EIGHTY-FIFTH GENERAL ASSEMBLY
2014 REGULAR SESSION
DAILY

HOUSE CLIP SHEET

MARCH 18, 2014

HOUSE FILE 2361

H-8123

Amend the amendment, H-8107, to House File 2361 as follows:

1. Page 1, by striking lines 3 through 14 and inserting:

<<Sec. ___. INTERSECTION REPORT. By October 1, 2014, the county engineer of each county shall provide a report to the department of transportation identifying all locations in the county where two different roads or highways having speed limits of 55 miles per hour or greater intersect but are not controlled by an official traffic-control signal or by official traffic-control devices that direct traffic approaching from every direction to stop or yield before entering the intersection. On or before December 31, 2014, the department shall file a report with the legislative services agency detailing the number and locations of the intersections identified in the county engineers' reports.>>

By STANERSON of Linn

H-8123 FILED MARCH 17, 2014

SENATE FILE 2312

H-8122

Amend Senate File 2312, as passed by the Senate, as follows:

1. Page 1, before line 1 by inserting:

<Section 1. Section 499A.1, subsection 1, Code 2014, is amended to read as follows:

1. Any two or more persons of full age, a majority of whom are citizens of the state, may organize themselves for the following or similar purposes: Ownership of residential, business property on a cooperative basis. A corporation or limited liability company is a person within the meaning of this chapter. The organizers shall adopt, and sign and acknowledge the articles of incorporation, stating the name by which the cooperative shall be known, the location of its principal place of business, its business or objects, the number of directors to conduct the cooperative's business or objects, the names of the directors for the first year, the time of the cooperative's annual meeting, the time of the annual meeting of its directors, and the manner in which the articles may be amended. The articles of incorporation shall be filed with the secretary of state who shall, if the secretary approves the articles, endorse the secretary of state's approval on the articles, record the articles, and forward the articles to the county recorder of the county where the principal place of business is to be located, and there the articles shall be recorded, and upon recording be returned to the cooperative. The articles shall not be filed by the secretary of state until a filing fee of five dollars together with a recording fee of fifty cents per page is paid, and upon the payment of the fees and the approval of the articles by the secretary of state, the secretary shall issue to the cooperative a certificate of incorporation as a cooperative not for pecuniary profit. The county recorder shall collect recording fees pursuant to section 331.604 for articles forwarded for recording under this section.>

2. Title page, line 4, after <regimes> by inserting <, by allowing limited liability companies to form multiple housing cooperatives,>

3. By renumbering as necessary.

COMMITTEE ON JUDICIARY
BALTIMORE of Boone, Chairperson

H-8122 FILED MARCH 17, 2014

LEGISLATIVE SERVICES AGENCY
Serving the Iowa Legislature

Fiscal Note

Fiscal Services Division

HF 2443 – Supplies Sales Tax Exemption (LSB 6107HV)
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2443 provides a sales tax exemption for the purchase of items used in certain manufacturing, research and development, data processing or storage, or recycling activities. This Bill applies to purchases made after July 1, 2014.

Assumptions

Assumptions used in the calculation of this estimate include:

- Based on survey data from 17 companies with manufacturing sites in Iowa, a ratio of reported supplies that would be exempted under the proposal to the reported value added was calculated for these companies. It is assumed that the value added is highly correlated with the amount of supplies subject to the proposed exemption.
- The ratios were averaged and applied to other Iowa manufacturing companies by North American Industry Classification System (NAICS) groupings. The survey data was available for eight manufacturing groups. These manufacturing companies in the identified NAICS grouping accounted for 82.3% of the value added in Iowa, based on the U.S. Census Bureau Annual Survey of Manufacturing (ASM) for 2011.
- Growth of value added between FY 2011 and FY 2015 for the manufacturing NAICS groups were based on ASM 2011 values and multiplied by the Gross Domestic Product (GDP) deflator of 5.8% (reported by Moody's Analytics).
- Supplies exempted under this proposal for these manufacturers in the eight NAICS groups were calculated by multiplying the average estimated supply ratio to the total value added estimated for 2014. Based on this calculation, the estimated cost of supplies exempted under this proposal for those manufacturers totaled $281.9 million.
- For the remaining manufacturing NAICS groups that were not represented in the survey data, an average supply ratio was calculated based on the groups with data, weighted by total value-added shares. Based on this calculation, the remaining 17.7% of value added from manufacturing reflected $53.4 million in supplies that will be exempt under the proposal.
- The proposal will also exempt research and development supplies used by nonmanufacturing companies used to conduct research in the State. The Department of Revenue Research Activities Tax Credit Evaluation Study in 2011 noted that 10.0% of research conducted in Iowa is reported by nonmanufacturing companies. Based on supply information provided by manufacturers, 28.0% of reported exempt supplies were prototype parts and supplies used in research and development ($93.6 million). This estimate assumes that those supplies account for 90.0% of the total exempt research and development prototype materials and supplies, so that total exempt research and design supplies is estimated at $10.4 million for nonmanufacturers.
- In FY 2015, the total of supplies exempted under this proposal is the sum of $281.9 million (manufacturing NAICS groups included in the survey data), $53.4 million (manufacturing NAICS groups not represented in the survey), and $10.4 million (for nonmanufacturers) and totals $345.8 million.

