

**EIGHTY-NINTH GENERAL ASSEMBLY
2021 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

March 16, 2021

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
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No amendments filed on March 15, 2021

Fiscal Notes

[SF 492](#) — [Unemployment Tax](#) (LSB1843SV.1)

[SF 533](#) — [Marijuana Possession](#) (LSB2773SV)

[SF 535](#) — [Firearms Omnibus](#) (LSB1852SV)

[SF 549](#) — [Biofuel](#) (LSB1311SZ)

[SF 560](#) — [Public Defenders, Discovery Request Fees](#) (LSB1205SV)

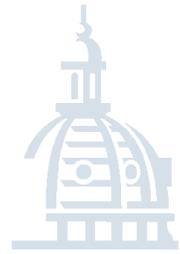
[SF 562](#) — [Sexual Exploitation](#) (LSB2472SV)

[SF 571](#) — [Technology Industry, Economic Incentives](#) (LSB2024SV)

[SF 572](#) — [Sexual Abuse, Statute of Limitations](#) (LSB1659SV)

[SF 575](#) — [Hoover Presidential Library Tax Credit](#) (LSB1352SV)

[SF 576](#) — [Trigger Repeal and Inheritance Tax](#) (LSB2794SV)



SF 492 – Unemployment Tax (LSB1843SV.1)
 Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
 Fiscal Note Version – Revised (Wording in the Fiscal Impact)

Description

Senate File 492 relates to unemployment insurance benefits. The Bill:

- Modifies the weekly benefit amount (WBA) that is subject to the maximum percentage of the statewide average weekly wage for Unemployment Insurance (UI) claimants that is currently based on the number of dependents. The table below shows the change.

Modifications in Dependent Benefit Structures — SF 492

Number of Dependents	Current Weekly Benefit Amount (Fraction of High Quarter Wages)	Current Maximum Percentage of Weekly Wage	Number of Dependents	SF 492 Weekly Benefit Amount	SF 492 Maximum Percentage of Weekly Wage
0	1/23	53.0%	0	1/23	53.0%
1	1/22	55.0%	1 or More	1/22	57.0%
2	1/21	57.0%			
3	1/20	60.0%			
4 or More	1/19	65.0%			

- For individuals whose employers have gone out of business, removes language requiring the Director of the Iowa Department of Workforce Development (IWD) to recompute wage credits from 33.0% to 50.0% for purposes of calculating an individual’s maximum total amount of unemployment benefits payable during a benefit year. The Bill also eliminates the ability of these individuals to collect an extra 13 weeks of benefits.
- Reinstates a one-week waiting period for those eligible to collect UI during the individual’s benefit year.
- Modifies the percentages of the individual’s average weekly wage for insured work paid to the individual that is considered suitable for an individual to apply for and accept work in order to remain eligible for UI:

Percentage of Weekly Wages to Apply/Accept Suitable Work — SF 492

Current Weeks	Current Percentage of Weekly Wages	SF 492 Weeks	SF 492 Percentage of Weekly Wages
0-5	100.0%	0-4	80.0%
6-12	75.0%	5-8	70.0%
13-18	70.0%	9+	60.0%
19+	65.0%		

- Removes language making findings binding only on parties to proceedings and not on other proceedings or actions involving the same facts brought by the same or related parties before IWD’s Division of Labor Services, Division of Workers’ Compensation, other state agencies, arbitrators, courts, or judges of Iowa or the United States.

- The Bill is effective July 1, 2022.

Background

The UI Trust Fund, administered by the U.S. Department of Labor, is used to pay UI benefits to eligible claimants. The balance of the Fund at the end of calendar year (CY) 2016 was \$1.006 billion, rising to \$1.252 billion at the end of CY 2019. The Fund balance as of February 10, 2021, was \$949.6 million. The table below shows historical claims paid from the Fund to lowans:

UI Benefits Paid — Calendar Year (CY) 2016-2020*

Year	2016	2017	2018	2019	2020
Benefits	\$ 423,511,364	\$ 402,624,842	\$ 364,712,930	\$ 381,788,782	\$ 1,254,245,440

*Source: U.S. Department of Labor

The UI Trust Fund is replenished through insurance taxes paid by Iowa employers based on a formula that includes an employer's five-year average annual benefit payment and the employer's five-year average annual taxable payroll. This formula results in a benefit ratio, which is compared to every other employer's benefit ratio in determining the employer tax rate. The lowest employer benefit ratios receive the lowest tax rates. The Contribution Rate Table below shows the tax rates paid by Iowa employers and is set on a scale of 1 (highest tax rate paid) to 8 (lowest tax rate paid). For 2021, the Contribution Rate Table is set at 7, with tax rates ranging from 0.00% for those with the lowest benefit ratios to 7.50% for those with the highest benefit ratios. In 2020, \$490.0 million was transferred from federal funds deposited into the [Iowa Coronavirus Relief Fund](#) to the UI Trust Fund to keep the Contribution Rate at 7.

Unemployment Insurance Taxes Contribution Rates Table

Benefit Ratio Rank	Approximate Cumulative Taxable	Contribution Rates Table							
		1	2	3	4	5	6	7	8
1	4.80%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	9.50%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	14.30%	0.100	0.100	0.100	0.100	0.100	0.000	0.000	0.000
4	19.00%	0.400	0.300	0.300	0.200	0.100	0.100	0.100	0.100
5	23.80%	0.600	0.500	0.400	0.300	0.300	0.200	0.100	0.100
6	28.60%	0.900	0.800	0.600	0.500	0.400	0.300	0.200	0.100
7	33.30%	1.200	1.000	0.800	0.600	0.500	0.400	0.300	0.200
8	38.10%	1.500	1.300	1.000	0.800	0.600	0.500	0.300	0.200
9	42.80%	1.900	1.500	1.200	0.900	0.700	0.600	0.400	0.300
10	47.60%	2.100	1.800	1.400	1.100	0.800	0.600	0.500	0.300
11	52.40%	2.500	2.000	1.600	1.300	1.000	0.700	0.500	0.300
12	57.10%	3.000	2.400	1.900	1.500	1.100	0.900	0.600	0.400
13	61.90%	3.600	2.900	2.400	1.800	1.400	1.100	0.800	0.500
14	66.60%	4.400	3.600	2.900	2.200	1.700	1.300	1.000	0.600
15	71.40%	5.300	4.300	3.500	2.700	2.000	1.600	1.100	0.700
16	76.20%	6.300	5.200	4.100	3.200	2.400	1.900	1.400	0.900
17	80.90%	7.000	6.400	5.200	4.000	3.000	2.300	1.700	1.100
18	85.70%	7.500	7.500	7.000	5.400	4.100	3.100	2.300	1.500
19	90.40%	8.000	8.000	8.000	7.300	5.600	4.200	3.100	2.000
20	95.20%	8.500	8.500	8.500	8.000	7.600	5.800	4.300	2.800
21	100.00%	9.000	9.000	9.000	9.000	8.500	8.000	7.500	7.000

Many states currently impose a one-week waiting period for payment of UI benefits because federal funds are not available for the first week after a claim is filed. Iowa does not have a waiting week. The [Coronavirus, Aid, Relief, and Economic Security \(CARES\) Act](#) provided 100.0% federal reimbursement to states for the first week of UI for the time period March 29,

2020, through December 16, 2020. The [Consolidated Appropriations Act, 2021](#), provides a 50.0% reimbursement for the first week of all claims paid from December 27, 2020, through March 13, 2021. As of December 2020, \$105.5 million was paid to Iowa through the program.

Assumptions

- 2020 UI data was not used as a model due to high claims paid from COVID-19 closures.
- Two percent inflation beginning in FY 2023 was used for salary and benefit savings.
- Projections starting in FY 2023 for claimants with dependents are based on FY 2019 IWD dependent and UI beneficiary data. As many as 8,231 beneficiaries had more than two dependents in FY 2019. Using 2019 data, there would have been a \$2.2 million reduction in UI benefits due to the Bill.
- Business failure projections going forward are based on FY 2014 to FY 2019 data from the IWD, as an average of \$4.6 million in UI benefits were paid out to 2,741 recipients due to closings.
- Reinstating an initial waiting week would reduce withdrawals to cover UI benefits by 5.5% annually. The annual average in first week benefit payments from FY 2015 to FY 2019 to 62,000 recipients who would no longer receive them was \$23.3 million, according to the IWD.

Fiscal Impact

- The Bill would reduce benefits paid from the UI Trust Fund due to modifying the WBA for those with more than one dependent by an estimated \$2.2 million annually beginning in FY 2023.
- The Bill will eliminate the need for 3.0 full-time equivalent (FTE) Workforce Advisor positions within IWD due to elimination of the benefit to claimants when employers go out of business, reducing federal UI administrative expenses by an estimated \$251,000 beginning in FY 2023, and increasing via inflation every year thereafter. This provision will also reduce payments from the UI Trust Fund by approximately \$4.6 million annually beginning in FY 2023.
- Reinstating the one-week waiting period for payment of UI benefits would reduce withdrawals from the UI Trust Fund by an estimated \$23.3 million annually beginning in FY 2023. See chart below for the overall fiscal impact of the Bill.
- The modification of suitable work percentages is expected to reduce benefit payments by an amount that cannot be estimated due to a lack of data.
- Employer taxes paid into the UI Trust Fund would be expected to decrease in later years, absent any other law changes, due to a reduction in benefit payments. These cannot be estimated due to lack of data.

Estimated Fiscal Impacts from SF 492

<u>Section of Bill</u>	<u>FTE</u>	<u>Category</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Funding Source</u>
Change in Dependents		Benefits to Claimants	\$ 0	\$ -2,200,000	UI Trust Fund
Business Closings - Wage Credits	-3.0	IWD Employee Salary and Benefits	\$ 0	\$ -251,000	Federal UI Administrative Funding
		Benefits to Claimants	0	-4,600,000	UI Trust Fund
Reinstate Waiting Week		Benefits to Claimants	\$ 0	\$ -23,300,000	UI Trust Fund
TOTAL REDUCTIONS	-3.0		\$ 0	\$ -30,351,000	

Sources

Legislative Services Agency
Iowa Department of Workforce Development
United States Department of Labor
Iowa Department of Management

/s/ Holly M. Lyons

March 12, 2021

Doc ID 1217031

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.

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SF 533 – Marijuana Possession (LSB2773SV)
Staff Contact: Christin Mechler (515.250.0458) christin.mechler@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 533](#) provides that for a first offense, a person who possesses five grams or less of marijuana commits a simple misdemeanor. The Bill does not modify the existing penalties for a second or third offense of marijuana possession.

Background

Under current law, a person who commits a first offense possession of marijuana is subject to no more than six months imprisonment in a county jail, a fine of \$1,000, or both and is guilty of a serious misdemeanor.

A simple misdemeanor is punishable by confinement of no more than 30 days and a fine of at least \$105 but not more than \$855. A serious misdemeanor is punishable by confinement for no more than one year and a fine of at least \$430 but not more than \$2,560.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.
- Information regarding drug amounts in relation to individual offender sentences is difficult to extract from existing Department of Corrections (DOC) data systems. For estimating purposes, it is assumed that 50.0% of the individuals in one cohort of probation and residential admissions will be affected by SF 533 and experience a sentencing reduction.
- For estimating LOS, one month is assumed to consist of 30 days.

Correctional Impact

Senate File 533 lowers the criminal penalty for a first offense possession of marijuana. In FY 2020, there were 587 individuals who entered probation and 93 individuals who entered residential supervision on a most serious offense of Iowa Code section [124.401\(5\)](#). The DOC estimates that of the 680 individual admissions, 341 fewer individuals would be admitted to probation or parole if SF 533 is enacted. **Table 1** provides the estimated total cost of parole and probation admissions for one cohort of most serious first offense possession of marijuana convictions under current law in comparison to estimated total cost of parole and probation admissions for one cohort of most serious first offense possession of marijuana convictions under SF 533. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 22, 2021, for information related to the correctional system.

