

CHAPTER 423B

LOCAL OPTION TAXES

Referred to in [§15J.7](#), [49.73](#), [76.4](#), [356.37](#), [418.13](#), [421.26](#), [421.28](#), [421.71](#), [423.2A](#), [423.3](#), [423.4](#), [423.14A](#), [423.36](#), [423.43](#)

Personal liability of officers and partners, see [§421.26](#)

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423B.1 Authorization — election — imposition and repeal.

1. A county may impose by ordinance of the board of supervisors local option taxes authorized by [this chapter](#), subject to [this section](#) and subject to the exception provided in [subsection 2](#).

2. *a.* A city whose corporate boundaries include areas of two counties may impose by ordinance of its city council a local sales and services tax if all of the following apply:

(1) At least eighty-five percent of the residents of the city live in one county.

(2) The county in which at least eighty-five percent of the city residents reside has held an election on the question of the imposition of a local sales and services tax and a majority of those voting on the question in the city favored its imposition.

(3) The city has entered into an agreement on the distribution of the sales and services tax revenues collected from the area where the city tax is imposed with the county where such area is located.

b. The city council of a city authorized to impose a local sales and services tax pursuant to paragraph “*a*” shall only do so subject to all of the following restrictions:

(1) The tax shall only be imposed in the area of the city located in the county where not more than fifteen percent of the city’s residents reside.

(2) The tax shall be at the same rate and become effective at the same time as the county tax imposed in the other area of the city.

(3) The tax once imposed shall continue to be imposed until the county-imposed tax is repealed, and the city-imposed tax shall also be repealed effective on the same date.

(4) The tax shall be imposed on the same basis as provided in [section 423B.5](#) and notification requirements in [section 423B.6](#) apply.

(5) The city shall assist the department of revenue to identify the businesses in the area which are to collect the city-imposed tax. The process shall be ongoing as long as the city tax is imposed.

c. The agreement on the distribution of the revenues collected from the city-imposed tax shall provide that fifty percent of such revenues shall be remitted to the county in which the part of the city where the city tax is imposed is located.

d. The latest certified federal census preceding the election held by the county on the question of imposition of the local sales and services tax shall be used in determining if the city qualifies under paragraph “*a*”, subparagraph (1), to impose its own tax and in determining the area where the city tax may be imposed under paragraph “*b*”, subparagraph (1).

e. A city is not authorized to impose a local sales and services tax under [this subsection](#) after July 1, 2000. A city that has imposed a local sales and services tax under [this subsection](#) on or before July 1, 2000, may continue to collect the tax until such time as the tax is repealed by the city and the fact that the area acquires more than fifteen percent of the city’s residents after the tax is imposed shall not affect the imposition or collection of the tax.

3. *a.* If a majority of those voting on the question of imposition of a local option tax favors imposition, the local option tax shall be imposed at the rate specified on the ballot until repealed as provided in [this chapter](#).

b. If the tax is a local vehicle tax imposed by a county, it shall apply to all incorporated and unincorporated areas of the county.

c. (1) 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 favors 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 favors its imposition. For purposes of the local sales and services tax, a city is not contiguous to another city if the only road access between the two cities is through another state.

(2) The treatment of contiguous cities as one incorporated area for the purpose of determining whether a majority of those voting favors imposition does not apply to elections on the question of imposition of a local sales and services tax in all or a portion of a county that is a qualified county if the election occurs on or after January 1, 2019. For purposes of [this chapter](#), “qualified county” means a county with a population in excess of four hundred thousand, a county with a population of at least one hundred thirty thousand but not more than one hundred thirty-one thousand, or a county with a population of at least sixty thousand but not more than seventy thousand, according to the 2010 federal decennial census.

4. a. (1) The 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 to the registered voters of the incorporated and unincorporated areas of the county upon receipt of a petition requesting imposition of a local vehicle 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 general election. 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.

(2) The county board of supervisors shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local sales and services tax to the registered voters of the incorporated and unincorporated areas of the county upon receipt of a petition requesting imposition of 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 general election. If more than one valid petition is received, the earliest received petition shall be used.

