

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

MARCH 31, 2015

HOUSE FILE 586

H-1163

1 Amend the amendment, H-1152, to House File 586, as
2 follows:
3 1. Page 1, by striking lines 5 through 20 and
4 inserting: <<
5 NEW SUBSECTION. 5. a. A county board of
6 supervisors may adopt an electronic document resolution
7 that provides that the board is not required to file or
8 retain the following documents submitted to the board
9 in a written format:
10 (1) Applications and supporting materials for
11 construction permits as provided in sections 459.303
12 and 459.304.
13 (2) Manure management plans as provided in section
14 459.312.
15 b. An electronic document resolution described
16 in paragraph "a" shall not take effect or continue
17 to be effective unless all of the following filing
18 requirements apply:
19 (1) Any document covered by the resolution is
20 accepted in or converted into a digital format.
21 (2) The county board of supervisors retains custody
22 of the document in a digital format.
23 (3) The document is made available as a public
24 record under chapter 22 via the internet.>>
25 2. Page 1, by striking line 24 and inserting
26 <provide for the filing of documents as>
By HANSON of Jefferson

H-1163 FILED MARCH 30, 2015

HOUSE FILE 614

H-1162

1 Amend House File 614 as follows:
2 1. Title page, line 2, by striking <and providing
3 penalties> and inserting <, providing penalties, and
4 including effective date provisions>
By WINDSCHITL of Harrison

H-1162 FILED MARCH 30, 2015

SENATE FILE 394

H-1164

1 Amend the amendment, H-1160, to Senate File 394,
2 as amended, passed, and reprinted by the Senate, as
3 follows:
4 1. Page 1, after line 6 by inserting:
5 < . Page 2, line 17, after <a person> by
6 inserting <resulting from the person's arrest>>
7 2. By renumbering as necessary.

By KOESTER of Polk

H-1164 FILED MARCH 30, 2015



SF 366 – Peace Officers Retirement System Disability Benefits (LSB2320SV.1)
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.iowa.gov)
Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 366, as amended and passed by the Senate, relates to the reexamination, recalculation, and offset of an accidental or ordinary disability retirement benefit for a beneficiary under 55 years of age under the Public Safety Peace Officers’ Retirement, Accident, and Disability (POR) System.

Background

- Under current law, disability retirees in the POR System under age 55 are permitted total earnings, including disability pension payment and reemployment wages, equal to 1.5 times the current earnable compensation of an active member at the same position on the salary scale as the member’s rank held at retirement. If a disability retiree’s earnings exceed the limit, the POR System benefits are reduced by the amount the retiree has exceeded the limit or are repaid to the POR Fund by the retiree.
- At age 55, disability retirees are no longer subject to the earnings limit.
- As of February 28, 2015, there are 17 disability retirees under age 55 that may be subject to the retiree earnings limit.
- The following table shows the history of disability retirement benefit repayment amounts at 1.5 times the earnable compensation.

Disability Retirement Benefit Repayment Amounts

Calendar Year	Amount Over the Earnings Limit	Number of Retirees Impacted
2010	\$ 28,892	Two
2011	23,706	One
2012	29,912	One
2013	33,542	One
	<u>\$ 116,052</u>	

- As of July 1, 2014, the POR System had assets totaling \$360.1 million, an unfunded actuarial liability of \$155.8 million, and a funded ratio of 69.80%. There are currently 1,194 members of the POR System, including 578 active members. The average age of an active member is 41.6. The average years of service equal 16.3. The average annual wage of a POR member is \$74,516.
- The Municipal Police and Fire Retirement System (411 System) and the Iowa Public Employees’ Retirement System (IPERS) Special Service members have similar earning limitations under Iowa Code sections [411.6\(7\)](#) and [97B.50A\(7\)\(b\)](#), respectively.
- Iowa Code section [97A.6\(11\)](#) requires POR benefits to be offset by any workers’ compensation payments made to disability retirees. The Municipal Police and Fire Retirement System (411 System) and the Iowa Public Employees’ Retirement System (IPERS) Special Service members have similar offset language under Iowa Code sections [411.6\(10\)](#) and [97B.50A\(5\)](#), respectively.

