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[HF 2486](#) – School Textbook Sales Tax Exemption (LSB6232HV)  
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Fiscal Note Version – New

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### **Description**

[House File 2486](#) creates a sales tax exemption for instructional materials required for a course of instruction at a postsecondary institution in this State, when the materials are purchased for use by a student enrolled in the course. Postsecondary institutions are defined as public four-year universities, private nonprofit four-year universities, public two-year colleges, and private nonprofit two-year colleges.

### **Background**

Currently, the sale price of taxable goods is exempt from sales tax if the purchase is made at a bookstore that is owned and operated by an educational institution.

### **Assumptions**

- Beginning in 2017, neither Iowa State University nor the University of Iowa charged Iowa sales tax on textbooks, required instructional materials, or school supplies.
- The University of Northern Iowa (UNI) purchased UNI Bookstore from University Book and Supply, Inc., on March 1, 2018, and will no longer collect sales tax on instructional materials beginning no later than July 1, 2018.
- Among public community colleges, only Des Moines Area Community College, Eastern Iowa Community College, and Hawkeye Community College operate bookstores that collect sales tax.
- Total student enrollment at private nonprofit institutions and the three community colleges that collect sales tax is estimated at 86,320. Enrollment at these postsecondary institutions is expected to remain level.
- It is estimated that 58.6% of these students have full-time course loads, while 41.4% are part-time.
- All other university-affiliated and non-university-affiliated bookstores charge sales tax.
- The average spending per student for required instruction materials for the 2016-2017 academic year was \$579. This amount has been decreasing at an annual rate of 1.9% since the 2007-2008 academic year.

### **Fiscal Impact**

[House File 2486](#) is estimated to impact the General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) revenues by at least the amounts in the following table:

**Estimated Fiscal Impact of HF 2486**

	<u>General Fund</u>	<u>SAVE</u>	<u>LOST</u>
FY 2019	\$ -1,907,000	\$ -381,000	\$ -301,000
FY 2020	-1,871,000	-374,000	-296,000
FY 2021	-1,835,000	-367,000	-290,000
FY 2022	-1,800,000	-360,000	-284,000
FY 2023	-1,766,000	-353,000	-279,000

**Sources**

Department of Revenue  
Iowa Association of Community College Trustees  
Iowa College Student Aid Commission  
Board of Regents  
National Association of College Stores  
LSA analysis and calculations

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/s/ Holly M. Lyons

April 19, 2018

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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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