III relates to Endow Iowa Tax Credits in tax year (TY) 2023.
- Division IV relates to Endow Iowa Tax Credits beginning in TY 2024.
- Division V relates to Endow Iowa Tax Credits for gifts made prior to TY 2023.

## **Divisions I and II — Sports Wagering Receipts**

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### **Description**

Division I appropriates the remaining unobligated and unencumbered moneys in the [Sports Wagering Receipts Fund](#) (SWRF) to the County Endowment Fund in FY 2024 and repeals the SWRF on June 30, 2024. This Division directs the taxes collected from Internet fantasy sports contests to be deposited into the County Endowment Fund and directs the taxes collected from sports wagering to be distributed as follows:

- \$1.8 million to the Department of Health and Human Services (HHS) for the Gambling Treatment Program.
- \$1.0 million to the General Fund for the Endow Iowa Tax Credit.
- 85.0% of the remaining taxes to the County Endowment Fund.
- 15.0% of the remaining taxes to the Iowa Economic Development Authority (IEDA) for equal distribution to each qualified sponsoring organization (QSO) licensed to operate gambling games.

Division II appropriates \$7.0 million in FY 2023 from the SWRF to the General Fund for purposes of the Endow Iowa Tax Credit Program. Division II is effective upon enactment.

### **Background**

The SWRF was established in FY 2020 by 2019 Iowa Acts, chapter [132](#) (Sports Wagering and Fantasy Sports Act), which authorized sports wagering and fantasy sports contests in the State. The Fund receives sports wagering taxes and Internet fantasy sports contest taxes. **Table 1** includes the FY 2020, FY 2021, FY 2022, and FY 2023 year-to-date revenue and appropriations from the SWRF.

**Table 1 — Sports Wagering Receipts Fund**

|                            | FY 2020             | FY 2021             | FY 2022              | FY 2023*             |
|----------------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Revenue</b>             |                     |                     |                      |                      |
| Beginning Account Balance  | \$ 0                | \$ 1,499,735        | \$ 5,846,701         | \$ 12,228,656        |
| Pari-Mutuel Receipts       | 1,788,241           | 6,091,872           | 9,603,539            | 10,358,560           |
| Interest                   | 11,494              | 5,094               | 28,416               | 215,090              |
| Total Revenues             | <u>\$ 1,799,735</u> | <u>\$ 7,596,701</u> | <u>\$ 15,478,656</u> | <u>\$ 22,802,306</u> |
| <b>Appropriations</b>      |                     |                     |                      |                      |
| Sports Tourism Program     | \$ 0                | \$ 0                | \$ 1,500,000         | \$ 1,500,000         |
| Gambling Treatment Program | 300,000             | 1,750,000           | 1,750,000            | 1,750,000            |
| Other                      | 0                   | 0                   | 0                    | 0                    |
| Total Appropriations       | <u>\$ 300,000</u>   | <u>\$ 1,750,000</u> | <u>\$ 3,250,000</u>  | <u>\$ 3,250,000</u>  |
| Reversion                  | 0                   | 0                   | 0                    | 0                    |
| Ending Balance             | <u>\$ 1,499,735</u> | <u>\$ 5,846,701</u> | <u>\$ 12,228,656</u> | <u>\$ 19,552,306</u> |

Source: Integrated Information for Iowa (I/3)

\*Year-to-date as of April 10, 2023.

The Gambling Treatment Program is administered under the HHS, and the Sports Tourism Program is administered under the IEDA.

The [County Endowment Fund](#) is administered under Iowa Code section [15E.311](#), and the purpose of the Fund is to enhance the quality of life for citizens of Iowa by providing moneys to new or existing citizen groups organized to establish county affiliate funds or community foundations that will address countywide needs. The proceeds of this Fund are distributed equally to counties that do not have a licensed casino for funding charitable organizations. Iowa Code section [99F.11](#) allocates an amount equal to 0.8% of the adjusted gross receipts tax from gambling games at Iowa casinos to this Fund. In FY 2022, the amount allocated to the Fund from adjusted gross receipts tax was \$13.9 million.

