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SSB-1044  
Ways & Means  
Succeeded By  
SF/HF 473

SENATE/HOUSE FILE  
BY (PROPOSED DEPARTMENT OF  
REVENUE AND FINANCE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the administration of the state individual  
2 income tax, corporate income tax, sales and use taxes,  
3 franchise tax, motor fuel taxes, inheritance and estate taxes,  
4 property taxes, collection of taxes and debts owed to or  
5 collected by the state, and including effective and  
6 retroactive applicability date provisions.

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

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1 Section 421.17, subsection 34, paragraph c,  
2 Code 1999, is amended to read as follows:

3 c. The director shall establish a formal debt collection  
4 policy for use by state agencies which have not established  
5 their own policy. Other state agencies may use the collection  
6 facilities of the department pursuant to formal agreement with  
7 the department. The agreement shall provide that the  
8 information provided to the department shall be sufficient to  
9 establish the obligation in a court of law and to render it as  
10 a legal judgment on behalf of the state. After transferring  
11 the file to the department for collection, an individual state  
12 agency shall terminate all collection procedures and be  
13 available to provide assistance to the department. Upon  
14 receipt of the file, the department shall assume all liability  
15 for its actions without recourse to the agency, and shall  
16 comply with all applicable state and federal laws governing  
17 collection of the debt. The department may use a  
18 participating agency's statutory collection authority to  
19 collect delinquent accounts, charges, fees, loans, taxes, or  
20 other indebtedness owed to or being collected by the state.  
21 The department has the powers granted in this section  
22 regarding setoff from income tax refunds or other accounts  
23 payable by the state for any of the obligations transferred by  
24 state agencies.

25 Sec. 2. Section 422.4, subsection 17, paragraph c, Code  
26 1999, is amended by striking the paragraph.

27 Sec. 3. Section 422.25, subsection 9, Code 1999, is  
28 amended by striking the subsection.

29 Sec. 4. Section 422.32, subsection 2, unnumbered paragraph  
30 1, Code 1999, is amended to read as follows:

31 "Business income" means income arising from transactions  
32 and activity in the regular course of the taxpayer's trade or  
33 business; or income from tangible and intangible property if  
34 the acquisition, management, and disposition of the property  
35 constitute integral parts of the taxpayer's regular trade or

1 business operations; or gain or loss resulting from the sale,  
2 exchange, or other disposition of real property or of tangible  
3 or intangible personal property, if the property while owned  
4 by the taxpayer was operationally related to the taxpayer's  
5 trade or business carried on in Iowa or operationally related  
6 to sources within Iowa, or the property was operationally  
7 related to sources outside this state and to the taxpayer's  
8 trade or business carried on in Iowa; or gain or loss  
9 resulting from the sale, exchange, or other disposition of  
10 stock in another corporation if the activities of the other  
11 corporation were operationally related to the taxpayer's trade  
12 or business carried on in Iowa while the stock was owned by  
13 the taxpayer. A taxpayer may have more than one regular trade  
14 or business in determining whether income is business income.  
15 Sec. 5. Section 422.42, subsections 6 and 18, Code 1999,  
16 are amended to read as follows:

17 6. "Gross taxable services" means the total amount  
18 received in money, credits, property, or other consideration,  
19 valued in money, from services rendered, furnished, or  
20 performed in this state except where such the service is  
21 performed on tangible personal property delivered into  
22 interstate commerce or is used in processing of tangible  
23 personal property for use in ~~taxable~~ retail sales or services  
24 and embraced within the provisions of this division. However,  
25 the taxpayer may take credit in the taxpayer's report of gross  
26 taxable services for an amount equal to the value of services  
27 rendered, furnished, or performed when the full value of such  
28 these services ~~thereof~~ is refunded either in cash or by  
29 credit. Taxes paid on gross taxable services represented by  
30 accounts found to be worthless and actually charged off for  
31 income tax purposes may be credited upon a subsequent payment  
32 of the tax due hereunder, but if any such accounts are  
33 thereafter collected by the taxpayer, a tax shall be paid upon  
34 the amounts ~~so~~ collected.

35 18. "Services" means all acts or services rendered,

1 furnished, or performed, other than services performed on  
2 tangible personal property delivered into interstate commerce,  
3 or services used in processing of tangible personal property  
4 for use in taxable retail sales or services, for an "employer"  
5 as defined in section 422.4, subsection 3, for a valuable  
6 consideration by any person engaged in any business or  
7 occupation specifically enumerated in this division. The tax  
8 shall be due and collectible when the service is rendered,  
9 furnished, or performed for the ultimate user thereof of the  
10 services.

11 "Services used in the processing of tangible personal  
12 property" includes the reconditioning or repairing of tangible  
13 personal property of the type normally sold in the regular  
14 course of the retailer's business and which is held for sale.

15 Sec. 6. Section 422.45, subsection 41, unnumbered  
16 paragraph 2, Code 1999, is amended by striking the unnumbered  
17 paragraph.

18 Sec. 7. Section 422.53, subsection 6, Code 1999, is  
19 amended by adding the following new unnumbered paragraph:

20 NEW UNNUMBERED PARAGRAPH. Persons engaged in selling  
21 tangible personal property or performing services shall not be  
22 required to obtain or retain a sales tax permit for a place of  
23 business at which taxable sales of tangible personal property  
24 or taxable performance of services will not occur.

25 Sec. 8. Section 422.58, subsection 6, Code 1999, is  
26 amended by striking the subsection.

27 Sec. 9. Section 422.68, subsection 4, Code 1999, is  
28 amended to read as follows:

29 4. The department may make photostat, microfilm,  
30 electronic, or other photographic copies of records, reports  
31 and other papers either filed by the taxpayer or prepared by  
32 the department. When such these photostat, electronic, or  
33 microfilm copies have been made, the department may destroy  
34 such the original records in such manner as prescribed by the  
35 director. Such These photostat, electronic, or microfilm

1 copies, when no longer of use, may be destroyed as provided in  
2 subsection 3. Such These photostat, microfilm, electronic, or  
3 other photographic records shall be admissible in evidence  
4 when duly certified and authenticated by the officer having  
5 custody and control thereof of them.

6 Sec. 10. Section 422.72, subsection 6, unnumbered  
7 paragraph 2, Code 1999, is amended to read as follows:

8 City or county employees designated to have access to  
9 information under this subsection are deemed to be officers  
10 and employees of the state for purposes of the restrictions  
11 ~~and-penalties~~ pursuant to subsection 1 pertaining to  
12 confidential information. The department may refuse to enter  
13 into a written informational exchange agreement if the city or  
14 county does not agree to pay the actual cost of providing the  
15 information and the department may refuse to abide by a  
16 written informational exchange agreement if the city or county  
17 does not promptly pay the actual cost of providing the  
18 information or take reasonable precautions to protect the  
19 information's confidentiality.

20 Sec. 11. Section 423.18, subsection 4, Code 1999, is  
21 amended by striking the subsection.

22 Sec. 12. Section 424.17, subsection 4, Code 1999, is  
23 amended by striking the subsection.

24 Sec. 13. Section 425.17, subsections 2, 4, 5, and 6, Code  
25 1999, are amended to read as follows:

26 2. "Claimant" means either of the following:

27 a. A person filing a claim for credit or reimbursement  
28 under this division who has attained the age of sixty-five  
29 years on or before December 31 of the base year, ~~who-is-a~~  
30 ~~surviving-spouse-having-attained-the-age-of-fifty-five-years~~  
31 ~~on-or-before-December-31-1988~~, or who is totally disabled and  
32 was totally disabled on or before December 31 of the base  
33 year, ~~and-was-domiciled-in-this-state-during-the-entire-base~~  
34 year, and is domiciled in this state at the time the claim is  
35 filed or at the time of the person's death in the case of a

1 claim filed by the executor or administrator of the claimant's  
2 estate.

3 b. A person filing a claim for credit or reimbursement  
4 under this division who has attained the age of twenty-three  
5 years on or before December 31 of the base year or was a head  
6 of household on December 31 of the base year, as defined in  
7 the Internal Revenue Code, but has not attained the age or  
8 disability status described in paragraph "a", and was  
9 ~~domiciled in this state during the entire base year,~~ and is  
10 domiciled in this state at the time the claim is filed or at  
11 the time of the person's death in the case of a claim filed by  
12 the executor or administrator of the claimant's estate, and  
13 was not claimed as a dependent on any other person's tax  
14 return for the base year.

15 "Claimant" under paragraph "a" or "b" includes a vendee in  
16 possession under a contract for deed and may include one or  
17 more joint tenants or tenants in common. In the case of a  
18 claim for rent constituting property taxes paid, the claimant  
19 shall have rented the property during any part of the base  
20 year. In the case of a claim for property taxes due, the  
21 claimant shall have occupied the property during any part of  
22 the fiscal year beginning July 1 of the base year. If a  
23 homestead is occupied by two or more persons, and more than  
24 one person is able to qualify as a claimant, the persons may  
25 ~~determine among them who will be the claimant~~ each file a  
26 claim based upon each person's income and rent constituting  
27 property taxes paid or property taxes due. ~~If they are unable~~  
28 ~~to agree, the matter shall be referred to the director of~~  
29 ~~revenue and finance not later than June 1 of each year and the~~  
30 ~~director's decision is final.~~

31 4. "Homestead" means the dwelling owned or rented and  
32 actually used as a home by the claimant during ~~all or part of~~  
33 the base year the period specified in subsection 2, and so  
34 much of the land surrounding it including one or more  
35 contiguous lots or tracts of land, as is reasonably necessary

1 for use of the dwelling as a home, and may consist of a part  
2 of a multidwelling or multipurpose building and a part of the  
3 land upon which it is built. It does not include personal  
4 property except that a mobile home may be a homestead. Any  
5 dwelling or a part of a multidwelling or multipurpose building  
6 which is exempt from taxation does not qualify as a homestead  
7 under this division. However, solely for purposes of  
8 claimants living in a property and receiving reimbursement for  
9 rent constituting property taxes paid immediately before the  
10 property becomes tax exempt, and continuing to live in it  
11 after it becomes tax exempt, the property shall continue to be  
12 classified as a homestead. A homestead must be located in  
13 this state. When a person is confined in a nursing home,  
14 extended-care facility, or hospital, the person shall be  
15 considered as occupying or living in the person's homestead if  
16 the person is the owner of the homestead and the person  
17 maintains the homestead and does not lease, rent, or otherwise  
18 receive profits from other persons for the use of the  
19 homestead.

20 5. "Household" means a claimant~~7-spouse7-and-any-person~~  
21 ~~related-to-the-claimant-or-spouse-by-blood7-marriage7-or~~  
22 ~~adoption~~ and the claimant's spouse if living with the claimant  
23 at any time during the base year. "Living with" refers to  
24 domicile and does not include a temporary visit.

25 6. "Household income" means all income of the claimant and  
26 the claimant's spouse in a household and actual monetary  
27 contributions received from any other ~~household-member-or~~  
28 ~~nonmember~~ person living with the claimant during their  
29 respective twelve-month income tax accounting periods ending  
30 with or during the base year.

31 Sec. 14. Section 425.19, Code 1999, is amended to read as  
32 follows:

33 425.19 CLAIM AND CREDIT OR REIMBURSEMENT.

34 Subject to the limitations provided in this division, a  
35 claimant may annually claim a credit for property taxes due

1 during the fiscal year next following the base year or claim a  
2 reimbursement for rent constituting property taxes paid in the  
3 base year. The amount of the credit for property taxes due  
4 for a homestead shall be paid on ~~February~~ June 15 of each year  
5 by the director to the county treasurer who shall credit the  
6 money received against the amount of the property taxes due  
7 and payable on the homestead of the claimant and the amount of  
8 the reimbursement for rent constituting property taxes paid  
9 shall be paid to the claimant from the state general fund on  
10 or before December 31 of each year.

11 Sec. 15. Section 425.21, Code 1999, is amended to read as  
12 follows:

13 425.21 SATISFACTION OF OUTSTANDING TAX LIABILITIES.

14 The amount of any claim for credit or reimbursement payable  
15 under this division may be applied by the department of  
16 revenue and finance against any tax liability, delinquent  
17 accounts, charges, loans, fees, or other indebtedness due the  
18 state or state agency that have formal agreements with the  
19 department for central debt collection, outstanding on the  
20 books of the department against the claimant, or against a  
21 spouse who was a member of the claimant's household in the  
22 base year.

