

REVENUE DEPARTMENT[701]

Adopted and Filed

Rulemaking related to local option sales tax urban renewal projects

The Revenue Department hereby rescinds Chapter 274, “Local Option Sales Tax Urban Renewal Projects,” Iowa Administrative Code, and adopts a new chapter with the same title.

Legal Authority for Rulemaking

This rulemaking is adopted under the authority provided in Iowa Code sections 421.14 and 423B.7.

State or Federal Law Implemented

This rulemaking implements, in whole or in part, Iowa Code sections 423.2A, 423B.1, 423B.7 and 423B.10.

Purpose and Summary

The purpose of this rulemaking is to readopt Chapter 274. The chapter provides the Department’s rules for administering the Local Option Sales Tax (LOST) Urban Renewal Projects. The rules provide explanations to local governments and the public about the process for the calculation, collection, and distribution of funds used for the projects as well as the information required of local governments to assist the Department in this process. The Department revised the rules to remove portions that the Department has determined are unnecessary, obsolete, or duplicative of statutory language. The Department also renumbered some rules due to the other edits and for organizational reasons.

Public Comment and Changes to Rulemaking

Notice of Intended Action for this rulemaking was published in the Iowa Administrative Bulletin on December 13, 2023, as **ARC 7152C**. A public hearing was held on the following date(s):

- January 3, 2024

Public comment was received. The Iowa Taxpayers’ Association President and CEO Thomas R. Sands provided written comments asking why the Department eliminated examples from this chapter. The Department determined the prior examples did not reflect current practice. Anyone with questions relating to urban renewal projects should contact the Department to receive individualized assistance. The Department did not make any changes based on this comment.

No changes from the Notice have been made.

Adoption of Rulemaking

This rulemaking was adopted by the Department on June 24, 2024.

Fiscal Impact

This rulemaking has no fiscal impact to the State of Iowa.

Jobs Impact

After analysis and review of this rulemaking, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rulemaking would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rulemaking by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rulemaking at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

Effective Date

This rulemaking will become effective on August 28, 2024.

The following rulemaking action is adopted:

ITEM 1. Rescind 701—Chapter 274 and adopt the following **new** chapter in lieu thereof:

CHAPTER 274
LOCAL OPTION SALES TAX URBAN RENEWAL PROJECTS

701—274.1(423B) Purpose and definitions. This chapter sets forth the department of revenue's rules on administration of the calculation, collection, and distribution of funds to be deposited for use to fund urban renewal projects as described in Iowa Code chapter 423B. For purposes of this chapter, "local sales and service tax" means the local tax imposed by a jurisdiction pursuant to an election authorized by Iowa Code section 423B.1 and described in Iowa Code section 423B.5. All other terms have the same meaning as defined in Iowa Code sections 423B.1 and 423B.10.

701—274.2(423B) Establishing sales and revenue growth. For purposes of establishing the sales amount in the base year and the revenue growth in subsequent fiscal years, the department will calculate sales as described in Iowa Code section 423B.10(3).

701—274.3(423B) Requirements for cities adopting an ordinance.

274.3(1) Within at least 90 days following the adoption of an ordinance, an eligible city must notify the director of the department of revenue of its intent to pursue funding for an urban renewal project based upon the increase in local sales and services tax revenue. The notification must include the following information:

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

274.3(2) Each urban renewal area must have its own separate ordinance, and the department shall be notified separately for each urban renewal area. Notification shall be mailed or otherwise submitted to: Director, Iowa Department of Revenue, Hoover State Office Building, 1305 E. Walnut Street, Des Moines, Iowa 50319.

274.3(3) Each urban renewal area must have its own separate resolution of the board of supervisors from each county from which local option sales and services tax revenues will be collected and used for urban renewal projects located within the urban renewal area.

701—274.4(423B) Identification of retail establishments. The eligible city shall assist the department of revenue in identifying retail establishments in the urban renewal area that are collecting the local sales and services tax. The department of revenue will identify sales tax permit holders within the urban renewal area using the geographic information system boundary file, if available, provided to the department. If no boundary file is provided, the department will rely upon the map submitted by the eligible city. If any of the urban renewal area boundaries submitted are street centerlines, the information provided to the department shall indicate whether only retail establishments within the bounded area should be considered part of the urban renewal area, or if in addition to the retail establishments within the bounded area, retail establishments immediately adjacent to the bounded area should also be included.

701—274.5(423B) Calculation of base year taxable sales amount. The calculation of the base year taxable sales amount is as follows:

274.5(1) The base year taxable sales and services amount will be the total taxable sales and services subject to the local sales and services tax that are made by retail establishments within the urban renewal area during the base year.

274.5(2) Taxable sales of tangible personal property and services that are subject to the local sales and services tax that are made by retail establishments or service providers located within the urban renewal area include only those sales that are sourced to the county in which the urban renewal area is located.

274.5(3) Those sales made by retail establishments or service providers located within the urban renewal area that are sourced outside of the county are not subject to the local sales and services tax. For sourcing rules, more information can be found in Iowa Code section 423.15 and 701—Chapter 205.

701—274.6(423B) Determination of tax growth increment amount. The local sales and services tax growth increment amount for the urban renewal area will be computed for each fiscal year following the base year. The annual local option sales and services tax growth increment amount is equal to the current year taxable sales and services subject to the local sales and services tax that are made by retail establishments located in the urban renewal area minus the corresponding base year taxable sales and services amount for the urban renewal area multiplied by the current local sales and services tax rate applicable to the jurisdiction.

701—274.7(423B) Distribution of tax base and growth increment amounts. The revenues from the local sales and services tax growth amount for urban renewal areas in jurisdictions that have enacted ordinances pursuant to Iowa Code section 423B.10 shall be determined annually and shall be distributed to the city within 120 days following the end of the fiscal year in which they are collected.

These rules are intended to implement Iowa Code sections 423.2A, 423B.1, 423B.7, and 423B.10.

[Filed 7/2/24, effective 8/28/24]

[Published 7/24/24]

EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 7/24/24.