(3) In lieu of the petition requirement of subparagraph (2), the county board of supervisors for a county that is a qualified county shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local sales and services tax to the registered voters of a city, or the portion thereof located in the county, or to the registered voters of the unincorporated area of the county upon receipt by the board of supervisors of a petition requesting imposition of a local sales and services tax, signed by eligible electors of the city, or the portion thereof located in the county, or eligible electors of the unincorporated area of the county, as applicable, equal in number to five percent of the persons in the city, or applicable portion thereof, or in the unincorporated area of the county who voted at the last preceding general election. If more than one valid petition is received for a city or for the unincorporated area of the county, the earliest received petition shall be used. This subparagraph applies to petitions received on or after January 1, 2019.

b. (1) The question of the imposition of a local sales and services tax shall be submitted to the registered voters 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 that adopted the motion. The county commissioner of elections shall eliminate from the file any motion that ceases to be valid.

(2) In lieu of the motion requirements of subparagraph (1), the question of the imposition of a local sales and services tax shall be submitted to the registered voters of a city located in a county that is a qualified county, or the portion thereof located in the county, or to the registered voters of the unincorporated area of a county that is a qualified county upon receipt by the county commissioner of elections of a motion requesting such submission, adopted by the governing body of the city or the county for the unincorporated area of the county, as applicable. Upon adoption of such motion, the governing body of the city or county for the unincorporated area shall submit the motion to the county commissioner of elections. The county commissioner of elections shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. This subparagraph applies to motions received by the county commissioner of elections on or after January 1, 2019.

(3) The methods provided under this paragraph for the submission of the question of imposition of a local sales and services tax are alternatives to the methods provided in paragraph "a".

5. a. The county commissioner of elections shall submit the question of imposition of a local option tax at an election held on a date specified in [section 39.2, subsection 4](#), paragraph "a" or "b", as applicable. The election shall not be held sooner than sixty days after publication of notice of the ballot proposition.

b. 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 which date shall not be earlier than ninety days following the election. The ballot proposition shall also specify the approximate amount of local option tax revenues that will be used for property tax relief, subject to the requirement of [section 423B.7, subsection 7](#), paragraph "b", and shall contain a statement as to the specific purpose or purposes for which the revenues shall otherwise be expended. If the county board of supervisors or governing body of the city, as applicable, decides under [subsection 6](#) to specify a date on which the local option sales and services tax shall automatically be repealed, the date of the repeal shall also be specified on the ballot.

c. 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.

d. The rate of a local sales and services tax shall be one percent.

e. The state commissioner of elections shall establish by rule the form for the ballot proposition which form shall be uniform throughout the state.

6. a. (1) (a) A local option tax may be repealed or the rate of the local vehicle tax increased or decreased or the use of a local option tax changed after an election at which a majority of those voting on the question of repeal or rate or use change favors the repeal or rate or use change.

(b) The date on which the repeal, rate, or use change is to take effect shall not be earlier than ninety days following the election. The election at which the question of repeal or rate or use change is offered shall be called and held in the same manner and under the same conditions as provided in [subsections 4 and 5](#) 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 or use change shall be voted on only by the registered voters of the areas of the county where the tax has been imposed or has not been imposed, as appropriate.

(c) The governing body of the city or unincorporated area where the local sales and services tax is imposed may, upon its own motion, request the county commissioner of elections to hold an election in the city, or portion thereof located in the county, or unincorporated area, as appropriate, on the question of the change in use of local sales and services tax revenues. The election may be held at any time but not sooner than sixty days following publication of the ballot proposition. If a majority of those voting in the city, or portion thereof located in the county, or unincorporated area on the change in use favors the change, the governing body of that area shall change the use to which the revenues shall be

used. The ballot proposition shall list the present use of the revenues, the proposed use, and the date after which revenues received will be used for the new use.

(2) When submitting the question of the imposition of a local sales and services tax, the board of supervisors or if the election is initiated under [subsection 4](#), paragraph “a”, subparagraph (3), or [subsection 4](#), paragraph “b”, subparagraph (2), the governing board of a city, may direct that the question contain a provision for the repeal, without election, of the local sales and services tax on a specific date, which date shall be as provided in [section 423B.6, subsection 1](#).