Table 1 — Estimated Cost of First Offense Marijuana Parole and Probation Admissions, Current Law and Proposed Law, SF 533

Current Law				
	<u>Admissions</u>	<u>LOS (in months)</u>	<u>Cost (per day)</u>	<u>Total Cost</u>
Probation	587	13	\$ 5.38	\$ 1,234,643
Residential	93	3	95.38	798,331
			Total	\$ 2,032,974
Proposed Law				
	<u>Admissions</u>	<u>LOS (in months)</u>	<u>Cost (per day)</u>	<u>Total Cost</u>
Probation	294	13	\$ 5.38	\$ 616,871
Residential	46	3	95.38	394,873
			Total	\$ 1,011,744

The DOC estimates that the changes that SF 533 makes to the penalties of a first offense possession of marijuana under five grams or less in related penalties will result in a cost savings of \$1.0 million to the correctional system.

Minority Impact

Senate File 533 is estimated to have a positive minority impact. The Bill decreases the criminal penalty associated with a first offense marijuana possession conviction. In FY 2020, of the total 680 individuals admitted to parole and probation, 451 individuals, or 66.0%, were Caucasian, and 123 individuals, or 18.0%, were African American. In FY 2020, Caucasians and African Americans made up 89.9% and 4.1% of the Iowa adult population, respectively. This indicates a conviction rate for African Americans that exceeds the population proportion of the State. The decrease of the criminal penalty associated with a first offense of marijuana possession may also lead to a decrease in the disproportionate minority impact. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 27, 2021, for information related to minorities in the criminal justice system.

Fiscal Impact

Senate File 533 lowers the criminal penalty for a first offense possession of marijuana. **Table 2** shows the decrease in cost for the average State cost per offense class type for one first offense possession of marijuana conviction. The cost estimate includes operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC for one conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 2 — Average State Cost Per Offense Class Type

<u>Offense Class</u>	<u>Cost Per Conviction</u>	
	<u>Minimum</u>	<u>Maximum</u>
Simple Misdemeanor	\$ 40	\$ 350
Serious Misdemeanor	410	7,500
	\$ -370	\$ -7,150

Utilizing the data related to one cohort of FY 2020 first offense marijuana admission, SF 533, if enacted, may result in an estimated cost savings ranging from \$252,000 to \$4.9 million. This estimate includes the cost savings of the DOC as listed under the correctional impact section.

Sources

Department of Corrections
Criminal and Juvenile Justice Planning Division, Department of Human Rights
LSA analysis

/s/ Holly M. Lyons

March 12, 2021

Doc ID 1216823

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.

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[SF 535](#) – Firearms Omnibus (LSB1852SV)
Staff Contact: Christin Mechler (515.250.0458) christin.mechler@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 535](#) relates to the acquisition and possession of weapons, and makes numerous changes to Iowa’s existing weapons laws.

Division I

Division I provides that in order to acquire a pistol or revolver from a federally licensed firearms dealer, an unlicensed individual must either have a valid permit to acquire or valid permit to carry a weapon issued in compliance with Iowa Code chapter [724](#), or must satisfactorily complete a national instant criminal background check. The following individuals are prohibited from acquiring a pistol or revolver:

- Individuals under the age of 21, except for those who acquire a pistol or revolver when the person’s duty requires.
- Persons convicted of a felony in a State or federal court.
- Individuals prohibited by court order from possessing, shipping, transporting, or receiving a firearm.

An individual who is denied a license to acquire a pistol by the issuing party may appeal the denial with administrative law judge under Iowa Code section [724.21A](#). Additionally, the Bill prohibits the transfer of a firearm to another person who does not possess a permit, if the person knows or reasonably should know that the recipient is prohibited from receiving or possessing a firearm, and that a person shall not loan or rent a firearm to another person for temporary use during lawful activities, if the person loaning the weapon knows or reasonably should know that the recipient is prohibited from receiving or possessing a firearm under State or federal law. A person who violates this provision commits a Class D felony.

Division II

Division II removes the provision that prohibits a person other than a peace officer from openly carrying a pistol or revolver in the Iowa State Capitol building, State parking lots and parking garages unless the individual displays a valid permit to carry weapons upon request of Capitol security personnel. Division II also eliminates the existing penalty for carrying a dangerous weapon, and provides that a person who goes armed with a dangerous weapon on or about the person, and uses the dangerous weapon in the commission of a crime is guilty of an aggravated misdemeanor. The Bill also allows the following individuals, among others, to carry or transport a firearm on school property:

- A person who has been specifically authorized by the school to carry or transport a firearm for a lawful purpose.
- A peace officer, including a peace officer who has not been certified and a federal officer when the officer’s employment requires going armed, regardless of whether the officer is on duty.
- A member of the U.S. Armed Forces or National Guard, when the weapon is carried in connection with the member’s official duties.

- A correctional officer, as part of the officer's official duties.
- A person who for any lawful purpose carries an unloaded pistol, revolver, or other firearm inside a closed and fastened container or securely wrapped package that is too large to be concealed.

Division II also allows emergency medical care providers to obtain a professional permit to carry weapons if the provider is attached to a law enforcement tactical team and undergoes training as required in the Bill. An emergency medical care provider must also apply and undergo a criminal history background check prior to receiving a professional permit to carry weapons.

Division III

Division III relates to handgun safety training. Senate File 535 requires the Department of Public Safety (DPS) to adopt rules to approve organizations that may certify an individual as an instructor eligible to offer certain handgun safety training courses. The rules also require the department to charge a fee to cover the costs necessary to maintain a list of approved organizations and certified instructors. Additionally, Division II also requires the DPS to maintain an area on the Department's website related to the certification of handgun safety training instructors.

Division IV

Division IV extends to the prohibition that bars a political subdivision from enacting an ordinance, motion, resolution, policy, or amendment regulating the ownership possession, legal transfer, lawful transportation, modification, registration, or licensing of firearms and firearm attachments, or other weapons when the ownership, possession, transfer, transportation, or modification is otherwise lawful to include carrying firearms and firearm attachments, and other weapons.

Division V

Division V relates to the possession and storage of a firearm by a tenant in the context of leasing certain property. The Division provides that if a landlord receives certain federal rental assistance payments, the rental agreement subject to the tenant's lease is prohibited from including a provision or rule that requires the tenant to agree to prohibited or restricted ownership, use, or possession of a firearm, firearm component, or ammunition with the tenant's dwelling unit.

Division V also provides that except in cases of willful, reckless, or gross negligence, a landlord is not liable in a civil action for personal injury, death, property damage, or other damages resulting from or arising out of an occurrence involving a firearm, firearm component, or ammunition. Additionally, the Bill states that the storage or possession of a firearm alone does not constitute a clear and present danger.

Background

Current law stipulates that any person who intends to purchase a pistol or revolver is required to first obtain an annual permit unless the person is exempt from doing so. A person who acquires ownership of a pistol or revolver without a valid permit to do so, or a person who transfers ownership of a pistol or revolver to a person who does not have a valid permit is guilty of an aggravated misdemeanor.

Under current law, rules promulgated by the Department of Administrative Services require a person to display a permit to carry upon request of State Capitol security guards, if the individual chooses to carry in the Capitol building, parking garages and parking lots. Additionally, under current law, any individual who goes armed with, carries, or transports a firearm on the grounds of a school is guilty of a Class D felony.

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of at least \$855 but not more than \$8,540. A Class D felony is punishable by confinement for no more than five years and a fine of at least \$1,025 but not more than \$10,245.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends, prisoner length of stay (LOS), revocation rates, plea bargaining, and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.
- Data provided by the Criminal Juvenile Justice Division (CJJP) of the Department of Human Rights related to convictions under Iowa Code section [724.4](#) includes data on the crime of carrying or acquiring a firearm without a permit and going armed with a dangerous weapon. It is not possible to parse out the data for the individual conviction rate. The data provides an aggregate total of both convictions and is not duplicative.
- For estimating purposes, it is assumed under current law that the number of convictions under Iowa Code section [724.4](#) will total 600 annually beginning in FY 2022.
- For estimating purposes, it is assumed under current law that the number of convictions under Iowa Code section [724.4B](#) will total four annually beginning in FY 2022.
- It is assumed that any property and employee liability insurance claims arising out of the expansion of the group of persons allowed to carry a firearm on school grounds will likely be covered by existing school liability insurance policies.
- The DPS estimates that it will lose fee revenue from the removal of the requirement to obtain a permit to acquire or carry weapons.

Correctional Impact

Divisions I and II

Except as stated below, Divisions I and II will have a positive correctional impact. This Division decriminalizes acquiring or carrying a pistol or revolver without a permit. In FY 2019, there were 631 aggravated misdemeanor convictions under Iowa Code section 724.4. It is estimated that beginning FY 2022, there will be a reduction of 600 convictions annually. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 22, 2021, for information related to the correctional system.

Division I, Section 3: This section provides that a penalty for the transfer of ownership of a pistol or revolver to a person that the transferor knows or should reasonably know is prohibited from acquiring ownership of a pistol or revolver remains unchanged and as a result, is not estimated to have a correctional impact.

Division II, Section 9: This section may have a positive correctional impact as it expands the group of individuals allowed to carry a firearm on school grounds. In FY 2019, there were four

Class D felony convictions under Iowa Code section 724.4B. It is estimated that beginning FY 2022, there may be a reduction of four convictions annually.

Divisions III, IV, and V are not estimated to have a correctional impact.

Minority Impact

Divisions I and II

Except as stated below, Divisions I and II will have a positive minority impact. In FY 2019, of the total 631 convictions under Iowa Code section 724.4, 170 (26.9%) were African American. In FY 2019, Caucasian and African Americans comprised 90.2% and 3.6% of the total Iowa population, respectively. This indicates a conviction rate for African Americans that exceeds the population proportion of the State. The decriminalization of acquiring or carrying a pistol or revolver without a permit will lead to a decrease in the disproportionate minority impact. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 27, 2021, for information related to minorities in the criminal justice system.

Division I, Section 3: This section does not change the existing penalty for the transfer of ownership of a pistol or revolver to a person who the transferor knows or should reasonably know is prohibited from acquiring ownership of a pistol or revolver. The penalty remains unchanged and as a result, is not estimated to have a minority impact.

Division II, Section 9: This section will also have a positive minority impact. In FY 2019, of the total four convictions under Iowa Code section 724.4B, two were African American. In FY 2019, Caucasian and African Americans comprised 90.2% and 3.6% of the total Iowa population, respectively. This indicates a conviction rate for African Americans that exceeds the population proportion of the State. The expansion of the group of individuals allowed to carry a firearm on school grounds may lead to a decrease in the disproportionate minority impact.

Divisions III, IV, and V are not estimated to have a minority impact.

Fiscal Impact

Divisions I and II

Divisions I and II are estimated to have a positive fiscal impact on the correctional system. The Divisions will reduce the number of convictions under Iowa Code section 724.4 as it strikes the penalty associated with acquiring or carrying a firearm without a permit. **Table 1** provides the estimated range of costs for a single aggravated misdemeanor conviction. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC for one additional conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 1 — Average State Cost Per Offense Class Type

Offense Class	Total Minimum Cost	Total Maximum Cost
Aggravated Misdemeanor	\$ 3,700	\$ 7,800

The estimated cost reduction to the Justice System associated with decriminalizing acquiring or carrying a pistol or revolver without a permit or going armed with a dangerous weapon will range from \$2.2 million to \$4.7 million annually.

The elimination of the requirement to obtain a permit to acquire or carry a firearm will lead to a reduction in permit fee revenue. In FY 2019, the DPS approved a total of 5,980 initial and renewal permits. These permits are valid for a five-year cycle. Although the exact fiscal impact

resulting from the loss of permit revenue cannot be estimated at this time, it may have a significant impact on the Department's operating budget.

Section 9 of Division II may also have a positive fiscal impact as this Section will reduce the number of convictions under Iowa Code section 724.4B as it expands the group of individuals allowed to carry a firearm on school grounds. **Table 2** provides the estimated range of costs for a single Class D felony conviction. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC for one additional conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 2 — Average State Cost Per Offense Class Type

Offense Class	Total Minimum Cost	Total Maximum Cost
Class D Felony	\$ 7,700	\$ 13,500

The estimated positive fiscal impact of expanding the group of individuals allowed to carry a firearm on school grounds may range from \$30,800 to \$54,000 annually.

