

Senate File 2417

S-5302

1 Amend Senate File 2417 as follows:

2 1. By striking everything after the enacting clause and
3 inserting:

4 <DIVISION I

5 INTEREST ACCRUAL ON CERTAIN TAX REFUNDS

6 Section 1. Section 15.335, subsection 8, Code 2018, is
7 amended to read as follows:

8 8. Any credit in excess of the tax liability for the
9 taxable year shall be refunded with interest ~~computed under~~
10 section 422.25 in accordance with section 421.60, subsection
11 2, paragraph "e". In lieu of claiming a refund, a taxpayer may
12 elect to have the overpayment shown on its final, completed
13 return credited to the tax liability for the following year.

14 Sec. 2. NEW SECTION. 421.6 Definition of return.

15 For purposes of this title, unless the context otherwise
16 requires, "return" means any tax or information return,
17 amended return, declaration of estimated tax, or claim for
18 refund that is required by, provided for, or permitted under,
19 the provisions of this title and which is filed with the
20 department by, on behalf of, or with respect to any person.
21 "Return" includes any amendment or supplement to these items,
22 including supporting schedules, attachments, or lists which are
23 supplemental to or part of the filed return.

24 Sec. 3. Section 421.60, subsection 2, paragraph e, Code
25 2018, is amended to read as follows:

26 ~~e. Unless otherwise provided by law, all~~ All Iowa taxes
27 which are administered by the department and which result in
28 a refund shall accrue interest at the rate in effect under
29 section 421.7 from the first day of the second calendar month
30 following the date of payment or the date the return upon
31 which the refund is claimed was due to be filed, including any
32 extensions, or was filed, whichever is the latest.

33 Sec. 4. Section 422.10, subsection 4, Code 2018, is amended
34 to read as follows:

35 4. Any credit in excess of the tax liability imposed by

1 section 422.5 less the amounts of nonrefundable credits allowed
2 under [this division](#) for the taxable year shall be refunded
3 with interest ~~computed under [section 422.25](#)~~ in accordance
4 with section 421.60, subsection 2, paragraph "e". In lieu of
5 claiming a refund, a taxpayer may elect to have the overpayment
6 shown on the taxpayer's final, completed return credited to the
7 tax liability for the following taxable year.

8 Sec. 5. Section 422.16, subsection 9, Code 2018, is amended
9 to read as follows:

10 9. The amount of any overpayment of the individual income
11 tax liability of the employee taxpayer, nonresident, or other
12 person which may result from the withholding and payment of
13 withheld tax by the employer or withholding agent to the
14 department under [subsections 1 and 12](#), as compared to the
15 individual income tax liability of the employee taxpayer,
16 nonresident, or other person properly and correctly determined
17 under the provisions of [section 422.4](#), to and including section
18 422.25, may be credited against any income tax or installment
19 thereof then due the state of Iowa and any balance of one
20 dollar or more shall be refunded to the employee taxpayer,
21 nonresident, or other person with interest ~~at the rate in~~
22 ~~effect under [section 421.7](#)~~ for each month or fraction of a
23 month, ~~the interest to begin to accrue on the first day of~~
24 ~~the second calendar month following the date the return was~~
25 ~~due to be filed or was filed, whichever is the later date~~
26 in accordance with section 421.60, subsection 2, paragraph
27 "e". Amounts less than one dollar shall be refunded to the
28 taxpayer, nonresident, or other person only upon written
29 application, in accordance with [section 422.73](#), and only if
30 the application is filed within twelve months after the due
31 date of the return. Refunds in the amount of one dollar
32 or more provided for by [this subsection](#) shall be paid by
33 the treasurer of state by warrants drawn by the director of
34 the department of administrative services, or an authorized
35 employee of the department, and the taxpayer's return of

1 income shall constitute a claim for refund for this purpose,
2 except in respect to amounts of less than one dollar. There
3 is appropriated, out of any funds in the state treasury not
4 otherwise appropriated, a sum sufficient to carry out the
5 provisions of [this subsection](#).

6 Sec. 6. Section 422.25, subsection 3, Code 2018, is amended
7 to read as follows:

8 3. a. If the amount of the tax as determined by the
9 department is less than the amount paid, the excess shall be
10 refunded with interest, ~~the interest to begin to accrue on the~~
11 ~~first day of the second calendar month following the date of~~
12 ~~payment or the date the return was due to be filed, or the~~
13 ~~extended due date by which the return was due to be filed if~~
14 ~~ninety percent of the tax was paid by the original due date,~~
15 ~~or was filed, whichever is the latest, at the rate in effect~~
16 ~~under [section 421.7](#) counting each fraction of a month as an~~
17 ~~entire month under the rules prescribed by the director. If~~
18 ~~an overpayment of tax results from a net operating loss or~~
19 ~~net capital loss which is carried back to a prior year, the~~
20 ~~overpayment, for purposes of computing interest on refunds,~~
21 ~~shall be considered as having been made on the date a claim~~
22 ~~for refund or amended return carrying back the net operating~~
23 ~~loss or net capital loss is filed with the department or on the~~
24 ~~first day of the second calendar month following the date of~~
25 ~~the actual payment of the tax, whichever is later. However, in~~
26 ~~accordance with section 421.60, subsection 2, paragraph "e".~~

27 b. Notwithstanding section 421.60, subsection 2, paragraph
28 "e", and paragraph "a" of this subsection, when the net
29 operating loss or net capital loss carryback to a prior year
30 eliminates or reduces an underpayment of tax due for an earlier
31 year, the full amount of the underpayment of tax shall bear
32 interest at the rate in effect under [section 421.7](#) for each
33 month counting each fraction of a month as an entire month from
34 the due date of the tax for the earlier year to the last day of
35 the taxable year in which the net operating loss or net capital

1 loss occurred.

2 Sec. 7. Section 422.28, Code 2018, is amended to read as
3 follows:

4 **422.28 Revision of tax.**

5 A taxpayer may appeal to the director for revision of
6 the tax, interest, or penalties assessed at any time within
7 sixty days from the date of the notice of the assessment of
8 tax, additional tax, interest, or penalties. The director
9 shall grant a hearing and if, upon the hearing, the director
10 determines that the tax, interest, or penalties are excessive
11 or incorrect, the director shall revise them according to
12 the law and the facts and adjust the computation of the tax,
13 interest, or penalties accordingly. The director shall notify
14 the taxpayer by mail of the result of the hearing and shall
15 refund to the taxpayer the amount, if any, paid in excess of
16 the tax, interest, or penalties found by the director to be
17 due, with interest accruing ~~from the first day of the second~~
18 ~~calendar month following the date of payment by the taxpayer~~
19 ~~at the rate in effect under [section 421.7](#) for each month~~
20 ~~or fraction of a month in accordance with [section 421.60,](#)~~
21 subsection 2, paragraph "e".

22 Sec. 8. Section 422.33, subsection 5, paragraph f, Code
23 2018, is amended to read as follows:

24 *f.* Any credit in excess of the tax liability for the
25 taxable year shall be refunded with interest ~~computed under~~
26 ~~[section 422.25](#)~~ in accordance with [section 421.60,](#) subsection
27 2, paragraph "e". In lieu of claiming a refund, a taxpayer may
28 elect to have the overpayment shown on its final, completed
29 return credited to the tax liability for the following taxable
30 year.

31 Sec. 9. Section 422.33, subsection 9, paragraph a, Code
32 2018, is amended to read as follows:

33 *a.* The taxes imposed under [this division](#) shall be reduced by
34 an assistive device tax credit. A small business purchasing,
35 renting, or modifying an assistive device or making workplace

1 modifications for an individual with a disability who is
2 employed or will be employed by the small business is eligible,
3 subject to availability of credits, to receive this assistive
4 device tax credit which is equal to fifty percent of the
5 first five thousand dollars paid during the tax year for the
6 purchase, rental, or modification of the assistive device
7 or for making the workplace modifications. Any credit in
8 excess of the tax liability shall be refunded with interest
9 ~~computed under [section 422.25](#)~~ in accordance with [section](#)
10 [421.60, subsection 2, paragraph "e"](#). In lieu of claiming a
11 refund, a taxpayer may elect to have the overpayment shown on
12 the taxpayer's final, completed return credited to the tax
13 liability for the following tax year. If the small business
14 elects to take the assistive device tax credit, the small
15 business shall not deduct for Iowa tax purposes any amount of
16 the cost of an assistive device or workplace modifications
17 which is deductible for federal income tax purposes.

18 Sec. 10. Section 422.91, Code 2018, is amended to read as
19 follows:

20 **422.91 Credit for estimated tax.**

21 1. Any amount of estimated tax paid is a credit against
22 the amount of tax due on a final, completed return, and any
23 overpayment of five dollars or more shall be refunded to the
24 taxpayer with interest, ~~the interest to begin to accrue on~~
25 ~~the first day of the second calendar month following the date~~
26 ~~of payment or the date the return was due to be filed or was~~
27 ~~filed, whichever is the latest, at the rate established under~~
28 [section 421.7](#) in accordance with [section 421.60, subsection 2,](#)
29 [paragraph "e"](#), and the return constitutes a claim for refund for
30 this purpose. Amounts less than five dollars shall be refunded
31 to the taxpayer only upon written application in accordance
32 with [section 422.73](#), and only if the application is filed
33 within twelve months after the due date for the return.

34 2. In lieu of claiming a refund, the taxpayer may elect
35 to have the overpayment shown on its final, completed return

1 for the taxable year credited to the tax liability for the
2 following taxable year.

3 Sec. 11. Section 423.4, subsection 1, paragraph c, Code
4 2018, is amended to read as follows:

5 c. Refunds authorized under this subsection shall accrue
6 interest ~~at the rate in effect under section 421.7~~ from the
7 ~~first day of the second calendar month following the date the~~
8 ~~refund claim is received by the department~~ in accordance with
9 section 421.60, subsection 2, paragraph "e".

10 Sec. 12. Section 423.4, subsection 6, paragraph c,
11 subparagraph (2), Code 2018, is amended to read as follows:

12 (2) Refunds authorized under this subsection shall accrue
13 interest ~~at the rate in effect under section 421.7~~ from the
14 ~~first day of the second calendar month following the date the~~
15 ~~refund claim is received by the department~~ in accordance with
16 section 421.60, subsection 2, paragraph "e".

17 Sec. 13. Section 450.94, subsection 3, Code 2018, is amended
18 to read as follows:

19 3. If the amount paid is greater than the correct tax,
20 penalty, and interest due, the department shall refund the
21 excess with interest. ~~Interest shall be computed at the rate~~
22 ~~in effect under section 421.7, under the rules prescribed by~~
23 ~~the director counting each fraction of a month as an entire~~
24 ~~month and the interest shall begin to accrue on the first day~~
25 ~~of the second calendar month following the date of payment~~
26 ~~or on the date the return was due to be filed or was filed,~~
27 ~~whichever is the latest~~ in accordance with section 421.60,
28 subsection 2, paragraph "e". However, the director shall
29 not allow a claim for refund or credit that has not been
30 filed with the department within three years after the tax
31 payment upon which a refund or credit is claimed became due,
32 or one year after the tax payment was made, whichever time is
33 later. A determination by the department of the amount of
34 tax, penalty, and interest due, or the amount of refund for
35 excess tax paid, is final unless the person aggrieved by the

1 determination appeals to the director for a revision of the
2 determination within sixty days from the date of the notice
3 of determination of tax, penalty, and interest due or refund
4 owing or unless the taxpayer contests the determination by
5 paying the tax, interest, and penalty and timely filing a claim
6 for refund. The director shall grant a hearing, and upon the
7 hearing the director shall determine the correct tax, penalty,
8 and interest or refund due, and notify the appellant of the
9 decision by mail. The decision of the director is final unless
10 the appellant seeks judicial review of the director's decision
11 under [section 450.59](#) within sixty days after the date of the
12 notice of the director's decision.

13 Sec. 14. Section 452A.65, subsection 1, Code 2018, is
14 amended to read as follows:

15 1. In addition to the tax or additional tax, the taxpayer
16 shall pay a penalty as provided in [section 421.27](#). The
17 taxpayer shall also pay interest on the tax or additional
18 tax at the rate in effect under [section 421.7](#) counting each
19 fraction of a month as an entire month, computed from the date
20 the return was required to be filed. If the amount of the tax
21 as determined by the appropriate state agency is less than the
22 amount paid, the excess shall be refunded with interest, ~~the~~
23 ~~interest to begin to accrue on the first day of the second~~
24 ~~calendar month following the date of payment or the date the~~
25 ~~return was due to be filed or was filed, whichever is the~~
26 ~~latest, at the rate in effect under [section 421.7](#) counting~~
27 ~~each fraction of a month as an entire month under the rules~~
28 ~~prescribed by the appropriate state agency in accordance with~~
29 [section 421.60](#), subsection 2, paragraph "e". Claims for
30 refund filed under [sections 452A.17](#) and [452A.21](#) shall accrue
31 interest beginning with the first day of the second calendar
32 month following the date the refund claim is received by the
33 department.

34 Sec. 15. EFFECTIVE DATE. This division of this Act, being
35 deemed of immediate importance, takes effect upon enactment.

1 The department of revenue may impose penalties under section
2 421.27. The department of revenue shall send a notice of
3 disallowance of the claim.

4 Sec. 19. LEGISLATIVE INTENT. It is the intent of the
5 general assembly that the provisions of this division of this
6 Act are conforming amendments consistent with current state
7 law, and that the amendments do not change the application of
8 current law but instead reflect current law both before and
9 after the enactment of this division of this Act.

10 Sec. 20. EFFECTIVE DATE. This division of this Act, being
11 deemed of immediate importance, takes effect upon enactment.

12 DIVISION III

13 MISCELLANEOUS TAX PROVISIONS

14 Sec. 21. Section 34A.7B, subsection 13, Code 2018, is
15 amended to read as follows:

16 13. The department shall transfer all ~~remitted~~ reported
17 prepaid wireless 911 surcharges to the treasurer of state
18 for deposit in the 911 emergency communications fund created
19 under section 34A.7A, subsection 2, within thirty days of
20 receipt after deducting an amount, not to exceed two percent of
21 collected surcharges, that shall be retained by the department
22 to reimburse its direct costs of administering the collection
23 and remittance of prepaid wireless 911 surcharges.

24 Sec. 22. Section 421.17, subsection 2, paragraph d, Code
25 2018, is amended to read as follows:

26 *d.* To facilitate uniformity and equalization of
27 assessments throughout the state of Iowa and to facilitate
28 transfers of funds to local governments, the director may
29 use geographic information system technology and may require
30 assessing authorities and local governments that have adopted
31 compatible technology to provide information to the department
32 electronically using electronic geographic information
33 system file formats. The department of revenue shall act on
34 behalf of political subdivisions and the state to deliver a
35 consolidated response to the boundary and annexation survey

1 and provide legal boundary geography data to the United States
2 census bureau. The department shall coordinate with political
3 subdivisions and the state to ensure that consistent, accurate,
4 and integrated geography is provided to the United States
5 census bureau. The office of the chief information officer
6 shall provide geographic information system and technical
7 support to the department to facilitate the exchange.

8 Sec. 23. Section 421.19, Code 2018, is amended to read as
9 follows:

10 **421.19 Counsel.**

11 1. It shall be the duty of the attorney general and of
12 the county attorneys in their respective counties to commence
13 and prosecute actions, prosecutions, and complaints, when
14 so directed by the director of revenue and to represent the
15 director in any litigation arising from the discharge of the
16 director's duties.

17 2. If the department has information that indicates a
18 taxpayer intentionally filed a false claim, affidavit, return,
19 or other information with intent to evade tax or to obtain
20 a refund, credit, or other benefit from the department, the
21 department may notify federal, state, or local law enforcement
22 and may disclose state returns, state return information,
23 state investigative or audit information, or any other state
24 information to such law enforcement, notwithstanding sections
25 422.20 and 422.72.

26 3. Notwithstanding sections 422.20 and 422.72, the
27 department may disclose state returns, state return
28 information, state investigative or audit information, or any
29 other state information under this section.

30 Sec. 24. NEW SECTION. **421.71 Class actions — implied right**
31 **of action — private cause of action immunity.**

32 *1. Class actions prohibited.* No class action may be brought
33 against the department, a taxpayer, or a person required to
34 collect any tax imposed under this title, in any court, agency,
35 or other adjudicative body, or in any other forum, based on

1 any act or omission arising from or related to any provision
2 of this title.

3 2. *No implied right of action.* Nothing in this title shall
4 be construed as creating or providing an implied private right
5 of action or any private common law claim against any taxpayer,
6 or against any person required to collect any tax imposed under
7 this title, in any court, agency, or other adjudicative body,
8 or in any other forum. This subsection shall not apply to or
9 otherwise limit any claim, action, mandate, power, remedy, or
10 discretion of the department, or an agent or designee of the
11 department.

12 3. *Private cause of action immunity for overpayment of*
13 *certain taxes.*

14 a. A taxpayer, or any person required to collect taxes
15 imposed under chapters 423, 423A, 423B, 423C, and 423D, and
16 chapter 423G, as enacted in 2018 Iowa Acts, Senate File 512,
17 shall be immune from any private cause of action arising from
18 or related to the overpayment of taxes imposed under chapters
19 423, 423A, 423B, 423C, and 423D, and chapter 423G, as enacted
20 in 2018 Iowa Acts, Senate File 512, that are collected and
21 remitted to the department.

22 b. Nothing in this subsection shall apply to or otherwise
23 limit any of the following:

24 (1) Any claim, action, mandate, power, remedy, or
25 discretion of the department, or an agent or designee of the
26 department.

27 (2) A taxpayer's right to seek a refund from the department
28 related to taxes imposed under chapters 423, 423A, 423B,
29 423C, and 423D, and chapter 423G, as enacted in 2018 Iowa
30 Acts, Senate File 512, that are collected from or paid by the
31 taxpayer.

32 Sec. 25. Section 423G.5, subsection 1, as enacted by 2018
33 Iowa Acts, Senate File 512, section 15, is amended to read as
34 follows:

35 1. The director of revenue shall administer the water

1 service tax as nearly as possible in conjunction with the
2 administration of the state sales and use tax law, except that
3 portion of the law that implements the streamlined sales and
4 use tax agreement. The director shall provide appropriate
5 forms, or provide on the regular state tax forms, for reporting
6 water service tax liability, and for ease of administration may
7 require water service tax liability to be identified, reported,
8 and remitted to the department as sales and use tax liability,
9 provided the department has the ability to properly identify
10 such amounts as water service tax revenues upon receipt.

11 Sec. 26. Section 423G.6, subsection 2, paragraphs a, b, and
12 c, as enacted by 2018 Iowa Acts, Senate File 512, section 16,
13 are amended to read as follows:

14 a. For revenues ~~collected~~ reported on or after July 1, 2018,
15 but before August 1, 2019, one-twelfth of the revenues to the
16 water quality infrastructure fund created in section 8.57B,
17 and one-twelfth of the revenues to the water quality financial
18 assistance fund created in section 16.134A.

19 b. For revenues ~~collected~~ reported on or after August 1,
20 2019, but before August 1, 2020, one-sixth of the revenues to
21 the water quality infrastructure fund created in section 8.57B,
22 and one-sixth of the revenues to the water quality financial
23 assistance fund created in section 16.134A.

24 c. For revenues ~~collected~~ reported on or after August 1,
25 2020, one-half of the revenues to the water quality financial
26 assistance fund created in section 16.134A.

27 Sec. 27. IOWA ELECTION CAMPAIGN FUND TAX CHECKOFF AND
28 CONTRIBUTIONS — CREDIT TO GENERAL FUND. Notwithstanding
29 section 68A.601 or 422.12J, or any other provision of law to
30 the contrary, any amount of contribution to the Iowa election
31 campaign fund in section 68A.602 designated on an individual
32 income tax return for any tax year and filed on or after
33 January 1, 2018, is void and shall be disregarded, and such
34 contribution amount shall be credited to the general fund and
35 not to the Iowa election campaign fund.

1 (i) A person engaged in agricultural production as defined
2 in section 423.1.

3 (ii) A person who is a contractor, subcontractor, builder,
4 or a contractor-retailer that engages in commercial and
5 residential repair and installation, including but not limited
6 to heating or cooling installation and repair, plumbing and
7 pipe fitting, security system installation, and electrical
8 installation and repair. For purposes of this subparagraph
9 subdivision, "contractor-retailer" means a business that makes
10 frequent retail sales to the public or to other contractors and
11 that also engages in the performance of construction contracts.

12 (iii) A finance or investment company.

13 (iv) A retailer.

14 (v) A wholesaler.

15 (vi) A transportation company.

16 (vii) A publisher.

17 (viii) An agricultural cooperative association as defined
18 in section 502.102.

19 (ix) A real estate company.

20 (x) A collection agency.

21 (xi) An accountant.

22 (xii) An architect.

23 (2) The business claims and is allowed a research credit
24 for such qualified research expenses under section 41 of the
25 Internal Revenue Code for the same taxable year as it is
26 claiming the credit provided in this section.

27 Sec. 33. Section 422.10, subsection 3, Code 2018, is amended
28 by adding the following new paragraph:

29 NEW PARAGRAPH. *0a.* For purposes of this section, "base
30 amount" means the product of the fixed-based percentage times
31 the average annual gross receipts of the taxpayer for the four
32 taxable years preceding the taxable year for which the credit
33 is being determined, but in no event shall the base amount be
34 less than fifty percent of the qualified research expenses for
35 the credit year.

1 Sec. 34. Section 422.10, subsection 3, paragraph a, Code
2 2018, is amended to read as follows:

3 a. For purposes of **this section**, ~~“base amount”~~, “basic
4 *research payment*”, and “*qualified research expense*” mean the
5 same as defined for the federal credit for increasing research
6 activities under section 41 of the Internal Revenue Code,
7 except that for the alternative simplified credit such amounts
8 are for research conducted within this state.

9 Sec. 35. Section 422.11S, subsection 6, paragraph a, Code
10 2018, is amended to read as follows:

11 a. “*Eligible student*” means a student who is a member of a
12 household whose total annual income during the calendar year
13 before the student receives a tuition grant for purposes of
14 this section does not exceed an amount equal to ~~three~~ four
15 times the most recently published federal poverty guidelines in
16 the federal register by the United States department of health
17 and human services.

18 Sec. 36. Section 422.11S, subsection 8, paragraph a,
19 subparagraph (2), Code 2018, is amended to read as follows:

20 (2) “*Total approved tax credits*” means for the tax year
21 beginning in the 2006 calendar year, two million five hundred
22 thousand dollars, for the tax year beginning in the 2007
23 calendar year, five million dollars, for tax years beginning
24 on or after January 1, 2008, but before January 1, 2012, seven
25 million five hundred thousand dollars, for tax years beginning
26 on or after January 1, 2012, but before January 1, 2014, eight
27 million seven hundred fifty thousand dollars, and for tax years
28 beginning on or after January 1, 2014, but before January 1,
29 2019, twelve million dollars, and for tax years beginning on or
30 after January 1, 2019, thirteen million dollars.

31 Sec. 37. Section 422.33, subsection 5, Code 2018, is amended
32 by adding the following new paragraph:

33 NEW PARAGRAPH. *Oe.* A corporation shall only be
34 eligible for the credit provided in this subsection if the
35 business conducting the research meets all of the following

1 requirements:

2 (1) (a) The business is engaged in the manufacturing,
3 life sciences, software engineering, or aviation and aerospace
4 industry.

5 (b) Persons that shall not be considered to be engaged in
6 the manufacturing, life sciences, software engineering, or
7 aviation and aerospace industry, and thus are not eligible
8 for the credit, include but are not limited to all of the
9 following:

10 (i) A person engaged in agricultural production as defined
11 in section 423.1.

12 (ii) A person who is a contractor, subcontractor, builder,
13 or a contractor-retailer that engages in commercial and
14 residential repair and installation, including but not limited
15 to heating or cooling installation and repair, plumbing and
16 pipe fitting, security system installation, and electrical
17 installation and repair. For purposes of this subparagraph
18 subdivision, "*contractor-retailer*" means a business that makes
19 frequent retail sales to the public or to other contractors and
20 that also engages in the performance of construction contracts.

21 (iii) A finance or investment company.

22 (iv) A retailer.

23 (v) A wholesaler.

24 (vi) A transportation company.

25 (vii) A publisher.

26 (viii) An agricultural cooperative association as defined
27 in section 502.102.

28 (ix) A real estate company.

29 (x) A collection agency.

30 (xi) An accountant.

31 (xii) An architect.

32 (2) The business claims and is allowed a research credit
33 for such qualified research expenses under section 41 of the
34 Internal Revenue Code for the same taxable year as it is
35 claiming the credit provided in this subsection.

1 Sec. 38. Section 422.33, subsection 5, paragraph e, Code
2 2018, is amended by adding the following new subparagraph:
3 NEW SUBPARAGRAPH. (01) For purposes of this section, "*base*
4 *amount*" means the product of the fixed-based percentage times
5 the average annual gross receipts of the taxpayer for the four
6 taxable years preceding the taxable year for which the credit
7 is being determined, but in no event shall the base amount be
8 less than fifty percent of the qualified research expenses for
9 the credit year.

10 Sec. 39. Section 422.33, subsection 5, paragraph e,
11 subparagraph (1), Code 2018, is amended to read as follows:

12 (1) For purposes of **this subsection**, "~~*base amount*~~", "*basic*
13 *research payment*", and "*qualified research expense*" mean the
14 same as defined for the federal credit for increasing research
15 activities under section 41 of the Internal Revenue Code,
16 except that for the alternative simplified credit such amounts
17 are for research conducted within this state.

18 Sec. 40. Section 422.33, subsection 29, Code 2018, is
19 amended by striking the subsection.

20 Sec. 41. Section 422.60, subsection 12, Code 2018, is
21 amended by striking the subsection.

22 Sec. 42. Section 476C.2, subsection 3, Code 2018, is amended
23 by striking the subsection.

24 Sec. 43. Section 533.329, subsection 2, paragraph 1, Code
25 2018, is amended by striking the paragraph.

26 Sec. 44. 2019 INTERIM TAX CREDIT STUDY.

27 1. The legislative council is requested to authorize a
28 study committee to evaluate tax credits available under Iowa
29 law, including Iowa's utilization of tax credits as a tool
30 for promoting and supporting economic growth and development.
31 The study committee shall also consider new or different
32 tax credits or incentive programs, or tax rate or structure
33 changes, that will foster economic growth and improve Iowa's
34 overall tax and economic development climate. The study
35 committee shall make recommendations that the committee

1 believes will improve predictability for the state's budget,
2 improve accountability to the taxpayers of Iowa, maximize
3 flexibility in utilization, and place Iowa in the best position
4 for attracting and retaining workers and businesses in the
5 future. In developing recommendations, the study committee
6 shall place significant emphasis on directing tax credits,
7 incentive programs, or tax rate or structure changes toward
8 Iowa workers and programs to strengthen Iowa's workforce by
9 incentivizing efforts to expand Iowans' skills and capabilities
10 in high-demand career fields.

11 2. The study committee shall consist of five members of
12 the senate, three of whom shall be appointed by the majority
13 leader of the senate and two of whom shall be appointed by
14 the minority leader of the senate, and five members of the
15 house of representatives, three of whom shall be appointed by
16 the speaker of the house of representatives and two of whom
17 shall be appointed by the minority leader of the house of
18 representatives.

19 3. The study committee shall meet during the 2019
20 legislative interim to make recommendations for consideration
21 during the 2020 legislative session in a report submitted to
22 the general assembly.

23 Sec. 45. LEGISLATIVE INTENT. It is the intent of the
24 general assembly that the provisions of this division of this
25 Act enacting section 422.10, subsection 3, paragraph "0a",
26 amending section 422.10, subsection 3, paragraph "a", enacting
27 section 422.33, subsection 5, paragraph e, subparagraph (01),
28 and amending section 422.33, subsection 5, paragraph "e",
29 subparagraph (1), are conforming amendments consistent with
30 current state law, and that the amendments do not change the
31 application of current law but instead reflect current law both
32 before and after the enactment of this division of this Act.

33 Sec. 46. REPEAL. Sections 422.10A and 422.11I, Code 2018,
34 are repealed.

35 Sec. 47. REPEAL. Section 422.11L, Code 2018, is repealed.

1 Sec. 48. EFFECTIVE DATE. The following, being deemed of
2 immediate importance, take effect upon enactment:

3 1. The section of this division of this Act amending section
4 15E.52, subsection 8.

5 2. The section of this division of this Act enacting section
6 422.10, subsection 1, paragraph "0a".

7 3. The section of this division of this Act enacting section
8 422.10, subsection 3, paragraph "0a".

9 4. The section of this division of this Act amending section
10 422.10, subsection 3, paragraph "a".

11 5. The section of this division of this Act enacting section
12 422.33, subsection 5, paragraph "0e".

13 6. The section of this division of this Act enacting section
14 422.33, subsection 5, paragraph "e", subparagraph (01).

15 7. The section of this division of this Act amending section
16 422.33, subsection 5, paragraph "e", subparagraph (1).

17 8. The section of this division of this Act entitled
18 "legislative intent" which describes the intent of the general
19 assembly with respect to certain amendments in this division of
20 this Act to sections 422.10 and 422.33.

21 Sec. 49. EFFECTIVE DATE. The following take effect January
22 1, 2019:

23 1. The sections of this division of this Act amending
24 section 422.11S.

25 2. The section of this division of this Act repealing
26 sections 422.10A and 422.11I.

27 Sec. 50. RETROACTIVE APPLICABILITY. The following apply
28 retroactively to January 1, 2017, for tax years beginning on
29 or after that date:

30 1. The section of this division of this Act enacting section
31 422.10, subsection 1, paragraph "0a".

32 2. The section of this division of this Act enacting section
33 422.33, subsection 5, paragraph "0e".

34 Sec. 51. APPLICABILITY. The following apply to solar energy
35 system installations occurring on or after July 1, 2018:

1 1. The section of this division of this Act repealing
2 section 422.11L.

3 2. The section of this division of this Act striking section
4 422.33, subsection 29.

5 3. The section of this division of this Act striking section
6 422.60, subsection 12.

7 4. The section of this division of this Act striking section
8 476C.2, subsection 3.

9 5. The section of this division of this Act striking section
10 533.329, subsection 2, paragraph "1".

11 Sec. 52. APPLICABILITY. The following applies to tax
12 years beginning on or after January 1, 2019, and to qualified
13 geothermal heat pump property installations occurring on or
14 after January 1, 2019:

15 The section of this division of this Act repealing sections
16 422.10A and 422.11I.

17 DIVISION V

18 TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

19 Sec. 53. Section 8.55, subsection 2, paragraph a, Code 2018,
20 is amended to read as follows:

21 a. The first sixty million dollars of the difference
22 between the actual net revenue for the general fund of the
23 state for the fiscal year and the adjusted revenue estimate for
24 the fiscal year shall be transferred to the ~~taxpayers trust~~
25 taxpayer relief fund created in [section 8.57E](#).

26 Sec. 54. Section 8.57E, Code 2018, is amended to read as
27 follows:

28 **8.57E ~~Taxpayers trust~~ Taxpayer relief fund.**

29 1. A ~~taxpayers trust~~ Taxpayer relief fund is created. The
30 fund shall be separate from the general fund of the state and
31 the balance in the fund shall not be considered part of the
32 balance of the general fund of the state. The moneys credited
33 to the fund are not subject to [section 8.33](#) and shall not
34 be transferred, used, obligated, appropriated, or otherwise
35 encumbered except as provided in [this section](#).

