

CHAPTER 32**SALES AND LOCAL OPTION TAXES AND WINE SALES***S.F. 395*

AN ACT relating to state and local revenues by providing for the private sale of wine containing more than five percent but not more than seventeen percent alcohol by weight, imposing a tax on wine to be sold, allowing cities and counties to impose certain local option taxes, exempting and providing refunds until the exemption begins of the sale or lease of certain farm machinery and equipment, including certain replacement parts, and certain industrial machinery, equipment and computers, including certain replacement parts, from the state sales, services and use tax, providing for setting aside of revenues to pay such refunds and not including certain increases in revenues in computing the state percent of growth for purposes of chapter 442, amending the state sales, services and use tax to impose the tax on the rendering or furnishing of additional services, and on sales of certain tangible personal property, to alter certain definitions, and to provide exemptions and limit others, increasing the tax on tobacco products and on cigarettes and little cigars, imposing an inventory tax on cigarettes and little cigars, unused tax stamps and metered imprints and granting one-time credit purchase on cigarette tax stamps, providing for the phase out and repeal of all property taxes on personal property, and providing penalties, appropriations and effective dates, making permanent the exemption from property taxation of certain pollution control property, providing for the special valuation of certain machinery, equipment and computers acquired after a certain date and limiting the applicability of the present special valuation to that property acquired before a certain date, amending the lottery law to provide for fifty percent of the projected annual revenue from the sales of lottery tickets or shares be used for payment of prizes, and imposing the state sales, services and use tax on the sales of lottery tickets and shares, eliminating the prohibition on the manufacture of electronic and computerized gambling devices, providing a new jobs tax credit for computing the individual and corporate tax liabilities of certain businesses that create new jobs within the state, providing that for purposes of property taxation the term "computer" does not include point of sales equipment and providing penalties and appropriations.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 98.6, subsection 2, Code 1985, is amended to read as follows:

2. Notwithstanding subsection 1, there is imposed beginning July 1, 1981 and shall be collected and paid to the department a tax on all cigarettes used or otherwise disposed of in this state for any purpose at the rate of nine mills on each cigarette for the period beginning July 1, 1981 and ending September 30, 1985 and at the rate of thirteen mills on each cigarette beginning October 1, 1985.

Sec. 2. Section 98.43, subsections 1 and 2, Code 1985, are amended to read as follows:

1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of ~~ten~~ fifteen percent of the

wholesale sales price of ~~such~~ the tobacco products, except little cigars as defined in section 98.42. Little cigars shall be subject to the same rate of tax imposed upon cigarettes in section 98.6, payable at the time and in the manner provided in section 98.6; and stamps shall be affixed as provided in division I of this chapter. The tax on tobacco products, excluding little cigars, shall be imposed at the time the distributor does any of the following:

a. Brings, or causes to be brought, into this state from without the state tobacco products for sale;

b. Makes, manufactures, or fabricates tobacco products in this state for sale in this state; ~~or~~.

c. Ships or transports tobacco products to retailers in this state, to be sold by those retailers.

2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon ~~such~~ the consumers, at the rate of ~~ten~~ fifteen percent of the cost of ~~such~~ the tobacco products.

The tax imposed by this subsection shall not apply if the tax imposed by subsection 1 on ~~such~~ the tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

a. Less than 25 cigars;

b. Less than 10 oz. snuff or snuff powder;

c. Less than 1 lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 3. Section 123.1, Code 1985, is amended to read as follows:

123.1 PUBLIC POLICY DECLARED.

This chapter shall be cited as the "Iowa Beer, Wine, and Liquor Control Act", and shall be deemed an exercise of the police power of the state, for the protection of the welfare, health, peace, morals, and safety of the people of the state, and all its provisions shall be liberally construed for the accomplishment of that purpose, ~~and it~~. It is declared to be public policy that the traffic in alcoholic liquors is so affected with a public interest that it should be regulated to the extent of prohibiting all traffic in them, except as provided in this chapter.

Sec. 4. Section 123.2, Code 1985, is amended to read as follows:

123.2 GENERAL PROHIBITION.

It ~~shall be~~ is unlawful to manufacture for sale, sell, offer or keep for sale, possess, or transport alcoholic liquor, wine, or beer except upon the terms, conditions, limitations, and restrictions enumerated in this chapter.

Sec. 5. Section 123.3, subsections 4, 7, 8, and 10, Code 1985, are amended to read as follows:

4. "Local authority" means the city council of any incorporated city in this state, or the county board of supervisors of any county in this state, which is empowered by this chapter to approve or deny applications for retail beer or wine permits and liquor control licenses; empowered to recommend that such permits or licenses be granted and issued by the department; and empowered to take ~~such~~ other actions as ~~are~~ reserved to them by this chapter.

7. "Wine" means any beverage containing more than five percent but not more than seven-teen percent of alcohol by weight obtained by the fermentation of the natural sugar contents of fruits or other agricultural products but excluding any product containing alcohol derived from malt or by the distillation process from grain, cereal, molasses or cactus.

8. "Alcoholic liquor", "alcoholic beverage" or "intoxicating liquor" means and includes the varieties of liquor defined in subsections 5, and 6, and 7, beverages made as described in subsection 9 which beverages contain more than five percent of alcohol by weight but which are not wine as defined in subsection 7, and every other liquid or solid, patented or not, containing spirits or wine and every beverage obtained by the process described in subsection 7 containing more than seventeen percent alcohol by weight, and susceptible of being consumed by a human being, for beverage purposes. Alcohol manufactured in this state for use as fuel pursuant to an experimental distilled spirits plant permit or its equivalent issued by the federal bureau of alcohol, tobacco and firearms is not an "alcoholic liquor".

10. "Person" means any individual, association, partnership, corporation, club, hotel or motel, or municipal corporation owning or operating a bona fide airport, marina, park, coliseum, auditorium, or recreational facility in or at which the sale of alcoholic liquor, wine, or beer is only an incidental part of such the ownership or operation.

Sec. 6. Section 123.3, subsection 11, paragraph c, Code 1985, is amended to read as follows:

c. The person is not prohibited by the provisions of section 123.40 from obtaining a liquor control license or a wine or beer permit.

Sec. 7. Section 123.3, subsections 13, 17, 19, 20, 25, 26, 27, and 31, Code 1985, are amended to read as follows:

13. "Permit" or "license" means an express written authorization issued by the department for the manufacture or sale, or both, of alcoholic liquor, wine, or beer.

17. "Distillery", "winery", and "brewery" means mean not only the premises wherein where alcohol or spirits is are distilled, or rectified wine is fermented, or beer is brewed, but in addition mean a person owning, representing, or in charge of such premises and the operations conducted thereon there, including the blending and bottling or other handling and preparation of alcoholic liquor, wine, or beer in any form.

19. "Importer" means the person transporting or ordering, authorizing, or arranging who transports or orders, authorizes, or arranges the transportation of alcoholic liquor, wine, or beer into this state whether such the person is a resident of this state or not.

20. "Import" means the transporting or ordering or arranging the transportation of alcoholic liquor, wine, or beer into this state whether by a resident of this state or not.

25. The prohibited "sale" of alcoholic liquor, wine, or beer under this chapter includes soliciting for sales, taking orders for sales, keeping or exposing for sale, delivery or other trafficking for a valuable consideration promised or obtained, and procuring or allowing procurement for any other person.

26. "Wholesaler" means any person, other than a vintner, brewer or bottler of beer or wine, who shall sell, barter, exchange, offer for sale, have in possession with intent to sell, deal or traffic in alcoholic liquor, wine, or beer. No A wholesaler shall be permitted to not sell for consumption upon the premises.

27. "Retailer" means any person who shall sell, barter, exchange, offer for sale, or have in possession with intent to sell any alcoholic liquor for consumption on the premises where sold, or beer or wine for consumption either on or off the premises where sold.

31. "Licensed premises" or "premises" means all rooms, enclosures, contiguous areas, or places susceptible of precise description satisfactory to the director where alcoholic beverages, wine, or beer is sold or consumed under authority of a liquor control license, wine permit, or beer permit. A single licensed premise may consist of multiple rooms, enclosures, areas or places if they are wholly within the confines of a single building or contiguous grounds.

Sec. 8. Section 123.3, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. "Retail wine permit" means a class "B" wine permit issued under this chapter.

Sec. 9. Section 123.4, Code 1985, is amended to read as follows:

123.4 DEPARTMENT CREATED – PLACE OF BUSINESS.

~~There is hereby created an~~ An Iowa beer and liquor control department is created to administer and enforce the laws of this state concerning beer, wine, and alcoholic liquor. The principal place of business of the department shall be provided the department by the authority designated by law to provide such quarters or offices to state departments or agencies.

Sec. 10. Section 123.6, Code 1985, is amended to read as follows:

123.6 APPOINTMENT – TERM – QUALIFICATIONS – COMPENSATION.

Appointments shall be for five-year staggered terms beginning and ending as provided by section 69.19 and shall be made by the governor, subject to confirmation by the senate. Members of the council shall be chosen on the basis of managerial ability and experience as business executives. One member of the council may be the holder of or have an interest in a permit or license to manufacture alcoholic liquor, wine, or beer or sell alcoholic liquor, wine, or beer at wholesale or retail. Members may be reappointed for one additional term. Each member appointed shall receive compensation for the member's services of forty dollars per diem in addition to reasonable and necessary expenses while attending meetings.

Sec. 11. Section 123.14, subsections 1 and 3, Code 1985, are amended to read as follows:

1. The division of beer and liquor law enforcement of the department of public safety, created pursuant to section 80.25, ~~shall be~~ is the primary beer, wine, and liquor law enforcement authority for this state.

3. The division of beer and liquor law enforcement ~~shall be allowed~~ have full access to all records, reports, audits, tax reports and all other documents and papers in the department pertaining to liquor licensees and wine and beer permittees and their business.

Sec. 12. Section 123.15, Code 1985, is amended to read as follows:

123.15 HEARING BOARD ESTABLISHED.

~~There is hereby created a~~ A three-member hearing board is created for the purpose of conducting departmental hearings relating to controversies concerning the issuance, suspension, or revocation of special liquor permits, liquor control licenses, wine permits, and beer permits authorized under this chapter. One member shall be appointed by the council from its membership, which member may be periodically replaced by appointment of another council member; one member shall be the attorney general or the attorney general's designee; and one member shall be the commissioner of public safety or the commissioner's designee. The hearing board shall establish and adopt rules and procedures for conducting departmental hearings under this chapter.

Sec. 13. Section 123.16, subsection 2, paragraph b, Code 1985, is amended to read as follows:

b. The granting or refusing of liquor licenses and permits, wine permits, and beer permits, and the suspension or revocation of ~~such the~~ licenses and permits.

Sec. 14. Section 123.18, Code 1985, is amended to read as follows:

123.18 FAVORS FROM LICENSEE OR PERMITTEE.

~~No~~ A person responsible for the administration or enforcement of this chapter shall not accept or solicit donations, gratuities, political advertising, gifts, or other favors, directly or indirectly, from any liquor control licensee, wine permittee, or beer permittee. A violation of this section shall subject the violator to the general penalties provided by this chapter.

Sec. 15. Section 123.19, subsection 1, Code 1985, is amended to read as follows:

1. Any manufacturer, distiller, ~~vintner~~, or importer of alcoholic beverages shipping, selling, or having alcoholic beverages brought into this state for resale by the state shall, as a condition precedent to the privilege of so trafficking in alcoholic liquors in this state, annually make

application for and shall hold a distiller's certificate of compliance which shall be issued by the director for such that purpose. No brand of alcoholic liquor shall be sold by the department in this state unless the manufacturer, distiller, vintner, importer, and all other persons participating in the distribution of such that brand in this state have obtained such a certificate. Such The certificate of compliance shall expire at the end of one year from the date of issuance and shall be renewed for a like period upon application to the director unless otherwise suspended or revoked for cause. Each application for a certificate of compliance or renewal thereof shall be made in such a manner and upon such forms as shall be prescribed by the director and shall be accompanied by a fee of fifty dollars payable to the department. However, the provisions of this subsection need not apply to a manufacturer, distiller, vintner, or importer who ships or sells in this state no more than eleven gallons or its case equivalent during any fiscal year as a result of "special orders" which might be placed, as defined and allowed by departmental rules adopted under this chapter.

