

**EIGHTY-SEVENTH GENERAL ASSEMBLY
2018 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

May 3, 2018

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
HF 2489	H-8476		VANDER LINDEN of Mahaska
HF 2489	H-8477		VANDER LINDEN of Mahaska
HF 2490	H-8482		GASKILL of Wapello
HF 2492	H-8466	Adopted	RECEIVED FROM THE SENATE
HF 2492	H-8475	Adopted	WORTHAN of Buena Vista
HF 2493	H-8467	Adopted	RECEIVED FROM THE SENATE
HF 2493	H-8478	Adopted	BEST of Carroll
HF 2500	H-8480	Withdrawn	McKEAN of Jones
HF 2501	H-8483		BEST of Carroll
HF 2502	H-8481		HALL of Woodbury
SF 2382	H-8468		BALTIMORE of Boone
SF 2382	H-8474		BALTIMORE of Boone
SF 2382	H-8479		BALTIMORE of Boone
SF 2415	H-8469	Withdrawn	McKEAN of Jones

SF 2415	H-8470	Lost	HALL of Woodbury
SF 2415	H-8471	Lost	WINCKLER of Scott
SF 2415	H-8472	Lost	WINCKLER of Scott
SF 2415	H-8473	Lost	WINCKLER of Scott, et al

Fiscal Notes

[SF 2099](#) — [Probate, Small Estates](#) (LSB5191SV.2)

H-8476

1 Amend House File 2489 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 Sec. 16. RETROACTIVE APPLICABILITY. This division of this
2 Act applies retroactively to January 1, 2018, for tax years
3 beginning on or after that date, and for refunds issued on or
4 after that date.

5 DIVISION II
6 TAX PENALTIES

7 Sec. 17. Section 421.27, subsection 6, Code 2018, is amended
8 to read as follows:

9 6. *Improper receipt of refund or credit payments.* A person
10 who makes an erroneous application for refund, ~~or credit,~~
11 reimbursement, rebate, or other payment shall be liable for any
12 overpayment received or tax liability reduced plus interest
13 at the rate in effect under section 421.7. In addition, a
14 person who willfully makes a false or frivolous application
15 for refund, ~~or credit, reimbursement, rebate, or other payment~~
16 with intent to evade tax or with intent to receive a refund,
17 ~~or credit, reimbursement, rebate, or other payment~~ to which
18 the person is not entitled is guilty of a fraudulent practice
19 and is liable for a penalty equal to seventy-five percent of
20 the refund, ~~or credit, reimbursement, rebate, or other payment~~
21 being claimed. Payments, penalties, and interest due under
22 this subsection may be collected and enforced in the same
23 manner as the tax imposed.

24 Sec. 18. Section 425.29, Code 2018, is amended to read as
25 follows:

26 **425.29 False claim — penalty.**

27 A person who makes a false affidavit for the purpose
28 of obtaining credit or reimbursement provided for in this
29 division or who knowingly receives the credit or reimbursement
30 without being legally entitled to it or makes claim for the
31 credit or reimbursement in more than one county in the state
32 without being legally entitled to it is guilty of a fraudulent
33 practice. The claim for credit or reimbursement shall be
34 disallowed in full and if the claim has been paid the amount
35 shall be recovered in the manner provided in section 425.27.

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 Sec. 28. EFFECTIVE DATE. The following, being deemed of
2 immediate importance, take effect upon enactment:

3 1. The section of this division of this Act relating to the
4 Iowa election campaign fund tax checkoff and contributions.

5 2. The section of this division of this Act enacting section
6 421.71.

7 Sec. 29. RETROACTIVE APPLICABILITY. The following applies
8 retroactively to January 1, 2018, for individual income tax
9 returns filed on or after that date:

10 The section of this division of this Act relating to the Iowa
11 election campaign fund tax checkoff and contributions.

12 DIVISION IV
13 TAX CREDITS

14 Sec. 30. Section 15E.52, subsection 8, Code 2018, is amended
15 to read as follows:

16 8. The board shall not certify an innovation fund after June
17 30, ~~2018~~ 2023.

18 Sec. 31. Section 403.19A, subsection 3, paragraph c,
19 subparagraph (2), Code 2018, is amended to read as follows:

20 (2) The pilot project city and the economic development
21 authority shall not enter into a withholding agreement after
22 June 30, ~~2018~~ 2019.

23 Sec. 32. Section 422.10, subsection 1, Code 2018, is amended
24 by adding the following new paragraph:

25 NEW PARAGRAPH. *0a.* An individual shall only be eligible for
26 the credit provided in this section if the business conducting
27 the research meets all of the following requirements:

28 (1) (a) The business is engaged in the manufacturing,
29 life sciences, software engineering, or aviation and aerospace
30 industry.

