

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 864 - Collaborative Educational Sales Tax Exemption (LSB 3403 HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

HF 864 provides a sales and use tax exemption/refund for the sale of material and services furnished for the construction of a "collaborative educational facility" meeting specific conditions. The conditions are:

1. The construction contract must be entered into on or after April 1, 2003.
2. The building must be located within a city with a population in excess of 195,000 persons.
3. The purpose of the building is to provide facilities for the collaboration between public and private educational institutions.
4. The owner of the building is a nonprofit corporation exempt from federal taxes under Section 501(a) of the federal Internal Revenue Code and is governed by Chapter 504 or 504A, Code of Iowa.

The sales tax exemption applies to the initial construction of the building and to any future modifications. The Bill is effective upon enactment and applies retroactively to April 1, 2003.

Assumptions

1. The sales tax exemption will apply to one building currently under construction in Des Moines.
2. The construction cost of the building is estimated at \$8.5 million.
3. Architectural and other professional fees (exempt from sales tax) will be 12.0% of the estimated cost.
4. Of the remaining construction cost, 50.0% will be for items subject to State and local sales tax, and 50.0% will be exempt from tax under current law.
5. The State sales tax rate is 5.0% and the local option tax rate is 1.0%.
6. The building will be completed after July 1, 2005.

Fiscal Impact

The sales tax exemption created in HF 864 will reduce net General Fund sales tax revenue by an estimated \$187,000 in FY 2006. The exemption will also reduce local option sales tax receipts by \$37,400.

Similar fiscal impacts will occur in a future fiscal year should the facility be expanded significantly.

Sources

Department of Revenue

/s/ Holly M. Lyons

April 20, 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.