Assumptions

- The example pay of \$76,500 on the following page is 90.0% of the maximum salary for a Special Agent 2 with Step 3 longevity at retirement (15-19 years of service).
- The fiscal impact of this legislation will vary depending on the situation of each eligible retiree.
- The impact to the POR System will vary from year to year depending on the number of retirees subject to the change and how much each eligible person earns. The example retiree will be allowed to increase total earnings from \$114,750 to \$191,250 before POR benefits will be reduced or repayments will be required. This is illustrated in the following table.

Comparison for Proposed Increase in Disability Retiree Earnings Limit

	Current Law	Proposed Law
Wages based on active member with same rank as retiree	\$ 76,500	\$ 76,500
Multiplier per section 97A.6 (Iowa Code)	1.5	2.5
Benefits and earnings maximum	\$ 114,750	\$ 191,250
Maximum disability retiree earnings (pension and employment)	\$ 114,750	\$ 191,250
Average annual benefit for accidental disability	-45,000	-45,000
Earnings from employment without any reduction to POR benefit	\$ 69,750	\$ 146,250

- There are currently three POR System beneficiaries that will receive increased POR benefits by removing Iowa Code section [97A.6\(11\)](#); however, additional employees may be eligible.

Fiscal Impact

[Senate File 366](#), as amended and passed by the Senate, has no impact to the State General Fund.

The following table shows the difference between the historic disability retirement benefit repayments at 1.5 times earnable compensation compared to the proposed 2.5 times earnable compensation limit. The difference will result in a reduction of repayments to the POR Fund of approximately \$29,000 per year.

Disability Retirement Benefit Repayment Amounts

Calendar Year	Amount Over the 1.5 Earnings Limit	Number of Retirees Impacted	Amount Over the 2.5 Earnings Limit
2010	\$ 28,892	Two	\$ 0
2011	23,706	One	0
2012	29,912	One	0
2013	33,542	One	0
	<u>\$ 116,052</u>		<u>\$ 0</u>
4-year average	\$ 29,013		

The fiscal impact of striking Iowa Code section [97A.6\(11\)](#) will increase the number of payments made from the Workers' Compensation Fund. Under current law, disability retirees do not typically file for worker's compensation benefits because those payments offset the pension payments in an equal amount. With the change in this Bill as amended, disability retirees will be able to receive their full disability pension amount and an amount determined for worker's compensation benefits. The pension amount will no longer be reduced in a corresponding amount. However, the number of disability retirees that will utilize this new provision and the amount of benefits paid is unknown and cannot be estimated at this time.

Sources

Department of Public Safety
Department of Administrative Services

/s/ Holly M. Lyons

March 30, 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.



HF 225 – Geothermal Energy System Franchise Tax Credit (LSB1666YH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New
Requested by Representative Dave Jacoby

Description

House File 225 creates a franchise tax credit for the installation of a geothermal energy system. The new credit is equal to 60.0% of the federal business energy investment tax credit received for the same geothermal installation. The new tax credit is not refundable but any unredeemed portion may be carried forward for the next 10 tax years or until depleted. The Bill is effective on enactment and applies retroactively to tax year 2015.

Background

The Iowa franchise tax applies to Iowa banks at a rate of 5.0% of net income. Iowa banks do not pay Iowa corporate income tax.

The federal corporate tax credit for installation of geothermal systems is equal to 10.0% of allowed installation costs. If Iowa creates a State credit of 60.0% of the federal credit, the Iowa credit will cover 6.0% of allowed installation costs. The federal corporate energy tax credit for geothermal heat systems expires December 31, 2016. The credit for geothermal systems that produce electricity does not expire.

Iowa currently has a residential geothermal tax credit available to individual income tax taxpayers. That credit is equal to 20.0% of the federal residential tax credit. The federal tax credit for residential geothermal system installation is equal to 30.0% of allowed installation costs. Therefore, the Iowa credit is equal to 6.0% of the allowed installation costs. The federal tax credit is set to expire December 31, 2016.

Fiscal Impact

The creation of a geothermal energy system tax credit for banks is expected to decrease net General Fund revenue by \$28,000 each year in FY 2016 and FY 2017. Should the U.S. Congress extend the current federal corporate credit for geothermal heat systems beyond December 31, 2016, the fiscal impact to the State General Fund will continue beyond FY 2017.