31 (b) Persons that shall not be considered to be engaged in
32 the manufacturing, life sciences, software engineering, or
33 aviation and aerospace industry, and thus are not eligible
34 for the credit, include but are not limited to all of the
35 following:

- 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. *0e.* 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. 2019 INTERIM TAX CREDIT STUDY.

19 1. The legislative council is requested to authorize a
20 study committee to evaluate tax credits available under Iowa
21 law, including Iowa's utilization of tax credits as a tool
22 for promoting and supporting economic growth and development.
23 The study committee shall also consider new or different
24 tax credits or incentive programs, or tax rate or structure
25 changes, that will foster economic growth and improve Iowa's
26 overall tax and economic development climate. The study
27 committee shall make recommendations that the committee
28 believes will improve predictability for the state's budget,
29 improve accountability to the taxpayers of Iowa, maximize
30 flexibility in utilization, and place Iowa in the best position
31 for attracting and retaining workers and businesses in the
32 future. In developing recommendations, the study committee
33 shall place significant emphasis on directing tax credits,
34 incentive programs, or tax rate or structure changes toward
35 Iowa workers and programs to strengthen Iowa's workforce by

1 incentivizing efforts to expand Iowans' skills and capabilities
2 in high-demand career fields.

3 2. The study committee shall consist of five members of
4 the senate, three of whom shall be appointed by the majority
5 leader of the senate and two of whom shall be appointed by
6 the minority leader of the senate, and five members of the
7 house of representatives, three of whom shall be appointed by
8 the speaker of the house of representatives and two of whom
9 shall be appointed by the minority leader of the house of
10 representatives.

11 3. The study committee shall meet during the 2019
12 legislative interim to make recommendations for consideration
13 during the 2020 legislative session in a report submitted to
14 the general assembly.

15 Sec. 41. LEGISLATIVE INTENT. It is the intent of the
16 general assembly that the provisions of this division of this
17 Act enacting section 422.10, subsection 3, paragraph "0a",
18 amending section 422.10, subsection 3, paragraph "a", enacting
19 section 422.33, subsection 5, paragraph e, subparagraph (01),
20 and amending section 422.33, subsection 5, paragraph "e",
21 subparagraph (1), are conforming amendments consistent with
22 current state law, and that the amendments do not change the
23 application of current law but instead reflect current law both
24 before and after the enactment of this division of this Act.

25 Sec. 42. REPEAL. Sections 422.10A and 422.11I, Code 2018,
26 are repealed.

27 Sec. 43. REPEAL. Section 422.11L, Code 2018, is repealed.

28 Sec. 44. EFFECTIVE DATE. The following, being deemed of
29 immediate importance, take effect upon enactment:

30 1. The section of this division of this Act amending section
31 15E.52, subsection 8.

32 2. The section of this division of this Act enacting section
33 422.10, subsection 1, paragraph "0a".

34 3. The section of this division of this Act enacting section
35 422.10, subsection 3, paragraph "0a".

1 4. The section of this division of this Act amending section
2 422.10, subsection 3, paragraph "a".

3 5. The section of this division of this Act enacting section
4 422.33, subsection 5, paragraph "0e".

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

7 7. The section of this division of this Act amending section
8 422.33, subsection 5, paragraph "e", subparagraph (1).

9 8. The section of this division of this Act entitled
10 "legislative intent" which describes the intent of the general
11 assembly with respect to certain amendments in this division of
12 this Act to sections 422.10 and 422.33.

13 Sec. 45. EFFECTIVE DATE. The following take effect January
14 1, 2019:

15 1. The sections of this division of this Act amending
16 section 422.11S.

17 2. The section of this division of this Act repealing
18 sections 422.10A and 422.11I.

19 Sec. 46. RETROACTIVE APPLICABILITY. The following apply
20 retroactively to January 1, 2017, for tax years beginning on
21 or after that date:

22 1. The section of this division of this Act enacting section
23 422.10, subsection 1, paragraph "0a".

24 2. The section of this division of this Act enacting section
25 422.33, subsection 5, paragraph "0e".

26 Sec. 47. APPLICABILITY. The following apply to solar energy
27 system installations occurring on or after July 1, 2018:

28 The section of this division of this Act repealing section
29 422.11L.

30 Sec. 48. APPLICABILITY. The following applies to tax
31 years beginning on or after January 1, 2019, and to qualified
32 geothermal heat pump property installations occurring on or
33 after January 1, 2019:

34 The section of this division of this Act repealing sections
35 422.10A and 422.11I.

DIVISION V

TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

1
2
3 Sec. 49. