

CHAPTER 274  
LOCAL OPTION SALES TAX URBAN RENEWAL PROJECTS  
[Prior to 9/7/22, see Revenue Department[701] Ch 239]

**701—274.1(423B) Urban renewal project.** Only after the county board of supervisors from each county where the urban renewal area from which local option sales and services revenues are to be collected and used to fund urban renewal projects adopts a resolution approving the collection and use of local sales and services tax revenue for urban renewal projects may an eligible city by ordinance of the city council provide for the use of a designated amount of the increased local sales and services tax revenues collected under this chapter which are attributable to retail establishments in an urban renewal area to fund urban renewal projects located in the urban renewal area. The designated amount to be used to fund urban renewal projects may be all or a portion of such increased revenues, subject to the limitations imposed by the resolution adopted by the county board, or boards, of supervisors. This rule applies to any urban renewal project to be funded by a city's collection and use of local option sales and services tax revenues on or after July 1, 2012.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 0468C, IAB 11/28/12, effective 1/2/13; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.2(423B) Definitions.** For purposes of this chapter, unless the context otherwise requires, the following definitions shall apply:

“*Base year*” means the fiscal year during which the ordinance is adopted that provides for funding of an urban renewal project by a designated amount of the increased sales and services tax revenues, as referenced in 701—274.1(423B).

“*Eligible city*” means:

1. A city in which a local sales and services tax imposed by the county applies; or
2. A city whose corporate boundaries include areas of two counties that may impose by ordinance of their city councils a local sales and services tax if all of the following apply:
  - At least 85 percent of the residents of the city live in one county.
  - The county in which at least 85 percent of the city residents reside has held an election on the question of the imposition of a local sales and services tax and a majority of those voting on the question in the city favored its imposition.
  - The city has entered into an agreement on the distribution of the sales and services tax revenues collected from the area where the city tax is imposed with the county where such area is located, and in which an urban renewal area has been designated.

“*Local sales and services tax*” means the local tax imposed by a jurisdiction pursuant to an election authorized by Iowa Code section 423B.1.

“*Retail establishment*” means a business required to obtain a sales tax permit as required by Iowa Code section 423.36.

“*Retail properties*” means an area of property in which more than one retail establishment is located.

“*Urban renewal area*” means a slum area, blighted area, economic development area, or a combination of such areas, which the local governing body designates as appropriate for an urban renewal project as allowed under Iowa Code chapter 403.

“*Urban renewal project*” may include undertakings and activities of a municipality in an urban renewal area for the elimination and for the prevention of the development or spread of slums and blight, may include the designation and development of an economic development area in an urban renewal area, and may involve slum clearance and redevelopment in an urban renewal area, or rehabilitation or conservation in an urban renewal area, or any combination or part thereof in accordance with an urban renewal program as allowed under Iowa Code chapter 403.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22; Editorial change: IAC Supplement 10/18/23]

**701—274.3(423B) Establishing sales and revenue growth.** For purposes of establishing the sales amount in the base year and the revenue growth in subsequent fiscal years, the department will calculate sales made by retail establishments located within the urban renewal area.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.4(423B) Requirements for cities adopting an ordinance.**

**274.4(1)** Within at least 90 days following the adoption of an ordinance, an eligible city must notify the director of the department of revenue of its intent to pursue funding for an urban renewal project based upon the increase in local sales and services tax revenue. The notification must include the following information:

- a.* Effective July 1, 2012, a copy of the resolution of the board of supervisors from each county where the urban renewal area from which local sales and services tax revenues are to be collected approving the collection and use of local sales and services tax;
- b.* A copy of the urban renewal plan and the resolution adopting the city's urban renewal plan;
- c.* A copy of the adopted ordinance, including:
  - (1) The current and original, if applicable, purpose or purposes for which the local option sales and services tax was enacted; and
  - (2) The amount and proportion of revenue that will be redistributed from each current revenue purpose to fund urban renewal within the urban renewal area;
- d.* The legal description of the urban renewal area covered by the ordinance;
- e.* A map showing the geographic boundaries of the urban renewal area; and
- f.* A geographic information system boundary file, if available, showing the geographic boundaries of the urban renewal area.

**274.4(2)** Each urban renewal area must have its own separate ordinance, and the department shall be notified separately for each urban renewal area. Notification shall be mailed or otherwise submitted to: Director, Iowa Department of Revenue, Hoover State Office Building, 1305 E. Walnut Street, Des Moines, Iowa 50319.