Under Iowa Code chapter [99F](#), a QSO is defined as a nonprofit corporation organized under the laws of this State, whether or not it is exempt from federal income taxation, or a person or association that can show to the satisfaction of the Iowa Racing and Gaming Commission that the person or association is eligible for exemption from federal income taxation. Each casino operating in Iowa has a QSO that receives a portion of the casino's gaming revenue to reinvest into charitable causes within their respective communities.

### **Assumptions**

- The balance in the SWRF at the beginning of FY 2023 was approximately \$12.2 million, which was carried forward from the previous fiscal year.
- It is estimated that State tax receipts from sports wagering for April through June of FY 2023 will match the revenue (approximately \$2.1 million) collected for the same time period in FY 2022, totaling approximately \$12.5 million in sports wagering tax revenue for FY 2023.
- It is assumed that sports wagering tax revenue and interest in FY 2024 and FY 2025 will match the \$12.7 million estimated to be collected in FY 2023.
- When accounting for the FY 2023 appropriations, it is estimated the SWRF will have a balance of approximately \$14.7 million at the beginning of FY 2024.

**Fiscal Impact**

**Table 2** provides the estimated sports wagering tax receipt revenue distributed to each program under current law, as proposed under the Bill, and the fiscal impact of Divisions I and II of the Bill.

**Table 2 — Estimated Sports Wagering Tax Receipt Revenue Distribution**

| <b>Internet Fantasy Sports Contest and Sports Wagering Tax Receipts — Current Law</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>(in millions)</b>  |                |                |                |
| <b>Program</b>  | <b>FY 2023</b> | <b>FY 2024</b> | <b>FY 2025</b> |
| Sports Tourism Program  | \$ 1.5         | \$ 0.0         | \$ 0.0         |
| Gambling Treatment Program  | 1.8            | 0.0            | 0.0            |
| Endow Iowa Tax Credit Program   | 0.0            | 0.0            | 0.0            |
| County Endowment Fund   | 0.0            | 0.0            | 0.0            |
| Qualified Sponsoring Organizations  | 0.0            | 0.0            | 0.0            |

  

| <b>Internet Fantasy Sports Contest and Sports Wagering Tax Receipts — Proposed</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>(in millions)</b>   |                |                |                |
| <b>Program</b>   | <b>FY 2023</b> | <b>FY 2024</b> | <b>FY 2025</b> |
| Sports Tourism Program   | \$ 1.5         | \$ 0.0         | \$ 0.0         |
| Gambling Treatment Program   | 1.8            | 1.8            | 1.8            |
| Endow Iowa Tax Credit Program  | 7.0            | 1.0            | 1.0            |
| County Endowment Fund  | 0.0            | 22.7           | 8.0            |
| Qualified Sponsoring Organizations   | 0.0            | 1.4            | 1.4            |

  

| <b>Internet Fantasy Sports Contest and Sports Wagering Tax Receipts — Difference</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>(in millions)</b>   |                |                |                |
| <b>Program</b>   | <b>FY 2023</b> | <b>FY 2024</b> | <b>FY 2025</b> |
| Sports Tourism Program   | \$ 0.0         | \$ 0.0         | \$ 0.0         |
| Gambling Treatment Program   | 0.0            | 1.8            | 1.8            |
| Endow Iowa Tax Credit Program  | 7.0            | 1.0            | 1.0            |
| County Endowment Fund  | 0.0            | 22.7           | 8.0            |
| Qualified Sponsoring Organizations   | 0.0            | 1.4            | 1.4            |

**Divisions III to V — Endow Iowa Tax Credits**

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**Description**

Division III increases the maximum amount of tax credits authorized for TY 2023 from \$6.0 million to \$13.0 million for the Endow Iowa Tax Credit. This Division takes effect upon enactment and applies retroactively to January 1, 2023.