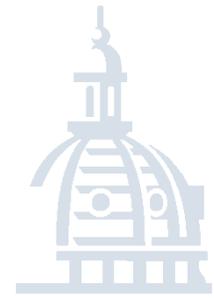
Source

Department of Revenue

/s/ Holly M. Lyons

March 27, 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.



HF 226 – Geothermal Energy System Tax Credit (LSB1664YH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 226 revises the current residential Geothermal Heat Pump Tax Credit by increasing the tax credit percentage, expanding credit availability to corporate taxpayers, and changing the name to the Geothermal Energy System Tax Credit. The Bill takes effect on enactment and applies retroactively to tax year 2015 and after.

Background

Under current Iowa law, the Geothermal Heat Pump Tax Credit is equal to 20.0% of the federal credit available for residential installations. That federal credit is equal to 30.0% of qualified installation costs. Therefore, the current Iowa credit is equal to 6.0% of qualified installation costs. The current Iowa credit is not refundable but unused portions may be carried forward for up to 10 tax years. The federal credit is set to expire December 31, 2016.

Under current federal law, there is a corporate investment tax credit available equal to 10.0% of qualified geothermal installation expenses at business locations. Iowa does not currently have a corporate tax credit based on the federal business investment tax credit for geothermal installations. The federal credit for geothermal heat installations expires December 31, 2016. A companion federal credit for geothermal installations that produce electricity does not expire. The corporate tax credit proposed in this Bill will apply to both a geothermal heat installation and a geothermal electric generation installation.

Assumptions

- Given the current expiration date for the federal tax credit of December 31, 2016, the current and proposed credit for residential installations will cease to be available for residential geothermal installations after that date.
- Under current law and based on tax year 2013 tax credit claims, tax credit claims for tax year 2015 and tax year 2016 are projected to be \$2.0 million and \$2.1 million, respectively.
- For residential situations, the combined federal and state tax credit under current law is equal to 36.0% of installation costs. As proposed in this Bill, the combined tax credit will equal 48.0%. This increase in the tax subsidy is expected to increase residential installations in calendar year 2015 by 5.0% compared to current law, and by 20.0% for calendar year 2016. Projected claims for tax year 2015 and tax year 2016 are projected to equal \$6.3 million and \$7.6 million, respectively.
- This Bill includes a new Iowa credit for business geothermal installations. The new credit is tied to a federal credit for geothermal heat and electricity installations. Based on the federal tax credit claims of Iowa companies under those geothermal investment tax credit programs, claims for the proposed Iowa 60.0% credit are projected to total \$228,000 for tax year 2015 and \$270,000 for tax year 2016. Those credit claims are all expected to be for heat installations. In addition, an assumption is made that no claims will be made for Iowa installations of geothermal systems that generate electricity.
- The Iowa geothermal tax credits for individuals and for corporations are not refundable or transferable but may be carried forward to future tax years. Tax credits that are not refundable or transferable take several tax years to redeem. It is assumed that for tax

credits earned in a calendar year, the first redemptions take place in the next fiscal year and that it will take an additional five years for all credits from one year to be fully redeemed.

Table 1 below provides the assumed tax credit redemption pattern.

- Nonrefundable individual income tax credits reduce the tax yield of the local option income surtax for schools. Statewide, the average surcharge tax rate is equal to 3.2% of General Fund individual income tax revenue, net of refunds.

	Individual Income Tax Credits - Current Law	Individual Income Tax Credits - Proposed Law	Corporate Tax Credits - Proposed Law
Tax Year Earned	56.0%	48.0%	52.0%
Tax Year Earned +1	30.0%	25.0%	17.0%
Tax Year Earned +2	9.0%	9.0%	13.0%
Tax Year Earned +3	5.0%	6.0%	8.0%
Tax Year Earned +4	0.0%	6.0%	5.0%
Tax Year Earned +5	0.0%	6.0%	5.0%
Total % Redeemed	100.0%	100.0%	100.0%

Fiscal Impact

The geothermal installation tax credit modifications and expansions contained in this Bill are projected to decrease net General Fund revenue by \$10.3 million over seven fiscal years, beginning in FY 2016. The projected impact by fiscal year is presented in the right-hand column of **Table 2**.