Sec. 16. Section 123.21, subsections 6 and 10, Code 1985, are amended to read as follows:

6. Providing for the ~~issuing issuance and distributing~~ distribution of price lists showing which show the price to be paid by purchasers for each brand, class, or variety of liquor kept for sale under this chapter. Provide, providing for the filing or posting of prices charged in sales between class "A" beer and class "A" wine permit holders and retailers, as provided in this chapter, and ~~establish~~ establishing or control such controlling the prices as may be based on minimum standards of fill, quantity, or alcoholic content for each individual sale of intoxicating liquor or beer as deemed necessary for retail or consumer protection. However, the department does not have the authority to regulate markups, prices, discounts, allowances, or other terms of sale at which wine may be purchased and sold by class "A" and retail wine permittees, or change, nullify, or vary the terms of any agreement between a holder of a vintner certificate of compliance and a class "A" wine permittee.

10. Prescribing the time, manner, means, and method by which distillers, vintners, vendors, or others authorized under this chapter may deliver or transport alcoholic liquors and prescribing the time, manner, means, and methods by which alcoholic liquor may be lawfully conveyed, carried, or transported.

Sec. 17. Section 123.21, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 12. Providing for the issuance of combination licenses and permits with fees consistent with individual license and permit fees as may be necessary for the efficient administration of this chapter.

Sec. 18. Section 123.22, unnumbered paragraph 1, Code 1985, is amended to read as follows:

The department ~~shall have~~ has the sole and exclusive right of importation, into the state, of all forms of alcoholic liquor, except as otherwise provided in this chapter, and ~~no~~ a person shall ~~so~~ not import any such alcoholic liquor, except that an individual of legal age may import and have in the individual's possession an amount of alcoholic liquor not exceeding one quart or, in the case of alcoholic liquor personally obtained outside the United States, one gallon for personal consumption only in a private home or other private accommodation. No distillery shall sell any alcoholic liquor within the state to any person but only to the department, except as otherwise provided in this chapter. It is the intent of this section to vest in the department exclusive control within the state both as purchaser and vendor of all alcoholic liquor sold by distilleries within the state or imported therein, except beer and wine, and except as otherwise provided in this chapter. The department may continue to purchase wine from persons holding a vintner's certificate of compliance or a class "A" wine permit for resale in state liquor stores.

Sec. 19. Section 123.23, Code 1985, is amended to read as follows:

123.23 STATE LIQUOR STORES.

The department shall establish and maintain in any city which the director deems advisable, a state liquor store or stores for storage and sale of alcoholic liquor and wine in accordance with this chapter. The department may, from time to time, as determined by the director, fix the prices of the different classes, varieties, or brands of alcoholic liquor and wine to be sold. Prior to a decision to establish, relocate or discontinue a state liquor store, the director shall appoint a designee to conduct a public hearing on the decision within the city affected.

Sec. 20. Section 123.27, subsection 2, Code 1985, is amended by striking the subsection.

Sec. 21. Section 123.29, subsection 4, paragraph c, Code 1985, is amended to read as follows:

c. That neither the applicant, if the applicant is an individual, nor any members of the firm or officers of the corporation, if the applicant is not an individual, has been convicted of any violation of the laws of this state with reference to the sale of alcoholic liquors, wine, or beer within the three years preceding the date of the affidavit.

Sec. 22. Section 123.30, subsection 3, paragraphs a, b, c, and d, Code 1985, are amended to read as follows:

a. CLASS "A". A class "A" liquor control license may be issued to a club and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell ~~such~~ liquors, wine, and beer, to bona fide members and their guests by the individual drink for consumption on the premises only.

b. CLASS "B". A class "B" liquor control license may be issued to a hotel or motel and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell ~~such~~ liquors, wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be sold for consumption off the premises. Each license shall be effective throughout the premises described in the application.

c. CLASS "C". A class "C" liquor control license may be issued to a commercial establishment but must be issued in the name of the individuals who actually own the entire business and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell ~~such~~ liquors, wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be sold for consumption off the premises.

A special class "C" liquor control license may be issued and shall authorize the holder ~~or holders~~ to purchase wine ~~containing not more than seventeen percent alcohol by weight~~ from the department or class "A" wine permittees only, and to sell ~~such~~ wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be sold for consumption off the premises. The license issued to holders of a special class "C" license shall clearly state on its face ~~"alcoholic liquor, that the license is limited to wine only."~~

d. CLASS "D". A class "D" liquor control license may be issued to a railway corporation, to an air common carrier, and to passenger-carrying boats or ships for hire with a capacity of twenty-five persons or more operating in inland or boundary waters, and shall authorize the holder to sell or furnish alcoholic beverages, wine, and beer to passengers for consumption only on trains, watercraft as described ~~herein~~ in this section, or aircraft, respectively. Each ~~such~~ license ~~shall be~~ is valid throughout the state as a state license. Only one ~~such~~ license ~~shall be~~ is required for all trains, watercraft, or aircraft operated in the state by the licensee.

Sec. 23. Section 123.32, subsections 1, 2, and 4, Code 1985, are amended to read as follows:

1. FILING OF APPLICATION. An application for a class "A", class "B", or class "C" liquor control license, ~~and for a retail beer permit as provided in sections 123.128 and 123.129, or for a class "B" retail wine permit as provided in section 123.176,~~ accompanied by the required fee and bond, shall be filed with the appropriate city council if the premises for which the license or permit is sought are located within the corporate limits of a city, or with the board of supervisors if the premises for which the license or permit is sought are located outside the corporate limits of a city. An application for a class "D" liquor control license and for a class "A" beer or class "A" wine permit, accompanied by the required fee and bond, shall be filed with the department, which shall proceed in the same manner as in the case of an application approved by local authorities.

2. ACTION BY LOCAL AUTHORITIES. The local authority shall either approve or disapprove the issuance of a liquor control license, retail wine permit, or retail beer permit, and shall endorse ~~such~~ its approval or disapproval on the application and shall forward ~~same~~ the application along with the required fee and bond to the department. Upon the initial ~~issuance~~ of application for a liquor control license, retail wine permit, or retail beer permit, the fact that the local authority determines that no liquor control license, retail wine permit, or retail beer permit shall be issued shall not be held to be arbitrary, capricious, or without reasonable cause. There ~~shall be~~ is no limit upon the number of liquor control licenses, retail wine permits, or retail beer permits which may be approved for issuance by local authorities.

4. APPEAL TO HEARING BOARD. Any applicant for a liquor control license, wine permit, or beer permit may appeal from the director's disapproval of an application for a license or permit to the department hearing board, established pursuant to section 123.15, ~~from the director's disapproval of an application for a license or permit.~~ If, upon ~~such~~ appeal the hearing board ~~shall determine~~ determines that the local authority acted arbitrarily, capriciously, or without reasonable cause in disapproving the application, or that, where the local authority approved the application, the director's own disapproval should be reversed, it shall order issuance of a license or permit. The same right of appeal to the hearing board shall be afforded a liquor control licensee, wine permittee, or beer permittee, whose license or permit has been suspended or revoked under this chapter, and the hearing board shall reduce the period of suspension or order reinstatement of ~~such~~ the license or permit for good cause shown.

Sec. 24. Section 123.34, Code 1985, is amended to read as follows:

1. Liquor control licenses, wine permits, and beer permits, unless sooner suspended or revoked, expire one year from date of issuance. The director shall give sixty days' written notice of the expiration to each licensee or permittee. However, the director may issue six-month or eight-month seasonal licenses, class "B" wine permits, or class "B" beer permits for a proportionate part of the license or permit fee or may issue fourteen-day liquor licenses, wine permits, or beer permits as provided in subsection 2. No refund shall be made for seasonal licenses or permits or for fourteen-day liquor licenses, wine permits, or beer permits. No seasonal license or permit shall be renewed except after a period of two months.

2. The director may issue fourteen-day class "A", class "B", class "C", and class "D" liquor control licenses, fourteen-day class "B" wine permits, and fourteen-day class "B" beer permits. A fourteen-day license or permit, if granted, is valid for fourteen consecutive days, but the holder shall not sell on the two Sundays in the fourteen-day period unless the holder qualifies for and obtains the privilege to sell on Sundays contained in sections 123.36, subsection 6 and 123.134, subsection 5.

3. The fee for a fourteen-day liquor license, wine permit, or beer permit is one-quarter of the annual fee for that class of liquor license or beer permit. The fee for the privilege to sell on the two Sundays in the fourteen-day period is twenty percent of the price of the fourteen-day liquor license, wine permit, or beer permit.

Sec. 25. Section 123.35, unnumbered paragraph 1, Code 1985, is amended to read as follows:

The director shall prescribe simplified application forms for the renewal of liquor control licenses, wine permits, and beer permits issued under the provisions of this chapter, which may be filed by licensees and permittees in lieu of a detailed renewal application form when qualifications and qualification information have not changed since the original issuance of the license or permit. ~~Such~~ The simplified form shall require the licensee or permittee to verify under oath that the information contained in the original application remains current, and that no reason exists for the department's refusal to renew the license or permit as originally issued.

Sec. 26. Section 123.36, subsection 2, Code 1985, is amended to read as follows:

2. Class "A" liquor control licenses, the sum of six hundred dollars, except that for class "A" licenses in cities of less than two thousand population, and for clubs of less than two hundred fifty members, the license fee shall be four hundred dollars; however, the fee shall be two hundred dollars for any club which is a post, branch, or chapter of a veterans organization chartered by the Congress of the United States, if ~~such~~ the club does not sell or permit the consumption of alcoholic beverages, wine, or beer on the premises more than one day in any week, and if the application for a license states that ~~such~~ the club does not and will not sell or permit the consumption of alcoholic beverages, wine, or beer on the premises more than one day in any week.

Sec. 27. Section 123.36, subsection 5, paragraph c, Code 1985, is amended to read as follows:

c. For air common carriers, each company shall pay a base annual fee of five hundred dollars and, in addition, shall quarterly remit to the department an amount equal to seven dollars for each gallon of alcoholic liquor sold, given away, or dispensed in or over this state during the preceding calendar quarter. The class "D" license fee and tax for air common carriers ~~shall be~~ is in lieu of any other fee or tax collected from ~~such~~ the carriers in this state for the possession and sale of alcoholic liquor, wine, and beer.

Sec. 28. Section 123.36, subsection 6, Code 1985, is amended to read as follows:

6. Any club, hotel, motel, or commercial establishment holding a liquor control license for whom the sale of goods and services other than alcoholic liquor, wine, or beer constitutes fifty percent or more of the gross receipts from the licensed premises, subject to the provisions of section 123.49, subsection 2, paragraph "b", may sell and dispense alcoholic liquor and wine to patrons on Sunday for consumption on the premises only, and beer for consumption on or off the premises between the hours of ten a.m. and twelve midnight on Sunday. For the privilege of selling beer, wine, and alcoholic liquor on the premises on Sunday the liquor control license fee of the applicant shall be increased by twenty percent of the regular fee prescribed for the license pursuant to this section, and the privilege shall be noted on the liquor control license. The department shall prescribe the nature and the character of the evidence ~~which~~ shall be required of the applicant under this subsection.

Sec. 29. Section 123.36, subsection 7, unnumbered paragraph 1, Code 1985, is amended to read as follows:

~~Class Special class "C" liquor control licenses which limit sales of alcoholic liquor to wine containing not more than seventeen percent alcohol by weight, a sum as follows:~~

Sec. 30. Section 123.37, Code 1985, is amended to read as follows:

123.37 POWER TO LICENSE AND LEVY TAXES.

The power to establish licenses and permits and levy taxes as imposed in title VI of the Code is vested exclusively with the state. Unless specifically provided, no local authority shall levy a local tax on the sale of alcoholic beverages, wine, or beer, require the obtaining of a special license or permit for such sale ~~on~~ at any establishment, or require the obtaining of a license by any person as a condition precedent to the person's employment in the sale, serving, or handling of alcoholic beverages, wine, or beer, within an establishment operating under a license or permit.

