



[HF 710](#) – Sports Wagering Receipt and County Endowment Funds (LSB1521HZ.2)
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Fiscal Note Version – Final Action

Description

[House File 710](#) 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 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 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 [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.

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	<u>\$ 1,799,735</u>	<u>\$ 7,596,701</u>	<u>\$ 15,478,656</u>	<u>\$ 22,951,291</u>
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	<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>\$ 19,701,291</u>

Source: Integrated Information for Iowa (I/3)

*Year-to-date as of May 3, 2023.

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 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)

	Sports Wagering Receipts 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

/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.