23 Sec. 16. Section 425.29, Code 1999, is amended to read as  
24 follows:

25 425.29 FALSE CLAIM -- PENALTY.

26 A person who makes a false affidavit for the purpose of  
27 obtaining credit or reimbursement provided for in this  
28 division or who knowingly receives the credit or reimbursement  
29 without being legally entitled to it or makes claim for the  
30 credit or reimbursement in more than one county in the state  
31 without being legally entitled to it is guilty of a fraudulent  
32 practice. ~~Prosecution under this section shall be brought in~~  
33 ~~the county of residence of the person to be charged.~~ The  
34 claim for credit or reimbursement shall be disallowed in full  
35 and if the claim has been paid the amount shall be recovered

1 in the manner provided in section 425.27. The director of  
2 revenue and finance shall send a notice of disallowance of the  
3 claim.

4 Sec. 17. Section 427.1, subsection 16, Code 1999, is  
5 amended to read as follows:

6 16. REVOKING EXEMPTION. Any taxpayer or any taxing  
7 district may make application to the director of revenue and  
8 finance for revocation for any exemption, based upon alleged  
9 violations of this chapter. The director of revenue and  
10 finance may also on the director's own motion set aside any  
11 exemption which has been granted upon property for which  
12 exemption is claimed under this chapter. The director of  
13 revenue and finance shall give notice by mail to the taxpayer  
14 or taxing district applicant and to the societies or  
15 organizations claiming an exemption upon property, exemption  
16 of which is questioned before or by the director of revenue  
17 and finance and shall hold a hearing prior to issuing any  
18 order for revocation. An order made by the director of  
19 revenue and finance revoking or modifying an exemption is  
20 applicable to the fiscal year commencing with the fiscal year  
21 in which the application for revocation is made to, or the  
22 motion for revocation is made by, the director of revenue and  
23 finance. An order made by the director of revenue and finance  
24 revoking or modifying an exemption is subject to judicial  
25 review in accordance with chapter 17A, the Iowa administrative  
26 procedure Act. Notwithstanding the terms of that Act,  
27 petitions for judicial review may be filed in the district  
28 court having jurisdiction in the county in which the property  
29 is located, and must be filed within thirty days after any  
30 order revoking an exemption is made by the director of revenue  
31 and finance.

32 Sec. 18. Section 427A.12, subsection 6, Code 1999, is  
33 amended to read as follows:

34 6. ~~The amount due each taxing district shall be paid in~~  
35 ~~the form of warrants payable to the respective county~~

1 ~~treasurers-by-the-director-of-revenue-and-finance-on-May-15-of~~  
2 ~~each-fiscal-year,-taking-into-consideration-the-relative~~  
3 ~~budget-and-cash-position-of-the-state-resources.--For-the~~  
4 ~~fiscal-year-beginning-July-1,-1985,-and-ending-June-30,-1986,~~  
5 ~~and-for-each-succeeding~~ For each fiscal year the amount due  
6 each taxing district shall be paid in the form of warrants  
7 payable to the respective county treasurers by the director of  
8 revenue and finance on July 15 and May 15 of that fiscal year,  
9 taking into consideration the relative budget and cash  
10 position of the state resources. The July 15 payment shall be  
11 equal to the amount paid on May 15 of the preceding fiscal  
12 year and the payments received shall be an account receivable  
13 for each taxing district for the preceding fiscal year. The  
14 May 15 payment is equal to one-half of the amount of the  
15 additional personal property tax credit payable for the fiscal  
16 year. The county treasurer shall pay the proceeds to the  
17 various taxing districts in the county.

18 Sec. 19. Section 435.22, subsection 2, unnumbered  
19 paragraph 2, Code 1999, is amended to read as follows:

20 For purposes of this subsection "income" means income as  
21 defined in section 425.17, subsection 7, and "base year" means  
22 the calendar year preceding the year in which the claim for a  
23 reduced rate of tax is filed. The home reduced rate of tax  
24 shall only be allowed on the home in which the claimant is  
25 residing at the time ~~in-which~~ the claim for a reduced rate of  
26 tax is filed or was residing at the time of the claimant's  
27 death in the case of a claim filed on behalf of a deceased  
28 claimant by the claimant's legal guardian, spouse, or  
29 attorney, or by the executor or administrator of the  
30 claimant's estate.

31 Sec. 20. Section 435.22, subsection 5, unnumbered  
32 paragraph 1, Code 1999, is amended to read as follows:

33 A claim for credit for mobile home tax due shall not be  
34 paid or allowed unless the claim is actually filed with the  
35 county treasurer between January 1 and June 1, both dates

1 inclusive, immediately preceding the fiscal year during which  
2 the home taxes are due and ~~with the exception of a claim~~  
3 ~~filed on behalf of a deceased claimant by the claimant's legal~~  
4 ~~guardian, spouse, or attorney, or by the executor or~~  
5 ~~administrator of the claimant's estate, contains an affidavit~~  
6 ~~of the claimant's intent to occupy the home for six months or~~  
7 ~~more during the fiscal year beginning in the calendar year in~~  
8 ~~which the claim is filed.~~ However, in case of sickness,  
9 absence, or other disability of the claimant, or if in the  
10 judgment of the county treasurer good cause exists, the county  
11 treasurer may extend the time for filing a claim for credit  
12 through September 30 of the same calendar year. The county  
13 treasurer shall certify to the director of revenue and finance  
14 on or before November 15 each year the total dollar amount due  
15 for claims allowed.

16 Sec. 21. Section 450.1, Code 1999, is amended by adding  
17 the following new unnumbered paragraph:

18 NEW UNNUMBERED PARAGRAPH. "Real estate or real property"  
19 for the purpose of appraisal under this chapter means real  
20 estate which is the land and appurtenances, including  
21 structures affixed thereto.

22 Sec. 22. Section 450.27, Code 1999, is amended to read as  
23 follows:

24 450.27 COMMISSION TO APPRAISERS.

25 When an appraisal of real estate is requested by the  
26 department of revenue and finance, as provided in section  
27 450.37, or is otherwise required by this chapter, the clerk  
28 shall issue a commission to the appraisers, who shall fix a  
29 time and place for appraisement, except that if the only  
30 interest that is subject to tax is a remainder or deferred  
31 interest upon which the tax is not payable until the  
32 determination of a prior estate or interest for life or term  
33 of years, the clerk shall not issue the commission until the  
34 determination of the prior estate, except at the request of  
35 the department of revenue and finance when the parties in

1 interest seek to remove an inheritance tax lien. When valuing  
2 the real estate for purposes of inheritance tax, an appraiser  
3 does not have the jurisdiction to determine what property or  
4 partial interests may or may not be subject to tax. Whole  
5 interests in the property should be appraised and the question  
6 of the actual property or partial interest subject to  
7 inheritance tax is to be determined by means of the  
8 administrative procedures pursuant to section 450.94. All  
9 joint property that is to be appraised should be listed at its  
10 full market value. Long-term leases are not considered in  
11 determining the value of property when being appraised.

12 Sec. 23. Section 450.37, subsection 2, unnumbered  
13 paragraph 1, Code 1999, is amended to read as follows:

14 Fair market value of real estate in the ordinary course of  
15 trade shall be established by agreement, including an  
16 agreement to accept the values as finally determined for  
17 federal estate tax purposes. The agreement shall be between  
18 the department of revenue and finance, the personal  
19 representative, and the persons who have an interest in the  
20 property.

21 Sec. 24. Section 452A.74, subsection 8, unnumbered  
22 paragraph 2, Code 1999, is amended to read as follows:

23 A person found guilty of an offense specified in this  
24 section is guilty of a fraudulent practice. ~~For purposes of~~  
25 ~~determining the place of trial, the situs of an offense~~  
26 ~~specified in this section is in the county of the residence of~~  
27 ~~the person charged with the offense. -- However, if the person~~  
28 ~~is a nonresident or the person's residence cannot be~~  
29 ~~determined, the situs of the offense is in Polk county.~~

30 Prosecution for an offense specified in this section shall be  
31 commenced within six years following its commission.

32 Sec. 25. Section 452A.75, unnumbered paragraph 2, Code  
33 1999, is amended to read as follows:

34 ~~In determining the place of trial, the situs of an offense~~  
35 ~~in this section is in the county of the residence of the~~

~~1 person charged with the offense. -- However, if the person is a~~  
~~2 nonresident or the person's residence cannot be determined,~~  
~~3 the situs of the offense is in Polk county. Prosecution for~~  
4 an offense specified in this section shall be commenced within  
5 six years following its commission.

6 Sec. 26. Section 803.3, Code 1999, is amended by adding  
7 the following new subsection:

8 NEW SUBSECTION. 6. a. If a person is charged with a  
9 violation of the tax laws arising out of individual tax  
10 liability, venue is in the county of residence of the person  
11 charged with the offense, unless the person is a nonresident  
12 of this state or the residence of the person cannot be  
13 established, in which event venue is in Polk county.

14 b. If a person is charged with a violation of the tax laws  
15 arising out of a business, venue is in any county where  
16 business was conducted. If a specific county cannot be  
17 established as a situs, venue is in Polk county.

18 c. If a person is charged with a violation of section  
19 453B.12, venue is in the county of the residence of the person  
20 charged with the offense or the county in which the drugs were  
21 found.

22 d. If a person is charged with a violation of the tax laws  
23 in which venue is set under multiple provisions of this  
24 section, venue is in any county in which one of the charges  
25 may be prosecuted.

26 Sec. 27. Section 427A.14, Code 1999, is repealed.

27 Sec. 28. EFFECTIVE AND APPLICABILITY DATES.

28 1. Section 4 of this Act, amending section 422.32, is  
29 retroactive to January 1, 1999, for tax years beginning on or  
30 after that date.

31 2. Sections 21 through 23 of this Act, amending sections  
32 450.1, 450.27, and 450.37, take effect July 1, 1999, for  
33 estates of decedents dying on or after that date.

34 3. Except as otherwise provided in this section, this Act,  
35 being deemed of immediate importance, takes effect upon

1 enactment.

2

EXPLANATION

3 The bill amends various provisions of state tax law. The  
4 amendments that are not just eliminating obsolete provisions  
5 are as follows:

6 Code section 421.17, subsection 34, paragraph "c", is  
7 amended to allow the department of revenue and finance to  
8 utilize a participating agency's collection powers to collect  
9 any delinquent accounts, charges, fees, loans, taxes, or other  
10 indebtedness owed to or being collected by the state.

11 Code sections 422.25, subsection 9, 422.58, subsection 6,  
12 423.18, subsection 4, 424.17, subsection 4, 425.29, 452A.74,  
13 subsection 8, 452A.75, and 803.3 are amended or created to  
14 consolidate all provisions relating to the venue of tax  
15 prosecutors into one section in the criminal procedures  
16 portion of the Iowa Code (section 803.3). It provides that  
17 persons being prosecuted for tax violations such as sales,  
18 withholding, motor fuel, and use tax arising out of operation  
19 of a business may be prosecuted where the business operates  
20 rather than in each person's county of residence. In  
21 addition, it provides that venue for drug tax stamp violation  
22 is either in the county of the person's residence or the  
23 county in which the drugs were located.

24 Code section 422.32, subsection 2, is amended to clarify  
25 that gain or loss from the disposition of property is business  
26 income even if it is only operationally related to sources  
27 within and without this state. For example, royalties for the  
28 use of a trademark within or without Iowa are considered  
29 business income subject to apportionment, however, the current  
30 statute does not specifically provide that the gain on the  
31 sale of the trademark is subject to apportionment.

32 Code section 422.42, subsections 6 and 18, are amended to  
33 remove the requirement that for services to be exempt from  
34 sales tax, the services must be performed on property for use  
35 in taxable retail sales.

1 Code section 422.53 is amended to provide that persons  
2 engaged in selling tangible personal property or providing  
3 services are not required to obtain a sales tax permit if they  
4 make no taxable sales.

5 Code section 422.68, subsection 4, is amended to allow the  
6 department of revenue and finance to make and store electronic  
7 copies of documents.

8 Code section 422.72, subsection 6, unnumbered paragraph 2,  
9 is amended by striking the term "and penalties", which is  
10 superfluous language.

11 Code section 425.17, subsections 2, 4, 5, and 6, are  
12 amended to modify provisions related to the low-income elderly  
13 and disabled property tax credit and rent reimbursement.