Sec. 31. Section 123.38, unnumbered paragraphs 1 and 2, Code 1985, are amended to read as follows:

A special liquor permit, liquor control license, wine permit, or beer permit ~~shall be~~ is a purely personal privilege and ~~be~~ is revocable for cause. ~~It shall~~ is not constitute property nor ~~be~~ is subject to attachment and execution nor be alienable nor assignable, and ~~in any case it shall cease upon the death of the permittee or licensee. However, the director may in the director's discretion allow the executor or administrator of a permittee or licensee to operate the business of the decedent for a reasonable time not to exceed the expiration date of the permit or license. Every permit or license shall be issued in the name of the applicant and no person holding a permit or license shall allow any other person to use same it.~~

Any ~~such~~ licensee or permittee, or the licensee's or permittee's executor, or administrator, or any person duly appointed by the court to take charge of and administer the property or assets of the licensee or permittee for the benefit of the licensee's or permittee's creditors, may voluntarily surrender ~~such~~ a license or permit to the department ~~and when so~~. When a license or permit is surrendered the department shall notify the local authority, and the department and such or the local authority, or the local authority by itself in the case of a retail beer permit, shall refund to the person so surrendering the license or permit, a proportionate amount of the fee paid received by the department or the local authority for such the license or permit as follows: If a license or permit is surrendered during the first three months of the period for which said license or permit it was issued, the refund shall be three-fourths of the amount of the fee; if surrendered more than three months but not more than six months after issuance, the refund shall be one-half of the amount of the fee; if surrendered more than six months but not more than nine months after issuance, the refund shall be one-fourth of the amount of the fee. No refund shall be made, however, for any special liquor permit, nor for a liquor control license, wine permit, or beer permit surrendered more than nine months after issuance. For purposes of this paragraph, any portion of license or permit fees used for the purposes authorized in section 331.424, subsection 1, paragraphs "a", "b", "c", "d", "e", "f", "g", and "h", shall not be deemed received either by the department or by a local authority. No refund shall be made to any licensee or permittee, upon the surrender of the license or permit, if there is at the time of said surrender, a complaint filed with the department or local authority, charging the licensee or permittee with a violation of the provisions of this chapter. If upon a hearing on any such a complaint the license or permit is not revoked or suspended, then the licensee or permittee shall be is eligible, upon surrender of the license or permit, to receive a refund as herein provided. But in this section; but if the license or permit

is revoked or suspended upon such hearing the licensee or permittee shall ~~is not be~~ eligible for the refund of any portion of the license or permit fee.

Sec. 32. Section 123.39, Code 1985, is amended to read as follows:

123.39 SUSPENSION OR REVOCATION OF LIQUOR LICENSE OR BEER PERMIT.

Any liquor control license, wine permit, or beer permit issued under this chapter may, after notice in writing to the license or permit holder and reasonable opportunity for hearing, and subject to section 123.50 where applicable, be suspended for a period not to exceed one year or revoked by the local authority or the director for any of the following causes:

1. Misrepresentation of any material fact in the application for such the license or permit.
2. Violation of any of the provisions of this chapter.
3. Any change in the ownership or interest in the business operated under a class "A", class "B", or class "C" liquor control license, or any wine or beer permit, which change was not previously reported to and approved by the local authority and the department.
4. An event which would have resulted in disqualification from receiving such the license or permit when originally issued.
5. Any sale, hypothecation, or transfer of such the license or permit.
6. The failure or refusal on the part of any licensee or permittee to render any report or remit any taxes to the department under this chapter when due.

Local authorities shall have the power to ~~may~~ suspend any retail wine or beer permit or liquor control license for a violation of any ordinance or regulation adopted by such the local authority. Local authorities are empowered to ~~may~~ adopt ordinances or regulations for the location of the premises of retail wine or beer and liquor control licensed establishments and are empowered to ~~local authorities may~~ adopt ordinances, not in conflict with the provisions of this chapter and that do not diminish the hours during which beer, wine, or alcoholic beverages may be sold or consumed at retail, governing any other activities or matters which may affect the retail sale and consumption of beer, wine, and alcoholic liquor and the health, welfare and morals of the community involved.

When a liquor license or wine or beer permit is suspended after a hearing as a result of violations of the provisions of this chapter by the licensee, permittee or the licensee's or permittee's agents or employees, the premises which were licensed by such the license or permit shall not be relicensed for a new applicant until the suspension has terminated or time of suspension has elapsed, or ninety days have elapsed since the commencement of the suspension, whichever occurs first. However, ~~nothing in this section shall does not~~ prohibit the premises from being relicensed to a new applicant before the suspension has terminated or before the time of suspension has elapsed or before ninety days have elapsed from the commencement of the suspension, if the premises prior to the time of the suspension had been purchased under contract, and the vendor under that contract had exercised the person's rights under chapter 656 and sold the property to a different person who is not related to the previous licensee or permittee by marriage or within the third degree of consanguinity or affinity and if the previous licensee or permittee does not have a financial interest in the business of the new applicant.

Sec. 33. Section 123.40, Code 1985, is amended to read as follows:

123.40 EFFECT OF REVOCATION.

Any liquor control licensee, wine permittee, or beer permittee whose license or permit is revoked under this chapter shall not thereafter be permitted to hold a liquor control license, wine permit, or beer permit in the state of Iowa for a period of two years from the date of such revocation. ~~The A spouse and or business associates associate~~ holding ten percent or more of

the capital stock or ownership interest in the business of a person whose license or permit has been revoked shall not be issued a liquor control license, wine permit, or beer permit, and no liquor control license, wine permit, or beer permit shall be issued which covers any business in which such person has a financial interest for a period of two years from the date of such revocation. ~~In the event~~ If a license or permit is revoked, the premises which had been covered by ~~such the~~ license or permit shall not be relicensed for one year.

Sec. 34. Section 123.44, Code 1985, is amended to read as follows:

123.44 GIFT OF LIQUORS PROHIBITED.

~~No~~ A manufacturer or wholesaler shall not give away any alcoholic liquor of any kind or description at any time in connection with the manufacturer's or wholesaler's business except for testing or sampling purposes only. ~~No~~ A manufacturer, vintner, wholesaler, or importer, organized as a corporation pursuant to the laws of this state or any other state, and who deals in alcoholic liquor, wine, or beer subject to this chapter shall not offer or give anything of value to any council member, official or employee of the department, or directly or indirectly contribute in any manner any money or thing of value to any person seeking a public or appointive office or any recognized political party or a group of persons seeking to become a recognized political party.

Sec. 35. Section 123.45, Code 1985, is amended to read as follows:

123.45 INTEREST IN LIQUOR BUSINESS.

Except as provided in section 123.6, a council member or department employee shall not, directly or indirectly, individually, or as a member of a partnership or shareholder in a corporation, have any interest in dealing in or in the manufacture of alcoholic liquor, wine, or beer, and shall not receive any kind of profit nor have any interest in the purchase or sale of alcoholic liquor, wine, or beer by persons so authorized under this chapter. However, this provision shall does not prohibit any ~~such~~ member or employee from lawfully purchasing and keeping alcoholic liquor, wine, or beer in the member's or employee's possession for personal use.

~~No~~ A person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages, wine, or beer, ~~nor~~ or any jobber or agent of such person, shall not directly or indirectly supply, furnish, give, or pay for any furnishings, fixtures, or equipment used in the storage, handling, serving, or dispensing of alcoholic beverages, wine, beer, or food within the place of business of a licensee or permittee authorized under ~~the provisions~~ of this chapter, to sell at retail; nor shall the person directly or indirectly extend any credit for alcoholic beverages or beer or pay for any such license or permit, nor directly or indirectly be interested in the ownership, conduct, or operation of the business of another licensee or permittee authorized under ~~the provisions~~ of this chapter to sell at retail, except that a person engaged in the business of manufacturing beer may sell beer at retail for consumption on or off the premises of the manufacturing facility and, notwithstanding any other provision of this chapter or the fact that such a person may be the holder of a class "A" beer permit, may be granted not more than one class "B" permit as defined in section 123.124 for such purpose. Any licensee or permittee who ~~shall permit~~ permits or ~~assent or be assents to or is a party in any way to any such violation or infringement of the provisions of this chapter shall be deemed~~ section is guilty of a violation of ~~the provisions of this chapter~~ section.

Sec. 36. Section 123.46, Code 1985, is amended to read as follows:

123.46 CONSUMPTION IN PUBLIC PLACES — INTOXICATION.

It is unlawful for any person to use or consume alcoholic liquors, wine, or beer upon the public streets or highways, or alcoholic liquors in any public place, except premises covered by a liquor control license, or to possess or consume alcoholic liquors, wine, or beer on any public school property or while attending any public or private school related functions, and ~~no~~ a person shall not be intoxicated nor simulate intoxication in a public place. As used in this section, "school" means a school or that portion ~~thereof~~ of a school, which provides teaching for any grade from kindergarten through grade twelve. Any person violating any ~~provisions~~ provision of this section shall be is guilty of a simple misdemeanor.

Sec. 37. Section 123.47, Code 1985, is amended to read as follows:

123.47 PERSONS UNDER LEGAL AGE.

~~No~~ A person shall not sell, give, or otherwise supply alcoholic liquor, wine, or beer to any person knowing or having reasonable cause to believe that person to be under legal age, and ~~no~~ a person or persons under legal age shall not individually or jointly have alcoholic liquor, wine, or beer in their possession or control; except in the case of liquor, wine, or beer given or dispensed to a person under legal age within a private home and with the knowledge and consent of the parent or guardian for beverage or medicinal purposes or as administered to the person by either a physician or dentist for medicinal purposes and except to the extent that a person under legal age may handle alcoholic beverages, wine, and beer during the regular course of the person's employment by a liquor control licensee, or wine or beer permittee under this chapter.

Sec. 38. Section 123.49, subsection 1, Code 1985, is amended to read as follows:

1. ~~No~~ A person shall not sell, dispense, or give to any intoxicated person, or one simulating intoxication, any alcoholic liquor, wine, or beer.

Sec. 39. Section 123.49, subsection 2, unnumbered paragraph 1, Code 1985, is amended to read as follows:

~~No~~ A person or club holding a liquor control license or retail wine or beer permit under this chapter, ~~nor~~ and the person's or club's agents or employees, shall not do any of the following:

Sec. 40. Section 123.49, subsection 2, paragraphs c through i, Code 1985, are amended to read as follows:

c. Sell alcoholic beverages, wine, or beer to any person on credit, except with a bona fide credit card. This provision ~~shall~~ does not apply to sales by a club to its members nor to sales by a hotel or motel to bona fide registered guests.

d. Keep on premises covered by a liquor control license any alcoholic liquor in any container except the original package purchased from the department ~~or from a native wine manufacturer, except still wines placed in dispensing or serving containers for temporary storage,~~ and except mixed drinks or cocktails mixed on the premises for immediate consumption. This prohibition does not apply to common carriers holding a class "D" liquor control license.

e. Reuse for packaging alcoholic liquor or wine any container or receptacle used originally for packaging alcoholic liquor or wine; or adulterate, by the addition of any substance, the contents or remaining contents of an original package of an alcoholic liquor or wine; or knowingly possess any original package which has been so reused or adulterated.

f. Any Employ a person under eighteen years of age shall ~~not~~ be employed in the sale or serving of alcoholic liquor, wine, or beer for consumption on the premises where sold.

g. Allow any person other than the licensee, permittee, or employees of ~~such~~ the licensee or permittee, to use or keep on the licensed premises any alcoholic liquor in any bottle or other container which is designed for the transporting of such beverages, except as permitted in section 123.95. This paragraph ~~shall~~ does not apply to the lodging quarters of a class "B" liquor control licensee or wine or beer permittee, or to common carriers holding a class "D" liquor control license.

h. Sell, give, or otherwise supply any alcoholic beverage, wine, or beer to any person, knowing or having reasonable cause to believe the person to be under legal age, or permit any person, knowing or having reasonable cause to believe the person to be under legal age, to consume any alcoholic beverage, wine, or beer.

i. In the case of a retail beer or wine permittee, knowingly allow the mixing or adding of alcohol or any alcoholic beverage to beer, wine, or any other beverage in or about the permittee's place of business.

Sec. 41. Section 123.49, subsection 2, Code 1985, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. k. Sell or dispense any wine on the premises covered by the permit or permit the consumption on the premises between the hours of two a.m. and six a.m. on a weekday, and between the hours of two a.m. on Sunday and six a.m. on the following Monday, however, a holder of a wine permit authorized to sell wine on Sunday may sell or dispense wine between the hours of ten a.m. and twelve midnight on Sunday.

Sec. 42. Section 123.49, subsections 3 and 4, Code 1985, are amended to read as follows:

3. No person under legal age shall misrepresent the person's age for the purpose of purchasing or attempting to purchase any alcoholic beverage, wine, or beer from any licensee or permittee. If any person under legal age ~~shall misrepresent~~ misrepresents the person's age, and the licensee or permittee establishes that the licensee or permittee made reasonable inquiry to determine whether ~~such~~ the prospective purchaser was over legal age, ~~such~~ the licensee or permittee ~~shall~~ is not be guilty of selling alcoholic liquor, wine, or beer to minors.