1 2. Moneys in the ~~taxpayers trust~~ taxpayer relief fund shall
2 only be used pursuant to appropriations or transfers made by
3 the general assembly for tax relief, including but not limited
4 to increases in the general retirement income exclusion under
5 section 422.7, subsection 31, or reductions in income tax
6 rates. ~~During each fiscal year beginning on or after July 1,~~
7 ~~2014, in which the balance of the taxpayers trust fund equals~~
8 ~~or exceeds thirty million dollars, there is transferred from~~
9 ~~the taxpayers trust fund to the Iowa taxpayers trust fund tax~~
10 ~~credit fund created in section 422.11E, the entire balance of~~
11 ~~the taxpayers trust fund to be used for the Iowa taxpayers~~
12 ~~trust fund tax credit in accordance with section 422.11E,~~
13 ~~subsection 5.~~

14 3. *a.* Moneys in the ~~taxpayers trust~~ taxpayer relief
15 fund may be used for cash flow purposes during a fiscal year
16 provided that any moneys so allocated are returned to the fund
17 by the end of that fiscal year.

18 *b.* Except as provided in section 8.58, the ~~taxpayers trust~~
19 taxpayer relief fund shall be considered a special account for
20 the purposes of section 8.53 in determining the cash position
21 of the general fund of the state for the payment of state
22 obligations.

23 4. Notwithstanding section 12C.7, subsection 2, interest or
24 earnings on moneys deposited in the ~~taxpayers trust~~ taxpayer
25 relief fund shall be credited to the fund.

26 Sec. 55. Section 8.58, Code 2018, is amended to read as
27 follows:

28 **8.58 Exemption from automatic application.**

29 1. To the extent that moneys appropriated under section
30 8.57 do not result in moneys being credited to the general
31 fund under section 8.55, subsection 2, moneys appropriated
32 under section 8.57 and moneys contained in the cash reserve
33 fund, rebuild Iowa infrastructure fund, environment first fund,
34 Iowa economic emergency fund, ~~taxpayers trust~~ taxpayer relief
35 fund, and state bond repayment fund shall not be considered

1 in the application of any formula, index, or other statutory
2 triggering mechanism which would affect appropriations,
3 payments, or taxation rates, contrary provisions of the Code
4 notwithstanding.

5 2. To the extent that moneys appropriated under section
6 8.57 do not result in moneys being credited to the general fund
7 under [section 8.55, subsection 2](#), moneys appropriated under
8 section 8.57 and moneys contained in the cash reserve fund,
9 rebuild Iowa infrastructure fund, environment first fund, Iowa
10 economic emergency fund, ~~taxpayers trust~~ taxpayer relief fund,
11 and state bond repayment fund shall not be considered by an
12 arbitrator or in negotiations under [chapter 20](#).

13 Sec. 56. Section 257.21, subsection 2, Code 2018, is amended
14 to read as follows:

15 2. The instructional support income surtax shall be imposed
16 on the state individual income tax for the calendar year during
17 which the school's budget year begins, or for a taxpayer's
18 fiscal year ending during the second half of that calendar year
19 and after the date the board adopts a resolution to participate
20 in the program or the first half of the succeeding calendar
21 year, and shall be imposed on all individuals residing in the
22 school district on the last day of the applicable tax year.
23 As used in [this section](#), "*state individual income tax*" means
24 the taxes computed under [section 422.5](#), less the amounts of
25 nonrefundable credits allowed under [chapter 422, division II](#),
26 ~~except for the Iowa taxpayers trust fund tax credit allowed~~
27 ~~under [section 422.11E](#)~~.

28 Sec. 57. Section 422D.2, Code 2018, is amended to read as
29 follows:

30 **422D.2 Local income surtax.**

31 A county may impose by ordinance a local income surtax as
32 provided in [section 422D.1](#) at the rate set by the board of
33 supervisors, of up to one percent, on the state individual
34 income tax of each individual residing in the county at the
35 end of the individual's applicable tax year. However, the

1 cumulative total of the percents of income surtax imposed on
2 any taxpayer in the county shall not exceed twenty percent.
3 The reason for imposing the surtax and the amount needed
4 shall be set out in the ordinance. The surtax rate shall be
5 set to raise only the amount needed. For purposes of this
6 section, "state individual income tax" means the tax computed
7 under section 422.5, less the amounts of nonrefundable credits
8 allowed under chapter 422, division II, ~~except for the Iowa~~
9 ~~taxpayers trust fund tax credit allowed under section 422.11E.~~

10 Sec. 58. REPEAL. Section 422.11E, Code 2018, is repealed.

11 Sec. 59. EFFECTIVE DATE. This division of this Act, being
12 deemed of immediate importance, takes effect upon enactment.

13 Sec. 60. RETROACTIVE APPLICABILITY. The following apply
14 retroactively to January 1, 2018, for tax years beginning on
15 or after that date:

16 1. The section of this division of this Act amending section
17 257.21.

18 2. The section of this division of this Act repealing
19 section 422.11E.

20 3. The section of this division of this Act amending section
21 422D.2.

22 DIVISION VI

23 TAXPAYERS TRUST FUND TRANSFER CAP

24 Sec. 61. Section 8.54, subsection 5, Code 2018, is amended
25 by striking the subsection.

26 Sec. 62. Section 8.55, subsection 2, Code 2018, is amended
27 to read as follows:

28 2. The maximum balance of the fund is the amount equal to
29 two and one-half percent of the adjusted revenue estimate for
30 the fiscal year. If the amount of moneys in the Iowa economic
31 emergency fund is equal to the maximum balance, moneys in
32 excess of this amount shall be ~~distributed as follows:~~

33 ~~a. The first sixty million dollars of the difference between~~
34 ~~the actual net revenue for the general fund of the state for~~
35 ~~the fiscal year and the adjusted revenue estimate for the~~

1 ~~fiscal year shall be~~ transferred to the taxpayers trust fund
2 created in [section 8.57E](#).

3 ~~b. The remainder of the excess, if any, shall be transferred~~
4 ~~to the general fund of the state.~~

5 Sec. 63. Section 8.58, Code 2018, is amended to read as
6 follows:

7 **8.58 Exemption from automatic application.**

8 1. ~~To the extent that moneys appropriated under section~~
9 ~~8.57 do not result in moneys being credited to the general fund~~
10 under ~~section 8.55, subsection 2~~, moneys Moneys appropriated
11 under [section 8.57](#) and moneys contained in the cash reserve
12 fund, rebuild Iowa infrastructure fund, environment first fund,
13 Iowa economic emergency fund, taxpayers trust fund, and state
14 bond repayment fund shall not be considered in the application
15 of any formula, index, or other statutory triggering mechanism
16 which would affect appropriations, payments, or taxation rates,
17 contrary provisions of the Code notwithstanding.

18 2. ~~To the extent that moneys appropriated under section~~
19 ~~8.57 do not result in moneys being credited to the general fund~~
20 under ~~section 8.55, subsection 2~~, moneys Moneys appropriated
21 under [section 8.57](#) and moneys contained in the cash reserve
22 fund, rebuild Iowa infrastructure fund, environment first fund,
23 Iowa economic emergency fund, taxpayers trust fund, and state
24 bond repayment fund shall not be considered by an arbitrator or
25 in negotiations under [chapter 20](#).

26 Sec. 64. EFFECTIVE DATE. This division of this Act takes
27 effect July 1, 2019.

28 Sec. 65. APPLICABILITY. This division of this Act is first
29 applicable to calculate the state general fund expenditure
30 limitation for the fiscal year beginning July 1, 2019.

31 DIVISION VII

32 INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

33 Sec. 66. Section 422.7, Code 2018, is amended by adding the
34 following new subsections:

35 NEW SUBSECTION. 51. a. Notwithstanding any other provision

1 of law to the contrary, the increased expensing allowance under
2 section 179 of the Internal Revenue Code, as amended by Pub.
3 L. No. 115-97, §13101, applies in computing net income for
4 state tax purposes for tax years beginning on or after January
5 1, 2018, subject to the limitations in this subsection for tax
6 years beginning prior to January 1, 2020.

7 *b.* If the taxpayer has taken the increased expensing
8 allowance under section 179 of the Internal Revenue Code,
9 as amended by Pub. L. No. 115-97, §13101, for purposes of
10 computing federal adjusted gross income for tax years beginning
11 on or after January 1, 2018, but before January 1, 2020, then
12 the taxpayer shall make the following adjustments to federal
13 adjusted gross income when computing net income for state tax
14 purposes for the same tax year:

15 (1) Add the total amount of expense deduction taken on
16 section 179 property allowable for federal tax purposes under
17 section 179 of the Internal Revenue Code, as amended by Pub.
18 L. No. 115-97, §13101.

19 (2) (a) For tax years beginning on or after January
20 1, 2018, but before January 1, 2019, subtract the amount
21 of expense deduction on section 179 property allowable for
22 federal tax purposes under section 179 of the Internal Revenue
23 Code, as amended by Pub. L. No. 115-97, §13101, not to exceed
24 seventy thousand dollars. The subtraction in this subparagraph
25 division shall be reduced, but not below zero, by the amount by
26 which the total cost of section 179 property placed in service
27 by the taxpayer during the tax year exceeds two hundred eighty
28 thousand dollars.

29 (b) For tax years beginning on or after January 1, 2019,
30 but before January 1, 2020, subtract the amount of expense
31 deduction on section 179 property allowable for federal tax
32 purposes under section 179 of the Internal Revenue Code, as
33 amended by Pub. L. No. 115-97, §13101, not to exceed one
34 hundred thousand dollars. The subtraction in this subparagraph
35 division shall be reduced, but not below zero, by the amount by

1 which the total cost of section 179 property placed in service
2 by the taxpayer during the tax year exceeds four hundred
3 thousand dollars.

4 (3) Any other adjustments to gains or losses necessary to
5 reflect adjustments made in subparagraphs (1) and (2).

6 c. The director shall adopt rules pursuant to chapter 17A
7 to administer this subsection.

8 NEW SUBSECTION. 52. a. For tax years beginning on or
9 after January 1, 2018, but before January 1, 2020, a taxpayer
10 may elect to take advantage of this subsection in lieu of
11 subsection 51, but only if the taxpayer's total expensing
12 allowance deduction for federal tax purposes under section 179
13 of the Internal Revenue Code, as amended by Pub. L. No. 115-97,
14 §13101, that is allocated to the taxpayer from one or more
15 partnerships, S corporations, or limited liability companies
16 electing to have the income taxed directly to the individual
17 exceeds seventy thousand dollars for a tax year beginning
18 during the 2018 calendar year, or exceeds one hundred thousand
19 dollars for a tax year beginning during the 2019 calendar year,
20 and would, except as provided in this subsection, be limited
21 for purposes of computing net income for state tax purposes
22 pursuant to subsection 51.

23 b. A taxpayer who elects to take advantage of this
24 subsection shall make the following adjustments to federal
25 adjusted gross income when computing net income for state tax
26 purposes:

27 (1) Add the total amount of section 179 expense
28 deduction allocated to the taxpayer from all partnerships, S
29 corporations, or limited liability companies electing to have
30 the income taxed directly to the individual, to the extent the
31 allocated amount was allowed as a deduction to the taxpayer
32 for federal tax purposes for the tax year under section 179 of
33 the Internal Revenue Code, as amended by Pub. L. No. 115-97,
34 §13101.

35 (2) From the amount added in subparagraph (1), do the

1 following:

2 (a) For tax years beginning on or after January 1, 2018,
3 but before January 1, 2019, subtract the first seventy thousand
4 dollars of expensing allowance deduction on section 179
5 property.

6 (b) For tax years beginning on or after January 1, 2019,
7 but before January 1, 2020, subtract the first one hundred
8 thousand dollars of expensing allowance deduction on section
9 179 property.

10 (3) The remaining amount, equal to the difference between
11 the amount added in subparagraph (1), and the amount subtracted
12 in subparagraph (2), may be deducted by the taxpayer but such
13 deduction shall be amortized equally over five tax years
14 beginning in the following tax year.

15 (4) Any other adjustments to gains or losses necessary to
16 reflect adjustments made in subparagraphs (1) through (3).

17 c. A taxpayer who elects to take advantage of this
18 subsection shall not take the increased expensing allowance
19 under section 179 of the Internal Revenue Code, as amended by
20 Pub. L. No. 115-97, §13101, for any section 179 property placed
21 in service by the taxpayer in computing adjusted gross income
22 for state tax purposes. If the taxpayer has taken any such
23 deduction for purposes of computing federal adjusted gross
24 income, the taxpayer shall make the following adjustments to
25 federal adjusted gross income when computing net income for
26 state tax purposes:

27 (1) Add the total amount of expense deduction for federal
28 tax purposes taken on section 179 property placed in service by
29 the taxpayer under section 179 of the Internal Revenue Code, as
30 amended by Pub. L. No. 115-97, §13101.

31 (2) Subtract the amount of depreciation allowable on such
32 property under the modified accelerated cost recovery system
33 described in section 168 of the Internal Revenue Code, without
34 regard to section 168(k) of the Internal Revenue Code. The
35 taxpayer shall continue to take depreciation on the applicable

1 property in future tax years to the extent allowed under the
2 modified accelerated cost recovery system described in section
3 168 of the Internal Revenue Code, without regard to section
4 168(k) of the Internal Revenue Code.

5 (3) Any other adjustments to gains or losses necessary to
6 reflect the adjustments made in subparagraphs (1) and (2).

7 d. The election made under this subsection is for one tax
8 year and the taxpayer may elect or not elect to take advantage
9 of this subsection in any subsequent tax year. However, not
10 electing to take advantage of this subsection in a subsequent
11 tax year shall not affect the taxpayer's ability to claim the
12 tax deduction under paragraph "b", subparagraph (3), that
13 originated from a previous tax year.

14 e. The director shall adopt rules pursuant to chapter 17A
15 to administer this subsection.

16 Sec. 67. Section 422.9, subsection 2, paragraph h, Code
17 2018, is amended to read as follows:

18 h. For purposes of calculating the deductions in this
19 subsection that are authorized under the Internal Revenue Code,
20 and to the extent that any of such deductions is determined by
21 an individual's federal adjusted gross income, the individual's
22 federal adjusted gross income is computed in accordance with
23 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

24 Sec. 68. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC
25 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE
26 OR OLDER. Notwithstanding any other provision of law to the
27 contrary, for tax years beginning during the 2018 calendar
28 year, the exclusion from federal adjusted gross income for
29 certain qualified charitable distributions from an individual
30 retirement plan provided in section 408(d)(8) of the Internal
31 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
32 §112, applies in computing net income for state tax purposes.

33 Sec. 69. STATE SALES AND USE TAX DEDUCTION.

34 Notwithstanding any other provision of law to the contrary, for
35 tax years beginning during the 2018 calendar year, a taxpayer

1 who elects to itemize deductions for state tax purposes under
2 section 422.9, subsection 2, is allowed to take the deduction
3 for state sales and use tax in lieu of the deduction for state
4 and local income taxes under section 164(b)(5) of the Internal
5 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
6 §106, in computing taxable income for state tax purposes, but
7 only if the taxpayer elected to deduct state sales and use
8 taxes in lieu of state and local income taxes for federal tax
9 purposes for the same tax year.

10 Sec. 70. EARNED INCOME TAX CREDIT FOR 2018.

11 Notwithstanding the definition of "Internal Revenue Code"
12 in section 422.3, for tax years beginning during the 2018
13 calendar year, any reference to the term "Internal Revenue
14 Code" in section 422.12B shall mean the Internal Revenue Code
15 of 1954, prior to the date of its redesignation as the Internal
16 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
17 the Internal Revenue Code of 1986 as amended and in effect on
18 January 1, 2016, but shall not be construed to include any
19 amendment to the Internal Revenue Code enacted after January 1,
20 2016, including any amendment with retroactive applicability
21 or effectiveness.

22 Sec. 71. ACCOUNTING METHOD AND OTHER MISCELLANEOUS
23 COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any
24 other provision of law to the contrary, amendments to the
25 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,
26 §13221, §13504, §13541, §13543, §13611, and §13613, apply in
27 calculating federal adjusted gross income or federal taxable
28 income, as applicable, for state tax purposes for purposes of
29 chapter 422 for tax years beginning during the 2018 calendar
30 year to the extent those amendments affect the calculation of
31 federal adjusted gross income or federal taxable income, as
32 applicable, for federal tax purposes for tax years beginning
33 during the 2018 calendar year.

34 Sec. 72. TEACHER EXPENSE DEDUCTION. Notwithstanding
35 any other provision of law to the contrary, for tax years

1 beginning during the 2018 calendar year, a taxpayer is allowed
2 to take the deduction for certain expenses of elementary and
3 secondary school teachers allowed under section 62(a)(2)(D) of
4 the Internal Revenue Code, as amended by Pub. L. No. 114-113,
5 division Q, §104, in computing net income for state tax
6 purposes.

7 Sec. 73. EFFECTIVE DATE. This division of this Act, being
8 deemed of immediate importance, takes effect upon enactment.

9 Sec. 74. RETROACTIVE APPLICABILITY. Except as otherwise
10 provided in this division of this Act, this division of this
11 Act applies retroactively to January 1, 2018, for tax years
12 beginning on or after that date, but before January 1, 2019.

13 Sec. 75. RETROACTIVE APPLICABILITY. The following apply
14 retroactively to January 1, 2018, for tax years beginning on
15 or after that date:

16 1. The section of this division of this Act enacting section
17 422.7, subsections 51 and 52.

18 2. The section of this division of this Act amending section
19 422.9, subsection 2, paragraph "h".

20 DIVISION VIII

21 INDIVIDUAL AND CORPORATE INCOME TAX AND FRANCHISE TAX CHANGES

22 BEGINNING IN TAX YEAR 2019

23 Sec. 76. Section 15.335, subsection 7, paragraph b, Code
24 2018, is amended by striking the paragraph and inserting in
25 lieu thereof the following:

26 *b.* For purposes of this section, "*Internal Revenue Code*"
27 means the same as defined in section 422.3.

28 Sec. 77. Section 422.3, subsection 5, Code 2018, is amended
29 to read as follows:

30 5. "*Internal Revenue Code*" means one of the following:

31 *a.* For tax years beginning during the 2019 calendar year,
32 "*Internal Revenue Code*" means the Internal Revenue Code of
33 1954, prior to the date of its redesignation as the Internal
34 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
35 the Internal Revenue Code of 1986 as amended and in effect on

1 ~~January 1, 2015~~ March 24, 2018. This definition shall not be
2 construed to include any amendment to the Internal Revenue Code
3 enacted after the date specified in the preceding sentence,
4 including any amendment with retroactive applicability or
5 effectiveness.

6 b. For tax years beginning on or after January 1, 2020,
7 "Internal Revenue Code" means the Internal Revenue Code of
8 1954, prior to the date of its redesignation as the Internal
9 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
10 Internal Revenue Code of 1986, as amended.

11 Sec. 78. Section 422.4, subsection 16, Code 2018, is amended
12 to read as follows:

13 16. The words "*taxable income*" mean the net income as
14 defined in [section 422.7](#) minus the deductions allowed by
15 section 422.9, in the case of individuals; in the case of
16 estates or trusts, the words "*taxable income*" mean the taxable
17 income ~~(without a deduction for personal exemption)~~ as
18 computed for federal income tax purposes under the Internal
19 Revenue Code, but with the following adjustments ~~specified in~~
20 ~~[section 422.7](#) plus the Iowa income tax deducted in computing~~
21 ~~the federal taxable income and minus federal income taxes as~~
22 ~~provided in [section 422.9](#).~~;

23 a. Add back the personal exemption deduction taken in
24 computing federal taxable income.

25 b. Make the adjustments specified in section 422.7.

26 c. Add back Iowa income tax deducted in computing federal
27 taxable income.

28 d. Subtract federal income taxes as provided in section
29 422.9.

30 e. Add back the following percentage of the qualified
31 business income deduction under section 199A of the Internal
32 Revenue Code taken in calculating federal taxable income for
33 the applicable tax year:

34 (1) For tax years beginning on or after January 1, 2019, but
35 before January 1, 2021, seventy-five percent.

1 (2) For tax years beginning during the 2021 calendar year,
2 fifty percent.

3 (3) For tax years beginning on or after January 1, 2022,
4 twenty-five percent.

5 Sec. 79. Section 422.5, subsection 1, Code 2018, is amended
6 to read as follows:

7 1. a. A tax is imposed upon every resident and nonresident
8 of the state which tax shall be levied, collected, and paid
9 annually upon and with respect to the entire taxable income
10 as defined in this division at rates as follows: provided in
11 section 422.5A.

12 ~~a. On all taxable income from zero through one thousand~~
13 ~~dollars, thirty-six hundredths of one percent.~~

14 ~~b. On all taxable income exceeding one thousand dollars but~~
15 ~~not exceeding two thousand dollars, seventy-two hundredths of~~
16 ~~one percent.~~

17 ~~c. On all taxable income exceeding two thousand dollars~~
18 ~~but not exceeding four thousand dollars, two and forty-three~~
19 ~~hundredths percent.~~

20 ~~d. On all taxable income exceeding four thousand dollars but~~
21 ~~not exceeding nine thousand dollars, four and one-half percent.~~

22 ~~e. On all taxable income exceeding nine thousand dollars~~
23 ~~but not exceeding fifteen thousand dollars, six and twelve~~
24 ~~hundredths percent.~~

25 ~~f. On all taxable income exceeding fifteen thousand dollars~~
26 ~~but not exceeding twenty thousand dollars, six and forty-eight~~
27 ~~hundredths percent.~~

28 ~~g. On all taxable income exceeding twenty thousand dollars~~
29 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~
30 ~~percent.~~

31 ~~h. On all taxable income exceeding thirty thousand dollars~~
32 ~~but not exceeding forty-five thousand dollars, seven and~~
33 ~~ninety-two hundredths percent.~~

34 ~~i. On all taxable income exceeding forty-five thousand~~
35 ~~dollars, eight and ninety-eight hundredths percent.~~

1 ~~f.~~ b. (1) The tax imposed upon the taxable income of a
2 nonresident shall be computed by reducing the amount determined
3 pursuant to ~~paragraphs "a" through "i"~~ paragraph "a" by the
4 amounts of nonrefundable credits under this division and by
5 multiplying this resulting amount by a fraction of which the
6 nonresident's net income allocated to Iowa, as determined in
7 section 422.8, subsection 2, paragraph "a", is the numerator and
8 the nonresident's total net income computed under section 422.7
9 is the denominator. This provision also applies to individuals
10 who are residents of Iowa for less than the entire tax year.

11 (2) (a) The tax imposed upon the taxable income of a
12 resident shareholder in an S corporation or of an estate
13 or trust with a situs in Iowa that is a shareholder in an S
14 corporation, which S corporation has in effect for the tax
15 year an election under subchapter S of the Internal Revenue
16 Code and carries on business within and without the state,
17 may be computed by reducing the amount determined pursuant
18 to ~~paragraphs "a" through "i"~~ paragraph "a" by the amounts of
19 nonrefundable credits under this division and by multiplying
20 this resulting amount by a fraction of which the resident's
21 or estate's or trust's net income allocated to Iowa, as
22 determined in section 422.8, subsection 2, paragraph "b", is
23 the numerator and the resident's or estate's or trust's total
24 net income computed under section 422.7 is the denominator. If
25 a resident shareholder, or an estate or trust with a situs in
26 Iowa that is a shareholder, has elected to take advantage of
27 this subparagraph (2), and for the next tax year elects not to
28 take advantage of this subparagraph, the resident or estate or
29 trust shareholder shall not reelect to take advantage of this
30 subparagraph for the three tax years immediately following the
31 first tax year for which the shareholder elected not to take
32 advantage of this subparagraph, unless the director consents to
33 the reelection. This subparagraph also applies to individuals
34 who are residents of Iowa for less than the entire tax year.

35 (b) This subparagraph (2) shall not affect the amount of

1 the taxpayer's checkoffs under **this division**, the credits from
2 tax provided under **this division**, and the allocation of these
3 credits between spouses if the taxpayers filed separate returns
4 or separately on combined returns.

5 Sec. 80. Section 422.5, subsection 2, paragraph a, Code
6 2018, is amended to read as follows:

7 a. There is imposed upon every resident and nonresident of
8 this state, including estates and trusts, the greater of the
9 tax determined in **subsection 1**, ~~paragraphs "a" through "j"~~, or
10 the state alternative minimum tax equal to seventy-five percent
11 of the maximum state individual income tax rate for the tax
12 year, rounded to the nearest one-tenth of one percent, times
13 the state alternative minimum taxable income of the taxpayer as
14 computed under **this subsection**.

15 Sec. 81. NEW SECTION. **422.5A Tax rates.**

16 The tax imposed in section 422.5 shall be calculated at the
17 following rates:

18 1. On all taxable income from 0 through \$1,000, the rate of
19 0.33 percent.

20 2. On all taxable income exceeding \$1,000 but not exceeding
21 \$2,000, the rate of 0.67 percent.

22 3. On all taxable income exceeding \$2,000 but not exceeding
23 \$4,000, the rate of 2.25 percent.

24 4. On all taxable income exceeding \$4,000 but not exceeding
25 \$9,000, the rate of 4.14 percent.

26 5. On all taxable income exceeding \$9,000 but not exceeding
27 \$15,000, the rate of 5.63 percent.

28 6. On all taxable income exceeding \$15,000 but not exceeding
29 \$20,000, the rate of 5.96 percent.

30 7. On all taxable income exceeding \$20,000 but not exceeding
31 \$30,000, the rate of 6.25 percent.

32 8. On all taxable income exceeding \$30,000 but not exceeding
33 \$45,000, the rate of 7.44 percent.

34 9. On all taxable income exceeding \$45,000, the rate of 8.53
35 percent.

1 Sec. 82. Section 422.5, subsection 6, Code 2018, is amended
2 to read as follows:

3 6. Upon determination of the latest cumulative inflation
4 factor, the director shall multiply each dollar amount set
5 forth in ~~subsection 1, paragraphs "a" through "i"~~ section
6 422.5A by this cumulative inflation factor, shall round
7 off the resulting product to the nearest one dollar, and
8 shall incorporate the result into the income tax forms and
9 instructions for each tax year.

10 Sec. 83. Section 422.7, subsection 39A, unnumbered
11 paragraph 1, Code 2018, is amended by striking the unnumbered
12 paragraph and inserting in lieu thereof the following:

13 The additional first-year depreciation allowance authorized
14 in section 168(k) of the Internal Revenue Code does not
15 apply in computing net income for state tax purposes. If the
16 taxpayer has taken the additional first-year depreciation
17 allowance for purposes of computing federal adjusted gross
18 income, then the taxpayer shall make the following adjustments
19 to federal adjusted gross income when computing net income for
20 state tax purposes:

21 Sec. 84. Section 422.7, Code 2018, is amended by adding the
22 following new subsection:

23 NEW SUBSECTION. 59. *a.* The rules for nonrecognition
24 of gain or loss from exchanges of real property held for
25 productive use or investment and not held primarily for sale,
26 as provided in section 1031 of the Internal Revenue Code, apply
27 for state income tax purposes with regard to exchanges of real
28 property.

29 *b.* (1) The rules for nonrecognition of gain or loss
30 from exchanges of property other than real property held for
31 productive use or investment as provided in section 1031 of the
32 Internal Revenue Code, as amended up to and including December
33 21, 2017, apply for state income tax purposes for tax years
34 beginning during the 2019 calendar year, notwithstanding any
35 other provision of law to the contrary. If the taxpayer's

1 federal adjusted gross income includes gain or loss from
2 property, other than real property described in paragraph "a",
3 and the taxpayer elects to have this paragraph apply, the
4 following adjustments shall be made:

5 (a) (i) Subtract the total amount of gain related to the
6 sale or exchange of the property as properly reported for
7 federal tax purposes under the Internal Revenue Code.

8 (ii) Add back any gain related to the sale or exchange
9 of the property to the extent such gain does not qualify for
10 deferral under section 1031 of the Internal Revenue Code, as
11 amended up to and including December 21, 2017, which gain
12 shall be calculated using the taxpayer's adjusted basis in the
13 property for state tax purposes.

14 (b) (i) Add the total amount of loss related to the sale or
15 exchange of the property as properly reported for federal tax
16 purposes under the Internal Revenue Code.

17 (ii) Subtract any loss related to the sale or exchange
18 of the property to the extent such loss does not qualify for
19 deferral under section 1031 of the Internal Revenue Code, as
20 amended up to and including December 21, 2017, which loss
21 shall be calculated using the taxpayer's adjusted basis in the
22 property for state tax purposes.

23 (c) Any other adjustments to gains, losses, deductions, or
24 tax basis for the property given up or received in the sale or
25 exchange pursuant to rules adopted by the director.

26 (2) The director shall adopt rules pursuant to chapter 17A
27 to administer this paragraph.

28 c. This subsection is repealed January 1, 2020, for tax
29 years beginning on or after that date.

30 Sec. 85. Section 422.8, subsection 2, paragraph a, Code
31 2018, is amended to read as follows:

32 a. Nonresident's net income allocated to Iowa is the net
33 income, or portion of net income, which is derived from a
34 business, trade, profession, or occupation carried on within
35 this state or income from any property, trust, estate, or

1 other source within Iowa. However, income derived from a
2 business, trade, profession, or occupation carried on within
3 this state and income from any property, trust, estate, or
4 other source within Iowa shall not include distributions from
5 pensions, including defined benefit or defined contribution
6 plans, annuities, individual retirement accounts, and deferred
7 compensation plans or any earnings attributable thereto so long
8 as the distribution is directly related to an individual's
9 documented retirement and received while the individual is a
10 nonresident of this state. If a business, trade, profession,
11 or occupation is carried on partly within and partly without
12 the state, only the portion of the net income which is fairly
13 and equitably attributable to that part of the business,
14 trade, profession, or occupation carried on within the state
15 is allocated to Iowa for purposes of section 422.5, subsection
16 1, paragraph ~~"j"~~ "b", and [section 422.13](#) and income from any
17 property, trust, estate, or other source partly within and
18 partly without the state is allocated to Iowa in the same
19 manner, except that annuities, interest on bank deposits and
20 interest-bearing obligations, and dividends are allocated
21 to Iowa only to the extent to which they are derived from a
22 business, trade, profession, or occupation carried on within
23 the state. Net income described in section 29C.24, subsection
24 3, paragraph "a", subparagraph (3), and paragraph "b",
25 subparagraph (2), shall not be allocated and apportioned to the
26 state, as provided in [section 29C.24](#).

27 Sec. 86. Section 422.9, unnumbered paragraph 1, Code 2018,
28 is amended to read as follows:

29 In computing taxable income of individuals, there shall be
30 deducted from net income the larger of the ~~following~~ amounts:
31 computed under subsection 1 or 2, plus the amount computed
32 under subsection 2A.

33 Sec. 87. Section 422.9, Code 2018, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 2A. a. The following percentage of the

1 qualified business income deduction under section 199A of the
2 Internal Revenue Code taken in calculating federal taxable
3 income for the applicable tax year:

4 (1) For tax years beginning on or after January 1, 2019, but
5 before January 1, 2021, twenty-five percent.

6 (2) For tax years beginning during the 2021 calendar year,
7 fifty percent.

8 (3) For tax years beginning on or after January 1, 2022,
9 seventy-five percent.

10 *b.* Notwithstanding paragraph *"a"*, and section 422.4,
11 subsection 16, paragraph *"e"*, for an entity electing or required
12 to file a composite return under section 422.13, subsection 5,
13 the deduction allowed under this subsection for purposes of the
14 composite return shall be an amount equal to the applicable
15 percentage described in paragraph *"a"* of the deduction that
16 would be allowable for federal income tax purposes under
17 section 199A of the Internal Revenue Code by an individual
18 taxpayer reporting the same items of income and loss that are
19 included in the composite return.

