

CHAPTER 274  
LOCAL OPTION SALES TAX URBAN RENEWAL PROJECTS

[Prior to 9/7/22, see Revenue Department[701] Ch 239]

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

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

*a.* A copy of the resolution of the board of supervisors from each county in the urban renewal area from which local sales and services tax revenues are to be collected approving the collection and use of local sales and services tax;

*b.* A copy of the urban renewal plan and the resolution adopting the city’s urban renewal plan;

*c.* A copy of the adopted ordinance, including:

(1) The current and original, if applicable, purpose or purposes for which the local option sales and services tax was enacted; and

(2) The amount and proportion of revenue that will be redistributed from each current revenue purpose to fund urban renewal within the urban renewal area;

*d.* The legal description of the urban renewal area covered by the ordinance;

*e.* A map showing the geographic boundaries of the urban renewal area; and

*f.* A geographic information system boundary file, if available, showing the geographic boundaries of the urban renewal area.

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

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

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

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

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

[ARC 8167C, IAB 7/24/24, effective 8/28/24]

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

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