4. No privilege of selling alcoholic liquor, wine, or beer on Sunday as provided in sections 123.36, subsection 6, and 123.134, subsection 5, shall be granted to a club or other organization which places restrictions on admission or membership in the club or organization on the basis of sex, race, religion, or national origin. However, the privilege may be granted to a club or organization which places restrictions on membership on the basis of sex, if the club or organization has an auxiliary organization open to persons of the other sex.

Sec. 43. Section 123.50, subsections 2 and 3, Code 1985, are amended to read as follows:

2. The conviction of any liquor control licensee, wine permittee, or beer permittee for a violation of any of the provisions of section 123.49 ~~shall~~, subject to subsection 3 of this section, ~~be~~ is grounds for the suspension or revocation of the license or permit by the department or the local authority. However, if any liquor control licensee is convicted of any violation of subsection 2, paragraphs "a", "d" or "e", of ~~such~~ that section, or any wine or beer permittee is convicted of a violation of paragraph "a" or "e" of that section, the liquor control license, wine permit, or beer permit shall be revoked and shall immediately be surrendered by the holder, and the bond of the license or permit holder shall be forfeited to the department.

3. If any licensee, wine permittee, beer permittee, or employee of ~~such~~ a licensee or permittee ~~shall be~~ is convicted of a violation of section 123.49, subsection 2, paragraph "h", or if a retail wine or beer permittee ~~shall be~~ is convicted of a violation of paragraph "i" of ~~such~~ that subsection, the director or local authority shall, in addition to the other penalties fixed for such violations by this section, assess a penalty as follows:

a. Upon a first conviction, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of fourteen days.

b. Upon a second conviction within a period of two years, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of thirty days.

c. Upon a third conviction within a period of five years, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of sixty days.

d. Upon a fourth conviction within a period of five years, the violator's liquor control license, wine permit, or beer permit shall be revoked.

Sec. 44. Section 123.51, subsection 3, Code 1985, is amended to read as follows:

3. No signs or other matter advertising any brand of beer or wine shall be erected or placed upon the outside of any premises occupied by a licensee or permittee authorized to sell beer or wine at retail. This subsection ~~shall~~ does not prohibit the use of signs or other matter inside a fence or similar enclosure which wholly or partially surrounds the licensed premises.

Sec. 45. Section 123.53, subsection 2, Code 1985, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. All moneys received by the department from the issuance of vintner's certificates of compliance and wine permits shall be transferred by the state comptroller to the general fund of the state.

Sec. 46. Section 123.53, subsections 3 and 7, Code 1985, are amended to read as follows:

3. The treasurer of state shall semiannually distribute a sum of money equal to at least ten percent of the gross sales made by the state liquor stores but not less than six million four hundred thousand dollars to the cities of the state. Such amount shall be distributed to the cities of the state in proportion to the population that each incorporated city bears to the total population of all incorporated cities of the state as computed by the latest federal census. A city may have one special federal census taken each decade, and the population figure thus obtained shall be used in apportioning amounts under this subsection beginning the calendar year following the year in which the special census is certified by the secretary of state. Such apportionment shall be made semiannually as of July 1 and January 1 of each year. Warrants for the same shall be issued by the state comptroller upon certification of the treasurer of state and mailed to the city clerk of each incorporated city of the state and shall be made payable to such incorporated city and shall be subject to expenditure under the direction of the city council or other governing bodies of such incorporated city for any lawful municipal purpose. It shall be a lawful municipal purpose for cities to allocate a portion of the above funds for the purpose of financing the activities of a city commission or committee on alcoholism, such commission or committee to be appointed by the mayor or by the council or both. The commission or committee may use any funds so allocated for the treatment, rehabilitation, and education of alcoholics in Iowa.

7. The treasurer of state shall credit to the military service tax fund described in chapter 426A, a sum of money equal to at least five percent of the gross amount of sales made by the state liquor stores in the cities of the state but not less than six million four hundred thousand dollars. Any amount thus credited shall be allocated to the various taxing districts of the state as reimbursement for losses of revenue due to exemption or remission of property taxes which would be imposed upon property upon which soldiers' exemptions or soldiers' tax credits are provided under such terms as the general assembly may provide.

Sec. 47. Section 123.53, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The treasurer of state shall transfer into a special revenue account in the general fund of the state, a sum of money at least equal to seven percent of the gross amount of sales made by the state liquor stores in the cities of the state from the beer and liquor control fund on a monthly basis but not less than nine million dollars annually, and any amounts so transferred shall be used by the department of substance abuse for substance abuse treatment and prevention programs in an amount determined by the general assembly and any amounts received in excess of the amounts appropriated to the department of substance abuse shall be considered part of the general fund balance. This section is repealed June 30, 1987.

Sec. 48. Section 123.55, subsections 8 and 9, Code 1985, are amended to read as follows:

8. The number of liquor control licenses, wine permits, and beer permits issued, by class, the number in effect on the last day included in the report, and the number which have been suspended or revoked during the period covered by the report.

9. Amount of fees paid to the department from liquor control licenses, wine permits, and beer permits, in gross, and the amount of liquor control license fees returned to local subdivisions of government as provided under this chapter.

Sec. 49. Section 123.56, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

123.56 NATIVE WINES.

1. Subject to rules of the department, manufacturers of native wines from grapes, cherries, other fruits or other fruit juices, vegetables, vegetable juices, dandelions, clover, honey, or any combination of these ingredients, holding a class "A" wine permit as required by this chapter, may sell, keep, or offer for sale and deliver the wine. Sales may be made at retail for off-premises consumption when sold on the premises of the manufacturer, or in a retail establishment operated by the manufacturer which is no closer than five miles from an existing native winery. Sales may also be made to class "A" or retail wine permittees or liquor control licensees as authorized by the class "A" wine permit. Sales of native wines by the manufacturer of the native wines are exempt from the wine gallonage tax imposed under section 123.183.

2. A manufacturer of native wines shall not sell the wines other than as permitted in this chapter and shall not allow wine sold to be consumed upon the premises of the manufacturer. However, prior to sale native wines may be sampled on the premises where made, when no charge is made for the sampling. A person may manufacture native wine for consumption on the manufacturer's premises, when the wine or any part of it is not manufactured for sale.

3. A manufacturer of native wines may ship wine in closed containers to individual purchasers inside and outside this state. The manufacturer shall label the package containing the wine with the words "deliver to adults only".

4. Notwithstanding section 123.179, subsection 1, a class "A" wine permit for a native wine manufacturer shall be issued and renewed annually upon payment of a fee of twenty-five dollars which shall be in lieu of any other license fee required by this chapter. The class "A" permit shall only allow the native wine manufacturer to sell, keep, or offer for sale and deliver the manufacturer's native wines as provided under this section.

5. For the purposes of this section, "manufacturer" includes only those persons who process in Iowa the fruit, vegetables, dandelions, clover, honey, or any combination of these ingredients, by fermentation into wines.

Sec. 50. Section 123.59, Code 1985, is amended to read as follows:

123.59 BOOTLEGGING.

Any person who, acting individually, or through another acting for the person, shall keep or carry on ~~his~~ the person, or in a vehicle, or leave in a place for another to secure, any alcoholic liquor, wine, or beer, with intent to sell or dispense ~~of such~~ the liquor, wine, or beer, by gift or otherwise in violation of law, or who shall, within this state, in any manner, directly or indirectly, solicit, take, or accept any order for the purchase, sale, shipment, or delivery of ~~such~~ alcoholic liquor, wine, or beer in violation of law, or aid in the delivery and distribution of any alcoholic liquor, wine, or beer so ordered or shipped, or who shall in any manner procure for, sell, or give any alcoholic liquor, wine, or beer to any person under legal age, for any purpose except as authorized and permitted in this chapter, ~~shall be~~ is a bootlegger and ~~be~~ subject to the general penalties provided by this chapter.

Sec. 51. Section 123.60, Code 1985, is amended to read as follows:

123.60 NUISANCES.

The premises where the unlawful manufacture or sale, or keeping with intent to sell, use or give away, of alcoholic liquors, wine, or beer is carried on, and any vehicle or other means of conveyance used in transporting ~~such~~ liquor, wine, or beer in violation of law, and the furniture, fixtures, vessels and contents, kept or used in connection with such activities are nuisances and shall be abated as provided in this chapter.

Sec. 52. Section 123.71, Code 1985, is amended to read as follows:

123.71 CONDITIONS.

~~In no case shall a~~ A bootlegger injunction proceeding, as provided in this chapter, shall not be maintained unless it ~~be~~ is shown to the court that efforts in good faith have been made to discover the base of supplies or place where the defendant charged as a bootlegger conducts an unlawful business or receives or manufactures the alcoholic liquor, wine, or beer, ~~of~~ which the defendant is charged with bootlegging.

Sec. 53. Section 123.72, Code 1985, is amended to read as follows:

123.72 ORDER OF ABATEMENT.

If the existence of a nuisance is established in a civil or criminal action, an order of abatement shall be entered as a part of the judgment in the case. ~~Such~~ The order shall direct the confiscation of all alcoholic liquor, wine, or beer by the state; the removal from the premises involved of all fixtures, furniture, vessels, or movable property used in any way in conducting the unlawful business; the sale of all ~~such~~ removed property as well as any vehicle or other means of conveyance which has been abated, ~~such~~ the sale to be conducted in the manner provided for the sale of chattels under execution; and the effective closing of the premises against use for the purpose of manufacture, sale, or consumption of alcoholic liquor, wine, or beer for a period of one year, unless sooner released by the court.

Sec. 54. Section 123.81, Code 1985, is amended to read as follows:

123.81 FORFEITURE OF BOND.

If the owner of a property who has filed an abatement bond as provided in this chapter fails to abate the liquor, wine, or beer nuisance on the premises covered by the bond, or fails to prevent the maintenance of any liquor, wine, or beer nuisance on ~~said~~ the premises at any time within a period of one year after entry of the abatement order, the court shall, after a hearing in which such fact is established, direct an entry of ~~such~~ the violation of the terms of the owner's bond, to be made on the record and the undertaking of the owner's bond ~~thereupon~~ shall be forfeited.

Sec. 55. Section 123.84, Code 1985, is amended to read as follows:

123.84 JUDGMENT.

If the court after a hearing finds a liquor, wine, or beer nuisance has been maintained on the premises covered by the abatement bond and that liquor, wine, or beer has been sold or kept for sale on the premises contrary to law within one year from the date of the giving of ~~such~~ the bond, then the court shall order the forfeiture of the bond and enter judgment for the full amount of ~~such~~ the bond against the principal and sureties ~~thereof~~ on the bond, and the lien on the real estate created pursuant to section 123.79 shall be decreed foreclosed and the court shall provide for a special and general execution for the enforcement of ~~such~~ the decree and judgment.

Sec. 56. Section 123.91, Code 1985, is amended to read as follows:

123.91 SECOND AND SUBSEQUENT CONVICTION.

Any person who has been convicted, in a criminal action, in any court of record, of a violation of any of the following:

1. ~~Any~~ a provision of this chapter.
2. ~~Any~~, a provision of the prior laws of this state relating to intoxicating liquors, wine, or beer which ~~were~~ was in force prior to the enactment of this chapter.
3. ~~Any~~, or a provision of the laws of the United States or of any other state relating to intoxicating liquors, wine, or beer, and who is thereafter convicted of a subsequent criminal offense against any provision of this chapter is guilty of the following offenses:

a 1. For the second conviction, a serious misdemeanor.

b 2. For the third and each subsequent conviction, an aggravated misdemeanor.

Sec. 57. Section 123.92, unnumbered paragraph 1, Code 1985, is amended to read as follows:

Every husband, wife, child, parent, guardian, employer or other person who ~~shall be~~ is injured in person or property or means of support by any intoxicated person or resulting from the intoxication of any ~~such~~ person, ~~shall have~~ has a right of action for all damages actually sustained, severally or jointly, against any licensee or permittee, who ~~shall sell~~ sells or give gives any beer, wine, or intoxicating liquor to ~~any such~~ a person while the person is intoxicated, or ~~serve any such~~ serves a person to a point where ~~such~~ the person is intoxicated, for all damages actually sustained. If the injury was caused by an intoxicated person, a permittee or licensee may establish as an affirmative defense that the intoxication did not contribute to the injurious action of the person.

Sec. 58. Section 123.95, unnumbered paragraph 1, Code 1985, is amended to read as follows:

It is unlawful for any person to allow the dispensing or consumption of intoxicating liquor, except ~~sacramental~~ wines and beer, in any establishment unless ~~such~~ the establishment is licensed under this chapter.