Division III

Division III requires the DPS to adopt rules to approve organizations that may certify an individual as an instructor eligible to offer certain handgun safety training courses. The rules also require the department to charge a fee to cover the costs necessary to maintain a list of approved organizations and certified instructors. Based on similar projects, the DPS estimates that startup costs for providing a database of certified handgun safety training organizations and instructors to range from \$75,000 to \$100,000 in the first year of implementation, with subsequent years incurring an estimated maintenance cost of \$25,000 annually. It is possible that fees collected by the Department from approving certified organizations and instructors may offset some of the ongoing maintenance costs; however, the fee revenue cannot be determined at this time.

Division IV

The fiscal impact of Division IV cannot be determined at this time. It is unknown if any political subdivisions will need to adjust existing regulations regarding carrying firearms and what costs may be associated with these adjustments.

Division V

Division V is not expected to have a fiscal impact.

Table 3 summarizes the correctional, minority, and fiscal impact of SF 535.

Table 3 — Impact Summary, SF 535

Division	Correctional Impact	Minority Impact	Fiscal Impact
Division I — Acquiring Pistols and Revolvers/Permits	Yes – Positive impact as estimated, reduction of 600 convictions.	Yes – Will result in a decrease in the disproportionate minority impact.	Justice System – cost reduction range of \$2.2 to \$4.7 million annually due to fewer convictions.
Division II — Possession on School Grounds	Yes – Positive impact as estimated, reduction of 4 convictions .	Yes – May lead to a decrease in the disproportionate minority impact.	DPS – loss of permit fee revenue unknown but may impact budget. Justice System – cost reduction range of \$30,800 to \$54,000 annually due to fewer convictions.
Division III — Handgun Safety Training	No.	No.	DPS – Certified handgun safety training database cost: \$75,000 to \$100,000 first year costs and annual \$25,000 thereafter. May be offset by fee revenue but extent of revenue cannot be determined at this time.
Division IV — Firearm Regulation by Political Subdivisions	No.	No.	Cannot be determined at this time.
Division V — Possession & Storage by a Tenant	No.	No.	No.

Sources

Legislative Services Agency
 Department of Corrections
 Criminal and Juvenile Justice Planning Division, Department of Human Rights
 Department of Public Safety
 Iowa State Association of Counties
 Iowa League of Cities

/s/ Holly M. Lyons

March 12, 2021

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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 549 – Biofuel (LSB1311SZ)

Staff Contact: Rodrigo Acevedo (515.281.6764) rodrigo.acevedo@legis.iowa.gov

Jeff Robinson - Tax Credits - (515.281.4614) jeff.robinson@legis.iowa.gov

Fiscal Note Version – New

Description

[Senate File 549](#) modifies the definitions and requirements for use of ethanol and biodiesel blends, provides for financial incentives by appropriating funds to the Renewable Fuel Infrastructure Program (RFIP), modifies biofuel tax credits, and requires state vehicles to use certain types of biofuel blends.

Division I	Division II	Division III	Division IV
Creates Motor Fuel Standards and Requirements Establishes Waivers Establishes Disciplinary Action Includes Effective Date Provisions	Financial Incentives for Retail Motor Fuel Sites Both Ethanol and Biodiesel Ethanol Cost-Share Program Biodiesel Cost-Share Program Renewable Fuel Infrastructure Fund Appropriation from General Fund Requirements and Classifications Includes Effective Date Provisions	Tax Credit Calculations Tax Credit Expiration Dates	Requirements for Renewable Fuel Use by State Motor Vehicles

Division I restricts the advertisement and sale of blended and unblended gasoline and diesel fuel, directs how motor fuels may be advertised and sold by retailers, and provides penalties.

Gasoline and Ethanol Blends

Blended and unblended gasoline is designated by the percentage of ethanol the product contains. Unblended gasoline is designated E-0, while a gallon of gasoline that is blended as 15.0% ethanol is designated E-15. A gasoline blend that is designated E-85 may have an ethanol content that is as high as E-85, but E-85 is allowed to be sold with a lower ethanol content. The Bill places restrictions on retail sites that sell gasoline as a motor fuel.

- Upon enactment, the Bill restricts each retail location to no more than one dispensing unit (one nozzle) that may dispense a product that does not qualify as E-10 or higher (including E-0). The remaining nozzles may dispense blended gasoline that qualifies as E-10 or higher.

- Beginning January 1, 2025, the retail restrictions expand to allow one nozzle only per retail site to dispense gasoline blends that are less than E-15. The remaining nozzles may dispense blended gasoline that is E-15 or higher.
- The Bill allows for exceptions to the new restrictions for a retail location at an airport, racing facility, marina, or a location that sells older or specialty vehicles.

Diesel and Biodiesel Blends

Blended and unblended diesel is designated by the percentage of biodiesel the product contains. Unblended diesel is designated B-0, while a gallon of diesel that is blended as 5.0% biodiesel is designated B-5.

The Bill places restrictions on retail sites that sell diesel as a fuel for motor vehicles.

- Upon enactment, the Bill restricts each retail location to no more than one nozzle that may dispense a product that is less than B-5 (including B-0). From October 1 through April 14 (winter), any nozzle at a retail location may dispense products classified as B-5 or higher. From April 15 through September 30 (summer), any nozzle at a retail location may dispense a product that is classified as B-11 or higher.
- Beginning April 15, 2024, the summer blend that is not restricted is increased to B-20 or higher.
- The Bill allows for exceptions to the new restrictions for a retail location at an airport, an electric generating plant regulated by the United States Nuclear Regulatory Commission, or a facility storing or serving railroad locomotives.

The Bill also allows for the Governor or Secretary of Agriculture to issue waivers or suspensions of the new motor fuel restrictions in specific instances.

Division II amends eligible expenditure requirements for grants from the Renewable Fuels Infrastructure Program for Retail Motor Fuel Sites for both ethanol blended fuels and biodiesel. Under current law, Program grants can be used to fund infrastructure improvements for the storage and dispensing of E-15 blended fuel and for biodiesel of any classification. The Bill makes the following changes:

Ethanol Infrastructure: For grants involving ethanol infrastructure, the funds must be used for infrastructure used to:

- Store ethanol classified as E-100 or store ethanol blended gasoline classified as E-85 or higher.
- Store and dispense ethanol blended gasoline classified as E-85 or higher.
- Store ethanol classified as E-100 or store ethanol blended gasoline classified as E-85 or higher to blend and dispense ethanol or ethanol blended gasoline classified as E-85 or higher.

The cost-share agreements for grants involving ethanol remain the same as current law which includes grants for:

- A three-year period and 50.0% of the actual cost or \$30,000, whichever is less.
- A five-year period and 70% of the actual cost or \$50,000, whichever is less.

Biodiesel Infrastructure: For grants involving biodiesel infrastructure, the funds must be used for infrastructure improvements for the purposes below. This provision is repealed on July 1, 2024.

- To store biodiesel classified as B-100 or store biodiesel blended fuel classified as B-20 or higher.
- To store and dispense biodiesel blended fuel classified as B-20 or higher.

- To store biodiesel classified as B-100 or store biodiesel blended fuel classified as B-20 or higher.

Under current law, cost-share agreements grants involving biodiesel infrastructure are the same as for ethanol infrastructure grants. The Bill limits the biodiesel cost-share agreements to a three-year period and 50.0% of the actual cost or \$30,000, whichever is less.

The Bill maintains the supplemental financial incentives under current law of up to \$24,000 per site for both ethanol and biodiesel infrastructure projects.

Appropriations: Division II creates new appropriations and allocations for the Renewable Fuels Infrastructure Program for Retail Motor Fuel Sites.

- The Bill creates a General Fund standing limited appropriation of \$5.0 million beginning in FY 2022 for deposit into the Renewable Fuels Infrastructure Fund.
- For FY 2022 – FY 2024, the Bill specifies that not more than \$1.25 million be allocated from the Renewable Fuels Infrastructure Fund to support biodiesel infrastructure improvements. This allocation is repealed on July 1, 2024.
- Specifies that not more than \$50,000 may be allocated from the Fund to the Department of Agriculture and Land Stewardship for administrative costs of the Program.

Division II takes effect upon enactment.

Division III makes changes to the existing [E-15 Plus Gasoline Promotion Tax Credit](#), the [E-85 Gasoline Promotion Tax Credit](#), and the [Biodiesel Blended Fuel Tax Credit](#). The changes include:

- E-85 — Extends the availability of the credit by four years to December 31, 2028.
- E-15 — Extends the availability of the credit by four years to December 31, 2028, and reduces the tax credit rate during a portion of the year from 10.0 cents per gallon to 3.0 cents.
- Biodiesel — Extends the availability of the credit by four years to December 31, 2028, and changes the credit from one based on the amount of biodiesel contained in the gallon sold to one that is based on the amount of biodiesel and the time of year of the sale.

Division III takes effect on January 1, 2022.

Division IV establishes guidelines for fuel use and motor vehicles purchased by the State of Iowa. Furthermore, it requires the Department of Administrative Services (DAS) to compile a report including information from the Commission of the Blind, Board of Regents institutions, Department of Transportation, and Department of Corrections, with the report due on or before March 1 of each year.

The Bill requires any competitive-bidding procedure to verify that a vehicle manufacturer certify the use of B-20 or higher blends.

The Bill also requires the DAS to submit an annual report to the Governor and the General Assembly that includes the following information:

For Ethanol

- Number of State vehicles by model year.
- Vehicles able to use E-15 and E-85 without affecting car warranty.
- Number of E-15 and E-85 gallons purchased.

For Biodiesel

- Number of State vehicles by model year.
- Vehicles able to use B-20 without affecting car warranty.
- Number of B-20 gallons purchased.

Division IV takes effect upon enactment.

Background

As of FY 2021, the RFIP is funded through the Rebuild Iowa Infrastructure Fund (RIIF) at \$3.0 million.

Assumptions

Blended and Unblended Gasoline Sales and Tax Credits

- The projected annual retail sales of blended and unblended gasoline are based on the [Retailers Fuel Gallons Annual Reports](#) filed by Iowa fuel retailers with the State. The Department of Revenue (Department) produces an [annual summary](#) that provides the number of gallons sold in Iowa, both in total and by specific blend (E-0, E-10, E-15, E-20, and E-85). The [CY 2019 report](#) concludes that 1,564.9 billion gallons of blended and unblended gasoline motor fuel were sold by retailers who filed 2019 reports with the Department.
- The Department’s [Fuel Tax Monthly Report](#) for the 12 months that represent CY 2019 indicates that fuel tax was paid on 1,657.6 million gallons of gasoline fuel for the year. Therefore, the number of gallons represented in the annual retailers’ report is 94.4% of the gallons sold at retail over the period. To adjust for the missing gallons, the gallons of each blend category are divided by 94.4% so that total retail gallons equals taxed gallons for the year. The CY 2019 gallons reported by retailers and the adjusted gallons are presented in **Table 1**.

	<u>E-00</u>	<u>E-10</u>	<u>E-15</u>	<u>E-20</u>	<u>E-85</u>	<u>Total</u>
CY 2019	211.5	1,284.3	49.0	1.1	19.0	1,564.9
CY 2019, Adjusted *	224.0	1,360.4	51.9	1.2	20.1	1,657.6

* Adjusted so total gallons match annual taxable gallons.

- Both Iowa retail gasoline motor fuel gallons sold and the volume of ethanol sold as a component of motor fuel decreased slightly over the past three years (CY 2016 to CY 2019). However, to simplify the fiscal impact projection process, all future years under current law are assumed to equal the CY 2019 adjusted gallons for all blends.
- The Bill has several provisions that are designed and expected to alter the mix of fuel blends sold in Iowa when compared to current law by increasing the amount of ethanol consumed as motor fuel. The Bill:
 - Dedicates additional State funds to a cost-share program that assists retailers with the replacement of gasoline fuel handling equipment (tanks, lines, and pumps) with new equipment that is able to dispense E-15, E-85, and higher products.
 - Requires that any time a retail motor fuel dealer installs, replaces, or converts motor fuel storage and dispensing infrastructure, the installed, replacement, or converted

infrastructure must be capable of storing and dispensing fuel classified as E-85 or higher.