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 county auditor shall give written notice of the result of the election by sending a copy of the abstract of the votes from the favorable election to the director of revenue or, in the case of a local vehicle tax, to the director of transportation. The appropriate director shall have the authority to waive the notice requirement.

c. Notwithstanding any other provision in [this section](#), a change in use of the local sales and services tax revenues for purposes of funding an urban renewal project pursuant to [section 423B.10](#) does not require an election.

7. a. 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](#).

b. Costs of local option tax elections shall be apportioned among jurisdictions within the county voting on the question at the same election on a pro rata basis in proportion to the number of registered voters in each taxing jurisdiction voting on the question and the total number of registered voters in all of the taxing jurisdictions voting on the question.

8. a. In a county that has imposed a local option sales and services tax, the board of supervisors shall, notwithstanding any contrary provision of [this chapter](#), repeal the local option sales and services tax in the unincorporated areas or in an incorporated city area in which the tax has been imposed upon adoption of the board’s own motion for repeal in the unincorporated areas or upon receipt of a motion adopted by the governing body of that incorporated city area requesting repeal. The board of supervisors shall repeal the local option sales and services tax effective on the earliest date specified in [section 423B.6, subsection 1](#), following adoption of the motion. For purposes of this paragraph, incorporated city area includes an incorporated city which is contiguous to another incorporated city.

b. If imposition of the local option sales and services tax is initiated under [subsection 4](#), paragraph “a”, subparagraph (3), or [subsection 4](#), paragraph “b”, subparagraph (2), notwithstanding any contrary provision of [this chapter](#), the board of supervisors may repeal the local sales and services tax in a city, or portion thereof located in the county, upon receipt of a motion adopted by the governing board of the city requesting the repeal. The board of supervisors shall repeal the local sales and services tax effective on the earliest date specified in [section 423B.6, subsection 1](#), following adoption of the motion.

9. Notwithstanding [subsection 8](#) or any other contrary provision of [this chapter](#), a local option sales and services tax shall not be repealed if obligations are outstanding which are payable as provided in [section 423B.9](#), unless funds sufficient to pay the principal, interest, and premium, if any, on the outstanding obligations at and prior to maturity have been properly set aside and pledged for that purpose.

85 Acts, ch 32, §89; 85 Acts, ch 198, §6

CS85, §422B.1

86 Acts, ch 1199, §2 – 6; 89 Acts, ch 146, §1; 89 Acts, ch 276, §1; 90 Acts, ch 1256, §21; 92 Acts, ch 1063, §1; 93 Acts, ch 143, §50; 95 Acts, ch 67, §53; 95 Acts, ch 186, §1 – 4, 9; 96 Acts, ch 1079, §22, 23; 99 Acts, ch 156, §5 – 11, 23; 2000 Acts, ch 1058, §36; 2002 Acts, ch 1119, §166; 2003 Acts, ch 145, §286; 2003 Acts, 1st Ex, ch 2, §203, 205

C2005, §423B.1

2006 Acts, ch 1158, §52 – 54; 2007 Acts, ch 186, §25; 2008 Acts, ch 1115, §68, 71; 2008 Acts, ch 1191, §65; 2013 Acts, ch 90, §103; 2015 Acts, ch 29, §114; 2018 Acts, ch 1161, §232 – 238, 245

Referred to in [§49.73](#), [423B.7](#), [423B.10](#)

2018 amendments to this section effective January 1, 2019; 2018 Acts, ch 1161, §245

Subsection 2, paragraph b, subparagraph (3) amended

Subsections 3, 4, and 5 amended

Subsection 6, paragraph a, subparagraph (1) stricken and former subparagraphs (2) and (3) amended and renumbered as (1) and (2)

Subsection 7, paragraph b amended

Subsection 8 stricken and former subsections 9 and 10 amended and renumbered as 8 and 9

423B.2 Local vehicle tax.

1. 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 by the state to be registered 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](#).

2. 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.

3. For the purpose of the tax authorized by [this section](#):

a. "Person" means the same as defined in [section 321.1](#).

b. "Registration year" means the same as defined in [section 321.1](#).

c. "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.

[85 Acts, ch 32, §90](#)

[CS85, §422B.2](#)

[2003 Acts, 1st Ex, ch 2, §203, 205](#)

[C2005, §423B.2](#)

[2013 Acts, ch 90, §104](#)

423B.3 Administration of local vehicle tax.