14 Subsection 2 is amended to delete the surviving spouse  
15 eligibility class for purposes of qualifying for property tax  
16 credit and rent reimbursement benefits. This eligibility  
17 class was phased out over a 10-year time period ending in  
18 1998. Subsection 2 is also amended to delete the requirement  
19 that a claimant live in Iowa for the entire base year to be  
20 eligible to claim benefits. Presently, a person who moves  
21 into Iowa during the base year is not eligible for benefits  
22 even though the person paid rent or will pay property taxes.  
23 Subsections 2 and 4 are amended to delete the requirement that  
24 the person occupy the property during the base year to qualify  
25 for tax credit benefits. Presently, a person can be  
26 ineligible to claim a credit for property taxes the person is  
27 required to pay. Subsections 2 and 5 are amended to permit  
28 more than one eligible person to file a claim for credit or  
29 reimbursement based on their individual incomes and rent or  
30 property taxes paid if living in the same homestead.  
31 Presently, an eligible person is denied the credit or  
32 reimbursement if another eligible person living in the same  
33 homestead files first. Subsection 6 is amended to delete  
34 unnecessary language.

35 Code section 425.19 is amended to change the date for the

1 department of revenue and finance to reimburse counties for  
2 the amount of property tax credit claims from February 15 to  
3 June 15.

4 Code section 425.21 is amended to provide that claims for  
5 rent reimbursement may be applied to any delinquent accounts,  
6 loans, fees, or other debts owed the state. The present  
7 statute only allows credit to debts owed to the department of  
8 revenue and finance.

9 Code section 427.1, subsection 16, is amended to provide  
10 that when the director issues an order revoking or modifying a  
11 tax exemption, the order is applicable to the fiscal year  
12 commencing with the fiscal year in which the application for  
13 revocation is made.

14 Code section 435.22, subsection 2, is amended to permit a  
15 claim for a reduction in the mobile home tax to be filed on  
16 behalf of a deceased person.

17 Code section 435.22, subsection 5, is amended to delete the  
18 requirement that a claimant for a mobile home reduced tax rate  
19 intended to live in the mobile home for six months or more  
20 during the year.

21 Code sections 450.1, 450.27, and 450.37 are amended to  
22 provide that under the Iowa inheritance tax, commissioned  
23 appraisers may appraise real property based on fee simple.  
24 When valuing property, appraisers do not have jurisdiction to  
25 determine what property or interest in property is subject to  
26 tax. Joint property is to be appraised at full-market value  
27 and long-term leases are not to be considered in determining  
28 value of appraised property.

29 The bill contains effective and retroactive applicability  
30 date provisions.

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1044

DEPARTMENT OF REVENUE AND FINANCE  
GERALD D. BAIR, DIRECTOR

TO: MEMBERS OF THE 1999 GENERAL ASSEMBLY

FROM: IOWA DEPARTMENT OF REVENUE & FINANCE

DATE: OCTOBER 27, 1998

SUBJECT: THE DEPARTMENT'S BILL RELATING TO TECHNICAL CORRECTIONS TO THE IOWA CODE AND PROVIDING AN EFFECTIVE AND RETROACTIVE APPLICABILITY DATE

Section 1 of the bill amends Iowa Code Section 421.17, subsection 34, to provide that when the Department has an agreement to collect other state agency's debts through the central debt collection program, the Department may use the other agency's statutory collection authority, when needed.

Section 2 of the bill amends Iowa Code Section 422.4, subsection 17, by eliminating obsolete language that states that this subsection is effective for periods on or after December 14, 1975.

Sections 3, 8, 11, 12, 16, 24, 25, and 26 of the bill amend Iowa Code Sections 422.25(9), 422.58(6), 423.18(4), 424.17(4), 425.29, 452A.74(8), 52A.75, and 803.3. These amendments consolidate all provisions relating to the venue of tax prosecutors into one section in the criminal procedures portion of the Iowa Code (Section 803.3). It provides that persons being prosecuted for tax violations such as sales, withholding, motor fuel, and use tax arising out of operation of a business may be prosecuted where the business operates rather than in each person's county of residence. In addition, it provides that venue for drug tax stamp violation is either in the county of the person's residence or the county in which the drugs were located.

Section 4 of the bill amends Iowa Code Section 422.32(2) to clarify that gain or loss from the disposition of property is business income even if it is only operationally related to sources within or without Iowa. For example, royalties for the use of a trademark within or without Iowa are considered business income subject to apportionment, however, the current statutes are not clear that the gain on the sale of the trademark is subject to apportionment.

Section 5 of the bill amends Iowa Code Section 422.42, subsections 6 and 18, to provide that for purposes of sales tax exemption for services used in processing of tangible personal property, that the property processed be used in retail sales or services that are subject to Iowa sales tax. Such a requirement that the processed property be used in taxable sales or services is not applicable for any of the other processing exemptions in Iowa Code Section 422.42 or elsewhere. This amendment removes the requirement that the processed property be used in sales or services that are subject to Iowa sales tax.

Section 6 of the bill amends Iowa Code Section 422.45(41) by deleting obsolete language which states, "The exemption provided in this subsection is retroactive to July 1, 1984."

Section 7 of the bill amends Iowa Code Section 422.53 to provide that persons not selling tangible personal property or performing taxable enumerated services are not required to have a sales tax permit.

Section 9 of the bill amends Iowa Code Section 422.68(4) to provide that the Department may store electronic records to be used for admissible evidence.

Section 10 of the bill amends Iowa Code Section 422.72, subsection 6, to clarify that the penalty for release of the confidential information by city or county employees relating to local option tax is found in subsection 4, not subsection 1.

Section 13 of the bill amends Iowa Code Section 425.17, subsections 2, 4, 5, and 6. Subsection 2 deletes the surviving spouse eligibility class for purposes of qualifying for property tax credit and rent reimbursement benefits. This eligibility class was phased-out over a 10 year time period ending in 1998. Subsection 2 deletes the requirement that a claimant live in Iowa for the entire base year to be eligible to claim benefits. Presently, a person who moves into Iowa during the base year is not eligible for benefits even though they paid rent or will pay property taxes. Subsections 2 and 4 delete the requirement that the person occupy the property during the base year to qualify for tax credit benefits. Presently, a person can be ineligible to claim a credit for property taxes the person is required to pay. Subsections 2 and 5 permit more than one eligible person to file a claim for credit or reimbursement based on their individual incomes and rent or property taxes paid if living in the same homestead. Presently, an eligible person is denied the credit or reimbursement if another eligible person living in the same homestead files first. Subsection 6 deletes unnecessary language.

Section 14 of the bill amends Iowa Code Section 425.19 to change the date for the Department to reimburse counties for the amount of property tax credit claims from February 15 to June 15.

Section 15 of the bill amends Iowa Code Section 425.21 to provide that claims for rent reimbursement may be applied to any delinquent accounts, loans, fees, or other debts owed the state. The present statute only allows credit to be applied to debts owed to the Department.

Section 17 of the bill amends Iowa Code Section 427.1, subsection 16, clarifying that when the director issues an order revoking or modifying a tax exemption, the order is applicable to the tax year commencing with the tax year in which the application is made.

Section 18 of the bill amends Iowa Code Section 427A.12, subsection 6, by deleting obsolete language which refers to tax years beginning July 1, 1985, and ending June 30, 1986.

Section 19 of the bill amends Iowa Code Section 435.22, subsection 2, clarifying that a claim may be filed in behalf of a deceased person.

Section 20 of the bill amends Iowa Code Section 435.22, subsection 5, by deleting the requirement that a claimant for a mobile home reduced tax rate intended to live in the mobile home for six months or more during the year. This was deleted because the claimant may have intended to live in the home but due to uncontrollable causes was unable.

Sections 21, 22, and 23 of the bill amend Iowa Code Sections 450.1, 450.27, and 450.37, subsection 7, to provide that the commissioned appraisers for the purposes of Iowa inheritance tax may appraise real property based on simple fee. By making these amendments, the Department of Revenue and Finance and the estate are afforded the opportunity to informally settle disagreements to discounted values assigned by the Department of Revenue and Finance based on the fee simple appraisals. Currently, the Department of Revenue and Finance and the estate disagree as to a discounted value assigned by a commissioned appraiser under Iowa Code Section 450.27, the matter must be resolved in Iowa district court pursuant to Iowa Code Section 450.31, without an opportunity for informal settlement.

Section 27 of the bill repeals Iowa Code Section 427A.14 to remove obsolete language relating to personal property which has not been taxed since 1986.

Section 28 of the bill provides effective dates.

Attachment

H. 4/26/99 W. & Means  
H. 4/28/99 De Pars

FILED APR 15 1999

SENATE FILE 473  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1044)

(P. 1290) Passed Senate, Date 4/26/99 (P. 1871) Passed House, Date 4/29/99  
Vote: Ayes 50 Nays 0 Vote: Ayes 95 Nays 3  
Approved May 20, 1999

A BILL FOR

1 An Act relating to the administration of the state individual  
2 income tax, corporate income tax, sales and use taxes,  
3 franchise tax, replacement taxes on electric and natural gas  
4 providers, motor fuel taxes, inheritance and estate taxes,  
5 property taxes, collection of taxes and debts owed to or  
6 collected by the state, and including effective and  
7 retroactive applicability date provisions.

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

SF 473

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1 Section 1. Section 421.17, subsection 34, paragraph c,  
2 Code 1999, is amended to read as follows:

3 c. The director shall establish a formal debt collection  
4 policy for use by state agencies which have not established  
5 their own policy. Other state agencies may use the collection  
6 facilities of the department pursuant to formal agreement with  
7 the department. The agreement shall provide that the  
8 information provided to the department shall be sufficient to  
9 establish the obligation in a court of law and to render it as  
10 a legal judgment on behalf of the state. After transferring  
11 the file to the department for collection, an individual state  
12 agency shall terminate all collection procedures and be  
13 available to provide assistance to the department. Upon  
14 receipt of the file, the department shall assume all liability  
15 for its actions without recourse to the agency, and shall  
16 comply with all applicable state and federal laws governing  
17 collection of the debt. The department may use a  
18 participating agency's statutory collection authority to  
19 collect the participating agency's delinquent accounts,  
20 charges, fees, loans, taxes, or other indebtedness owed to or  
21 being collected by the state. The department has the powers  
22 granted in this section regarding setoff from income tax  
23 refunds or other accounts payable by the state for any of the  
24 obligations transferred by state agencies.

25 Sec. 2. Section 422.4, subsection 17, paragraph c, Code  
26 1999, is amended by striking the paragraph.

27 Sec. 3. Section 422.25, subsection 9, Code 1999, is  
28 amended by striking the subsection.

29 Sec. 4. Section 422.32, subsection 2, unnumbered paragraph  
30 1, Code 1999, is amended to read as follows:

31 "Business income" means income arising from transactions  
32 and activity in the regular course of the taxpayer's trade or  
33 business; or income from tangible and intangible property if  
34 the acquisition, management, and disposition of the property  
35 constitute integral parts of the taxpayer's regular trade or

1 business operations; or gain or loss resulting from the sale,  
2 exchange, or other disposition of real property or of tangible  
3 or intangible personal property, if the property while owned  
4 by the taxpayer was operationally related to the taxpayer's  
5 trade or business carried on in Iowa or operationally related  
6 to sources within Iowa, or the property was operationally  
7 related to sources outside this state and to the taxpayer's  
8 trade or business carried on in Iowa; or gain or loss  
9 resulting from the sale, exchange, or other disposition of  
10 stock in another corporation if the activities of the other  
11 corporation were operationally related to the taxpayer's trade  
12 or business carried on in Iowa while the stock was owned by  
13 the taxpayer. A taxpayer may have more than one regular trade  
14 or business in determining whether income is business income.

15 Sec. 5. Section 422.42, subsections 6 and 18, Code 1999,  
16 are amended to read as follows:

17 6. "Gross taxable services" means the total amount  
18 received in money, credits, property, or other consideration,  
19 valued in money, from services rendered, furnished, or  
20 performed in this state except where such the service is  
21 performed on tangible personal property delivered into  
22 interstate commerce or is used in processing of tangible  
23 personal property for use in ~~taxable~~ retail sales or services  
24 and embraced within the provisions of this division. However,  
25 the taxpayer may take credit in the taxpayer's report of gross  
26 taxable services for an amount equal to the value of services  
27 rendered, furnished, or performed when the full value of such  
28 these services ~~thereof~~ is refunded either in cash or by  
29 credit. Taxes paid on gross taxable services represented by  
30 accounts found to be worthless and actually charged off for  
31 income tax purposes may be credited upon a subsequent payment  
32 of the tax due hereunder, but if any such accounts are  
33 thereafter collected by the taxpayer, a tax shall be paid upon  
34 the amounts ~~so~~ collected.