- Extends existing retail tax incentives for the sale of E-15 and E-85, set to expire December 31, 2024, by four years to December 31, 2028.
- Restricts the sale of E-0 to no more than one nozzle at a retail site, effective upon enactment.
- Restricts the sale of unblended gasoline and ethanol blends below E-15 to no more than one nozzle at a retail site, effective January 1, 2025.
- Restricts the ability of a retailer to advertise E-0 for sale, and starting January 1, 2025, advertise for sale a blend that is less than E-15. This is assumed to prohibit a sign displaying the price and availability of the restricted fuels at the retail site that the passing public can see.
- The provisions discussed in the previous item are assumed to alter the sale of the various blends of gasoline motor fuel under the proposed law, when compared to current law (summarized in **Table 2**):
 - E-0 — Effective upon enactment, the sale of E-0 will be restricted to one nozzle at a retail site. Retailers will be required to discontinue use of all other nozzles dispensing E-0, or convert the nozzles to an E-10 or higher blend. This requirement will begin during CY 2021, and significantly restrict E-0 sales for the remainder of the year and for future years.
 - E-10 — Until E-10 becomes restricted to just one nozzle at a retail site, E-10 sales will increase as that fuel replaces E-0 sales. Beginning in CY 2024, E-10 sales will start to decline as retailers prepare for the restrictions on E-10 sales that begin January 1, 2025.
 - E-15 and E-20 — Beginning in CY 2022, the additional infrastructure spending and the E-0 restriction will enhance E-15 sales somewhat. E-15 sales will begin to accelerate in CY 2024 as retailers prepare for E-10 restrictions that begin January 1, 2025. Starting January 1, 2025, E-15 sales will increase sharply as the sale of gasoline below that blend level will be severely restricted.
 - E-85 — The additional funding for storage and dispensing infrastructure grants and the requirement that new and modified installations must be able to dispense E-85 will modestly increase E-85 sales each year.

	E-00	E-10	E-15	E-20	E-85
Base Projected Gallons	224.0	1,360.4	51.9	1.2	20.1
% of Base Projection					
CY 2021	80.0%	103.4%	100.0%	100.0%	100.0%
CY 2022	40.0%	108.5%	140.0%	140.0%	120.0%
CY 2023	27.0%	110.7%	140.0%	140.0%	122.0%
CY 2024	20.0%	96.2%	550.0%	550.0%	124.0%
CY 2025	20.0%	59.8%	1500.0%	1500.0%	126.0%
CY 2026	20.0%	21.6%	2500.0%	2500.0%	128.0%

- Gasoline (E-0) and pure ethanol (E-100) have different energy content by volume. Gasoline contains 115,400 BTU per gallon while E-100 contains 75,670 BTU per gallon. A vehicle that travels a given distance on E-0 will require a greater volume of fuel to travel the same distance on an ethanol blend. This estimate assumes the same number of miles driven by

Iowa retail fuel purchasers under the Bill as is assumed under current law. In order to account for the miles per gallon difference between blends of gasoline, this projection adjusts the overall fuel volume using the following energy factors:

- E-0 = 1.000
- E-10 = 1.036
- E-15 = 1.054
- E-20 = 1.074
- E-85 (calculated as E-79) = 1.374
- The current income tax credit for E-15 sales equals 10.0 cents per gallon for the summer period and 3.0 cents for the winter period. The Department reports that 39.4% of E-15 gallons are sold during the high rate period and 60.6% are sold at the lower rate. This equates to an average tax credit of 5.8 cents per gallon across a full year. The Bill changes the E-15 credit to 3.0 cents per gallon for all sales, beginning January 1, 2022. Therefore, the average change in the credit across an entire year is a reduction of 2.8 cents per gallon. In addition to this change, the E-15 tax credit is extended for an additional four years beyond its current sunset date of December 31, 2024.
- The current income tax credit for E-85 sales equals 16.0 cents per gallon and the credit remains at that level under the Bill. The Bill does extend the credit for an additional four years beyond its current sunset date of December 31, 2024.
- E-15 and E-85 tax credits are refundable and therefore 100.0% of earned credits are assumed to be redeemed. It is assumed that tax credits earned for a calendar year are redeemed 50.0% in the fiscal year that begins after the end of the calendar year and 50.0% in the succeeding fiscal year.
- **Appendix A — Gasoline** provides blended and unblended gasoline sales assumptions and the resulting projection for tax credits earned and redeemed.

Blended and Unblended Diesel Sales and Tax Credits

- Projected annual retail sales of blended and unblended diesel fuel are based on the [Retailers Fuel Gallons Annual Reports](#) filed by Iowa motor fuel retailers with the State. The Department produces an [annual summary](#) that provides the number of gallons sold in Iowa, both in total and by specific blend (B-0, B-01 to B-04, B-5 to B-10, B-11 to B-19, B-20 to B-49, and B-50 to B-100). The [CY 2019 report](#) concludes that 636.9 million gallons (blended and unblended) of taxed diesel fuel and 200.7 million gallons of tax-exempt diesel fuel were sold by retailers who filed 2019 reports with the Department.
- The Department's [Fuel Tax Monthly Report](#) for the 12 months that represent CY 2019 indicates that fuel tax was paid on 756.2 million gallons of taxed diesel fuel for the year. Therefore, the number of taxed gallons represented in the annual retailers' report is 88.2% of the taxed gallons sold at retail over the period. To adjust for the missing gallons, each blend category of diesel fuel is divided by 84.2% so that total retail gallons equals taxed gallons for the year. Since tax-exempt diesel gallons sold are not included in the Fuel Tax Monthly Report, the number of tax-exempt gallons cannot be accurately adjusted for gallons missing from the retailer report. The CY 2019 gallons reported by retailers and the adjusted gallons are presented in **Table 3**.

Table 3
2019 Iowa Diesel Retail Sales — Reported and Adjusted
 Motor Fuel Gallons in Millions

	B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total
CY 2019, Taxed	191.7	7.0	69.5	291.2	76.9	0.5	636.8
CY 2019, Tax Exempt	150.8	0.7	40.7	7.0	1.5	0.0	200.7
CY 2019, Adjusted *	227.7	8.3	82.5	345.8	91.3	0.6	756.2
CY 2019, Tax Exempt	150.8	0.7	40.7	7.0	1.5	0.0	200.7

* Adjusted so total gallons match annual taxable gallons.

- Retail diesel fuel sales have increased over the past three years (CY 2016 to CY 2019) and the mix of fuel sold has increased in average biodiesel content. However, to simplify the fiscal impact projection process, all future years under current law are assumed to equal the CY 2019 adjusted gallons for all blends.
- The Bill has several provisions that are expected to alter the mix of fuel blends sold in Iowa when compared to current law. The Bill:
 - Dedicates additional State funds to a cost-share program that assists retailers with replacement of diesel fuel handling equipment (tanks, lines, and pumps) with new equipment and requires that the equipment be rated to dispense B-20 and higher products.
 - Requires that retailers who participate in the infrastructure cost-share program for diesel fuel equipment must agree to advertise for sale and sell B-20 or higher fuel blends during the summer period.
 - Extends the existing Biodiesel Blended Fuel Tax Credit, set to expire December 31, 2024, by four years to December 31, 2028.
 - Changes the existing Biodiesel Blended Fuel Tax Credit, currently equal to 3.5 cents per gallon for blends classified as B-5 through B-10 and 5.5 cents for B-11 and higher blends, to 4.0 cents for B-11 or higher for gallons sold between October 1 and April 15 (winter), and 6.0 cents for B-20 or higher gallons sold the remainder of the year (summer). This change is effective January 1, 2022. Beginning January 1, 2025, the summer credit is changed to a 10.0 cents per gallon credit for B-30 or higher blends.
 - Restricts the sale of diesel blends below B-5 to no more than one nozzle at a retail site, effective upon enactment. This blend restriction applies to sales made October 1 through April 14 (winter). For the remaining dates (summer), the sale of blends below B-11 is restricted to one nozzle at a retail site. Starting with summer sales made on or after April 15, 2024, the B-11 summer nozzle limitation applies to blends below B-20.
- The provisions discussed in the previous item are assumed to alter the sale of the various blends of diesel fuel under the proposed law, when compared to current law (summarized in **Table 4**):
 - B-0 and blends below B-5 — Effective upon enactment, the sale of unblended diesel and blends below B-5 will be restricted to one nozzle at a retail site. Retailers will be required to discontinue use of all other nozzles dispensing unblended or low-blend diesel fuel or convert the nozzles to B-5 or higher (winter) and B-11 or higher (summer). This requirement will begin during CY 2021 and will significantly restrict B-0 sales for the remainder of the year and for future years.
 - B-5 to B-10 — B-5 and higher blends will supplant blends below B-5 starting upon enactment. The Bill allows blends as low as B-5 at any number of nozzles at a retail site during the winter months.
 - B-11 to B-19 — The Bill does not restrict the sale of B-11 to B-19 blends until April 15, 2024. The sale of these blends is assumed to continue at the CY 2019 level until

CY 2023, when retailers begin to adjust to the coming CY 2024 restrictions on blends below B-20.

- B-20 to B-49 — Sales of these blends are assumed to increase as lower blends are restricted and B-20 becomes the minimum summer blend for unrestricted sale starting April 15, 2024.
- B-50 and higher blends — High blend biodiesel is a minor motor fuel in terms of gallons sold and sales are assumed to be maintained at the CY 2019 level through CY 2024. The sale of B-30 gallons is assumed to increase once the 10.0 cent per gallon tax credit for that fuel begins (CY 2025 and after).
- Tax Exempt (Dyed) Gallons — Tax exempt gallons are assumed to remain at the CY 2019 level for all blends for all years.

	<u>B-0</u>	<u>B-1 to B-4</u>	<u>B-5 to B-10</u>	<u>B-11 to B-19</u>	<u>B-20 to B-49</u>	<u>B-50 to B-100</u>
Base Projection, Taxed	227.7	8.3	82.5	345.8	91.3	0.6
Base Projection, Tax Exempt	150.8	0.7	40.7	7.0	1.5	0.0
% of Base Projection, Taxed Gallons						
CY 2021	80.0%	80.0%	157.5%	100.0%	100.0%	100.0%
CY 2022	30.0%	30.0%	164.6%	100.0%	225.0%	100.0%
CY 2023	27.0%	27.0%	257.8%	60.0%	300.0%	100.0%
CY 2024	10.0%	10.0%	149.3%	40.0%	520.0%	100.0%
CY 2025	10.0%	10.0%	168.9%	30.0%	540.0%	130.0%
CY 2026	10.0%	10.0%	168.4%	30.0%	540.0%	200.0%
Tax Exempt Gallons, All Years	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- Diesel (B-0) and pure biodiesel (B-100) have different energy contents by volume. Diesel contains 128,700 BTU per gallon, while B-100 contains 117,093 BTU per gallon. A vehicle that travels a given distance on B-0 will require a greater volume of fuel to travel the same distance on a biodiesel blend. This estimate assumes the same number of miles driven by Iowa retail fuel purchasers under the Bill as is assumed under current law. In order to account for the miles per gallon difference between fuel blends, this projection adjusts the overall fuel volume using the following energy factors listed below.
 - B-0 = 1.000
 - B-5 = 1.005
 - B-11 = 1.010
 - B-20 = 1.018
 - B-30 = 1.067
 - B-100 = 1.099
- The Bill changes the existing income tax credit for biodiesel sales from one based on biodiesel content to one based on biodiesel content and the time of year of the sale. The projected change in tax credits earned for each blend is calculated as follows:
 - B-0 to B-5 — No change as these fuels do not earn tax credits under current law or under the Bill.
 - B-5 to B-10 — There will be additional tax credits earned for CY 2021 equal to the increase in projected CY 2022 sales above the base gallons times the current 3.5-cent tax rate for B-5 to B-10 gallons. The increase in gallons is due to the restriction on the sale of blends below B-5 to one nozzle. This will cause an increase in the number of gallons sold that are B-5 to B-10 blends. For CY 2022 through CY 2024, tax credits are

reduced (base gallons times 3.5-cent tax rate) as the proposed law eliminates the tax credit for these blends.

