



Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

December 14, 2021

Iowa Code section 17A.4(4) requires the Legislative Services Agency (LSA) to analyze the fiscal impact of all administrative rules with an impact of \$100,000 or more and provide a summary of the impact to the Administrative Rules Review Committee (ARRC). Fiscal Impact Statements filed by State agencies can be found on our website at <https://www.legis.iowa.gov/publications/fiscal/adminRulesFiscalImpact>.

With each rule summary, the rulemaking type is indicated in parentheses following the ARC number. The acronyms have the following meanings: Notice of Intended Action (**NOIA**), Amended Notice of Intended Action (**ANOIA**), Notice of Termination (**NOT**), Adopted and Filed Emergency (**AFE**), Filed Emergency After Notice (**FEAN**), and Adopted and Filed (**AF**).

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Iowa Finance Authority

ARC 6067C (NOIA)

Rule Summary Conforms Iowa Administrative Code (IAC) section 26 to the changes made by 2021 Iowa Acts, Senate File 619 (Taxation and Other Provisions Act), which included an expansion of the types of assets eligible for a Beginning Farmer Tax Credit and an allowance for eligible taxpayers to receive a tax credit for each agreement with a beginning farmer. Formerly a taxpayer could only receive a single tax credit for all agreements. This rulemaking also proposes a change to the fee schedule for Beginning Farmer Tax Credit applications. The change to the fee schedule is prompted by Iowa Code section 16.81, which set forth a fee schedule that shall remain in place on an interim basis until December 31, 2021, and repeals the schedule on January 1, 2022. Iowa Code Section 16.82 requires that the Authority adopt rules to “impose, assess and collect application fees.”

State or Federal Law Implemented: Iowa Code section 16.81; 2021 Iowa Acts, SF 619.

Fiscal Impact **Agency Response:** Iowa Code section 16.81 established a temporary fee schedule for the Beginning Farmer Tax Credit Program and set a sunset date of January 1, 2022, for the fee schedule. It also allows the Iowa Finance Authority (IFA) to establish a new fee schedule by rule, provided that it follows the requirements of Iowa Code section 16.81(3).

LSA Response: The LSA concurs in part. Expanding the Beginning Farmer Tax Credit Program is projected to reduce General Fund revenue by \$0.7 million in FY 2023 and \$1.1 million in FY 2024, as indicated in the Fiscal Note for SF 619. Revenue from the updated fee schedule is expected to be less than \$100,000 per fiscal year, the Department notes.

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Department of Inspections and Appeals/Racing and Gaming Commission

ARC 6056C (NOIA)

Rule Summary Adopts rules that implement in part Senate File 619, Division XX, which relates to the taxation of promotional play receipts. This rulemaking removes any offering used to directly purchase a wager from the definition of sports wagering net receipts and also eliminates a rule that credits taxes back to the facility from promotional play receipts that are received after the limit of \$25.8 million in promotional play receipts is reached. Senate File 619 removed promotional play receipts from the definition of sports wagering net receipts and amended the definition of adjusted gross receipts (AGR) to include all promotional play receipts on gambling games from the beginning of FY 2022 to the end of FY 2026. During this time period, a new tax rate is imposed on promotional play receipts each year with a complete phaseout of the tax on promotional play receipts by July 1, 2026 (FY 2027).

Makes other changes regarding risk assessments, license requirements and eligibility, coupled entries, advance deposit sports wagering operator requirements, allowable eligibility for claims, requirements for linking table games progressives, reserves, written reports, sports wagering payout hours and signage, and certain account operation requirements. Implements House File 513 related to wagering on horse or dog races licensed in a foreign jurisdiction.

State or Federal Law Implemented: Senate File 619 and House File 513.

Fiscal Impact **Agency Response:** No fiscal impact.

LSA Response: The LSA concurs in part. The Fiscal Note for Senate File 619 estimated that tax revenue to the Sports Wagering Receipts Fund would be reduced by approximately \$1.0 million annually in FY 2022 through FY 2025 and \$1.1 million annually in FY 2026 and FY 2027.

