

Fiscal Note



Fiscal Services Division

HF 2625 – Tax, Amusement Devices (LSB1042HZ)

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Fiscal Note Version - New

Description

<u>House File 2625</u> provides for an exemption of sales tax on the sales price from the operation of amusement devices less prizes paid during the operation of such devices. Under current law, sales tax is imposed on the entirety of sales prices derived from the operation of amusement devices. This Bill imposes a sales tax only on the net revenue from the operation of amusement devices.

Background

The Iowa Department of Inspections, Appeals, and Licensing (DIAL) regulates the registration of all electrical and mechanical amusement devices. Under Iowa Code chapter <u>99B</u>, an electrical or mechanical amusement device that awards a prize where the outcome is not primarily determined by the skill or knowledge of the operator must be registered by the DIAL. An amusement device must meet the following requirements:

- A prize of merchandise may not exceed \$50.
- A cash prize may not be awarded.
- A device may not be designed or adapted to cause or to enable a person to cause the release of free games or portions of games when designated as a potential award for use of the device.
- A device may not be designed or adapted to enable a person to increase the chances of winning free games or portions of games by paying more than is ordinarily required to play the game.
- Awards must only be redeemed on the premises where the device is located and only for merchandise sold in the normal course of business for the premises.

The total number of electrical or mechanical amusement devices registered in the State may not exceed 6,928. For FY 2022, the Department of Inspections and Appeals (now the DIAL) reported in the Legislative Services Agency (LSA) Fee Project that there were 5,566 devices registered, 14 device manufacturers registered, 43 device distributors registered, and 10 device owners registered.

481 IAC 104 and 481 IAC 105 establish additional provisions regulating amusement devices and registered amusement devices.

Assumptions

- The Bill is effective July 1, 2024 (FY 2025).
- Current average annual sales collected from amusement devices are estimated to equal approximately \$82,000 per company.
- An estimated 75.0% of current taxable sales are paid out in prizes. Therefore, net revenue from the operation of amusement devices is estimated to be 25.0% of sales.
- It is estimated that there are approximately 40 vendors that make taxable sales in lowa.
- Growth trends are based on Consumer Price Index (CPI-U) less food and energy average estimated increases of 2.0% from FY 2023 to FY 2029.

Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures.
Local Option Sales Tax (LOST) distributions are estimated to be 0.97% of taxable expenditures.

Fiscal Impact

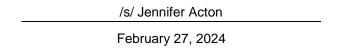
House File 2625 is estimated to reduce annual revenues to the General Fund, the SAVE Fund, and the LOST by the amounts in **Figure 1**.

Figure 1 — Fiscal Impact of HF 2625 (in Millions)

	General Fund		SAVE		LOST	
FY 2025	\$	-2.1	\$	-0.4	\$	-0.4
FY 2026		-2.2		-0.4		-0.4
FY 2027		-2.2		-0.4		-0.4
FY 2028		-2.3		-0.5		-0.4
FY 2029		-2.3		-0.5		-0.5

Sources

Department of Revenue lowa Department of Inspections, Appeals, and Licensing Legislative Services Agency calculations



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The fiscal note for this Bill was prepared pursuant to <u>Joint Rule 17</u> 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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