35 18. "Services" means all acts or services rendered,

1 furnished, or performed, other than services performed on  
2 tangible personal property delivered into interstate commerce,  
3 or services used in processing of tangible personal property  
4 for use in ~~taxable~~ retail sales or services, for an "employer"  
5 as defined in section 422.4, subsection 3, for a valuable  
6 consideration by any person engaged in any business or  
7 occupation specifically enumerated in this division. The tax  
8 shall be due and collectible when the service is rendered,  
9 furnished, or performed for the ultimate user ~~thereof~~ of the  
10 services.

11 "Services used in the processing of tangible personal  
12 property" includes the reconditioning or repairing of tangible  
13 personal property of the type normally sold in the regular  
14 course of the retailer's business and which is held for sale.

15 Sec. 6. Section 422.45, subsection 41, unnumbered  
16 paragraph 2, Code 1999, is amended by striking the unnumbered  
17 paragraph.

18 Sec. 7. Section 422.53, subsection 6, Code 1999, is  
19 amended by adding the following new unnumbered paragraph:

20 NEW UNNUMBERED PARAGRAPH. Persons engaged in selling  
21 tangible personal property or performing services shall not be  
22 required to obtain or retain a sales tax permit for a place of  
23 business at which taxable sales of tangible personal property  
24 or taxable performance of services will not occur.

25 Sec. 8. Section 422.58, subsection 6, Code 1999, is  
26 amended by striking the subsection.

27 Sec. 9. Section 422.68, subsection 4, Code 1999, is  
28 amended to read as follows:

29 4. The department may make photostat, microfilm,  
30 electronic, or other photographic copies of records, reports  
31 and other papers either filed by the taxpayer or prepared by  
32 the department. When ~~such~~ these photostat, electronic, or  
33 microfilm copies have been made, the department may destroy  
34 ~~such~~ the original records in such manner as prescribed by the  
35 director. ~~Such~~ These photostat, electronic, or microfilm

1 copies, when no longer of use, may be destroyed as provided in  
2 subsection 3. Such These photostat, microfilm, electronic, or  
3 other photographic records shall be admissible in evidence  
4 when duly certified and authenticated by the officer having  
5 custody and control thereof of them.

6 Sec. 10. Section 422.72, subsection 6, unnumbered  
7 paragraph 2, Code 1999, is amended to read as follows:

8 City or county employees designated to have access to  
9 information under this subsection are deemed to be officers  
10 and employees of the state for purposes of the restrictions  
11 ~~and penalties~~ pursuant to subsection 1 pertaining to  
12 confidential information. The department may refuse to enter  
13 into a written informational exchange agreement if the city or  
14 county does not agree to pay the actual cost of providing the  
15 information and the department may refuse to abide by a  
16 written informational exchange agreement if the city or county  
17 does not promptly pay the actual cost of providing the  
18 information or take reasonable precautions to protect the  
19 information's confidentiality.

20 Sec. 11. Section 423.18, subsection 4, Code 1999, is  
21 amended by striking the subsection.

22 Sec. 12. Section 424.17, subsection 4, Code 1999, is  
23 amended by striking the subsection.

24 Sec. 13. Section 425.17, subsections 2, 4, 5, and 6, Code  
25 1999, are amended to read as follows:

26 2. "Claimant" means either of the following:

27 a. A person filing a claim for credit or reimbursement  
28 under this division who has attained the age of sixty-five  
29 years on or before December 31 of the base year ~~who is a~~  
30 ~~surviving spouse having attained the age of fifty-five years~~  
31 ~~on or before December 31, 1987~~ or who is totally disabled and  
32 was totally disabled on or before December 31 of the base  
33 year ~~and was domiciled in this state during the entire base~~  
34 year, and is domiciled in this state at the time the claim is  
35 filed or at the time of the person's death in the case of a

1 claim filed by the executor or administrator of the claimant's  
2 estate.

3 b. A person filing a claim for credit or reimbursement  
4 under this division who has attained the age of twenty-three  
5 years on or before December 31 of the base year or was a head  
6 of household on December 31 of the base year, as defined in  
7 the Internal Revenue Code, but has not attained the age or  
8 disability status described in paragraph "a", and was  
9 ~~domiciled in this state during the entire base year,~~ and is  
10 domiciled in this state at the time the claim is filed or at  
11 the time of the person's death in the case of a claim filed by  
12 the executor or administrator of the claimant's estate, and  
13 was not claimed as a dependent on any other person's tax  
14 return for the base year.

15 "Claimant" under paragraph "a" or "b" includes a vendee in  
16 possession under a contract for deed and may include one or  
17 more joint tenants or tenants in common. In the case of a  
18 claim for rent constituting property taxes paid, the claimant  
19 shall have rented the property during any part of the base  
20 year. In the case of a claim for property taxes due, the  
21 claimant shall have occupied the property during any part of  
22 the fiscal year beginning July 1 of the base year. If a  
23 homestead is occupied by two or more persons, and more than  
24 one person is able to qualify as a claimant, the persons may  
25 ~~determine among them who will be the claimant~~ each file a  
26 claim based upon each person's income and rent constituting  
27 property taxes paid or property taxes due. ~~If they are unable~~  
28 ~~to agree, the matter shall be referred to the director of~~  
29 ~~revenue and finance not later than June 1 of each year and the~~  
30 ~~director's decision is final.~~

31 4. "Homestead" means the dwelling owned or rented and  
32 actually used as a home by the claimant during ~~all or part of~~  
33 ~~the base year~~ the period specified in subsection 2, and so  
34 much of the land surrounding it including one or more  
35 contiguous lots or tracts of land, as is reasonably necessary

1 for use of the dwelling as a home, and may consist of a part  
2 of a multidwelling or multipurpose building and a part of the  
3 land upon which it is built. It does not include personal  
4 property except that a mobile home may be a homestead. Any  
5 dwelling or a part of a multidwelling or multipurpose building  
6 which is exempt from taxation does not qualify as a homestead  
7 under this division. However, solely for purposes of  
8 claimants living in a property and receiving reimbursement for  
9 rent constituting property taxes paid immediately before the  
10 property becomes tax exempt, and continuing to live in it  
11 after it becomes tax exempt, the property shall continue to be  
12 classified as a homestead. A homestead must be located in  
13 this state. When a person is confined in a nursing home,  
14 extended-care facility, or hospital, the person shall be  
15 considered as occupying or living in the person's homestead if  
16 the person is the owner of the homestead and the person  
17 maintains the homestead and does not lease, rent, or otherwise  
18 receive profits from other persons for the use of the  
19 homestead.

20 5. "Household" means a claimant~~7-spouse7-and-any-person~~  
21 ~~related-to-the-claimant-or-spouse-by-blood7-marriage7-or~~  
22 ~~adoption~~ and the claimant's spouse if living with the claimant  
23 at any time during the base year. "Living with" refers to  
24 domicile and does not include a temporary visit.

25 6. "Household income" means all income of the claimant and  
26 the claimant's spouse in a household and actual monetary  
27 contributions received from any other ~~household-member-or~~  
28 ~~nonmember~~ person living with the claimant during their  
29 respective twelve-month income tax accounting periods ending  
30 with or during the base year.

31 Sec. 14. Section 425.19, Code 1999, is amended to read as  
32 follows:

33 425.19 CLAIM AND CREDIT OR REIMBURSEMENT.

34 Subject to the limitations provided in this division, a  
35 claimant may annually claim a credit for property taxes due

1 during the fiscal year next following the base year or claim a  
2 reimbursement for rent constituting property taxes paid in the  
3 base year. The amount of the credit for property taxes due  
4 for a homestead shall be paid on ~~February~~ June 15 of each year  
5 by the director to the county treasurer who shall credit the  
6 money received against the amount of the property taxes due  
7 and payable on the homestead of the claimant and the amount of  
8 the reimbursement for rent constituting property taxes paid  
9 shall be paid to the claimant from the state general fund on  
10 or before December 31 of each year.

11 Sec. 15. Section 425.21, Code 1999, is amended to read as  
12 follows:

13 425.21 SATISFACTION OF OUTSTANDING TAX LIABILITIES.

14 The amount of any claim for credit or reimbursement payable  
15 under this division may be applied by the department of  
16 revenue and finance against any tax liability, delinquent  
17 accounts, charges, loans, fees, or other indebtedness due the  
18 state or state agency that have formal agreements with the  
19 department for central debt collection, outstanding on the  
20 books of the department against the claimant, or against a  
21 spouse who was a member of the claimant's household in the  
22 base year.

23 Sec. 16. Section 425.29, Code 1999, is amended to read as  
24 follows:

25 425.29 FALSE CLAIM -- PENALTY.

26 A person who makes a false affidavit for the purpose of  
27 obtaining credit or reimbursement provided for in this  
28 division or who knowingly receives the credit or reimbursement  
29 without being legally entitled to it or makes claim for the  
30 credit or reimbursement in more than one county in the state  
31 without being legally entitled to it is guilty of a fraudulent  
32 ~~practice. Prosecution-under-this-section-shall-be-brought-in~~  
33 ~~the-county-of-residence-of-the-person-to-be-charged.~~ The  
34 claim for credit or reimbursement shall be disallowed in full  
35 and if the claim has been paid the amount shall be recovered

1 in the manner provided in section 425.27. The director of  
2 revenue and finance shall send a notice of disallowance of the  
3 claim.

4 Sec. 17. Section 427.1, subsection 16, Code 1999, is  
5 amended to read as follows:

6 16. REVOKING EXEMPTION. Any taxpayer or any taxing  
7 district may make application to the director of revenue and  
8 finance for revocation for any exemption, based upon alleged  
9 violations of this chapter. The director of revenue and  
10 finance may also on the director's own motion set aside any  
11 exemption which has been granted upon property for which  
12 exemption is claimed under this chapter. The director of  
13 revenue and finance shall give notice by mail to the taxpayer  
14 or taxing district applicant and to the societies or  
15 organizations claiming an exemption upon property, exemption  
16 of which is questioned before or by the director of revenue  
17 and finance and shall hold a hearing prior to issuing any  
18 order for revocation. An order made by the director of  
19 revenue and finance revoking or modifying an exemption shall  
20 be applicable to the tax year commencing with the tax year in  
21 which the application is made to the director of revenue and  
22 finance. An order made by the director of revenue and finance  
23 revoking or modifying an exemption is subject to judicial  
24 review in accordance with chapter 17A, the Iowa administrative  
25 procedure Act. Notwithstanding the terms of that Act,  
26 petitions for judicial review may be filed in the district  
27 court having jurisdiction in the county in which the property  
28 is located, and must be filed within thirty days after any  
29 order revoking an exemption is made by the director of revenue  
30 and finance.

31 Sec. 18. Section 427A.12, subsection 6, Code 1999, is  
32 amended to read as follows:

33 ~~6. The amount due each taxing district shall be paid in~~  
34 ~~the form of warrants payable to the respective county~~  
35 ~~treasurers by the director of revenue and finance on May 15 of~~

1 ~~each-fiscal-year, taking into consideration the relative~~  
2 ~~budget and cash position of the state resources. For the~~  
3 ~~fiscal year beginning July 1, 1985, and ending June 30, 1986,~~  
4 ~~and for each succeeding~~ For each fiscal year the amount due  
5 each taxing district shall be paid in the form of warrants  
6 payable to the respective county treasurers by the director of  
7 revenue and finance on July 15 and May 15 of that fiscal year,  
8 taking into consideration the relative budget and cash  
9 position of the state resources. The July 15 payment shall be  
10 equal to the amount paid on May 15 of the preceding fiscal  
11 year and the payments received shall be an account receivable  
12 for each taxing district for the preceding fiscal year. The  
13 May 15 payment is equal to one-half of the amount of the  
14 additional personal property tax credit payable for the fiscal  
15 year. The county treasurer shall pay the proceeds to the  
16 various taxing districts in the county.