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 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.

[85 Acts, ch 32, §91](#)

[CS85, §422B.3](#)

[2003 Acts, 1st Ex, ch 2, §203, 205](#)

[C2005, §423B.3](#)

[2015 Acts, ch 29, §114](#)

423B.4 Payment — penalties.

1. 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.

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

3. Penalties for late payment which are comparable to the penalties for late payment of annual 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.

85 Acts, ch 32, §92

CS85, §422B.4

2003 Acts, 1st Ex, ch 2, §203, 205

C2005, §423B.4

2008 Acts, ch 1113, §115; 2015 Acts, ch 29, §114

423B.5 Local sales and services tax.

1. A local sales and services tax may be imposed by a county on the sales price taxed by the state under [chapter 423, subchapter II](#). A local sales and services tax shall be imposed on the same basis as the state sales and services tax or in the case of the use of natural gas, natural gas service, electricity, or electric service on the same basis as the state use tax and shall not be imposed on the sale of any property or on any service not taxed by the state, except the tax shall not be imposed on the sales price from the sale of motor fuel or special fuel as defined in [chapter 452A](#) which is consumed for highway use or in watercraft or aircraft if the fuel tax is paid on the transaction and a refund has not or will not be allowed, on the sales price from the sale of equipment by the state department of transportation, or on the sales price from the sale or use of natural gas, natural gas service, electricity, or electric service in a city or county where the sales price from the sale of natural gas or electric energy is subject to a franchise fee or user fee during the period the franchise or user fee is imposed. A local sales and services tax is applicable to transactions within those cities and unincorporated areas of the county where it is imposed, which transactions include but are not limited to sales sourced pursuant to [section 423.15](#), [423.17](#), [423.19](#), or [423.20](#), to a location within that city or unincorporated area of the county. The tax shall be collected by all persons required to collect state sales taxes. However, a local sales and services tax is not applicable to transactions sourced under [chapter 423](#) to a place of business, as defined in [section 423.1](#), of a retailer if such place of business is located in part within a city or unincorporated area of the county where the tax is not imposed.

2. 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 sales tax.

3. A tax permit other than the state sales tax permit required under [section 423.36](#) shall not be required by local authorities.

4. If a local sales and services tax is imposed by a county pursuant to [this chapter](#), a local excise tax at the same rate shall be imposed by the county on the purchase price of natural gas, natural gas service, electricity, or electric service subject to tax under [chapter 423, subchapter III](#), and not exempted from tax by any provision of [chapter 423, subchapter III](#). The local excise tax is applicable only to the use of natural gas, natural gas service, electricity, or electric service within those cities and unincorporated areas of the county where it is imposed and, except as otherwise provided in [this chapter](#), shall be collected and administered in the same manner as the local sales and services tax. For purposes of [this chapter](#), “local sales and services tax” shall also include the local excise tax.

85 Acts, ch 32, §96

CS85, §422B.8

86 Acts, ch 1042, §11; 86 Acts, ch 1199, §7; 88 Acts, ch 1154, §3; 89 Acts, ch 276, §2; 95 Acts, ch 83, §13; 99 Acts, ch 151, §30 – 32; 99 Acts, ch 156, §12; 2001 Acts, ch 116, §13; 2003 Acts, ch 178, §113, 121; 2003 Acts, ch 179, §142; 2003 Acts, 1st Ex, ch 2, §187, 203, 205

C2005, §423B.5

2005 Acts, ch 3, §70; 2005 Acts, ch 140, §14, 16, 26, 31; 2006 Acts, ch 1010, §104; 2006 Acts, ch 1158, §55; 2016 Acts, ch 1011, §121; 2018 Acts, ch 1161, §225, 229, 239, 245

Referred to in §28A.17, 423B.1

See Code editor's note on simple harmonization at the end of Vol VI

2018 amendment to subsections 1 and 4 effective January 1, 2019; 2018 Acts, ch 1161, §229, 245
Subsections 1 and 4 amended

423B.6 Administration.