Sec. 59. Section 123.96, subsections 1 and 2, Code 1985, are amended to read as follows:

1. ~~Except as provided by section 123.56, subsection 4, there~~ There is imposed on every person licensed to sell alcoholic beverages for consumption on the premises where sold, a special tax equivalent to fifteen percent of the price established by the department on all alcoholic beverages for general sale to the public. The tax shall be paid by all licensees at the point of purchase from the state on all alcoholic beverages intended or used for resale for consumption on the premises of retail establishments. The tax is in lieu of any other sales tax applied at the state store and shall be shown as a separate item on special sales slips provided by the department for purchases by licensees.

2. ~~Except as allowed under section 123.95 and, except as allowed under section 123.56, subsection 4,~~ a licensee shall not knowingly keep on the licensed premises nor use for resale purposes any alcoholic liquor on which the special tax has not been paid to the state. The conviction of a violation of this section shall cause the license held to automatically be revoked and the license shall immediately be surrendered by the holder, and the bond of the license holder shall be forfeited to the department.

Sec. 60. Section 123.121, unnumbered paragraph 1, Code 1985, is amended to read as follows:

In any prosecution under this chapter for the unlawful sale of alcoholic liquor, wine, or beer, a sale of alcoholic liquor, wine, or beer which requires a shipment or delivery of ~~such~~ the liquor, wine, or beer, shall be deemed to be made in the county in which ~~such~~ the delivery is made by the carrier to the consignee, or the consignee's agent, or employee.

Sec. 61. Chapter 123, Code 1985, is amended by adding sections 56* through 71* of this Act as a new division.

Sec. 62. **NEW SECTION. 123.171 WINE PERMIT OR LICENSE REQUIRED.**

A person shall not cause the manufacture, importation, or sale of wine in this state unless a certificate or permit as provided in this division, or a liquor control license as provided in division I of this chapter, is first obtained which authorizes that manufacture, importation, or sale.

Sec. 63. **NEW SECTION. 123.172 EFFECT ON LIQUOR CONTROL LICENSEES.**

All applicable provisions of this division relating to class "B" wine permits apply to liquor control licensees in the purchasing, storage, handling, serving and sale of wine.

Sec. 64. **NEW SECTION. 123.173 WINE PERMITS - CLASSES.**

Permits exclusively for the sale or manufacture and sale of wine shall be divided into two classes, and shall be known as class "A" or "B" wine permits.

A class "A" wine permit allows the holder to manufacture and sell, or sell at wholesale, in this state, wine as defined in section 123.3, subsection 7. The holder of a class "A" wine permit may manufacture in this state wine having an alcoholic content greater than seventeen percent by weight for shipment outside this state or for sale to the department. A class "B" wine permit allows the holder to sell wine at retail for consumption off the premises.

A class "A" wine permittee shall be required to deliver wine to a class "B" wine permittee, and a class "B" wine permittee shall be required to accept delivery of wine from a class "A" wine permittee, only at the licensed premise of the class "B" wine permittee. Except as specifically permitted by the department upon good cause shown, delivery or transfer of wine from an unlicensed premise to a licensed "B" wine permittee's premise, or from one licensed "B" wine permittee's premise to another licensed "B" wine permittee's premise, even where there is common ownership of all of the premises by one class "B" wine permittee, is prohibited.

Sec. 65. **NEW SECTION. 123.174 ISSUANCE OF WINE PERMITS.**

The director shall issue class "A" and "B" wine permits as provided in this chapter, and may suspend or revoke a wine permit for cause as provided in this chapter.

Sec. 66. **NEW SECTION. 123.175 CLASS "A" APPLICATION.**

Except as otherwise provided in this chapter, a class "A" wine permit shall be issued to a person who complies with all of the following:

1. Submits a written application for the permit and states on the application under oath:
 - a. The name and place of residence of the applicant and the length of time the applicant has lived at the place of residence.
 - b. That the applicant is a citizen of the state of Iowa, or if a corporation, that the applicant is authorized to do business in Iowa.
 - c. The place of birth of the applicant, and if the applicant is a naturalized citizen, the time and place of naturalization, or if a corporation, the state of incorporation.
 - d. The location of the premises where the applicant intends to use the permit.
 - e. The name of the owner of the premises, and if that owner is not the applicant, that the applicant is the actual lessee of the premises.
2. Establishes all of the following:
 - a. That the applicant meets the test of good moral character as provided in section 123.3, subsection 11.
 - b. That the premises where the applicant intends to use the permit conform to all applicable laws, health regulations, and fire regulations, and constitute a safe and proper place or building.
3. Submits a bond in the amount of five thousand dollars in the form prescribed and furnished by the department with good and sufficient sureties to be approved by the department conditioned upon compliance with this chapter.

*According to enrolled Act

Sec. 67. NEW SECTION. 123.176 CLASS "B" APPLICATION.

Except as otherwise provided in this chapter, a class "B" wine permit shall be issued to a person who complies with all of the following:

1. Submits a written application for the permit and states on the application under oath:
 - a. The name and place of residence of the applicant, and the length of time the applicant has lived at the place of residence.
 - b. That the applicant is a citizen of the state of Iowa, or if a corporation, that the applicant is authorized to do business in Iowa.
 - c. The place of birth of the applicant, and if the applicant is a naturalized citizen, the time and place of naturalization, or if a corporation, the place of incorporation.
 - d. The location of the premises where the applicant intends to use the permit.
 - e. The name of the owner of the premises, and if that owner is not the applicant, that the applicant is the actual lessee of the premises.
2. Establishes all of the following:
 - a. That the applicant is a person of good moral character as provided in section 123.3, subsection 11.
 - b. That the premises where the applicant intends to use the permit conform to all applicable laws, health regulations, and fire regulations, and constitute a safe and proper place or building.
3. Submits a bond in the amount of one thousand dollars in the form prescribed and furnished by the department with good and sufficient sureties to be approved by the department conditioned upon compliance with this chapter. The bond shall be further conditioned as a part of the permit granted to the effect that the permittee and each surety shall consent to forfeiture of the principal sum of the bond in event of suspension or revocation of the permit pursuant to this chapter.

Sec. 68. NEW SECTION. 123.177 AUTHORITY UNDER CLASS "A" PERMIT.

1. A person holding a class "A" wine permit may manufacture and sell, or sell at wholesale, wine for consumption off the premises. Sales within the state may be made only to the department or to persons holding a class "A" or "B" wine permit and to persons holding a class "A", "B", "C" or "D" liquor control license. A class "A" wine permittee having more than one place of business shall obtain a separate permit for each place of business where wine is to be stored, warehoused, or sold.
2. A class "A" wine permit holder may purchase and resell only those brands of wine which are manufactured, fermented, bottled, shipped, or imported by a person holding a certificate of compliance issued pursuant to section 123.175.

Sec. 69. NEW SECTION. 123.178 AUTHORITY UNDER CLASS "B" PERMIT.

1. A person holding a class "B" wine permit may sell wine at retail for consumption off the premises. Wine shall be sold for consumption off the premises in original containers only.
2. A class "B" wine permittee having more than one place of business where wine is sold shall obtain a separate permit for each place of business.
3. A person holding a class "B" wine permit may purchase wine for resale only from the department or from a person holding a class "A" wine permit.

Sec. 70. NEW SECTION. 123.179 PERMIT FEES.

1. The annual permit fee for a class "A" wine permit is seven hundred fifty dollars.
2. The annual permit fee for a class "B" wine permit is five hundred dollars.

Sec. 71. NEW SECTION. 123.180 VINTNER'S CERTIFICATE OF COMPLIANCE – WHOLESALE AND RETAIL RESTRICTIONS.

1. A manufacturer, vintner, bottler, importer, or vendor of wine or an agent thereof desiring to ship, sell, or have wine brought into this state for resale by the department or for sale at wholesale by a class "A" permittee shall first make application for and shall be issued a vintner's certificate of compliance by the director for that purpose. The vintner's certificate of compliance shall expire at the end of one year from the date of issuance and shall be renewed for a like period upon application to the director unless otherwise revoked for cause. Each application for a vintner's certificate of compliance or renewal of a certificate shall be accompanied by a fee of one hundred dollars payable to the department. Each holder of a vintner's certificate of compliance shall furnish the information required by the director in the form the director requires. A vintner or wine bottler whose plant is located in Iowa and who otherwise holds a class "A" wine permit to sell wine at wholesale is exempt from the fee, but not the other terms and conditions. The holder of a vintner's certificate of compliance may also hold a class "A" wine permit.

2. At the time of applying for a vintner's certificate of compliance, each applicant shall file with the department a list of all class "A" wine permittees with whom it intends to do business and shall designate the geographic area in which its products are to be distributed by the permittees. Vintner's certificate holders may appoint more than one class "A" wine permittee to service the same geographic territory. The listing of class "A" wine permittees and geographic area as filed with the department may be amended from time to time by the holder of the certificate of compliance.

3. All class "A" wine permit holders shall sell only those brands of wine which are manufactured, bottled, fermented, shipped, or imported by a person holding a current vintner's certificate of compliance. An employee or agent working for or representing the holder of a vintner's certificate of compliance within this state shall register the employee's or agent's name and address with the department. These names and addresses shall be filed with the department's copy of the certificate of compliance issued except that this provision does not require the listing of those persons who are employed on the premises of a bottling plant, or winery where wine is manufactured, fermented, or bottled in Iowa or to the listing of those persons who are thereafter engaged in the transporting of the wine.

4. It is unlawful for a holder of a vintner's certificate of compliance or the holder's agent, or any class "A" wine permittee or the permittee's agent, to discriminate between class "B" wine permittees authorized to sell wine at retail.

5. It is unlawful for a holder of a vintner's certificate of compliance or the vintner's agent who is engaged in the business of selling wine to class "A" wine permittees to discriminate between class "A" wine permittees authorized to sell wine at wholesale.

6. Regardless of any other penalties provided by this chapter, any holder of a certificate of compliance relating to wine, class "A" or retail wine permittee or retail liquor licensee, who violates any of the provisions of this section is subject to a civil fine not to exceed one thousand dollars or subject to suspension of the certificate of compliance, license, or permit for a period not to exceed thirty days or to both civil fine and suspension.

Sec. 72. NEW SECTION. 123.181 PROHIBITED ACTS.

1. A holder of any class "B" wine permit shall not sell wine except wine which is purchased from a person holding a class "A" wine permit and on which the tax imposed by section 123.183 has been paid or wine purchased from a manufacturer of native wines.

2. A class "A" wine permittee shall not sell wine on credit to a retail liquor licensee or wine permittee for a period exceeding thirty days from date of delivery.

3. A holder of a vintner's certificate of compliance or class "A" wine permit shall not offer to any purchaser of wine at retail any rebate or coupon as an incentive to purchase wine.

Sec. 73. NEW SECTION. 123.182 LABELS – POINT OF ORIGIN – CONCLUSIVE EVIDENCE.

All imported bulk wines to be bottled and distributed in the state shall have the point of origin stated on the label. The print size for the point of origin shall be at least half the print size of the brand name on the label.

The label on a bottle or other container in which wine is offered for sale in this state, which label represents the alcoholic content of the wine as being in excess of seventeen per cent by weight, is conclusive evidence of the alcoholic content of that wine.

Sec. 74. NEW SECTION. 123.183 WINE GALLONAGE TAX.

In addition to the annual permit fee to be paid by each class "A" wine permittee, there shall be levied and collected from each class "A" wine permittee on all wine imported into this state for sale at wholesale and sold in this state at wholesale, a tax of one dollar and fifty cents for every wine gallon and a like rate for the fractional parts of a wine gallon. A tax shall not be levied or collected on wine manufactured in this state, or on wine sold by one class "A" wine permittee to another class "A" wine permittee. All revenue derived from the wine tax shall be deposited in the liquor control fund established by section 123.53 and shall be transferred by the state comptroller to the general fund of the state. The price of wine sold or offered for sale in state liquor stores which was not purchased by the department from a class "A" wine permittee shall include a markup over the wholesale price at least equal to the tax levied under this section.

Sec. 75. NEW SECTION. 123.184 REPORT OF GALLONAGE SALES – PENALTY.

Each class "A" wine permit holder on or before the tenth day of each calendar month commencing on the tenth day of the calendar month following the month in which the person is issued a permit, shall make a report under oath to the department upon forms to be furnished by the department showing the exact number of gallons of wine and fractional parts of gallons, sold by that permit holder during the preceding calendar month. The report also shall state whatever reasonable additional information the director requires. The permit holder at the time of filing this report shall pay to the department the amount of tax due at the rate fixed in section 123.183. A penalty of ten percent of the amount of the tax shall be assessed and collected if the report is not filed and the tax paid within the time required by this section.

