

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 186 – Internal Revenue Code (IRC) Update Bill (LSB 1214HV)
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Fiscal Note Version – Updated

Description

House File 186 updates Iowa's tax laws to incorporate federal Internal Revenue Code (IRC) changes made by Congress in 2003, 2004, and 2005. Specific federal legislation addressed by the estimate includes:

- The Jobs and Growth Relief Reconciliation Act of 2003 (HR 2)
- The Military Family Tax Relief Act of 2003 (HR 3365)
- The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (HR 1)
- The Working Families Tax Relief Act of 2004 (HR 1308)
- The American Jobs Creation Act of 2004 (HR 4520)
- The Tsunami Relief Charitable Contribution Act of 2005 (HR 241)

The six federal Acts were determined to have a total of 179 provisions with potential impacts on Iowa revenue. Of the 179, the Department determined 78 provisions either increased or decreased General Fund revenue over the next ten fiscal years. The estimated fiscal impact is the net impact of all provisions for that year.

Fiscal Impact

House File 186 is projected to decrease net General Fund revenue by:

- FY 2005: \$ 9.3 million
- FY 2006: \$ 21.3 million
- FY 2007: \$ 19.5 million
- FY 2008: \$ 9.2 million
- FY 2009: \$ 1.4 million

Related Revenue Issue

Since Iowa allows all taxpayers to deduct federal income tax paid from their State taxable income, when Congress takes actions that reduce federal taxes owed, most Iowa taxpayers see a corresponding increase in their State tax bill. The State tax bill increases occur automatically when federal tax reductions are enacted and do not take Legislative action. The Department of Revenue estimates that this "deductibility effect" will increase net General Fund revenue by the following amounts.

- FY 2005: \$ 14.1 million
- FY 2006: \$ 25.9 million
- FY 2007: \$ 19.5 million
- FY 2008: \$ 12.9 million
- FY 2009: \$ 0.0 million

Source

Department of Revenue

/s/ Holly M. Lyons

February 14, 2005

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.
