

Ways & Means 3/21

SENATE FILE 309

Ways and Means
Nutting, Chairperson
Craft
Jenkins

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SENATE FILE 309

By COMMITTEE ON CITIES
(approved 3/25 (p. 252))

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act authorizing cities and counties to impose local
2 taxes, appropriating the proceeds, providing property
3 tax relief, making the taxes subject to applicable
4 provisions of the Code, and including penalties.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 309

1 Section 1. NEW SECTION. AUTHORIZATION--ELECTION--IMPO-
2 SITION.

3 1. A city, or two or more cities acting jointly, or a
4 county may impose local taxes authorized by this Act, subject
5 to this section.

6 2. A local tax may be imposed originally or after a period
7 of discontinuance, only after an election at which a majority
8 of those voting on the question favors imposition, and may
9 then be imposed for a period of at least three years but not
10 to exceed seven years.

11 3. Subject to subsection four (4) of this section, a city
12 council may direct the county commissioner of elections to
13 submit at the next general election, as defined in section
14 thirty-nine point three (39.3) of the Code, the question of
15 imposition of an authorized local tax to the qualified electors
16 of the city on its own motion, and shall do so within sixty
17 days from the date of receipt of a petition signed by eligible
18 electors of the city equal in number to two percent or more
19 of the persons who voted at the last preceding regular city
20 election, which requests imposition of a specified type and
21 rate of authorized local tax. However, a city council which
22 submits the question on its own motion must do so not later
23 than ninety days before the date of a general election, and
24 a petition shall be filed with the council not later than
25 one hundred twenty days before the date of a general election.
26 However a city council may request a special election to be
27 held before January 1, 1978. Such request shall be made
28 not later than thirty days before the date of the special
29 election.

30 4. Before a city council submits the question of imposition
31 of a local tax, it shall send written notice by regular mail
32 to the board of supervisors of the county in which the city
33 is located, or the county in which the largest portion of
34 its population resides, describing the type and rate of tax
35 proposed. Within thirty days of the date of mailing the

1 notice, the board of supervisors may supersede city action
2 by directing the county commissioner of elections to submit
3 at the next general election the question of imposition of
4 the same type and rate of tax countywide. If a city council
5 has requested a special election, the board of supervisors
6 may supersede by directing that a countywide special election
7 be held before January 1, 1978.

8 5. A county board of supervisors may direct the county
9 commissioner of elections to submit at the next general
10 election the question of imposition of an authorized local
11 tax to the qualified electors of the county on its own motion,
12 and shall do so within thirty days from the date of receipt
13 of a petition signed by eligible electors of the county equal
14 in number to two percent or more of the persons who voted
15 in the county at the last preceding general election, which
16 requests countywide imposition of a specified type and rate
17 of authorized local tax. However, a county board which submits
18 the question on its own motion shall do so not later than
19 sixty days before the date of a general election, and a
20 petition must be filed with the board not later than ninety
21 days before the date of a general election. However the
22 county board may move to submit the question at a special
23 election to be held before January 1, 1978. Such motion shall
24 be made not later than thirty days before the special election.

25 6. The county commissioner of elections shall submit the
26 question of imposition of a local tax only at a general
27 election, except that the question may be submitted at a
28 special election if held before January 1, 1978.

29 7. In a city election, if a majority of those voting in
30 any city favors imposition of a local tax, the council of
31 that city shall impose the tax. However, when two or more
32 cities are acting jointly, each of those cities, in which
33 a majority of those voting favors imposition, does not have
34 to impose such tax if a majority of those voting in any one
35 of those cities does not favor imposition of such tax.

1 8. In a countywide election:

2 a. If a majority of those voting in the entire county
3 favors imposition of a local tax, the board of supervisors
4 shall impose the tax in the entire county, including all
5 cities in the county.

6 b. If a majority of those voting in the entire county
7 does not favor imposition of the tax, but a majority of those
8 voting in the unincorporated area of the county favors
9 imposition, the board of supervisors shall impose the tax
10 only in the unincorporated area of the county.

11 c. If a majority of those voting in the entire county
12 does not favor imposition of the tax, but a majority of those
13 voting in any city in the county favors imposition, the council
14 of that city shall impose the tax in that city, provided that
15 the council had passed a resolution before the election
16 providing for imposition in such case.

