

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

APRIL 14, 2015

No amendments filed - see attached Fiscal Notes



**SF 366** – Peace Officers’ Retirement System Disability Benefits (LSB2320SV.1)  
 Analyst: Jennifer Acton (Phone: (515) 281-7846) ([jennifer.acton@legis.iowa.gov](mailto:jennifer.acton@legis.iowa.gov))  
 Fiscal Note Version – As amended by H-1180 (House State Government Committee)

**Description**

**Senate File 366**, as amended by **H-1180**, relates to the reexamination and recalculation 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**

<b>Calendar Year</b>	<b>Amount Over the Earnings Limit</b>	<b>Number of Retirees Impacted</b>
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.

**Assumptions**

- The example wage in the table below is \$80,000 and the example disability allowance is \$40,000.
- The retiree will continue to receive a minimum of 50.0% of the POR benefit that is otherwise payable at a value of approximately \$20,000.
- The example in the table below shows the range between \$80,000 and \$100,000 in earnings from outside employment that will receive a dollar-for-dollar reduction from the POR disability allowance. Any outside earnings up to \$80,000 or greater than \$100,000 will not receive any reductions.

**Proposed Increase in Disability Retiree Earnings Limit**

	<b>Example</b>
Wages based on active member with same rank as retiree	\$ 80,000
Multiplier	1.5
Maximum combined earnings and POR benefit	\$ 120,000
Maximum calculated above	\$ 120,000
Disability retirement allowance	-40,000
Maximum earnings allowed without POR benefit reduction	\$ 80,000
50.0% POR benefit allowance	20,000
Earnings above this level exempt from POR benefit reduction	\$ 100,000

**Fiscal Impact**

[Senate File 366](#), as amended by [H-1180](#), has no impact to the State General Fund.

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. Based on the example above, the retiree is permitted earnings from other employment up to \$80,000 before a penalty will be implemented. Any earnings over \$80,000 up to \$100,000 will receive a dollar-for-dollar reduction from the disability allowance. Any earnings above \$100,000 will result in no additional reduction from the disability allowance.

**Source**

Department of Public Safety

/s/ Holly M. Lyons

April 9, 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 257** – Small Business Tax Deduction, Wages to Disabled Individuals (LSB1524YH)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))  
Fiscal Note Version – New

---

**Description**

**House File 257** amends the criteria for claiming an adjustment for wages paid by taxpayers to qualified individuals with a disability or individuals convicted of a felony and/or on criminal probation.

Under current law, a business that has 20 or fewer full-time equivalent employees and no more than \$3.0 million in annual gross revenues may claim an adjustment equal to 65.0% of wages paid to each qualified individual, up to \$20,000 per person. The adjustment is available for individual income tax, corporate income tax, and franchise (bank) tax. The Bill raises the criteria to businesses having 500 or fewer full-time equivalent employees and no more than \$21.0 million in annual gross revenues.

This change is effective on enactment and applies retroactively to tax year 2015.

**Background**

The tax year 2012 income adjustment for wages paid to qualified individuals is estimated to total \$2.0 million. The estimated State General Fund revenue reduction for the current law wage adjustment is \$128,000 per year.

**Assumptions**

- Expanding the wage adjustment allowed under current law to include businesses employing 21 to 500 individuals is projected to increase the wage adjustment claimed by business by 222.1%. The additional wage adjustment (65.0% of wages paid) for wages paid during tax year 2015 is projected to equal (assumed marginal tax rate in parentheses):
  - Banks = \$391,000 (5.0%)
  - C-Corporations = \$1,840,000 (7.1%)
  - Business Pass-Through Entities = \$2,446,000 (6.0%)
- Wages paid are assumed to increase 2.5% per year.
- For banks and C-corporations, the tax reductions are assumed to equal 20.0% the initial fiscal year and 80.0% the second fiscal year (tax year 2015 impacts FY 2015 20.0% and FY 2016 80.0%).
- For pass-through entities impacting individual income taxpayers, the tax reductions are assumed to equal 100.0% the second fiscal year (tax year 2015 impacts FY 2016).

**Fiscal Impact**

Expanding the current wage adjustment for wages paid to qualified disabled and felon/probation employees is projected to decrease net State General Fund revenue \$0.3 million annually, beginning in FY 2016.