- Growth is based on Moody's analytics GDP deflator data and is assumed at 2.2% in FY 2016, 2.1% in FY 2017, 2.0% in FY 2018, and 1.9% in FY 2019.
- The effective statewide local option sales tax (LOST) rate is 0.87%.

Fiscal Impact

The fiscal impact of **HF 2443** will be a reduction in State sales/use and local option sales tax (LOST) beginning in FY 2015. The following table provides the estimated reduction in State sales tax, including the reduction to the General Fund and the SAVE Fund for FY 2015 through FY 2019.

Reduction in Sales Tax Resulting from Proposal

(dollars in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total State Sales Tax	$ 20.7	$ 21.2	$ 21.6	$ 22.1	$ 22.5
General Fund Portion	17.3	17.7	18.0	18.4	18.7
SAVE Portion	3.5	3.5	3.6	3.7	3.7
LOST	$ 3.0	$ 3.1	$ 3.1	$ 3.2	$ 3.3

SAVE = Secure an Advanced Vision for Education

LOST = Local Option Sales Tax

Totals may not sum due to rounding.

In addition to the data provided in the table, the Department of Revenue has indicated that there will likely be a cost savings of at least $40,000 to the Department. This will occur due to a reduction in the number of protests and audits that will result with enactment of this Bill.

Sources

Iowa Department of Revenue, Tax Research and Analysis Section
LSA analysis and calculations

/s/ Holly M. Lyons

March 17, 2014

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.

LSA LEGISLATIVE SERVICES AGENCY
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Fiscal Note

Fiscal Services Division

HF 2445 – Economic Development Program Changes (LSB 5291HZ)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

Division I of **House File 2445** will allow Venture Capital Tax Credits issued to investors in qualified businesses to claim the tax credit in the year it is received. Under current law, the investor must wait three years to redeem the tax credit. Division I applies retroactively to January 1, 2014.

Section 21 of Division III directs that loan and other repayments from the former Iowa Value Fund (repealed in 2011) are to be deposited to an Economic Development Authority Fund and used for the purposes of the Strategic Investment Fund. Section 21 is effective retroactive to July 1, 2013.

Background – Iowa Values Fund

The Iowa Values Fund was repealed effective June 30, 2012, in Section 14 of House File 648 (Infrastructure and Capital Projects Appropriations Act of 2011). House File 638 (Infrastructure and Capital Projects Act of 2013) amended the 2011 legislation, directing that any unobligated money in the Iowa Values Fund as of July 1, 2013, must be transferred to the Rebuild Iowa Infrastructure Fund (RIIF). In December 2013, $31.1 million was transferred from the Iowa Values Fund to the RIIF.

Section 20(1) of HF 590 (Economic Development Authority Act of 2011) provides that any money remaining in a fund under control of the Department of Economic Development on the effective date of the Act (July 1, 2011) is to remain available to the Authority. Section 20(3) of HF 590 provides that financial assistance agreements entered into under Iowa Code chapter **15G** (including the Iowa Values Fund) prior to the effective date of the Act are to be administered by the Authority according to the provisions of Iowa Code chapter 15G.

Up until the date of its repeal, the Iowa Values Fund was the main economic incentive fund of the Economic Development Authority. The Fund provided a source of grant and loan economic incentives, using state appropriations and loan repayments as the primary funding sources. Since its repeal, the Fund has been maintained and is active in the State accounting system, with previously agreed to incentive payments being made out of the Fund, and loan repayments, interest, and other income deposited to the Fund.

As of February 21, 2014, $48.1 million remains in the Iowa Values Fund. The majority of the current balance is encumbered for specific economic development projects and will be disbursed once the projects meet their award requirements. Should an award recipient fail to meet the requirements of the assistance agreement, the encumbered money will become unencumbered.

Since the beginning of FY 2014, through February 21, 2014, $3.6 million in repayments, royalties, interest, and miscellaneous income has been deposited in the Iowa Values Fund. Over the next four years, repayments and other revenue for the Fund will equal $7.5 million to

$10.0 million or more. Section 21 of this Bill will allow the Authority to transfer the income stream of repayments, royalties, interest, and other income that is accruing to the repealed Iowa Values Fund to any Fund established under the provisions of Iowa Code section 15.106A(1)(o).

Section 21 of this Bill does not address what happens to any of the current $48.1 million Iowa Values Fund balance that has become unencumbered since July 1, 2013, or that becomes unencumbered in the future.

Assumptions

- The removal of the three-year wait period for Venture Capital Tax Credit redemption applies only to tax credits awarded on or after January 1, 2014.
- Venture Capital Tax Credit awards are subject to a $2.0 million per year cap. Accelerating the redemption timeframe only impacts the timing of the redemptions.