17 d. If a city is located in more than one county, it shall
18 be deemed to be in the county in which the largest portion
19 of its population resides, for purposes of this Act.

20 9. A local tax shall be imposed by ordinance of a city
21 council or by resolution of a board of supervisors which
22 ordinance or resolution shall specify the period of time for
23 which the tax is imposed.

24 10. The local tax shall be discontinued by ordinance of
25 a city council or by resolution of a board of supervisors
26 at the end of the period for which the local tax had been
27 imposed unless the question of continuing the imposition of
28 the local tax is submitted to the eligible electors of the
29 city or county and favored by a majority of those voting at
30 the general election immediately preceding the end of the
31 period for which the tax had been imposed. Before the question
32 of continuing the imposition of the tax may be submitted to
33 the eligible electors, the procedures set out in this section,
34 as applicable, must be followed.

35 11. Except when a tax is imposed countywide, if a majority

1 of those voting in a city or in the unincorporated area of
2 a county votes against a local tax, that city or unincorporated
3 area is not entitled to any property tax reduction or other
4 benefit, provided in this Act, which may otherwise be extended
5 to a city or unincorporated area in which a majority of those
6 voting favors the imposition of that local tax.

7 Sec. 2. NEW SECTION. LOCAL INCOME TAX. An annual local
8 income tax may be imposed on every individual resident taxpayer
9 at a rate, in increments of five percent, not to exceed twenty
10 percent of the taxpayer's computed state individual income
11 tax for the tax year. The taxpayer's state individual income
12 tax is the tax computed under section four hundred twenty-
13 two point five (422.5) of the Code, less the deductions allowed
14 in section four hundred twenty-two point twelve (422.12) of
15 the Code.

16 Sec. 3. NEW SECTION. LOCAL SALES, SERVICES AND USE TAX.
17 A local sales, services and use tax at a rate, in increments
18 of one quarter of one percent, not to exceed one percent
19 may be imposed by a city or county on the gross receipts taxed
20 by the state under chapter four hundred twenty-two (422),
21 division four (IV), of the Code, and the uses taxed under
22 chapter four hundred twenty-three (423) of the Code. A local
23 sales, services and use tax shall be imposed on the same basis
24 as the state sales, services and use tax and may not be imposed
25 on the sale or use of any property or on any service not taxed
26 by the state. A local sales, services and use tax is
27 applicable only to transactions within the territorial limits
28 of the city, unincorporated area of the county, or county
29 imposing it, and shall be collected by all persons required
30 to collect state gross receipts or use taxes.

31 The amount of the sale, for purposes of determining the
32 amount of the local sales, services and use tax, does not
33 include the amount of any state gross receipts or use taxes.

34 No tax permit other than the state tax permit required
35 under section four hundred twenty-two point fifty-three

1 (422.53) of the Code may be required by local authorities.

2 Sec. 4. NEW SECTION. ADMINISTRATION. A local sales,
3 services and use tax shall be imposed either January first
4 or July first following a favorable election and a local
5 income tax shall be imposed January first following a favorable
6 election.

7 The director of revenue shall administer the provisions
8 of a local income tax or sales, services and use tax as nearly
9 as possible in conjunction with the administration of state
10 income tax laws, or state sales and use tax laws. The director
11 shall provide appropriate forms, or provide on the regular
12 state tax forms, for reporting local income tax or sales,
13 services and use tax liability.

14 An ordinance of a city council or resolution of a county
15 board of supervisors imposing a local income tax or sales,
16 services and use tax shall adopt by reference the applicable
17 provisions of the appropriate sections of chapter four hundred
18 twenty-two (422), divisions one (I) and two (II) of the Code
19 for a local income tax, or chapter four hundred twenty-two
20 (422), division four (IV) and chapter four hundred twenty-
21 three (423) of the Code for a local sales, services and use
22 tax, and all powers of the director and requirements of the
23 director in administering the state income tax law, or the
24 state gross receipts and use tax law are applicable to the
25 administration of a local income tax or sales, services and
26 use tax law, as applicable, including but not limited to
27 powers to impose interest and penalties, and requirements
28 for hearing and appeal. Local officials shall confer with
29 the director of revenue and obtain the director's assistance
30 in drafting the ordinance or resolution imposing a local
31 income tax or sales, services and use tax. A certified copy
32 of the ordinance or resolution imposing a local income tax
33 or sales, services and use tax shall be filed with the director
34 as soon as possible after passage.