	Projected Tax Credit Impact Under Current Law	Individual Income Tax - Proposed Law	Corporate Income Tax - Proposed Law	General Fund Revenue Reduction
FY 2016	\$ 1,120,000	\$ 3,024,000	\$ 118,560	\$ 2,022,560
FY 2017	1,776,000	5,203,800	179,160	3,606,960
FY 2018	810,000	2,457,000	75,540	1,722,540
FY 2019	289,000	1,058,400	53,340	822,740
FY 2020	105,000	831,600	33,000	759,600
FY 2021	-	831,600	24,900	856,500
FY 2022	-	453,600	13,500	467,100
Total	\$ 4,100,000	\$ 13,860,000	\$ 498,000	\$ 10,258,000

In addition, the individual income tax reduction will result in reduced tax revenue generated by the local option income surtax for schools. Surtax revenue is projected to decrease by the following amounts:

- FY 2016 = \$96,000
- FY 2017 = \$167,000
- FY 2018 = \$79,000
- FY 2019 through FY 2022 = \$25,000 each year

The federal tax credits for geothermal heat installations are set to expire December 31, 2016. Should the U.S. Congress extend the federal credits, the Iowa credit will extend automatically. This will result in additional fiscal impact in future fiscal years.

Also, the federal credit for business geothermal electricity installations does not expire. If such a facility is constructed in Iowa, the tax credit in this Bill will provide a corporate tax credit equal to 6.0% of the installation cost.

Sources

Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons

March 27, 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.



HF 604 – Optional Flat Tax for Individuals (LSB1400HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 604 creates an alternative individual income tax system for the State of Iowa. The Bill allows taxpayers to choose to file under the existing income tax system or to select to file under the system created in the Bill. A taxpayer may select one system or the other system each tax year, but once the system is selected for a tax year through the filing of a tax return, the taxpayer may not amend the return later and select the other tax system. The changes are effective beginning tax year 2015.

Significant features of the alternative income tax system include:

- The income tax base is federal Adjusted Gross Income less interest income earned from federal securities and before net operating losses.
- A standard deduction is allowed of \$6,235 for a single individual or married individual filing separately, or \$12,470 for married individuals filing jointly, surviving spouses, and head-of-household returns. The deduction amounts are indexed for inflation.
- Most tax credits, deductions, and exemptions beyond federal Adjusted Gross Income are not allowed.
- Social Security income is exempt from income tax.
- Pension income up to \$6,000/\$12,000 is exempt.
- All military retirement income is exempt from income tax.
- A filing threshold for taxpayers 65 years of age or older is provided. Taxpayers below the income threshold are not required to file a tax return and are therefore exempt from State income tax for that tax year. The threshold is \$32,000 for married taxpayers filing jointly or separately on a combined return, filing as a head of household, or filing as a surviving spouse. For all other tax returns, the threshold is \$24,000.
- A tax rate of 5.0% is applied to taxed income.
- An additional 22.0% is applied to the local option income surtax for schools for those taxpayers choosing the alternative system and subject to a school surtax.

Assumptions

The Department of Revenue utilized a microsimulation model to estimate the individual income tax owed by every taxpayer in Iowa, using actual 2012 tax returns as the taxpayer database. The tax liability for each tax return was estimated for tax year 2015 through tax year 2019 under the current tax system, and also for the same return under the proposed alternative system. For each tax return, the tax liability that was the lower of the two was used as the tax revenue received by the State under the proposed dual system.

The Department estimate does not provide an adjustment for taxpayers utilizing the ability to choose one system for a tax year and then the other system for the next tax year, potentially benefiting from a two-year tax avoidance strategy.

School districts may impose a surtax on taxpayers residing within the school district. A surtax of up to 20.0% of the taxpayer's income tax liability, prior to refundable credits, is allowed. Statewide, and for FY 2014, the local option surtax raised an amount equal to 3.2% of Iowa

individual income tax revenue, net of tax refunds issued. For any tax reduction that is not a refundable tax credit, reducing State income taxes owed by Iowa taxpayers reduces the statewide yield of the income surtax by an estimated 3.2%. To adjust for the income surtax decrease that results from reduced State income tax, this Bill applies a surtax rate that is 22.0% higher than the actual surtax rate in effect for that year.

Fiscal Impact

The Department projects that the alternative individual income tax system initiated in this Bill will reduce aggregate taxpayer income tax liability by \$372.0 million for tax year 2015, with a projected reduction of \$414.1 million by tax year 2019. Tax year impacts are spread across two fiscal years, so tax year impacts are converted to fiscal year impacts by the Department of Revenue using historical withholding, estimate payment, and final returns data. With a minor exception, all individual income tax is deposited in the State General Fund. The estimated tax reduction by tax year and the resulting impact on the State General Fund by fiscal year is contained in the following table.