20 Sec. 88. Section 422.9, subsection 2, paragraph i, Code
21 2018, is amended to read as follows:

22 *i.* The deduction for state sales and use taxes is allowable
23 only if the taxpayer elected to deduct the state sales and use
24 taxes in lieu of state income taxes under section 164 of the
25 Internal Revenue Code. A deduction for state sales and use
26 taxes is not allowed if the taxpayer has taken the deduction
27 for state income taxes or claimed the standard deduction under
28 section 63 of the Internal Revenue Code. This paragraph
29 applies to taxable years beginning after ~~December 31, 2003, and~~
30 ~~before January 1, 2008, and to taxable years beginning after~~
31 ~~December 31, 2009, and before January 1, 2015~~ December 31,
32 2018.

33 Sec. 89. Section 422.9, subsection 2, Code 2018, is amended
34 by adding the following new paragraph:

35 NEW PARAGRAPH. 1. The limitation on the deduction of

1 certain taxes in section 164(b)(6) of the Internal Revenue
2 Code does not apply in computing taxable income for state tax
3 purposes. A taxpayer is allowed to deduct taxes in computing
4 taxable income as otherwise provided in this subsection without
5 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,
6 §11042.

7 Sec. 90. Section 422.9, subsection 3, paragraph d, Code
8 2018, is amended to read as follows:

9 *d.* Notwithstanding paragraph *"a"*, for a taxpayer who is
10 engaged in the trade or business of farming as defined in
11 section 263A(e)(4) of the Internal Revenue Code and has a loss
12 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of
13 the Internal Revenue Code including modifications prescribed by
14 rule by the director, the Iowa loss from the trade or business
15 of farming is a net operating loss which may be carried back
16 five taxable years prior to the taxable year of the loss.

17 Sec. 91. Section 422.9, subsection 5, Code 2018, is amended
18 to read as follows:

19 5. A taxpayer affected by [section 422.8](#) shall, ~~if the~~
20 ~~optional standard deduction is not used,~~ be permitted to deduct
21 only such portion of the total referred to in ~~subsection~~
22 subsections 2 above and 2A as is fairly and equitably allocable
23 to Iowa under the rules prescribed by the director.

24 Sec. 92. Section 422.9, subsections 6 and 7, Code 2018, are
25 amended by striking the subsections.

26 Sec. 93. Section 422.10, subsection 3, paragraph b, Code
27 2018, is amended by striking the paragraph.

28 Sec. 94. Section 422.11B, Code 2018, is amended to read as
29 follows:

30 **422.11B Minimum tax credit.**

31 1. *a.* There is allowed as a credit against the tax
32 determined in [section 422.5, subsection 1, paragraphs *"a"*](#)
33 ~~through *"j"*~~ for a tax year an amount equal to the minimum tax
34 credit for that tax year.

35 *b.* The minimum tax credit for a tax year is the excess,

1 if any, of the net minimum tax imposed for all prior tax
2 years beginning on or after January 1, 1987, over the amount
3 allowable as a credit under [this section](#) for those prior tax
4 years.

5 2. a. The allowable credit under [subsection 1](#) for a tax
6 year shall not exceed the excess, if any, of the tax determined
7 in [section 422.5, subsection 1](#), paragraphs ~~“a” through “j”~~ over
8 the state alternative minimum tax as determined in section
9 422.5, subsection 2.

10 b. The net minimum tax for a tax year is the excess, if any,
11 of the tax determined in [section 422.5, subsection 2](#), for the
12 tax year over the tax determined in section 422.5, subsection
13 1, paragraphs ~~“a” through “j”~~ for the tax year.

14 Sec. 95. Section 422.32, subsection 1, paragraph h, Code
15 2018, is amended to read as follows:

16 h. *“Internal Revenue Code”* means one of the following:

17 (1) For tax years beginning during the 2019 calendar year,
18 “Internal Revenue Code” means the Internal Revenue Code of
19 1954, prior to the date of its redesignation as the Internal
20 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
21 the Internal Revenue Code of 1986 as amended and in effect on
22 January 1, 2015 March 24, 2018. This definition shall not be
23 construed to include any amendment to the Internal Revenue Code
24 enacted after the date specified in the preceding sentence,
25 including any amendment with retroactive applicability or
26 effectiveness.

27 (2) For tax years beginning on or after January 1, 2020,
28 “Internal Revenue Code” means the Internal Revenue Code of
29 1954, prior to the date of its redesignation as the Internal
30 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
31 Internal Revenue Code of 1986, as amended.

32 Sec. 96. Section 422.33, subsection 1, paragraphs a, b, c,
33 and d, Code 2018, are amended to read as follows:

34 a. On the first twenty-five thousand dollars of taxable
35 income, or any part thereof, the rate of six percent for tax

1 years beginning prior to January 1, 2021, and the rate of
2 five and one-half percent for tax years beginning on or after
3 January 1, 2021.

4 *b.* On taxable income between twenty-five thousand dollars
5 and one hundred thousand dollars or any part thereof, the rate
6 of eight percent for tax years beginning prior to January 1,
7 2021, and the rate of five and one-half percent for tax years
8 beginning on or after January 1, 2021.

9 *c.* On taxable income between one hundred thousand dollars
10 and two hundred fifty thousand dollars or any part thereof, the
11 rate of ten percent for tax years beginning prior to January 1,
12 2021, and the rate of nine percent for tax years beginning on
13 or after January 1, 2021.

14 *d.* On taxable income of two hundred fifty thousand dollars
15 or more, the rate of twelve percent for tax years beginning
16 prior to January 1, 2021, and the rate of nine and eight-tenths
17 percent for tax years beginning on or after January 1, 2021.

18 Sec. 97. Section 422.33, subsection 4, paragraph a, Code
19 2018, is amended to read as follows:

20 *a.* In addition to all taxes imposed under [this division](#),
21 there is imposed upon each corporation doing business within
22 the state the greater of the tax determined in [subsection 1](#),
23 paragraphs "a" through "d" or the state alternative minimum tax
24 equal to sixty percent of the maximum state corporate income
25 tax rate for the tax year, rounded to the nearest one-tenth of
26 one percent, of the state alternative minimum taxable income of
27 the taxpayer computed under [this subsection](#).

28 Sec. 98. Section 422.33, subsection 4, paragraph b,
29 subparagraph (1), Code 2018, is amended to read as follows:

30 (1) Add items of tax preference included in federal
31 alternative minimum taxable income under section 57, except
32 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
33 make the adjustments included in federal alternative minimum
34 taxable income under section 56, except subsections (a)(4) and
35 (d), of the Internal Revenue Code, and add losses as required

1 by section 58 of the Internal Revenue Code. In making the
2 adjustment under section 56(c)(1) of the Internal Revenue Code,
3 interest and dividends from federal securities and interest
4 and dividends from state and other political subdivisions and
5 from regulated investment companies exempt from federal income
6 tax under the Internal Revenue Code, net of amortization of
7 any discount or premium, shall be subtracted. For purposes of
8 this subparagraph, "Internal Revenue Code" means the Internal
9 Revenue Code of 1954, prior to the date of its redesignation
10 as the Internal Revenue Code of 1986 by the Tax Reform Act of
11 1986, or means the Internal Revenue Code of 1986 as amended and
12 in effect on December 21, 2017. This definition shall not be
13 construed to include any amendment to the Internal Revenue Code
14 enacted after the date specified in the preceding sentence,
15 including any amendment with retroactive applicability or
16 effectiveness.

17 Sec. 99. Section 422.33, subsection 4, Code 2018, is amended
18 by adding the following new paragraph:

19 NEW PARAGRAPH. c. This subsection is repealed January 1,
20 2021, for tax years beginning on or after that date.

21 Sec. 100. Section 422.33, subsection 5, paragraph e,
22 subparagraph (2), Code 2018, is amended by striking the
23 subparagraph.

24 Sec. 101. Section 422.33, subsection 7, Code 2018, is
25 amended to read as follows:

26 7. a. (1) ~~There~~ For tax years beginning before January 1,
27 2022, there is allowed as a credit against the tax determined
28 in subsection 1 for a tax year an amount equal to the minimum
29 tax credit for that tax year.

30 (2) The minimum tax credit for a tax year is the excess,
31 if any, of the net minimum tax imposed for all prior tax years
32 beginning on or after January 1, 1987, but before January
33 1, 2021, over the amount allowable as a credit under this
34 subsection for those prior tax years.

35 b. (1) The allowable credit under paragraph "a" for a tax

1 year beginning before January 1, 2021, shall not exceed the
2 excess, if any, of the tax determined in subsection 1 over
3 the state alternative minimum tax as determined in subsection
4 4. The allowable credit under paragraph "a" for a tax year
5 beginning in the 2021 calendar year shall not exceed the tax
6 determined in subsection 1.

7 (2) The net minimum tax for a tax year is the excess, if
8 any, of the tax determined in subsection 4 for the tax year
9 over the tax determined in subsection 1 for the tax year.

10 c. This subsection is repealed January 1, 2022, for tax
11 years beginning on or after that date.

12 Sec. 102. Section 422.35, subsection 4, Code 2018, is
13 amended to read as follows:

14 4. a. Subtract For tax years beginning before January 1,
15 2022, subtract fifty percent of the federal income taxes paid
16 ~~or accrued, as the case may be,~~ during the tax year to the
17 extent payment is for a tax year beginning prior to January 1,
18 2021, adjusted by any federal income tax refunds; ~~and add the~~
19 ~~Iowa income tax deducted in computing said taxable income to~~
20 the extent the tax was deducted for a tax year beginning prior
21 to January 1, 2021.

22 b. Add the Iowa income tax deducted in computing federal
23 taxable income.

24 Sec. 103. Section 422.35, Code 2018, is amended by adding
25 the following new subsections:

26 NEW SUBSECTION. 14. a. The increased expensing allowance
27 under section 179 of the Internal Revenue Code applies in
28 computing net income for state tax purposes for tax years
29 beginning on or after January 1, 2019, subject to the
30 limitations in this subsection for tax years beginning on or
31 after January 1, 2019, but before January 1, 2020.

32 b. If the taxpayer has taken the increased expensing
33 allowance under section 179 of the Internal Revenue Code for
34 purposes of computing federal taxable income for tax years
35 beginning on or after January 1, 2019, but before January 1,

1 2020, then the taxpayer shall make the following adjustments to
2 federal taxable income when computing net income for state tax
3 purposes for the same tax year:

4 (1) Add the total amount of expense deduction taken on
5 section 179 property allowable for federal tax purposes under
6 section 179 of the Internal Revenue Code.

7 (2) Subtract the amount of expense deduction on section
8 179 property allowable for federal tax purposes under section
9 179 of the Internal Revenue Code, not to exceed one hundred
10 thousand dollars. The subtraction in this subparagraph shall
11 be reduced, but not below zero, by the amount by which the
12 total cost of section 179 property placed in service by the
13 taxpayer during the tax year exceeds four hundred thousand
14 dollars.

15 (3) Any other adjustments to gains or losses necessary to
16 reflect adjustments made in subparagraphs (1) and (2).

17 *c.* The director shall adopt rules pursuant to chapter 17A
18 to administer this subsection.

19 NEW SUBSECTION. 15. *a.* For tax years beginning on or
20 after January 1, 2019, but before January 1, 2020, a taxpayer
21 may elect to take advantage of this subsection in lieu of
22 subsection 14, but only if the taxpayer's total expensing
23 allowance deduction for federal tax purposes under section
24 179 of the Internal Revenue Code that is allocated to the
25 taxpayer from one or more partnerships or limited liability
26 companies electing to have the income taxed directly to the
27 owners exceeds one hundred thousand dollars and would, except
28 as provided in this subsection, be limited for purposes
29 of computing net income for state tax purposes pursuant to
30 subsection 14.

31 *b.* A taxpayer who elects to take advantage of this
32 subsection shall make the following adjustments to federal
33 taxable income when computing net income for state tax
34 purposes:

35 (1) Add the total amount of section 179 expense deduction

1 allocated to the taxpayer from all partnerships or limited
2 liability companies electing to have the income taxed directly
3 to the owners, to the extent the allocated amount was allowed
4 as a deduction to the taxpayer for federal tax purposes for the
5 tax year under section 179 of the Internal Revenue Code.

6 (2) From the amount added in subparagraph (1), subtract
7 the first one hundred thousand dollars of expensing allowance
8 deduction on section 179 property.

9 (3) The remaining amount, equal to the difference between
10 the amount added in subparagraph (1), and the amount subtracted
11 in subparagraph (2), may be deducted by the taxpayer but such
12 deduction shall be amortized equally over five tax years
13 beginning in the following tax year.

14 (4) Any other adjustments to gains or losses necessary to
15 reflect adjustments made in subparagraphs (1) through (3).

16 c. A taxpayer who elects to take advantage of this
17 subsection shall not take the increased expensing allowance
18 under section 179 of the Internal Revenue Code for any section
19 179 property placed in service by the taxpayer in computing
20 taxable income for state tax purposes. If the taxpayer has
21 taken any such deduction for purposes of computing federal
22 taxable income, the taxpayer shall make the following
23 adjustments to federal taxable income when computing net income
24 for state tax purposes:

25 (1) Add the total amount of expense deduction for federal
26 tax purposes taken on section 179 property placed in service by
27 the taxpayer under section 179 of the Internal Revenue Code.

28 (2) Subtract the amount of depreciation allowable on such
29 property under the modified accelerated cost recovery system
30 described in section 168 of the Internal Revenue Code, without
31 regard to section 168(k) of the Internal Revenue Code. The
32 taxpayer shall continue to take depreciation on the applicable
33 property in future tax years to the extent allowed under the
34 modified accelerated cost recovery system described in section
35 168 of the Internal Revenue Code, without regard to section

1 168(k) of the Internal Revenue Code.

2 (3) Any other adjustments to gains or losses necessary to
3 reflect the adjustments made in subparagraphs (1) and (2).

4 *d.* The director shall adopt rules pursuant to chapter 17A
5 to administer this subsection.

6 Sec. 104. Section 422.35, subsection 19A, unnumbered
7 paragraph 1, Code 2018, is amended by striking the unnumbered
8 paragraph and inserting in lieu thereof the following:

9 The additional first-year depreciation allowance authorized
10 in section 168(k) of the Internal Revenue Code does not
11 apply in computing net income for state tax purposes. If the
12 taxpayer has taken the additional first-year depreciation
13 allowance for purposes of computing federal taxable income,
14 then the taxpayer shall make the following adjustments to
15 federal taxable income when computing net income for state tax
16 purposes:

17 Sec. 105. EFFECTIVE DATE. This division of this Act takes
18 effect January 1, 2019.

19 Sec. 106. APPLICABILITY. This division of this Act applies
20 to tax years beginning on or after January 1, 2019.

21 DIVISION IX

22 FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX
23 CHANGES

24 Sec. 107. Section 12D.9, subsection 2, Code 2018, is amended
25 to read as follows:

26 2. State income tax treatment of the Iowa educational
27 savings plan trust shall be as provided in section 422.7,
28 subsections 18, 32, and 33.

29 Sec. 108. Section 217.39, Code 2018, is amended to read as
30 follows:

31 **217.39 Persecuted victims of World War II — reparations —**
32 **heirs.**

33 Notwithstanding any other law of this state, payments paid
34 to and income from lost property of a victim of persecution
35 for racial, ethnic, or religious reasons by Nazi Germany or

1 any other Axis regime or as an heir of such victim which is
2 ~~exempt from state income tax as provided~~ described in section
3 422.7, subsection 35, Code 2018, shall not be considered as
4 income or an asset for determining the eligibility for state or
5 local government benefit or entitlement programs. The proceeds
6 are not subject to recoupment for the receipt of governmental
7 benefits or entitlements, and liens, except liens for child
8 support, are not enforceable against these sums for any reason.

9 Sec. 109. Section 422.4, subsection 1, paragraphs b and c,
10 Code 2018, are amended to read as follows:

11 *b.* "*Cumulative inflation factor*" means the product of the
12 annual inflation factor for the ~~1988~~ calendar year beginning on
13 January 1 of the calendar year that this division of this Act
14 takes effect and all annual inflation factors for subsequent
15 calendar years as determined pursuant to this subsection. The
16 cumulative inflation factor applies to all tax years beginning
17 on or after January 1 of the calendar year for which the latest
18 annual inflation factor has been determined.

19 *c.* The annual inflation factor for the ~~1988~~ calendar year
20 beginning on January 1 of the calendar year that this division
21 of this Act takes effect is one hundred percent.

22 Sec. 110. Section 422.4, subsection 2, Code 2018, is amended
23 by striking the subsection.

24 Sec. 111. Section 422.4, subsection 16, Code 2018, is
25 amended by striking the subsection and inserting in lieu
26 thereof the following:

27 16. "*Taxable income*" means, in the case of individuals,
28 the net income as defined in section 422.7 minus the deduction
29 allowed by section 422.9, if available. "*Taxable income*" means,
30 in the case of estates or trusts, the taxable income without
31 a deduction for personal exemption as computed for federal
32 income tax purposes under the Internal Revenue Code, but with
33 the adjustments specified in section 422.7, and the deduction
34 allowed by section 422.9, if available.

35 Sec. 112. Section 422.5, subsection 1, paragraph j,

1 subparagraph (2), subparagraph division (b), Code 2018, is
2 amended to read as follows:

3 (b) This subparagraph (2) shall not affect the amount of
4 the taxpayer's checkoffs under [this division](#), the credits from
5 tax provided under [this division](#), and the allocation of these
6 credits between spouses if the taxpayers filed separate returns
7 ~~or separately on combined returns.~~

8 Sec. 113. Section 422.5, subsection 2, Code 2018, is amended
9 by striking the subsection.

10 Sec. 114. Section 422.5, subsections 3 and 3B, Code 2018,
11 are amended to read as follows:

12 3. a. The tax shall not be imposed on a resident or
13 nonresident whose net income, as defined in [section 422.7](#), is
14 thirteen thousand five hundred dollars or less in the case
15 of married persons filing jointly ~~or filing separately on a~~
16 ~~combined return~~, heads of household, and surviving spouses or
17 nine thousand dollars or less in the case of all other persons;
18 but in the event that the payment of tax under [this division](#)
19 would reduce the net income to less than thirteen thousand five
20 hundred dollars or nine thousand dollars as applicable, then
21 the tax shall be reduced to that amount which would result
22 in allowing the taxpayer to retain a net income of thirteen
23 thousand five hundred dollars or nine thousand dollars as
24 applicable. The preceding sentence does not apply to estates
25 or trusts. For the purpose of [this subsection](#), the entire net
26 income, including any part of the net income not allocated
27 to Iowa, shall be taken into account. For purposes of this
28 subsection, net income includes all amounts of pensions or
29 other retirement income, except for military retirement pay
30 excluded under [section 422.7, subsection 31A](#), paragraph "a",
31 or [section 422.7, subsection 31B](#), paragraph "a", received from
32 any source which is not taxable under [this division](#) as a result
33 of the government pension exclusions in [section 422.7](#), or any
34 other state law. In calculating net income for purposes of
35 this subsection, any amount of itemized or standard deduction,

1 personal exemption deduction, or qualified business income
2 deduction that was allowed as a deduction in computing federal
3 taxable income under the Internal Revenue Code shall be added
4 back. If the combined net income of a husband and wife exceeds
5 thirteen thousand five hundred dollars, neither of them shall
6 receive the benefit of [this subsection](#), and it is immaterial
7 whether they file a joint return or separate returns. However,
8 if a husband and wife file separate returns and have a combined
9 net income of thirteen thousand five hundred dollars or less,
10 neither spouse shall receive the benefit of this paragraph,
11 if one spouse has a net operating loss and elects to carry
12 back or carry forward the loss as provided under the Internal
13 Revenue Code or in [section 422.9, subsection 3](#). A person who
14 is claimed as a dependent by another person as defined in
15 section 422.12 shall not receive the benefit of [this subsection](#)
16 if the person claiming the dependent has net income exceeding
17 thirteen thousand five hundred dollars or nine thousand dollars
18 as applicable or the person claiming the dependent and the
19 person's spouse have combined net income exceeding thirteen
20 thousand five hundred dollars or nine thousand dollars as
21 applicable.

22 *b.* In lieu of the computation in [subsection 1 or 2](#), or in
23 paragraph "a" of [this subsection](#), if the married persons',
24 ~~filing jointly or filing separately on a combined return,~~
25 head of household's, or surviving spouse's net income exceeds
26 thirteen thousand five hundred dollars, the regular tax imposed
27 under [this division](#) shall be the lesser of the maximum state
28 individual income tax rate times the portion of the net income
29 in excess of thirteen thousand five hundred dollars or the
30 regular tax liability computed without regard to this sentence.
31 Taxpayers electing to file separately shall compute the
32 alternate tax described in this paragraph using the total net
33 income of the husband and wife. The alternate tax described
34 in this paragraph does not apply if one spouse elects to carry
35 back or carry forward the a net operating loss as provided

1 under the Internal Revenue Code or in section 422.9, subsection
2 3.

3 3B. a. The tax shall not be imposed on a resident or
4 nonresident who is at least sixty-five years old on December
5 31 of the tax year and whose net income, as defined in section
6 422.7, is thirty-two thousand dollars or less in the case
7 of married persons filing jointly ~~or filing separately on a~~
8 ~~combined return~~, heads of household, and surviving spouses or
9 twenty-four thousand dollars or less in the case of all other
10 persons; but in the event that the payment of tax under this
11 division would reduce the net income to less than thirty-two
12 thousand dollars or twenty-four thousand dollars as applicable,
13 then the tax shall be reduced to that amount which would result
14 in allowing the taxpayer to retain a net income of thirty-two
15 thousand dollars or twenty-four thousand dollars as applicable.
16 The preceding sentence does not apply to estates or trusts.
17 For the purpose of [this subsection](#), the entire net income,
18 including any part of the net income not allocated to Iowa,
19 shall be taken into account. For purposes of [this subsection](#),
20 net income includes all amounts of pensions or other retirement
21 income, except for military retirement pay excluded under
22 section 422.7, subsection 31A, paragraph "a", or section 422.7,
23 subsection 31B, paragraph "a", received from any source which is
24 not taxable under [this division](#) as a result of the government
25 pension exclusions in [section 422.7](#), or any other state law.
26 In calculating net income for purposes of this subsection, any
27 amount of itemized or standard deduction, personal exemption
28 deduction, or qualified business income deduction that was
29 allowed as a deduction in computing federal taxable income
30 under the Internal Revenue Code shall be added back. If the
31 combined net income of a husband and wife exceeds thirty-two
32 thousand dollars, neither of them shall receive the benefit
33 of [this subsection](#), and it is immaterial whether they file a
34 joint return or separate returns. However, if a husband and
35 wife file separate returns and have a combined net income of

1 thirty-two thousand dollars or less, neither spouse shall
2 receive the benefit of this paragraph, if one spouse has a net
3 operating loss and elects to carry back or carry forward the
4 loss as provided under the Internal Revenue Code or in section
5 422.9, subsection 3. A person who is claimed as a dependent by
6 another person as defined in [section 422.12](#) shall not receive
7 the benefit of [this subsection](#) if the person claiming the
8 dependent has net income exceeding thirty-two thousand dollars
9 or twenty-four thousand dollars as applicable or the person
10 claiming the dependent and the person's spouse have combined
11 net income exceeding thirty-two thousand dollars or twenty-four
12 thousand dollars as applicable.

13 *b.* In lieu of the computation in [subsection 1, 2, or 3](#), if
14 the married persons', ~~filing jointly or filing separately on~~
15 ~~a combined return~~, head of household's, or surviving spouse's
16 net income exceeds thirty-two thousand dollars, the regular
17 tax imposed under [this division](#) shall be the lesser of the
18 maximum state individual income tax rate times the portion of
19 the net income in excess of thirty-two thousand dollars or the
20 regular tax liability computed without regard to this sentence.
21 Taxpayers electing to file separately shall compute the
22 alternate tax described in this paragraph using the total net
23 income of the husband and wife. The alternate tax described
24 in this paragraph does not apply if one spouse elects to carry
25 back or carry forward the a net operating loss as provided
26 under the Internal Revenue Code or in section 422.9, subsection
27 3.

28 *c.* [This subsection](#) applies even though one spouse has not
29 attained the age of sixty-five, if the other spouse is at least
30 sixty-five at the end of the tax year.

31 Sec. 115. Section 422.5A, as enacted in this Act, Code
32 2018, is amended by striking the section and inserting in lieu
33 thereof the following:

34 **422.5A Tax rates.**

35 1. The tax imposed in section 422.5 shall be calculated

1 at the following rates in the case of a married couple filing
2 jointly:

3 a. On all taxable income from 0 through \$12,000, the rate of
4 4.40 percent.

5 b. On all taxable income exceeding \$12,000 but not exceeding
6 \$60,000, the rate of 4.82 percent.

7 c. On all taxable income exceeding \$60,000 but not exceeding
8 \$150,000, the rate of 5.70 percent.

9 d. On all taxable income exceeding \$150,000, the rate of
10 6.50 percent.

11 2. The tax imposed in section 422.5 shall be calculated at
12 the following rates in the case of any taxpayer other than a
13 married couple filing jointly:

14 a. On all taxable income from 0 through \$6,000, the rate of
15 4.40 percent.

16 b. On all taxable income exceeding \$6,000 but not exceeding
17 \$30,000, the rate of 4.82 percent.

18 c. On all taxable income exceeding \$30,000 but not exceeding
19 \$75,000, the rate of 5.70 percent.

20 d. On all taxable income exceeding \$75,000, the rate of 6.50
21 percent.

22 Sec. 116. Section 422.7, unnumbered paragraph 1, Code 2018,
23 is amended to read as follows:

24 The term "*net income*" means the ~~adjusted gross income before~~
25 ~~the net operating loss deduction~~ taxable income as properly
26 computed for federal income tax purposes under section 63 of
27 the Internal Revenue Code, with the following adjustments:

28 Sec. 117. Section 422.7, Code 2018, is amended by adding the
29 following new subsections:

30 NEW SUBSECTION. 4. Add any federal net operating loss
31 deduction carried over from a taxable year beginning prior to
32 January 1 of the calendar year that this division of this Act
33 takes effect.

34 NEW SUBSECTION. 6. a. For tax years beginning in the
35 calendar year that this division of this Act takes effect,

1 subtract the amount of federal income taxes paid during the
2 tax year to the extent payment is for a tax year beginning
3 prior to January 1 of the calendar year that this division of
4 this Act takes effect, and add any federal income tax refunds
5 received during the tax year to the extent the federal income
6 tax was deducted for a tax year beginning prior to January 1 of
7 the calendar year that this division of this Act takes effect.
8 Where married persons who have filed a joint federal income
9 tax return file separately for state tax purposes, such total
10 shall be divided between them according to the portion of the
11 total paid by each. Federal income taxes paid for a tax year
12 in which an Iowa return was not required to be filed shall not
13 be subtracted.

14 *b.* Notwithstanding any other provision of law to the
15 contrary, amounts subtracted or added pursuant to this
16 subsection shall not be included in the calculation of net
17 income for purposes of section 422.5, subsection 3 or 3B, or
18 section 422.13.

19 Sec. 118. Section 422.7, subsection 5, Code 2018, is amended
20 to read as follows:

21 5. Individual taxpayers and married taxpayers who file a
22 joint federal income tax return and who elect to file a joint
23 return, or separate returns, ~~or separate filing on a combined~~
24 ~~return~~ for Iowa income tax purposes, may avail themselves of
25 the disability income exclusion and shall compute the amount
26 of the disability income exclusion subject to the limitations
27 for joint federal income tax return filers provided by section
28 105(d) of the Internal Revenue Code. The disability income
29 exclusion provided in section 105(d) of the Internal Revenue
30 Code, as amended up to and including December 31, 1982,
31 continues to apply for state income tax purposes for tax years
32 beginning on or after January 1, 1984.

33 Sec. 119. Section 422.7, subsection 13, Code 2018, is
34 amended by striking the subsection and inserting in lieu
35 thereof the following:

1 13. Subtract, to the extent included, the amount of social
2 security benefits taxable under section 86 of the Internal
3 Revenue Code.

4 Sec. 120. Section 422.7, Code 2018, is amended by adding the
5 following new subsections:

6 NEW SUBSECTION. 18. Add, to the extent deducted for federal
7 tax purposes, charitable contributions under section 170 of
8 the Internal Revenue Code to the extent such contribution was
9 made to an organization for the purpose of deposit in the Iowa
10 education savings plan trust established in chapter 12D, and
11 the taxpayer designated that any part of the contribution be
12 used for the direct benefit of any dependent of the taxpayer or
13 any other single beneficiary designated by the taxpayer.

14 NEW SUBSECTION. 19. *a.* Subtract, to the extent included,
15 income resulting from the payment by an employer of the
16 taxpayer, whether paid to the taxpayer or to a lender, of
17 principal or interest on any qualified education loan incurred
18 by the taxpayer.

19 *b.* If the taxpayer has a deduction in computing federal
20 taxable income under section 221 of the Internal Revenue Code
21 for interest on a qualified education loan, the taxpayer shall
22 recompute for purposes of this subsection the amount of the
23 deduction under paragraph "a" by not subtracting any amount of
24 income resulting from the employer's payment of interest on a
25 qualified education loan that was also deducted by the taxpayer
26 under section 221 of the Internal Revenue Code.

27 *c.* For purposes of this subsection, "*qualified education*
28 *loan*" means the same as defined in section 221 of the Internal
29 Revenue Code.

30 Sec. 121. Section 422.7, subsection 21, Code 2018, is
31 amended by striking the subsection and inserting in lieu
32 thereof the following:

33 21. *a.* For purposes of this subsection:

34 (1) "*Farming business*" means the raising and harvesting
35 of crops or forest or fruit trees, the rearing, feeding, and

1 management of livestock, or horticulture, all for intended
2 profit.

3 (2) "*Held*" shall be determined with reference to the holding
4 period provisions of section 1223 of the Internal Revenue Code
5 and the federal regulations pursuant thereto.

6 (3) "*Materially participated*" means the same as "*material*
7 *participation*" in section 469(h) of the Internal Revenue Code.

8 (4) (a) "*Real property used in a farming business*" means all
9 tracts of land and the improvements and structures located on
10 them which are in good faith used primarily for agricultural
11 purposes except buildings which are primarily used or intended
12 for human habitation. Land and the nonresidential improvements
13 and structures located on it shall be considered to be used
14 primarily for agricultural purposes if its principal use is
15 devoted to the raising and harvesting of crops or forest or
16 fruit trees, the rearing, feeding, and management of livestock,
17 or horticulture, all for intended profit. Woodland, wasteland,
18 and pastureland shall qualify but only if such land is held or
19 operated in conjunction with real property that otherwise meets
20 the requirements of this paragraph.

21 (b) Real property classified as agricultural property for
22 Iowa property tax purposes, except real property described
23 in section 441.21, subsection 12, paragraphs "a" or "b",
24 shall be presumed to be real property used in a farming
25 business. This presumption is rebuttable by the department by
26 a preponderance of evidence that the real property did not meet
27 the requirements of subparagraph division (a).

28 (5) "*Relative*" means an individual that satisfies one or
29 more of the following conditions:

30 (a) The individual is related to the taxpayer by
31 consanguinity within the second degree as determined by common
32 law.

33 (b) The individual is a lineal descendent of the taxpayer.
34 For purposes of this subparagraph division, "*lineal descendent*"
35 means children of the taxpayer, including legally adopted

1 children and biological children, stepchildren, grandchildren,
2 great-grandchildren, and any other lineal descendent of the
3 taxpayer.

4 *b.* Subtract the net capital gain from the sale of real
5 property used in a farming business if all of the following
6 conditions are satisfied:

7 (1) The taxpayer has materially participated in the farming
8 business for a minimum of ten years immediately preceding the
9 sale.

10 (2) The taxpayer has held the real property used in a
11 farming business for a minimum of ten years immediately
12 preceding the sale.