17 Sec. 19. Section 435.22, subsection 2, unnumbered  
18 paragraph 2, Code 1999, is amended to read as follows:

19 For purposes of this subsection "income" means income as  
20 defined in section 425.17, subsection 7, and "base year" means  
21 the calendar year preceding the year in which the claim for a  
22 reduced rate of tax is filed. The home reduced rate of tax  
23 shall only be allowed on the home in which the claimant is  
24 residing at the time ~~in which~~ the claim for a reduced rate of  
25 tax is filed or was residing at the time of the claimant's  
26 death in the case of a claim filed on behalf of a deceased  
27 claimant by the claimant's legal guardian, spouse, or  
28 attorney, or by the executor or administrator of the  
29 claimant's estate.

30 Sec. 20. Section 435.22, subsection 5, unnumbered  
31 paragraph 1, Code 1999, is amended to read as follows:

32 A claim for credit for mobile home tax due shall not be  
33 paid or allowed unless the claim is actually filed with the  
34 county treasurer between January 1 and June 1, both dates  
35 inclusive, immediately preceding the fiscal year during which

1 the home taxes are due ~~and, with the exception of a claim~~  
2 ~~filed on behalf of a deceased claimant by the claimant's legal~~  
3 ~~guardian, spouse, or attorney, or by the executor or~~  
4 ~~administrator of the claimant's estate, contains an affidavit~~  
5 ~~of the claimant's intent to occupy the home for six months or~~  
6 ~~more during the fiscal year beginning in the calendar year in~~  
7 ~~which the claim is filed.~~ However, in case of sickness,  
8 absence, or other disability of the claimant, or if in the  
9 judgment of the county treasurer good cause exists, the county  
10 treasurer may extend the time for filing a claim for credit  
11 through September 30 of the same calendar year. The county  
12 treasurer shall certify to the director of revenue and finance  
13 on or before November 15 each year the total dollar amount due  
14 for claims allowed.

15 Sec. 21. Section 437A.3, subsection 13, Code 1999, is  
16 amended to read as follows:

17 13. "Local taxing district authority" means a city,  
18 county, community college, school district, or other taxing  
19 district authority located in this state and authorized to  
20 certify a levy on property located within such district  
21 authority for the payment of bonds and interest or other  
22 obligations of such district authority.

23 13A. "Local taxing district" means a geographic area with  
24 a common consolidated property tax rate.

25 Sec. 22. Section 437A.3, subsection 19, paragraph a,  
26 subparagraph (2), Code 1999, is amended to read as follows:

27 (2) The natural gas competitive service area, excluding  
28 any municipal natural gas competitive service area described  
29 in subparagraph (1) and consisting of Sioux county; Plymouth  
30 county; Woodbury county; Ida county; Harrison county; Shelby  
31 county; Audubon county; Palo Alto county; Humboldt county;  
32 Mahaska county; Scott county; Lyon county except Wheeler,  
33 Dale, Liberal, Grant, Midland, and Elgin townships; O'Brien  
34 county except Union, Dale, Summit, Highland, Franklin, and  
35 Center townships; Cherokee county except Cherokee and Pilot

1 townships; Monona county except Franklin township and the  
2 south half of Ashton township; Pottawattamie county except  
3 Crescent, Hazel Dell, Lake, Garner, Kane, and Lewis townships;  
4 Mills county except Glenwood and Center townships; Montgomery  
5 county except Douglas, Washington, and East townships; Page  
6 county except Valley, Douglas, Nodaway, Nebraska, Harlan, East  
7 River, Amity, and Buchanan townships; Fremont county except  
8 Green, Scott, Sidney, Benton, Washington, and Madison  
9 townships; Brighton and Pleasant townships in Cass county; Sac  
10 county except Clinton, Wall Lake, Coon Valley, Levey, Viola,  
11 and Sac townships; Newell township in Buena Vista county;  
12 Calhoun county except Reading township; Denmark township in  
13 Emmet county; Kossuth county except Eagle, Grant, Springfield,  
14 Hebron, Swea, Harrison, Ledyard, Lincoln, Seneca, Greenwood,  
15 Ramsey, and German townships; Webster county except Roland,  
16 Clay, Burnside, Yell, Webster, Gowrie, Lost Grove, Dayton, and  
17 Hardin townships; Guthrie county except Grant, Thompson, and  
18 Beaver townships; Union township in Union county; Madison  
19 county except Ohio and New Hope townships; Warren county  
20 except Virginia, Squaw, Liberty, and White Breast townships;  
21 Cedar, Union, Bluff Creek, and Pleasant townships in Monroe  
22 county; Marion county except Lake Prairie, Knoxville, Summit,  
23 and Union townships; Dallas county except Des Moines and Grant  
24 townships; Polk county except sections 4, 5, 6, 7, 8, 9, 16,  
25 17, and 18 in Lincoln township and the city of Grimes, and  
26 sections 1, 2, 3, 10, 11, 12, 13, 14, and 15 in Union  
27 township; Poweshiek, Washington, Mound Prairie, Des Moines,  
28 Elk Creek, and Fairview townships in Jasper county; Wright  
29 county except Belmond and Pleasant townships; Geneseo township  
30 in Cerro Gordo county; Franklin county except Wisner and Scott  
31 townships and the city of Coulter; Butler county except  
32 Bennezette, Coldwater, Dayton, and Fremont townships; Floyd  
33 county except Rock Grove, Rudd, Rockford, Ulster, Scott, and  
34 Union townships; Branford township in Chickasaw county; Bremer  
35 county except Frederika, LeRoy, Sumner No. 2, Fremont, Dayton,

1 Maxfield, and Franklin townships; Perry, Washington, Westburg,  
 2 and Sumner townships in Buchanan county; Black Hawk county  
 3 except Big Creek township; Fremont township in Benton county;  
 4 Wapello county except Washington township; Benton and Steady  
 5 Run townships in Keokuk county; the city of Barnes City in  
 6 Poweshiek county; Iowa township in Washington county; Johnson  
 7 county except Fremont township; Linn county except Franklin,  
 8 Grant, Spring Grove, Jackson, Boulder, and Washington,  
 9 townships; Monroe township west and north of Otter Creek and  
 10 County Home road, and Otter Creek, Maine, Buffalo, and  
 11 Fayette, and Clinton townships; Monroe township west and north  
 12 of Otter Creek to its intersection with County Home road, and  
 13 north of County Home road in Linn county; the city of Walford  
 14 in Linn county; Farmington township in Cedar county;  
 15 Wapsinonoc, Goshen, Moscow, Wilton, and Fulton townships in  
 16 Muscatine county; and Lee county except Des Moines, Montrose,  
 17 Keokuk, and Jackson townships.

18 Sec. 23. Section 437A.3, subsection 28, Code 1999, is  
 19 amended to read as follows:

20 28. "Transfer replacement tax" means the excise tax  
 21 imposed in a competitive service area of a municipal utility  
 22 which replaces transfers made by the municipal utility in  
 23 accordance with section 384.89.

24 Sec. 24. Section 437A.7, subsection 2, paragraph b, Code  
 25 1999, is amended by striking the paragraph and inserting in  
 26 lieu thereof the following:

27 b. Transmission lines owned by or leased to a lessor when  
 28 the transmission lines are subject to the replacement  
 29 transmission tax payable by the lessee or sublessee.

30 Sec. 25. Section 437A.10, subsection 2, Code 1999, is  
 31 amended to read as follows:

32 2. For cause and upon a showing by the director that  
 33 collection of the tax in dispute is in doubt, the court may  
 34 order the petitioner to file with the clerk of the district  
 35 court a bond for the use of the appropriate local taxing

1 ~~districts~~ authorities, with sureties approved by the clerk of  
2 the district court, in the amount of the tax appealed from,  
3 conditioned upon the performance by the petitioner of any  
4 orders of the court.

5 Sec. 26. Section 437A.14, subsection 4, unnumbered  
6 paragraph 1, Code 1999, is amended to read as follows:

7 Notwithstanding subsections 2 and 3, the chief financial  
8 officer of any local taxing district authority and any  
9 designee of such officer shall have access to any computations  
10 made by the director pursuant to the provisions of this  
11 chapter, and any tax return or other information used by the  
12 director in making such computations, which affect the  
13 replacement tax owed by any such taxpayer.

14 Sec. 27. Section 437A.14, subsection 5, Code 1999, is  
15 amended to read as follows:

16 5. Local taxing district authority employees are deemed to  
17 be officers and employees of the state for purposes of  
18 subsection 2.

19 Sec. 28. Section 437A.15, subsection 7, unnumbered  
20 paragraph 2, Code 1999, is amended to read as follows:

21 The task force shall study the effects of the replacement  
22 tax on local taxing authorities, local taxing districts,  
23 consumers, and taxpayers and the department of management  
24 shall report to the general assembly by January 1 of each year  
25 through January 1, 2003, the results of the study and the  
26 specific recommendations of the task force for modifications  
27 to the replacement tax, if any, which will further the  
28 purposes of tax neutrality for local taxing authorities, local  
29 taxing districts, taxpayers, and consumers, consistent with  
30 the stated purposes of this chapter. The department of  
31 management shall also report to the legislative council by  
32 November 15 of each year through 2002, the status of the task  
33 force study and any recommendations.

34 Sec. 29. Section 437A.16, Code 1999, is amended to read as  
35 follows:

1 437A.16 ASSESSMENT EXCLUSIVE.

2 All operating property and all other property that is  
3 primarily and directly used in the production, generation,  
4 transmission, or delivery of electricity or natural gas owned  
5 ~~by or leased to a person~~ subject to ~~taxation under this~~  
6 ~~chapter~~ replacement tax or transfer replacement tax is exempt  
7 from taxation except as otherwise provided by this chapter.  
8 This exemption shall not extend to taxes imposed under  
9 chapters 437, 438, and 468, taxpayers described in section  
10 437A.8, subsection 6, or facilities or property described in  
11 section 437A.6, subsection 1, paragraphs "a" through "f", and  
12 section 437A.7, subsection 2.

13 Sec. 30. NEW SECTION. 437A.17A CENTRALLY ASSESSED  
14 PROPERTY TAX ADJUSTMENT.

15 A municipal utility whose property tax assessment for the  
16 1998 assessment year was adjusted by the department of revenue  
17 and finance to include depreciation and whose property tax  
18 assessment for the 1997 assessment year did not include  
19 depreciation in determining its assessment shall be entitled  
20 to file a property tax adjustment form provided by the  
21 department. The tax adjustment form shall be filed by July 1,  
22 1999. The tax adjustment form shall include an adjusted  
23 centrally assessed property tax computation determined by  
24 multiplying the centrally assessed property tax which was  
25 payable in the fiscal year beginning July 1, 1998, based upon  
26 valuation determined for the 1997 assessment year allocated to  
27 electric service and natural gas service by the percentage of  
28 adjustment for depreciation made by the department for the  
29 1998 assessment year. The adjusted centrally assessed  
30 property tax allocated to electric service and natural gas  
31 service shall be used to determine the replacement delivery  
32 tax rates in accordance with sections 437A.4 and 437A.5.

33 Sec. 31. Section 437A.19, subsection 2, unnumbered  
34 paragraph 4, Code 1999, is amended to read as follows:

35 Nothing in this chapter shall be interpreted to authorize

1 local taxing districts authorities to exclude from the  
2 calculation of levy rates the adjusted assessed value of  
3 taxpayer property reported to county auditors pursuant to this  
4 subsection.

5 Sec. 32. Section 450.1, Code 1999, is amended by adding  
6 the following new unnumbered paragraph:

7 NEW UNNUMBERED PARAGRAPH. "Real estate or real property"  
8 for the purpose of appraisal under this chapter means real  
9 estate which is the land and appurtenances, including  
10 structures affixed thereto.

11 Sec. 33. Section 450.27, Code 1999, is amended to read as  
12 follows:

13 450.27 COMMISSION TO APPRAISERS.

14 When an appraisal of real estate is requested by the  
15 department of revenue and finance, as provided in section  
16 450.37, or is otherwise required by this chapter, the clerk  
17 shall issue a commission to the appraisers, who shall fix a  
18 time and place for appraisement, except that if the only  
19 interest that is subject to tax is a remainder or deferred  
20 interest upon which the tax is not payable until the  
21 determination of a prior estate or interest for life or term  
22 of years, the clerk shall not issue the commission until the  
23 determination of the prior estate, except at the request of  
24 the department of revenue and finance when the parties in  
25 interest seek to remove an inheritance tax lien. When valuing  
26 the real estate for purposes of inheritance tax, an appraiser  
27 does not have the jurisdiction to determine what property or  
28 partial interests may or may not be subject to tax. Whole  
29 interests in the property should be appraised and the question  
30 of the actual property or partial interest subject to  
31 inheritance tax is to be determined by means of the  
32 administrative procedures pursuant to section 450.94. All  
33 joint property that is to be appraised should be listed at its  
34 full market value. Long-term leases are not considered in  
35 determining the value of property when being appraised.