Alternative Tax System Projected Impact				
In Millions				
	Tax Reduction		State General Fund	
	Tax Year Basis		Revenue Reduction	
			FY Basis	
TY 2015	\$	373.0	FY 2015	\$ 11.1
TY 2016		381.8	FY 2016	482.4
TY 2017		393.9	FY 2017	393.8
TY 2018		399.9	FY 2018	396.1
TY 2019		414.1	FY 2019	405.0

In addition to the State General Fund tax reduction, the alternative tax system with the local option income tax set 22.0% higher than the surtax under the current tax system does not generate sufficient surtax to keep the school surtax system whole on a statewide basis. The Department of Revenue micro model projects, that across all school districts utilizing the surtax, the surtax will generate \$2.2 million per year less under the alternative income tax system.

The creation of a new tax form and the related technical work associated with tracking and administering a new alternative income tax system will result in additional administrative costs for the Department of Revenue. The Department estimates the additional administrative costs to be \$796,000.

Additional Fiscal Considerations

Since the proposed alternative system allows taxpayers to switch back and forth between tax systems, taxpayers may find it beneficial to “crowd” federal tax payments, Iowa income tax credits, and itemized deductions into a tax year where taxpayers choose the current tax system that allows those deductions and credits, and then for the following tax year, a tax year where taxpayers receive a federal tax refund and have reduced itemized deductions and no tax credits, choose the new flat tax system.

In addition, taxpayers with sufficient control over the timing of receipt of income could, in a similar fashion, crowd income into every other tax year, with the majority of income received in a year where the new 5.0% tax system is selected, and much less income received in the year the current system is selected.

These tax avoidance strategies will result in those taxpayers owing less in State income taxes over the two tax years than contemplated by the modeling process of the Department of Revenue. To the extent that this tax avoidance process is utilized by taxpayers, the tax reduction for taxpayers able to benefit from the strategy and the resulting reduction in income tax will be larger.

Source

Department of Revenue Individual Income Tax microsimulation model

/s/ Holly M. Lyons

March 27, 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.



SF 75 – Transportation Winter Light Pilot (LSB1334SV.2)
Analyst: Adam Broich (Phone: (515) 281-8223) (adam.broich@legis.iowa.gov)
Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 75, as amended by the Senate, adds blue and white flashing lights to the color lights that maintenance vehicles may display when conducting snow removal. The blue and white lights may be placed on motor trucks, trailers, tractors, truck-mounted snow blowers, or motor graders owned by the Department of Transportation (DOT). The equipment must be rear facing and used in snow removal. Motorists will be required to move to a nonadjacent lane or slow down and be prepared to stop for blue and white flashing lights, in addition to flashing yellow, amber, and red lights. The Bill requires the DOT to document the effectiveness of blue and white lights, and to rely on existing staff and accident reporting systems. Changes made in this Bill are repealed on July 1, 2019.

Background

Currently, the lights the DOT may place on vehicles are established in Iowa Code section **321.323A**. Authorized lights include flashing yellow, amber, and red lights. The use of other lights requires a statutory change. Motorists are currently required to move to a nonadjacent lane or slow down and be prepared to stop for flashing yellow, amber, and red lights. The DOT is required to use existing resources to study the impact of blue and white flashing lights on accidents.

Assumptions

The DOT intends to implement a pilot study of blue and white flashing lights in **District 1**. The DOT identified 175 snow plows that will have additional flashing lights installed. Materials to upgrade each truck are estimated to be \$600. The intent of the study is to determine if rear-facing blue and white flashing lights reduce rear and side impact crashes with DOT snowplows, thereby reducing costs related to damage repairs, personal injuries, and private property damage.

Fiscal Impact

This Bill, as amended, will have no impact to the State General Fund. The cost of equipping snowplows with rear-facing blue and white lights will increase expenditures from the Equipment Revolving Fund by \$105,000 in FY 2016. The impact on fine revenue is unknown but is expected to be minimal.

