



# Fiscal Note

## Fiscal Services Division



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[SF 2289](#) – Gambling, State Building Code, and Residential Care Facilities (LSB5523SV.3)  
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Fiscal Note Version – Final Action

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### Description

[Senate File 2289](#) has three divisions and relates to matters under the purview of the Department of Inspections, Appeals, and Licensing (DIAL), including gambling, the State Building Code, and residential care facilities.

### Division I — Gambling

#### Description

Division I of the Bill raises the total cap on reimbursements to commissioners of the Iowa Racing and Gaming Commission (IRGC) for expenses incurred from \$30,000 to \$45,000.

Division I requires State income tax to be withheld on gambling winnings under Iowa Code chapters [99D](#) and [99F](#) if the winnings are in an amount sufficient to require that an information return be filed pursuant to 26 U.S.C. 6041, as amended to July 4, 2025, rather than if the winnings are in excess of \$1,000 under Iowa Code chapter 99D or \$1,200 under Iowa Code chapter 99F. This section of Division I takes effect upon enactment.

#### Background

The IRGC receives an annual appropriation from the Gaming Regulatory Revolving Fund (GRF) in the Administration and Regulations Appropriations Act to fund its operations. The IRGC assesses regulatory fees on racetracks and gambling boats and structures licensees based on the amount appropriated to the IRGC that is deposited into the GRF. These fees are approved at an IRGC meeting prior to the beginning of the fiscal year.

The [One Big Beautiful Bill Act \(OBBBA\)](#) of 2025 updated the federal income tax reporting threshold to \$2,000, adjusted annually for inflation, for Forms 1099-MISC and 1099-NEC.

#### Assumptions

- The increase to the IRGC's annual cap on reimbursements paid to commissioners is assumed to be incorporated into the regulatory fee paid by licensees and deposited into the GRF.
- For the purposes of this **Fiscal Note**, it is assumed that the updated \$2,000 federal withholding threshold is applicable to slot machine winnings, which were subject to a \$1,200 withholding threshold previously, and pari-mutuel winnings, which were subject to a \$1,000 withholding threshold previously.
- Based on tax year (TY) 2024, the total amount of reported slot machine winnings between \$1,200 and \$2,000 was \$365.7 million and the total amount of State withholding tax reported for slot machine winnings between \$1,200 and \$2,000 was \$13.9 million.
- Based on TY 2024, the total amount of reported pari-mutuel winnings between \$1,000 and \$2,000 was \$17.7 million and the total amount of State withholding tax reported for pari-mutuel winnings between \$1,000 and \$2,000 was \$937,000.

- All taxpayers are required to report all gambling winnings, regardless of whether an Internal Revenue Service (IRS) W2-G was filed. It is assumed that State tax liability would not change as a result of the Bill.
- It is assumed that State taxes not withheld for winnings in the second half of a fiscal year would be remitted in State tax as final payments in the subsequent fiscal year.
- It is assumed that the section of Division I amending withholding thresholds would take effect July 1, 2026 (FY 2027).
- All gambling winnings are subject to a State income tax rate of 3.8% beginning in TY 2026.
- Winnings are assumed to increase by 2.4% annually.

### **Fiscal Impact**

Division I of the Bill is anticipated to increase fees paid into the GRF by \$15,000 annually. The IRGC receives an annual appropriation from the GRF in the Administration and Regulation Appropriations Act.

The fiscal impact of Division I on State income tax is anticipated to be revenue neutral but is expected to change the timing of revenues between fiscal years. Beginning in FY 2027 and for all subsequent fiscal years, the timing of revenues collected is delayed by six months compared to current law. As a result, the General Fund fiscal impact for FY 2027 is anticipated to be significant. For FY 2027, it is anticipated that there would be a decrease of \$7.8 million that is instead collected in FY 2028. For all subsequent fiscal years, the annual decrease is estimated to be \$188,000 that is instead collected in the next fiscal year.

## **Division II — State Building Code**

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### **Description**

Division II of the Bill requires the State Building Commissioner to consult with the Department of Homeland Security and Emergency Management (HSEMD), rather than the Department of Public Defense, when adopting administrative rules relating to safe rooms and storm shelters.

Division II of the Bill also redirects fees collected by the State Building Code Commissioner under Iowa Code chapter [103A](#) to be deposited into DIAL's Licensing and Regulation Fund instead of the General Fund.

### **Background**

The Licensing and Regulation Fund was created in 2023 Iowa Acts, chapter [108](#) (FY 2024 Administration and Regulations Appropriations Act), under the authority of Iowa Code section [10A.507](#). The Fund consists of moneys and fees collected by DIAL. Moneys in the Licensing and Regulation Fund are appropriated to DIAL to be used to fulfill the administration and enforcement responsibilities of DIAL and licensing boards under the purview of DIAL's licensing and regulation functions.

In FY 2025, approximately \$313,000 was collected in building code plan and review fees under Iowa Code chapter 103A. These fees were deposited into DIAL's Professional Licensing Division General Fund appropriation and used by DIAL.

### **Assumptions**

For the purposes of this *Fiscal Note*, it is assumed that building code plan and review fees collected in FY 2027 will equal the fees collected in FY 2025.

## **Fiscal Impact**

Division II of the Bill is estimated to result in approximately \$313,000 being deposited into the Licensing and Regulation Fund beginning in FY 2027.

## **Division III — Residential Care Facilities**

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### **Description and Background**

Division III of the Bill allows a residential care facility that is a pediatric palliative care center to serve as few as zero individuals. Under current law, an entity must serve at least three individuals to be defined as a residential care facility.

### **Fiscal Impact**

Division III of the Bill is not anticipated to have a fiscal impact to the State.

### **Fiscal Impact Summary**

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**Division I** of the Bill is anticipated to increase fees deposited into the GRF by \$15,000 annually. The IRGC receives an annual appropriation from the GRF in the Administration and Regulation Appropriations Act.

The fiscal impact of **Division I** on State income tax is anticipated to be revenue neutral but is expected to change the timing of revenues between fiscal years. Beginning in FY 2027 and for all subsequent fiscal years, the timing of revenues collected is delayed by six months compared to current law. As a result, the General Fund fiscal impact for FY 2027 is anticipated to be significant. For FY 2027, it is anticipated that there would be a decrease of \$7.8 million that is instead collected in FY 2028. For all subsequent fiscal years, the annual decrease is estimated to be \$188,000 that is instead collected in the next fiscal year.

**Division II** of the Bill is anticipated to increase fees deposited into the Licensing and Regulation Fund by \$313,000 annually.

### **Sources**

Department of Inspections, Appeals, and Licensing  
Iowa Racing and Gaming Commission  
Iowa Advantage System  
Iowa Department of Revenue  
LSA calculations  
Doc ID 1604847

/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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