35 The director, in consultation with local officials, shall

1 collect and account for a local income tax or sales, services
2 and use tax. The director shall not retain for the use of
3 the department of revenue any of the receipts of any local
4 income tax or sales, services and use tax receipts, to cover
5 administrative expense. The director shall credit local
6 income tax or sales, services and use tax receipts to a "local
7 tax fund" hereby established in the office of the treasurer
8 of state.

9 Sec. 5. NEW SECTION. PAYMENT TO LOCAL GOVERNMENTS. The
10 treasurer of state shall remit quarterly to the cities and
11 counties which have imposed a local income tax or sales,
12 services and use tax, and which have qualified under sections
13 six (6) or seven (7) of this Act, their share of the balance
14 in the local tax fund. The local tax fund is appropriated
15 for this purpose.

16 Sec. 6. NEW SECTION. CITY PROPERTY TAX RELIEF. All local
17 income tax or sales, services and use tax moneys received
18 by a city shall be deposited in the general fund of the city
19 and may be expended for any lawful city purpose. However,
20 the city treasurer, or another city official designated by
21 the council, shall credit sixty percent of all local income
22 tax or sales, services and use tax moneys received to a special
23 account for property tax relief.

24 The moneys deposited in the special account for property
25 tax relief shall be used to provide a special homestead tax
26 credit for each homestead which qualified for the homestead
27 tax credit granted pursuant to section four hundred twenty-
28 five point one (425.1) of the Code. The city treasurer shall
29 certify, before July fifteenth of each year, to the county
30 auditor the amount of money in the special account for property
31 tax relief as of June fifteenth of that year. Upon such
32 certification, the money in the special account may be spent
33 for any lawful city purpose. The county auditor shall divide
34 the amount of money certified by the number of qualified
35 homesteads within the corporate limits of the city to determine

1 the pro rata amount of the special homestead credit to be
2 granted to each qualified homestead. Each qualified homestead
3 shall be credited with the pro rata amount after credit has
4 been given pursuant to chapter four hundred twenty-five point
5 one (425.1) of the Code except that an individual shall not
6 be given more credit than the tax due. Any such excess credit
7 shall be credited proportionately to the other qualified
8 homesteads. In order for a city to be qualified to receive
9 remittances from the treasurer of state under this Act, the
10 city clerk, before July fifteenth of each year, shall certify
11 to the treasurer of state that the special homestead tax
12 credit has been made.

13 Sec. 7. NEW SECTION. COUNTY PROPERTY TAX RELIEF. All
14 local income tax or sales, services and use tax moneys received
15 by a county may be expended for any lawful county government
16 purpose applicable to the unincorporated area of the county.
17 However, the county treasurer shall credit sixty percent of
18 all local income tax or sales, services and use tax moneys
19 received to a special account for property tax relief.

20 The moneys deposited in the special account for property
21 tax relief shall be used to provide a special homestead tax
22 credit for each homestead in the county located outside the
23 corporate limits of any city in the county which qualified
24 for the homestead tax credit granted pursuant to section four
25 hundred twenty-five point one (425.1) of the Code. The county
26 auditor shall divide the total amount of dollars in the special
27 account for property tax relief by the number of qualified
28 homesteads outside the corporate limits of cities within the
29 county to determine the pro rata amount of the special
30 homestead tax credit to be granted to each qualified homestead.
31 Each qualified homestead shall be credited with the pro rata
32 amount after credit has been given pursuant to chapter four
33 hundred twenty-five point one (425.1) of the Code except that
34 an individual shall not be given more credit than the tax
35 due. Any such excess credit shall be credited proportionately

1 to the other qualified homesteads. In order for a county
2 to be qualified to receive remittances from the treasurer
3 of state under this Act, the board of supervisors, before
4 July fifteenth of each year, shall certify to the treasurer
5 of state that the required special homestead tax credit has
6 been made.

7 Sec. 8. NEW SECTION. COUNTYWIDE SHARES. If an authorized
8 local tax is imposed countywide, the treasurer of state shall
9 credit the receipts to a joint account in the local tax fund,
10 and shall remit to each qualified city in the county a pro
11 rata share of the joint account, based upon the percentage
12 of its population residing in the county to the total
13 population of the county, and to the board of supervisors,
14 when the county is qualified, a pro rata share of the joint
15 account based upon the percentage of population in the county
16 outside of cities, all according to the population determined
17 by the most recent certified federal census.