1     Sec. 34. Section 450.37, subsection 2, unnumbered  
2 paragraph 1, Code 1999, is amended to read as follows:

3     Fair market value of real estate in the ordinary course of  
4 trade shall be established by agreement, including an  
5 agreement to accept the values as finally determined for  
6 federal estate tax purposes. The agreement shall be between  
7 the department of revenue and finance, the personal  
8 representative, and the persons who have an interest in the  
9 property.

10    Sec. 35. Section 452A.74, subsection 8, unnumbered  
11 paragraph 2, Code 1999, is amended to read as follows:

12    A person found guilty of an offense specified in this  
13 section is guilty of a fraudulent practice. ~~For purposes of~~  
14 ~~determining the place of trial, the situs of an offense~~  
15 ~~specified in this section is in the county of the residence of~~  
16 ~~the person charged with the offense. -- However, if the person~~  
17 ~~is a nonresident or the person's residence cannot be~~  
18 ~~determined, the situs of the offense is in Polk county.~~

19 Prosecution for an offense specified in this section shall be  
20 commenced within six years following its commission.

21    Sec. 36. Section 452A.75, unnumbered paragraph 2, Code  
22 1999, is amended to read as follows:

23    ~~In determining the place of trial, the situs of an offense~~  
24 ~~in this section is in the county of the residence of the~~  
25 ~~person charged with the offense. -- However, if the person is a~~  
26 ~~nonresident or the person's residence cannot be determined,~~  
27 ~~the situs of the offense is in Polk county.~~ Prosecution for  
28 an offense specified in this section shall be commenced within  
29 six years following its commission.

30    Sec. 37. Section 803.3, Code 1999, is amended by adding  
31 the following new subsection:

32    NEW SUBSECTION. 6. a. If a person is charged with a  
33 violation of the tax laws arising out of individual tax  
34 liability, venue is in the county of residence of the person  
35 charged with the offense, unless the person is a nonresident

1 of this state or the residence of the person cannot be  
2 established, in which event venue is in Polk county.

3 b. If a person is charged with a violation of the tax laws  
4 arising out of a business, venue is in any county where  
5 business was conducted. If a specific county cannot be  
6 established as a situs, venue is in Polk county.

7 c. If a person is charged with a violation of section  
8 453B.12, venue is in the county of the residence of the person  
9 charged with the offense or the county in which the drugs were  
10 found.

11 d. If a person is charged with a violation of the tax laws  
12 in which venue is set under multiple provisions of this  
13 section, venue is in any county in which one of the charges  
14 may be prosecuted.

15 Sec. 38. 1998 Iowa Acts, chapter 1194, section 38, is  
16 amended by adding the following new subsection:

17 NEW SUBSECTION. 9. Notwithstanding subsections 1 through  
18 8, a municipal utility shall report to the director its  
19 centrally assessed property tax allocated to electric service  
20 and its centrally assessed property tax allocated to natural  
21 gas service for the 1997 assessment year only.

22 Sec. 39. Section 427A.14, Code 1999, is repealed.

23 Sec. 40. EFFECTIVE AND APPLICABILITY DATES.

24 1. Section 4 of this Act, amending section 422.32, is  
25 retroactive to January 1, 1999, for tax years beginning on or  
26 after that date.

27 2. Sections 21 through 29, 31, and 38 of this Act,  
28 amending sections related to the replacement taxes on  
29 electricity and natural gas providers, take effect July 1,  
30 1999.

31 3. Section 30 of this Act, establishing new section  
32 437A.17A, being deemed of immediate importance, takes effect  
33 upon enactment.

34 4. Sections 32 through 34 of this Act, amending sections  
35 450.1, 450.27, and 450.37, take effect July 1, 1999, for

1 estates of decedents dying on or after that date.

2 5. Except as otherwise provided in this section, this Act,  
3 being deemed of immediate importance, takes effect upon  
4 enactment.

5 EXPLANATION

6 The bill amends various provisions of state tax law. The  
7 amendments that are not just eliminating obsolete provisions  
8 are as follows:

9 Code section 421.17, subsection 34, paragraph "c", is  
10 amended to allow the department of revenue and finance to  
11 utilize a participating agency's collection powers to collect  
12 the participating agency's delinquent accounts, charges, fees,  
13 loans, taxes, or other indebtedness owed to or being collected  
14 by the state.

15 Code sections 422.25, subsection 9, 422.58, subsection 6,  
16 423.18, subsection 4, 424.17, subsection 4, 425.29, 452A.74,  
17 subsection 8, 452A.75, and 803.3 are amended or created to  
18 consolidate all provisions relating to the venue of tax  
19 prosecutors into one section in the criminal procedures  
20 portion of the Iowa Code (section 803.3). It provides that  
21 persons being prosecuted for tax violations such as sales,  
22 withholding, motor fuel, and use tax arising out of operation  
23 of a business may be prosecuted where the business operates  
24 rather than in each person's county of residence. In  
25 addition, it provides that venue for drug tax stamp violation  
26 is either in the county of the person's residence or the  
27 county in which the drugs were located.

28 Code section 422.32, subsection 2, is amended to clarify  
29 that gain or loss from the disposition of property is business  
30 income even if it is only operationally related to sources  
31 within and without this state. For example, royalties for the  
32 use of a trademark within or without Iowa are considered  
33 business income subject to apportionment, however, the current  
34 statute does not specifically provide that the gain on the  
35 sale of the trademark is subject to apportionment.

1 Code section 422.42, subsections 6 and 18, are amended to  
2 remove the requirement that for services to be exempt from  
3 sales tax, the services must be performed on property for use  
4 in taxable retail sales.

5 Code section 422.53 is amended to provide that persons  
6 engaged in selling tangible personal property or providing  
7 services are not required to obtain a sales tax permit if they  
8 make no taxable sales.

9 Code section 422.68, subsection 4, is amended to allow the  
10 department of revenue and finance to make and store electronic  
11 copies of documents.

12 Code section 422.72, subsection 6, unnumbered paragraph 2,  
13 is amended by striking the term "and penalties", which is  
14 superfluous language.

15 Code section 425.17, subsections 2, 4, 5, and 6, are  
16 amended to modify provisions related to the low-income elderly  
17 and disabled property tax credit and rent reimbursement.  
18 Subsection 2 is amended to delete the surviving spouse  
19 eligibility class for purposes of qualifying for property tax  
20 credit and rent reimbursement benefits. This eligibility  
21 class was phased out over a 10-year time period ending in  
22 1998. Subsection 2 is also amended to delete the requirement  
23 that a claimant live in Iowa for the entire base year to be  
24 eligible to claim benefits. Presently, a person who moves  
25 into Iowa during the base year is not eligible for benefits  
26 even though the person paid rent or will pay property taxes.  
27 Subsections 2 and 4 are amended to delete the requirement that  
28 the person occupy the property during the base year to qualify  
29 for tax credit benefits. Presently, a person can be  
30 ineligible to claim a credit for property taxes the person is  
31 required to pay. Subsections 2 and 5 are amended to permit  
32 more than one eligible person to file a claim for credit or  
33 reimbursement based on their individual incomes and rent or  
34 property taxes paid if living in the same homestead.  
35 Presently, an eligible person is denied the credit or

1 reimbursement if another eligible person living in the same  
2 homestead files first. Subsection 6 is amended to delete  
3 unnecessary language.

4 Code section 425.19 is amended to change the date for the  
5 department of revenue and finance to reimburse counties for  
6 the amount of property tax credit claims from February 15 to  
7 June 15.

8 Code section 425.21 is amended to provide that claims for  
9 rent reimbursement may be applied to any delinquent accounts,  
10 loans, fees, or other debts owed the state. The present  
11 statute only allows credit to debts owed to the department of  
12 revenue and finance.

13 Code section 427.1, subsection 16, is amended to provide  
14 that when the director issues an order revoking or modifying a  
15 tax exemption, the order is applicable to the tax year  
16 commencing with the tax year in which the application for  
17 revocation or modification is made.

18 Code section 435.22, subsection 2, is amended to permit a  
19 claim for a reduction in the mobile home tax to be filed on  
20 behalf of a deceased person.

21 Code section 435.22, subsection 5, is amended to delete the  
22 requirement that a claimant for a mobile home reduced tax rate  
23 intended to live in the mobile home for six months or more  
24 during the year.

25 Code sections 437A.3, subsection 13; 437A.10, subsection 2;  
26 437A.14, subsections 4 and 5; 437A.15, subsection 7; and  
27 437A.19, subsection 2, are amended to change the references to  
28 taxing district to taxing authority since a taxing district is  
29 a geographic area with a common consolidated levy and taxing  
30 authority refers to the specific taxing bodies, e.g., city,  
31 county, school district.

32 Code section 437A.3, subsection 19, is amended to  
33 redesignate natural gas competitive service areas.

34 Code section 437A.3, subsection 28, is amended to make  
35 clear that the replacement tax is an excise tax.

1 Code section 437A.7, subsection 2, is amended to better  
2 express the intent of exempting transmission lines owned by or  
3 leased to a lessor if those lines are subject to the  
4 replacement transmission tax payable by the lessor.

5 Code section 437A.16 is amended to make clear that all  
6 property directly and primarily used in the production,  
7 generation, transmission, or delivery of electricity or  
8 natural gas which is subject to a replacement tax is exempt  
9 from taxation.

10 New Code section 437A.17A is enacted to provide for an  
11 adjustment in the property taxes paid during the 1998-1999  
12 fiscal year if the taxes were based upon valuation which did  
13 correct for depreciation. The amount of property taxes paid  
14 is the basis for replacement delivery tax rates.

15 Code sections 450.1, 450.27, and 450.37 are amended to  
16 provide that under the Iowa inheritance tax, commissioned  
17 appraisers may appraise real property based on fee simple.  
18 When valuing property, appraisers do not have jurisdiction to  
19 determine what property or interest in property is subject to  
20 tax. Joint property is to be appraised at full-market value  
21 and long-term leases are not to be considered in determining  
22 value of appraised property.

23 The amendment to 1999 Iowa Acts, chapter 1194, section 38,  
24 is to eliminate the unnecessary requirement for municipal  
25 utilities to report their property taxes based upon valuations  
26 determined in the 1993 through 1997 assessment years. Only  
27 the valuation for the 1997 assessment year is required for  
28 purposes of calculating the replacement delivery tax rates.

29 The bill contains effective and retroactive applicability  
30 date provisions.

31  
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35

## AN ACT

RELATING TO THE ADMINISTRATION OF THE STATE INDIVIDUAL INCOME TAX, CORPORATE INCOME TAX, SALES AND USE TAXES, FRANCHISE TAX, REPLACEMENT TAXES ON ELECTRIC AND NATURAL GAS PROVIDERS, MOTOR FUEL TAXES, INHERITANCE AND ESTATE TAXES, PROPERTY TAXES, COLLECTION OF TAXES AND DEBTS OWED TO OR COLLECTED BY THE STATE, AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

Section 1. Section 421.17, subsection 34, paragraph c, Code 1999, is amended to read as follows:

c. The director shall establish a formal debt collection policy for use by state agencies which have not established their own policy. Other state agencies may use the collection facilities of the department pursuant to formal agreement with the department. The agreement shall provide that the information provided to the department shall be sufficient to establish the obligation in a court of law and to render it as a legal judgment on behalf of the state. After transferring the file to the department for collection, an individual state agency shall terminate all collection procedures and be available to provide assistance to the department. Upon receipt of the file, the department shall assume all liability for its actions without recourse to the agency, and shall comply with all applicable state and federal laws governing collection of the debt. The department may use a participating agency's statutory collection authority to collect the participating agency's delinquent accounts,

charges, fees, loans, taxes, or other indebtedness owed to or being collected by the state. The department has the powers granted in this section regarding setoff from income tax refunds or other accounts payable by the state for any of the obligations transferred by state agencies.

Sec. 2. Section 422.4, subsection 17, paragraph c, Code 1999, is amended by striking the paragraph.

Sec. 3. Section 422.25, subsection 9, Code 1999, is amended by striking the subsection.

