

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

HF 2043 - Child Care Center Exemption (LSB 5562 YH)
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Fiscal Note Version — HF 2043
Requested by Representative Danny Carroll

Description

House File 2043 exempts the sale of tangible personal property to non-profit day care centers licensed by the Department of Human Services (DHS) from the sales and use tax. The exemption would begin July 1, 2004.

Assumptions

1. Enrollment at DHS licensed non-profit day care centers is currently 57,500.
2. The weekly tangible personal property expenditure at DHS-licensed day care centers averages \$13.00 per child.
3. The State sales tax rate is 5.0% and local option sales taxes average 1.0% across the State.
4. Sales and use tax growth will not exceed 2.0% in FY 2005, but will do so in FY 2006 and future years.
5. The Grow Iowa Values Fund receives all sales and use tax revenue growth in excess of 2.0% for fiscal years 2004 through 2010.

Fiscal Impact

The tax exemption in HF 2043 will reduce General Fund revenues by \$1.9 million in FY 2005. The revenue reduction will be similar in future fiscal years, however, the reduction will shift to the Grow Iowa Values Fund for FY 2006 through FY 2010.

House File 2043 will also reduce local option sales tax receipts by \$389,000 per year.

Sources

Department of Revenue
Department of Human Services

Dennis C Prouty

February 24, 2004

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.