- B-11 to B-19 — For CY 2022 through CY 2024, tax credits are reduced (base gallons times 5.5-cent tax rate) as the proposed law eliminates the tax credit for these blends. Then, 50.0% of CY 2022 through CY 2028 projected gallons are assumed to be winter sales, and therefore earn a 4.0-cent tax credit under the proposed law. Summer sales (the remaining 50.0%) of these blends do not benefit from a tax credit.
- B-20 to B-49 — For CY 2022 through CY 2024, tax credits are reduced (base gallons times 5.5-cent tax rate) as the proposed law eliminates the current tax credit for these blends. Then, 100.0% of CY 2022 through CY 2028 projected gallons are assumed to be summer sales and therefore earn a 6.0-cent tax credit under the proposed law.
- B-50 to B-100 — For CY 2022 through CY 2024, tax credits are reduced (base gallons times 5.5-cent tax rate) as the proposed law eliminates the current tax credit for these blends. Then, 100.0% of CY 2022 through CY 2028 projected gallons are assumed to be summer sales and therefore earn a 6.0-cent tax credit under the proposed law.
- Biodiesel tax credits are refundable and therefore 100.0% of earned credits are assumed to be redeemed. It is assumed that tax credits earned for a calendar year are redeemed 50.0% in the fiscal year that begins after the end of the calendar year and 50.0% in the succeeding fiscal year.
- Current Iowa law provides a [Biodiesel Production Credit](#) equal to 2.0 cents for every gallon of biodiesel produced in the State. A single production facility is limited to no more than \$500,000 (25.0 million gallons) in credits each calendar year. The credit sunsets at the end of CY 2024. This Bill is projected to increase the amount of biodiesel consumed in Iowa as vehicle fuel, so the Bill has the potential of increasing claims for the Biodiesel Production Credit. If the Bill increases biodiesel production at Iowa facilities that do not reach the annual credit maximum, then the Bill will also increase the tax credit amount that is earned and redeemed. For CY 2016 through CY 2020, 21.0% of credits earned were associated with facilities that did not meet the \$500,000 maximum in a given year. For this projection, it is assumed that 21.0% of the increase in biodiesel production that is the projected result of the law changes in the Bill will occur at Iowa facilities that do not meet the \$500,000 maximum for the year.
- **Appendix B — Diesel** provides blended and unblended diesel sales assumptions and the resulting projection for tax credits earned and redeemed.

Fuel Tax

- Until July 1, 2026, current Iowa law provides for differing rates of per-gallon fuel tax depending on the percent of biofuel content in the fuel.
 - Motor fuel (gasoline) classified as E-0 to E-14 is taxed at 30.0 cents per gallon, while fuel classified as E-15 or higher is taxed at 24.0 cents to 30.0 cents, depending on the percentage of gallons sold at a classification of E-15 or higher during the previous calendar year.
 - Special fuel (diesel) classified as B-0 to B-11 is taxed at 32.5 cents per gallon while fuel classified as B-11 or higher is taxed at 29.5 cents to 32.5 cents, depending on the percentage of gallons sold at B-11 or higher during the previous calendar year.
 - Beginning July 1, 2026, all gasoline is taxed at 30.0 cents per gallon and all diesel is taxed at 32.5 cents.

The Bill promotes the sale of higher blends of gasoline and diesel fuel through a combination of infrastructure grants, tax credit changes, and retail restrictions. This fiscal impact projection assumes the promotional aspects of the Bill will be successful and the fuel mix sold in Iowa during a year will shift towards higher biofuel blends. The fuel tax revenue result of the assumed changes in biofuel blends is expected to be minor until July 1, 2026, when the tax rates for all gallons will be the same. After July 1, 2026, the impact on fuel tax revenue is

projected to be positive, and this is due to the lower energy content of higher biofuel blends combined with the assumption that the Bill will not alter the number of miles lowans drive in a year.

Fiscal Impact

Gasoline and Diesel Retail and Production Tax Credits — The Bill is projected to alter the mix of fuels sold in Iowa through increased grants for retail infrastructure replacement, enhanced income tax credits for fuel retailers, and retail advertising and sales restrictions.

Table 5 displays the estimated impact by tax credit provision and by fiscal year. Since all four credits are set to sunset at the end of CY 2028 or before under current law and under the Bill, there is no projected General Fund fiscal impact beyond FY 2031.

	E-15	E-85	Biodiesel	Biodiesel Production Credit	Total
FY 2023	\$ 0.0	\$ 0.0	\$ -0.8	\$ -0.1	\$ -0.9
FY 2024	0.4	-0.3	3.8	-0.1	3.8
FY 2025	0.8	-0.7	8.7	-0.2	8.6
FY 2026	-2.4	-0.7	2.7	0.0	-0.4
FY 2027	-14.7	-2.4	-9.9	0.0	-27.0
FY 2028	-31.7	-4.1	-17.1	0.0	-52.9
FY 2029	-39.7	-4.1	-17.2	0.0	-61.0
FY 2030	-39.7	-4.1	-17.2	0.0	-61.0
FY 2031	-19.8	-2.1	-8.7	0.0	-30.6
	\$ -146.8	\$ -18.5	\$ -55.7	\$ -0.4	\$ -221.4

Gasoline and Diesel Fuel Tax — The Bill is projected to change the annual amount of gross fuel tax revenue collected. The change is due to the projected increase in the sale of fuel blends with higher biofuel content in combination with the additional gallons of blended fuel that must be purchased as a result of the lower energy content in higher biofuel blends. The combined result is a minor projected change over the combined years of FY 2021 through FY 2026. An increase in fuel tax revenue of approximately \$10.8 million per year is projected beginning with FY 2027, when all blends of taxed fuel gallons will be subject to a tax rate of 30.0 cents per gallon of gasoline and 32.5 cents for diesel.

Sources

Monthly Fuel Tax Reports
Retailers Fuel Gallons Annual Report
Iowa State University Extension ([energy content of fuels](#))
Department of Revenue
Iowa Code section [452A.3](#) (fuel tax rates)
Legislative Services Agency analysis

/s/ Holly M. Lyons

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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.

www.legis.iowa.gov

Appendix A — Gasoline
Retail Gasoline Motor Fuel Sales and Income Tax Credits

Due to rounding of displayed numbers, rows may not add to totals.

Iowa Retailers Fuel Gallons Report, in Millions

Reported Retail Gallons		E-0	E-10	E-15	E-20	E-85	Total Gallons
CY 2016	Actual	218.6	1,349.5	5.5	3.0	13.5	1,590.1
CY 2017	Actual	199.4	1,314.9	27.7	1.2	20.6	1,563.7
CY 2018	Actual	202.3	1,300.1	35.5	1.0	20.2	1,559.0
CY 2019	Actual	211.5	1,284.3	49.0	1.1	19.0	1,564.9

Adjusted Iowa Retailers Fuel Gallons, in Millions

		E-0	E-10	E-15	E-20	E-85	Total Gallons
CY 2016	Adjusted	242.9	1,499.5	6.1	3.4	15.0	1,766.9
CY 2017	Adjusted	225.5	1,487.3	31.3	1.3	23.3	1,768.8
CY 2018	Adjusted	216.4	1,390.4	37.9	1.1	21.6	1,667.3
CY 2019	Adjusted	224.1	1,360.5	51.9	1.1	20.2	1,657.7

Current Law and Proposed Law Projected Fuel Gallons, in Millions

		E-0	E-10	E-15	E-20	E-85	Total Gallons
CY 2021-28	Base Projection	224.1	1,360.5	51.9	1.1	20.2	1,657.7
CY 2021	Projected	179.3	1,406.9	51.9	1.1	20.2	1,659.3
CY 2022	Projected	89.6	1,475.9	72.6	1.6	24.2	1,663.9
CY 2023	Projected	60.5	1,505.7	72.6	1.6	24.6	1,665.0
CY 2024	Projected	44.8	1,308.4	285.2	6.2	25.0	1,669.6
CY 2025	Projected	44.8	813.9	777.9	16.8	25.4	1,678.9
CY 2026-28	Projected	44.8	293.5	1,296.5	28.0	25.8	1,688.6

Projected Increase in Retail Gallons, in Millions

		E-0	E-10	E-15	E-20	E-85	Total Gallons
CY 2021	Projected	-44.8	46.4	0.0	0.0	0.0	1.6
CY 2022	Projected	-134.5	115.4	20.7	0.4	4.0	6.2
CY 2023	Projected	-163.6	145.3	20.7	0.4	4.4	7.3
CY 2024	Projected	-179.3	-52.1	233.4	5.0	4.8	11.9
CY 2025	Projected	-179.3	-546.5	726.1	15.7	5.2	21.2
CY 2026-28	Projected	-179.3	-1,067.0	1,244.7	26.9	5.6	30.9

Projected Change in Income Tax Credits Earned Due to Change in Fuel Sales, in Millions

		E-0	E-10	E-15	E-20	E-85	Total Tax Credits
CY 2021	Projected	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
CY 2022	Projected	0.0	0.0	-0.8	-0.0	0.6	-0.2
CY 2023	Projected	0.0	0.0	-0.8	-0.0	0.7	-0.1
CY 2024	Projected	0.0	0.0	5.5	0.1	0.8	6.4
CY 2025	Projected	0.0	0.0	23.3	0.4	4.1	27.8
CY 2026-28	Projected	0.0	0.0	38.9	0.8	4.1	43.8

Projected Change in Income Tax Credit Redemptions, in Millions

		E-0	E-10	E-15	E-20	E-85	Total Tax Credits
FY 2023	Projected	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
FY 2024	Projected	0.0	0.0	-0.4	-0.0	0.3	-0.1
FY 2025	Projected	0.0	0.0	-0.8	-0.0	0.7	-0.2
FY 2026	Projected	0.0	0.0	2.4	0.1	0.7	3.2
FY 2027	Projected	0.0	0.0	14.4	0.3	2.4	17.1
FY 2028	Projected	0.0	0.0	31.1	0.6	4.1	35.8
FY 2029	Projected	0.0	0.0	38.9	0.8	4.1	43.8
FY 2030	Projected	0.0	0.0	38.9	0.8	4.1	43.8
FY 2031	Projected	0.0	0.0	19.4	0.4	2.1	21.9

Appendix B — Diesel
Retail Diesel Motor Fuel Sales and Income Tax Credits
Due to rounding of displayed numbers, rows may not add to totals.

Iowa Retailers Fuel Gallons Report, in Millions

Reported Retail Gallons		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Gallons
CY 2016	Actual	285.1	9.5	95.2	203.1	37.1	0.0	630.0
CY 2017	Actual	242.7	7.1	66.1	229.9	85.1	0.2	631.1
CY 2018	Actual	214.1	11.6	109.4	232.7	69.0	0.3	637.1
CY 2019	Actual	191.7	7.0	69.5	291.2	76.9	0.5	636.9

Adjusted Iowa Retailers Fuel Gallons, in Millions

		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Gallons
CY 2016	Adjusted	322.8	10.7	107.8	230.0	42.0	0.0	713.4
CY 2017	Adjusted	279.6	8.2	76.2	264.9	98.0	0.3	727.1
CY 2018	Adjusted	248.1	13.4	126.7	269.7	80.0	0.3	738.2
CY 2019	Adjusted	227.6	8.3	82.6	345.9	91.4	0.6	756.4

Current Law and Proposed Law Projected Fuel Gallons, in Millions

		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Gallons
CY 2019	Base Taxed	227.6	8.3	82.6	345.9	91.4	0.6	756.4
CY 2019	Base Exempt	150.8	0.7	40.7	7.0	1.5	0.0	200.7
CY 2021-28	Base Total	378.4	9.0	123.3	352.9	92.8	0.7	957.1

Taxed and Retail Motor Fuel Gallons Under Proposed Law.