13 (3) The real property used in a farming business is sold to
14 a relative of the taxpayer.

15 *c.* (1) If the relative to whom the taxpayer sold the
16 real property used in a farming business that qualified
17 for the deduction in this subsection subsequently sells or
18 otherwise transfers all or part of said real property to a
19 person who is not a relative of the taxpayer within five years
20 of the original sale, the subsequent sale or transfer shall
21 be considered prima facie evidence that the original sale
22 was entered into by the taxpayer primarily to obtain the tax
23 benefits provided in this subsection, and the deduction under
24 this subsection for the original sale shall be disallowed for
25 the taxpayer with respect to that real property subsequently
26 sold or transferred by the relative.

27 (2) The prima facie determination in subparagraph (1) may be
28 rebutted by the taxpayer by a preponderance of evidence showing
29 that at the time of the original sale by the taxpayer of the
30 real property used in a farming business, all of the following
31 conditions were satisfied:

32 (a) The taxpayer had a substantial purpose for entering into
33 the sale transaction apart from the state tax benefits.

34 (b) The taxpayer did not intend that the real property would
35 subsequently be sold or transferred to a person who is not a

1 relative of the taxpayer.

2 (c) The taxpayer had no actual or constructive knowledge of
3 the buyer's intent to subsequently sell or transfer the real
4 property to a person who is not a relative of the taxpayer.

5 (3) Notwithstanding section 422.25, subsection 1, paragraph
6 "a", the period of limitation for examination and determination
7 of tax with regard to the deduction provided in this subsection
8 shall be one of the following dates, whichever occurs later:

9 (a) The date which is three years after the date that the
10 return upon which the deduction in this subsection is claimed
11 is filed.

12 (b) The date which is three years after the date that the
13 return upon which the deduction in this subsection is claimed
14 is due, including any extensions.

15 (c) The date which is six years after the date of the sale
16 of the real property used in a farming business for which the
17 deduction in this subsection is claimed.

18 *d.* To the extent otherwise allowed, the deduction provided
19 in this subsection is not allowed for purposes of computing the
20 income for the taxable year or years for which a net operating
21 loss is deducted under the Internal Revenue Code or under
22 subsection 422.9.

23 Sec. 122. Section 422.7, subsection 29, Code 2018, is
24 amended to read as follows:

25 29. a. ~~Subtract~~ For a taxpayer who is sixty-five years
26 of age or older and whose net income is less than one hundred
27 thousand dollars, subtract, to the extent not otherwise
28 deducted in computing adjusted-gross federal taxable income,
29 the amounts paid by the taxpayer for the purchase of health
30 benefits coverage or insurance for the taxpayer or taxpayer's
31 spouse or dependent.

32 b. For purposes of this subsection, "net income" means net
33 income as properly computed under this section without regard
34 to the deduction in this subsection and with the following
35 additional adjustments:

1 (1) Add back any amount of pensions or other retirement
2 income received from any source which is not taxable under this
3 division, including but not limited to amounts deductible under
4 subsections 13, 31, 31A, and 31B.

5 (2) Add back any amount of itemized or standard deduction,
6 personal exemption deduction, or qualified business income
7 deduction that was allowed as a deduction from federal adjusted
8 gross income in computing federal taxable income under the
9 Internal Revenue Code.

10 Sec. 123. Section 422.7, subsection 31, Code 2018, is
11 amended to read as follows:

12 31. For a person who is disabled, or is fifty-five years of
13 age or older, or is the surviving spouse of an individual or
14 a survivor having an insurable interest in an individual who
15 would have qualified for the exemption under [this subsection](#)
16 for the tax year, subtract, to the extent included, the
17 total amount of a governmental or other pension or retirement
18 pay, including, but not limited to, defined benefit or
19 defined contribution plans, annuities, individual retirement
20 accounts, plans maintained or contributed to by an employer,
21 or maintained or contributed to by a self-employed person as
22 an employer, and deferred compensation plans or any earnings
23 attributable to the deferred compensation plans, up to a
24 maximum of six thousand dollars for a person, other than a
25 husband or wife, who files a separate state income tax return
26 and up to a maximum of twelve thousand dollars for a husband
27 and wife who file a joint state income tax return. However, a
28 surviving spouse who is not disabled or fifty-five years of age
29 or older can only exclude the amount of pension or retirement
30 pay received as a result of the death of the other spouse. A
31 husband and wife filing separate state income tax returns ~~or~~
32 ~~separately on a combined state return~~ are allowed a combined
33 maximum exclusion under [this subsection](#) of up to twelve
34 thousand dollars. The twelve thousand dollar exclusion shall
35 be allocated to the husband or wife in the proportion that each

1 spouse's respective pension and retirement pay received bears
2 to total combined pension and retirement pay received.

3 Sec. 124. Section 422.7, subsection 41, Code 2018, is
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. *0e.* Add, to the extent deducted for
6 federal tax purposes, interest, taxes, and other miscellaneous
7 expenses to the extent such amounts are eligible home costs
8 in connection with a qualified home purchase that were paid
9 or reimbursed from funds in a first-time homebuyer savings
10 account.

11 Sec. 125. Section 422.7, subsection 47, Code 2018, is
12 amended to read as follows:

13 47. Subtract, to the extent not otherwise deducted in
14 computing ~~adjusted-gross~~ federal taxable income, the amounts
15 paid by the taxpayer to the department of veterans affairs for
16 the purpose of providing grants under the injured veterans
17 grant program established in [section 35A.14](#). Amounts
18 subtracted under [this subsection](#) shall not be used by the
19 taxpayer in computing the amount of charitable contributions as
20 defined by section 170 of the Internal Revenue Code.

21 Sec. 126. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14,
22 15, 16, 20, 22, 24, 25, 26, 30, 35, 36, 37, 39, 39B, 40, 43, 45,
23 49, 53, 55, 56, 57, and 58, Code 2018, are amended by striking
24 the subsections.

25 Sec. 127. Section 422.8, subsection 4, Code 2018, is amended
26 by striking the subsection.

27 Sec. 128. Section 422.9, Code 2018, is amended by striking
28 the section and inserting in lieu thereof the following:

29 **422.9 Carry over of Iowa net operating loss.**

30 Any Iowa net operating loss carried over from a taxable year
31 beginning prior to January 1 of the calendar year that this
32 division of this Act takes effect may be deducted as provided
33 in section 422.9, subsection 3, Code 2018.

34 Sec. 129. Section 422.11B, Code 2018, is amended to read as
35 follows:

1 **422.11B Minimum tax credit.**

2 1. *a.* ~~There~~ For tax years beginning before January 1 of the
3 calendar year following the calendar year that this division
4 of this Act takes effect, there is allowed as a credit against
5 the tax determined in section 422.5, subsection 1, paragraphs
6 ~~"a" through "j"~~ for a tax year an amount equal to the minimum
7 tax credit for that tax year.

8 *b.* The minimum tax credit for a tax year is the excess, if
9 any, of the net minimum tax imposed for all prior tax years
10 beginning on or after January 1, 1987, but before January 1 of
11 the calendar year that this division of this Act takes effect,
12 over the amount allowable as a credit under this section for
13 those prior tax years.

14 2. *a.* The allowable credit under subsection 1 for a tax
15 year beginning before January 1 of the calendar year that this
16 division of this Act takes effect shall not exceed the excess,
17 if any, of the tax determined in section 422.5, subsection
18 1, ~~paragraphs "a" through "j"~~ over the state alternative
19 minimum tax as determined in section 422.5, subsection 2, Code
20 2018. The allowable credit under subsection 1 for a tax year
21 beginning in the calendar year that this division of this Act
22 takes effect shall not exceed the tax determined under section
23 422.5, subsection 1.

24 *b.* The net minimum tax for a tax year is the excess, if
25 any, of the tax determined in section 422.5, subsection 2,
26 Code 2018, for the tax year over the tax determined in section
27 422.5, subsection 1, ~~paragraphs "a" through "j"~~ for the tax
28 year.

29 3. This section is repealed January 1 of the calendar year
30 following the calendar year that this division of this Act
31 takes effect, for tax years beginning on or after January 1
32 of the calendar year following the calendar year that this
33 division of this Act takes effect.

34 Sec. 130. Section 422.11S, subsection 4, Code 2018, is
35 amended to read as follows:

1 4. Married taxpayers who file separate returns ~~or file~~
2 ~~separately on a combined return form~~ must determine the tax
3 credit under [subsection 1](#) based upon their combined net income
4 and allocate the total credit amount to each spouse in the
5 proportion that each spouse's respective net income bears to
6 the total combined net income. Nonresidents or part-year
7 residents of Iowa must determine their tax credit in the ratio
8 of their Iowa source net income to their all source net income.
9 Nonresidents or part-year residents who are married and elect
10 to file separate returns ~~or to file separately on a combined~~
11 ~~return form~~ must allocate the tax credit between the spouses
12 in the ratio of each spouse's Iowa source net income to the
13 combined Iowa source net income of the taxpayers.

14 Sec. 131. Section 422.12B, subsection 2, Code 2018, is
15 amended to read as follows:

16 2. Married taxpayers electing to file separate returns ~~or~~
17 ~~filing separately on a combined return~~ may avail themselves
18 of the earned income credit by allocating the earned income
19 credit to each spouse in the proportion that each spouse's
20 respective earned income bears to the total combined earned
21 income. Taxpayers affected by the allocation provisions of
22 section 422.8 shall be permitted a deduction for the credit
23 only in the amount fairly and equitably allocable to Iowa under
24 rules prescribed by the director.

25 Sec. 132. Section 422.12C, subsection 4, Code 2018, is
26 amended to read as follows:

27 4. Married taxpayers who have filed joint federal returns
28 electing to file separate returns ~~or to file separately on a~~
29 ~~combined return form~~ must determine the child and dependent
30 care credit under [subsection 1](#) or the early childhood
31 development tax credit under [subsection 2](#) based upon their
32 combined net income and allocate the total credit amount to
33 each spouse in the proportion that each spouse's respective net
34 income bears to the total combined net income. Nonresidents
35 or part-year residents of Iowa must determine their Iowa child

1 and dependent care credit in the ratio of their Iowa source
2 net income to their all source net income. Nonresidents or
3 part-year residents who are married and elect to file separate
4 returns ~~or to file separately on a combined return form~~ must
5 allocate the Iowa child and dependent care credit between the
6 spouses in the ratio of each spouse's Iowa source net income to
7 the combined Iowa source net income of the taxpayers.

8 Sec. 133. Section 422.13, subsection 1, paragraph c, Code
9 2018, is amended by striking the paragraph.

10 Sec. 134. Section 422.16, subsection 1, paragraph f, Code
11 2018, is amended by striking the paragraph.

12 Sec. 135. Section 422.21, subsections 2, 5, and 7, Code
13 2018, are amended to read as follows:

14 2. An individual in the armed forces of the United States
15 serving in an area designated by the president of the United
16 States or the United States Congress as a combat zone or as a
17 qualified hazardous duty area, or deployed outside the United
18 States away from the individual's permanent duty station while
19 participating in an operation designated by the United States
20 secretary of defense as a contingency operation as defined
21 in 10 U.S.C. §101(a)(13), or which became such a contingency
22 operation by the operation of law, or an individual serving in
23 support of those forces, is allowed the same additional time
24 period after leaving the combat zone or the qualified hazardous
25 duty area, or ceasing to participate in such contingency
26 operation, or after a period of continuous hospitalization, to
27 file a state income tax return or perform other acts related
28 to the department, as would constitute timely filing of the
29 return or timely performance of other acts described in section
30 7508(a) of the Internal Revenue Code. An individual on active
31 duty federal military service in the armed forces, armed forces
32 military reserve, or national guard who is deployed outside
33 the United States in other than a combat zone, qualified
34 hazardous duty area, or contingency operation is allowed the
35 same additional period of time described in section 7508(a)

1 of the Internal Revenue Code to file a state income tax
2 return or perform other acts related to the department. For
3 the purposes of [this subsection](#), "*other acts related to the*
4 *department*" includes filing claims for refund for any tax
5 administered by the department, making tax payments other than
6 withholding payments, filing appeals on the tax matters, filing
7 other tax returns, and performing other acts described in the
8 department's rules. The additional time period allowed applies
9 to the spouse of the individual described in [this subsection](#)
10 to the extent the spouse files jointly ~~or separately on the~~
11 ~~combined return form~~ with the individual or when the spouse
12 is a party with the individual to any matter for which the
13 additional time period is allowed.

14 5. The director shall determine for the ~~1989~~ calendar year
15 that this division of this Act takes effect and each subsequent
16 calendar year the annual and cumulative inflation factors for
17 each calendar year to be applied to tax years beginning on or
18 after January 1 of that calendar year. The director shall
19 compute the new dollar amounts as specified to be adjusted in
20 section 422.5 by the latest cumulative inflation factor and
21 round off the result to the nearest one dollar. The annual and
22 cumulative inflation factors determined by the director are not
23 rules as defined in [section 17A.2, subsection 11](#). ~~The director~~
24 ~~shall determine for the 1990 calendar year and each subsequent~~
25 ~~calendar year the annual and cumulative standard deduction~~
26 ~~factors to be applied to tax years beginning on or after~~
27 ~~January 1 of that calendar year. The director shall compute~~
28 ~~the new dollar amounts of the standard deductions specified in~~
29 ~~[section 422.9, subsection 1](#), by the latest cumulative standard~~
30 ~~deduction factor and round off the result to the nearest ten~~
31 ~~dollars. The annual and cumulative standard deduction factors~~
32 ~~determined by the director are not rules as defined in section~~
33 ~~17A.2, subsection 11.~~

34 7. If married taxpayers file a joint return ~~or file~~
35 ~~separately on a combined return~~ in accordance with rules

1 prescribed by the director, both spouses are jointly and
2 severally liable for the total tax due on the return, except
3 when one spouse is considered to be an innocent spouse under
4 criteria established pursuant to section 6015 of the Internal
5 Revenue Code.

6 Sec. 136. Section 422.35, unnumbered paragraph 1, Code
7 2018, is amended to read as follows:

8 The term "*net income*" means the taxable income ~~before the~~
9 ~~net operating loss deduction~~, as properly computed for federal
10 income tax purposes under the Internal Revenue Code, with the
11 following adjustments:

12 Sec. 137. Section 422.35, subsection 11, Code 2018, is
13 amended by striking the subsection and inserting in lieu
14 thereof the following:

15 11. *a.* Add any federal net operating loss deduction carried
16 over from a taxable year beginning prior to January 1 of the
17 calendar year that this division of this Act takes effect.

18 *b.* Any Iowa net operating loss carried over from a taxable
19 year beginning prior to January 1 of the calendar year that
20 this division of this Act takes effect may be deducted as
21 provided in section 422.35, subsection 11, Code 2018.

22 Sec. 138. Section 422.35, subsections 3, 4, 5, 7, 8, 10,
23 16, 17, 18, 19, 19B, 20, 22, and 24, Code 2018, are amended by
24 striking the subsections.

25 Sec. 139. Section 541B.3, subsection 1, paragraph b, Code
26 2018, is amended to read as follows:

27 *b.* A married couple electing to file a joint Iowa individual
28 income tax return may establish a joint first-time homebuyer
29 savings account. Married taxpayers electing to file separate
30 tax returns ~~or separately on a combined tax return~~ for Iowa tax
31 purposes shall not establish or maintain a joint first-time
32 homebuyer savings account.

33 Sec. 140. Section 541B.6, Code 2018, is amended to read as
34 follows:

35 **541B.6 Tax considerations.**

1 The state income tax treatment of a first-time homebuyer
2 savings account shall be as provided in section 422.7,
3 subsection 41, ~~and section 422.9, subsection 2, paragraph "k"~~.

4 Sec. 141. CONTINGENT EFFECTIVE DATE — NET GENERAL FUND
5 REVENUES CALCULATION — ANNUAL REPORTS.

6 1. This division of this Act takes effect on January 1,
7 2023, if both of the following conditions are satisfied:

8 a. The net general fund revenues for the fiscal year ending
9 June 30, 2022, equal or exceed eight billion three hundred
10 fourteen million six hundred thousand dollars.

11 b. The net general fund revenues for the fiscal year ending
12 June 30, 2022, equal or exceed one hundred and four percent of
13 the net general fund revenues for the fiscal year ending June
14 30, 2021.

15 2. If the provisions of subsection 1 are not satisfied
16 and this division of this Act does not take effect on January
17 1, 2023, then this division of this Act shall take effect on
18 January 1 following the first fiscal year for which both of the
19 following conditions are satisfied:

20 a. The net general fund revenues for that fiscal year ending
21 June 30 equal or exceed eight billion three hundred fourteen
22 million six hundred thousand dollars.

23 b. The net general fund revenues for that fiscal year ending
24 June 30 equal or exceed one hundred and four percent of the
25 net general fund revenues for the fiscal year ending June 30
26 immediately preceding that fiscal year.

27 3. a. For purposes of this section, "net general fund
28 revenues" means total appropriated general fund revenues
29 excluding transfers from reserve funds, less the sum of tax and
30 other refunds and school infrastructure transfers, all made on
31 an accrual basis as computed for purposes of the comprehensive
32 annual financial reports of the state.

33 b. Net general fund revenues shall be calculated by
34 the department of management, in consultation with the
35 department of revenue, for each fiscal year beginning on

1 or after July 1, 2020, until such time as this division of
2 this Act takes effect, in accordance with rules adopted by
3 the department of management. The department of management
4 shall adopt rules pursuant to chapter 17A for calculating net
5 general fund revenues as defined in paragraph "a", including
6 rules defining "total appropriated general fund revenues",
7 "transfers from reserve funds", "tax and other refunds", and
8 "school infrastructure transfers", and including the types
9 and categories of receipts that will be included within each
10 definition and in the calculation of net general fund revenues.

11 c. The department of management shall submit an annual
12 report to the governor and general assembly by November 1
13 following the close of each fiscal year beginning on or after
14 July 1, 2020, until such time as this division of this Act
15 takes effect, which report shall identify the net general fund
16 revenues for the fiscal year and shall include a detailed
17 description of the net general fund revenues calculation made
18 by the department of management.

19 Sec. 142. APPLICABILITY. This division of this Act applies
20 to tax years beginning on or after the effective date of this
21 division of this Act.

22 DIVISION X

23 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE 24 SAVINGS PLAN TRUST

25 Sec. 143. Section 12D.1, Code 2018, is amended to read as
26 follows:

27 12D.1 Purpose and definitions.

28 1. The general assembly finds that the general welfare and
29 well-being of the state are directly related to educational
30 levels and skills of the citizens of the state, and that a
31 vital and valid public purpose is served by the creation and
32 implementation of programs which encourage and make possible
33 the attainment of higher formal education by the greatest
34 number of citizens of the state. ~~The state has limited~~
35 ~~resources to provide additional programs for higher education~~

1 ~~funding and the continued operation and maintenance of the~~
2 ~~state's public institutions of higher education and the general~~
3 welfare of the citizens of the state will be enhanced by
4 establishing a program which allows citizens of the state to
5 invest money in a public trust for future application to the
6 payment of ~~higher education costs~~ qualified education expenses.
7 The creation of the means of encouragement for citizens to
8 invest in such a program represents the carrying out of a
9 vital and valid public purpose. In order to make available
10 to the citizens of the state an opportunity to fund future
11 ~~higher formal~~ education needs, it is necessary that a public
12 trust be established in which moneys may be invested for future
13 educational use.

14 2. As used in [this chapter](#), unless the context otherwise
15 requires:

16 a. "*Account balance limit*" means the maximum allowable
17 aggregate balance of accounts established for the same
18 beneficiary. Account earnings, if any, are included in the
19 account balance limit.

20 b. "*Administrative fund*" means the administrative fund
21 established under [section 12D.4](#).

22 c. "*Beneficiary*" means the individual designated by a
23 participation agreement to benefit from advance payments of
24 ~~higher education costs~~ qualified education expenses on behalf
25 of the beneficiary.

26 d. "*Benefits*" means the payment of ~~higher education costs~~
27 qualified education expenses on behalf of a beneficiary by the
28 trust during the beneficiary's attendance at an ~~institution of~~
29 ~~higher education~~ a qualified educational institution.

30 e. ~~"Higher education costs"~~ means the same as "qualified
31 higher education expenses" as defined in ~~section 529(e)(3)~~ of
32 the Internal Revenue Code.

33 f. e. "*Institution of higher education*" means an institution
34 described in section 481 of the federal Higher Education Act of
35 1965, 20 U.S.C. §1088, which is eligible to participate in the

1 United States department of education's student aid programs.

2 ~~g.~~ f. "Internal Revenue Code" means the same as defined
3 in section 12I.1.

4 ~~h.~~ g. "Iowa educational savings plan trust" or "trust" means
5 the trust created under section 12D.2.

6 ~~i.~~ h. "Participant" means an individual, individual's legal
7 representative, trust, estate, or an organization described
8 in section 501(c)(3) of the Internal Revenue Code and exempt
9 from taxation under section 501(a) of the Internal Revenue
10 Code, that has entered into a participation agreement under
11 this chapter for the advance payment of ~~higher education costs~~
12 qualified education expenses on behalf of a beneficiary.

13 ~~j.~~ i. "Participation agreement" means an agreement between
14 a participant and the trust entered into under this chapter.

15 ~~k.~~ j. "Program fund" means the program fund established
16 under section 12D.4.

17 k. "Qualified education expenses" means the same as
18 "qualified higher education expenses" as defined in section
19 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.
20 No. 115-97, and shall include elementary and secondary school
21 expenses for tuition described in section 529(c)(7) of the
22 Internal Revenue Code, subject to the limitations imposed by
23 section 529(e)(3)(A) of the Internal Revenue Code.

24 l. "Qualified educational institution" means an institution
25 of higher education, or any elementary or secondary public,
26 private, or religious school described in section 529(c)(7) of
27 the Internal Revenue Code.

28 ~~l.~~ m. "~~Tuition and fees~~" "Tuition" means the quarter, or
29 semester, or annual charges imposed to attend ~~an institution~~
30 ~~of higher education~~ a qualified educational institution and
31 required as a condition of enrollment or attendance.

32 Sec. 144. Section 12D.2, subsections 2, 5, 9, and 14, Code
33 2018, are amended to read as follows:

34 2. Enter into agreements with any ~~institution of higher~~
35 ~~education~~ qualified educational institution, the state, or any

1 federal or other state agency, or other entity as required to
2 implement [this chapter](#).

3 5. Carry out studies and projections so the treasurer of
4 state may advise participants regarding present and estimated
5 future ~~higher education costs~~ qualified education expenses
6 and levels of financial participation in the trust required
7 in order to enable participants to achieve their educational
8 funding objectives.

9 9. Make payments to ~~institutions of higher education~~
10 qualified educational institutions, participants, or
11 beneficiaries, pursuant to participation agreements on behalf
12 of beneficiaries.

13 14. Establish, impose, and collect administrative fees
14 and charges in connection with transactions of the trust, and
15 provide for reasonable service charges, ~~including penalties for~~
16 ~~cancellations and late payments with respect to participation~~
17 ~~agreements~~.

18 Sec. 145. Section 12D.3, subsections 1 and 2, Code 2018, are
19 amended to read as follows:

20 1. ~~a.~~ Each participation agreement may require a
21 participant to agree to invest a specific amount of money in
22 the trust for a specific period of time for the benefit of a
23 specific beneficiary. A participant shall not be required to
24 make an annual contribution on behalf of a beneficiary. The
25 maximum contribution that may be deducted for Iowa income tax
26 purposes shall not exceed two thousand dollars per beneficiary
27 per year adjusted annually to reflect increases in the consumer
28 price index. The treasurer of state shall set an account
29 balance limit to maintain compliance with section 529 of the
30 Internal Revenue Code. A contribution shall not be permitted
31 to the extent it causes the aggregate balance of all accounts
32 established for the same beneficiary under the trust to exceed
33 the applicable account balance limit.

34 ~~b.~~ ~~Participation agreements may be amended to provide for~~
35 ~~adjusted levels of payments based upon changed circumstances or~~

1 ~~changes in educational plans.~~

2 2. The execution of a participation agreement by the trust
3 shall not guarantee in any way that ~~higher education costs~~
4 qualified education expenses will be equal to projections
5 and estimates provided by the trust or that the beneficiary
6 named in any participation agreement will attain any of the
7 following:

8 a. Be admitted to ~~an institution of higher education~~ a
9 qualified educational institution.

10 b. If admitted, be determined a resident for tuition
11 purposes by the ~~institution of higher education~~ qualified
12 educational institution.

13 c. Be allowed to continue attendance at the ~~institution of~~
14 ~~higher education~~ qualified educational institution following
15 admission.

16 d. Graduate from the ~~institution of higher education~~
17 qualified educational institution.

18 Sec. 146. Section 12D.3, Code 2018, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 5. A participant may designate a successor
21 in accordance with rules adopted by the treasurer of state.
22 The designated successor shall succeed to the ownership of the
23 account in the event of the death of the participant. In the
24 event a participant dies and has not designated a successor to
25 the account, the following criteria shall apply:

26 a. The beneficiary of the account, if eighteen years of
27 age or older, shall become the owner of the account as well as
28 remain the beneficiary upon filing the appropriate forms in
29 accordance with rules adopted by the treasurer of state.

30 b. If the beneficiary of the account is under the age of
31 eighteen, account ownership shall be transferred to the first
32 surviving parent or other legal guardian of the beneficiary to
33 file the appropriate forms in accordance with rules adopted by
34 the treasurer of state.

35 Sec. 147. Section 12D.4, Code 2018, is amended to read as

1 follows:

2 **12D.4 Program and administrative funds — investment and**
3 **payments.**

4 1. *a.* The treasurer of state shall segregate moneys
5 received by the trust into two funds: the program fund and the
6 administrative fund.

7 *b.* All moneys paid by participants in connection with
8 participation agreements shall be deposited as received into
9 separate accounts within the program fund.

10 *c.* Contributions to the trust made by participants may only
11 be made in the form of cash.

12 *d.* A participant or beneficiary ~~shall not provide investment~~
13 ~~direction regarding program contributions or earnings held by~~
14 ~~the trust~~ may, directly or indirectly, direct the investment of
15 any contributions to the trust or any earnings thereon no more
16 than two times in a calendar year.

17 *e.* The amount of cash distributions from the trust and all
18 other qualified state tuition programs under section 529 of
19 the Internal Revenue Code to a beneficiary during any taxable
20 year shall, in the aggregate, include no more than ten thousand
21 dollars in expenses for tuition in connection with enrollment
22 at an elementary or secondary public, private, or religious
23 school incurred during the taxable year.

24 2. Moneys accrued by participants in the program fund of
25 the trust may be used for payments to any ~~institution of higher~~
26 ~~education~~ qualified educational institution. Payments can be
27 made to the qualified educational institution, the participant,
28 or the beneficiary.

29 Sec. 148. Section 12D.6, subsection 1, paragraph a, Code
30 2018, is amended to read as follows:

31 *a.* A participant retains ownership of all payments made
32 under a participation agreement up to the date of utilization
33 for payment of ~~higher education costs~~ qualified education
34 expenses for the beneficiary.

35 Sec. 149. Section 12D.6, subsections 2, 3, and 5, Code 2018,

1 are amended to read as follows:

2 2. In the event the program is terminated prior to payment
3 of ~~higher education costs~~ qualified education expenses for the
4 beneficiary, the participant is entitled to a refund of the
5 participant's account balance.

6 3. The ~~institution of higher education~~ qualified
7 educational institution shall obtain ownership of the payments
8 made for the ~~higher education costs~~ qualified education
9 expenses paid to the institution at the time each payment is
10 made to the institution.

11 5. A participant may transfer ownership rights to another
12 ~~eligible individual, including a gift of the ownership rights~~
13 ~~to a minor beneficiary~~ participant, or may transfer funds to
14 another plan under the trust or to an ABLE account as permitted
15 under section 529(c)(3)(C) of the Internal Revenue Code.
16 The transfer shall be made and the property distributed in
17 accordance with rules adopted by the treasurer of state or with
18 the terms of the participation agreement.

19 Sec. 150. Section 12D.7, Code 2018, is amended to read as
20 follows:

21 **12D.7 Effect of payments on determination of need and**
22 **eligibility for student financial aid.**

23 A student loan program, student grant program, or other
24 program administered by any agency of the state, except as
25 may be otherwise provided by federal law or the provisions
26 of any specific grant applicable to that law, shall not take
27 into account and shall not consider amounts available for
28 the payment of ~~higher education costs~~ qualified education
29 expenses pursuant to the Iowa educational savings plan trust in
30 determining need and eligibility for student aid.

31 Sec. 151. Section 12D.9, subsection 1, paragraph a, Code
32 2018, is amended to read as follows:

33 a. Pursuant to [section 12D.3, subsection 1](#), paragraph "a",
34 a participant may make contributions to an account which is
35 established for the purpose of meeting the qualified ~~higher~~

1 education expenses of the designated beneficiary of the
2 account.

3 Sec. 152. Section 422.7, subsection 32, paragraph c, Code
4 2018, is amended by striking the paragraph and inserting in
5 lieu thereof the following:

6 c. (1) Add, to the extent previously deducted as a
7 contribution to the trust, the amount resulting from a
8 withdrawal or transfer made by the taxpayer from the Iowa
9 educational savings plan trust for purposes other than any of
10 the following:

11 (a) The payment of qualified higher education expenses.

12 (b) The payment of tuition to an elementary or secondary
13 school if the tuition amounts are qualified education expenses.

14 (c) A change in beneficiaries under, or transfer to another
15 account within, the Iowa educational savings plan trust, or a
16 transfer to the Iowa ABLE savings plan trust, provided such
17 change or transfer is permitted under section 12D.6, subsection
18 5.

19 (2) For purposes of this paragraph:

20 (a) "*Elementary or secondary school*" means an elementary
21 or secondary school in this state which is accredited under
22 section 256.11, and adheres to the provisions of the federal
23 Civil Rights Act of 1964 and chapter 216.

24 (b) "*Qualified education expenses*" and "*tuition*" all mean the
25 same as defined in section 12D.1, subsection 2.

26 (c) (i) "*Qualified higher education expenses*" means the same
27 as defined in section 529(e)(3) of the Internal Revenue Code.

28 (ii) For purposes of this subparagraph division (c),
29 "*Internal Revenue Code*" means the Internal Revenue Code of
30 1954, prior to the date of its redesignation as the Internal
31 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
32 the Internal Revenue Code of 1986 as amended and in effect on
33 January 1, 2018. This definition shall not be construed to
34 include any amendment to the Internal Revenue Code enacted
35 after the date specified in the preceding sentence, including

1 any amendment with retroactive applicability or effectiveness.

2 Sec. 153. Section 422.7, subsection 34, Code 2018, is
3 amended to read as follows:

4 34. a. (1) Subtract the amount contributed during the tax
5 year on behalf of a designated beneficiary that is a resident
6 of this state to the Iowa ABLE savings plan trust or to the
7 qualified ABLE program with which the state has contracted
8 pursuant to [section 12I.10](#), not to exceed the maximum
9 contribution level established in [section 12I.3, subsection 1](#),
10 paragraph "d", or [section 12I.10, subsection 2](#), paragraph "a",
11 as applicable.

12 (2) This paragraph "a" shall not apply to any amount
13 of contribution that represents a transfer from the Iowa
14 educational savings plan trust created in chapter 12D that
15 meets the requirements of subsection 32, paragraph "c",
16 subparagraph (1), subparagraph division (c), and that was
17 previously deducted as a contribution to the Iowa educational
18 savings plan trust.