Sec. 4. Section 422.32, subsection 2, unnumbered paragraph 1, Code 1999, is amended to read as follows:

"Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business; or income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations; or gain or loss resulting from the sale, exchange, or other disposition of real property or of tangible or intangible personal property, if the property whole owned by the taxpayer was operationally related to the taxpayer's trade or business carried on in Iowa or operationally related to sources within Iowa, or the property was operationally related to sources outside this state and to the taxpayer's trade or business carried on in Iowa; or gain or loss resulting from the sale, exchange, or other disposition of stock in another corporation if the activities of the other corporation were operationally related to the taxpayer's trade or business carried on in Iowa while the stock was owned by the taxpayer. A taxpayer may have more than one regular trade or business in determining whether income is business income.

Sec. 5. Section 422.42, subsections 6 and 18, Code 1999, are amended to read as follows:

6. "Gross taxable services" means the total amount received in money, credits, property, or other consideration, valued in money, from services rendered, furnished, or performed in this state except where such the service is

performed on tangible personal property delivered into interstate commerce or is used in processing of tangible personal property for use in taxable retail sales or services and embraced within the provisions of this division. However, the taxpayer may take credit in the taxpayer's report of gross taxable services for an amount equal to the value of services rendered, furnished, or performed when the full value of such these services thereof is refunded either in cash or by credit. Taxes paid on gross taxable services represented by accounts found to be worthless and actually charged off for income tax purposes may be credited upon a subsequent payment of the tax due hereunder, but if any such accounts are thereafter collected by the taxpayer, a tax shall be paid upon the amounts so collected.

18. "Services" means all acts or services rendered, furnished, or performed, other than services performed on tangible personal property delivered into interstate commerce, or services used in processing of tangible personal property for use in taxable retail sales or services, for an "employer" as defined in section 422.4, subsection 3, for a valuable consideration by any person engaged in any business or occupation specifically enumerated in this division. The tax shall be due and collectible when the service is rendered, furnished, or performed for the ultimate user thereof of the services.

"Services used in the processing of tangible personal property" includes the reconditioning or repairing of tangible personal property of the type normally sold in the regular course of the retailer's business and which is held for sale.

Sec. 6. Section 422.45, subsection 41, unnumbered paragraph 2, Code 1999, is amended by striking the unnumbered paragraph.

Sec. 7. Section 422.53, subsection 6, Code 1999, is amended by adding the following new unnumbered paragraph:  
NEW UNNUMBERED PARAGRAPH. Persons engaged in selling tangible personal property or performing services shall not be

required to obtain or retain a sales tax permit for a place of business at which taxable sales of tangible personal property or taxable performance of services will not occur.

Sec. 8. Section 422.58, subsection 6, Code 1999, is amended by striking the subsection.

Sec. 9. Section 422.68, subsection 4, Code 1999, is amended to read as follows:

4. The department may make photostat, microfilm, electronic, or other photographic copies of records, reports and other papers either filed by the taxpayer or prepared by the department. When such these photostat, electronic, or microfilm copies have been made, the department may destroy such the original records in such manner as prescribed by the director. Such These photostat, electronic, or microfilm copies, when no longer of use, may be destroyed as provided in subsection 3. Such These photostat, microfilm, electronic, or other photographic records shall be admissible in evidence when duly certified and authenticated by the officer having custody and control thereof of them.

Sec. 10. Section 422.72, subsection 6, unnumbered paragraph 2, Code 1999, is amended to read as follows:

City or county employees designated to have access to information under this subsection are deemed to be officers and employees of the state for purposes of the restrictions and ~~penalties~~ pursuant to subsection 1 pertaining to confidential information. The department may refuse to enter into a written informational exchange agreement if the city or county does not agree to pay the actual cost of providing the information and the department may refuse to abide by a written informational exchange agreement if the city or county does not promptly pay the actual cost of providing the information or take reasonable precautions to protect the information's confidentiality.

Sec. 11. Section 423.18, subsection 4, Code 1999, is amended by striking the subsection.

Sec. 12. Section 424.17, subsection 4, Code 1999, is amended by striking the subsection.

Sec. 13. Section 425.17, subsections 2, 4, 5, and 6, Code 1999, are amended to read as follows:

2. "Claimant" means either of the following:

a. A person filing a claim for credit or reimbursement under this division who has attained the age of sixty-five years on or before December 31 of the base year, ~~who is a surviving spouse having attained the age of fifty-five years on or before December 31, 1988,~~ or who is totally disabled and was totally disabled on or before December 31 of the base year, ~~and was domiciled in this state during the entire base year,~~ and is domiciled in this state at the time the claim is filed or at the time of the person's death in the case of a claim filed by the executor or administrator of the claimant's estate.

b. A person filing a claim for credit or reimbursement under this division who has attained the age of twenty-three years on or before December 31 of the base year or was a head of household on December 31 of the base year, as defined in the Internal Revenue Code, but has not attained the age or disability status described in paragraph "a", ~~and was domiciled in this state during the entire base year,~~ and is domiciled in this state at the time the claim is filed or at the time of the person's death in the case of a claim filed by the executor or administrator of the claimant's estate, and was not claimed as a dependent on any other person's tax return for the base year.

"Claimant" under paragraph "a" or "b" includes a vendee in possession under a contract for deed and may include one or more joint tenants or tenants in common. In the case of a claim for rent constituting property taxes paid, the claimant shall have rented the property during any part of the base year. In the case of a claim for property taxes due, the claimant shall have occupied the property during any part of the fiscal year beginning July 1 of the base year. If a

homestead is occupied by two or more persons, and more than one person is able to qualify as a claimant, the persons may ~~determine among them who will be the claimant~~ each file a claim based upon each person's income and rent constituting property taxes paid or property taxes due. ~~If they are unable to agree, the matter shall be referred to the director of revenue and finance not later than June 1 of each year and the director's decision is final.~~

4. "Homestead" means the dwelling owned or rented and actually used as a home by the claimant during ~~all or part of the base year~~ the period specified in subsection 2, and so much of the land surrounding it including one or more contiguous lots or tracts of land, as is reasonably necessary for use of the dwelling as a home, and may consist of a part of a multidwelling or multipurpose building and a part of the land upon which it is built. It does not include personal property except that a mobile home may be a homestead. Any dwelling or a part of a multidwelling or multipurpose building which is exempt from taxation does not qualify as a homestead under this division. However, solely for purposes of claimants living in a property and receiving reimbursement for rent constituting property taxes paid immediately before the property becomes tax exempt, and continuing to live in it after it becomes tax exempt, the property shall continue to be classified as a homestead. A homestead must be located in this state. When a person is confined in a nursing home, extended-care facility, or hospital, the person shall be considered as occupying or living in the person's homestead if the person is the owner of the homestead and the person maintains the homestead and does not lease, rent, or otherwise receive profits from other persons for the use of the homestead.

5. "Household" means a claimant, ~~spouse, and any person related to the claimant or spouse by blood, marriage, or adoption~~ and the claimant's spouse if living with the claimant at any time during the base year. "Living with" refers to domicile and does not include a temporary visit.

6. "Household income" means all income of the claimant and the claimant's spouse in a household and actual monetary contributions received from any other ~~household-member-or nonmember~~ person living with the claimant during their respective twelve-month income tax accounting periods ending with or during the base year.

Sec. 14. Section 425.19, Code 1999, is amended to read as follows:

425.19 CLAIM AND CREDIT OR REIMBURSEMENT.

Subject to the limitations provided in this division, a claimant may annually claim a credit for property taxes due during the fiscal year next following the base year or claim a reimbursement for rent constituting property taxes paid in the base year. The amount of the credit for property taxes due for a homestead shall be paid on ~~February~~ June 15 of each year by the director to the county treasurer who shall credit the money received against the amount of the property taxes due and payable on the homestead of the claimant and the amount of the reimbursement for rent constituting property taxes paid shall be paid to the claimant from the state general fund on or before December 31 of each year.

Sec. 15. Section 425.21, Code 1999, is amended to read as follows:

425.21 SATISFACTION OF OUTSTANDING TAX LIABILITIES.

The amount of any claim for credit or reimbursement payable under this division may be applied by the department of revenue and finance against any tax liability, delinquent accounts, charges, loans, fees, or other indebtedness due the state or state agency that have formal agreements with the department for central debt collection, outstanding on the books of the department against the claimant, or against a spouse who was a member of the claimant's household in the base year.

Sec. 16. Section 425.29, Code 1999, is amended to read as follows:

425.29 FALSE CLAIM -- PENALTY.

A person who makes a false affidavit for the purpose of obtaining credit or reimbursement provided for in this division or who knowingly receives the credit or reimbursement without being legally entitled to it or makes claim for the credit or reimbursement in more than one county in the state without being legally entitled to it is guilty of a fraudulent practice. ~~Prosecution under this section shall be brought in the county of residence of the person to be charged.~~ The claim for credit or reimbursement shall be disallowed in full and if the claim has been paid the amount shall be recovered in the manner provided in section 425.27. The director of revenue and finance shall send a notice of disallowance of the claim.

Sec. 17. Section 427.1, subsection 16, Code 1999, is amended to read as follows:

16. REVOKING EXEMPTION. Any taxpayer or any taxing district may make application to the director of revenue and finance for revocation for any exemption, based upon alleged violations of this chapter. The director of revenue and finance may also on the director's own motion set aside any exemption which has been granted upon property for which exemption is claimed under this chapter. The director of revenue and finance shall give notice by mail to the taxpayer or taxing district applicant and to the societies or organizations claiming an exemption upon property, exemption of which is questioned before or by the director of revenue and finance and shall hold a hearing prior to issuing any order for revocation. An order made by the director of revenue and finance revoking or modifying an exemption shall be applicable to the tax year commencing with the tax year in which the application is made to the director of revenue and finance. An order made by the director of revenue and finance revoking or modifying an exemption is subject to judicial review in accordance with chapter 17A, the Iowa administrative procedure Act. Notwithstanding the terms of that Act, petitions for judicial review may be filed in the district

court having jurisdiction in the county in which the property is located, and must be filed within thirty days after any order revoking an exemption is made by the director of revenue and finance.

Sec. 18. Section 427A.12, subsection 6, Code 1999, is amended to read as follows:

~~6. The amount due each taxing district shall be paid in the form of warrants payable to the respective county treasurers by the director of revenue and finance on May 15 of each fiscal year, taking into consideration the relative budget and cash position of the state resources. For the fiscal year beginning July 17, 1985, and ending June 30, 1986, and for each succeeding~~ For each fiscal year the amount due each taxing district shall be paid in the form of warrants payable to the respective county treasurers by the director of revenue and finance on July 15 and May 15 of that fiscal year, taking into consideration the relative budget and cash position of the state resources. The July 15 payment shall be equal to the amount paid on May 15 of the preceding fiscal year and the payments received shall be an account receivable for each taxing district for the preceding fiscal year. The May 15 payment is equal to one-half of the amount of the additional personal property tax credit payable for the fiscal year. The county treasurer shall pay the proceeds to the various taxing districts in the county.

Sec. 19. Section 435.22, subsection 2, unnumbered paragraph 2, Code 1999, is amended to read as follows:

For purposes of this subsection "income" means income as defined in section 425.17, subsection 7, and "base year" means the calendar year preceding the year in which the claim for a reduced rate of tax is filed. The home reduced rate of tax shall only be allowed on the home in which the claimant is residing at the time in which the claim for a reduced rate of tax is filed or was residing at the time of the claimant's death in the case of a claim filed on behalf of a deceased claimant by the claimant's legal guardian, spouse, or

attorney, or by the executor or administrator of the claimant's estate.

Sec. 20. Section 435.22, subsection 5, unnumbered paragraph 1, Code 1999, is amended to read as follows:

A claim for credit for mobile home tax due shall not be paid or allowed unless the claim is actually filed with the county treasurer between January 1 and June 1, both dates inclusive, immediately preceding the fiscal year during which the home taxes are due and, ~~with the exception of a claim filed on behalf of a deceased claimant by the claimant's legal guardian, spouse, or attorney, or by the executor or administrator of the claimant's estate, contains an affidavit of the claimant's intent to occupy the home for six months or more during the fiscal year beginning in the calendar year in which the claim is filed.~~ However, in case of sickness, absence, or other disability of the claimant, or if in the judgment of the county treasurer good cause exists, the county treasurer may extend the time for filing a claim for credit through September 30 of the same calendar year. The county treasurer shall certify to the director of revenue and finance on or before November 15 each year the total dollar amount due for claims allowed.