CY 2021	Projected	332.9	7.3	170.8	352.9	92.8	0.7	957.4
CY 2022	Projected	219.1	3.2	176.7	352.9	207.0	0.7	959.5
CY 2023	Projected	212.3	2.9	253.6	214.6	275.5	0.7	959.6
CY 2024	Projected	173.6	1.5	164.0	145.4	476.5	0.7	961.7
CY 2025	Projected	173.6	1.5	180.2	110.8	494.8	0.9	961.7
CY 2026-28	Projected	173.6	1.5	179.8	110.8	494.8	1.3	961.7

Projected Increase in Retail Gallons, in Millions

		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Gallons
CY 2021	Projected	-45.5	-1.7	47.5	0.0	0.0	0.0	0.3
CY 2022	Projected	-159.3	-5.8	53.4	0.0	114.2	0.0	2.4
CY 2023	Projected	-166.2	-6.0	130.3	-138.4	182.7	0.0	2.5
CY 2024	Projected	-204.9	-7.5	40.7	-207.5	383.7	0.0	4.6
CY 2025	Projected	-204.9	-7.5	56.9	-242.1	401.9	0.2	4.6
CY 2026-28	Projected	-204.9	-7.5	56.5	-242.1	401.9	0.6	4.6

Projected Change in Income Tax Credits Earned Due to Change in Fuel Sale, in Millions

		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Tax Credits
CY 2021	Projected	\$ 0.0	\$ 0.0	\$ 1.7	\$ 0.0	\$ 0.0	\$ 0.0	\$ 1.7
CY 2022	Projected	0.0	0.0	-4.3	-12.4	7.3	0.0	-9.3
CY 2023	Projected	0.0	0.0	-4.3	-15.1	11.4	0.0	-8.0
CY 2024	Projected	0.0	0.0	-4.3	-16.5	23.5	0.0	2.7
CY 2025	Projected	0.0	0.0	0.0	2.2	14.8	0.1	17.1
CY 2026-28	Projected	0.0	0.0	0.0	2.2	14.8	0.1	17.2

Projected Change in Income Tax Credit Redemptions, in Millions

		B-0	B-1 to B-4	B-5 to B-10	B-11 to B-19	B-20 to B-49	B-50 to B-100	Total Tax Credits
FY 2023	Projected	\$ 0.0	\$ 0.0	\$ 0.8	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.8
FY 2024	Projected	0.0	0.0	-1.3	-6.2	3.7	0.0	-3.8
FY 2025	Projected	0.0	0.0	-4.3	-13.7	9.4	0.0	-8.7
FY 2026	Projected	0.0	0.0	-4.3	-15.8	17.5	0.0	-2.7
FY 2027	Projected	0.0	0.0	-2.2	-7.1	19.2	0.0	9.9
FY 2028	Projected	0.0	0.0	0.0	2.2	14.8	0.1	17.1
FY 2029	Projected	0.0	0.0	0.0	2.2	14.8	0.1	17.2
FY 2030	Projected	0.0	0.0	0.0	2.2	14.8	0.1	17.2
FY 2031	Projected	0.0	0.0	0.0	1.1	7.4	0.1	8.7



[SF 560](#) – Public Defenders, Discovery Request Fees (LSB1205SV)
Staff Contact: Laura Book (515.205.9275) laura.book@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 560](#) relates to the assessment of fees when a public defender or designee requests copies of certain documents. The Bill requires an agency to furnish copies of any document in the possession of the agency that the agency has the technological capacity to duplicate at a cost not to exceed \$10 per document, upon request of the State Public Defender, a public defender office, or an attorney or nonprofit legal organization appointed by the court as a designee of the State Public Defender. The Bill defines “agency” and details the documents applicable under the Bill. Under the Bill, when a document is provided on a storage system, the agency must, upon request, include the software necessary to access the storage system.

Background

Currently, State agencies and local governments may charge a fee to the State Public Defender for discovery documents. The fees vary by the local or State agency providing the document and the document being provided. The fees are paid from the Indigent Defense Fund.

Assumptions

- The Bill will not change existing discovery practices and procedures other than to impose an upper limit on the amount that can be charged for the production of documents to an indigent defendant or person during a criminal case or other proceeding in which the indigent person is entitled to representation at State expense.
- Entities will charge the maximum amount allowed by the Bill, \$10 per document.
- A minimum of three documents will be produced in each criminal and juvenile case.
- The number of claims filed and closed in a fiscal year will reflect the number of cases where documents will be requested.
- The Bill does not require clerks’ offices to provide paper copies of electronic documents that are already available electronically.
- The average annual total paid by the Indigent Defense Fund for the production of documents is \$114,000, and the State Public Defender processes and closes an average of 132,000 cases annually. It is assumed that the number of claims to the Indigent Defense Fund for discovery requests will remain consistent in future fiscal years.

Fiscal Impact

Senate File 560 is estimated to result in a cost increase to the Indigent Defense Fund of approximately \$3.9 million per year beginning in FY 2022. This increase is due to the fact that entities may charge \$10 per document, rather than per request, which is estimated to result in an increase in costs to the Indigent Defense Fund. **Table 1** provides the annual estimated costs to the Indigent Defense Fund under this Bill and current law.

Table 1 — Indigent Defense Fund — Annual Discovery Request Fee Costs

<u>Annual Cases</u>	<u>Current Law</u>	<u>SF 560</u>	<u>SF 560 Cost Increase</u>
132,000	\$ 114,000	\$ 3,960,000	\$ 3,846,000

Additionally, SF 560 is estimated to have an impact on several local agencies applicable under the Bill, including but not limited to local law enforcement and county attorneys. Due to the varying nature of fees charged by local agencies for discovery materials, the overall local impact of the \$10 fee cap per document cannot be determined and will vary on a case-by-case basis.

Sources

Office of the State Public Defender
Judicial Branch
LSA analysis

/s/ Holly M. Lyons

March 11, 2021

Doc ID 12160191216019

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.

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SF 562 – Sexual Exploitation (LSB2472SV)

Staff Contact: Christin Mechler (515.250.0458) christin.mechler@legis.iowa.gov

Fiscal Note Version – New

Description

[Senate File 562](#) relates to the crime of sexual exploitation. The Bill amends Iowa Code section [709.15](#) to criminalize sexual exploitation by an adult providing training or instruction. The Bill defines an “adult providing training or instruction” as a person age 18 or older, who provides training or instruction to a minor outside of a school setting, including but not limited to training and instruction on the use of firearms, athletics, or other activities which result in a minor receiving a certificate or license.

Senate File 562 also provides an adult providing training or instruction commits sexual exploitation when either of the following occur:

- When a person engages in a pattern, practice, or scheme of conduct to engage in any sexual conduct¹ with a minor for the purpose of arousing or satisfying the sexual desire of the adult providing training or instruction.
- When a person engages in sexual conduct with a minor for the purpose of arousing or satisfying the sexual desire of the adult providing training or instruction.

A person who engages in a pattern, practice, or scheme of conduct to engage in any sexual conduct with a minor for the purpose of arousing or satisfying the sexual desire of the adult providing training or instruction is guilty of a Class D felony. A person who engages in sexual conduct with a minor for the purpose of arousing or satisfying the sexual desire of the adult providing training or instruction is guilty of an aggravated misdemeanor.

Background

An aggravated misdemeanor is punishable by confinement for no more than two years and a fine of at least \$855 but no more than \$8,540. A Class D felony is punishable by confinement for no more than five years and a fine of at least \$1,025 but not more than \$10,245.

An individual who violates the provisions of this Bill is subject to a special sentence pursuant to Iowa Code section [903B.2](#). A special sentence is defined as a punishment in addition to the punishment for the underlying criminal offense, and consists of committing the individual to the custody of the Department of Corrections (DOC) for a period of 10 years. An individual serving a special sentence begins the sentence in the same manner as if the individual were on parole or part of a work release program. The special sentence is subject to revocation for up to two years for a first revocation and up to five years for a second or any subsequent revocation. A person who violates the provisions of SF 562 is also subject to a no-contact order upon release from jail or prison, and hormonal intervention therapy as prescribed under Iowa Code section [903B.10](#)(3)(h).

¹ Senate File 562 defines sexual conduct as to include but not limited to kissing, touching of the clothed or unclothed inner thigh, breast, groin, buttock, anus, pubes, genitals, or a sex act as defined in Iowa Code section [702.17](#).

Additionally, a person who violates the provisions of this Bill is designated as a Tier II sex offender under Iowa Code section [692A.102\(1\)\(b\)\(12\)](#) if the victim is 13 years of age or older, or as a Tier III sex offender pursuant to Iowa Code section [692A.102\(1\)\(c\)\(28\)](#) if the victim is under the age of 13. In either scenario, the person committing the offense must register as a sex offender pursuant to Iowa Code section [692A.103](#).

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Correctional Impact

Senate File 562 expands an existing criminal offense, and the number of new convictions cannot be estimated. In FY 2020, there were nine total admissions to the correctional system for a violation of Iowa Code section 709.15. In FY 2020, the cost to supervise one cohort of admissions for a crime under Iowa Code section 709.15 totaled approximately \$36,600.

Table 1 below shows estimates for sentencing to State prison, parole, probation, or Community-Based Corrections (CBC) residential facilities; LOS under those supervisions; and supervision marginal costs per day for all convictions of aggravated misdemeanors and Class D felonies (involving sex crimes). Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 22, 2021, for information related to the correctional system.

Table 1 — Sentencing Estimates and Length of Stay (LOS)

Conviction Offense Class	Percent to Prison	Avg Length of Stay in Prison (months)	FY 20 Marginal Cost/Day Prison	Percent Ordered to Probation	Avg LOS on Probation	Avg Cost/Day on Probation	Percent Sentenced to CBC Residential Facility	FY 20 Marginal Cost CBC/Day	Percent Ordered to County Jail	Avg Length of Stay in County Jail	Marginal Cost/Day	Avg LOS on Parole	FY 20 Average Cost/Day Parole
Aggravated Misdemeanor (Sex)	78.0%	10.5	\$20.33	58.5%	15.1	\$5.38	1.0%	\$14.78	74.6%	N/A	\$50.00	2.5	\$5.38
Class D Felony (Sex)	85.0%	32.2	\$20.33	45.2%	49.7	\$5.38	6.8%	\$14.78	43.8%	N/A	\$50.00	5.1	\$5.38

Minority Impact

The minority impact of SF 562 is unknown. Refer to the LSA Memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 27, 2021, for information related to minorities in the criminal justice system.

Fiscal Impact

The fiscal impact of SF 562 cannot be estimated. The Bill expands an existing criminal offense, and the resulting cost to the justice system cannot be estimated. **Table 2** shows estimates for the average State cost per offense class type. The estimates include operating costs incurred by the Judicial Branch, the State Public Defender, and the DOC for one additional conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 2 — Average State Cost Per Conviction

Offense Class	Total Cost	
	Minimum	Maximum
Aggravated Misdemeanor	\$ 3,700	\$ 7,800
Class D Felony	7,700	13,500

Sources

Department of Corrections
Criminal and Juvenile Justice Planning Division, Department of Human Rights
Judicial Branch
LSA analysis

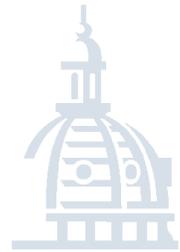
/s/ Holly M. Lyons

March 15, 2021

Doc ID 1216854

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.

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SF 571 – Technology Industry, Economic Incentives (LSB2024SV)
Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
Laura Book (515.205.9275) laura.book@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 571 prohibits the state or political subdivisions from entering into contracts with, or providing tax incentives or any other economic benefits to, certain technology companies that affect the ability of Iowans to view, comment, or otherwise interact with certain content on a company's Internet site, as decided by a court. The Bill requires that, before public funds are used for economic development, the public body must consider whether a court has found that the person to whom the funds will be dispersed has violated a provision of the newly established Iowa Code chapter 554E, and whether the person is involved in litigation in which it has been alleged that the person violated Iowa Code chapter 554E.

If a political subdivision enters into a contract or provides incentives to a company found in violation of the Bill, the amount of taxes from the previous fiscal year certified back to the county auditor from the Department of Management will be reduced by 10.0%, and another 5.0% in a subsequent year.

Any governmental entity will be prohibited from entering into a contract or providing economic incentives to a company found in violation of the Bill for a period of 20 years from the date of a court's finding. Tax incentives and economic benefits affected by the Bill include tax credits, assistance under Iowa Code section **15.335B**, sales tax exemptions or refunds, property tax rebates or grants, and any other benefits previously claimed by a company going back to January 1, 2001. Any previously awarded benefits will be reclaimed by the State or local government jurisdiction.

The Bill requires the Attorney General to provide enforcement guidance to political subdivisions in any contractual obligations going forward, and requires the Attorney General to enforce provisions in the Bill, including appealing a district court's decision if a company prevails in district court in an action under Iowa Code chapter 554E and filing an application for further review with the Supreme Court if a company prevails in the Court of Appeals. The Attorney General must also, within 60 days of the effective date of the Bill, provide an Internet site available to the public so individuals can report any instances of potential censorship, which the Attorney General must investigate within 30 days of receipt. The Attorney General must adopt rules to administer the Bill. The Bill also authorizes governmental entities and individuals to intervene in a legal action that involves them.