19 b. Add the amount resulting from the cancellation of a
20 participation agreement refunded to the taxpayer as an account
21 owner in the Iowa ABLE savings plan trust or the qualified
22 ABLE program with which the state has contracted pursuant to
23 section 12I.10 to the extent previously deducted pursuant
24 to [this subsection](#) by the taxpayer or any other person as a
25 contribution to the trust or qualified ABLE program, or to the
26 extent the amount was previously deducted by the taxpayer or
27 any other person pursuant to subsection 32, paragraph "a", and
28 qualified as a transfer under paragraph "a", subparagraph (2),
29 of this subsection.

30 c. Add the amount resulting from a withdrawal made by a
31 taxpayer from the Iowa ABLE savings plan trust or the qualified
32 ABLE program with which the state has contracted pursuant to
33 section 12I.10 for purposes other than the payment of qualified
34 disability expenses to the extent previously deducted pursuant
35 to [this subsection](#) by the taxpayer or any other person as a

1 contribution to the trust or qualified ABLE program, or to the
2 extent the amount was previously deducted by the taxpayer or
3 any other person pursuant to subsection 32, paragraph "a", and
4 qualified as a transfer under paragraph "a", subparagraph (2),
5 of this subsection.

6 Sec. 154. Section 627.6, Code 2018, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 17. The debtor's interest, whether as
9 participant or beneficiary, in contributions and assets,
10 including the accumulated earnings and market increases in
11 value, held in an account in the Iowa educational savings plan
12 trust organized under chapter 12D.

13 Sec. 155. EFFECTIVE DATE. This division of this Act, being
14 deemed of immediate importance, takes effect upon enactment.

15 Sec. 156. RETROACTIVE APPLICABILITY.

16 1. Except as provided in subsection 2, this division of this
17 Act applies retroactively to January 1, 2018, for withdrawals
18 from the Iowa educational savings plan trust made on or after
19 that date.

20 2. The sections of this division of this Act amending
21 section 422.7 apply retroactively to January 1, 2018, for tax
22 years beginning on or after that date, and for withdrawals from
23 the Iowa educational savings plan trust made on or after that
24 date.

25 DIVISION XI

26 SALES AND USE TAXES

27 Sec. 157. Section 15J.4, subsection 3, paragraph f, Code
28 2018, is amended to read as follows:

29 f. The total aggregate amount of state sales tax revenues
30 and state hotel and motel tax revenues that may be approved by
31 the board for remittance to all municipalities and that may
32 be transferred to the state reinvestment district fund under
33 section ~~423.2, subsection 11,~~ 423.2A or section 423A.6, and
34 remitted to all municipalities having a reinvestment district
35 under this chapter shall not exceed one hundred million

1 dollars.

2 Sec. 158. Section 15J.5, subsection 1, paragraph a, Code
3 2018, is amended to read as follows:

4 a. The department shall calculate quarterly the amount of
5 new state sales tax revenues for each district established in
6 the state to be deposited in the state reinvestment district
7 fund created in [section 15J.6](#), pursuant to section ~~423.2,~~
8 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, subject to
9 remittance limitations established by the board pursuant to
10 section 15J.4, subsection 3.

11 Sec. 159. Section 15J.6, subsection 1, Code 2018, is amended
12 to read as follows:

13 1. A state reinvestment district fund is established in the
14 state treasury under the control of the department consisting
15 of the new state sales tax revenues collected within each
16 district and deposited in the fund pursuant to section ~~423.2,~~
17 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, and the
18 new state hotel and motel tax revenues collected within each
19 district and deposited in the fund pursuant to [section 423A.6](#).
20 Moneys deposited in the fund are appropriated to the department
21 for the purposes of [this section](#). Moneys in the fund shall
22 only be used for the purposes of [this section](#).

23 Sec. 160. Section 418.11, subsection 1, Code 2018, is
24 amended to read as follows:

25 1. The department of revenue shall calculate quarterly the
26 amount of increased sales tax revenues for each governmental
27 entity approved to use sales tax increment revenues and the
28 amount of such revenues to be transferred to the sales tax
29 increment fund pursuant to [section 423.2, subsection 11,](#)
30 ~~paragraph "b"~~ 423.2A, subsection 2.

31 Sec. 161. Section 418.12, subsection 1, Code 2018, is
32 amended to read as follows:

33 1. A sales tax increment fund is established as a separate
34 and distinct fund in the state treasury under the control of
35 the department of revenue consisting of the amount of the

1 increased state sales and services tax revenues collected by
2 the department of revenue within each applicable area specified
3 in [section 418.11, subsection 3](#), and deposited in the fund
4 pursuant to ~~[section 423.2, subsection 11](#)~~, paragraph ~~"b"~~ [423.2A](#),
5 [subsection 2](#). Moneys deposited in the fund are appropriated
6 to the department of revenue for the purposes of [this section](#).
7 Moneys in the fund shall only be used for the purposes of this
8 section.

9 Sec. 162. Section 421.26, Code 2018, is amended to read as
10 follows:

11 **421.26 Personal liability for tax due.**

12 If a licensee or other person under [section 452A.65](#), a
13 retailer or purchaser under chapter 423A, 423B, [423C](#), [423D](#), or
14 [423E](#), or [section 423.14, 423.14A, 423.29, 423.31, 423.32, or](#)
15 ~~[423.33, or a retailer or purchaser under section 423.32, or](#)~~
16 a user under [section 423.34](#), or a permit holder or licensee
17 under [section 453A.13, 453A.16, or 453A.44](#) fails to pay a tax
18 under those sections when due, an officer of a corporation
19 or association, notwithstanding [section 489.304](#), a member or
20 manager of a limited liability company, or a partner of a
21 partnership, having control or supervision of or the authority
22 for remitting the tax payments and having a substantial legal
23 or equitable interest in the ownership of the corporation,
24 association, limited liability company, or partnership, who has
25 intentionally failed to pay the tax is personally liable for
26 the payment of the tax, interest, and penalty due and unpaid.
27 However, [this section](#) shall not apply to taxes on accounts
28 receivable. The dissolution of a corporation, association,
29 limited liability company, or partnership shall not discharge a
30 person's liability for failure to remit the tax due.

31 Sec. 163. Section 423.1, Code 2018, is amended by adding the
32 following new subsection:

33 NEW SUBSECTION. 22A. *"Information services"* means
34 delivering or providing access to databases or subscriptions
35 to information through any tangible or electronic medium.

1 *“Information services”* includes but is not limited to database
2 files, research databases, genealogical information, and other
3 similar information.

4 Sec. 164. Section 423.1, subsection 24, paragraph a, Code
5 2018, is amended to read as follows:

6 a. *“Lease or rental”* means any transfer of possession
7 or control of, or access to, tangible personal property or
8 specified digital products for a fixed or indeterminate term
9 for consideration. A *“lease or rental”* may include future
10 options to purchase or extend.

11 Sec. 165. Section 423.1, subsection 37, Code 2018, is
12 amended to read as follows:

13 37. *“Place of business”* means any warehouse, store,
14 place, office, building, or structure where ~~goods, wares, or~~
15 ~~merchandise~~ tangible personal property, specified digital
16 products, or services are offered for sale at retail or where
17 any taxable amusement is conducted, or each office where gas,
18 water, heat, communication, or electric services are offered
19 for sale at retail. When a retailer or amusement operator
20 sells merchandise by means of vending machines or operates
21 music or amusement devices by coin-operated machines at more
22 than one location within the state, the office, building, or
23 place where the books, papers, and records of the taxpayer are
24 kept shall be deemed to be the taxpayer’s place of business.

25 Sec. 166. Section 423.1, Code 2018, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 36A. *“Personal property”* includes but is
28 not limited to tangible personal property and specified digital
29 products.

30 Sec. 167. Section 423.1, subsection 43, paragraph a,
31 subparagraph (3), Code 2018, is amended to read as follows:

32 (3) Taking possession or making first use of ~~digital goods~~
33 specified digital products, whichever comes first.

34 Sec. 168. Section 423.1, subsection 47, Code 2018, is
35 amended to read as follows:

1 47. "Retailer" means and includes every person engaged
2 in the business of selling tangible personal property,
3 specified digital products, or taxable services at retail, or
4 the furnishing of gas, electricity, water, or communication
5 service, and tickets or admissions to places of amusement
6 and athletic events or operating amusement devices or other
7 forms of commercial amusement from which revenues are derived.
8 However, when in the opinion of the director it is necessary
9 for the efficient administration of this chapter to regard any
10 agent or affiliate of a retailer as a retailer for purposes
11 of this chapter, the director may so regard them, or when
12 it is necessary for the efficient administration of this
13 chapter to regard any salespersons, representatives, truckers,
14 peddlers, ~~or~~ canvassers, or other persons as agents of the
15 dealers, distributors, supervisors, employers, or persons under
16 whom they operate or from whom they obtain tangible personal
17 property, services, or specified digital products sold by
18 them irrespective of whether or not they are making sales on
19 their own behalf or on behalf of such dealers, distributors,
20 supervisors, employers, or persons, the director may so regard
21 them, and may regard such dealers, distributors, supervisors,
22 employers, or persons as retailers for the purposes of this
23 chapter. "Retailer" includes a seller obligated to collect
24 sales or use tax, including any person obligated to collect
25 sales and use tax pursuant to section 423.14A.

26 Sec. 169. Section 423.1, subsection 48, paragraph a, Code
27 2018, is amended to read as follows:

28 a. "Retailer maintaining a place of business in this state"
29 or any like term includes any of the following:

30 (1) A retailer having or maintaining within this state,
31 directly or by a subsidiary, an office, distribution house,
32 sales house, warehouse, or other place of business, or any
33 representative operating within this state under the authority
34 of the retailer or its subsidiary, irrespective of whether that
35 place of business or representative is located here permanently

1 or temporarily, or whether the retailer or subsidiary is
2 admitted to do business within this state pursuant to chapter
3 490.

4 (2) A person obligated to collect sales and use tax pursuant
5 to section 423.14A.

6 Sec. 170. Section 423.1, subsection 48, paragraph b,
7 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended
8 to read as follows:

9 A retailer shall be presumed to be maintaining a place of
10 business in this state, ~~as defined in~~ for purposes of paragraph
11 "a", subparagraph (1), if any person that has substantial nexus
12 in this state, other than a person acting in its capacity as a
13 common carrier, does any of the following:

14 Sec. 171. Section 423.1, subsection 48, paragraph b,
15 subparagraph (1), subparagraph division (b), Code 2018, is
16 amended to read as follows:

17 (b) Maintains an office, distribution facility, warehouse,
18 storage place, or similar place of business in this state to
19 facilitate the delivery of personal property or services sold
20 by the retailer to the retailer's customers.

21 Sec. 172. Section 423.1, subsection 50, Code 2018, is
22 amended to read as follows:

23 50. *"Sales"* or *"sale"* means any transfer, exchange, or
24 barter, conditional or otherwise, in any manner or by any means
25 whatsoever, for consideration, including but not limited to any
26 such transfer, exchange, or barter on a subscription basis.

27 Sec. 173. Section 423.1, Code 2018, is amended by adding the
28 following new subsection:

29 NEW SUBSECTION. 55A. *"Sold at retail in the state"* and
30 other references to sales "in the state" or "in this state"
31 includes but is not limited to sales sourced to this state
32 under this chapter.

33 Sec. 174. Section 423.1, Code 2018, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 55B. a. *"Specified digital products"* means

1 electronically transferred digital audio-visual works, digital
2 audio works, digital books, or other digital products.

3 *b.* For purposes of this subsection:

4 (1) "*Digital audio-visual works*" means a series of related
5 images which, when shown in succession, impart an impression of
6 motion, together with accompanying sounds, if any.

7 (2) "*Digital audio works*" means works that result from
8 the fixation of a series of musical, spoken, or other sounds,
9 including but not limited to ringtones. For purposes of this
10 subparagraph, "*ringtones*" means digitized sound files that are
11 downloaded onto a device and that may be used to alert the
12 customer with respect to a communication.

13 (3) "*Digital books*" means works that are generally
14 recognized in the ordinary and usual sense as books.

15 (4) "*Electronically transferred*" means obtained or accessed
16 by the purchaser by means other than tangible storage media,
17 including but not limited to a specified digital product
18 purchased through a computer software application, commonly
19 referred to as an in-app purchase, or through another specified
20 digital product, or through any other means.

21 (5) "*Other digital products*" means greeting cards, images,
22 video or electronic games or entertainment, news or information
23 products, and computer software applications.

24 Sec. 175. Section 423.1, Code 2018, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 57A. "*Subscription*" means any arrangement
27 in which a person has the right or ability to access,
28 receive, use, obtain, purchase, or otherwise acquire tangible
29 personal property, specified digital products, or services
30 on a permanent or less than permanent basis, regardless of
31 whether the person actually accesses, receives, uses, obtains,
32 purchases, or otherwise acquires such tangible personal
33 property, specified digital product, or service.

34 Sec. 176. Section 423.1, subsections 62, 63, and 64, Code
35 2018, are amended to read as follows:

1 62. "Use" means and includes the exercise by any person of
2 any right or power over or access to tangible personal property
3 or a specified digital product incident to the ownership of
4 that property, or any right or power over or access to the
5 product or result of a service. A retailer's or building
6 contractor's sale of manufactured housing for use in this
7 state, whether in the form of tangible personal property or
8 of realty, is a use of that property for the purposes of this
9 chapter.

10 63. "Use tax" means the tax levied under subchapter III of
11 this chapter ~~for which the retailer collects and remits tax to~~
12 ~~the department~~.

13 64. "User" means the immediate recipient of the personal
14 property or services who is entitled to exercise a right ~~of~~ or
15 power over or access to the personal property, or the product
16 or result of such services.

17 Sec. 177. Section 423.2, subsection 1, paragraph a,
18 subparagraph (1), Code 2018, is amended to read as follows:

19 (1) Sales of engraving, ~~photography, retouching,~~ printing,
20 and binding services.

21 Sec. 178. Section 423.2, subsection 6, Code 2018, is amended
22 to read as follows:

23 6. ~~a.~~ The sales price of any of the following enumerated
24 services is subject to the tax imposed by subsection 5:

- 25 a. alteration ~~Alteration~~ and garment repair; ~~armored.~~
- 26 b. Armored car; ~~vehiele.~~
- 27 c. Vehicle repair; ~~battery.~~
- 28 d. Battery, tire, and allied; ~~investment.~~
- 29 e. Investment counseling; ~~service.~~
- 30 f. Service charges of all financial institutions; ~~barber.~~

31 For the purposes of this paragraph, "financial institutions"
32 means all national banks, federally chartered savings and loan
33 associations, federally chartered savings banks, federally
34 chartered credit unions, banks organized under chapter 524,
35 credit unions organized under chapter 533, and all banks,

1 savings banks, credit unions, and savings and loan associations
2 chartered or otherwise created under the laws of any state and
3 doing business in Iowa.

4 g. Barber and beauty;~~boat.~~
5 h. Boat repair;~~vehicle.~~
6 i. Vehicle wash and wax;~~campgrounds; carpentry; roof.~~
7 j. Campgrounds.
8 k. Carpentry.
9 l. Roof, shingle, and glass repair;~~dance.~~
10 m. Dance schools and dance studios;~~dating.~~
11 n. Dating services;~~dry.~~
12 o. Dry cleaning, pressing, dyeing, and laundering excluding
13 the use of self-pay washers and dryers;~~electrical.~~
14 p. Electrical and electronic repair and installation;
15 excavating.
16 q. Excavating and grading;~~farm.~~
17 r. Farm implement repair of all kinds;~~flying.~~
18 s. Flying service;~~furniture.~~
19 t. Furniture, rug, carpet, and upholstery repair and
20 cleaning;~~fur.~~
21 u. Fur storage and repair;~~golf.~~
22 v. Golf and country clubs and all commercial recreation;
23 gun.
24 w. Gun and camera repair;~~house.~~
25 x. House and building moving;~~household.~~
26 y. Household appliance, television, and radio repair;
27 janitorial.
28 z. Janitorial and building maintenance or cleaning;~~jewelry.~~
29 aa. Jewelry and watch repair;~~lawn.~~
30 ab. Lawn care, landscaping, and tree trimming and removal;
31 ac. Personal transportation service, including but not
32 limited to taxis, driver service, ride sharing service, rides
33 for hire, and limousine service, including driver;~~machine.~~
34 ad. Machine operator;~~machine.~~
35 ae. Machine repair of all kinds;~~motor.~~

1 af. Motor repair;~~motorcycle.~~
2 ag. Motorcycle, scooter, and bicycle repair;~~oilers.~~
3 ah. Oilers and lubricators;~~office.~~
4 ai. Office and business machine repair;~~painting.~~
5 aj. Painting, papering, and interior decorating;~~parking.~~
6 ak. Parking facilities;~~pay.~~
7 al. Pay television;~~pet~~, including but not limited to
8 streaming video, video on-demand, and pay-per-view.
9 am. Pet grooming;~~pipe.~~
10 an. Pipe fitting and plumbing;~~wood.~~
11 ao. Wood preparation;~~executive.~~
12 ap. Executive search agencies;~~private.~~
13 aq. Private employment agencies, excluding services for
14 placing a person in employment where the principal place of
15 employment of that person is to be located outside of the
16 state;~~reflexology; security.~~
17 ar. Reflexology.
18 as. Security and detective services, excluding private
19 security and detective services furnished by a peace officer
20 with the knowledge and consent of the chief executive officer
21 of the peace officer's law enforcement agency;~~sewage.~~
22 at. Sewage services for nonresidential commercial
23 operations;~~sewing.~~
24 au. Sewing and stitching;~~shoe.~~
25 av. Shoe repair and shoeshine;~~sign.~~
26 aw. Sign construction and installation;~~storage.~~
27 ax. Storage of household goods, mini-storage, and
28 warehousing of raw agricultural products;~~swimming.~~
29 ay. Swimming pool cleaning and maintenance;~~tanning.~~
30 az. Tanning beds or salons;~~taxidermy.~~
31 ba. Taxidermy services;~~telephone.~~
32 bb. Telephone answering service;~~test.~~
33 bc. Test laboratories, including mobile testing laboratories
34 and field testing by testing laboratories, and excluding tests
35 on humans or animals and excluding environmental testing

1 ~~services; termite.~~
2 bd. Termite, bug, roach, and pest eradicators; tin.
3 be. Tin and sheet metal repair; transportation.
4 bf. Transportation service consisting of the rental of
5 recreational vehicles or recreational boats, or the rental of
6 vehicles subject to registration which are registered for a
7 gross weight of thirteen tons or less for a period of sixty
8 days or less, or the rental of aircraft for a period of sixty
9 days or less;.
10 bg. Turkish baths, massage, and reducing salons, excluding
11 services provided by massage therapists licensed under chapter
12 152C; water.
13 bh. Water conditioning and softening; ~~weighing; welding;~~
14 ~~well.~~
15 bi. Weighing.
16 bj. Welding.
17 bk. Well drilling; ~~wrapping.~~
18 bl. Wrapping, packing, and packaging of merchandise other
19 than processed meat, fish, fowl, and vegetables; wrecking.
20 bm. Wrecking service; ~~wrecker.~~
21 bn. Wrecker and towing.
22 ~~b. For the purposes of [this subsection](#), "financial~~
23 ~~institutions" means all national banks, federally chartered~~
24 ~~savings and loan associations, federally chartered savings~~
25 ~~banks, federally chartered credit unions, banks organized under~~
26 ~~[chapter 524](#), credit unions organized under [chapter 533](#), and~~
27 ~~all banks, savings banks, credit unions, and savings and loan~~
28 ~~associations chartered or otherwise created under the laws of~~
29 ~~any state and doing business in Iowa.~~
30 bo. Photography.
31 bp. Retouching.
32 bq. Storage of tangible or electronic files, documents, or
33 other records.
34 br. Information services.
35 bs. Services arising from or related to installing,

1 maintaining, servicing, repairing, operating, upgrading, or
2 enhancing specified digital products.

3 bt. Video game services and tournaments.

4 bu. Software as a service.

5 Sec. 179. Section 423.2, subsection 8, Code 2018, is amended
6 by adding the following new paragraph:

7 NEW PARAGRAPH. *d.* A transaction that otherwise meets
8 the definition of "*bundled transaction*" as defined in this
9 subsection is not a bundled transaction if it is any of the
10 following:

11 (1) The retail sale of tangible personal property and a
12 service where the tangible personal property is essential
13 to the use of the service, and is provided exclusively in
14 connection with the service, and the true object of the
15 transaction is the service.

16 (2) The retail sale of services where one service is
17 provided that is essential to the use or receipt of a second
18 service and the first service is provided exclusively in
19 connection with the second service and the true object of the
20 transaction is the second service.

21 (3) (a) A transaction that includes taxable products and
22 nontaxable products and the purchase price or sales price of
23 the taxable products is *de minimis*.

24 (b) For purposes of this subparagraph, "*de minimis*" means
25 the seller's purchase or sales price of the taxable products
26 is ten percent or less of the total purchase price or sales
27 price of the bundled products. Sellers shall use either the
28 purchase price or the sale price of the products to determine
29 if the taxable products are *de minimis*. Sellers may not use
30 a combination of the purchase price and sales price of the
31 products to determine if the taxable products are *de minimis*.

32 (4) The retail sale of exempt tangible personal property and
33 taxable tangible personal property where all of the following
34 apply:

35 (a) The transaction includes food and food ingredients,

1 drugs, durable medical equipment, mobility enhancing equipment,
2 prosthetic devices, or medical supplies.

3 (b) The seller's purchase price or sales price of the
4 taxable tangible personal property is fifty percent or less
5 of the total purchase price or sales price of the bundled
6 tangible personal property. Sellers may not use a combination
7 of the purchase price and sales price of the tangible personal
8 property when making the fifty percent determination for a
9 transaction.

10 Sec. 180. Section 423.2, Code 2018, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 9A. a. A tax of six percent is imposed on
13 the sales price of specified digital products sold at retail
14 in the state. The tax applies whether the purchaser obtains
15 permanent use or less than permanent use of the specified
16 digital product, whether the sale is conditioned or not
17 conditioned upon continued payment from the purchaser, and
18 whether the sale is on a subscription basis or is not on a
19 subscription basis.

20 b. The sale of a digital code that may be used to obtain
21 or access a specified digital product shall be taxed in the
22 same manner as the specified digital product. For purposes
23 of this paragraph, "digital code" means a method that permits
24 a purchaser to obtain or access at a later date a specified
25 digital product.

26 Sec. 181. Section 423.2, subsections 10, 11, and 12, Code
27 2018, are amended by striking the subsections.

28 Sec. 182. NEW SECTION. 423.2A **Deposit and transfer of**
29 **revenues.**

30 1. a. All revenues arising under the operation of the
31 provisions of this subchapter II shall be deposited into the
32 general fund of the state.

33 b. Subsequent to the deposit into the general fund of
34 the state, the director shall credit an amount equal to the
35 product of the sales tax rate imposed in section 423.2 times

1 the sales price of the tangible personal property or services
2 furnished to purchasers at a baseball and softball complex that
3 has received an award under section 15F.207 and that meets
4 the qualifications of section 423.4, subsection 10, into the
5 baseball and softball complex sales tax rebate fund created
6 under section 423.4, subsection 10, paragraph "e". The director
7 shall credit the moneys beginning the first day of the quarter
8 following July 1, 2016. This paragraph is repealed thirty
9 days following the date on which five million dollars in total
10 rebates have been provided under section 423.4, subsection 10.

11 2. Subsequent to the deposit into the general fund of the
12 state pursuant to subsection 1, the department shall do the
13 following in the order prescribed:

14 a. Transfer the revenues collected under chapter 423B.

15 b. Transfer from the remaining revenues the amounts required
16 under Article VII, section 10, of the Constitution of the State
17 of Iowa to the natural resources and outdoor recreation trust
18 fund created in section 461.31, if applicable.

19 c. Transfer one-sixth of the remaining revenues to the
20 secure an advanced vision for education fund created in section
21 423F.2. This paragraph "c" is repealed December 31, 2029.

22 d. Transfer to the baseball and softball complex sales tax
23 rebate fund that portion of the sales tax receipts described
24 in subsection 1, paragraph "b", remaining after the transfers
25 required under paragraphs "a", "b", and "c" of this subsection
26 2. This paragraph is repealed thirty days following the date
27 on which five million dollars in total rebates have been
28 provided under section 423.4, subsection 10.

29 e. Beginning the first day of the calendar quarter
30 beginning on the reinvestment district's commencement date,
31 subject to remittance limitations established by the economic
32 development authority board pursuant to section 15J.4,
33 subsection 3, transfer to a district account created in the
34 state reinvestment district fund for each reinvestment district
35 established under chapter 15J, the amount of new state sales

1 tax revenue, determined in section 15J.5, subsection 1,
2 paragraph "b", in the district, that remains after the prior
3 transfers required under this subsection 2. Such transfers
4 shall cease pursuant to section 15J.8.

5 f. Subject to the limitation on the calculation and
6 deposit of sales tax increment revenues in section 418.12,
7 beginning the first day of the quarter following adoption
8 of the resolution pursuant to section 418.4, subsection 3,
9 paragraph "d", transfer to the account created in the sales tax
10 increment fund for each governmental entity approved to use
11 sales tax increment revenues under chapter 418, that portion
12 of the increase in sales tax revenue, determined in section
13 418.11, subsection 2, paragraph "d", in the applicable area of
14 the governmental entity, that remains after the other transfers
15 required under this subsection 2.

16 g. Beginning the first day of the quarter following July 1,
17 2014, transfer to the raceway facility tax rebate fund created
18 in section 423.4, subsection 11, paragraph "e", that portion
19 of the sales tax receipts collected and remitted upon sales of
20 tangible personal property or services furnished by retailers
21 at a raceway facility meeting the qualifications of section
22 423.4, subsection 11, that remains after the transfers required
23 in paragraphs "a" through "f" of this subsection 2. This
24 paragraph is repealed June 30, 2025, or thirty days following
25 the date on which an amount of total rebates specified in
26 section 423.4, subsection 11, paragraph "c", subparagraph (4),
27 subparagraph division (a) or (b), whichever is applicable,
28 has been provided or thirty days following the date on which
29 rebates cease as provided in section 423.4, subsection 11,
30 paragraph "c", subparagraph (5), whichever is earliest.

31 3. Of the amount of sales tax revenue actually transferred
32 per quarter pursuant to subsection 2, paragraphs "e" and "f",
33 the department shall retain an amount equal to the actual cost
34 of administering the transfers under subsection 2, paragraphs
35 "e" and "f", or twenty-five thousand dollars, whichever is

1 less. The amount retained by the department pursuant to this
2 subsection shall be divided pro rata each quarter between
3 the amounts that would have been transferred pursuant to
4 subsection 2, paragraphs "e" and "f", without the deduction
5 made by operation of this subsection. Revenues retained by
6 the department pursuant to this subsection shall be considered
7 repayment receipts as defined in section 8.2.

8 Sec. 183. Section 423.3, subsections 1 and 17, Code 2018,
9 are amended to read as follows:

10 1. The sales price from sales of tangible personal property,
11 specified digital products, and services furnished which this
12 state is prohibited from taxing under the Constitution or laws
13 of the United States or under the Constitution of this state.

14 17. The sales price of all ~~goods, wares, or merchandise,~~
15 tangible personal property, specified digital products, or
16 services, used for educational purposes sold to any private
17 nonprofit educational institution in this state. For the
18 purpose of **this subsection**, "educational institution" means an
19 institution which primarily functions as a school, college,
20 or university with students, faculty, and an established
21 curriculum. The faculty of an educational institution must be
22 associated with the institution and the curriculum must include
23 basic courses which are offered every year. "Educational
24 institution" includes an institution primarily functioning as
25 a library.

26 Sec. 184. Section 423.3, subsection 18, unnumbered
27 paragraph 1, Code 2018, is amended to read as follows:

28 The sales price of tangible personal property or specified
29 digital products sold, or of services furnished, to the
30 following nonprofit corporations:

31 Sec. 185. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
32 28, and 31, Code 2018, are amended to read as follows:

33 20. The sales price of tangible personal property or
34 specified digital products sold, or of services furnished, to
35 nonprofit legal aid organizations.

1 21. The sales price of ~~goods, wares, or merchandise,~~
2 tangible personal property, of specified digital products,
3 or of services, used for educational, scientific, historic
4 preservation, or aesthetic purpose sold to a nonprofit private
5 museum.

6 22. The sales price from sales of ~~goods, wares, or~~
7 ~~merchandise,~~ tangible personal property, of specified digital
8 products, or from services furnished, to a nonprofit private
9 art center to be used in the operation of the art center.

10 23. The sales price of tangible personal property or
11 specified digital products sold, or of services furnished, by a
12 fair organized under [chapter 174](#).

13 26. The sales price of tangible personal property or
14 specified digital products sold, or of services furnished, to a
15 statewide nonprofit organ procurement organization, as defined
16 in [section 142C.2](#).

17 27. The sales price of tangible personal property or
18 specified digital products sold, or of services furnished, to a
19 nonprofit hospital licensed pursuant to [chapter 135B](#) to be used
20 in the operation of the hospital.

21 28. The sales price of tangible personal property or
22 specified digital products sold, or of services furnished, to
23 a freestanding nonprofit hospice facility which operates a
24 hospice program as defined in [42 C.F.R. ch. IV, §418.3](#), which
25 property or services are to be used in the hospice program.

26 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~
27 tangible personal property or specified digital products sold
28 to and of services furnished, and used for public purposes
29 sold to a tax-certifying or tax-levying body of the state or
30 a governmental subdivision of the state, including regional
31 transit systems, as defined in [section 324A.1](#), the state board
32 of regents, department of human services, state department of
33 transportation, any municipally owned solid waste facility
34 which sells all or part of its processed waste as fuel to a
35 municipally owned public utility, and all divisions, boards,

1 commissions, agencies, or instrumentalities of state, federal,
2 county, or municipal government which have no earnings going to
3 the benefit of an equity investor or stockholder, except any
4 of the following:

5 ~~(1)~~ a. The sales price of ~~goods, wares, or merchandise~~
6 tangible personal property or specified digital products sold
7 to, or of services furnished, and used by or in connection with
8 the operation of any municipally owned public utility engaged
9 in selling gas, electricity, heat, pay television service, or
10 communication service to the general public.

11 ~~(2)~~ b. The sales price of furnishing of sewage services to
12 a county or municipality on behalf of nonresidential commercial
13 operations.

14 ~~(3)~~ c. The furnishing of solid waste collection and
15 disposal service to a county or municipality on behalf of
16 nonresidential commercial operations located within the county
17 or municipality.

18 ~~b. The exemption provided by this subsection shall also~~
19 ~~apply to all such sales of goods, wares, or merchandise or of~~
20 ~~services furnished and subject to use tax.~~

21 Sec. 186. Section 423.3, subsection 32, unnumbered
22 paragraph 1, Code 2018, is amended to read as follows:

23 The sales price of tangible personal property or specified
24 digital products sold, or of services furnished, by a county or
25 city. This exemption does not apply to any of the following:

26 Sec. 187. Section 423.3, subsection 36, unnumbered
27 paragraph 1, Code 2018, is amended to read as follows:

28 The sales price from sales of tangible personal property
29 or specified digital products or of the sale or furnishing of
30 electrical energy, natural or artificial gas, or communication
31 service to another state or political subdivision of another
32 state if the other state provides a similar reciprocal
33 exemption for this state and political subdivision of this
34 state.

35 Sec. 188. Section 423.3, subsection 39, paragraph a,

1 subparagraphs (1) and (2), Code 2018, are amended to read as
2 follows:

3 (1) Sales of tangible personal property or specified
4 digital products, or the furnishing of services, of a
5 nonrecurring nature, by the owner, if the seller, at the time
6 of the sale, is not engaged for profit in the business of
7 selling tangible personal property, specified digital products,
8 or services taxed under [section 423.2](#).

