

**EIGHTY-EIGHTH GENERAL ASSEMBLY
2019 REGULAR SESSION
DAILY
HOUSE CLIP SHEET
February 26, 2019**

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
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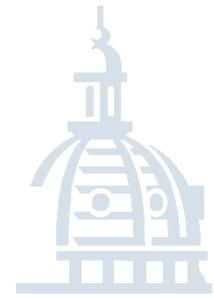
No amendments filed on February 26, 2019

Fiscal Notes

[HF 227](#) — [Child and Dependent Care Expense Deduction](#) (LSB1996YH)

[HF 375](#) — [Newborn Metabolic Screening](#) (LSB1263YH)

[HF 514](#) — [Operating While Intoxicated, Noll Fix](#) (LSB1350HV)



HF 227 – Child and Dependent Care Expense Deduction (LSB1996YH)
Analyst: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 227](#) creates a new individual income tax deduction for qualified amounts paid to a child or dependent care provider. Under the Bill, a qualified child is under the age of 13 and a qualified dependent is a person who resides with the taxpayer and is unable to physically or mentally care for themselves.

Expenses are limited to those that are “reasonable and customary” for the services provided. Payments to a care provider who is the taxpayer’s spouse, partner, or dependent child cannot be included as expenses for the deduction. The annual eligible expense amount is not limited.

The new tax deduction is not transferable or refundable. The change applies to tax years beginning on or after January 1, 2020.

Background

The federal tax code provides for a [Child and Dependent Care Credit](#) equal to 20.0% to 35.0% of qualified expenditures paid to care providers for a child under the age of 13 and for certain other dependents of the taxpayer. Qualified expenditures are limited to \$3,000 per year for one qualified dependent or \$6,000 for two or more qualified dependents. The federal tax credit does not have an upper income limit.

Iowa provides its own tax credit based on the amount of the federal credit. The Iowa tax credit is allowed on a sliding scale, based on the taxpayer’s net income. The Iowa tax credit amount ranges from 75.0% of the federal credit for net income of less than \$10,000, to 30.0% for taxpayers with net income of \$44,000 to \$44,999. No State tax credit is available for net income of \$45,000 or higher.

Taxpayers will be allowed to claim both the new child/dependent care income deduction and the existing Iowa [Child and Dependent Care Credit](#) for the same expenditures.

Assumptions

The Department of Revenue utilized federal tax return data from federal form [2441](#) to calculate the total child/dependent care expenditures for Iowa taxpayers. The Department used the amounts reported on the federal form as the amounts each taxpayer will claim for the new Iowa deduction, and the tax impact for each Iowa tax return is estimated using the Department’s income tax micro model. The tax year impact is the total tax reduction for all taxpayers assumed to benefit from the new tax deduction.

Iowa tax liability is met as the tax year progresses through income tax withholding and estimate payments with an adjustment in the form of a tax refund or a tax return payment when the return is filed. The tax year impacts of law changes are usually spread across these four items and across two fiscal years. For the TY 2020 estimate, 15.0% is assumed to be due to lower withholding and estimate payment revenue and 85.0% to increased refunds and lower payments with tax returns. For future fiscal years, the spread is assumed to be as follows:

- Tax year 2021 = 25.0%/75.0%
- Tax year 2022 = 40.0%/60.0%
- Tax year 2023 and after = 100.0%/0.0%

[Senate File 2417](#) (2018 Tax Modifications Act) created a contingent individual income tax system to be activated once two General Fund revenue thresholds are met. This estimate assumes the contingent system will be initiated the first year allowed under the law, which is tax year 2023.

Tax deductions impact the calculation of the local option income surtax for schools by lowering the amount of income subject to the surtax. That surtax averages 2.9% of Iowa income tax liability.

Fiscal Impact

The new tax deduction for child/dependent care expenses is estimated to reduce net General Fund revenue by the following amounts:

- FY 2020 = \$1.2 million
- FY 2021 = \$17.1 million
- FY 2022 = \$18.2 million
- FY 2023 = \$21.2 million
- FY 2024 = \$14.8 million

In future fiscal years, the tax deduction is projected to increase at the rate of inflation.

The deduction is also estimated to reduce the revenue raised by the annual local option income surtax for schools by \$500,000.

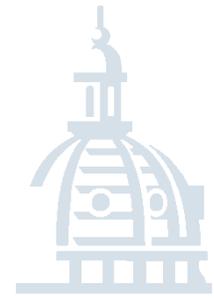
Sources

Department of Revenue
Federal tax form 2441

/s/ Holly M. Lyons

February 25, 2019

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.



HF 375 – Newborn Metabolic Screening (LSB1263YH)
Analyst: Kenneth Ohms (515.725.2200) kenneth.ohms@legis.iowa.gov
Requestor: Representative Brian Best
Fiscal Note Version – New

Description

House File 375 requires the Department of Public Health (DPH) to expand the newborn metabolic screening panel to include Mucopolysaccharidosis type 1 (MSP-1), Glycogen storage disease type II (Pompe), and spinal muscular atrophy (SMA) by January 1, 2020.

