



SF 2407 – Raceway Sales Tax Rebate Modification (LSB5503SV)
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Fiscal Note Version – New

Description

[Senate File 2407](#) modifies for eligible raceways, the raceway facility sales tax rebate to a rebate of sales and use tax on the lesser of project costs incurred after the effective date of the Bill or \$1.8 million. The rebate for construction materials and services is eliminated. The Bill is effective upon enactment and retroactive to January 1, 2015.

Background

Based on the specific eligibility requirements for a raceway facility noted in this Bill, the only raceway that will qualify for this sales tax rebate is the Knoxville Raceway.

The sales and use tax rebate for the Knoxville Raceway was created in 2014 Iowa Acts, chapter [1102](#) (Sales and Use Tax Rebate—Raceway Facility Act). The Act required the creation of a Raceway Facility Tax Rebate Fund, and required revenues from retailers at the defined raceway facility to be transferred to the Fund after all other required transfers had taken place.¹ Additionally, the Act made the sales and use tax on a construction project at the raceway facility eligible for rebate. The combined rebate of eligible costs was capped at 25.0% of the project costs or \$2.0 million, whichever was lower.

The Department of Revenue has not created the Raceway Facility Tax Rebate Fund. The Department has not promulgated any administrative rules for the program, but reports having been in conversations with stakeholders.

Assumptions

- The Raceway Facility Tax Rebate Fund was never established. All receipts received to date, with the exception noted below, have been deposited in the General Fund.
- The Department of Revenue issued approximately \$18,000 to the Knoxville Raceway in FY 2015 for the first calendar quarter of 2015.
- From FY 2015 to FY 2018, an estimated \$555,000 was remitted by retailers at the Knoxville Raceway. This funding, plus the FY 2019 revenue, will be transferred to the Raceway Facility Tax Rebate Fund in FY 2019.
- The rebate is limited to the project costs incurred and paid by the raceway facility on or after the effective date of the Bill, and will only be considered timely if the rebate is filed with the Department within 90 days of the payment of the project cost.
- The Bill takes effect upon enactment and applies retroactively to January 1, 2015. For purposes of determining fiscal impact, the enactment date is assumed to be June 1, 2018.

¹ Essentially, 5.0% of the State sales tax rate would be transferred. Transfers in Iowa Code section [423.2\(11\)\(b\)](#) are for local option sales tax (LOST), the Natural Resources Outdoor Recreation Trust Fund (if enacted), the Secure an Advanced Vision for Education (SAVE) Fund, the Baseball and Softball Complex Rebate Fund, the State Reinvestment Districts Fund, and the Flood Mitigation Fund.

Since the costs for the project need to be paid before the rebate is claimed, the rebate will not be filed until FY 2019.

- The project costs will be proportionally spread out from FY 2019 to FY 2025.

Fiscal Impact

[Senate File 2407](#) will transfer an estimated \$744,000 in sales tax revenue currently deposited in the General Fund to the Raceway Facility Tax Rebate Fund in FY 2019, approximately \$200,000 annually from FY 2020 to FY 2024, and approximately \$68,000 in FY 2025 before the \$1.8 million transfer cap is reached. Expenditures from the Raceway Facility Tax Rebate Fund are expected to take place in equal increments of \$255,000 from FY 2019 to FY 2025.

The Department will incur administrative costs to implement the rebate program, with ongoing annual costs estimated at \$18,000 for the staff time necessary to track the taxes paid and rebate claims made.

Sources

Department of Revenue
Knoxville Raceway
LSA research and analysis

/s/ Holly M. Lyons

April 26, 2018

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.
