

**Fiscal Services Division  
Legislative Services Agency  
Fiscal Note**

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HF 2028 - Environmental Testing Sales Tax Exemption (LSB 5114 HH)  
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Fiscal Note Version — New

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**Description**

House File 2028 exempts environmental testing services from the State sales and use tax.

**Assumptions**

1. Department of Revenue research identified \$470,000 to \$500,000 in FY 2003 sales and use tax payments from 27 Iowa environmental testing businesses.
2. Local option sales tax revenues will equal 17.0% of State sales tax revenues.
3. Environmental testing sales will grow by 5.0% per year.
4. Implementation of the Streamlined Sales Tax agreement and more normal revenue growth patterns will push annual Iowa sales and use tax revenue growth above 2.0%, starting FY 2006.
5. House Files 692 & 683 (Grow Iowa Values Fund Acts of 2003) require all sales and use tax growth above 2.0% to be deposited to the Grow Iowa Values Fund.

**Fiscal Impact**

House File 2028 will reduce State General Fund revenues by \$500,000 in FY 2005. After FY 2005, the fiscal impact of the exemption will shift to the Grow Iowa Values Fund. The exemption will also reduce local option sales tax revenues by \$85,000 in FY 2005.

**HF 2028 Sales & Use Tax Revenue Reductions**

<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Grow Iowa Values Fund</u>	<u>Local Option Sales Tax</u>
FY 2005	\$ 500,000	\$ 0	\$ 85,000
FY 2006	0	525,000	89,000
FY 2007	0	551,000	94,000
FY 2008	0	579,000	98,000
FY 2009	0	608,000	103,000
FY 2010	0	638,000	108,000

**Sources**

Iowa FY 2003 Sales Tax Records  
Department of Revenue

Dennis C Prouty

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February 17, 2004

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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