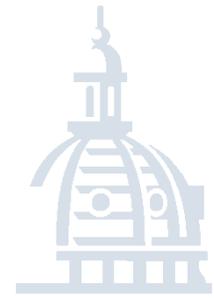


**EIGHTY-SIXTH GENERAL ASSEMBLY
2015 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

FEBRUARY 10, 2015

No amendments filed - see attached Fiscal Notes



HF 125 – 2015 IRC Update Bill (LSB 1308HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 125 conforms Iowa's revenue laws to incorporate federal changes enacted from January 1, 2014, through January 1, 2015. The Bill is effective on enactment and applies retroactively to tax year 2014.

Background

Since January 1, 2014, the only significant federal tax changes were enacted as part of **H.R. 5771** (Tax Increase Prevention Act of 2014). This Act became law December 19, 2014. The Act extended the exemptions and credits through the end of tax year 2014. Extension beyond tax year 2014 will require additional federal legislation.

Of the extended provisions, the most significant from a fiscal impact perspective is the extension of favorable depreciation expensing known as "Section 179 expensing." This provision allows business taxpayers (including corporate taxpayers and business entities taxed through the individual income tax) to write off additional depreciation in the year a qualified depreciable asset is placed in service. Since the provision accelerates the claiming of depreciation, the provision reduces taxes owed in the first year, but increases taxes owed in later years.

The one federal change that this Bill does not conform with is known as "bonus depreciation." Bonus depreciation provides a similar benefit for more expensive depreciable assets. Iowa has not coupled with federal bonus depreciation provisions in the past.

Assumptions

The conformity impact estimates were calculated by the Iowa Department of Revenue using national estimates available from the Joint Committee on Taxation.

Federal **H.R. 5771** also impacts Iowa income tax revenue by reducing the deduction for federal income taxes paid (both individual and corporate). Adjustments for the deductibility impacts of **H.R. 5771** were included in the December 2014 Revenue Estimating Conference General Fund revenue estimates for FY 2015 and FY 2016.

Fiscal Impact

House File 125 is projected to reduce net General Fund revenue in FY 2015 and increase revenue in future fiscal years. The impact projections are provided in the following table.

Conformity Impact Estimates - HF 125 - Internal Revenue Update Bill

In Millions of Dollars

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Section 179 Expensing	\$ -83.50	\$ 22.03	\$ 19.77	\$ 13.65	\$ 10.69
Discharge of Indebtedness	-5.25	-1.75	0.00	0.00	0.00
Qualified Tuition Expenses	-2.23	0.00	0.00	0.00	0.00
Teacher \$250 Deduction	-0.67	0.00	0.00	0.00	0.00
Mortgage Insurance Deduction	-1.50	-0.50	0.00	0.00	0.00
Sales Tax Deduction	-1.51	0.00	0.00	0.00	0.00
Active Financing Income	-2.04	0.00	0.00	0.00	0.00
Work Opportunity Tax Credit	-1.07	-0.15	-0.07	-0.04	-0.01
Other Provisions	-1.21	-0.42	-0.05	-0.04	-0.04
Conformity Impact	\$ -98.98	\$ 19.21	\$ 19.65	\$ 13.57	\$ 10.64

The Department of Revenue indicates that if Iowa does not adopt Internal Revenue Code update legislation in the early part of the 2015 Legislative Session, but does enact update legislation in the later portion of the Session, taxpayers may first file tax year 2014 tax returns by the statutory deadlines, and then file amended returns at a later date. The Department calculates that the cost to the State, should a significant number of taxpayers take this action, could be as high as \$170,000.

Sources

Joint Committee on Taxation (federal)
Iowa Department of Revenue

/s/ Holly M. Lyons

February 3, 2015

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.



House File 146 – Gambling Game Bet Penalties (LSB1162HV)
Analyst: David Reynolds (Phone: (515) 281-6934) (dave.reynolds@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 146 changes penalties related to cheating on gambling games at casinos. Under current law, a person that places a bet after acquiring knowledge, not available to all players, of the outcome of the gambling commits a Class “D” felony regardless of the amount bet. The person charged is banned for life from excursion gambling boats and gambling structures after a single offense. **House File 146** replaces the current provision with a new requirement concerning the offense of unlawful betting. The Bill specifies that a person that places, removes, increases, or decreases a bet after acquiring knowledge of the outcome of the gambling game commits the offense of unlawful betting. The Bill establishes the following penalties:

- Class “D” felony, if the potential winnings from the unlawful bet exceed \$1,000.
- Aggravated misdemeanor, if the potential winnings exceed \$500 but less than \$1,000.
- Serious misdemeanor, if the potential winnings exceed \$200 but less than \$500.
- Simple misdemeanor, if the potential winnings do not exceed \$200.
- The Bill requires that two convictions of the offense of unlawful betting will result in the person being barred for life from excursion gambling boats and gambling structures.

Background

Correctional and Fiscal Information

- A Class “D” felony is punishable by confinement for no more than five years and a fine of at least \$750 but no more than \$7,500.
- An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of at least \$625 but no more than \$6,250.
- A serious misdemeanor is punishable by confinement for no more than one year and a fine of at least \$315 but no more than \$1,875.
- A simple misdemeanor is punishable by confinement for no more than 30 days or a fine of at least \$65 but no more than \$625 or by both.
- According to the Justice Data Warehouse, in FY 2014 there were 22 persons charged under Iowa Code section [99F.15\(4\)\(d\)](#) that included crimes that relate to cheating at gambling games. Of the 22 persons charged, two were convicted under [99F.15\(4\)\(d\)](#), six were convicted under other Iowa Code sections, and charges were dismissed for 14 other persons.
- Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Correctional Impact Memo](#), dated January 30, 2014, for information related to criminal justice system costs for nonperson crimes.

Minority Data Information

Of the two persons convicted under Iowa Code section [99F.15\(4\)\(d\)](#), one was Asian and one was Caucasian. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Memo](#), dated January 30, 2014, for information related to minorities in the criminal justice system.

Assumptions

Correctional and Fiscal Information

- The number of persons charged under the new Iowa Code section 99F.15(5A), will be similar to the number charged under Iowa Code section [99F.15\(4\)\(d\)](#) in FY 2014. In FY 2014, 22 persons were charged, and the charges were dismissed for 14 persons.
- The number of persons convicted under the new Iowa Code section 99F.15(5A) will likely be greater than the number convicted under Iowa Code section [99F.15\(4\)\(d\)](#) in FY 2014; however, the convictions will likely be for penalties that are less than a Class “D” felony.

Summary of Impacts

Correctional Impact

The Bill broadens the actions for penalties that can be applied to a person for an offense of unlawful betting. The potential exists for an increase in the number of convictions; however, the extent of this increase is difficult to determine because the new penalties are based on dollar amounts bet on a gambling game.

Minority Impact

The minority impact is expected to be minimal.

Fiscal Impact

The fiscal impact of [HF 146](#) cannot be determined, due to insufficient information.

Sources

Department of Human Rights, Division of Criminal and Juvenile Justice Planning
Department of Public Safety

/s/ Holly M. Lyons

February 4, 2015

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.