The Bill includes a State mandate and makes inapplicable Iowa Code section **25B.2**, subsection 3, which would relieve a political subdivision from complying with a State mandate if funding for the cost of the State mandate is not provided.

The Bill takes effect upon enactment.

Background

The Iowa Economic Development Authority (IEDA) administers State tax credits, with a statutory cap of \$155.0 million in FY 2021. The IEDA has the authority through Iowa Code section [15.333](#) to award Investment Tax Credits. Businesses may claim a tax credit on corporate, income, and insurance premium taxes equal to a percentage of the new investments directly related to new jobs created or retained by a project. Eligible investments include the cost of machinery and equipment purchased for use in the operation of the business, the purchase price of real property and any buildings and structures located on the property, the cost of improvements made to the property, and base rent paid by a business to a third-party developer. Since 2007, the IEDA has awarded \$45.7 million in Investment Tax Credits to four technology firms for four projects totaling \$2.8 billion in investments that involve 203 new and retained jobs. Most of these credits are from IEDA's High Quality Jobs Program (HQJP), which provides tax benefits to eligible companies that create high-paying jobs and make capital investments. The HQJP has a statutory cap of \$105.0 million per year to use in tax credits. In FY 2020, IEDA awarded \$26.0 million in HQJP tax credits to 24 projects. Tax credits can be claimed for five years in most cases.

The IEDA is also authorized to provide sales and use tax exemptions to eligible businesses, including contractors and subcontractors on a project after construction is completed, as part of the HQJP. In FY 2019, \$28.3 million was claimed in state sales and use taxes, \$24.6 million due to the HQJP. Since 2007, the IEDA has awarded \$84.1 million in sales and use tax exemptions to three technology corporations for eight projects totaling \$4.9 billion in investments that involve 391 new and retained jobs. Sales and use tax exemptions to eligible businesses can also affect the Local Option Sales Tax (LOST) in jurisdictions with local sales and use taxes.

Local governments also have the authority to award eligible businesses property tax credits and economic incentives in conjunction with IEDA's tax credit programs, including the HQJP. Since 2007, four technology companies have received full or partial property tax exemptions in conjunction with IEDA's tax credit programs for six projects totaling \$2.7 billion. Tax-increment financing (TIF) and infrastructure improvements have also been awarded by local governments to technology corporations for five projects. Iowa Code section [427.1](#) allows property tax exemptions for web search portal businesses and data center businesses. In 2020, there was \$766.92 million in assessed value derived from these exemptions.

Assessed property evaluations within a school district affect the amount of State General Fund dollars sent to each school district. The State, by operation of the State School Foundation Aid Formula, funds school districts up to 87.0% of total funding after a uniform levy of \$5.40 is assessed on all property within a district. Beyond 87.0%, an additional levy is assessed on all property within a district to reach 100.0% of per pupil funding for a school district.

Per Iowa Code section [24.17](#), local governments and school districts must certify their budgets not later than March 31 and April 15, respectively, each fiscal year, with a copy sent to the county auditor and the State Appeal Board within the Department of Management. By June 15 of each fiscal year, the Department of Management certifies taxes available to the county auditor for the local government or school district.

Assumptions

- There are no potential legal decisions over the next two years that would cause the State to recoup any previously awarded benefits until FY 2024 at the earliest.
- The Legislative Services Agency (LSA) cannot assume the result of theoretical legal proceedings. For purposes of this fiscal note, however, the LSA will illustrate the fiscal impact if one taxpayer that has signed contracts with the State of Iowa and local government jurisdictions, and has been operational in the State since 2019, is found in court to have violated provisions of the Bill prohibiting online censorship.
- The Bill would lead to the revocation of tax credits provided under Iowa Code section 15.335B and the 100.0% recapture of any such tax credits that have already been claimed by a taxpayer, including tax credits awarded through the HQJP, including both Investment Tax Credits and Sales and Use Tax Refunds, beginning in FY 2024.
- The Bill provides for the 100.0% recapture of tax credits, tax exemptions, and other tax benefits claimed in prior years. The estimated impacts associated with the recapture of these prior-year claims are provided separately in this estimate. For purposes of this estimate, these are assumed to occur in FY 2024 and, in the case of property taxes, FY 2025.
- Prospective Investment Tax Credit and sales tax impacts would occur beginning FY 2024, and prospective property tax impacts would begin with assessment year (AY) 2024 and would affect property tax revenues beginning with FY 2026.
- The estimated timing of fiscal impacts resulting from the revocation of unclaimed tax credits that have already been allocated or awarded reflects the projected timing of awarded claims under current law, according to Iowa Department of Revenue (IDR).
- Estimates of the currently-exempt sales made nonexempt by the proposal are based on an Iowa IDR analysis of sales reported as exempt by taxpayers assumed to be affected by the proposal. It is assumed that the share of currently exempt sales tax authorized by Iowa Code section [423.3](#)(92), (93), and (95) and made nonexempt by the proposal is proportionate among all affected taxpayers.
- Estimates of property tax impacts are based on the value of commercial property receiving web/data exemptions under Iowa Code section 427.1(35), (36), and (37) is from the IDR abstracts of assessment. The value of commercial property receiving web/data exemptions was \$766.92 million in AY 2020. This fiscal note assumes that 20.0% of the value will be affected by the Bill.
- Estimated property tax impacts assume a levy rate of \$37.21430 per \$1,000 of taxable valuation and a commercial rollback rate of 90.0%.
- Property tax recapture would create the need for credits to the General Fund for past years' per pupil payment, or a reduction in future year School Aid Formula payments.
- Growth in estimated impacts arising from the elimination of sales tax exemptions and property tax exemptions and rebates reflects 2.0% annual inflation.
- Changes to corporate income tax and sales and use tax liability as a result of the proposal are estimated to lead to General Fund revenue increases. Changes to sales and use tax liability also affect LOST assessed at 1.0%. Changes to property tax liability are assumed to decrease expenditures from the General Fund by operation of the State School Foundation Aid Formula; otherwise such changes will lead to revenue increases for affected local jurisdictions.
- Local government jurisdictions do not violate the section of the Bill that would result in any removal of appropriations or tax revenues.
- The Attorney General would need to establish a new division to handle and investigate

- complaints, then litigate against multiple large technology companies at the same time.
- The Attorney General would hire additional positions to meet the requirements of the Bill beginning in FY 2022.
 - The Attorney General may need to hire 3.0 full-time equivalent (FTE) investigators. If an experienced investigator is hired, the cost would be up to approximately \$117,000 per FTE position. However, the entry-level cost of an Investigator 4 position would be approximately \$72,000. For estimation purposes, a midpoint is used for the estimated cost.
 - The Attorney General may need to hire 3.0 FTE attorneys. If an experienced attorney is hired, the cost would be up to approximately \$156,036 per FTE position. However, the cost of an entry-level Assistant Attorney General 3 position is \$115,417. For estimation purposes, a midpoint is used for the estimated cost.

Fiscal Impact

Tax Impact to State and Local Governments

If one taxpayer is adversely affected through a legal decision, the Bill is estimated to increase General Fund revenue by \$21.0 million beginning in FY 2024 before dropping to a \$4.7 million increase in FY 2025, and remaining relatively stable through FY 2030. The Bill increases revenue to local jurisdictions by \$12.4 million beginning in FY 2024 before dropping to a \$4.7 million positive impact in FY 2025 and increasing slightly through FY 2030. **Table 1** below outlines the estimated fiscal impact to the General Fund and local government jurisdictions from the Bill.

Fiscal Year	Estimated General Fund Fiscal Increases (\$ Millions)							Estimated Local Jurisdiction Fiscal Increases (\$ Millions)				
	Revocation of Tax Credits Allocated or Awarded	Recapture of Tax Credits Previously Claimed	Change in State School Foundation Aid	Recapture of State School Foundation Aid Associated with Property Tax Incentives for Prior Years	Elimination of Sales and Use Tax Exemptions	Recapture of Past Sales and Use Tax Exemptions	Total General Fund Impact	Property Tax	Recapture of Property Tax Incentives for Prior Years	Local Options Sales Tax (LOST)	Recapture of Past Local Option Sales Tax (LOST)	Total Impact on Local Jurisdictions
FY 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2023	-	-	-	-	-	-	-	-	-	-	-	-
FY 2024	1.7	10.0	-	2.2	1.4	5.7	21.0	-	11.2	0.2	0.9	12.4
FY 2025	2.4	-	-	0.9	1.5	-	4.7	-	4.5	0.2	-	4.7
FY 2026	2.0	-	0.9	-	1.5	-	4.4	4.6	-	0.2	-	4.8
FY 2027	3.4	-	0.9	-	1.5	-	5.8	4.7	-	0.3	-	4.9
FY 2028	1.9	-	0.9	-	1.5	-	4.3	4.8	-	0.3	-	5.0
FY 2029	1.2	-	0.9	-	1.6	-	3.7	4.9	-	0.3	-	5.1
FY 2030	1.7	-	1.0	-	1.6	-	4.3	5.0	-	0.3	-	5.2

Office of the Attorney General

The Attorney General estimates it would need to hire three investigators and three attorneys to fulfill the requirements of this Bill. The annual cost increase to the Attorney General would be approximately \$690,000 beginning in FY 2022 (**Table 2**).

Table 2 — Attorney General FTE Costs

	Salary and Benefits	Est. FTE Positions Required	Total Cost
Investigator 4	\$ 94,000	3.0	\$ 282,000
Asst. Atty General 3	136,000	3.0	408,000
			\$ 690,000

There may be additional and ongoing costs for the setup and maintenance of the complaint process, but an estimate cannot be made at this time.

Sources

Iowa Economic Development Authority
Iowa Department of Revenue
Iowa Department of Justice, Office of the Attorney General
LSA analysis

/s/ Holly M. Lyons

March 15, 2021

Doc ID 1216328

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.

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[SF 572](#) – Sexual Abuse, Statute of Limitations (LSB1659SV)
Staff Contact: Laura Book (515.205.9275) laura.book@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 572](#) relates to the statute of limitations period for certain criminal and civil actions. The Bill provides that an information of indictment in a criminal case, or a civil action for damages, for sexual abuse in the first, second, or third degree; kidnapping; human trafficking; and sexual abuse or sexual exploitation by a counselor, therapist, or school employee may be commenced at any time after the commission of the offense.

Background

Under current law, in sexual abuse, kidnapping, human trafficking, and sexual abuse or sexual exploitation by a counselor, therapist, or school employee cases, an injured person must bring a civil action for injuries suffered or an indictment or information must be filed within a certain statutory time period dependent upon certain circumstances including a victim’s age and whether an offender was identified through the use of a DNA profile.

The penalties for the offenses in this Bill range from a serious misdemeanor to a Class A felony depending on the type and severity of the offense. Felonies and misdemeanors are punishable by the terms defined in Iowa Code chapters [902](#) and [903](#), respectively.

Assumptions

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends, prisoner length of stay (LOS), revocation rates, plea bargaining, and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.

Correctional Impact

Senate File 572 removes the statute of limitations for sexual abuse, kidnapping, human trafficking, and sexual abuse or sexual exploitation by a counselor, therapist, or school employee. Although it is known that sexual abuse is frequently underreported and victims often wait years to come forward, precise estimates of the impact of this legislation are not available. It is estimated that additional convictions will result, but the increase cannot be determined.

Table 1 provides estimates for sentencing to State prison, parole, probation, or Community-Based Corrections (CBC) residential facilities; LOS under those supervisions; and supervision marginal costs per day for all convictions ranging from serious misdemeanors to Class B felonies. Class A felony convictions carry a life sentence. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 22, 2021, for information related to the correctional system.