1. a. A local sales and services tax shall be imposed either January 1 or July 1 following the notification of the director of revenue but not sooner than ninety days following the favorable election and not sooner than sixty days following notice to sellers, as defined in [section 423.1](#). However, a jurisdiction which has voted to continue imposition of the tax may impose that tax without repeal of the prior tax.

b. A local sales and services tax shall be repealed only on June 30 or December 31 but not sooner than ninety days following the favorable election if one is held. However, a local sales and services tax shall not be repealed before the tax has been in effect for one year. 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.

c. The imposition of a local sales and services tax shall not be applied to purchases from a printed catalog wherein a purchaser computes the local tax based on rates published in the catalog unless a minimum of one hundred twenty days' notice of the imposition has been given to the seller from the catalog and the first day of a calendar quarter has occurred on or after the one hundred twentieth day.

d. If a local sales and services tax has been imposed prior to April 1, 2000, and at the time of the election a date for repeal was specified on the ballot, the local sales and services tax may be repealed on that date, notwithstanding paragraph "b".

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

b. 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 423](#). All powers and requirements of the director to administer the state sales tax law and use tax law are applicable to the administration of a local sales and services tax law and the local excise tax, including but not limited to the provisions of [section 422.25, subsection 4, sections 422.30, 422.67, and 422.68, section 422.69, subsection 1, sections 422.70 through 422.75, section 423.14, subsection 1 and subsection 2, paragraphs "b" through "e", and sections 423.14A, 423.15, 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through 423.42, 423.46, and 423.47](#). 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.

c. Frequency of deposits and quarterly reports of a local sales and services tax with the department of revenue are governed by the tax provisions in [section 423.31](#). Local tax collections shall not be included in computation of the total tax to determine frequency of filing under [section 423.31](#).

d. The director shall apply a boundary change of a county or city imposing or collecting the local sales and services tax to the imposition or collection of that tax only on the first day of a calendar quarter which occurs sixty days or more after the director has given notice of the boundary change to sellers.

3. a. 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 taxes collected under [this chapter](#) by a retailer or any individual are deemed to be held in trust for the state of Iowa and the local jurisdictions imposing the taxes.

b. 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.

[85 Acts, ch 32, §97](#)

CS85, §422B.9

86 Acts, ch 1245, §441; 89 Acts, ch 276, §3; 97 Acts, ch 145, §1; 99 Acts, ch 151, §33, 89; 99 Acts, ch 156, §13, 23; 2001 Acts, ch 116, §14; 2003 Acts, ch 145, §286; 2003 Acts, 1st Ex, ch 2, §188, 203, 205; 2004 Acts, ch 1073, §21

C2005, §423B.6

2008 Acts, ch 1032, §53; 2018 Acts, ch 1161, §226, 229, 240, 245

Referred to in §28A.17, 423B.1

2018 amendment to subsection 1, paragraph c effective January 1, 2019; 2018 Acts, ch 1161, §245

2018 amendment to subsection 2, paragraph b effective January 1, 2019; 2018 Acts, ch 1161, §229

Subsection 1, paragraph c amended

Subsection 2, paragraph b amended

423B.7 Payment to local governments.

1. a. Except as provided in paragraphs “b” and “c”, the director shall credit the local sales and services tax receipts and interest and penalties from a county-imposed tax to the county’s account in the local sales and services tax fund for the county in which the tax was collected. If the director is unable to determine from which county any of the receipts were collected, those receipts shall be allocated among the possible counties based on allocation rules adopted by the director.

b. The director shall credit the designated amount of the increase in local sales and services tax receipts, as computed in [section 423B.10](#), collected in an urban renewal area of an eligible city that has adopted an ordinance pursuant to [section 423B.10, subsection 2](#), into a special city account in the local sales and services tax fund.

c. The director shall credit the local sales and services tax receipts and interest and penalties from a city-imposed tax under [section 423B.1, subsection 2](#), to the city’s account in the local sales and services tax fund.

2. a. The director of revenue by August 15 of each fiscal year shall send to each city or county where the local option tax is imposed, an estimate of the amount of tax moneys each city or county will receive for the year and for each month of the year. At the end of each month, the director may revise the estimates for the year and remaining months.

b. The director of revenue shall remit ninety-five percent of the estimated tax receipts for the city or county to the city or county on or before August 31 of the fiscal year and on or before the last day of each following month.

c. The director of revenue shall remit a final payment of the remainder of tax moneys due the city or county for the fiscal year before November 10 of the next fiscal year. If an overpayment has resulted during the previous fiscal year, the November payment shall be adjusted to reflect any overpayment.