The Fiscal Note also estimated that the phaseout of the tax on promotional play receipts would result in an estimated reduction in State wagering taxes beginning in FY 2022 of \$4.3 million and increasing to \$25.8 million by FY 2027. State wagering taxes are distributed to State programs and cities and counties with domiciled casinos, and the Fiscal Note includes the breakdown for estimated revenue reduction.

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Department of Revenue

ARC 6032C (NOIA)

Rule Summary Implements statutory changes to the maximum income limit for a taxpayer to qualify for the Child and Dependent Care Credit or the Early Childhood Development Credit. 2021 Iowa Acts, chapter 177 (SF 619 – Taxation and Other Provisions Act) increases the income limit to qualify for the credits from \$45,000 to \$90,000 for tax years beginning on or after January 1, 2021. The rule making clarifies that a taxpayer who claims the Child and Dependent Care Credit cannot also claim the Early Childhood Development Credit.

The rule making also clarifies that the percentage of the federal Child and Dependent Care Credit the taxpayer can claim is based on the taxpayer's all-source net income. The rule making also explains how nonresidents and part-year residents shall calculate the Early Childhood Development Credit.

State or Federal Law Implemented: Iowa Code section 422.12C and 2021 Iowa Acts, chapter 177, division II.

Fiscal Impact **Agency Response:** No fiscal impact beyond that of the legislation it is intended to implement.

LSA Response: The LSA concurs in part.

The portions of the rule that increase the maximum income limit for the two tax credits and that clarify that a taxpayer may only utilize one of the two credits in a single tax year have no fiscal impact beyond the impact specified in the Fiscal Note for SF 619, division II. The negative impact on General Fund revenue is estimated to be \$0.6 million for FY 2021, \$16.2 million for FY 2022, and \$4.2 million to \$5.1 million annually in succeeding fiscal years.

The rule also makes changes to the Early Childhood Development Tax Credit that are not the direct result of changes made in SF 619. Specifically, the rule:

- Changes the wording for married taxpayers who file separate returns by changing the term “combined income” to “combined net income.”
- Adds language specifying how the tax credit is to be calculated for nonresident and part-year resident taxpayers.
- Adds language to the portion of the existing rule that defines ineligible expenses.

All three additional changes to the rules for the Early Childhood Development Tax Credit could alter the tax credit calculation for effected taxpayers. These changes may create a fiscal impact if they alter the existing procedures of the Department of Revenue in regards to the calculation of the credit.

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Department of Transportation

ARC 6065C (NOIA)

Rule Summary Authorizes the Department of Transportation (DOT) and county treasurer locations offering the commercial driver’s license (CDL) skills test to charge fees for that service. The service is comprised of three parts: the pre-trip vehicle inspection test, the basic vehicle control skills test, and the on-road driving skills test. The authorized skills test charges include:

- A nonrefundable \$25 fee to schedule the pre-trip segment of a skills test administered by the DOT.
- A nonrefundable \$25 fee for each segment of the three-part skills test administered by a county treasurer location.
- An exception to the fee is made for CDL applicants who are employed by or volunteer for a government agency.
- Fees paid to the DOT are deposited in the Statutory Allocations Fund.
- Fees paid to a county treasurer location will be retained in the county’s general fund.

State or Federal Law Implemented: 2021 Iowa Acts, House File 828, sections 5 and 6.

Fiscal Impact **Agency Response:** No fiscal impact.

LSA Response: The LSA concurs in part. The Fiscal Note for HF 828 estimated that the new fees will increase revenue to the Statutory Allocations Fund by \$203,000 and increase revenue to county general funds by \$165,000 annually. This estimate assumes all applicants who take the CDL driving skills test pass each component on their first attempt. The number of applicants working for a government entity who are eligible to pay reduced or no fees for a skills test is unknown, and therefore those exemptions are not included in this estimate.

