

**EIGHTY-SIXTH GENERAL ASSEMBLY
2016 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

MARCH 31, 2016

HOUSE FILE 2443

H-8153

1 Amend House File 2443 as follows:
2 1. Page 9, line 24, after <credit.> by inserting
3 <As used in this subsection, "taxpayer" includes an
4 eligible taxpayer or a person transferred a tax credit
5 certificate pursuant to subsection 2A.>
6 2. Page 11, line 25, by striking <subparagraph> and
7 inserting <subparagraphs (1) and>
8 3. Page 11, line 25, by striking <is> and inserting
9 <are>
10 4. Page 11, after line 25 by inserting:
11 <(1) The amount of the tax credit award. An
12 eligible taxpayer has no right to receive a tax
13 credit certificate or claim a tax credit until all
14 requirements of the agreement and subsections 4 and
15 5 have been satisfied. The amount of tax credit
16 included on a tax credit certificate issued under this
17 section shall be contingent upon verification by the
18 ~~department~~ authority of the amount of final qualified
19 rehabilitation expenditures.>

By NUNN of Polk

H-8153 FILED MARCH 30, 2016

SENATE FILE 2109

H-8152

1 Amend the amendment, H-8144, to Senate File 2109, as
2 passed by the Senate, as follows:
3 1. Page 31, by striking lines 17 through 26 and
4 inserting:
5 <m. Require managed care organizations to enter
6 into single case agreements with a Medicaid recipient's
7 out-of-network providers, including any such provider
8 outside of the state, to ensure continuity of care and
9 adequate and timely access when the recipient has an
10 existing relationship with the provider prior to April
11 1, 2016, to provide a covered benefit.>
12 2. By renumbering as necessary.

By RUFF of Clayton

H-8152 FILED MARCH 30, 2016



HF 2174 – Geothermal Tax Credit (LSB5658HH)
Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2174 creates a new Geothermal Tax Credit. The tax credit is equal to 25.0% of qualified geothermal heat pump installation expenditures. The new credit is available for residential installations. The total amount of tax credits issued in a year is limited to \$2.5 million and the maximum credit awarded would be capped at \$10,000 for each separate and distinct geothermal installation. If tax credit applications exceed the limit, qualified but unsuccessful applications are placed on a wait list for the tax credits available the next year. The tax credit is not refundable or transferable but unused amounts may be carried forward to future tax years. The tax credit is first available for calendar year 2017.

Background

Iowa currently has a Geothermal Heat Pump Tax Credit equal to 20.0% of an existing federal heat pump installation credit. The federal credit is equal to 30.0% of installation costs so the current Iowa credit equals 6.0% of installation costs. However, the federal credit is set to expire at the end of calendar year 2016.

Assumptions

Iowans claimed an average of \$2.0 million in Geothermal Heat Pump Tax Credits from tax year 2012 through tax year 2014. At an effective credit rate of 6.0% of installation costs, the imputed annual installation cost exceeds \$32.0 million. With the proposed tax credit equal to 25.0% of installation cost, the tax credit is expected to be over-subscribed and a wait list will likely develop.

As a nonrefundable, nontransferable tax credit, each year's tax credits will be redeemed through tax return filing over several tax years. The assumed redemption pattern is:

- Year 1 = 50.0%
- Year 2 = 22.0%
- Year 3 = 12.1%
- Years 4 through 6 = 5.3%

Tax credits for calendar year 2017 installations are assumed to first impact the General Fund in FY 2018.

Fiscal Impact

Redemptions of the new Geothermal Tax Credit are projected to reduce State General Fund revenue by the following amounts:

- FY 2018 = \$1.3 million
- FY 2019 = \$1.8 million
- FY 2020 = \$2.1 million
- FY 2021 = \$2.2 million
- FY 2022 = \$2.4 million
- FY 2023 and future years = \$2.5 million

With demand for the new 25.0% tax credit expected to exceed \$8.0 million per year and an annual tax credit limit of \$2.5 million, it is likely a significant wait list of tax credit applications will develop.

As a nonrefundable tax credit, the Geothermal Tax Credit will also reduce the local option income surtax for schools by a projected \$37,500 for FY 2018, growing to \$75,000 for FY 2023 and after.

Sources

Department of Revenue
Legislative Services Agency Analysis

/s/ Holly M. Lyons

March 30, 2016

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 2445– Casino Promotional Play Taxation (LSB6033HV)
Analyst: Christin Mechler (Phone: 515-281-6561) (christin.mechler@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2445 establishes a limit on the state wagering tax collected on adjusted gross receipts (AGR) for redeemed promotional play credits at Iowa casinos by amending the method of calculating the wagering tax on gambling receipts as provided in Iowa Code section **99F.11**. The bill defines “adjusted gross receipts” as gross receipts less winnings paid to wagerers, not including promotional play receipts received after the date in any fiscal year that the Racing & Gaming Commission (IGRC) determines that the wagering tax on promotional play receipts exceeds \$25.82 million. The bill defines “promotional play receipts” as the total wagered on gambling games with tokens, chips, electronic credits, or other forms of cashless wagering provided by a licensee without an exchange of money.