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.

c. If a subsequent certified census exists which modifies that most recent certified federal census for a participating jurisdiction under paragraphs “a” and “b”, the computations under paragraphs “a” and “b” shall utilize the subsequent certified census in the distribution formula under rules established by the director of revenue.

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. From each city's account, the percent of revenues agreed to be distributed to the county in the agreement entered into as provided in [section 423B.1, subsection 2](#), paragraph "a", subparagraph (3), and paragraph "c", shall be deposited into the appropriate county's account to be remitted as provided in [subsections 3 and 4](#). The remaining revenues in the city's account shall be remitted to the city council. If a county does not have an account, its percent of the revenues shall be remitted directly to the county board of supervisors.

6. From each special city account, the revenues shall be remitted to the city council for deposit in the special fund created in [section 403.19, subsection 2](#), to be used by the city as provided in [section 423B.10](#). The distribution from the special city account is not subject to the distribution formula provided in [subsections 3, 4, and 5](#).

7. a. Subject to the requirement of paragraph "b", local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

b. Each city located in whole or in part in a qualified county and each qualified county for the unincorporated area for which the imposition of the local sales and services tax in the city or portion thereof or the unincorporated area, as applicable, was approved at election on or after January 1, 2019, shall use not less than fifty percent of the moneys received from the qualified county's account in the local sales and services tax fund for property tax relief.

[85 Acts, ch 32, §98](#)

[CS85, §422B.10](#)

[86 Acts, ch 1199, §8; 89 Acts, ch 277, §1, 2; 95 Acts, ch 186, §5, 6, 9; 96 Acts, ch 1079, §22, 23; 97 Acts, ch 145, §2; 99 Acts, ch 151, §34, 89; 99 Acts, ch 156, §14; 2002 Acts, ch 1151, §12; 2003 Acts, ch 145, §286; 2003 Acts, 1st Ex, ch 2, §203, 205](#)

[C2005, §423B.7](#)

[2006 Acts, ch 1182, §45, 53; 2008 Acts, ch 1134, §68; 2008 Acts, ch 1191, §66, 67; 2018 Acts, ch 1161, §241, 242, 245](#)

Referred to in [§423B.1, 423B.10](#)

2018 amendments to subsections 1 and 7 effective January 1, 2019; 2018 Acts, ch 1161, §245

Subsections 1 and 7 amended

423B.8 Construction contractor refunds.

1. Construction contractors may make application to the department for a refund of the additional local sales and services tax paid under [this chapter](#) by reason of taxes paid on goods, wares, or merchandise under the following conditions:

a. The goods, wares, or merchandise are incorporated into an improvement to real estate in fulfillment of a written contract fully executed prior to the date of the imposition of a local sales and services tax under [this chapter](#). The refund shall not apply to equipment transferred in fulfillment of a mixed construction contract.

b. The contractor has paid to the department or to a retailer the full amount of the state and local tax.

c. The claim is filed on forms provided by the department and is filed within one year of the date the tax is paid.

2. The department shall pay the refund from the appropriate city's or county's account in the local sales and services tax fund.

3. A contractor who makes an erroneous application for refund shall be liable for payment of the excess refund paid plus interest at the rate in effect under [section 421.7](#). In addition, a contractor 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 excess refund claimed. Excess refunds, penalties, and interest due under [this subsection](#) may be enforced and collected in the same manner as the local sales and services tax imposed under [this chapter](#).

[88 Acts, ch 1153, §6](#)

[C89, §422B.11](#)

2001 Acts, ch 116, §15; 2003 Acts, 1st Ex, ch 2, §203, 205

C2005, §423B.8

2018 Acts, ch 1161, §243, 245

2018 amendment to subsection 1, paragraph a effective January 1, 2019; 2018 Acts, ch 1161, §245
Subsection 1, paragraph a amended

423B.9 Issuance of bonds.