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| | <u>ARC 6066C (NOIA)</u> |
| Rule Summary | Updates Iowa Administrative Code to conform with 2021 Iowa Acts, <u>Senate File 230</u> (Vehicle Salvage Title Act): <ul style="list-style-type: none">Increases the threshold for the cost of repair to a damaged vehicle required for the vehicle to be deemed wrecked or salvage from 50.0% to 70.0% of the vehicle's fair market value.Clarifies the process for when a damage disclosure statement that is separate from the damage disclosure on the assignment of title will be accepted from a transferor or transferee of the vehicle.Updates parenthetical implementation statutes and removes bureau names. |
| | State or Federal Law Implemented: Iowa Code section <u>321.52</u> , and 2021 Iowa Acts, Senate File 230, section <u>1</u> . |
| Fiscal Impact | Agency Response: No fiscal impact. LSA Response: The LSA concurs in part. According to the <u>Fiscal Note</u> for SF 230, the increased threshold update is estimated to decrease State revenues by \$290,000 annually, which would be split evenly between the Road Use Tax Fund (RUTF) and the Iowa Law Enforcement Academy (ILEA). The update is also estimated to decrease fee revenue to local law enforcement agencies that perform the salvage theft examinations by \$1.2 million per year and is estimated to decrease county revenue by \$73,000 per year. |

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Secretary of State

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| | <u>ARC 6063C (AF)</u> |
| Rule Summary | Implements <u>Senate File 413</u> (Elections Act), which makes various changes to election policies and procedures, including additional penalties related to election misconduct and requiring the Attorney General and county to investigate allegations of election misconduct. |
| | State or Federal Law Implemented: 2021 Iowa Acts, SF 413 (Elections Act). |
| Fiscal Impact | Agency Response: No fiscal impact. LSA Response: The LSA concurs in part. As indicated in the <u>Fiscal Note</u> for SF 413 at the time of analysis, the Attorney General's Office anticipated cases of election misconduct may be referred to its office instead of county attorneys and may need to hire 1.0 full-time equivalent (FTE) investigator experienced in election misconduct and have 1.0 Assistant Attorney General (AAG) FTE position entirely devoted to election issues. For the Attorney General's Office to hire an investigator at the Investigator 4 position, it is estimated to cost approximately \$94,000 annually; there would be approximately \$59,000 in additional annual expenses for an AAG 3 position fully dedicated to elections. These costs include salary and benefits. For convictions related to election misconduct, the cost to the justice system cannot be estimated. Below are the estimates for the average State cost per offense class type for one additional conviction. |

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| Offense Class | Total Minimum Cost | Total Maximum Cost |
|------------------------|--------------------|--------------------|
| Serious Misdemeanor | \$410 | \$7,500 |
| Aggravated Misdemeanor | \$3,700 | \$7,800 |
| Class D Felony | \$7,700 | \$13,500 |

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State Public Defender

ARC 6055C (AF)

Rule Summary Establishes a procedure for appointed attorneys to submit payment claims when representing an indigent party that files a petition to adopt a child who was the subject of a termination of parental rights proceeding. Sets the limitation for the number of hours an attorney may claim for those services without a court order to exceed the maximum. Also increases attorney rates to implement a \$3-per-hour increase for private attorneys who accept court appointments to represent indigent clients.

State or Federal Law Implemented: 2021 Iowa Acts, chapters 161 and 166.

Fiscal Impact **Agency Response:** Enactment of the \$3-per-hour rate increase is estimated to increase annual costs to the Indigent Defense Fund by approximately \$1.5 million beginning in FY 2022. In addition, the enactment of HF 743 (Local Public Defenders — Adoption Proceedings — Representation of Indigent Petitioners) providing for court-appointed attorneys for indigent adoptive parents of a child who was the subject of a termination of parental rights proceeding is likely to result in an additional charge to the Indigent Defense Fund in the amount of \$660 to \$1,320 per adoption, but the number of adoptions that will be of this type is unknown.

LSA Response: The LSA concurs. The HF 861 (FY 2022 Justice System Appropriations Act) State Public Defender appropriation for FY 2022 included an increase of \$1.6 million to provide funding for the \$3-per-hour rate increase.

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