Sec. 76. NEW SECTION. 123.185 RECORDS REQUIRED.

Each class "A" wine permittee shall keep books of account and records showing each sale of wine, which shall be at all times open to inspection by the director and agents of the department. Each class "B" wine permittee shall keep proper books of account and records showing each purchase of wine and the date and the amount of each purchase and the name of the person from whom each purchase was made, which shall be open to inspection by the director and agents of the department during normal business hours of the permittee.

Sec. 77. NEW SECTION. 123.186 FEDERAL REGULATIONS ADOPTED AS RULES.

The department shall adopt as rules the substance of the federal regulations 27 CFR pt. 6, 27 CFR pt. 8, 27 CFR pt. 10, and 27 CFR pt. 11 as they relate to transactions between wholesalers and retailers.

Sec. 78. Section 321.40, Code 1985, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The county treasurer shall refuse to renew the registration of a vehicle registered to the applicant for renewal of registration if the applicant has failed to pay any local vehicle taxes due in that county on that vehicle or any other vehicle owned or previously owned by the applicant until such local vehicle taxes are paid.

Sec. 79. Section 321.130, Code 1985, is amended to read as follows:

321.130 FEES IN LIEU OF TAXES.

The registration fees imposed by this chapter upon private passenger motor vehicles or semitrailers shall be are in lieu of all state and local taxes, except local vehicle taxes, general or local, to which motor vehicles or semitrailers may be are subject, and if a motor vehicle or semitrailer shall have has been registered at any time under this chapter it shall not thereafter be subject to a personal property tax unless such the motor vehicle or semitrailer shall have has been in storage continuously as an unregistered motor vehicle or semitrailer during the preceding registration year.

Sec. 80. Chapter 422, division II, Code 1985, is amended by adding the following new section:

NEW SECTION. 422.11A

The taxes imposed under this division, less credits allowed under sections 422.10, 422.11 and 422.12, shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may claim the new jobs tax credit allowed a partnership, subchapter S corporation, or estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. 81. Section 422.33, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 7. The taxes imposed under this division shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an

employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted in less than the ten years. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. 82. Section 422.42, subsections 3 and 12, Code 1985, are amended to read as follows:

3. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, ~~or for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services, and includes the sale of gas, electricity, water, and communication service to retail consumers or users, but does not include agricultural breeding livestock and domesticated fowl, or commercial fertilizer, or agricultural limestone, or materials, but not tools or equipment, herbicide, pesticide, insecticide, food and medication and agricultural drain tile and installation thereof~~ which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market, ~~or and does not include electricity, or steam or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that such the property shall will, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail, or shall will be consumed as fuel in creating heat, power, or steam for processing including grain drying, for providing heat or cooling for livestock buildings or for generating electric current, or consumed in self-propelled implements of husbandry engaged in agricultural production, or such the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides shall be deemed is a retail sale for purposes of the processing exemption.~~

~~Notwithstanding the foregoing provisions of this subsection, the sale of newsprint and ink delivered after April 1, 1970 to any person, firm or corporation to be incorporated in or used in the printing of any newspaper, free newspaper or shoppers guide for publication in this state shall be considered as a sale at retail and such person, firm or corporation shall be deemed to be the consumer of such newsprint and ink and subject to the payment of sales tax.~~

12. "Casual sales" means:

a. Sales or the rendering, furnishing or performing of a nonrecurring nature of tangible personal property or services by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property or services taxed under section 422.43.

b. The sale of all or substantially all of the tangible personal property or services held or used by a retailer in the course of the retailer's trade or business for which the retailer is required to hold a sales tax permit when the retailer sells or otherwise transfers the trade or business to another person who shall engage in a similar trade or business.

Sec. 83. Section 422.43, subsections 2 and 11, Code 1985, are amended to read as follows:

2. There is imposed a tax of four percent upon the gross receipts derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles and bingo games as defined in chapter 99B, operated or conducted within the state of Iowa, the tax to be collected from the operator in the same manner as is provided for the collection of taxes upon the gross receipts of tickets or admission as provided in this section. The tax shall also be imposed upon the gross receipts derived from the sale of lottery tickets or shares pursuant to chapter 99E. The tax on the lottery tickets or shares shall be included in the sales price and distributed to the general fund as provided in section 99E.10.

11. The following enumerated services are subject to the tax imposed on gross taxable services: Alteration and garment repair; armored car; automobile repair; battery, tire and allied; investment counseling, excluding investment services of trust departments; bank service charges; barber and beauty; boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; rental of tangible personal property; excavating and grading; farm implement repair of all kinds; flying service, except agricultural aerial application services and aerial commercial and charter transportation services; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing; cable television; campgrounds; carpet and upholstery cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; lobbying service; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening. For purposes of this subsection, gross taxable services from rental includes rents, royalties, and copyright and license fees. For purposes of this subsection, "lobbying service" means the rendering, furnishing or performing, for a fee, salary or other compensation, activities which are intended or used for the purpose of encouraging the passage, defeat, or modification of legislation or for influencing the decision of the members of a legislative committee or subcommittee or the representing, for a fee, salary or other compensation, on a regular basis an organization which has as one of its purposes the encouragement of the passage, defeat or modification of legislation or the influencing of the decision of the members of a legislative committee or a subcommittee. "Lobbying service" does not include the activities of a federal, state, or local government official or employee acting within the course of the official's or employee's duties or a representative of the news media engaged only in the reporting and dissemination of news and editorials.

Sec. 84. Section 422.45, subsections 2, 12 and 20, Code 1985, are amended to read as follows:

2. The gross receipts from the sales, furnishing or service of transportation service except the rental of recreational vehicles, recreational boats, or motor vehicles subject to registration which are registered for a gross weight of thirteen tons or less.

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. However, as used in this subsection, "foods" does not include meals prepared for immediate consumption on or off the premises of the retailer, and does not include foods sold through vending machines candy, candy-coated items, and other candy products; beverages, excluding tea and coffee, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain less than fifteen percent natural fruit or vegetable juice; foods prepared on or off the premises of the retailer which are consumed on the premises of the retailer; foods sold by caterers and hot or cold foods prepared for immediate consumption off the premises of the retailer. "Foods prepared for immediate consumption" include any food product upon which an act of preparation, including but not limited to, cooking, mixing, sandwich making, blending, heating or pouring, has been performed by the retailer so the food product may be immediately consumed by the purchaser.

20. The gross receipts from sales or services rendered, furnished or performed by a county or city. This exemption does not apply to the tax specifically imposed under section 422.43 on the gross receipts from the sales, furnishing or service of gas, electricity, water, heat and communication service to the public by a municipal corporation in its proprietary capacity and does not apply to fees paid to cities and counties for the privilege of participating in any athletic sports.

Sec. 85. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987, of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

a. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

b. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for this exemption.

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987 or on or after July 1, 1985, in the case of an industry which has entered into an agreement under chapter 280B prior to the sale or lease, of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

a. The industrial machinery, equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

b. The industrial machinery, equipment and computers must be real property within the scope of section 427A.1, subsection 1, paragraphs "e" or "j", and must be subject to taxation as real property.

However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes do not preclude the property from receiving this exemption if the property otherwise qualifies.

The gross receipts from the sale or rental of hand tools are not exempt. The gross receipts from the sale or rental of pollution control equipment qualifying under paragraph "a" shall be exempt.

The gross receipts from the sale or rental of industrial machinery, equipment, and computers, including pollution control equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be exempt.

Sec. 86. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of the following service: design and installation of new industrial machinery or equipment, including electrical and electronic installation.

NEW SUBSECTION. The gross receipts from the sale of wood chips or sawdust used in the production of agricultural livestock or fowl.

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of additional services taxed by this Act pursuant to a written services contract in effect on April 1, 1985. This exemption is repealed June 30, 1986.

Sec. 87. Chapter 422, division IV, Code 1985, is amended by adding the following new sections:

NEW SECTION. 422.47A

1. Sales, services, and use taxes paid on the purchase or rental of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The industrial machinery and equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(2) "Financial institutions" means as defined in section 527.2, subsection 4.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

e. The industrial machinery, equipment or any computer must be real property within the scope of section 427A.1, subsection one, paragraph "e" or "j", and must be subject to taxation as real property.

However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes shall not preclude the property from receiving this refund if the property otherwise qualifies.

Any tax paid on hand tools shall not be eligible for a refund. Any tax paid on pollution control equipment qualifying under paragraphs "a" through "d" of this subsection shall be eligible for a refund. Any tax paid on industrial machinery, equipment or computers, including pollution control equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be eligible for refund.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

NEW SECTION. 422.47B

1. Sales, services, and use taxes paid on the purchase or rental of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

e. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for the refund for farm machinery and equipment.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

Sec. 88. Section 422.69, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Of the taxes, interests and penalties collected under division IV which are credited to the general fund, an amount equal to the amount estimated by the department, adjusted as the department deems necessary, shall be set aside into a separate "machinery and equipment refund account" to be used to pay the refunds entitled to under sections 422.47A and 422.47B. The moneys in this separate account shall not be considered part of the state general fund for purposes of the Iowa economic emergency fund under section 8.55. This subsection is repealed April 1, 1988.

Sec. 89. **NEW SECTION.** 422B.1 AUTHORIZATION — ELECTION — IMPOSITION AND REPEAL.

1. A city or a county may impose by ordinance of the city council or the board of supervisors local option taxes authorized by sections 422B.1 through 422B.11, subject to this section.

2. A local option tax shall be imposed only after an election at which a majority of those voting on the question favors imposition and shall then be imposed until repealed as provided in subsection 7, paragraph "a". If the tax is a local earnings tax imposed by a city, it shall only apply within the corporate boundaries of that city and if imposed by a county, it shall only apply to unincorporated areas of that county. If the tax is a local vehicle tax imposed by a county, it shall apply to all incorporated and unincorporated areas of the county. If the tax is a local sales and services tax imposed by a county, it shall only apply to those incorporated areas and the unincorporated area of that county in which a majority of those voting in the area on the tax favor its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition.

3. Upon its own motion or upon receipt of a petition signed by eligible electors of the city equal in number to five percent of the persons of the city who voted in the last preceding state general election requesting imposition of a local earnings tax, the city council shall direct within thirty days of its motion or receipt of the petition the county commissioner of elections to submit the question of the imposition to the qualified electors of the city.

4. Upon its own motion or upon receipt of a petition signed by eligible electors of the unincorporated area of the county equal in number to five percent of the persons of the unincorporated area of the county who voted at the last preceding state general election requesting imposition of a local earnings tax, the county board of supervisors shall direct within thirty days of its motion or receipt of the petition the county commissioner of elections to submit the question of the imposition to the qualified electors of the unincorporated area of the county.

5. a. A county board of supervisors shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local vehicle tax or a local sales and services tax to the qualified electors of the incorporated and unincorporated areas of the county upon receipt of a petition, requesting imposition of a local vehicle tax or a local sales and services tax, signed by eligible electors of the whole county equal in number to five percent of the persons in the whole county who voted at the last preceding state general election. In the case of a local vehicle tax, the petition requesting imposition shall specify the rate of tax and the classes, if any, that are to be exempt. If more than one valid petition is received, the earliest received petition shall be used.

b. The question of the imposition of a local sales and services tax shall be submitted to the qualified electors of the incorporated and unincorporated areas of the county upon receipt by the county commissioner of elections of the motion or motions, requesting such submission,

adopted by the governing body or bodies of the city or cities located within the county or of the county, for the unincorporated areas of the county, representing at least one half of the population of the county. Upon adoption of such motion, the governing body of the city or county, for the unincorporated areas, shall submit the motion to the county commissioner of elections and in the case of the governing body of the city shall notify the board of supervisors of the adoption of the motion. The county commissioner of elections shall keep a file on all the motions received and, upon reaching the population requirements, shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. A motion ceases to be valid at the time of the holding of the regular election for the election of members of the governing body which adopted the motion. The county commissioner of elections shall eliminate from the file any motion that ceases to be valid. The manner provided under this paragraph for the submission of the question of imposition of a local sales and services tax is an alternative to the manner provided in paragraph "a".