Fiscal Impact

Division I of this Bill, which alters the redemption of qualified business Venture Capital Tax Credits, has a General Fund fiscal impact through a change in the timing of tax credit redemptions. The change makes the tax credits redeemable upon receipt, as opposed to three years after award. The following table provides the net fiscal impact of Division I.

Qualified Business Venture Capital Tax Credits
Impact of removing the three-year wait period
In millions

	General Fund Revenue
FY 2015	$ -0.7
FY 2016	-1.3
FY 2017	-1.5
FY 2018	-0.9
FY 2019	-0.3
FY 2020 - FY 2025	4.7

The Iowa Values Fund is a repealed State fund that continues to operate in the State accounting system. The unencumbered portion of the balance as of July 1, 2013, was transferred to the RIIF in December 2013. However, loan repayments and other income continue to be deposited to the Fund and there currently exists no Code authority to expend the revenue when it becomes available. There also is no existing Code authority directing what may happen to any existing encumbered funds should those funds become unencumbered.

Enactment of Section 21 of this Bill will allow the Authority to transfer the revenue stream out of the Iowa Values Fund. Any of the encumbered funds that are currently in the Iowa Values Fund that become unencumbered at a later date will remain in the Iowa Values Fund.

Sources

Economic Development Authority
Department of Revenue

/s/ Holly M. Lyons

March 17, 2014

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.

LEGISLATIVE SERVICES AGENCY
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Fiscal Note

Fiscal Services Division

SF 303 – Military Retirement Pay Tax Exemption (LSB 2169SV.2)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – As passed by the Senate

Description

Senate File 303 as passed by the Senate, exempts all military retirement income from the State income tax, retroactive to January 1, 2014. This Bill excludes military retirement income from the calculation of the alternate tax and the calculation of the tax filing threshold.

Background

Iowa currently exempts the first $6,000 (single) and $12,000 (married) in qualified retirement income from the State income tax (applies to traditional pensions, annuities, and distributions from Individual Retirement Accounts (IRA) and deferred compensation plans). To qualify, the taxpayer or the taxpayer's spouse must be 55 years of age or older, disabled, or a surviving spouse or a survivor having an insurable interest in an individual that would have qualified for the exemption during that tax year.

Assumptions

- According to federal Defense Finance and Accounting Services data, pension income paid to 11,472 Iowans in 2012 totaled $252.8 million.
- The Department of Revenue income tax micro model projects 7,765 income tax returns will experience an income tax reduction due to the changes in this Bill.
- The difference between the number of Iowans receiving military pensions (11,472) and the number of tax returns benefiting from this Bill (7,765) is explained by:
  - Taxpayers exempt from Iowa income tax due to the current Iowa income tax filing thresholds.
  - Tax situations where Iowa's current $6,000/$12,000 pension exemption fully covers an existing military pension.
  - Taxpayers with pension income, including military pension income, in excess of $6,000/$12,000, but for other reasons have zero or negative Iowa income tax liability.
  - Disability-related pensions that are already exempt from State income tax.
  - Married taxpayers where both spouses are receiving military retirement income. In those instances, a tax return represents two military pensioners.
- Military pension payments were assumed to grow with inflation as forecasted by Moody's Analytics in November 2013.
- The tax liability impact was estimated for the 7,765 Iowa tax returns currently paying income tax on all or a portion of their military retirement income using the Department of Revenue's income tax micro model. The micro model uses tax return information to account for nontaxable military pension benefits, includes interactions with the current pension exclusion, alternate tax, and filing thresholds, and reflects an estimated increase in the number of military retirees living in the State over time.
- The tax change is retroactive to January 1, 2014. For tax year 2014, 30.0% of the revenue reduction is assumed to impact FY 2014 and 70.0% to impact FY 2015. For tax year 2015, 40.0% impacts FY 2015 and 60.0% FY 2016.

- For those school districts that have a local option income surtax in place, the annual yield from that surtax depends on the Iowa income tax owed by Iowa taxpayers living within the school district. Law changes that impact Iowa income tax, with the exception of changes impacting refundable tax credits, also change the amount of revenue generated by the local option income surtax.

Fiscal Impact

The following table provides the projected income tax reduction by tax year, along with the revenue impact on the State General Fund and on the local option income surtax for schools.

SF 303 - Military Retirement Income
Income Tax Reduction and State/Local Revenue Reduction
In millions

Tax Year	Income Tax Reduction	Fiscal Year	General Fund Revenue Reduction	Local Option Income Surtax Reduction
TY 2014	$ -8.1	FY 2014	$ -2.4	$ 0.0
TY 2015	-8.4	FY 2015	-9.0	-0.3
TY 2016	-8.7	FY 2016	-9.4	-0.3
TY 2017	-9.1	FY 2017	-8.9	-0.3
TY 2018	-9.6	FY 2018	-9.4	-0.3

Sources

Department of Revenue Individual Income Tax Micro Model
Defense Finance and Accounting Services (DFAS)
Moody's Analytics

/s/ Holly M. Lyons

March 17, 2014

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.