9 (2) The sale of all or substantially all of the tangible
10 personal property, or specified digital products, or services
11 held or used by a seller in the course of the seller's trade or
12 business for which the seller is required to hold a sales tax
13 permit when the seller sells or otherwise transfers the trade
14 or business to another person who shall engage in a similar
15 trade or business.

16 Sec. 189. Section 423.3, subsection 39, Code 2018, is
17 amended by adding the following new paragraph:

18 NEW PARAGRAPH. *c.* The exemption under this subsection does
19 not apply to sales for which a person is required pursuant to
20 section 423.14A to collect sales and use tax.

21 Sec. 190. Section 423.3, subsection 47, paragraph d,
22 subparagraph (1), Code 2018, is amended to read as follows:

23 (1) "*Commercial enterprise*" ~~includes~~ means businesses
24 and manufacturers conducted for profit ~~and centers for data~~
25 ~~processing services to~~, for-profit and nonprofit insurance
26 companies, and for-profit and nonprofit financial institutions,
27 ~~businesses, and manufacturers,~~ but excludes other nonprofits
28 and professions and occupations ~~and nonprofit organizations~~.

29 Sec. 191. Section 423.3, subsection 47, paragraph d,
30 subparagraph (4), Code 2018, is amended by striking the
31 subparagraph and inserting in lieu thereof the following:

32 (4) (a) "*Manufacturer*" means a business that primarily
33 purchases, receives, or holds personal property of any
34 description for the purpose of adding to its value by a process
35 of manufacturing with a view to selling the property for gain

1 or profit.

2 (b) "*Manufacturer*" includes contract manufacturers. A
3 contract manufacturer is a manufacturer that otherwise falls
4 within the definition of manufacturer, except that a contract
5 manufacturer does not sell the tangible personal property
6 the contract manufacturer processes on behalf of other
7 manufacturers.

8 (c) "*Manufacturer*" does not include persons who are not
9 commonly understood as manufacturers, including but not limited
10 to persons engaged in any of the following activities:

11 (i) Construction contracting.

12 (ii) Repairing tangible personal property or real property.

13 (iii) Providing health care.

14 (iv) Farming, including cultivating agricultural products
15 and raising livestock.

16 (v) Transporting for hire.

17 (d) For purposes of this subparagraph:

18 (i) "*Business*" means those businesses conducted for
19 profit, but excludes professions and occupations and nonprofit
20 organizations.

21 (ii) "*Manufacturing*" means those activities commonly
22 understood within the ordinary meaning of the term, and shall
23 include:

24 (A) Refining.

25 (B) Purifying.

26 (C) Combining of different materials.

27 (D) Packing of meats.

28 (E) Activities subsequent to the extractive process of
29 quarrying or mining, such as crushing, washing, sizing, or
30 blending of aggregate materials.

31 (iii) "*Manufacturing*" does not include activities occurring
32 on premises primarily used to make retail sales.

33 Sec. 192. Section 423.3, subsection 63, Code 2018, is
34 amended to read as follows:

35 63. The sales price from the sale of tangible personal

1 property, specified digital products, or services which will be
2 given as prizes to players in games of skill, games of chance,
3 raffles, and bingo games as defined in [chapter 99B](#).

4 Sec. 193. Section 423.3, subsections 65, 66, and 67, Code
5 2018, are amended by striking the subsections.

6 Sec. 194. Section 423.3, subsection 78, paragraph a,
7 unnumbered paragraph 1, Code 2018, is amended to read as
8 follows:

9 The sales price from ~~sales or rental~~ the sale of tangible
10 personal property, specified digital products, or services
11 rendered by any entity where the profits from the ~~sales or~~
12 ~~rental~~ sale of the tangible personal property, specified
13 digital products, or services rendered, are used by or donated
14 to a nonprofit entity that is exempt from federal income
15 taxation pursuant to section 501(c)(3) of the Internal Revenue
16 Code, a government entity, or a nonprofit private educational
17 institution, and where the entire proceeds from the ~~sales,~~
18 ~~rental,~~ sale or services are expended for any of the following
19 purposes:

20 Sec. 195. Section 423.3, subsection 79, Code 2018, is
21 amended to read as follows:

22 79. The sales price from the sale ~~or rental~~ of tangible
23 personal property or specified digital products, or from
24 services furnished, to a recognized community action agency as
25 provided in [section 216A.93](#) to be used for the purposes of the
26 agency.

27 Sec. 196. Section 423.3, Code 2018, is amended by adding the
28 following new subsections:

29 NEW SUBSECTION. 103. a. The sales price of specified
30 digital products and of prewritten computer software sold, and
31 of enumerated services described in section 423.2, subsection
32 6, paragraphs "bq", "br", "bs", and "bu" furnished, to a
33 commercial enterprise for use exclusively by the commercial
34 enterprise. The use of prewritten computer software, a
35 specified digital product, or service fails to qualify as a

1 use exclusively by the commercial enterprise if its use for
2 noncommercial purposes is more than de minimis.

3 *b.* For purposes of this subsection:

4 (1) "*Commercial enterprise*" means the same as defined in
5 section 423.3, subsection 47, paragraph "d", subparagraph (1),
6 but also includes professions and occupations.

7 (2) "*De minimis*" and "*noncommercial purposes*" shall be
8 defined by the director by rule.

9 NEW SUBSECTION. 104. The sales price of specified digital
10 products sold to a non-end user. For purposes of this
11 subsection, "*non-end user*" means a person who receives by
12 contract a specified digital product for further commercial
13 broadcast, rebroadcast, transmission, retransmission,
14 licensing, relicensing, distribution, redistribution, or
15 exhibition of the product, in whole or in part, to another
16 person.

17 NEW SUBSECTION. 105. The sales price for transportation
18 services furnished by emergency or nonemergency medical
19 transportation, by a paratransit service, and by a public
20 transit system as defined in section 324A.1.

21 Sec. 197. Section 423.4, subsection 3, unnumbered paragraph
22 1, Code 2018, is amended to read as follows:

23 A relief agency may apply to the director for refund of the
24 amount of sales or use tax imposed and paid upon sales to it
25 of any ~~goods, wares, merchandise,~~ tangible personal property
26 or specified digital products, or services furnished, used for
27 free distribution to the poor and needy.

28 Sec. 198. Section 423.4, subsection 3, paragraph a,
29 subparagraph (1), Code 2018, is amended to read as follows:

30 (1) On forms furnished by the department, and filed within
31 the time as the director shall provide by rule, the relief
32 agency shall report to the department the total amount or
33 amounts, valued in money, expended directly or indirectly
34 for ~~goods, wares, merchandise,~~ tangible personal property or
35 specified digital products, or services furnished, used for

1 free distribution to the poor and needy.

2 Sec. 199. Section 423.4, subsection 10, paragraph e, Code
3 2018, is amended to read as follows:

4 e. There is established within the state treasury under the
5 control of the department a baseball and softball complex sales
6 tax rebate fund consisting of the amount of state sales tax
7 revenues transferred pursuant to ~~section 423.2, subsection 11,~~
8 ~~paragraph "b", subparagraph (4)~~ 423.2A, subsection 2, paragraph
9 "d". An account is created within the fund for each baseball
10 and softball complex receiving an award under section 15F.207
11 and meeting the qualifications of this subsection. Moneys
12 in the fund shall only be used to provide rebates of state
13 sales tax pursuant to this subsection, and only the state sales
14 tax revenues in the baseball and softball complex rebate fund
15 are subject to rebate under this subsection. The amount of
16 rebates paid from each baseball and softball complex's account
17 within the fund shall not exceed the amount of the award under
18 section 15F.207, and not more than five million dollars in
19 total rebates shall be paid from the fund. Any moneys in the
20 fund which represent state sales tax revenue for which the time
21 period in paragraph "c" for receiving a rebate has expired,
22 or which otherwise represent state sales tax revenue that has
23 become ineligible for rebate pursuant to this subsection, shall
24 immediately revert to the general fund of this state.

25 Sec. 200. Section 423.4, subsection 11, paragraph b,
26 subparagraph (1), Code 2018, is amended to read as follows:

27 (1) Sales tax imposed and collected by retailers upon
28 sales of tangible personal property or services furnished to
29 purchasers at the raceway facility. Notwithstanding the state
30 sales tax imposed in section 423.2, a sales tax rebate issued
31 pursuant to this subparagraph shall not exceed the amounts
32 transferred to the raceway facility tax rebate fund pursuant to
33 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~
34 423.2A, subsection 2, paragraph "g".

35 Sec. 201. Section 423.4, subsection 11, paragraph b,

1 subparagraph (2), subparagraph division (c), Code 2018, is
2 amended to read as follows:

3 (c) Notwithstanding the state sales tax imposed in section
4 423.2, a sales tax rebate issued pursuant to this subparagraph
5 shall not exceed the amounts remaining after the transfers
6 required under ~~section 423.2, subsection 11, paragraph "b",~~
7 ~~subparagraphs (1) through (6)~~ 423.2A, subsection 2, paragraphs
8 "a" through "f", have been made from the total amount of sales
9 tax for which the rebate is requested.

10 Sec. 202. Section 423.4, subsection 11, paragraph e, Code
11 2018, is amended to read as follows:

12 e. There is established within the state treasury under
13 the control of the department a raceway facility tax rebate
14 fund consisting of the amount of state sales tax revenues
15 transferred pursuant to ~~section 423.2, subsection 11, paragraph~~
16 ~~"b", subparagraph (7)~~ 423.2A, subsection 2, paragraph "g". An
17 account is created within the fund for each raceway facility
18 meeting the qualifications of this subsection. Moneys in the
19 fund shall only be used to provide rebates of state sales tax
20 pursuant to paragraph "b", subparagraph (1). The total amount
21 of rebates paid from the fund shall not exceed the amount
22 specified in paragraph "c", subparagraph (4), subparagraph
23 division (a) or (b), whichever is applicable. Any moneys in
24 the fund which represent state sales tax revenue for which the
25 time period in paragraph "c" for receiving a rebate has expired,
26 or which otherwise represent state sales tax revenue that has
27 become ineligible for rebate pursuant to this subsection shall
28 immediately revert to the general fund of the state.

29 Sec. 203. Section 423.5, subsection 1, paragraph a, Code
30 2018, is amended to read as follows:

31 a. The use in this state of tangible personal property
32 as defined in section 423.1, including aircraft subject to
33 registration under section 328.20, purchased for use in this
34 state. For the purposes of this subchapter, the furnishing
35 or use of the following services is also treated as the use

1 of tangible personal property: optional service or warranty
2 contracts, except residential service contracts regulated under
3 chapter 523C, vulcanizing, recapping, or retreading services,
4 engraving, ~~photography, retouching,~~ printing, or binding
5 services, and communication service when furnished or delivered
6 to consumers or users within this state.

7 Sec. 204. Section 423.5, subsection 1, paragraph d, Code
8 2018, is amended to read as follows:

9 *d.* Purchases of tangible personal property or specified
10 digital products made from the government of the United States
11 or any of its agencies by ultimate consumers shall be subject
12 to the tax imposed by **this section**. Services purchased from
13 the same source or sources shall be subject to the service
14 tax imposed by **this subchapter** and apply to the user of the
15 services.

16 Sec. 205. Section 423.5, subsection 1, Code 2018, is amended
17 by adding the following new paragraph:

18 NEW PARAGRAPH. *f.* (1) The use in this state of specified
19 digital products. The tax applies whether the purchaser
20 obtains permanent use or less than permanent use of the
21 specified digital product, whether the use is conditioned or
22 not conditioned upon continued payment from the purchaser,
23 and whether the use is on a subscription basis or is not on a
24 subscription basis.

25 (2) The use of a digital code that may be used to obtain
26 or access a specified digital product shall be taxed in the
27 same manner as the specified digital product. For purposes of
28 this subparagraph, "*digital code*" means the same as defined in
29 section 423.2, subsection 9A.

30 Sec. 206. Section 423.5, subsection 3, Code 2018, is amended
31 to read as follows:

32 3. For the purpose of the proper administration of the use
33 tax and to prevent its evasion, evidence that tangible personal
34 property ~~was~~ or specified digital products were sold by any
35 person for delivery in this state shall be prima facie evidence

1 that such tangible personal property ~~was~~ or specified digital
2 products were sold for use in this state.

3 Sec. 207. Section 423.5, subsection 4, Code 2018, is amended
4 by striking the subsection.

5 Sec. 208. Section 423.6, unnumbered paragraph 1, Code 2018,
6 is amended to read as follows:

7 The use in this state of the following tangible personal
8 property, specified digital products, and services is exempted
9 from the tax imposed by [this subchapter](#):

10 Sec. 209. Section 423.6, subsections 1, 2, 4, and 6, Code
11 2018, are amended to read as follows:

12 1. Tangible personal property, specified digital products,
13 and enumerated services, the sales price from the sale of which
14 are required to be included in the measure of the sales tax, if
15 that tax has been paid to the department or the retailer. This
16 exemption does not include vehicles subject to registration or
17 subject only to the issuance of a certificate of title.

18 2. The sale of tangible personal property, specified
19 digital products, or the furnishing of services in the regular
20 course of business.

21 4. All articles of tangible personal property and all
22 specified digital products brought into the state of Iowa by a
23 nonresident individual for the individual's use or enjoyment
24 while within the state.

25 6. Tangible personal property, specified digital products,
26 or services the sales price of which is exempt from the sales
27 tax under [section 423.3](#), except section 423.3, subsections 39
28 and 73, as it relates to the sale, but not the lease or rental,
29 of vehicles subject only to the issuance of a certificate of
30 title and as it relates to aircraft subject to registration
31 under [section 328.20](#).

32 Sec. 210. Section 423.14, subsection 2, paragraphs b and c,
33 Code 2018, are amended to read as follows:

34 *b.* The tax upon the use of all tangible personal property
35 and specified digital products other than that enumerated in

1 paragraph "a", which is sold by a seller who is a retailer
2 ~~maintaining a place of business in this state, or by such other~~
3 ~~retailer or agent as the director shall authorize pursuant to~~
4 ~~section 423.30~~ or its agent that is not otherwise required
5 to collect sales tax under the provisions of this chapter,
6 shall be collected by the retailer or agent and remitted to the
7 department, pursuant to the provisions of paragraph "e", and
8 sections 423.24, 423.29, 423.30, 423.32, and 423.33.

9 c. The tax upon the use of all tangible personal property
10 and specified digital products not paid pursuant to paragraphs
11 "a" and "b" shall be paid to the department directly by any
12 person using the property within this state, pursuant to the
13 provisions of section 423.34.

14 Sec. 211. NEW SECTION. 423.14A Persons required to collect
15 sales and use tax — supplemental conditions, requirements, and
16 responsibilities.

17 1. For purposes of this section:

18 a. "Iowa sales" means sales of tangible personal property,
19 services, or specified digital products sourced to this state
20 pursuant to section 423.15, 423.16, 423.17, 423.19, or 423.20,
21 or that are otherwise sold in this state or for delivery into
22 this state.

23 b. (1) "Marketplace facilitator" means a person, including
24 any affiliate of the person, who facilitates a retail sale by
25 satisfying subparagraph divisions (a) and (b) as follows:

26 (a) The person directly or indirectly does any of the
27 following:

28 (i) Lists, makes available, or advertises tangible personal
29 property, services, or specified digital products for sale
30 by a marketplace seller in a marketplace owned, operated, or
31 controlled by the person.

32 (ii) Facilitates the sale of a marketplace seller's
33 product through a marketplace by transmitting or otherwise
34 communicating an offer or acceptance of a retail sale of
35 tangible personal property, services, or specified digital

1 products between a marketplace seller and a purchaser in a
2 forum including a shop, store, booth, catalog, internet site,
3 or similar forum.

4 (iii) Owns, rents, licenses, makes available, or operates
5 any electronic or physical infrastructure or any property,
6 process, method, copyright, trademark, or patent that connects
7 marketplace sellers to purchasers for the purpose of making
8 retail sales of tangible personal property, services, or
9 specified digital products.

10 (iv) Provides a marketplace for making retail sales of
11 tangible personal property, services, or specified digital
12 products, or otherwise facilitates retail sales of tangible
13 personal property, services, or specified digital products,
14 regardless of ownership or control of the tangible personal
15 property, services, or specified digital products that are the
16 subject of the retail sale.

17 (v) Provides software development or research and
18 development activities related to any activity described in
19 this subparagraph division (a), if such software development or
20 research and development activities are directly related to the
21 physical or electronic marketplace provided by a marketplace
22 provider.

23 (vi) Provides or offers fulfillment or storage services for
24 a marketplace seller.

25 (vii) Sets prices for a marketplace seller's sale of
26 tangible personal property, services, or specified digital
27 products.

28 (viii) Provides or offers customer service to a marketplace
29 seller or a marketplace seller's customers, or accepts or
30 assists with taking orders, returns, or exchanges of tangible
31 personal property, services, or specified digital products sold
32 by a marketplace seller.

33 (ix) Brands or otherwise identifies sales as those of the
34 marketplace facilitator.

35 (b) The person directly or indirectly does any of the

1 following:

2 (i) Collects the sales price or purchase price of a retail
3 sale of tangible personal property, services, or specified
4 digital products.

5 (ii) Provides payment processing services for a retail sale
6 of tangible personal property, services, or specified digital
7 products.

8 (iii) Charges, collects, or otherwise receives selling
9 fees, listing fees, referral fees, closing fees, fees for
10 inserting or making available tangible personal property,
11 services, or specified digital products on a marketplace, or
12 other consideration from the facilitation of a retail sale of
13 tangible personal property, services, or specified digital
14 products, regardless of ownership or control of the tangible
15 personal property, services, or specified digital products that
16 are the subject of the retail sale.

17 (iv) Through terms and conditions, agreements, or
18 arrangements with a third party, collects payment in connection
19 with a retail sale of tangible personal property, services,
20 or specified digital products from a purchaser and transmits
21 that payment to the marketplace seller, regardless of whether
22 the person collecting and transmitting such payment receives
23 compensation or other consideration in exchange for the
24 service.

25 (v) Provides a virtual currency that purchasers are allowed
26 or required to use to purchase tangible personal property,
27 services, or specified digital products.

28 (2) "*Marketplace facilitator*" includes but is not limited
29 to a person who satisfies the requirements of this paragraph
30 through the ownership, operation, or control of a digital
31 distribution service, digital distribution platform, online
32 portal, or application store.

33 (3) A "*rental platform*", as defined in section 423C.2, that
34 meets the requirements described in section 423C.3, subsection
35 3, paragraph "c", subparagraph (2), shall not be considered

1 a *“marketplace facilitator”* with respect to any sale of a
2 transportation service under section 423.2, subsection 6,
3 paragraph *“bf”*, or section 423.5, subsection 1, paragraph *“e”*,
4 consisting of the rental of vehicles subject to registration
5 which are registered for a gross weight of thirteen tons or
6 less for a period of sixty days or less.

7 *c. “Marketplace seller”* means any of the following:

8 (1) A seller that makes retail sales through any physical
9 or electronic marketplace owned, operated, or controlled by a
10 marketplace facilitator, even if such seller would not have
11 been required to collect and remit sales and use tax had the
12 sale not been made through such marketplace.

13 (2) A seller that makes retail sales resulting from a
14 referral by a referrer, even if such seller would not have been
15 required to collect and remit sales and use tax had the sale
16 not been made through such referrer.

17 2. In addition to and not in lieu of any application of
18 this chapter to sellers who are retailers and sellers who are
19 retailers maintaining a place of business in this state, any
20 person described in subsection 3, or the person’s agents,
21 shall be considered a retailer in this state and a retailer
22 maintaining a place of business in this state for purposes of
23 this chapter on or after January 1, 2019, and shall be subject
24 to all requirements of this chapter imposed on retailers and
25 retailers maintaining a place of business in this state,
26 including but not limited to the requirement to collect and
27 remit sales and use taxes pursuant to sections 423.14 and
28 423.29, and local option taxes under chapter 423B.

29 3. *a.* A retailer that has gross revenue from Iowa sales
30 equal to or exceeding one hundred thousand dollars for an
31 immediately preceding calendar year or a current calendar year.

32 *b.* A retailer that makes Iowa sales in two hundred or more
33 separate transactions for an immediately preceding calendar
34 year or a current calendar year.

35 *c.* (1) A retailer that owns, licenses, or uses software

1 or data files that are installed or stored on property used
2 in this state. For purposes of this subparagraph, *"software*
3 *or data files"* include but are not limited to software that is
4 affirmatively downloaded by a user, software that is downloaded
5 as a result of the use of a website, preloaded software, and
6 cookies.

7 (2) A retailer that uses in-state software to make Iowa
8 sales. For purposes of this subparagraph, *"in-state software"*
9 means computer software that is installed or stored on property
10 located in this state or that is distributed within this state
11 for the purpose of facilitating a sale by the retailer.

12 (3) A retailer that provides, or enters into an agreement
13 with another person to provide, a content distribution network
14 in this state to facilitate, accelerate, or enhance the
15 delivery of the retailer's internet site to purchasers. For
16 purposes of this subparagraph, *"content distribution network"*
17 means a system of distributed servers that deliver internet
18 sites and other internet content to a user based on the
19 geographic location of the user, the origin of the internet
20 site or internet content, and a content delivery server.

21 (4) This paragraph "c" shall not apply to a retailer that
22 has gross revenue from Iowa sales of less than one hundred
23 thousand dollars for an immediately preceding calendar year or
24 a current calendar year.

25 d. (1) A marketplace facilitator that makes or facilitates
26 Iowa sales on its own behalf or for one or more marketplace
27 sellers equal to or exceeding one hundred thousand dollars,
28 or in two hundred or more separate transactions, for an
29 immediately preceding calendar year or a current calendar year.

30 (2) A marketplace facilitator shall collect sales and
31 use tax on the entire sales price or purchase price paid by
32 a purchaser on each Iowa sale subject to sales and use tax
33 that is made or facilitated by the marketplace facilitator,
34 regardless of whether the marketplace seller for whom an Iowa
35 sale is made or facilitated has or is required to have a

1 retail sales tax permit or would have been required to collect
2 sales and use tax had the sale not been facilitated by the
3 marketplace facilitator, and regardless of the amount of the
4 sales price or purchase price that will ultimately accrue
5 to or benefit the marketplace facilitator, the marketplace
6 seller, or any other person. This sales and use tax collection
7 responsibility of a marketplace facilitator applies but shall
8 not be limited to sales facilitated through a computer software
9 application, commonly referred to as in-app purchases, or
10 through another specified digital product.

11 (3) A marketplace facilitator shall be relieved of
12 liability under this paragraph "d" for failure to collect and
13 remit sales and use tax on an Iowa sale made or facilitated for
14 a marketplace seller under the following circumstances and up
15 to the amounts permitted under the following circumstances:

16 (a) If the marketplace facilitator demonstrates to the
17 satisfaction of the department that the marketplace facilitator
18 has made a reasonable effort to obtain accurate information
19 from the marketplace seller about a retail sale and that
20 the failure to collect and remit the correct tax was due to
21 incorrect information provided to the marketplace facilitator
22 by the marketplace seller, then the marketplace facilitator
23 shall be relieved of liability for that retail sale. This
24 subparagraph division does not apply with regard to a retail
25 sale for which the marketplace facilitator is the seller or if
26 the marketplace facilitator and the seller are affiliates. For
27 Iowa sales for which a marketplace facilitator is relieved of
28 liability under this subparagraph division, the marketplace
29 seller and purchaser are liable for any amount of uncollected,
30 unpaid, or unremitted tax.

31 (b) (i) Subject to the limitation in subparagraph
32 subdivision (ii), if the marketplace facilitator demonstrates
33 to the satisfaction of the department that the Iowa sale was
34 made or facilitated for a marketplace seller prior to January
35 1, 2026, through a marketplace of the marketplace facilitator,

1 that the marketplace facilitator is not the seller and that
2 the marketplace facilitator and the seller are not affiliates,
3 and that the failure to collect sales and use tax was due to
4 an error other than an error in sourcing the sale. To the
5 extent that a marketplace facilitator is relieved of liability
6 for collection of sales and use tax under this subparagraph
7 division, the marketplace seller for whom the marketplace
8 facilitator has made or facilitated the Iowa sale is also
9 relieved of liability. The department may determine the manner
10 in which a marketplace facilitator or marketplace seller shall
11 claim the liability relief provided in this subparagraph
12 division.

13 (ii) The liability relief provided in subparagraph
14 subdivision (i) shall not exceed the following percentage
15 of the total sales and use tax due on Iowa sales made or
16 facilitated by a marketplace facilitator for marketplace
17 sellers and sourced to this state during a calendar year,
18 which Iowa sales shall not include sales by the marketplace
19 facilitator or affiliates of the marketplace facilitator:

20 (A) For Iowa sales made or facilitated during the 2019
21 calendar year, ten percent.

22 (B) For Iowa sales made or facilitated during calendar years
23 2020 through 2024, five percent.

24 (C) For Iowa sales made or facilitated during the 2025
25 calendar year, three percent.

26 (c) Nothing in this subparagraph (3) shall be construed to
27 relieve any person of liability for collecting but failing to
28 remit to the department sales and use tax.

29 (d) A marketplace facilitator is deemed to be an agent
30 of any marketplace seller making retail sales through a
31 marketplace of the marketplace facilitator.

32 e. (1) A referrer if, for any immediately preceding
33 calendar year or a current calendar year, one hundred thousand
34 dollars or more in Iowa sales or two hundred or more separate
35 Iowa sales transactions result from referrals from a platform

1 of the referrer. A referrer is not required to collect and
2 remit sales and use tax pursuant to this paragraph if the
3 referrer does all of the following:

4 (a) The referrer posts a conspicuous notice on each platform
5 of the referrer that includes all of the following:

6 (i) A statement that sales or use tax is due on certain
7 purchases.

8 (ii) A statement that the marketplace seller from whom the
9 person is purchasing on the platform may or may not collect and
10 remit sales and use tax on a purchase.

11 (iii) A statement that Iowa requires the purchaser to pay
12 sales or use tax and file sales or use tax returns if sales
13 or use tax is not collected at the time of the sale by the
14 marketplace seller.

15 (iv) Information informing the purchaser that the notice is
16 provided under the requirements of this subparagraph.

17 (v) Instructions for obtaining additional information from
18 the department regarding whether and how to remit sales and use
19 tax to the state of Iowa.

20 (b) The referrer provides a monthly notice to each
21 marketplace seller to whom the referrer made a referral of a
22 potential customer located in Iowa during the previous calendar
23 year, which monthly notice shall contain all of the following:

24 (i) A statement that Iowa imposes a sales or use tax on Iowa
25 sales.

26 (ii) A statement that a marketplace facilitator or other
27 retailer making Iowa sales must collect and remit sales and use
28 tax.

29 (iii) Instructions for obtaining additional information
30 from the department regarding the collection and remittance of
31 Iowa sales and use tax.

32 (c) The referrer provides the department with monthly
33 reports in an electronic format and in the manner prescribed
34 by the department, which monthly reports contain all of the
35 following:

1 (i) A list of marketplace sellers who received the
2 referrer's notice under subparagraph division (b).

3 (ii) A list of marketplace sellers that collect and
4 remit Iowa sales and use tax and that list or advertise the
5 marketplace seller's products for sale on a platform of the
6 referrer.

7 (iii) An affidavit signed under penalty of perjury from
8 an officer of the referrer affirming that the referrer made
9 reasonable efforts to comply with the applicable sales and use
10 tax notice and reporting requirements of this subparagraph.

11 (2) A referrer is deemed to be an agent of any marketplace
12 seller making retail sales resulting from a referral of the
13 referrer.

14 (3) For purposes of this paragraph:

15 (a) "*Platform*" means an electronic or physical medium,
16 including but not limited to an internet site or catalog, that
17 is owned, operated, or controlled by a referrer.

18 (b) "*Referral*" means the transfer through telephone,
19 internet link, or other means by a referrer of a potential
20 customer to a retailer or seller who advertises or lists
21 products for sale on a platform of the referrer.

22 (c) (i) "*Referrer*" means a person who does all of the
23 following:

24 (A) Contracts or otherwise agrees with a retailer, seller,
25 or marketplace facilitator to list or advertise for sale a
26 product of the retailer, seller, or marketplace facilitator on
27 a platform, provided such listing or advertisement identifies
28 whether or not the retailer, seller, or marketplace facilitator
29 collects sales and use tax.

30 (B) Receives a commission, fee, or other consideration
31 from the retailer, seller, or marketplace facilitator for the
32 listing or advertisement.

33 (C) Provides referrals to a retailer, seller, or
34 marketplace facilitator, or an affiliate of a retailer, seller,
35 or marketplace facilitator.

1 (D) Does not collect money or other consideration from the
2 customer for the transaction.

3 (ii) "*Referrer*" does not include any of the following:

4 (A) A person primarily engaged in the business of printing
5 or publishing a newspaper.

6 (B) A person who does not provide the retailer's, seller's,
7 or marketplace facilitator's shipping terms and who does
8 not advertise whether a retailer, seller, or marketplace
9 facilitator collects sales or use tax.

10 (4) This paragraph only applies to referrals by a referrer
11 and shall not preclude the applicability of other provisions
12 of this section to a person who is a referrer and is also a
13 retailer, a marketplace facilitator, or a marketplace seller.

14 f. (1) A retailer that makes Iowa sales through the use of
15 a solicitor. For purposes of this paragraph, "*solicitor*" means
16 a person that directly or indirectly solicits business for a
17 retailer.

18 (2) (a) A retailer is deemed to have a solicitor in
19 this state if the retailer enters into an agreement with a
20 resident under which the resident, for a commission, fee, or
21 other similar consideration, directly or indirectly refers
22 potential customers, whether by link on an internet site,
23 or otherwise, to the retailer. This determination may be
24 rebutted by a showing of proof that the resident with whom the
25 retailer has an agreement did not engage in any solicitation
26 in this state on behalf of the retailer that would satisfy the
27 nexus requirement of the United States Constitution during the
28 calendar year in question.

29 (b) This subparagraph (2) shall not apply to a retailer that
30 has Iowa gross revenue from Iowa sales of ten thousand dollars
31 or less for an immediately preceding calendar year or a current
32 calendar year.

33 (c) For purposes of this subparagraph (2):

34 (i) "*Iowa gross revenue*" means gross revenue from Iowa
35 sales to purchasers who were referred to the retailer by all

1 solicitors who are residents.

2 (ii) "*Resident*" includes an individual who is a resident
3 of this state, as defined in section 422.4, and any business
4 that owns any tangible or intangible property with a situs in
5 this state, or that has one or more employees performing or
6 providing services for the business in this state.

7 (d) This paragraph "*f*" does not apply to chapter 422 and
8 does not expand or contract the state's jurisdiction to tax a
9 trade or business under chapter 422.

10 *g.* A retailer that owns, controls, rents, licenses, makes
11 available, or uses any tangible or intangible property in this
12 state or with a situs in this state, to make or otherwise
13 facilitate a retail sale.

14 *h.* (1) Any person that enters into a contract or agreement
15 with a governmental entity, including but not limited to
16 contracts for the provision of financial assistance or
17 incentives such as a tax credit, forgivable loan, grant, tax
18 rebate, or any other thing of value. For purposes of this
19 subparagraph, "*governmental entity*" means any unit of government
20 in the executive, legislative, or judicial branch, or any
21 political subdivision of the state, including but not limited
22 to a city, county, township, or school district.

23 (2) Every bid submitted and each contract or agreement
24 executed by a state agency shall contain a certification by
25 the bidder or contractor stating that the bidder or contractor
26 is registered with the department pursuant to this chapter
27 and will collect and remit Iowa sales and use tax due under
28 this chapter. In the certification, the bidder or contractor
29 shall also acknowledge that the state agency may declare the
30 contractor or bid void if the certification is false or becomes
31 false. Fraudulent certification, by act or omission, may
32 result in the state agency or its representative filing for
33 damages for breach of contract.