Source

DOT

/s/ Holly M. Lyons

March 30, 2015



HF 606 – Motor Vehicle Insurance Verification (LSB1042HZ)
Analyst: Adam Broich (Phone: (515) 281-8223) (adam.broich@legis.iowa.gov)
Fiscal Note Version – New

Description

HF 606 requires the Department of Transportation (DOT) to contract with a third-party vendor to maintain a database that will verify if a registered motor vehicle is insured. The vendor is required to send a notice to the owner of uninsured vehicles to provide proof of liability coverage. The DOT will revoke a motor vehicle registration if the vehicle owner fails to respond to a second notice. Owners are required to pay a \$100 fee to reinstate a revoked vehicle registration. Fees collected from the reinstatement of registration will fund program administration. Fees revenue that exceeds the cost of administering the program will be deposited in the Road Use Tax Fund (RUTF) and impact the following fiscal year.

The Bill adopts the following provisions:

- Prohibits vehicle owners from disclosing fraudulent information to the DOT or the vendor. This violation is a simple misdemeanor.
- Requires insurers to provide certain information to the vendor to track the vehicles covered. Insurers that fail to comply are subject to a civil penalty of \$250 per day.
- Requires the database information to remain confidential. Disclosure of database information is a Class D felony.
- The Bill takes effect on July 1, 2016.

Background

Currently, the DOT is unable to verify that registered vehicles are insured. However, other states have begun to utilize third-party vendors that routinely compare insurance records to vehicle registrations.

Corrections Information

This Bill creates new offenses and imposes penalties of either a simple misdemeanor or a Class D felony. These are nonviolent crimes. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Correctional Impact Statements](#), dated January 30, 2015, for estimates on criminal justice system costs for criminal penalties. Offenders convicted of simple misdemeanors are usually sentenced to a financial penalty or community service, or both. Generally, they are rarely supervised in the corrections system.

Minority Data Information

This Bill creates new penalties and relates to several existing penalties. There is no historical data for new crimes. Refer to the LSA memo, [Minority Impact Statements](#), dated January 30, 2015, for information related to minorities in the criminal justice system. Under current law, it is illegal to operate a vehicle in Iowa without first registered with the DOT or to operate without liability insurance. The table below shows the FY 2014 offender-based convictions for these offenses. African Americans are disproportionately convicted compared to their percentage of the Iowa population.

	Asian/Pac Islander	African American	Caucasian	Hispanic	Native American	Other	Unknown	Totals
Operating Non Registered Vehicle	14	92	1,122	30	2	20	261	1,541
No Proof Of Financial Liability - Accident	12	89	592	137	26	6	134	996
Violation - Financial Liability Coverage	164	2,047	8,299	604	53	240	1,984	13,391
Violation - Financial Liability - Accident	40	493	1,809	127	7	39	462	2,977
Totals	226	2,721	11,822	898	88	305	2,841	18,905

Assumptions

The Iowa DOT believes program performance will mirror the characteristics of Utah's insurance verification program. The following assumptions reflect performance of the Utah program.

- An estimated 306,000 vehicle registrations will be revoked in the first year. This is an estimated 8.8% of all registered vehicles. Revocations will decrease to 183,000 in the second year, and each year thereafter.
- The majority of revoked registrations will pay a reinstatement fee. In Utah, for CY 2014, revoked registrations that were not reinstated were 2.2% of all registered vehicles. This estimate assumes that the number of permanently revoked registrations will be 2.2% of all vehicles registered for all fiscal years.
- It is assumed that 50.0% of these vehicles would have dropped a vehicle registration in the following fiscal year without the Bill. Revoked registrations that are not reinstated only impact the first fiscal year. The revenue loss from these registration fees will impact the TIME-21 Fund.
- Registration fees paid by vehicles with revoked registration are \$126, the average registration fee paid to the DOT in FY 2014.
- The vendor contract will be approximately \$2.0 million per year.
- The impact of reduced registration fees and program surplus to the RUTF will be transferred in the year after collection.

Cost to the DOT

- The vendor contract will be funded through fees collected due to reinstating registrations. Cost of personnel and notifications will be funded by an annual appropriation.
- The DOT estimates that two additional FTE positions will be hired to administer the program. These positions will be funded by the annual Motor Vehicle Division appropriation.
- Reinstated registrations will require the reissuance of a license plate at a cost of \$3.40 per plate. Plate issuance is funded by the Road Use Tax Fund.
- Additional administrative costs will be funded by the Motor Vehicle Division operating budget. Costs include expenses related to reissuing plates and notification expenses.