6. The county commissioner of elections shall submit the question of imposition of a local option tax at a state general election or at a special election held at the time of a city regular election in the case of a tax imposed by a county or at a state general election or city regular election in the case of a tax imposed by a city which may not be held sooner than sixty days after publication of notice of the ballot proposition. The ballot proposition shall specify the type and rate of tax and in the case of a vehicle tax the classes that will be exempt and in the case of a local sales and services tax the date it will be imposed. The ballot proposition shall also specify the approximate amount of local option tax revenues that will be used for property tax relief and shall contain a statement as to the specific purpose or purposes for which the revenues shall otherwise be expended. The rate of a local earnings tax shall be in increments of one percent but not in excess of four percent as set by the governing body of the city or county seeking to impose the tax. The rate of the vehicle tax shall be in increments of one dollar per vehicle as set by the petition seeking to impose the tax. The rate of a local sales and services tax shall not be more than one percent as set by the governing body. The state commissioner of elections shall establish by rule the form for the ballot proposition which form shall be uniform throughout the state.

7. a. If a majority of those voting on the question of imposition of a local option tax favor imposition of a local option tax, the governing body of that city or that county, as applicable, shall impose the tax at the rate specified for an unlimited period. However, in the case of a local sales and services tax, the county shall not impose the tax in any incorporated area or the unincorporated area if the majority of those voting on the tax in that area did not favor its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition. The local option tax may be repealed or the rate increased or decreased only after an election at which a majority of those voting on the question of repeal or rate change favor the repeal or rate change. The election at which the question of repeal or rate change is offered shall be called and held in the same manner and under the same conditions as provided in subsections 3, 4, 5, and 6 for the election on the imposition of the local option tax. However, in the case of a local sales and services tax where the tax has not been imposed countywide, the question of repeal or imposition shall be voted on only by the qualified electors of the areas of the county where the tax has been imposed or has not been imposed, as appropriate.

b. Within ten days of the election at which a majority of those voting on the question favors the imposition, repeal, or change in the rate of a local option tax, the governing body shall give written notice to the director of revenue or, in the case of a local vehicle tax, to the director of the department of transportation, of the result of the election.

8. More than one of the authorized local option taxes may be submitted at a single election and the different taxes shall be separately implemented as provided in this section.

9. Local option taxes authorized to be imposed as provided in sections 422B.1 through 422B.11 are a local earnings tax, a local sales and services tax, and a local vehicle tax. The rate of the taxes shall be up to four percent in increments of one percent for the earnings tax, and in increments of one dollar per vehicle for a vehicle tax all as set by the governing body of the city or county seeking to impose the earnings tax or as set on the petition seeking to impose the vehicle tax. The rate of a local sales and services tax shall not be more than one percent as set by the governing body.

Sec. 90. NEW SECTION. 422B.2 LOCAL VEHICLE TAX.

An annual local vehicle tax at the rate per vehicle specified on the ballot proposition may be imposed by a county on every vehicle which is required to be registered by the state and is registered with the county treasurer to a person residing within the county where the tax is imposed at the time of the renewal of the registration of the vehicle. The local vehicle tax shall be imposed only on the renewals of registrations and shall be payable during the registration renewal periods provided under section 321.40.

The county imposing the tax shall provide for the exemption of each class, if any, of vehicles for which an exemption was listed on the ballot proposition.

For the purpose of the tax authorized by this section, "person" and "registration year" mean the same as defined in section 321.1, "vehicle" means motor vehicle as defined in section 321.1 which is subject to registration under section 321.18, and which is registered with the county treasurer.

Sec. 91. NEW SECTION. 422B.3 ADMINISTRATION.

A local vehicle tax or change in the rate shall be imposed January 1 immediately following a favorable election for registration years beginning on or after that date and the repeal of the tax shall be as of December 31 following a favorable election for registration years beginning after that date.

Local officials shall confer with the director of the department of transportation for assistance in drafting the ordinance imposing a local vehicle tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage. The director shall inform the appropriate county treasurers and provide assistance to them for the collection of all local vehicle taxes and any penalties, crediting local vehicle tax receipts excluding penalties to a "local vehicle tax fund" established in the office of the county treasurer. From the local vehicle tax fund, the treasurer shall remit monthly, by direct deposit in the same manner as provided in section 384.11, to each city in the county the amount collected from residents of the city during the preceding calendar month and to the county the amount collected from the residents of the unincorporated area during the preceding calendar month. Moneys received by a city or county from this fund shall be credited to the general fund of the city or county to be used solely for public transit or shall be credited to the street construction fund of that city or the secondary road fund of that county to be used for the purposes specified in section 312.6. Any penalties collected shall be credited to the county general fund to be used to defray the cost to the county of administering the local vehicle tax.

Sec. 92. NEW SECTION. 422B.4 PAYMENT.

Taxpayers shall pay a local vehicle tax to the county treasurer at the time of application for the renewal of the registration of the vehicle under chapter 321 for the registration year. The county treasurer shall require a person applying for the renewal of the registration of a vehicle to state the person's residence and shall not renew a registration certificate of a vehicle on which a local vehicle tax is due until the local vehicle tax is paid.

Payment of a local vehicle tax shall be evidenced by a notation on the state registration certificate. The director of the department of transportation shall prescribe by rule the type of notation. A local vehicle tax shall not be refunded even when state registration fees are refunded.

Penalties for late payment which are comparable to the penalties for late payment of state registration fees shall be imposed by the ordinance imposing a local vehicle tax. Willful violation of a local vehicle tax ordinance is a simple misdemeanor.

Sec. 93. NEW SECTION. 422B.5 LOCAL EARNINGS TAX.

1. A city or county may impose an annual earnings tax at the rate on the ballot proposition on the adjusted gross income from wages, salaries, commissions, and other compensation specified in paragraph "a" received or earned by resident and nonresident individuals, except individuals who are state or county employees:

a. Adjusted gross income from wages, salaries, commissions, and other compensation of resident and nonresident individuals, except individuals who are state or county employees, derived from work performed or services rendered within the city or unincorporated area of the county imposing the tax.

2. For purposes of the local earnings tax "resident individual" means an individual taxpayer whose principal place of residence at the end of the taxpayer's tax year is located in the city or unincorporated area of the county where the tax is imposed, "nonresident individual" means an individual who is not a resident individual and "adjusted gross income from wages, salaries, commissions, and other compensation" means the gross income from such compensation less those deductions allowable for state and federal tax purposes which are attributable to the earning of such compensation. The department of revenue shall adopt rules for determining the adjusted gross income of such compensation. If the compensation received for work performed or services rendered is for work performed or services rendered both within and without the area where the tax is imposed, the amount of compensation of an individual derived from work performed or services rendered that is subject to the local earnings tax shall be reasonably apportioned to the city or unincorporated area of the county, as applicable, by means of rules adopted by the department of revenue. The department shall also provide rules for allocation of other types of income on which the earnings tax is imposed.

3. Returns for the local earnings tax shall be in the form as the director of revenue may prescribe, and shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year. All local earnings tax returns shall cover a calendar year. Each taxpayer required to file a return shall show on the return the city of residence on the last day of the tax year, if applicable, and shall show the county of residence on the last day of the tax year.

4. a. Every withholding agent and every employer as defined in chapter 422 and further defined in the Internal Revenue Code of 1954 as defined in chapter 422, with respect to income tax collected at source, making payment of wages to either a resident employee or employees, or a nonresident employee or employees, working in the city or unincorporated area of the county, shall deduct and withhold from the wages an amount which will approximate the

employees' annual tax liability on a calendar year basis, calculated on tables provided by the department of revenue.

b. A withholding agent required to deduct and withhold tax under paragraph "a" shall deposit for each calendar quarterly period, on or before the last day of the month following the close of the quarterly period, on forms prescribed by the director, the tax required to be withheld under paragraph "a".

5. Every resident and nonresident of the city or county imposing a local earnings tax shall make and sign a return if the individual has income of five hundred dollars or more which is subject to the earnings tax.

Sec. 94. NEW SECTION. 422B.6 ADMINISTRATION.

A local earnings tax or change in the rate shall be imposed January 1 following the favorable election for tax years beginning on or after January 1 and repeal of the tax shall be as of December 31 following the favorable election for tax years beginning after December 31.

The director of revenue shall administer the provisions of a local earnings tax as nearly as possible in conjunction with the administration of state income tax laws. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting local earnings tax.

An ordinance imposing a local earnings tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 422, division II. All powers and requirements of the director in administering the state income tax law apply to the administration of a local earnings tax, including but not limited to, the provisions of sections 422.4, 422.16, 422.20, 422.21, 422.22 to 422.31, 422.68, and 422.72 to 422.75. Local officials shall confer with the director of revenue and obtain the director's assistance in drafting the ordinance imposing a local earnings tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

The director, in consultation with local officials, shall collect and account for a local earnings tax and any interest and penalties. The director shall credit local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the calendar year following the tax year for which the local earnings tax is imposed to a "local earnings tax fund" established in the office of the treasurer of state. All local earnings tax receipts and any interest and penalties received or refunded from returns filed after November 1 of the calendar year following the tax year for which the local earnings tax is imposed shall be deposited in or withdrawn from the state general fund and shall be considered part of the cost of administering the local earnings tax.

Sec. 95. NEW SECTION. 422B.7 PAYMENT TO LOCAL GOVERNMENT — USE OF RECEIPTS.

1. On or before January 15, the director of revenue shall make an accounting of the local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the preceding year and shall certify to the treasurer of state this amount collected. The treasurer of state shall remit within fifteen days of the certification by the director of revenue to each city and county which has imposed a local earnings tax the amount in the local earnings tax fund collected as a result of its tax.

2. Local earnings tax moneys received by a city or county may be expended for any lawful purpose of the city or county which imposed the tax.

Sec. 96. NEW SECTION. 422B.8 LOCAL SALES AND SERVICES TAX.

A local sales and services tax at the rate of not more than one percent may be imposed by a county on the gross receipts taxed by the state under chapter 422, division IV. A local sales and services tax shall be imposed on the same basis as the state sales and services tax and may not be imposed on the sale of any property or on any service not taxed by the state. However, notwithstanding that the gross receipts from the sale or rental of the tangible personal property described in section 85 of this Act are taxable during the period beginning July 1, 1985 and ending June 30, 1987, a local sales and services tax shall not be imposed on the sale or rental of such property. A local sales and services tax is applicable to transactions within those incorporated and unincorporated areas of the county where it is imposed and shall be collected by all persons required to collect state gross receipts taxes. All cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition.

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

A tax permit other than the state tax permit required under section 422.53 shall not be required by local authorities.

Sec. 97. NEW SECTION. 422B.9 ADMINISTRATION.

A local sales and services tax shall be imposed either January 1, April 1, July 1 or October 1 following the notification of the director of revenue.

A local sales and services tax shall be repealed only on March 31, June 30, September 30, or December 31. At least forty days before the imposition or repeal of the tax, a county shall provide notice of the action by certified mail to the director of revenue.

The director of revenue shall administer a local sales and services tax as nearly as possible in conjunction with the administration of state gross receipts tax laws. The director shall provide appropriate forms or provide on the regular state tax forms for reporting local sales and services tax liability.

The ordinance of a county board of supervisors imposing a local sales and services tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 422, division IV. All powers and requirements of the director to administer the state gross receipts tax law are applicable to the administration of a local sales and services tax law, including but not limited to, the provisions of sections 422.25, subsection 4, 422.30, 422.48 to 422.52, 422.54 to 422.58, 422.67, 422.68, 422.69, subsection 1, and 422.70 to 422.75. Local officials shall confer with the director of revenue for assistance in drafting the ordinance imposing a local sales and services tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

The director, in consultation with local officials, shall collect and account for a local sales and services tax. The director shall certify each quarter the amount of local sales and services tax receipts and any interest and penalties to be credited to the "local sales and services tax fund" established in the office of the treasurer of state.

All local tax moneys and interest and penalties received or refunded one hundred eighty days or more after the date on which the county repeals its local sales and services tax shall be deposited in or withdrawn from the state general fund.

Sec. 98. NEW SECTION. 422B.10 PAYMENT TO LOCAL GOVERNMENTS.

1. The treasurer of state shall credit the local sales and services tax receipts and interest and penalties from a county to the county's account in the local sales and services tax fund.

2. The treasurer of state, pursuant to rules of the director of revenue, shall remit at least quarterly to the board of supervisors, if the tax was imposed in the unincorporated areas, and each city where the tax was imposed its share of the county's account in the local sales and services tax fund as computed under subsections 3 and 4.

3. Seventy-five percent of each county's account shall be remitted on the basis of the county's population residing in the unincorporated area where the tax was imposed and those incorporated areas where the tax was imposed as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the above population of the county residing in the unincorporated area of the county where the tax was imposed according to the most recent certified federal census.

b. To each city in the county where the tax was imposed a pro rata share based upon the percentage of the city's population residing in the county to the above population of the county according to the most recent certified federal census.