34 *i.* Any affiliate of any person that is required to collect
35 and remit sales and use tax under this chapter, provided the

1 affiliate makes retail sales.

2 Sec. 212. NEW SECTION. **423.14B Sales and use tax reporting**
3 **requirements — penalties.**

4 1. For purposes of this section, "*Iowa sales*" and
5 "*marketplace facilitator*" all mean the same as defined in
6 section 423.14A.

7 2. The department may, in its discretion, adopt rules
8 pursuant to chapter 17A establishing and imposing notice and
9 reporting requirements related to Iowa sales for retailers,
10 including but not limited to marketplace facilitators,
11 who do not collect and remit sales and use tax under this
12 chapter. The rules may include but are not limited to rules
13 requiring retailers, including but not limited to marketplace
14 facilitators, to do any of the following:

15 a. Notify purchasers at the time of an Iowa sales
16 transaction of sales and use tax obligations under this
17 chapter.

18 b. Provide purchasers with periodic reports of purchases
19 that are Iowa sales.

20 c. Provide the department with annual reports that include
21 but are not limited to information relating to purchases,
22 purchasers, and Iowa sales.

23 3. a. The department may adopt rules pursuant to chapter
24 17A establishing and imposing penalties as described in and
25 subject to the dollar limitations of paragraph "b", provided
26 that any such penalty shall include a procedure for waiver
27 of the penalty upon a showing of reasonable cause for such
28 failure.

29 b. (1) The department may impose penalties for failure to
30 provide a notification to a purchaser in the manner and form
31 prescribed by the department by rule. Such penalties shall not
32 exceed five dollars for each failure.

33 (2) The department may impose penalties for failure to
34 provide a purchaser with a periodic report of purchases in the
35 manner and form prescribed by the department by rule. Such

1 penalties shall not exceed ten dollars for each failure.

2 (3) The department may impose penalties for failure to
3 provide the department with an annual report in the manner
4 and form prescribed by the department. Such penalties shall
5 not exceed an amount per annual report equal to ten dollars
6 multiplied by the number of purchasers for whom information
7 should have been but was not included in the annual report.

8 Sec. 213. Section 423.15, unnumbered paragraph 1, Code
9 2018, is amended to read as follows:

10 All sales of ~~products~~ tangible personal property, services,
11 or specified digital products, except those sales enumerated
12 in [section 423.16](#), shall be sourced according to [this section](#)
13 by sellers obligated to collect Iowa sales and use tax. The
14 sourcing rules described in [this section](#) apply to sales of
15 tangible personal property, specified digital goods products,
16 and all services other than telecommunications services. This
17 section only applies to determine a seller's obligation to pay
18 or collect and remit a Iowa sales or use tax with respect to
19 the seller's sale of a product. [This section](#) does not affect
20 the obligation of a purchaser or lessee to remit tax on the use
21 of the product to the taxing jurisdictions in which the use
22 occurs. A seller's obligation to collect Iowa sales tax or
23 Iowa use tax only occurs if the sale is sourced to this state.
24 ~~Whether~~ Iowa sales tax applies to a sale sourced to Iowa ~~shall~~
25 ~~be determined based on the location at which the sale is~~
26 ~~consummated by delivery or, in the case of a service, where the~~
27 ~~first use of the service occurs~~ made by a seller subject to
28 section 423.1, subsection 48, or section 423.14A.

29 Sec. 214. Section 423.15, subsection 1, paragraph e, Code
30 2018, is amended to read as follows:

31 e. When paragraphs "a", "b", "c", and "d" do not apply,
32 including the circumstance where the seller is without
33 sufficient information to apply the previous rules, then the
34 location will be determined by the address from which tangible
35 personal property was shipped, from which the specified digital

1 ~~good~~ product or the computer software delivered electronically
2 was first available for transmission by the seller, or from
3 which the service was provided disregarding for these purposes
4 any location that merely provided the digital transfer of the
5 product sold.

6 Sec. 215. Section 423.22, Code 2018, is amended to read as
7 follows:

8 **423.22 Taxation in another state.**

9 If any person who causes tangible personal property or
10 specified digital products to be brought into this state or
11 who uses in this state services enumerated in [section 423.2](#)
12 has already paid a tax in another state in respect to the sale
13 or use of the property or the performance of the service, or
14 an occupation tax in respect to the property or service, in
15 an amount less than the tax imposed by [subchapter II](#) or [III](#),
16 the provisions of those subchapters shall apply, but at a rate
17 measured by the difference only between the rate fixed by
18 [subchapter II](#) or [III](#) and the rate by which the previous tax on
19 the sale or use, or the occupation tax, was computed. If the
20 tax imposed and paid in the other state is equal to or more than
21 the tax imposed by those subchapters, then a tax is not due in
22 this state on the personal property or service.

23 Sec. 216. Section 423.29, subsection 1, Code 2018, is
24 amended to read as follows:

25 1. Every seller who is a retailer and who is making taxable
26 sales of tangible personal property or specified digital
27 products in Iowa shall, at the time of ~~selling the property~~
28 ~~making the sale~~, collect the sales tax. Every seller who
29 is a retailer ~~maintaining a place of business in this state~~
30 ~~that is not otherwise required to collect sales tax under the~~
31 provisions of this chapter and who is selling tangible personal
32 property or specified digital products for use in Iowa shall,
33 at the time of making the sale, whether within or without the
34 state, collect the use tax. Sellers required to collect sales
35 or use tax shall give to any purchaser a receipt for the tax

1 collected in the manner and form prescribed by the director.

2 Sec. 217. Section 423.30, subsection 1, Code 2018, is
3 amended to read as follows:

4 1. The director may, upon application, authorize the
5 collection of the use tax by any seller who is a retailer not
6 maintaining a place of business within this state and not
7 registered under the agreement, who, to the satisfaction of
8 the director, furnishes adequate security to ensure collection
9 and payment of the tax. Such sellers shall be issued, without
10 charge, permits to collect tax subject to any regulations
11 which the director shall prescribe. When so authorized, it
12 shall be the duty of foreign sellers to collect the tax upon
13 all tangible personal property and specified digital products
14 sold, to the retailer's knowledge, for use within this state,
15 in the same manner and subject to the same requirements as a
16 retailer maintaining a place of business within this state.
17 The authority and permit may be canceled when, at any time, the
18 director considers the security inadequate, or that tax can
19 more effectively be collected from the person using property
20 in this state.

21 Sec. 218. Section 423.31, subsection 1, Code 2018, is
22 amended to read as follows:

23 1. Each person subject to [this section](#) and [section 423.36](#)
24 and in accordance with the provisions of [this section](#) and
25 section 423.36 shall, on or before the last day of the month
26 following the close of each calendar quarter during which
27 such person is or has become or ceased being subject to the
28 provisions of [this section](#) and [section 423.36](#), make, sign, and
29 file a return for the calendar quarter in the form as may be
30 required. Returns shall show information relating to sales
31 prices including ~~goods, wares,~~ tangible personal property,
32 specified digital products, and services converted to the
33 use of such person, the amounts of sales prices excluded and
34 exempt from the tax, the amounts of sales prices subject to
35 tax, a calculation of tax due, and any other information for

1 the period covered by the return as may be required. Returns
2 shall be signed by the retailer or the retailer's authorized
3 agent and must be certified by the retailer to be correct in
4 accordance with forms and rules prescribed by the director.

5 Sec. 219. Section 423.31, subsection 5, paragraph a, Code
6 2018, is amended to read as follows:

7 a. Upon making application and receiving approval from
8 the director, a ~~parent corporation~~ person and its affiliated
9 ~~corporations~~ affiliates that make retail sales of tangible
10 personal property, specified digital products, or taxable
11 enumerated services may make deposits and file a consolidated
12 sales tax return for the affiliated group, pursuant to rules
13 adopted by the director. A ~~parent corporation~~ person and each
14 affiliate ~~corporation~~ that files a consolidated return are
15 jointly and severally liable for all tax, penalty, and interest
16 found due for the tax period for which a consolidated return is
17 filed or required to be filed.

18 Sec. 220. Section 423.32, subsection 1, paragraph b, Code
19 2018, is amended to read as follows:

20 b. The deposit form is due on or before the twentieth day of
21 the month following the month of collection, except a deposit
22 is not required for the third month of the calendar quarter,
23 and the total quarterly amount, less the amounts deposited for
24 the first two months of the quarter, is due with the quarterly
25 report on the last day of the month following the month of
26 collection. At that time, the retailer shall file with the
27 department a return for the preceding quarterly period in the
28 form prescribed by the director showing the purchase price of
29 the tangible personal property, specified digital products, and
30 services sold by the retailer during the preceding quarterly
31 period, the use of which is subject to the use tax imposed
32 by [this chapter](#), and other information the director deems
33 necessary for the proper administration of the use tax.

34 Sec. 221. Section 423.33, subsection 3, Code 2018, is
35 amended to read as follows:

1 3. *Event sponsor's liability for sales tax.* A person
2 sponsoring a flea market or a craft, antique, coin, or stamp
3 show or similar event shall obtain from every retailer selling
4 tangible personal property, specified digital products,
5 or taxable services at the event proof that the retailer
6 possesses a valid sales tax permit or secure from the retailer
7 a statement, taken in good faith, that tangible personal
8 property, specified digital products, or services offered for
9 sale are not subject to sales tax. Failure to do so renders
10 a sponsor of the event liable for payment of any sales tax,
11 interest, and penalty due and owing from any retailer selling
12 property or services at the event. Sections 423.31, 423.32,
13 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
14 sponsors. For purposes of this subsection, a "person sponsoring
15 a flea market or a craft, antique, coin, or stamp show or similar
16 event" does not include an organization which sponsors an
17 event determined to qualify as an event involving casual sales
18 pursuant to section 423.3, subsection 39, or the state fair or
19 a fair as defined in section 174.1.

20 Sec. 222. Section 423.33, Code 2018, is amended by adding
21 the following new subsection:

22 NEW SUBSECTION. 4. *Liability of affiliates.*

23 a. Notwithstanding any other provision of law to the
24 contrary, if any retailer required to collect and remit sales
25 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
26 or any other provision of this chapter, fails to do so, all
27 affiliates that directly, indirectly, or constructively control
28 the retailer shall be jointly and severally liable for any tax,
29 penalty, and interest under this chapter, regardless of whether
30 the affiliate is a retailer.

31 b. Pursuant to paragraph "a", the department may elect
32 to assess the full amount of any tax, penalty, and interest
33 against the retailer, an affiliate of the retailer described
34 in paragraph "a", or any combination of the retailer and the
35 retailer's affiliates described in paragraph "a".

1 c. Notwithstanding any other provision of law to the
2 contrary, the department has the discretion to deem an
3 affiliate of a retailer an agent or alter ego of that retailer.

4 d. Notwithstanding any other provision of law to the
5 contrary, the department has the discretion to disregard or
6 look through any organizational structure of an enterprise in
7 order to assess and collect any tax, penalty, and interest
8 against an affiliate that is acting to benefit an affiliate or
9 an enterprise of which the affiliate is a part.

10 Sec. 223. Section 423.34, Code 2018, is amended to read as
11 follows:

12 **423.34 Liability of user.**

13 Any person who uses any tangible personal property,
14 specified digital products, or services enumerated in section
15 423.2 upon which the use tax has not been paid, either to the
16 county treasurer or to a retailer or direct to the department
17 as required by [this subchapter](#), shall be liable for the payment
18 of tax, and shall on or before the last day of the month next
19 succeeding each quarterly period pay the use tax upon all
20 property or services used by the person during the preceding
21 quarterly period in the manner and accompanied by such returns
22 as the director shall prescribe. All of the provisions of
23 sections 423.32 and [423.33](#) with reference to the returns and
24 payments shall be applicable to the returns and payments
25 required by [this section](#).

26 Sec. 224. Section 423.36, subsection 1, Code 2018, is
27 amended to read as follows:

28 1. A person shall not engage in or transact business as a
29 retailer making taxable sales of tangible personal property,
30 specified digital products, or furnishing services within
31 this state or as a retailer making taxable sales of tangible
32 personal property, specified digital products, or furnishing
33 services for use within this state, unless a permit has been
34 issued to the retailer under [this section](#), except as provided
35 in [subsection 7](#). Every person desiring to engage in or

1 transact business as a retailer shall file with the department
2 an application for a permit to collect sales or use tax. Every
3 application for a sales or use tax permit shall be made upon
4 a form prescribed by the director and shall set forth any
5 information the director may require. The application shall
6 be signed by an owner of the business if a natural person; in
7 the case of a retailer which is an association or partnership,
8 by a member or partner; and in the case of a retailer which
9 is a corporation, by an executive officer or some person
10 specifically authorized by the corporation to sign the
11 application, to which shall be attached the written evidence of
12 the person's authority.

13 Sec. 225. Section 423.36, subsection 2, paragraph a, Code
14 2018, is amended to read as follows:

15 a. Notwithstanding subsection 1, if any person will make
16 taxable sales of tangible personal property, specified digital
17 products, or furnish services to any state agency, that person
18 shall, prior to the sale, apply for and receive a permit to
19 collect sales or use tax pursuant to this section. A state
20 agency shall not purchase tangible personal property, specified
21 digital products, or services from any person unless that
22 person has a valid, unexpired permit issued pursuant to this
23 section and is in compliance with all other requirements in
24 this chapter imposed upon retailers, including but not limited
25 to the requirement to collect and remit sales and use tax and
26 file sales and use tax returns.

27 Sec. 226. Section 423.36, subsection 7, paragraph b, Code
28 2018, is amended to read as follows:

29 b. Persons engaged in selling tangible personal property,
30 specified digital products, or furnishing services shall not be
31 required to obtain or retain a sales tax permit for a place of
32 business at which taxable sales of tangible personal property,
33 specified digital products, or taxable performance of services
34 will not occur.

35 Sec. 227. Section 423.36, subsection 9, paragraph a, Code

1 2018, is amended to read as follows:

2 *a.* Except as provided in paragraph “*b*”, purchasers, users,
3 and consumers of tangible personal property, specified digital
4 products, or enumerated services taxed pursuant to subchapter
5 II or III of [this chapter](#) or [chapter 423B](#) may be authorized,
6 pursuant to rules adopted by the director, to remit tax owed
7 directly to the department instead of the tax being collected
8 and paid by the seller. To qualify for a direct pay tax permit,
9 the purchaser, user, or consumer must accrue a tax liability
10 of more than four thousand dollars in tax under subchapters
11 II and III in a semimonthly period and make deposits and file
12 returns pursuant to [section 423.31](#). This authority shall not
13 be granted or exercised except upon application to the director
14 and then only after issuance by the director of a direct pay
15 tax permit.

16 Sec. 228. Section 423.40, subsection 2, Code 2018, is
17 amended to read as follows:

18 2. *a.* Any person who knowingly sells tangible personal
19 property, specified digital products, tickets or admissions
20 to places of amusement and athletic events, or gas, water,
21 electricity, or communication service at retail, or engages in
22 the furnishing of services enumerated in [section 423.2](#), in this
23 state without procuring a permit to collect tax, as provided
24 in [section 423.36](#), or who violates [section 423.24](#) and the
25 officers of any corporation who so act are guilty of a serious
26 misdemeanor.

27 *b.* A person who knowingly sells tangible personal property,
28 specified digital products, tickets or admissions to places of
29 amusement and athletic events, or gas, water, electricity, or
30 communication service at retail, or engages in the furnishing
31 of services enumerated in [section 423.2](#), in this state after
32 the person’s sales tax permit has been revoked and before it
33 has been restored as provided in [section 423.36, subsection 6](#),
34 and the officers of any corporation who so act are guilty of an
35 aggravated misdemeanor.

1 Sec. 229. Section 423.41, Code 2018, is amended to read as
2 follows:

3 **423.41 Books — examination.**

4 Every retailer required or authorized to collect taxes
5 imposed by [this chapter](#) and every person using in this state
6 tangible personal property, specified digital products,
7 services, or the product of services shall keep records,
8 receipts, invoices, and other pertinent papers as the director
9 shall require, in the form that the director shall require,
10 for as long as the director has the authority to examine and
11 determine tax due. The director or any duly authorized agent
12 of the department may examine the books, papers, records,
13 and equipment of any person ~~either~~ selling tangible personal
14 property, specified digital products, or services or liable
15 for the tax imposed by [this chapter](#), and investigate the
16 character of the business of any person in order to verify
17 the accuracy of any return made, or if a return was not made
18 by the person, ascertain and determine the amount due under
19 this chapter. These books, papers, and records shall be made
20 available within this state for examination upon reasonable
21 notice when the director deems it advisable and so orders. If
22 the taxpayer maintains any records in an electronic format,
23 the taxpayer shall comply with reasonable requests by the
24 director or the director's authorized agents to provide those
25 electronic records in a standard record format. The preceding
26 requirements shall likewise apply to users and persons
27 furnishing services enumerated in [section 423.2](#).

28 Sec. 230. Section 423.45, subsection 4, paragraphs a, b, and
29 e, Code 2018, are amended to read as follows:

30 a. The department shall issue or the seller may separately
31 provide exemption certificates in the form prescribed by the
32 director, including certificates not made of paper, which
33 conform to the requirements of paragraph "c", to assist
34 retailers in properly accounting for nontaxable sales of
35 tangible personal property, specified digital products,

1 or services to purchasers for a nontaxable purpose. The
2 department shall also allow the use of exemption certificates
3 for those circumstances in which a sale is taxable but the
4 seller is not obligated to collect tax from the buyer.

5 *b.* The sales tax liability for all sales of tangible
6 personal property and specified digital products and all sales
7 of services is upon the seller and the purchaser unless the
8 seller takes from the purchaser a valid exemption certificate
9 stating under penalty of perjury that the purchase is for a
10 nontaxable purpose and is not a retail sale as defined in
11 section 423.1, or the seller is not obligated to collect tax
12 due, or unless the seller takes a fuel exemption certificate
13 pursuant to [subsection 5](#). If the tangible personal property,
14 specified digital products, or services are purchased tax free
15 pursuant to a valid exemption certificate and the tangible
16 personal property, specified digital products, or services are
17 used or disposed of by the purchaser in a nonexempt manner, the
18 purchaser is solely liable for the taxes and shall remit the
19 taxes directly to the department and [sections 423.31, 423.32,](#)
20 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply
21 to the purchaser.

22 *e.* If the circumstances change and as a result the tangible
23 personal property, specified digital products, or services are
24 used or disposed of by the purchaser in a nonexempt manner or
25 the purchaser becomes obligated to pay the tax, the purchaser
26 is liable solely for the taxes and shall remit the taxes
27 directly to the department in accordance with [this subsection](#).

28 Sec. 231. Section 423.57, Code 2018, is amended to read as
29 follows:

30 **423.57 Statutes applicable.**

31 The director shall administer [this subchapter](#) as it relates
32 to the taxes imposed in [this chapter](#) in the same manner and
33 subject to all the provisions of, and all of the powers,
34 duties, authority, and restrictions contained in sections
35 [423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,](#)

1 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,
2 423.32, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,
3 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection
4 1, and sections 423.45, 423.46, and 423.47.

5 Sec. 232. Section 423.58, Code 2018, is amended to read as
6 follows:

7 **423.58 Collection, permit, and tax return exemption for**
8 **certain out-of-state businesses.**

9 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,
10 423.31, 423.32, and 423.36, a person meeting the requirements
11 of section 29C.24 is not required to obtain a sales or use tax
12 permit, collect and remit sales and use tax, or make and file
13 applicable sales or use tax returns, as provided in section
14 29C.24, subsection 3, paragraph "a", subparagraph (2).

15 Sec. 233. Section 423B.5, subsection 1, Code 2018, is
16 amended to read as follows:

17 1. A local sales and services tax at the rate of not more
18 than one percent may be imposed by a county on the sales price
19 taxed by the state under chapter 423, subchapter II. A local
20 sales and services tax shall be imposed on the same basis as
21 the state sales and services tax or in the case of the use of
22 natural gas, natural gas service, electricity, or electric
23 service on the same basis as the state use tax and shall not
24 be imposed on the sale of any property or on any service not
25 taxed by the state, except the tax shall not be imposed on
26 the sales price from the sale of motor fuel or special fuel
27 as defined in chapter 452A which is consumed for highway use
28 or in watercraft or aircraft if the fuel tax is paid on the
29 transaction and a refund has not or will not be allowed, on the
30 sales price from the sale of equipment by the state department
31 of transportation, or on the sales price from the sale or use
32 of natural gas, natural gas service, electricity, or electric
33 service in a city or county where the sales price from the sale
34 of natural gas or electric energy is subject to a franchise
35 fee or user fee during the period the franchise or user fee

1 is imposed. A local sales and services tax is applicable
2 to transactions within those incorporated and unincorporated
3 areas of the county where it is imposed ~~and~~, which transactions
4 include but are not limited to sales sourced pursuant to
5 section 423.15, 423.17, 423.19, or 423.20, to a location within
6 that city or unincorporated area of the county. The tax shall
7 be collected by all persons required to collect state sales
8 taxes. All cities contiguous to each other shall be treated
9 as part of one incorporated area and the tax would be imposed
10 in each of those contiguous cities only if the majority of
11 those voting in the total area covered by the contiguous cities
12 favors its imposition. In the case of a local sales and
13 services tax submitted to the registered voters of two or more
14 contiguous counties as provided in section 423B.1, subsection
15 4, paragraph "c", all cities contiguous to each other shall be
16 treated as part of one incorporated area, even if the corporate
17 boundaries of one or more of the cities include areas of more
18 than one county, and the tax shall be imposed in each of those
19 contiguous cities only if a majority of those voting on the tax
20 in the total area covered by the contiguous cities favored its
21 imposition.

22 Sec. 234. Section 423B.6, subsection 2, paragraph b, Code
23 2018, is amended to read as follows:

24 *b.* The ordinance of a county board of supervisors imposing
25 a local sales and services tax shall adopt by reference the
26 applicable provisions of the appropriate sections of chapter
27 423. All powers and requirements of the director to administer
28 the state sales tax law and use tax law are applicable to the
29 administration of a local sales and services tax law and the
30 local excise tax, including but not limited to the provisions
31 of [section 422.25, subsection 4, sections 422.30, 422.67,](#)
32 [and 422.68, section 422.69, subsection 1, sections 422.70](#)
33 [through 422.75, section 423.14, subsection 1 and subsection](#)
34 [2, paragraphs "b" through "e", and sections 423.14A, 423.15,](#)
35 [423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through](#)

1 423.42, 423.46, and 423.47. Local officials shall confer
2 with the director of revenue for assistance in drafting the
3 ordinance imposing a local sales and services tax. A certified
4 copy of the ordinance shall be filed with the director as soon
5 as possible after passage.

6 Sec. 235. LEGISLATIVE INTENT. It is the intent of the
7 general assembly that the provisions of this division of this
8 Act amending the definition of "place of business" in section
9 423.1, subsection 37, and "sales" in section 423.1, subsection
10 50, enacting definitions of "sold at retail in the state" in
11 section 423.1, subsection 55A, and "subscription" in section
12 423.1, subsection 57A, and amending the enumerated service of
13 pay television in 423.2, subsection 6, paragraph "a", are
14 conforming amendments consistent with current state law, and
15 that the amendments do not change the application of current
16 law but instead reflect current law both before and after the
17 enactment of this division of this Act.

18 Sec. 236. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF
19 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of
20 this Act relating to the imposition of tax on the sale or use of
21 "specified digital products", as defined in this division of
22 this Act, shall not be construed as affecting the taxability
23 or nontaxability under other provisions of existing law of
24 sales or uses occurring prior to the enactment of this division
25 of this Act of products meeting the definition of "specified
26 digital products", as defined in this division of this Act.

27 Sec. 237. EFFECTIVE DATE. Except as otherwise provided
28 in this division of this Act, this division of this Act takes
29 effect January 1, 2019.

30 Sec. 238. EFFECTIVE DATE. The following, being deemed of
31 immediate importance, take effect upon enactment:

32 1. The sections of this division of this Act amending
33 section 423.1, subsections 37 and 50.

34 2. The sections of this division of this Act enacting
35 section 423.1, subsections 55A and 57A.

1 3. The section of this division of this Act amending section
2 423.3, subsection 47, paragraph "d", subparagraph (4).

3 4. The provision amending the enumerated service of pay
4 television to include but not be limited to streaming video,
5 video on-demand, and pay-per-view, in the section of this
6 division of this Act amending section 423.2, subsection 6, by
7 designating paragraph "al".

8 5. The section of this division of this Act entitled
9 "legislative intent" which describes the intent of the general
10 assembly with respect to certain amendments in this division of
11 this Act to the definition of "place of business" in section
12 423.1, subsection 37, "sales" in section 423.1, subsection 50,
13 the enactment of a definition for "subscription" in section
14 423.1, subsection 57A, and "sold at retail" in section 423.1,
15 subsection 55A, and amendments to the enumerated service of pay
16 television in section 423.2, subsection 6, paragraph "al".

17 Sec. 239. EFFECTIVE DATE. The following take effect July
18 1, 2018:

19 1. The section of this division of this Act amending section
20 423.2, subsection 1, paragraph "a", subparagraph (1).

21 2. The provisions adding photography and retouching to the
22 list of enumerated services subject to the sales tax in the
23 section of this division of this Act amending section 423.2,
24 subsection 6, by enacting paragraphs "bo" and "bp".

25 3. The section of this division of this Act enacting section
26 423.2, subsection 8, paragraph "d".

27 4. The section of this division of this Act amending section
28 423.5, subsection 1, paragraph "a".

29 DIVISION XII

30 APPROVAL AND IMPOSITION OF LOCAL OPTION SALES AND SERVICES TAX

31 Sec. 240. Section 423B.1, subsection 2, paragraph b,
32 subparagraph (3), Code 2018, is amended to read as follows:

33 (3) The tax once imposed shall continue to be imposed until
34 the county-imposed tax is ~~reduced or increased in rate or~~
35 repealed, and ~~then~~ the city-imposed tax shall also be ~~reduced~~

1 ~~or increased in rate or repealed in the same amount and be~~
2 effective on the same date.

3 Sec. 241. Section 423B.1, subsections 3, 4, and 5, Code
4 2018, are amended to read as follows:

5 3. a. ~~A local option tax shall be imposed only after an~~
6 ~~election at which~~ If a majority of those voting on the question
7 of imposition of a local option tax favors imposition and, the
8 local option tax shall then be imposed at the rate specified
9 on the ballot until repealed as provided in [subsection 6,](#)
10 paragraph "a" this chapter.

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

14 c. (1) If the tax is a local sales and services tax
15 imposed by a county, it shall only apply to those incorporated
16 areas and the unincorporated area of that county in which a
17 majority of those voting in the area on the tax favors its
18 imposition. For purposes of the local sales and services tax,
19 all cities contiguous to each other shall be treated as part of
20 one incorporated area and the tax would be imposed in each of
21 those contiguous cities only if the majority of those voting
22 in the total area covered by the contiguous cities favors its
23 imposition. ~~In the case of a local sales and services tax~~
24 ~~submitted to the registered voters of two or more contiguous~~
25 ~~counties as provided in [subsection 4,](#) paragraph "c", all cities~~
26 ~~contiguous to each other shall be treated as part of one~~
27 ~~incorporated area, even if the corporate boundaries of one or~~
28 ~~more of the cities include areas of more than one county, and~~
29 ~~the tax shall be imposed in each of those contiguous cities~~
30 ~~only if a majority of those voting on the tax in the total area~~
31 ~~covered by the contiguous cities favored its imposition. For~~
32 purposes of the local sales and services tax, a city is not
33 contiguous to another city if the only road access between the
34 two cities is through another state.

35 (2) The treatment of contiguous cities as one incorporated

1 area for the purpose of determining whether a majority of those
2 voting favors imposition does not apply to elections on the
3 question of imposition of a local sales and services tax in
4 all or a portion of a county that is a qualified county if the
5 election occurs on or after January 1, 2019. For purposes
6 of this chapter, "qualified county" means a county with a
7 population in excess of four hundred thousand, a county with
8 a population of at least one hundred thirty thousand but not
9 more than one hundred thirty-one thousand, or a county with a
10 population of at least sixty thousand but not more than seventy
11 thousand, according to the 2010 federal decennial census.

12 4. a. (1) A The county board of supervisors shall direct
13 within thirty days the county commissioner of elections to
14 submit the question of imposition of a local vehicle tax ~~or~~
15 ~~a local sales and services tax~~ to the registered voters of
16 the incorporated and unincorporated areas of the county upon
17 receipt of a petition, requesting imposition of a local vehicle
18 tax ~~or a local sales and services tax~~, signed by eligible
19 electors of the whole county equal in number to five percent of
20 the persons in the whole county who voted at the last preceding
21 general election. ~~In the case of a local vehicle tax, the~~ The
22 petition requesting imposition shall specify the rate of tax
23 and the classes, if any, that are to be exempt. If more than
24 one valid petition is received, the earliest received petition
25 shall be used.

26 (2) The county board of supervisors shall direct within
27 thirty days the county commissioner of elections to submit the
28 question of imposition of a local sales and services tax to the
29 registered voters of the incorporated and unincorporated areas
30 of the county upon receipt of a petition requesting imposition
31 of a local sales and services tax, signed by eligible electors
32 of the whole county equal in number to five percent of the
33 persons in the whole county who voted at the last preceding
34 general election. If more than one valid petition is received,
35 the earliest received petition shall be used.

1 (3) In lieu of the petition requirement of subparagraph
2 (2), the county board of supervisors for a county that is a
3 qualified county shall direct within thirty days the county
4 commissioner of elections to submit the question of imposition
5 of a local sales and services tax to the registered voters of a
6 city, or the portion thereof located in the county, or to the
7 registered voters of the unincorporated area of the county upon
8 receipt by the board of supervisors of a petition requesting
9 imposition of a local sales and services tax, signed by
10 eligible electors of the city, or the portion thereof located
11 in the county, or eligible electors of the unincorporated area
12 of the county, as applicable, equal in number to five percent
13 of the persons in the city, or applicable portion thereof, or
14 in the unincorporated area of the county who voted at the last
15 preceding general election. If more than one valid petition
16 is received for a city or for the unincorporated area of the
17 county, the earliest received petition shall be used. This
18 subparagraph applies to petitions received on or after January
19 1, 2019.

20 *b.* (1) The question of the imposition of a local sales
21 and services tax shall be submitted to the registered voters
22 of the incorporated and unincorporated areas of the county
23 upon receipt by the county commissioner of elections of the
24 motion or motions, requesting such submission, adopted by
25 the governing body or bodies of the city or cities located
26 within the county or of the county, for the unincorporated
27 areas of the county, representing at least one half of the
28 population of the county. Upon adoption of such motion, the
29 governing body of the city or county, for the unincorporated
30 areas, shall submit the motion to the county commissioner of
31 elections and in the case of the governing body of the city
32 shall notify the board of supervisors of the adoption of the
33 motion. The county commissioner of elections shall keep a file
34 on all the motions received and, upon reaching the population
35 requirements, shall publish notice of the ballot proposition

1 concerning the imposition of the local sales and services tax.
2 A motion ceases to be valid at the time of the holding of the
3 regular election for the election of members of the governing
4 body ~~which~~ that adopted the motion. The county commissioner of
5 elections shall eliminate from the file any motion that ceases
6 to be valid.

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

24 (3) The ~~manner~~ methods provided under this paragraph for the
25 submission of the question of imposition of a local sales and
26 services tax is ~~an alternative~~ are alternatives to the manner
27 methods provided in paragraph "a".