Division IV increases the maximum tax credits authorized for tax years beginning on or after January 1, 2024 (TY 2024), from \$6.0 million to \$7.0 million.

Division V provides that the changes made in 2022 Iowa Acts, chapter [1002](#), to the maximum amount of tax credits authorized for the Endow Iowa Tax Credit do not apply to endowment gifts made to an Endow Iowa qualified foundation prior to January 1, 2023. This Division takes effect upon enactment and applies retroactively to January 1, 2023.

**Background**

The [Endow Iowa Tax Credit](#) is equal to 25.0% of a taxpayer’s gift to a permanent endowment fund within a qualified community foundation or community affiliate organization for the benefit of Iowa charitable causes. The tax credit is allowed up to \$100,000 of the aggregate annual award limit for a single taxpayer. Ten percent of the aggregate annual award limit each year is reserved for gifts in amounts of \$30,000 or less, but after September 1, if the entire 10.0% amount is not awarded, the remaining tax credits are available to any gift size.

The IEDA awards credits up to a fiscal year cap that is currently at \$6.0 million. The tax credit can be claimed against corporate income tax, individual income tax, franchise tax, insurance premium tax, and money and credits taxes. Credits are awarded on a first-come, first-served basis.

**Assumptions**

- The full amount of the annual cap will be awarded for TY 2023 and for each subsequent year.
- Tax credits will begin to be awarded in 2023 to be first claimed against corporate income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Initial fiscal impact for claims under the Bill will occur in FY 2024.
- The tax credit is nonrefundable, and any credit in excess of the tax liability may be carried forward for up to five years.
- Based on Department of Revenue historical claim data, 84.3% of the tax credit awards will be claimed. The following timing of claims is assumed:
  - Year 0: 0.2% of awards claimed
  - Year 1: 40.5% of awards claimed
  - Year 2: 30.6% of awards claimed
  - Year 3: 6.0% of awards claimed
  - Year 4: 3.1% of awards claimed
  - Year 5: 1.4% of awards claimed
  - Year 6: 2.2% of awards claimed
  - Year 7: 0.3% of awards claimed
- According to the Department of Revenue, it is estimated that school district surtax collected will be reduced by 2.5% due to the change in individual income tax liability.

**Fiscal Impact**

**Table 3** includes the net fiscal impact to the General Fund for FY 2023 through FY 2028 when including the increase to the General Fund from the sports wagering tax appropriations and deposits provided for in Divisions I and II and the anticipated timing of the Endow Iowa Tax Credit award claims from the increased award limit provided for in Divisions III and IV.

**Table 3 — Estimated General Fund Fiscal Impact**  
(in millions)

|         | <u>Division I</u><br>Sports Wagering<br>Tax Receipts | <u>Division II</u><br>SWRF<br>Appropriation | <u>Division III and IV</u><br>Endow Iowa Tax<br>Credits | <u>Net Impact to<br/>General Fund</u> |
|---------|--|---|---|---------------------------------------|
| FY 2023 | \$ 0.0   | \$ 7.0                                      | \$ 0.0  | \$ 7.0                                |
| FY 2024 | 1.0  | 0.0   | -2.8  | -1.8                                  |
| FY 2025 | 1.0  | 0.0   | -2.5  | -1.5                                  |
| FY 2026 | 1.0  | 0.0   | -1.1  | -0.1                                  |
| FY 2027 | 1.0  | 0.0   | -1.0  | 0.0                                   |
| FY 2028 | 1.0  | 0.0   | -0.9  | 0.1                                   |

The Department of Revenue also estimates the following decreases in school district surtax collected:

- FY 2024: \$71,000
- FY 2025: \$64,000
- FY 2026: \$28,000
- FY 2027: \$25,000
- FY 2028: \$23,000

**Sources**

Department of Revenue

Integrated Information for Iowa (I/3)

Iowa Racing and Gaming Commission sports wagering revenue [reports](#)

LSA analysis and calculations

/s/ Jennifer Acton

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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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