Background

Current law requires the wagering tax to be calculated on the total amount of gross receipts reduced by paid-out winnings, or total AGR. Redeemed promotional play revenue is included in the calculation of AGR. Current gambling revenues are taxed by the state based on AGR received from gambling games. The first \$1.0 million of gross receipts are taxed at a rate of 5.0% and the next \$2.0 million of gross receipts are taxed at a rate of 10.0%. The tax rate imposed on gross receipts that exceed \$3.0 million is calculated on an individual fiscal year basis as follows:

- Licensees of a gambling entity with a racetrack enclosure claiming AGR of \$100.0 million or more are taxed at a rate of 24.0%.
- All other licensees are taxed at a rate of 22.0%.

According to the Revenue Estimating Conference (REC) held on March 16, 2016, total wagering taxes remitted to the state for FY 2016 are estimated to be \$288.8 million. For FY 2017, the total wagering taxes remitted are estimated to be \$291.7 million.

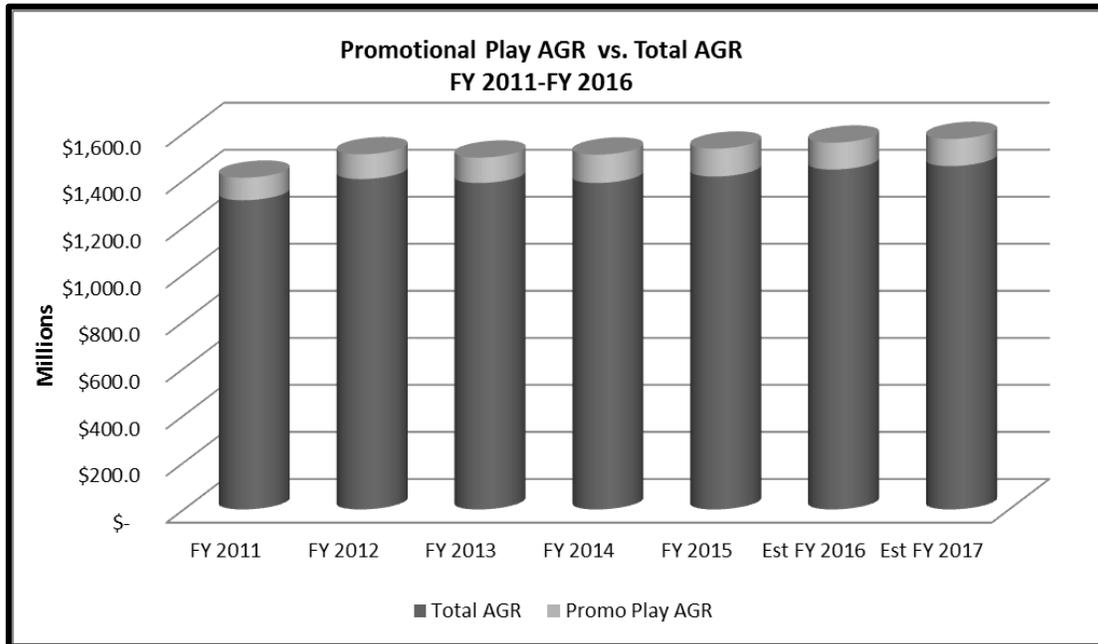
There are currently 19 gambling entities operating in Iowa. Of these 19 entities, two are taxed at 24.0% and 17 are taxed at 22.0%. The distribution of the taxes collected on the total AGR of the 19 gambling entities is as follows:

- 20.0% to 22.0% to the State of Iowa for deposit in various funding sources, including \$55.0 million to the Debt Service Reserve Fund (IJOBS Bond), \$3.8 million to the Federal Subsidy Holdback Fund, \$15.0 million to the Vision Iowa Fund, \$66.0 million to the Skilled Worker Job Creation Fund, and the remainder to the Rebuild Iowa Infrastructure Fund (RIIF).
- 1.0% to the city and county where the casino is located. The percentage is split evenly between the county and the city.
- 0.8% is deposited in the County Endowment Fund; and 0.2% is divided equally between the RIIF and the Iowa Economic Development Authority (IEDA) for tourism programs.

Assumptions

- The AGR of Iowa’s 19 casinos is estimated to be \$1.445 billion in FY 2016 and \$1.460 billion in FY 2017. These estimates are based on the March 16, 2016 meeting of the REC.

- Redeemed promotional play receipts typically account for approximately 7.9% of total AGR. This percentage is based on a five-year average for the period of FY 2011 to FY 2015. During that period, the total promotional play percentage fluctuated between 7.0% and 8.7%. The following chart depicts promotional play receipts as a percentage of total AGR.



Source: Legislative Services Agency (LSA), Iowa Racing and Gaming Commission (IRGC)

- The wagering tax limit of \$25.8 million is based on the assumption that total promotional play receipts will remain approximately 7.9% annually for FY 2016 and FY 2017.
- The wagering tax collected on promotional play receipts will likely remain approximately \$25.8 million annually.
- Assuming that [HF 2445](#) were to be enacted, casinos may make the business decision to increase the amount of promotional play issued since it will not be taxed after the limit of \$25.8 million has been reached. If additional credits are issued and subsequently redeemed, this could potentially increase the total AGR and the industry's profit.

Fiscal Impact

[House File 2445](#) will have no impact on the State General Fund and is expected to have little to no fiscal impact on the RIIF in FY 2016 and FY 2017. The fiscal impact for subsequent years cannot be determined.

Sources

Iowa Racing and Gaming Commission (IRGC)
 Legislative Services Agency (LSA)
 Department of Management (DOM)
 Revenue Estimating Conference (REC)

/s/ Holly M. Lyons

March 29, 2016

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.