HF 606 will increase convictions and paid fines due to motorists operating without proper registration (Iowa Code section **321.17**). It is estimated that 2.0% of motorists operating without a vehicle registration will be issued a citation, and that 90.0% will pay the fine. These fines are deposited in the General Fund.

HF 606 will decrease fines levied due to driving without insurance (Iowa Code section **321.20B**). The Bill may enable law enforcement to identify uninsured drivers more quickly, but the impact of potential changes is unknown. This estimate assumes that law enforcement activities will not change due to **HF 606**. Of the number of uninsured vehicles, it is estimated that 2.0% will be issued a citation. Felonies and misdemeanors established in **HF 606** are new penalties, and their fiscal impact is unknown. The number of civil penalties assessed on insurance companies is unknown. These fines are deposited in the General Fund.

Correctional Information

Prisoner length of stay under supervision, revocation rates, plea bargaining, and other criminal justice system policies and practices will not change over the projection period. There is a six-month lag between the effective date of this Bill (FY 2017) and the date of first entry of affected offenders into the criminal justice system.

Minority Data Information

There is no data for new crimes. The impact on minorities will remain consistent with current law.

Summary of Impacts

Correctional Impact

The correctional impact cannot be determined because this Bill creates new crimes. There is no data to provide a correctional impact statement.

Minority Impact

There is no data regarding new crimes. The impact of the new simple misdemeanor and Class D felony in this Bill cannot be estimated. The Bill is expected to have a minority impact on African Americans. They represent 3.3% of Iowa's population and 14.4% of total convictions of existing offenses affected by this Bill. Citations issued for driving without registration are expected to increase. Citations issued for driving without insurance are expected to decrease. This assumes that law enforcement decisions will remain consistent with current practices.

Fiscal Impact

Revoked registration fees that are unpaid are estimated to reduce revenue to the TIME-21 Fund by \$5.1 million in each fiscal year beginning in FY 2017. The fiscal impact of creating new offenses cannot be determined because the number of new convictions cannot be estimated. The State's cost for one simple misdemeanor conviction under this Bill is estimated to be no more than \$300. The State's cost of one Class D felony conviction under this Bill is estimated to be about \$6,000.

Program expenditures for administration are estimated to be \$409,000 in FY 2017 and \$286,000 in FY 2018. All administrative expenses associated with mailing and FTE positions will be funded through annual appropriations. These expenses are outlined in **Table 1**.

Table 1

	Estimated Administrative Expenses		
	<u>FTE Positions</u>	<u>Mailing</u>	<u>Total</u>
FY 2017	\$ 141,000	\$ 268,000	\$ 409,000
FY 2018	141,000	145,000	286,000
FY 2019	141,000	112,000	253,000
FY 2020	141,000	79,000	220,000
FY 2021	141,000	54,000	195,000

Estimated expenses paid to the vendor, the cost of issuing new plates, and revenues collected are displayed in **Table 2**. Fees paid to the DOT will decline as fewer registrations are revoked in future years. As a result, revenue in excess of vendor costs will not be sufficient to pay for the cost of a vendor contract in future years. An estimated 20,000 registration renewals must be paid each year to cover the estimated cost of the vendor contract.

Table 2

	Estimated Program Expenses and Revenue (in millions)			
	Vendor Contract	Plate Issuance	Fines Collected	Surplus to RUTF
FY 2017	\$ 2.0	\$ 0.8	\$ 23.0	\$ 20.2
FY 2018	2.0	0.4	10.7	8.3
FY 2019	2.0	0.3	7.4	5.1
FY 2020	2.0	0.1	4.1	2.0
FY 2021	2.0	0.1	1.5	(0.6)

Changes in General Fund revenue due to citations are outlined in **Table 3**.

Table 3

Estimated General Fund Revenue Impact (in millions)	
FY 2017	\$ 0.19
FY 2018	(0.50)
FY 2019	(0.68)
FY 2020	(0.87)
FY 2021	(1.01)

Sources

Iowa Department of Transportation
Utah Department of Transportation
Criminal and Juvenile Justice Planning
LSA Calculations

/s/ Holly M. Lyons

March 30, 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.