**274.4(3)** Each urban renewal area must have its own separate resolution of the board of supervisors from each county from which local option sales and services tax revenues will be collected and used for urban renewal projects located within the urban renewal area.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 0468C, IAB 11/28/12, effective 1/2/13; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.5(423B) Identification of retail establishments.** The eligible city shall assist the department of revenue in identifying retail establishments in the urban renewal area that are collecting the local sales and services tax. The department of revenue will identify sales tax permit holders within the urban renewal area using the geographic information system boundary file, if available, provided to the department. If no boundary file is provided, the department will rely upon the map submitted by the eligible city. If any of the urban renewal area boundaries submitted are street centerlines, the information provided to the department shall indicate whether only retail establishments within the bounded area should be considered part of the urban renewal area, or if in addition to the retail establishments within the bounded area, retail establishments immediately adjacent to the bounded area should also be included.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.6(423B) Calculation of base year taxable sales amount.** The base year taxable sales and services amount will be the total taxable sales and services subject to the local sales and services tax that are made by retail establishments within the urban renewal area during the base year. Taxable sales of tangible personal property and services that are subject to the local sales and services tax that are made by retail establishments or service providers located within the urban renewal area include only those sales that are sourced to the county in which the urban renewal area is located. Those sales made by retail establishments or service providers located within the urban renewal area that are sourced outside of the county are not subject to the local sales and services tax. For sourcing rules, see Iowa Code section 423.15 and 701—Chapter 205.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 0468C, IAB 11/28/12, effective 1/2/13; ARC 6508C, IAB 9/7/22, effective 10/12/22; Editorial change: IAC Supplement 10/18/23]

**701—274.7(423B) Determination of tax growth increment amount.** The local sales and services tax growth increment amount for the urban renewal area will be computed for each fiscal year following the base year. The annual local option sales and services tax growth increment amount is equal to the

current year taxable sales and services subject to the local sales and services tax that are made by retail establishments located in the urban renewal area minus the corresponding base year taxable sales and services amount for the urban renewal area multiplied by the current local sales and services tax rate applicable to the jurisdiction.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.8(423B) Distribution of tax base and growth increment amounts.** The revenues from the local sales and services tax growth amount for urban renewal areas in jurisdictions that have enacted ordinances pursuant to Iowa Code section 423B.10 shall be determined annually and shall be distributed to the city within 120 days following the end of the fiscal year in which they are collected.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.9(423B) Examples.** The following examples illustrate the application of the rules in this chapter:

EXAMPLE 1. City A has an urban renewal area that covers a large portion of its downtown. City A and all of its downtown area are located in County B. City A also has in place a 1 percent local sales and services tax. City A's city council wants to enact an ordinance that establishes the urban renewal area as a local sales and services tax increment district which designates 100 percent of the tax growth increment amount to the special city account. Before City A's city council can establish the local sales and services tax district, County B's board of supervisors must adopt a resolution approving City A's local sales and services tax increment district.

The base year taxable sales amount for the urban renewal area will equal the amount of taxable sales made by retail establishments in the urban renewal area for the fiscal year in which the ordinance was adopted. Assume City A's urban renewal area has \$10,050,000 in taxable sales during the 2013-2014 fiscal year.

At the end of the fiscal year following the fiscal year in which the ordinance was adopted (June 30, 2015, in this example), City A's urban renewal area has taxable sales of \$25,000,000. To determine the tax growth increment amount, the department subtracts the base year taxable sales amount from fiscal year two's taxable sales amount then multiplies the remainder by the local sales and services tax rate of 1 percent as follows:

$$\$25,000,000 - \$10,050,000 = \$14,950,000$$

$$\$14,950,000 \times .01 = \$149,500$$

The result is a tax growth increment amount of \$149,500. The department of revenue will deposit \$149,500 into the city's special account no later than November 10 following the end of the fiscal year.

EXAMPLE 2. Same facts as Example 1, but City A's urban renewal area is located in County B and County C. Before City A can enact an ordinance that establishes the urban renewal area as a local sales and services tax increment district, the boards of supervisors from County B and County C must adopt resolutions approving City A's local sales and services tax increment district.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 0468C, IAB 11/28/12, effective 1/2/13; ARC 6508C, IAB 9/7/22, effective 10/12/22]

**701—274.10(423B) Ordinance term.** An ordinance under this chapter is repealed when the plan for the urban renewal area expires or terminates or 20 years after adoption of the ordinance, whichever is the earlier.

[ARC 7666B, IAB 4/8/09, effective 5/13/09; ARC 6508C, IAB 9/7/22, effective 10/12/22]

These rules are intended to implement Iowa Code sections 423B.1, 423B.7 and 423B.10.

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[Editorial change: IAC Supplement 4/22/09]

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