1. For purposes of [this section](#) unless the context otherwise requires:
 - a. “Bond issuer” or “issuer” means a city, a county, or a secondary recipient.
 - b. “Designated portion” means the portion of the local option sales and services tax revenues which is authorized to be expended for one or a combination of purposes under an adopted public measure.
 - c. “Secondary recipient” means a political subdivision of the state which is to receive revenues from a local option sales and services tax over a period of years pursuant to the terms of a [chapter 28E](#) agreement with one or more cities or counties.
2. An issuer of public bonds which is a recipient of revenues from a local option sales and services tax imposed pursuant to [this chapter](#) may issue bonds in anticipation of the collection of one or more designated portions of the local option sales and services tax and may pledge irrevocably an amount of the revenue derived from the designated portions for each of the years the bonds remain outstanding to the payment of the bonds. Bonds may be issued only for one or more of the purposes set forth on the ballot proposition concerning the imposition of the local option sales and services tax, except bonds shall not be issued which are payable from that portion of tax revenues designated for property tax relief. The bonds may be issued in accordance with the procedures set forth in either [subsection 3](#) or [4](#).
3. The governing body of an issuer may authorize the issuance of bonds which are payable from the designated portion of the revenues of the local option sales and services tax, and not from property tax, by following the authorization procedures set forth for cities in [section 384.83](#). Bonds may be issued for the purpose of refunding outstanding and previously issued bonds under [this subsection](#) without otherwise complying with the provisions of [this subsection](#).
4. To authorize the issuance of bonds payable as provided in [this subsection](#), the governing body of an issuer shall comply with all of the procedures as follows:
 - a. (1) A bond issuer may institute proceedings for the issuance of bonds by causing a notice of the proposal to issue the bonds, including a statement of the amount and purpose of the bonds, together with the maximum rate of interest which the bonds are to bear, and the right to petition for an election, to be published at least once in a newspaper of general circulation within the political subdivision or unincorporated area at least ten days prior to the meeting at which it is proposed to take action for the issuance of the bonds.
 - (2) If at any time before the date fixed for taking action for the issuance of the bonds, a petition signed by eligible electors residing within the jurisdiction seeking to issue the bonds in a number equal to at least three percent of the registered voters of the bond issuer is filed, asking that the question of issuing the bonds be submitted to the registered voters, the governing body shall either by resolution declare the proposal to issue the bonds to have been abandoned or shall direct the county commissioner of elections to call a special election upon the question of issuing the bonds. The proposition of issuing bonds under [this subsection](#) is not approved unless the vote in favor of the proposition is equal to at least sixty percent of the vote cast. If a petition is not filed, or if a petition is filed and the proposition of issuing the bonds is approved at an election, the governing body acting on behalf of the issuer may proceed with the authorization and issuance of the bonds. Bonds may be issued for the purpose of refunding outstanding and previously issued bonds under [this subsection](#) without otherwise complying with the provisions of [this subsection](#).
 - b. The provisions of [chapter 76](#) apply to the bonds payable as provided in [this subsection](#), except that the mandatory levy to be assessed pursuant to [section 76.2](#) shall be at a rate to generate an amount which together with the receipts from the pledged designated portion of the local option sales and services tax is sufficient to pay the interest and principal on the bonds. All amounts collected as a result of the levy assessed pursuant to [section 76.2](#) and paid

out in the first instance for bond principal and interest shall be repaid to the bond issuer which levied the tax from the first available designated portion of local option sales and services tax collections received in excess of the requirement for the payment of the principal and interest of the bonds and when repaid shall be applied in reduction of property taxes. The amount of bonds which may be issued under [section 76.3](#) shall be the amount which could be retired from the actual collections of the designated portions of the local option sales and services tax for the last four calendar quarters, as certified by the director of revenue. The amount of tax revenues pledged jointly by other cities or counties may be considered for the purpose of determining the amount of bonds which may be issued. If the local option sales and services tax has been in effect for less than four calendar quarters, the tax collected within the shorter period may be adjusted to project the collections of the designated portion for the full year for the purpose of determining the amount of the bonds which may be issued. The provisions of [this section](#) constitute separate authorization for the issuance of bonds and shall prevail in the event of conflict with any other provision of the Code limiting the amount of bonds which may be issued or the source of payment of the bonds. Bonds issued under [this section](#) shall not limit or restrict the authority of the bond issuer to issue bonds under other provisions of the Code.

