



Fiscal Note

Fiscal Services Division



[HF 960](#) – Communications Network Equipment Sales Tax Exemption (LSB1629HV.2)
Staff Contact: Evan Johnson (515.281.6301) evan.johnson@legis.iowa.gov
Fiscal Note Version – As amended by Senate amendment [H-8388](#)

Description

[House File 960](#) as amended by Senate amendment by [H-8388](#) expands the sales and use tax exemption in Iowa Code section [423.3\(47A\)\(a\)](#) by making all purchases of central office equipment or transmission equipment used by certain entities in the furnishing of telecommunications services and internet access services on a commercial basis exempt from sales and use tax.

Background

Under current law, a sales tax exemption is available only for central office equipment or transmission equipment primarily used by local exchange carriers and competitive local exchange service providers; by franchised cable television operators, mutual companies, municipal utilities, cooperatives, and certain communications services companies; by long distance companies; or for a commercial mobile radio service in the furnishing of telecommunications services on a commercial basis.

“Central office equipment” is defined as equipment utilized in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. Central office equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

“Transmission equipment” is defined as equipment utilized in the process of sending information from one location to another location. Transmission equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

Assumptions

- The Bill as amended is effective July 1, 2026 (FY 2027).
- It is assumed that there are 116 telecommunications providers affected by the Bill as amended.
- Estimated taxable expenditures made exempt by the Bill as amended are based on appeals information filed with the Iowa Department of Revenue related to the sales tax exemption in Iowa Code section [423.3\(47A\)\(a\)](#) and scaled to include all telecommunications providers in the State.
- The amount of currently taxable sales for FY 2025 that would be made exempt under the Bill as amended is \$16.4 million.
- The estimated value of purchases made exempt under the Bill as amended is assumed to increase by 2.4% annually.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local option sales tax (LOST) distributions are estimated to be 0.95% of taxable expenditures.

Fiscal Impact

House File 960 as amended is estimated to decrease annual revenue to the General Fund, SAVE Fund, and the LOST by the amounts in **Figure 1**.

Figure 1 — Fiscal Impact of House File 960 as amended (in Millions)

	General Fund	SAVE	LOST
FY 2027	\$ -0.9	\$ -0.2	\$ -0.2
FY 2028	-0.9	-0.2	-0.2
FY 2029	-0.9	-0.2	-0.2
FY 2030	-0.9	-0.2	-0.2
FY 2031	-0.9	-0.2	-0.2

Sources

Iowa Department of Revenue
Iowa Communications Alliance
Legislative Services Agency 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.
