



[HF 702](#) – Sales Tax Exemption, Emergency Goods (LSB1450HV)
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Fiscal Note Version – New

Description

[House File 702](#) expands the Iowa sales tax holiday to include the purchase of disaster preparedness supplies, which are defined as items that may be used in preparation for or response to a disaster and include general supplies, fastening supplies, food-related supplies, and safety supplies. A disaster preparedness supply item must be under \$100 to qualify for the sales tax holiday. However, the Bill provides an exception for general supplies and fastening supplies, for which the maximum allowed sales price is increased to \$5,000. The Bill also expands the existing sales tax holiday by one additional day to include Sunday.

Background

The State currently has an [annual sales tax holiday](#) held on the first Friday and Saturday of August. During this period, clothing and footwear that meet certain criteria are exempt from sales tax and local option sales tax (LOST). The exemption does not apply to any item selling for \$100 or more. The Department of Revenue estimates the amount of sales tax exempted in FY 2023 during the sales tax holiday was approximately \$4.7 million.

Alabama, Virginia, and Texas currently have a sales tax holiday for certain emergency preparedness supplies.

Assumptions

- The Bill is effective beginning July 1, 2023 (FY 2024), and would apply to the August 2023 sales tax holiday.
- The average cost of emergency items for a family is \$350.
- Approximately 14,800 families will purchase emergency preparedness supplies during the sales tax holiday.
- Without a limit on the number of higher-priced items allowed to be purchased by households, an estimated additional \$100,000 will be spent on the higher-priced items during the sales tax holiday in FY 2024.
- Growth trends in future fiscal years are based on Consumer Price Index for all Urban Consumers (CPI-U) average estimated increases of 2.0% from FY 2024 to FY 2028.
- As a result of the number of days in the sales tax holiday increasing from two days to three days, the estimated fiscal impact will increase proportionally by 50.0% to account for the additional day of exempted sales. According to the Department of Revenue, the estimated cost in FY 2023 for the current sales tax holiday was \$4.7 million.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. LOST distributions are estimated to be 0.097% of taxable expenditures.

Fiscal Impact

House File 702 would reduce revenues to the General Fund, SAVE Fund, and LOST by the estimated amounts listed below.

Fiscal Impact of Exemption for Emergency Preparedness Supplies Purchases and Expansion of Sales Tax Holiday						
In Millions						
	General Fund		SAVE		LOST	
FY 2024	\$	-2.7	\$	-0.5	\$	-0.5
FY 2025		-2.7		-0.5		-0.5
FY 2026		-2.8		-0.6		-0.5
FY 2027		-2.8		-0.6		-0.5
FY 2028		-2.9		-0.6		-0.6

Sources

Department of Revenue
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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