Background

The purpose of the [Iowa Newborn Screening Program](#) (INSP) is to screen for metabolic and congenital disorders in the newborn period to enable the early identification of, and intervention for, at-risk individuals in order to prevent or lessen adverse health consequences such as intellectual and physical disability, serious illness, and death, with the overall objective of improving the quality of life for Iowans. Newborn screening is required to screen for certain inherited conditions. Babies born in Iowa have small spots of blood collected 24 to 48 hours from birth to be tested. The INSP is a fee-operated program.

The Iowa [Congenital and Inherited Disorders Advisory Committee](#) (CIDAC) includes representatives from professional groups and agencies as well as legislators, consumers, and individuals with an interest in promoting genetic services. The Committee provides advice and recommendations for the design and implementation of genetic disorder programs within the DPH.

Assumptions

- There are approximately 39,000 babies born in Iowa each year.
- Medicaid pays for approximately 40.0% of births in Iowa.
- The State share of the Federal Medical Assistance Percentages (FMAP) rate is 39.12%.
- Screening for SMA requires tandem mass spectrometry (MS/MS) equipment and can be run with the test for severe combined immunodeficiency (SCID) currently being done on equipment at the lab.
- The INSP charges a fee for screenings to cover annual costs and will increase the fee based on the estimated budget.
- Lab technicians will be hired no earlier than halfway through FY 2020.
- Screening will begin in January 2020.
- Screening for Pompe and MSP-1 will require additional equipment and staff to handle the expanded screening demands and can be conducted on MS/MS or microfluidics equipment. The alternative assumptions associated with MS/MS and microfluidics equipment are as follows:

MS/MS

- The INSP would require three additional MS/MS devices to handle the increased capacity.
- Additional technical lab staff required for MS/MS is estimated at 2.0 full-time equivalent (FTE) positions.
- The consumables portion of the cost per test on MS/MS is estimated at \$1.46.

Microfluidics

- The INSP could receive three microfluidics devices free of charge.
- Additional technical lab staff required for microfluidics to meet 24/7/365 capacity is estimated at 3.0 FTE positions.
- The consumables portion of the cost per test on microfluidics is estimated at \$3.47.

Fiscal Impact

The estimated cost of adding SMA to the INSP is presented in **Table 1**.

	<u>FY 2020</u>	<u>FY 2021 and Subsequent Years</u>
Startup Costs		
Test Development and Validation	\$ 315,000	
Education	14,000	
Information Technology	136,000	N/A
Quality Assurance	32,000	
Subtotal Startup Costs	<u>\$ 497,000</u>	
Daily Testing Operational Costs		
Staffing (0.5 FTE Position)	\$ 18,500	\$ 37,000
Reagents/Consumables	55,000	110,000
Subtotal Daily Testing	<u>\$ 73,500</u>	<u>\$ 147,000</u>
Total	<u>\$ 570,500</u>	<u>\$ 147,000</u>
Cumulative Five-Year Cost		\$ 1,158,500
N/A = Not Applicable		

The cost estimates associated with the two alternative methodologies for testing MSP-1 and Pompe on MS/MS or microfluidics are presented in **Table 2**.

Table 2 – Pompe and MSP-1 Screening Options

	<u>Tandem Mass Spectrometry</u>		<u>Microfluidics</u>	
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>
Startup Costs				
Instrumentation (Three MS/MS)	\$ 750,000		\$ 0 *	
Facility Renovation	200,000		100,000	
Test Development and Validation	200,000	N/A	200,000	N/A
Education	28,000		28,000	
Information Technology	273,000		273,000	
Quality Assurance	65,000		65,000	
Subtotal Startup Costs	<u>\$ 1,516,000</u>		<u>\$ 666,000</u>	
Daily Testing Operational Costs				
Staffing (\$66.5K Per Lab Tech)	\$ 66,500	\$ 133,000	\$ 100,000	\$ 200,000
Reagents/Consumables	28,500	57,000	67,500	135,000
Subtotal Daily Testing	<u>\$ 95,000</u>	<u>\$ 190,000</u>	<u>\$ 167,500</u>	<u>\$ 335,000</u>
Other Annual Costs				
Maintenance	N/A	\$ 60,000	N/A	\$ 0
Depreciation		75,000		0
Total	<u>\$ 1,611,000</u>	<u>\$ 325,000</u>	<u>\$ 833,500</u>	<u>\$ 335,000</u>
Cumulative Five-Year Cost		\$ 2,911,000		\$ 2,173,500

N/A = Not Applicable

*Note: This assumes the DPH receives three microfluidics devices free of charge.

The revised fee for the INSP will increase General Fund expenditures for the Medicaid program by an estimated \$75,000 annually. Increased expenditures for the State of Iowa Group Health Insurance Plan will increase by an estimated \$10,000. The total estimated impacts of [HF 375](#) are presented in **Table 3** with the INSP impacts subtotaled between the two screening equipment options.

