

Fiscal Note



Fiscal Services Division

<u>HF 710</u> – Sports Wagering Receipt and County Endowment Funds (LSB1521HZ.2) Staff Contact: Maria Wagenhofer (515.281.5270) <u>maria.wagenhofer@legis.iowa.gov</u> Fiscal Note Version – Final Action

Description

<u>House File 710</u> relates to the Endow Iowa Tax Credit and makes appropriations from the Sports Wagering Receipts Fund.

Division I appropriates \$7.0 million in FY 2023 from the Sports Wagering Receipts Fund (SWRF) to the General Fund for purposes of the Endow Iowa Tax Credit Program. This provision is effective upon enactment.

Division II increases the maximum amount of tax credits authorized for tax year (TY) 2023 from \$6.0 million to \$13.0 million for the Endow Iowa Tax Credit. This provision takes effect upon enactment and applies retroactively to the tax years beginning on or after January 1, 2023, but before January 1, 2024.

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

Background

The SWRF was established in FY 2020 by 2019 Iowa Acts, chapter <u>132</u> (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.

Figure 1 includes the FY 2020, FY 2021, FY 2022, and FY 2023 year-to-date revenue and appropriations from the SWRF.

Figure 1 — Sports Wagering Receipts Fund										
	FY 2020		FY 2021		FY 2022		FY 2023*			
Revenue										
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		10,450,866		
Interest		11,494		5,094		28,416		271,769		
Total Revenues	\$	1,799,735	\$	7,596,701	\$	15,478,656	\$	22,951,291		
Appropriations										
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	\$	300,000	\$	1,750,000	\$	3,250,000	\$	3,250,000		
Reversion		0		0		0		0		
Ending Balance	\$	1,499,735	\$	5,846,701	\$	12,228,656	\$	19,701,291		
Source: Integrated Information	for lo	wa (I/3)								
*Year-to-date as of May 3, 2023		. ,								

The Endow lowa 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 lowa 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 Iowa Economic Development Authority (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 moneys 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.
- 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

Figure 2 includes the fiscal impact to the SWRF and General Fund for FY 2023 through FY 2028 when including the increase to the General Fund from the SWRF appropriation and the anticipated timing of the Endow Iowa Tax Credit award claims from the increased award limit.

Figure 2 — Fiscal Impact by Fund (in millions)

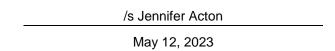
	•	Wagering ipts Fund	General Fund		
FY 2023	\$	-7.0	\$	7.0	
FY 2024		0.0		- 2.8	
FY 2025		0.0		-2.1	
FY 2026		0.0		-0.4	
FY 2027		0.0		-0.2	
FY 2028		0.0		-0.1	

The following decreases in school district surtax collected are estimated:

FY 2024: \$71,000
FY 2025: \$54,000
FY 2026: \$11,000
FY 2027: \$5,000
FY 2028: \$2,000

Sources

Department of Revenue Integrated Information for Iowa (I/3) Iowa Racing and Gaming Commission sports wagering revenue reports LSA analysis and calculations



Doc ID 1374168

The fiscal note for this Bill was prepared pursuant to <u>Joint Rule 17</u> 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.

www.legis.iowa.gov