Table 1 — LOS and Sentencing Estimates

Conviction Offense Class	Percent to Prison	Avg Length of Stay in Prison (months)	FY 20 Marginal Cost/Day in Prison	Percent Ordered to Probation	Avg LOS on Probation	Avg Cost Per Day on Probation	Percent Sentenced to CBC Residential Facility	FY 20 Marginal Cost CBC Per Day	Percent Ordered to County Jail	Avg Length of Stay in County Jail	Marginal Cost Per Day	Avg LOS on Parole	FY 20 Average Cost Per Day Parole
Class B Felony (Sex Offense)	95.0%	285.2	\$20.33	9.4%	--	\$5.38	3.1%	\$14.78	15.6%	N/A	\$50.00	29.4	\$5.38
Class C Felony (Sex Offense)	91.0%	76.0	\$20.33	34.1%	50.0	\$5.38	5.5%	\$14.78	32.7%	N/A	\$50.00	7.2	\$5.38
Class D Felony (Sex Offense)	85.0%	32.2	\$20.33	45.2%	49.7	\$5.38	6.8%	\$14.78	43.8%	N/A	\$50.00	5.1	\$5.38
Aggravated Misdemeanor (Sex Offense)	78.0%	10.5	\$20.33	58.5%	15.1	\$5.38	1.0%	\$14.78	74.6%	N/A	\$50.00	*2.5	\$5.38
Serious Misdemeanor	2.0%	5.0	\$20.33	56.0%	13.4	\$5.38	1.0%	\$14.78	69.0%	N/A	\$50.00	2.4	\$5.38

Minority Impact

Senate File 572 removes the statute of limitations for several offenses. In FY 2019, African Americans made up 3.6% of the adult population of the State of Iowa and 22.5% of convictions for sexual abuse in the first, second or third degree in FY 2019. According to the Criminal and Juvenile Justice Planning Division, this exceeds the population proportion of the State, which would lead to a racial impact if it remains constant. Due to the low numbers of other minorities, the impact on those populations cannot be estimated. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 27, 2021, for information related to minorities in the criminal justice system.

Fiscal Impact

Senate File 572 removes the statute of limitations for several offenses and the fiscal impact cannot be estimated due to the lack of conviction data. **Table 2** contains cost estimates for the average State cost per offense class type for one conviction of offenses ranging from a serious misdemeanor to a Class A felony. The cost estimate includes operating costs incurred by the Judicial Branch, the State Public Defender, and the Department of Corrections for one conviction. The cost would be incurred across multiple fiscal years for prison and parole supervision.

Table 2 — Average State Cost per Conviction

Offense Class	Total Cost	
	Minimum	Maximum
Serious Misdemeanor	\$ 410	\$ 7,500
Aggravated Misdemeanor	3,700	7,800
Class D Felony	7,700	13,500
Class C Felony	9,900	19,200
Class B Felony	12,700	35,800
Class A Felony	183,700	188,000

Sources

CJJP, Department of Human Rights
Department of Corrections
Judicial Branch
LSA analysis

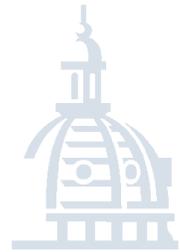
/s/ Holly M. Lyons

March 11, 2021

Doc ID 1216327327

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.

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[SF 575](#) – Hoover Presidential Library Tax Credit (LSB1352SV)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 575](#) creates a Hoover Presidential Library Tax Credit. The new income tax credit is available to Iowa taxpayers who donate to the Hoover Presidential Library and Museum Renovation Project Fund. The tax credit equals 25.0% of the donated amount. The total amount of tax credits awarded is limited to \$5.0 million in aggregate. The maximum credit a taxpayer may earn is \$250,000. Any donation to the Fund that earns a credit may not be used as an itemized deduction for Iowa income tax purposes.

The credit is applicable to individual, corporate, franchise, insurance premium, and moneys and credits taxes. The credit is not refundable or transferable. The credit is available for tax years 2021 through 2023, or until the full \$5.0 million has been awarded. Unused credits may be carried forward for up to five additional tax years.

Assumptions

- Sufficient demand exists to fully utilize the \$5.0 million aggregate award amount during the first tax year available (tax year 2021).
- Tax credits awarded for tax year 2021 will first impact FY 2022.
- The tax credit redemption pattern for the Hoover Presidential Library Tax Credit will be similar to the redemption pattern for the Endow Iowa Tax Credit. The Department of Revenue reports that the redemption pattern for the Endow Iowa Tax Credit is:
 - Year one = 43.0%
 - Year two = 31.0%
 - Year three = 5.0%
 - Year four = 3.0%
 - Year five = 1.5%
 - Year six = 1.5%
 - Expiring without redemption = 15.0%
- As a tax credit that is not refundable, the new tax credit will impact the calculation of any local option income surtax. Surtaxes are estimated to average 3.0% of State income tax liability.

Fiscal Impact

The new Hoover Presidential Library Tax Credit is projected to reduce General Fund revenue by the amounts in the following table.

Projected Net General Fund Revenue Change	
In Millions	
	<u>Amount</u>
FY 2022	\$ -2.2
FY 2023	-1.6
FY 2024	-0.3
FY 2025	-0.2
FY 2026	-0.1
FY 2027	-0.1

The new tax credit is also projected to reduce the amount of revenue raised by any local option income surtax. The reduction over six fiscal years is estimated to be \$135,000.

The Department of Revenue estimates that the new tax credit will result in \$90,000 in expenditures for administrative rulemaking, computer programming, and tax form updates.

Sources

Hoover Presidential Foundation
Department of Revenue

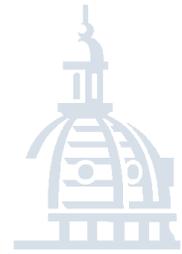
/s/ Holly M. Lyons

March 15, 2021

Doc ID 1217171

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.

www.legis.iowa.gov



[SF 576](#) – Trigger Repeal and Inheritance Tax (LSB2794SV)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 576](#) contains two actions. The Bill:

- Strikes 2018 Iowa Acts, chapter [1161](#), section 133 (contingent income tax system trigger requirements), and replaces the section with an unqualified effective date of January 1, 2023.
- Phases out and then repeals the inheritance tax and the qualified use inheritance tax. The changes are effective upon enactment and apply retroactively to deaths occurring on or after January 1, 2021.

Background

Division I — Contingent Income Tax System Triggers

2018 Iowa Acts, chapter [1161](#), Division IX, made future changes to how Iowa individual income tax liability is calculated. The effective date of Division IX of the 2018 legislation is contingent upon Iowa General Fund revenue reaching two revenue targets, or triggers, at the conclusion of a fiscal year. The two triggers are:

- Actual General Fund net revenue for the fiscal year equals or exceeds \$8,314,600,000.
- Actual General Fund net revenue for the fiscal year equals or exceeds 104.0% of the actual General Fund net revenue for the previous fiscal year.

Under the provisions of section 133 of the 2018 legislation, the first year that the two targets may be met is FY 2022, and the first year that the changes in Division IX may become effective is tax year (TY) 2023.

At the December 2020 meeting of the Revenue Estimating Conference (REC), the REC established an FY 2022 General Fund estimate of \$8,265.7 million and a growth rate of 3.7% compared to the FY 2021 estimate of \$7,969.3 million. The FY 2022 revenue projection is therefore \$48.9 million below the dollar trigger and 0.3 percentage points below the required 4.0% growth trigger. The REC projection does not mean that both triggers will not or cannot be met at the conclusion of FY 2022, but it does mean that the triggers are not projected to be met for FY 2022 at this time.

Division II — Inheritance Tax

Inheritances received by a spouse or lineal ascendants and descendants (children, grandchildren, parents, grandparents, etc.) are exempt from Iowa inheritance tax under current law. For inheritances not exempt, the tax rate varies by size of the inheritance and category of inheritor.

- If the net value of the entire estate is less than \$25,000, the tax rate is 0.0%.
- For a brother, sister, son-in-law, or daughter-in-law, the rate is 5.0% to 10.0%.
- For an aunt, uncle, niece, nephew, foster child, cousin, brother-in-law, sister-in-law, and all other individual persons, the rate is 10.0% to 15.0%.
- For firms and for-profit corporations and organizations, the rate is 15.0%.

- For charitable, educational, or religious organizations organized under the laws of any other state or country, the rate is 10.0%.
- For bequests for religious services in excess of \$500, the rate is 10.0%.
- For unknown heirs, the rate is 5.0%.
- For public libraries and art galleries, hospitals, humane societies, municipal corporations, or for the care of cemetery or burial lots, or bequests for religious services not to exceed \$500, the rate is 0.0%.

The State qualified use inheritance tax may apply to certain property of the decedent that was used in farming or other trade or business.

Assumptions

Division I — Contingent Income Tax System Triggers

- The first fiscal year both triggers may be met under current law is FY 2022, and if both triggers are met that year, the contingent income tax system becomes effective for TY 2023 and after. However, in December 2020, the REC established a FY 2022 revenue estimate that does not reach either trigger at the conclusion of that fiscal year. Therefore, this projection assumes FY 2023 will be the first year that both triggers are met and the contingent income tax system will become effective for TY 2024 and after.
- The Department of Revenue utilized the individual income tax micromodel to calculate the tax reduction associated with the change to the contingent income tax system for TY 2023. The fiscal impact was determined by comparing model results of tax liability under current law (existing individual income tax system for TY 2023) versus tax liability under the Bill (contingent income tax system for TY 2023). Although removing the triggers only directly changes the tax system for one year (TY 2023), the change has a projected impact in TY 2024 also as taxpayers adjust for federal tax payments made and refunds received in TY 2024 that relate to TY 2023 and before. The change also has an ongoing impact on income tax brackets as the brackets are established in the contingent system as specific income levels that are then indexed each tax year after the first implementation year. Implementing the contingent tax system one year earlier will mean that tax brackets are lower by one year's worth of indexing for all future years. The Department model estimates the TY 2023 change will reduce State individual income tax liability by the following amounts:
 - TY 2023 = \$297.6 million
 - TY 2024 = \$43.7 million
 - TY 2025 and after = \$8.0 million per tax year
- The tax year impacts are assumed to be distributed 37.0% to the fiscal year that ends during the tax year through reduced withholding and estimate payments and 63.0% to the succeeding fiscal year through reduced withholding, estimate payments, payments with tax returns, and increased tax refunds.
- The reduction in State income tax liability will reduce the amount raised by the local option income surtax for schools by 3.0% of State income tax reduction.
- Other changes made within the contingent income tax system (2018 Iowa Acts, chapter [1161](#), sections 128 through 130) are projected to reduce FY 2024 corporate income tax liability by \$17.9 million and bank franchise tax liability by \$2.0 million.

Division II — Inheritance Tax

- For FY 2021 and FY 2022, the assumed amount of revenue the State will receive under current law is equal to the December 2020 REC gross inheritance tax estimates for those years.

- For years beyond FY 2022, inheritance tax revenue is projected to grow 3.5% per year under current law.
- Annual estimates of gross inheritance tax receipts are reduced \$2.5 million to adjust for the average annual amount of gross inheritance tax that is refunded.
- Inheritance tax returns and payment are due nine months after the death date. Therefore, the revenue impact of the phase-out changes is delayed nine months.
- Future payments from deferred life estates and remainder interests, due from inheritances received prior to the repeal of the inheritance tax, are assumed to be minor and are therefore ignored in the fiscal impact calculation.

Fiscal Impact

The repeal of the contingent income tax system triggers and the phase out of the Iowa inheritance tax are projected to reduce General Fund revenue by the annual amounts listed below.

Projected General Fund Revenue Change by Tax Type and Fiscal Year					
In Millions					
	Trigger Individual Income Tax	Trigger Corporate Income Tax	Trigger Bank Franchise Tax	Inheritance Tax	Total
FY 2022	\$ 0.0	\$ 0.0	\$ 0.0	\$ -17.9	\$ -17.9
FY 2023	-110.1	0.0	0.0	-40.8	-150.9
FY 2024	-203.7	-17.9	-2.0	-65.3	-288.9
FY 2025	-30.5	0.0	0.0	-91.5	-122.0
FY 2026	-7.9	0.0	0.0	-98.8	-106.7
FY 2027	-8.0	0.0	0.0	-102.3	-110.3

The revenue reduction will continue past FY 2027 at a similar level to FY 2027. The trigger repeal is also projected to reduce the revenue raised by the local option income surtax for schools by a total of \$10.8 million over the five fiscal years.

Sources

Department of Revenue
Inheritance tax receipts and refunds

/s/ Holly M. Lyons

March 12, 2021

Doc ID 12168516851

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.