**Source**

Department of Revenue

/s/ Holly M. Lyons

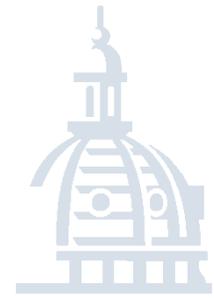
---

April 13, 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 635** – 2015 Transportation Omnibus (LSB1339HZ)

Analyst: Adam Broich (Phone: (515) 281-8223) ([adam.broich@legis.iowa.gov](mailto:adam.broich@legis.iowa.gov))

Fiscal Note Version – New

---

**Description**

**House File 635** updates several Iowa Code chapters to comply with federal law, reorganizes Iowa Code chapters **307** and **307A**, adopts changes for consistency, and changes fees. Changes are described below:

- **Division One** eliminates a reference to the State aircraft pool that no longer exists and eliminates requirements related to the presentation of an aircraft certificate.
- **Division Two** amends and reorganizes Iowa Code chapters related to duties of the Department of Transportation (DOT) and the Transportation Commission. Amendments separate the duties of the DOT and the Commission into separate Iowa Code chapters and update language to reflect current organization.
- **Division Three** adopts the following provisions:
  - Clarifies that federal authorities are eligible for plates other than official registration plates.
  - Increases the fee for issuance of a replacement driver's license for licensees between the ages of 18 and 21 from \$1 to \$10. License cards for licensees age 21 and under are vertically displayed.
  - Allows an individual with a suspended license for operating-while-intoxicated (OWI) and for other violations to be eligible for a temporary restricted license (TRL). The licensee must be eligible for a TRL under both provisions. The fee to reinstate a TRL is \$20.
  - Decreases the penalty for filing registration fees related to the International Registration Plan (IRP). A registration reciprocity agreement exists among 48 states and Canada.
  - Allows annual oversize and overweight permits for vehicles that haul bagged livestock bedding.
  - Allows vehicles for sale to be displayed at the Iowa State Fair.
  - Extends the allowable length of travel and fifth-wheel trailers from 40 to 45 feet.
- **Division Four** repeals several Iowa Code sections related to rail transportation that are not in use.
- **Division Five** adopts the following provisions:
  - Updates the definitions of a commercial driver's license (CDL) and a commercial learner's permit (CLP) to match federal regulations.
  - Requires the DOT to adopt rules to implement federal changes to CDLs and CLPs.
  - Requires applicants for a CDL to hold a learner's permit prior to being issued a CDL. The learner's permit must be held a minimum of 14 days. The fee for a commercial learner's permit is \$12.
  - Allows the DOT to waive the requirement of a driving skills test if the applicant has been separated from the military one year or less.
  - Requires the DOT to disqualify the CDL of a person suspected or convicted of fraud.
  - Allows the DOT to adopt rules requiring additional proof, information, or certification to qualify for a CDL.

## **Assumptions**

- An estimated 58,000 licensees were between the ages of 18 and 21 in 2014. The number of license holders that may acquire a replacement license is unknown. However this estimate assumes that 33.0% of the population will acquire a replacement license.
- The number of additional temporary restricted licenses (TRLs) that may be issued is unknown. However, additional applicants may apply for a TRL, and revenue to the Statutory Allocations Fund (SAF) will increase.
- The DOT identified an average of \$257,000 in IRP late fees collected between FY 2012 and FY 2014. Fee collections vary substantially, and it is impossible to exactly predict future collections. The DOT anticipates that a reduced fee may increase collection rates.
- All new CDLs and CDL owners applying for an endorsement will be required to first own a commercial learners permit (CLP) for 14 days and pay a \$12 fee. This estimate assumes an additional 4,000 CDL applicants will acquire a CLP.
- Provisions related to CDL requirements implement federal requirements. Failure to implement these changes may threaten federal funding to the DOT.

## **Fiscal Impact**

The number of additional TRLs that will be issued due to [House File 635](#) is unknown. However, additional applicants will apply for a TRL and revenue to the SAF will increase. The Bill will decrease the dollar amount of fines levied pursuant to the IRP. The impact of this change is unknown.

Increasing the fee for replacement licenses will increase revenue to the SAF by an estimated \$174,000 each fiscal year beginning in FY 2016. Requiring learner's permits will increase revenue to the SAF by an estimated \$48,000 each fiscal year beginning in FY 2016. Year-end SAF resources are transferred to the Road Use Tax Fund (RUTF) the following fiscal year. Therefore, these changes will increase RUTF revenue beginning in FY 2017.

The DOT estimated that failure to comply with federal requirements will reduce federal funding by \$17.2 million in FY 2016 and \$34.3 million in FY 2017. [House File 635](#) adopts changes that will meet federal requirements, and secure federal National Highway Performance Program (NHPP) and Surface Transportation Program funding.

## **Sources**

Department of Transportation  
LSA Calculations

/s/ Holly M. Lyons

---

April 13, 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.

---