28 ~~c. Upon receipt of petitions or motions calling for the~~
29 ~~submission of the question of the imposition of a local sales~~
30 ~~and services tax as described in paragraph "a" or "b", the~~
31 ~~boards of supervisors of two or more contiguous counties in~~
32 ~~which the question is to be submitted may enter into a joint~~
33 ~~agreement providing that for purposes of ~~this chapter~~, a~~
34 ~~city whose corporate boundaries include areas of more than~~
35 ~~one county shall be treated as part of the county in which a~~

~~1 majority of the residents of the city reside. In such event,
2 the county commissioners of elections from each such county
3 shall cooperate in the selection of a single date upon which
4 the election shall be held, and for all purposes of this
5 chapter relating to the imposition, repeal, change of use,
6 or collection of the tax, such a city shall be deemed to be
7 part of the county in which a majority of the residents of the
8 city reside. A copy of the joint agreement shall be provided
9 promptly to the director of revenue.~~

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

16 b. The ballot proposition shall specify the type and rate of
17 tax and, in the case of a vehicle tax, the classes that will be
18 exempt and, in the case of a local sales and services tax, the
19 date it will be imposed which date shall not be earlier than
20 ninety days following the election. The ballot proposition
21 shall also specify the approximate amount of local option tax
22 revenues that will be used for property tax relief, subject to
23 the requirement of section 423B.7, subsection 7, paragraph "b",
24 and shall contain a statement as to the specific purpose or
25 purposes for which the revenues shall otherwise be expended.
26 If the county board of supervisors or governing body of the
27 city, as applicable, decides under [subsection 6](#) to specify a
28 date on which the local option sales and services tax shall
29 automatically be repealed, the date of the repeal shall also be
30 specified on the ballot.

31 c. The rate of the vehicle tax shall be in increments of one
32 dollar per vehicle as set by the petition seeking to impose the
33 tax.

34 d. The rate of a local sales and services tax shall ~~not~~ be
35 ~~more than one percent as set by the governing body.~~

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

4 Sec. 242. Section 423B.1, subsection 6, paragraph a,
5 subparagraph (1), Code 2018, is amended by striking the
6 subparagraph.

7 Sec. 243. Section 423B.1, subsection 6, paragraph a,
8 subparagraphs (2) and (3), Code 2018, are amended to read as
9 follows:

10 (2) (a) ~~The~~ A local option tax may be repealed or the
11 rate of the local vehicle tax increased or decreased or the
12 use ~~thereof~~ of a local option tax changed after an election at
13 which a majority of those voting on the question of repeal or
14 rate or use change ~~avored~~ favors the repeal or rate or use
15 change.

16 (b) The date on which the repeal, rate, or use change is
17 to take effect shall not be earlier than ninety days following
18 the election. The election at which the question of repeal
19 or rate or use change is offered shall be called and held in
20 the same manner and under the same conditions as provided in
21 subsections 4 and 5 for the election on the imposition of the
22 local option tax. However, in the case of a local sales and
23 services tax where the tax has not been imposed countywide, the
24 question of repeal or imposition ~~or rate~~ or use change shall
25 be voted on only by the registered voters of the areas of the
26 county where the tax has been imposed or has not been imposed,
27 as appropriate.

28 (c) ~~However, the~~ The governing body of the ~~incorporated~~
29 area city or unincorporated area where the local sales and
30 services tax is imposed may, upon its own motion, request the
31 county commissioner of elections to hold an election in the
32 ~~incorporated~~ city, or portion thereof located in the county,
33 or unincorporated area, as appropriate, on the question of the
34 change in use of local sales and services tax revenues. The
35 election may be held at any time but not sooner than sixty days

1 following publication of the ballot proposition. If a majority
2 of those voting in the ~~incorporated~~ city, or portion thereof
3 located in the county, or unincorporated area on the change in
4 use favors the change, the governing body of that area shall
5 change the use to which the revenues shall be used. The ballot
6 proposition shall list the present use of the revenues, the
7 proposed use, and the date after which revenues received will
8 be used for the new use.

9 (3) When submitting the question of the imposition of a
10 local sales and services tax, the ~~county~~ board of supervisors
11 or if the election is initiated under subsection 4, paragraph
12 "a", subparagraph (3), or subsection 4, paragraph "b",
13 subparagraph (2), the governing board of a city, may direct
14 that the question contain a provision for the repeal, without
15 election, of the local sales and services tax on a specific
16 date, which date shall be as provided in section 423B.6,
17 subsection 1.

18 Sec. 244. Section 423B.1, subsection 7, paragraph b, Code
19 2018, is amended to read as follows:

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

26 Sec. 245. Section 423B.1, subsection 8, Code 2018, is
27 amended by striking the subsection.

28 Sec. 246. Section 423B.1, subsections 9 and 10, Code 2018,
29 are amended to read as follows:

30 9. a. In a county that has imposed a local option sales and
31 services tax, the board of supervisors shall, notwithstanding
32 any contrary provision of **this chapter**, repeal the local
33 option sales and services tax in the unincorporated areas or
34 in an incorporated city area in which the tax has been imposed
35 upon adoption of ~~its~~ the board's own motion for repeal in the

1 unincorporated areas or upon receipt of a motion adopted by
2 the governing body of that incorporated city area requesting
3 repeal. The board of supervisors shall repeal the local
4 option sales and services tax effective on the ~~later of the~~
5 ~~date of the adoption of the repeal motion or the~~ earliest date
6 specified in [section 423B.6, subsection 1](#), following adoption
7 of the motion. For purposes of [this subsection paragraph](#),
8 incorporated city area includes an incorporated city which is
9 contiguous to another incorporated city.

10 b. If imposition of the local option sales and services tax
11 is initiated under subsection 4, paragraph "a", subparagraph
12 (3), or subsection 4, paragraph "b", subparagraph (2),
13 notwithstanding any contrary provision of this chapter, the
14 board of supervisors may repeal the local sales and services
15 tax in a city, or portion thereof located in the county, upon
16 receipt of a motion adopted by the governing board of the city
17 requesting the repeal. The board of supervisors shall repeal
18 the local sales and services tax effective on the earliest date
19 specified in section 423B.6, subsection 1, following adoption
20 of the motion.

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

29 Sec. 247. Section 423B.5, subsections 1 and 4, Code 2018,
30 are amended to read as follows:

31 1. A local sales and services tax ~~at the rate of not more~~
32 ~~than one percent~~ may be imposed by a county on the sales price
33 taxed by the state under [chapter 423, subchapter II](#). A local
34 sales and services tax shall be imposed on the same basis as
35 the state sales and services tax or in the case of the use of

1 natural gas, natural gas service, electricity, or electric
2 service on the same basis as the state use tax and shall not
3 be imposed on the sale of any property or on any service not
4 taxed by the state, except the tax shall not be imposed on
5 the sales price from the sale of motor fuel or special fuel
6 as defined in [chapter 452A](#) which is consumed for highway use
7 or in watercraft or aircraft if the fuel tax is paid on the
8 transaction and a refund has not or will not be allowed,
9 on the sales price from the sale of equipment by the state
10 department of transportation, or on the sales price from the
11 sale or use of natural gas, natural gas service, electricity,
12 or electric service in a city or county where the sales price
13 from the sale of natural gas or electric energy is subject to
14 a franchise fee or user fee during the period the franchise
15 or user fee is imposed. A local sales and services tax is
16 applicable to transactions within those ~~incorporated~~ cities
17 and unincorporated areas of the county where it is imposed and
18 shall be collected by all persons required to collect state
19 sales taxes. ~~All cities contiguous to each other shall be~~
20 ~~treated as part of one incorporated area and the tax would be~~
21 ~~imposed in each of those contiguous cities only if the majority~~
22 ~~of those voting in the total area covered by the contiguous~~
23 ~~cities favors its imposition. In the case of a local sales and~~
24 ~~services tax submitted to the registered voters of two or more~~
25 ~~contiguous counties as provided in section 423B.1, subsection~~
26 ~~4, paragraph "c", all cities contiguous to each other shall be~~
27 ~~treated as part of one incorporated area, even if the corporate~~
28 ~~boundaries of one or more of the cities include areas of more~~
29 ~~than one county, and the tax shall be imposed in each of those~~
30 ~~contiguous cities only if a majority of those voting on the~~
31 ~~tax in the total area covered by the contiguous cities favored~~
32 ~~its imposition. However, a local sales and services tax is~~
33 not applicable to transactions sourced under chapter 423 to a
34 place of business, as defined in section 423.1, of a retailer
35 if such place of business is located in part within a city or

1 unincorporated area of the county where the tax is not imposed.

2 4. If a local sales and services tax is imposed by a county
3 pursuant to this chapter, a local excise tax at the same rate
4 shall be imposed by the county on the purchase price of natural
5 gas, natural gas service, electricity, or electric service
6 subject to tax under chapter 423, subchapter III, and not
7 exempted from tax by any provision of chapter 423, subchapter
8 III. The local excise tax is applicable only to the use of
9 natural gas, natural gas service, electricity, or electric
10 service within those incorporated cities and unincorporated
11 areas of the county where it is imposed and, except as
12 otherwise provided in this chapter, shall be collected and
13 administered in the same manner as the local sales and services
14 tax. For purposes of this chapter, "*local sales and services*
15 *tax*" shall also include the local excise tax.

16 Sec. 248. Section 423B.6, subsection 1, paragraph c, Code
17 2018, is amended to read as follows:

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

26 Sec. 249. Section 423B.7, subsection 1, Code 2018, is
27 amended to read as follows:

28 1. a. Except as provided in ~~paragraph~~ paragraphs "b" and
29 "c", the director shall credit the local sales and services
30 tax receipts and interest and penalties from a county-imposed
31 tax to the county's account in the local sales and services
32 tax fund ~~and from a city-imposed tax under section 423B.1,~~
33 ~~subsection 2, to the city's account in the local sales~~
34 ~~and services tax fund~~ for the county in which the tax was
35 collected. If the director is unable to determine from which

1 county any of the receipts were collected, those receipts shall
2 be allocated among the possible counties based on allocation
3 rules adopted by the director.

4 ~~b. Notwithstanding paragraph "a",~~ The director shall
5 credit the designated amount of the increase in local sales
6 and services tax receipts, as computed in [section 423B.10](#),
7 collected in an urban renewal area of an eligible city that has
8 adopted an ordinance pursuant to section 423B.10, subsection
9 2, into a special city account in the local sales and services
10 tax fund.

11 c. The director shall credit the local sales and services
12 tax receipts and interest and penalties from a city-imposed tax
13 under section 423B.1, subsection 2, to the city's account in
14 the local sales and services tax fund.

15 Sec. 250. Section 423B.7, subsection 7, Code 2018, is
16 amended to read as follows:

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

21 b. Each city located in whole or in part in a qualified
22 county and each qualified county for the unincorporated area
23 for which the imposition of the local sales and services tax
24 in the city or portion thereof or the unincorporated area,
25 as applicable, was approved at election on or after January
26 1, 2019, shall use not less than fifty percent of the moneys
27 received from the qualified county's account in the local sales
28 and services tax fund for property tax relief.

29 Sec. 251. Section 423B.8, subsection 1, paragraph a, Code
30 2018, is amended to read as follows:

31 a. The goods, wares, or merchandise are incorporated into
32 an improvement to real estate in fulfillment of a written
33 contract fully executed prior to the date of the imposition of
34 increase in rate of a local sales and services tax under this
35 chapter. The refund shall not apply to equipment transferred

1 in fulfillment of a mixed construction contract.

2 Sec. 252. IMPLEMENTATION. This division of this Act shall
3 not affect the imposition of local option taxes in effect on
4 the effective date of this division of this Act and such taxes
5 shall continue to be imposed until their repeal pursuant to
6 chapter 423B. The law regarding repeal in effect at the time
7 of the repeal governs the repeal of the local option taxes.

8 Sec. 253. EFFECTIVE DATE. This division of this Act takes
9 effect January 1, 2019.

10

DIVISION XIII

11 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX

12

CHANGES

13 Sec. 254. Section 423A.2, subsection 1, Code 2018, is
14 amended to read as follows:

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

17 a. "Affiliate" means the same as defined in section 423.1.

18 ~~a.~~ b. "Department" means the department of revenue.

19 ~~b.~~ ~~"Lessor" means any person engaged in the business of~~
20 ~~renting lodging to users.~~

21 c. "Facilitate" or "facilitation" includes brokering,
22 coordinating, or in any way arranging for the rental of lodging
23 by users.

24 d. "Facilitation fee" means any consideration, by whatever
25 name called, that a lodging facilitator or lodging platform
26 charges to a user for facilitating the user's rental of
27 lodging. "Facilitation fee" does not include any commission
28 a lodging provider pays to a lodging facilitator or a lodging
29 platform for facilitating the rental of lodging.

30 ~~e.~~ e. "Lodging" means rooms, apartments, or sleeping
31 quarters in a hotel, motel, inn, public lodging house, rooming
32 house, cabin, apartment, residential property, or manufactured
33 or mobile home which is tangible personal property, or in a
34 tourist court, or in any place where sleeping accommodations
35 are furnished to transient guests for rent, whether with or

1 without meals. Lodging does not include conference, meeting,
2 or banquet rooms that are not used for or offered as part of
3 sleeping accommodations.

4 f. "Lodging facilitator" means a person or any affiliate of
5 a person, other than a lodging provider or a lodging platform,
6 that facilitates the renting of lodging and collects or
7 processes the sales price charged to the user.

8 g. "Lodging platform" means a person or any affiliate of
9 a person, other than a lodging provider, that facilitates the
10 renting of lodging by doing all of the following:

11 (1) The person or an affiliate of the person owns, operates,
12 or controls a lodging marketplace that allows a lodging
13 provider who is not an affiliate of the person to offer or
14 list lodging for rent on the marketplace. For purposes of
15 this subparagraph, it is immaterial whether or not the lodging
16 provider has a tax permit under this chapter or in what manner
17 the lodging is classified for property tax or zoning purposes.

18 (2) The person or an affiliate of the person collects or
19 processes the sales price charged to the user.

20 h. "Lodging provider" means any of the following:

21 (1) A person or any affiliate of a person that owns,
22 operates, or manages lodging and makes the lodging available
23 for rent through the person or any affiliate, or through a
24 lodging platform or a lodging facilitator.

25 (2) A person or any affiliate of a person who possesses or
26 acquires a right to or interest in any lodging with an intent
27 to rent the lodging to another person through the person or
28 any affiliate, or through a lodging platform or a lodging
29 facilitator.

30 d. i. "Person" means the same as the term is defined in
31 section 423.1.

32 e. j. "Renting", "rental", or "rent" means a transfer
33 of use, possession, or control of lodging for a fixed or
34 indeterminate term for consideration and includes any kind of
35 direct or indirect charge for such lodging or its use.

1 ~~f.~~ k. "Sales price" means the all consideration charged
2 for the renting and facilitation of renting of lodging and
3 ~~means the same as the term is defined in section 423.1 before~~
4 taxes, including but not limited to facilitation fees, cleaning
5 fees, linen fees, towel fees, nonrefundable deposits, and any
6 other direct or indirect charge made or consideration provided
7 in connection with the renting and facilitation of renting of
8 lodging.

9 ~~g.~~ l. "User" means a person to whom lodging is rented.

10 Sec. 255. Section 423A.3, Code 2018, is amended to read as
11 follows:

12 **423A.3 State-imposed hotel and motel tax.**

13 A tax of five percent is imposed upon the sales price for
14 the renting of any lodging if the ~~renting occurs~~ lodging is
15 located in this state. The tax shall be collected ~~by any~~
16 ~~lessor of lodging from the user of that lodging and remitted~~
17 as provided in section 423A.5A. ~~The lessor shall add the tax~~
18 ~~to the sales price of the lodging, and the state imposed tax,~~
19 ~~when collected, shall be stated as a distinct item, separate~~
20 ~~and apart from the sales price of the lodging and the local tax~~
21 ~~imposed, if any, under section 423A.4.~~

22 Sec. 256. Section 423A.4, Code 2018, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 5. The locally imposed hotel and motel tax
25 shall be collected and remitted as provided in section 423A.5A.

26 Sec. 257. Section 423A.5, Code 2018, is amended to read as
27 follows:

28 **423A.5 Exemptions.**

29 ~~1.~~ There are exempted from the provisions of this chapter
30 and from the computation of any amount of tax imposed by
31 ~~section 423A.3~~ this chapter all of the following:

32 ~~a.~~ 1. The sales price from the renting of lodging which is
33 rented by the same person for a period of more than thirty-one
34 consecutive days.

35 ~~b.~~ 2. The sales price from the renting of sleeping rooms

1 in dormitories ~~and in memorial unions~~ at all universities and
2 colleges located in the state of Iowa.

3 ~~2. There is exempted from the provisions of this chapter and~~
4 ~~from the computation of any amount of tax imposed by section~~
5 ~~423A.4 all of the following:~~

6 ~~a. The sales price from the renting of lodging or rooms~~
7 ~~exempt under subsection 1.~~

8 ~~b. 3. The sales price of lodging furnished to the guests of~~
9 ~~a religious institution if the property is exempt under section~~
10 ~~427.1, subsection 8, and the purpose of renting is to provide a~~
11 ~~place for a religious retreat or function and not a place for~~
12 ~~transient guests generally.~~

13 **Sec. 258. NEW SECTION. 423A.5A Collection and remittance**
14 **of hotel and motel tax.**

15 1. For purposes of this section:

16 *a. "Discount room charge"* means the amount a lodging
17 provider charges a lodging facilitator for lodging, excluding
18 any applicable tax.

19 *b. "Travel package"* means lodging bundled with one or more
20 separate components such as air transportation, car rental, or
21 similar items and charged for a single retail price.

22 2. This section shall govern the collection and remittance
23 of all taxes imposed under this chapter.

24 3. Unless otherwise provided in this section, the
25 state-imposed tax under section 423A.3 and any locally
26 imposed tax under section 423A.4 shall be collected by the
27 lodging provider from the user of that lodging and shall be
28 remitted to the department. The lodging provider shall add
29 the state-imposed tax to the sales price of the lodging and
30 the tax, when collected, shall be stated as a distinct item,
31 separate and apart from the sales price of the lodging and from
32 the locally imposed tax, if any. The lodging provider shall
33 add the locally imposed tax, if any, to the sales price of
34 the lodging and the tax, when collected, shall be stated as a
35 distinct item, separate and apart from the sales price of the

1 lodging and from the state-imposed tax.

2 4. If a transaction for the rental of lodging involves a
3 lodging facilitator, all of the following shall occur in the
4 order prescribed:

5 a. The lodging facilitator shall collect the taxes imposed
6 under this chapter on any sales price that the user pays to the
7 lodging facilitator in the same manner as a lodging provider
8 under subsection 3.

9 b. (1) Unless otherwise required by rule or order of the
10 department, the lodging facilitator shall remit to the lodging
11 provider that portion of the taxes collected on the sales price
12 that represents the discount room charge.

13 (2) No assessment shall be made against a lodging
14 facilitator for tax due on a discount room charge if the
15 lodging facilitator collected the tax and remitted it to a
16 lodging provider that has a valid tax permit required under
17 this chapter. This subparagraph shall not apply if the lodging
18 facilitator and lodging provider are affiliates, or if the
19 department requires the lodging facilitator to remit taxes
20 collected on that portion of the sales price that represents
21 the discount room charge directly to the department.

22 c. The lodging facilitator shall remit any remaining tax it
23 collected to the department.

24 d. (1) The lodging provider shall collect and remit to the
25 department any taxes the lodging facilitator remitted to the
26 lodging provider, and shall collect and remit to the department
27 any taxes due on any amount of sales price the user paid to the
28 lodging provider.

29 (2) No assessment shall be made against a lodging provider
30 for any tax due on a discount room charge that was not remitted
31 to the lodging provider by a lodging facilitator. This
32 subparagraph shall not apply if the lodging provider and
33 lodging facilitator are affiliates.

34 e. Notwithstanding any other provision of this section
35 to the contrary, if a lodging facilitator and its affiliates

1 facilitate total rentals under this chapter and chapter
2 423C that are equal to or less than an aggregate amount of
3 sales price and rental price of ten thousand dollars for an
4 immediately preceding calendar year or a current calendar year,
5 or in ten or fewer separate transactions for an immediately
6 preceding calendar year or a current calendar year, the lodging
7 facilitator shall not be required to collect tax on the amount
8 of sales price that represents the lodging facilitator's
9 facilitation fee.

10 5. If a transaction for the rental of lodging involves a
11 lodging platform, the lodging platform shall collect and remit
12 the taxes imposed under this chapter in the same manner as a
13 lodging provider under subsection 3.

14 6. If a transaction for the rental of lodging is part of a
15 travel package, the portion of the total price that represents
16 the sales price for the rental of lodging may be determined by
17 the person required under this section to collect the taxes
18 from the person's books and records that are kept in the
19 regular course of business including but not limited to books
20 and records kept for non-tax purposes.

21 Sec. 259. Section 423A.6, subsection 4, Code 2018, is
22 amended to read as follows:

23 4. [Section 422.25, subsection 4, sections 422.30, 422.67,](#)
24 [and 422.68, section 422.69, subsection 1, sections 422.70,](#)
25 [422.71, 422.72, 422.74, and 422.75, section 423.14, subsection](#)
26 [1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,](#)
27 [423.35, 423.37 through 423.42, and 423.47,](#) consistent with the
28 provisions of [this chapter](#), apply with respect to the taxes
29 authorized under [this chapter](#), in the same manner and with the
30 same effect as if the state and local hotel and motel taxes
31 were retail sales taxes within the meaning of those statutes.
32 Notwithstanding [this subsection](#), the director shall provide
33 for quarterly filing of returns and for other than quarterly
34 filing of returns both as prescribed in [section 423.31](#). The
35 director may require all persons who are engaged in the

1 business of deriving any sales price subject to tax under this
2 chapter to register with the department. All taxes collected
3 under this chapter by a retailer, lodging provider, lodging
4 facilitator, lodging platform, or any individual other person
5 are deemed to be held in trust for the state of Iowa and the
6 local jurisdictions imposing the taxes.

7 Sec. 260. Section 423C.2, Code 2018, is amended to read as
8 follows:

9 **423C.2 Definitions.**

10 For purposes of this chapter, unless the context otherwise
11 requires:

12 1. "Affiliate" means the same as defined in section 423.1.

13 ~~1.~~ 2. "Automobile" means a motor vehicle subject to
14 registration in any state designed primarily for carrying
15 nine passengers or less, excluding motorcycles and motorized
16 bicycles.

17 3. "Automobile provider" means any of the following:

18 a. A person or any affiliate of a person that owns or
19 controls an automobile and makes the automobile available for
20 rent through the person or any affiliate, or through a rental
21 platform or rental facilitator.

22 b. A person or any affiliate of a person who possesses or
23 acquires a right or interest in any automobile with an intent
24 to rent the automobile to another person through the person
25 or any affiliate, or through a rental platform or a rental
26 facilitator.

27 ~~2.~~ 4. "Department" means the department of revenue.

28 ~~3.~~ "Lessor" means a person engaged in the business of
29 renting automobiles to users. "Lessor" includes a motor vehicle
30 dealer licensed pursuant to ~~chapter 322~~ who rents automobiles
31 to users. For this purpose, the objective of making a profit
32 is not necessary to make the renting activity a business.

33 5. "Facilitate" or "facilitation" includes brokering,
34 coordinating, or in any way arranging for the rental of
35 automobiles by users.

1 6. "Facilitation fee" means any consideration, by whatever
2 name called, that a rental facilitator or a rental platform
3 charges to a user for facilitating the user's rental of an
4 automobile. "Facilitation fee" does not include any commission
5 an automobile provider pays to a rental facilitator or a rental
6 platform for facilitating the rental of an automobile.

7 ~~4.~~ 7. "Person" means person as defined in section 423.1.

8 ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer
9 of the use, control, or possession or right to use, control,
10 or possession of an automobile to a user for a valuable
11 consideration for a period of sixty days or less.

12 9. "Rental facilitator" means a person or any affiliate of a
13 person, other than an automobile provider or a rental platform,
14 that facilitates the renting of an automobile and collects or
15 processes the rental price charged to the user.

16 10. "Rental platform" means a person or any affiliate of a
17 person, other than an automobile provider, that facilitates the
18 renting of an automobile by doing all of the following:

19 a. The person or an affiliate of the person owns, operates,
20 or controls an automobile rental marketplace that allows an
21 automobile provider who is not an affiliate of the person to
22 offer or list an automobile for rent on the marketplace. For
23 purposes of this paragraph, it is immaterial whether or not
24 the automobile provider has a tax permit under this chapter or
25 chapter 423 or whether the automobile is owned by a natural
26 person or by a business entity.

27 b. The person or an affiliate of the person collects or
28 processes the rental price charged to the user.

29 ~~6.~~ 11. "Rental price" means the all consideration charged
30 for the renting and facilitation of renting of an automobile
31 valued in money, and means the same as "sales price" as
32 defined in section 423.1 before taxes, including but not
33 limited to facilitation fees, reservation fees, services fees,
34 nonrefundable deposits, and any other direct or indirect charge
35 made or consideration provided in connection with the renting

1 or facilitation of renting of an automobile.

2 ~~7.~~ 12. "User" means a person to whom ~~the possession or~~
3 ~~the right to possession of an automobile is transferred for~~
4 ~~a period of sixty days or less for a valuable consideration~~
5 ~~which is paid by the user or by another person~~ an automobile is
6 rented.

7 Sec. 261. Section 423C.3, Code 2018, is amended to read as
8 follows:

9 **423C.3 Tax on rental of automobiles — collection and**
10 **remittance of tax.**

11 1. For purposes of this section:

12 a. "Discount rental charge" means the amount an automobile
13 provider charges to a rental facilitator for the rental of an
14 automobile, excluding any applicable tax.

15 b. "Travel package" means an automobile rental bundled
16 with one or more separate components such as lodging, air
17 transportation, or similar items and charged for a single
18 retail price.

19 ~~1.~~ 2. A tax of five percent is imposed upon the rental
20 price of an automobile if the rental transaction is subject to
21 the sales and services tax under [chapter 423, subchapter II](#), or
22 the use tax under [chapter 423, subchapter III](#). The tax shall
23 not be imposed on any rental transaction not taxable under the
24 state sales and services tax, as provided in [section 423.3](#), or
25 the state use tax, as provided in [section 423.6](#), on automobile
26 rental receipts.

27 ~~2.~~ 3. ~~The lesser~~ This subsection shall govern the
28 collection and remittance of the tax imposed under subsection
29 2.

30 a. Unless otherwise provided in this subsection, the
31 automobile provider shall collect the tax by adding the tax to
32 the rental price of the automobile.

33 ~~3.~~ The and the tax, when collected, shall be stated as a
34 distinct item separate and apart from the rental price of the
35 automobile and the sales and services tax imposed under chapter

1 423, subchapter II, or the use tax imposed under chapter 423,
2 subchapter III.

3 b. If a transaction for the rental of an automobile involves
4 a rental facilitator, all of the following shall occur in the
5 order prescribed:

6 (1) The rental facilitator shall collect the tax on any
7 rental price that the user pays to the rental facilitator in
8 the same manner as an automobile provider under paragraph "a".

9 (2) (a) Unless otherwise required by rule or order of
10 the department, the rental facilitator shall remit to the
11 automobile provider that portion of the tax collected on the
12 rental price that represents the discount rental charge.

13 (b) No assessment shall be made against a rental facilitator
14 for tax due on a discount rental charge if the rental
15 facilitator collected the tax and remitted it to an automobile
16 provider that has a valid tax permit required under this
17 chapter or under chapter 423. This subparagraph division shall
18 not apply if the rental facilitator and automobile provider
19 are affiliates, or if the department requires the rental
20 facilitator to remit taxes collected on that portion of the
21 sales price that represents the discount rental charge directly
22 to the department.

23 (3) The rental facilitator shall remit any remaining tax it
24 collected to the department.

25 (4) (a) The automobile provider shall collect and remit
26 to the department any taxes the rental facilitator remitted to
27 the automobile provider, and shall collect and remit to the
28 department any taxes due on any amount of rental price the user
29 paid to the automobile provider.

30 (b) No assessment shall be made against an automobile
31 provider for any tax due on a discount rental charge that
32 was not remitted to the automobile provider by a rental
33 facilitator. This subparagraph division shall not apply if the
34 automobile provider and the rental facilitator are affiliates.

35 (5) Notwithstanding any other provision of this paragraph

1 to the contrary, if a rental facilitator and its affiliates
2 facilitate total rentals under this chapter and chapter
3 423A that are equal to or less than an aggregate amount of
4 rental price and sales price of ten thousand dollars for an
5 immediately preceding calendar year or a current calendar year,
6 or in ten or fewer separate transactions for an immediately
7 preceding calendar year or a current calendar year, the
8 rental facilitator shall not be required to collect tax on the
9 amount of sales price that represents the rental facilitator's
10 facilitation fee.

11 c. (1) If a transaction for the rental of an automobile
12 involves a rental platform, other than a rental platform
13 described in subparagraph (2), the rental platform shall
14 collect and remit the tax imposed under this chapter in the
15 same manner as an automobile provider under paragraph "a".

16 (2) A rental platform is not required to collect and remit
17 the tax imposed under this chapter in the same manner as an
18 automobile provider under paragraph "a" if the rental platform
19 meets all of the following requirements:

20 (a) The only sales the rental platform and its affiliates
21 facilitate that are subject to tax under chapter 423 are sales
22 of a transportation service under section 423.2, subsection 6,
23 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
24 consisting of the rental of vehicles subject to registration
25 which are registered for a gross weight of thirteen tons or
26 less for a period of sixty days or less.

27 (b) The rental platform operates a peer-to-peer automobile
28 sharing marketplace.

29 (3) For any rental transaction for which the rental platform
30 is required to or elects to collect and remit the tax under
31 this chapter, the rental platform shall also be liable for the
32 collection and remittance of any sales or use tax due on that
33 transaction under section 423.2, subsection 6, paragraph "bf",
34 or section 423.5, subsection 1, paragraph "e", notwithstanding
35 any other provision to the contrary in chapter 423.

1 (4) For any rental transaction for which the rental platform
2 is not required to collect and remit the tax under this chapter
3 as provided under subparagraph (2), the automobile provider
4 shall be solely liable for any amount of uncollected or
5 unremitted tax under this chapter.

6 Sec. 262. LEGISLATIVE INTENT. It is the intent of the
7 general assembly that the provision of this division of this
8 Act amending the definition of "lodging" in section 423A.2,
9 subsection 1, is a conforming amendment consistent with
10 current state law, and that the amendment does not change the
11 application of current law but instead reflects current law
12 both before and after the enactment of this division of this
13 Act.

14 Sec. 263. EFFECTIVE DATE. Except as otherwise provided
15 in this division of this Act, this division of this Act takes
16 effect January 1, 2019.

17 Sec. 264. EFFECTIVE DATE. The following, being deemed of
18 immediate importance, take effect upon enactment:

19 1. The provision amending the definition of "lodging" in the
20 section of this division of this Act amending section 423A.2,
21 subsection 1.

22 2. The section of this division of this Act entitled
23 "legislative intent" which describes the intent of the general
24 assembly with respect to the amendment in this division of
25 this Act to the definition of "lodging" in section 423A.2,
26 subsection 1.>

27 2. Title page, by striking lines 1 through 8 and inserting
28 <An Act relating to state and local revenue and finance by
29 modifying the individual and corporate income taxes, the
30 franchise tax, tax credits, the sales and use taxes and
31 local option sales tax, the hotel and motel excise tax, the
32 automobile rental excise tax, the Iowa educational savings plan
33 trust, providing for other properly related matters, making
34 penalties applicable, and including immediate and contingent
35 effective date and retroactive and other applicability

1 provisions.>

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