4. Twenty-five percent of each county's account shall be remitted based on the sum of property tax dollars levied by the board of supervisors if the tax was imposed in the unincorporated areas and each city in the county where the tax was imposed during the three-year period beginning July 1, 1982 and ending June 30, 1985 as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the total property tax dollars levied by the board of supervisors during the above three-year period.

b. To each city council where the tax was imposed a pro rata share based upon the percentage of property tax dollars levied by the city during the above three-year period of the above total property tax dollars levied by the board of supervisors and each city where the tax was imposed during the above three-year period.

5. Local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

Sec. 99. NEW SECTION. 422B.11 ADDITIONAL REAL PROPERTY TAX.

An additional real property tax may be imposed by a city or county on all taxable property located within the incorporated area of the city or the unincorporated area of the county, as applicable. The additional real property tax shall be imposed for the tax year in which the favorable election was held to be paid during the fiscal year beginning July 1 following the favorable election and the tax shall be continued for each subsequent tax year until repealed. The rate of the tax shall be the rate specified on the ballot proposition.

Sec. 100. Section 7B.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The state shall refrain for a job of comparable value, without effecting further layoffs, any state employee displaced as a result of either the private wholesale or retail sale of wine.

Sec. 101. Section 423.1, subsection 1, unnumbered paragraph 2, Code 1985, is amended by striking the paragraph.

Sec. 102. Section 427.1, subsection 32, unnumbered paragraphs 1 and 2, Code 1985, are amended to read as follows:

Pollution-control property as defined in this subsection shall be exempt from taxation for the periods and to the extent provided in this subsection, upon compliance with the provisions of this subsection.

This exemption shall apply to new installations of pollution-control property for a period of ten years beginning on January 1 after the construction or installation of the property is completed. This exemption shall apply for a period of ten years beginning on January 1, 1975, to existing pollution-control property if its construction or installation was completed after September 23, 1970. This exemption shall apply with respect to each of the ten annual assessments within the ten-year exemption period and the property taxes payable on the basis of each of such ten annual assessments. This exemption for existing pollution-control property shall begin with respect to the assessment as of January 1, 1975, and the taxes payable on the basis of this assessment during the fiscal year beginning July 1, 1976.

Sec. 103. Section 427A.1, subsection 1, paragraph j, subparagraph (1), Code 1985, is amended to read as follows:

(1) COMPUTERS. As used in this paragraph, "computer" means stored program processing equipment and all devices fastened to the computer by means of signal cables or communication media that serve the function of signal cables, but does not include point of sales equipment.

Sec. 104. Section 427A.9, unnumbered paragraphs 2 and 3, Code 1985, are amended to read as follows:

The amount of the additional personal property tax credit shall be a fixed amount for each tax year. The amount of the additional personal property tax credit shall be increased for the extended tax year beginning January 1, 1974, and ending June 30, 1975, and shall be increased for each tax year immediately following a tax year in which the growth of state general fund revenues, adjusted for changes in rate or basis, exceeds five and one-half percent, except that the amount of the additional personal property tax credit for taxes payable in each year of the fiscal period beginning July 1, 1977 and ending June 30, 1979 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1976 and ending June 30, 1977, ~~and~~ the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1980 and ending June 30, 1981 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1979 and ending June 30, 1980, and the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1986 and ending June 30, 1987 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1985 and ending June 30, 1986. An increase in the additional personal property tax credit, once granted, shall continue for each succeeding tax year. For the purposes of this chapter the state comptroller may estimate the state percent of growth if necessary to avoid delay in the collection of taxes. ~~After nine such increases have been made, all~~ All taxes on personal property shall be repealed as provided in the following section. The director of revenue and the state comptroller, jointly, shall determine the amount of the credit for each such tax year. Such amount shall be the maximum amount, rounded to the nearest ten dollars, which will permit complete funding of the replacement obligation under this division, including the replacement obligation for the tax credit granted pursuant to sections 427A.1 to 427A.5, out of the appropriation provided in this chapter.

Notwithstanding the provisions of this section which require an increase in general fund revenues in excess of five and one-half percent, adjusted for changes in rate or basis, to increase the personal property tax credit, the amount of the personal property tax credit, to be allowed for taxes payable in the fiscal year beginning July 1, 1982 and ending June 30, 1983 and in the fiscal year beginning July 1, 1985 and ending June 30, 1986 shall be increased as provided in this section.

Sec. 105. Section 427A.10, Code 1985, is amended to read as follows:

427A.10 PHASE OUT OF TAX.

Effective on July 1 ~~after the tax year in which the ninth increase in the additional personal property tax credit becomes effective, 1987,~~ all taxes on personal property as defined in section 427A.1 are repealed. For assessment years beginning on or after January 1, 1986 personal property shall not thereafter be listed or assessed. This section shall prevail over all inconsistent statutes.

Sec. 106. Section 427A.12, subsection 6, Code 1985, is amended to read as follows:

6. For each state fiscal year beginning on or after the year in which the ninth increase in the additional personal property tax credit under this division becomes effective July 1, 1987, each taxing district shall be reimbursed from the personal property tax replacement fund in an amount equal to its personal property tax replacement base.

Sec. 107. Section 427A.13, Code 1985, is amended to read as follows:
427A.13 APPROPRIATION.

There is hereby appropriated from the general fund of the state of Iowa to the personal property tax replacement fund the following sums, or so much thereof as may be necessary, to carry out the provisions of this chapter as amended by this division. For the fiscal year beginning July 1, 1973, and ending June 30, 1974, there is appropriated the sum of thirty-one million nine hundred thousand dollars. For the fiscal year beginning July 1, 1974, and ending June 30, 1975, and each succeeding fiscal year, there is appropriated the sum of thirty-five million seven hundred thousand dollars. For each year of the fiscal period beginning July 1, 1977 and ending June 30, 1979 the total appropriation shall be thirty-eight million six hundred thousand dollars. For the fiscal year beginning July 1, 1983 and ending June 30, 1984, the total appropriation shall be forty-six million two hundred thousand dollars. For the fiscal year beginning July 1, 1984 and ending June 30, 1985, the total appropriation shall be twenty-three million one hundred thousand dollars. For the fiscal year beginning July 1, 1985 and ending June 30, 1986, and each succeeding fiscal year, the total appropriation shall be an amount equal to the amount paid on May 15 of the preceding fiscal year plus one-half of the amount needed to fund the additional personal property tax credit payable in that fiscal year. In each fiscal year for which an increase in the additional personal property tax credit becomes effective as provided in this division, the appropriation under this section shall be increased by three million eight hundred thousand dollars, and such this increased appropriation shall continue for each succeeding fiscal year. For the fiscal year for which the ninth increase in the additional personal property tax credit becomes effective as provided in this division beginning July 1, 1987 the total appropriation shall be fifty-nine million dollars. For the fiscal year beginning July 1, 1988, and for each succeeding fiscal year, the total appropriation shall be sixty-eight million dollars per year.

Sec. 108. Section 427B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after December 31, 1981 and on or before January 1, 1985, the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

Sec. 109. Chapter 427B, Code 1985, is amended by adding as a new division the following new section:

NEW SECTION. PROPERTY SUBJECT TO SPECIAL VALUATION.

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after January 1, 1985 the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

For purposes of this section:

1. Property assessed by the department of revenue pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of this section.
2. Property acquired on or before January 1, 1985 which was owned or used on or before January 1, 1985 by a related person shall not receive the benefits of this section.

3. Property acquired after January 1, 1985 which was owned and used by a related person shall not receive any additional benefits under this section.

4. Property which was owned or used on or before January 1, 1985 and subsequently acquired by an exchange of like property shall not receive the benefits of this section.

5. Property which was acquired after January 1, 1985 and subsequently exchanged for like property shall not receive any additional benefits under this section.

6. Property acquired on or before January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of this section.

7. Property acquired after January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under this section.

For purposes of this section, "related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

Sec. 110. Section 442.7, subsection 1, paragraph a, Code 1985, is amended by adding the following unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, for computing the state percent of growth to be used for the school year beginning July 1, 1987, the revenues received as a result of the increase in taxes in this Act or as a result of the inclusion of additional items subject to tax in this Act shall not be considered revenues received for the state general fund for purposes of determining the percentages under subparagraph (1) or (2).

Sec. 111. Section 455C.1, subsection 1, Code 1985, is amended to read as follows:

1. "Beverage" means wine as defined in section 123.3, subsection 7, alcoholic liquor as defined in section 123.3, subsection 8, beer as defined in section 123.3, subsection 9, mineral water, soda water and similar carbonated soft drinks in liquid form and intended for human consumption.

Sec. 112. Section 455C.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A dealer, other than a state liquor store, or a distributor may refuse to accept and to pay the refund value of an empty wine container which is marked to indicate that it was sold by a state liquor store. A state liquor store may refuse to accept and to pay the refund value of an empty wine container which is not marked to indicate that it was sold by a state liquor store.

Sec. 113. Section 455C.5, subsection 1, Code 1985, is amended to read as follows:

1. Each beverage container sold or offered for sale in this state by a dealer shall clearly indicate by embossing or by a stamp, label or other method securely affixed to the container, the refund value of the container. The department shall specify, by rule, the minimum size of the refund value indication on the beverage containers. Each beverage container containing wine which is sold or offered for sale in a state liquor store shall also be marked by embossing or by stamp, label, or other method securely affixed to the container to indicate that it was sold in a state liquor store.

Sec. 114. Section 99E.10, subsection 1, unnumbered paragraph 1, 1985 Acts, House File 225, section 110, if division I of House File 225 becomes law is amended to read as follows:

1. Upon receipt of any revenue, the commissioner shall deposit the moneys in the lottery fund created pursuant to section 99E.20. As nearly as is practicable, ~~forty-five~~ fifty percent of the projected annual revenue, after deduction of the amount of the sales tax, computed on a year-round average basis for each type of lottery game accruing from the sale of tickets or shares is appropriated for payment of prizes to the holders of winning tickets. After the payment of prizes, all of the following shall be deducted from lottery revenue prior to disbursement:

Sec. 115. Section 99E.10, subsection 1, 1985 Acts, House File 225, section 110, if division I of House File 225 becomes law is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. An amount equal to four percent of the gross sales price of each ticket or share sold shall be deducted as the sales tax on the sale of that ticket or share, remitted to the treasurer of state and deposited into the state general fund.

Sec. 116. Section 422.45, subsection 22, 1985 Acts, House File 225, section 122, if division I of House File 225 becomes law is amended by striking the subsection.

Sec. 117. NEW SECTION. 99A.10 MANUFACTURE OF ELECTRONIC GAMBLING DEVICES PERMITTED.

A person may manufacture electronic or computerized gambling devices. This chapter does not prohibit such manufacturing activities.

Sec. 118. Section 725.9, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This chapter does not prohibit the manufacture of electronic or computerized gambling devices.

Sec. 119.

1. All persons required to be licensed under section 98.13 as distributors having in their possession prior to delivery for resale as of the close of business on September 30, 1985 cigarettes or little cigars upon which the tax under section 98.6 or 98.43 has been paid, unused cigarette tax stamps which have been paid for under section 98.8, or unused metered imprints which have been paid for under section 98.12 shall be subject to an inventory tax on such items as provided in this section.

2. Persons subject to the inventory tax imposed under this section shall take an inventory as of the close of business on September 30, 1985 of those items subject to the inventory tax for the purpose of determining the tax due. These persons shall report the tax on forms provided by the department of revenue and remit the tax due with the forms by October 31, 1985. The department of revenue shall adopt rules as are necessary to carry out this section.

3. The rate of the inventory tax on each item subject to the tax as specified in subsection 1 is equal to the difference between the amount paid on each item under section 98.6, 98.8, 98.12, or 98.43 prior to October 1, 1985 and the amount that is to be paid on each similar item under section 98.6, 98.8, 98.12, or 98.43 on or after October 1, 1985 except that in computing the rate of the inventory tax any discount allowed or allowable under section 98.8 shall not be considered.

Sec. 120. Notwithstanding any provision of section 98.8 or of other provisions of chapter 98, during the period beginning October 1, 1985 and ending November 15, 1985, a holder of a state distributor's permit issued under chapter 98 may at the permit holder's option purchase cigarette tax stamps on credit for a period of forty-five days following such purchase. At the end of the forty-five day period the permit holder shall remit the amount due. As a condition for this credit-purchase, the purchase must be made from the department of revenue office in Des Moines, and the permit holder shall provide, at the time of such purchase, a bond to the department of revenue to insure the payment of the face value of the tax stamps at the end of the forty-five day period. A permit holder is entitled to make only one credit purchase under this section.

Approved April 18, 1985