5. A city or county, jointly with one or more other political subdivisions as provided in [chapter 28E](#), may pledge irrevocably any amount derived from the designated portions of the revenues of the local option sales and services tax to the support or payment of bonds of an issuer, issued for one or more purposes set forth on the ballot proposition concerning the imposition of the local option sales and services tax or a political subdivision may apply the proceeds of its bonds to the support of any such purpose.

6. Bonds issued pursuant to [this section](#) shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and shall not be subject to the provisions of any other law or charter relating to the authorization, issuance, or sale of bonds. Bonds issued pursuant to [this section](#) are declared to be issued for an essential public and governmental purpose. Bonds issued pursuant to [this section](#) shall be authorized by resolution of the governing body and may be issued in one or more series and shall bear the date or dates, be payable on demand or mature at the time or times, bear interest at the rate or rates not exceeding that permitted by [chapter 74A](#), be in the denomination or denominations, be in the form, have the rank or priority, be executed in the manner, be payable in the medium of payment, at the place or places, be subject to the terms of redemption, with or without premium, be secured in the manner, and have the other characteristics, as may be provided by the resolution authorizing their issuance. The bonds may be sold at public or private sale at a price as may be determined by the governing body.

[95 Acts, ch 186, §7, 9](#)

[CS95, §422B.12](#)

[96 Acts, ch 1079, §22, 23; 2001 Acts, ch 56, §35; 2003 Acts, ch 145, §286; 2003 Acts, 1st Ex, ch 2, §203, 205](#)

[C2005, §423B.9](#)

[2011 Acts, ch 25, §143](#)

Referred to in [§423B.1](#)

423B.10 Funding urban renewal projects.

1. For purposes of [this section](#), unless the context otherwise requires:

a. “Base year” means the fiscal year during which an ordinance is adopted that provides for funding of an urban renewal project by a designated amount of the increased sales and services tax revenues.

b. “Eligible city” means a city in which a local sales and services tax imposed by the county applies or a city described in [section 423B.1, subsection 2](#), paragraph “a”, and in which an urban renewal area has been designated.

c. “Retail establishment” means a business operated by a retailer as defined in [section 423.1](#).

d. “Urban renewal area” and “urban renewal project” mean the same as defined in [section 403.17](#).

2. *a.* Upon approval by the board of supervisors of each applicable county pursuant to paragraph “*b*”, an eligible city may by ordinance of the city council provide for the use of a designated amount of the increased local sales and services tax revenues collected under [this chapter](#) which are attributable to retail establishments in an urban renewal area to fund urban renewal projects located in the area. The designated amount may be all or a portion of such increased revenues.

b. A city shall not adopt an ordinance under paragraph “*a*” unless the board of supervisors of each county where the urban renewal area from which such local sales and services tax revenues are to be collected and used to fund urban renewal projects is located first adopts a resolution approving the collection and use of such local sales and services tax revenues.

3. To determine the revenue increase for purposes of [subsection 2](#), revenue amounts shall be calculated by the department of revenue as follows:

a. Determine the amount of local sales and services tax revenue collected from retail establishments located in the area comprising the urban renewal area during the base year.

b. Determine the current year revenue amount for each fiscal year following the base year in the manner specified in paragraph “*a*”.

c. The excess of the amount determined in paragraph “*b*” over the base year revenue amount determined in paragraph “*a*” is the increase in the local sales and services tax revenues of which the designated amount is to be deposited in the special city account created in [section 423B.7, subsection 6](#).

4. The ordinance adopted pursuant to [this section](#) is repealed when the area ceases to be an urban renewal area or twenty years following the base year, whichever is the earlier.

5. In addition to the moneys received pursuant to the ordinance authorized under [subsection 2](#), an eligible city may deposit any other local sales and services tax revenues received by it pursuant to the distribution formula in [section 423B.7, subsections 3, 4, and 5](#), to the special fund described in [section 403.19, subsection 2](#).

6. For purposes of [this section](#), the eligible city shall assist the department of revenue in identifying retail establishments in the urban renewal area that are collecting the local sales and services tax. This process shall be ongoing until the ordinance is repealed.

[2008 Acts, ch 1191, §68; 2012 Acts, ch 1124, §23, 27](#)

Referred to in [§2.48, 421.17, 423B.1, 423B.7](#)