Sec. 21. Section 437A.3, subsection 13, Code 1999, is amended to read as follows:

13. "Local taxing district authority" means a city, county, community college, school district, or other taxing district authority located in this state and authorized to certify a levy on property located within such district authority for the payment of bonds and interest or other obligations of such district authority.

13A. "Local taxing district" means a geographic area with a common consolidated property tax rate.

Sec. 22. Section 437A.3, subsection 19, paragraph a, subparagraph (2), Code 1999, is amended to read as follows:

(2) The natural gas competitive service area, excluding any municipal natural gas competitive service area described

in subparagraph (1) and consisting of Sioux county; Plymouth county; Woodbury county; Ida county; Harrison county; Shelby county; Audubon county; Palo Alto county; Humboldt county; Mahaska county; Scott county; Lyon county except Wheeler, Dale, Liberal, Grant, Midland, and Elgin townships; O'Brien county except Union, Dale, Summit, Highland, Franklin, and Center townships; Cherokee county except Cherokee and Pilot townships; Monona county except Franklin township and the south half of Ashton township; Pottawattamie county except Crescent, Hazel Dell, Lake, Garner, Kane, and Lewis townships; Mills county except Glenwood and Center townships; Montgomery county except Douglas, Washington, and East townships; Page county except Valley, Douglas, Nodaway, Nebraska, Harlan, East River, Amity, and Buchanan townships; Fremont county except Green, Scott, Sidney, Benton, Washington, and Madison townships; Brighton and Pleasant townships in Cass county; Sac county except Clinton, Wall Lake, Coon Valley, Levey, Viola, and Sac townships; Newell township in Buena Vista county; Calhoun county except Reading township; Denmark township in Emmet county; Kossuth county except Eagle, Grant, Springfield, Hebron, Swea, Harrison, Ledyard, Lincoln, Seneca, Greenwood, Ramsey, and German townships; Webster county except Roland, Clay, Burnside, Yell, Webster, Gowrie, Lost Grove, Dayton, and Hardin townships; Guthrie county except Grant, Thompson, and Beaver townships; Union township in Union county; Madison county except Ohio and New Hope townships; Warren county except Virginia, Squaw, Liberty, and White Breast townships; Cedar, Union, Bluff Creek, and Pleasant townships in Monroe county; Marion county except Lake Prairie, Knoxville, Summit, and Union townships; Dallas county except Des Moines and Grant townships; Polk county except sections 4, 5, 6, 7, 8, 9, 16, 17, and 18 in Lincoln township and the city of Grimes, and sections 1, 2, 3, 10, 11, 12, 13, 14, and 15 in Union township; Poweshiek, Washington, Mound Prairie, Des Moines, Elk Creek, and Fairview townships in Jasper county; Wright county except Belmont and Pleasant townships; Geneseo township

in Cerro Gordo county; Franklin county except Wisner and Scott townships and the city of Coulter; Butler county except Bennezzette, Coldwater, Dayton, and Fremont townships; Floyd county except Rock Grove, Rudd, Rockford, Ulster, Scott, and Union townships; Branford township in Chickasaw county; Bremer county except Frederika, LeRoy, Sumner No. 2, Fremont, Dayton, Maxfield, and Franklin townships; Perry, Washington, Westburg, and Sumner townships in Buchanan county; Black Hawk county except Big Creek township; Fremont township in Benton county; Wapello county except Washington township; Benton and Steady Run townships in Keokuk county; the city of Barnes City in Poweshiek county; Iowa township in Washington county; Johnson county except Fremont township; Linn county except Franklin, Grant, Spring Grove, Jackson, Boulder, and Washington townships; ~~Monroe township west and north of Otter creek and County Home road; and Otter Creek, Maine, Buffalo, and Fayette and Clinton~~ townships; Monroe township west and north of Otter Creek to its intersection with County Home road, and north of County Home road in Linn county; the city of Walford in Linn county; Farmington township in Cedar county; Wapsinonoc, Goshen, Moscow, Wilton, and Fulton townships in Muscatine county; and Lee county except Des Moines, Montrose, Keokuk, and Jackson townships.

Sec. 23. Section 437A.3, subsection 28, Code 1999, is amended to read as follows:

28. "Transfer replacement tax" means the excise tax imposed in a competitive service area of a municipal utility which replaces transfers made by the municipal utility in accordance with section 384.89.

Sec. 24. Section 437A.7, subsection 2, paragraph b, Code 1999, is amended by striking the paragraph and inserting in lieu thereof the following:

b. Transmission lines owned by or leased to a lessor when the transmission lines are subject to the replacement transmission tax payable by the lessee or sublessee.

Sec. 25. Section 437A.10, subsection 2, Code 1999, is amended to read as follows:

2. For cause and upon a showing by the director that collection of the tax in dispute is in doubt, the court may order the petitioner to file with the clerk of the district court a bond for the use of the appropriate local taxing ~~districts~~ authorities, with sureties approved by the clerk of the district court, in the amount of the tax appealed from, conditioned upon the performance by the petitioner of any orders of the court.

Sec. 26. Section 437A.14, subsection 4, unnumbered paragraph 1, Code 1999, is amended to read as follows:

Notwithstanding subsections 2 and 3, the chief financial officer of any local taxing ~~district~~ authority and any designee of such officer shall have access to any computations made by the director pursuant to the provisions of this chapter, and any tax return or other information used by the director in making such computations, which affect the replacement tax owed by any such taxpayer.

Sec. 27. Section 437A.14, subsection 5, Code 1999, is amended to read as follows:

5. Local taxing ~~district~~ authority employees are deemed to be officers and employees of the state for purposes of subsection 2.

Sec. 28. Section 437A.15, subsection 7, unnumbered paragraph 2, Code 1999, is amended to read as follows:

The task force shall study the effects of the replacement tax on local taxing authorities, local taxing districts, consumers, and taxpayers and the department of management shall report to the general assembly by January 1 of each year through January 1, 2003, the results of the study and the specific recommendations of the task force for modifications to the replacement tax, if any, which will further the purposes of tax neutrality for local taxing authorities, local taxing districts, taxpayers, and consumers, consistent with the stated purposes of this chapter. The department of

management shall also report to the legislative council by November 15 of each year through 2002, the status of the task force study and any recommendations.

Sec. 29. Section 437A.16, Code 1999, is amended to read as follows:

437A.16 ASSESSMENT EXCLUSIVE.

All operating property and all other property that is primarily and directly used in the production, generation, transmission, or delivery of electricity or natural gas ~~owned by or leased to a person~~ subject to ~~taxation under this chapter~~ replacement tax or transfer replacement tax is exempt from taxation except as otherwise provided by this chapter. This exemption shall not extend to taxes imposed under chapters 437, 438, and 468, taxpayers described in section 437A.8, subsection 6, or facilities or property described in section 437A.6, subsection 1, paragraphs "a" through "f", and section 437A.7, subsection 2.

Sec. 30. NEW SECTION. 437A.17A CENTRALLY ASSESSED PROPERTY TAX ADJUSTMENT.

A municipal utility whose property tax assessment for the 1998 assessment year was adjusted by the department of revenue and finance to include depreciation and whose property tax assessment for the 1997 assessment year did not include depreciation in determining its assessment shall be entitled to file a property tax adjustment form provided by the department. The tax adjustment form shall be filed by July 1, 1999. The tax adjustment form shall include an adjusted centrally assessed property tax computation determined by multiplying the centrally assessed property tax which was payable in the fiscal year beginning July 1, 1998, based upon valuation determined for the 1997 assessment year allocated to electric service and natural gas service by the percentage of adjustment for depreciation made by the department for the 1998 assessment year. The adjusted centrally assessed property tax allocated to electric service and natural gas service shall be used to determine the replacement delivery tax rates in accordance with sections 437A.4 and 437A.5.

Sec. 31. Section 437A.19, subsection 2, unnumbered paragraph 4, Code 1999, is amended to read as follows:

Nothing in this chapter shall be interpreted to authorize local taxing districts authorities to exclude from the calculation of levy rates the adjusted assessed value of taxpayer property reported to county auditors pursuant to this subsection.

Sec. 32. Section 450.1, Code 1999, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. "Real estate or real property" for the purpose of appraisal under this chapter means real estate which is the land and appurtenances, including structures affixed thereto.

Sec. 33. Section 450.27, Code 1999, is amended to read as follows:

450.27 COMMISSION TO APPRAISERS.

When an appraisal of real estate is requested by the department of revenue and finance, as provided in section 450.37, or is otherwise required by this chapter, the clerk shall issue a commission to the appraisers, who shall fix a time and place for appraisal, except that if the only interest that is subject to tax is a remainder or deferred interest upon which the tax is not payable until the determination of a prior estate or interest for life or term of years, the clerk shall not issue the commission until the determination of the prior estate, except at the request of the department of revenue and finance when the parties in interest seek to remove an inheritance tax lien. When valuing the real estate for purposes of inheritance tax, an appraiser does not have the jurisdiction to determine what property or partial interests may or may not be subject to tax. Whole interests in the property should be appraised and the question of the actual property or partial interest subject to inheritance tax is to be determined by means of the administrative procedures pursuant to section 450.94. All joint property that is to be appraised should be listed at its

full market value. Long-term leases are not considered in determining the value of property when being appraised.

Sec. 34. Section 450.37, subsection 2, unnumbered paragraph 1, Code 1999, is amended to read as follows:

Fair market value of real estate in the ordinary course of trade shall be established by agreement, including an agreement to accept the values as finally determined for federal estate tax purposes. The agreement shall be between the department of revenue and finance, the personal representative, and the persons who have an interest in the property.

Sec. 35. Section 452A.74, subsection 8, unnumbered paragraph 2, Code 1999, is amended to read as follows:

A person found guilty of an offense specified in this section is guilty of a fraudulent practice. ~~For purposes of determining the place of trial, the situs of an offense specified in this section is in the county of the residence of the person charged with the offense. However, if the person is a nonresident or the person's residence cannot be determined, the situs of the offense is in Polk county.~~ Prosecution for an offense specified in this section shall be commenced within six years following its commission.

Sec. 36. Section 452A.75, unnumbered paragraph 2, Code 1999, is amended to read as follows:

~~In determining the place of trial, the situs of an offense in this section is in the county of the residence of the person charged with the offense. However, if the person is a nonresident or the person's residence cannot be determined, the situs of the offense is in Polk county.~~ Prosecution for an offense specified in this section shall be commenced within six years following its commission.

Sec. 37. Section 803.3, Code 1999, is amended by adding the following new subsection:

NEW SUBSECTION. 6. a. If a person is charged with a violation of the tax laws arising out of individual tax liability, venue is in the county of residence of the person

charged with the offense, unless the person is a nonresident of this state or the residence of the person cannot be established, in which event venue is in Polk county.

b. If a person is charged with a violation of the tax laws arising out of a business, venue is in any county where business was conducted. If a specific county cannot be established as a situs, venue is in Polk county.

c. If a person is charged with a violation of section 453B.12, venue is in the county of the residence of the person charged with the offense or the county in which the drugs were found.

d. If a person is charged with a violation of the tax laws in which venue is set under multiple provisions of this section, venue is in any county in which one of the charges may be prosecuted.

Sec. 38. 1998 Iowa Acts, chapter 1194, section 38, is amended by adding the following new subsection:

NEW SUBSECTION. 9. Notwithstanding subsections 1 through 8, a municipal utility shall report to the director its centrally assessed property tax allocated to electric service and its centrally assessed property tax allocated to natural gas service for the 1997 assessment year only.

Sec. 39. Section 427A.14, Code 1999, is repealed.

Sec. 40. EFFECTIVE AND APPLICABILITY DATES.

1. Section 4 of this Act, amending section 422.32, is retroactive to January 1, 1999, for tax years beginning on or after that date.

2. Sections 21 through 29, 31, and 38 of this Act, amending sections related to the replacement taxes on electricity and natural gas providers, take effect July 1, 1999.

3. Section 30 of this Act, establishing new section 437A.17A, being deemed of immediate importance, takes effect upon enactment.

4. Sections 32 through 34 of this Act, amending sections 450.1, 450.27, and 450.37, take effect July 1, 1999, for estates of decedents dying on or after that date.

5. Except as otherwise provided in this section, this Act, being deemed of immediate importance, takes effect upon enactment.

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MARY E. KRAMER  
President of the Senate

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BRENT SIEGRIST  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 473, Seventy-eighth General Assembly.

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MICHAEL E. MARSHALL  
Secretary of the Senate

Approved May 20, 1999

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THOMAS J. VILSACK  
Governor