	<u>FY 2020</u>	<u>FY 2021 and Subsequent Years</u>
General Fund		
Medicaid	\$ 37,500	\$ 75,000
Iowa Group Health Insurance	5,000	10,000
Total General Fund	<u>\$ 42,500</u>	<u>\$ 85,000</u>
Iowa Newborn Screening Program		
SMA	\$ 570,500	\$ 147,000
Pompe and MSP-1 on MS/MS	1,611,000	325,000
Pompe and MSP-1 on Microfluidics	833,500	335,000
Subtotal SMA and MS/MS Option	<u>\$ 2,181,500</u>	<u>\$ 472,000</u>
Subtotal SMA and Microfluidics Option	<u>\$ 1,404,000</u>	<u>\$ 482,000</u>

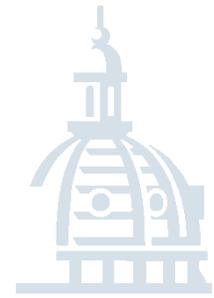
Sources

Department of Public Health
 Department of Human Services
 Sanofi US
 Wellmark
 LSA analysis and calculations

 /s/ Holly M. Lyons

February 26, 2019

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.



HF 514 – Operating While Intoxicated, Noll Fix (LSB1350HV)
Analyst: Laura Book (515.205.9275) laura.book@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 514](#) provides that a person convicted of a third or subsequent operating-while-intoxicated (OWI) offense may be sentenced as a habitual offender pursuant to Iowa Code sections [902.8](#) and [902.9](#) if the person qualifies as a habitual offender as described in Iowa Code section [902.8](#).

Background

Under current law, Iowa Code section [321J.2\(2\)\(c\)](#) provides that a third or subsequent OWI offense is a Class D felony, punishable by confinement not to exceed five years with a mandatory minimum term of 30 days, assessment of a fine between \$3,125 and \$9,375, revocation of the person's driver's license for six years, assignment to substance abuse evaluation and treatment, a course for drinking drivers, and a reality education substance abuse prevention program.

Iowa Code section [902.8](#) provides that a habitual offender is any person convicted of a Class C or D felony, who has twice before been convicted of any felony. The maximum sentence for a habitual offender is confinement for no more than 15 years, and the minimum is three years confinement.

The recent Iowa Supreme Court decision in [Noll v. Iowa Dist. Court for Muscatine County](#)¹ held that the maximum sentences set forth in Iowa Code section [321J.2\(5\)](#) for a third OWI offense represent the General Assembly's intent to preclude sentencing a person convicted of a third or subsequent OWI offense as a habitual offender. Prior to this ruling, the habitual offender statute was applied to qualifying OWI third or subsequent offenses.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay; revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Correctional Impact

[HF 514](#) may increase the number of individuals who enter prison. Under this Bill, if the habitual offender sentence enhancement is applied to offenders who have two prior felonies and an OWI third, the offender would be admitted to prison instead of residential treatment or probation.

Table 1 shows the current number of active OWI third offenders with two or more prior felonies and the type of sentence received. The Department of Corrections has indicated it is difficult to estimate the proportion of OWI third offenders who have prior felonies and would qualify for

¹ 919 N.W.2d 232 (Iowa 2018).

habitual offender status under this provision. In addition, application of the enhanced status is under the discretion of the County Attorney and as a result, it is difficult to determine how many of those who qualify for habitual offender sentences would receive enhanced status.

Table 1 — Active OWI 3rd Offenders with Two or More Prior Felonies by Sentence Received

Sentence Received	OWI 3rd Offenders with Two or More Prior Felonies
Prison	209
OWI Continuum – Residential	70
Probation	95
Total	374

The length of stay for qualifying offenders would increase under the enhanced sentence. In FY 2018, OWI third offenders stayed in prison for approximately 7.9 months. Under this Bill, the average length of stay could increase to 18 months.

It is important to note that prior to the *Noll* case, the habitual offender statute was previously applied to OWI third sentences. The implementation of [HF 514](#) would allow this practice to resume. As a result, the increase in prison populations may be minimal due to this prior existing practice.

Minority Impact

The minority impact of [HF 514](#) is unknown. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 7, 2019, for information related to minorities in the criminal justice system.

Fiscal Impact

The fiscal impact of [HF 514](#) cannot be determined due to the inability to estimate the proportion of OWI third offenders who have prior felonies and would qualify for a habitual offender sentence and receive enhanced status. It should be noted that prior to the *Noll* case, the habitual offender statute was applied to OWI third sentences and the implementation of [HF 514](#) would allow this practice to resume. As a result, the increase in prison populations and fiscal impact to the Department of Corrections may be minimal due to this prior existing practice.

Table 2 shows the difference in total prison costs between one OWI third sentence and a Habitual Offender enhanced sentence.

Table 2 — Average Length of Stay Marginal Prison Cost Difference

	Length of Stay (months)	Marginal Costs/Day Prison	Prison Costs
OWI 3rd	7.9	\$18.43	\$4,368
Habitual Offenders	18	\$18.43	\$10,100
Cost Difference	—	—	\$5,732

Sources

LSA analysis
 Criminal and Juvenile Justice Planning Division, Department of Human Rights
 Department of Corrections
 Iowa County Attorneys Association

/s/ Holly M. Lyons

February 26, 2019

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