18 Sec. 9. Section four hundred twenty-two point seventy-
19 two (422.72), subsection one (1), Code 1977, is amended to
20 read as follows:

21 1. It shall be unlawful for the director, or any person
22 having an administrative duty under this chapter, to divulge
23 or to make known in any manner whatever, the business affairs,
24 operations, or information obtained by an investigation of
25 records and equipment of any person or corporation visited
26 or examined in the discharge of official duty, or the amount
27 or source of income, profits, losses, expenditures or any
28 particular thereof, set forth or disclosed in any return,
29 or to permit any return or copy thereof or any book containing
30 any abstract or particulars thereof to be seen or examined
31 by any person except as provided by law; provided, however,
32 that the director may authorize examination of such returns
33 by other state officers, by Iowa city or county officials
34 if the city or county has imposed a local tax, or, if a
35 reciprocal arrangement exists, by tax officers of another

1 state, or the federal government. This subsection shall
2 prevail over the provisions of any general law of this state
3 relating to public records.

4 EXPLANATION

5 This bill authorizes cities and counties to impose a sales,
6 services and use tax not to exceed one percent based on the
7 state gross receipts and use tax, and an income surtax of
8 not more than 20 percent of a taxpayer's state income tax
9 liability.

10 A local income tax or sales, services and use tax will
11 be administered by the state director of revenue and sixty
12 percent of the tax receipts must be used to grant a special
13 homestead tax credit.

14 Local taxes may only be imposed after a favorable vote
15 in a general election. The county board may supersede a pro-
16 posed city election by holding a countywide election on the
17 issue. The tax will be imposed countywide if approved by
18 fifty percent or more of those voting, and may still be imposed
19 in a city or in the unincorporated area of the county, if
20 approved there but not countywide.

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LSB 1118S
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- 1 Amend Senate File 309 as follows:
2 1. Page 1, line 4, by inserting after the word
3 "impose" the word "a".
4 2. Page 1, line 4, by striking the word "taxes"
5 and inserting in lieu thereof the word "tax".
6 3. Page 1, line 20, by striking the words "type
7 and".
8 4. Page 1, line 34, by striking the words "type
9 and".
10 5. Page 2, line 4, by striking the words "type
11 and".
12 6. Page 2, line 16, by striking the words "type
13 and".
14 7. Page 4, by striking line 16, through page 5,
15 line 1.
16 8. Page 5, line 2, by striking the word "sales,".
17 9. Page 5, by striking lines 3 and 4.
18 10. Page 5, line 8, by striking the words "or
19 sales, services and use tax".
20 11. Page 5, line 10, by striking the words ",
21 or state sales and use tax laws".
22 12. Page 5, lines 12 and 13, by striking the words
23 "or sales, services and use tax".
24 13. Page 5, lines 15 and 16, by striking the words
25 "or sales, services and use tax".
26 14. Page 5, line 19, by striking the words "tax,
27 or chapter four hundred twenty-two".
28 15. Page 5, by striking lines 20 and 21.
29 16. Page 5, lines 23 and 24, by striking the words
30 ", or the state gross receipts and use tax law".
31 17. Page 5, lines 25 and 26, by striking the words
32 "or sales, services and use tax law, as applicable".
33 18. Page 5, line 31, by striking the words "or
34 sales, services and use tax".
35 19. Page 5, line 33, by striking the words "or
36 sales, services and use tax".
37 20. Page 6, lines 1 and 2, by striking the words
38 "or sales, services and use tax".
39 21. Page 6, line 4, by striking the words "or
40 sales, services and use tax".
41 22. Page 6, line 6, by striking the words "or
42 sales, services and use tax".
43 23. Page 6, lines 11 and 12, by striking the words
44 "or sales, services and use tax".
45 24. Page 6, line 17, by striking the words "or
46 sales, services and use tax".
47 25. Page 6, line 22, by striking the words "or
48 sales, services and use tax".
49 26. Page 7, line 14, by striking the words "or
50 sales, services and use tax".

Page 2

- 1 27. Page 7, line 18, by striking the words "or
2 sales, services and use tax".
3 28. Title page, line 1, by inserting after the
4 word "impose" the word "a".
5 29. Title page, line 2, by striking the word
6 "taxes" and inserting in lieu thereof the word "tax".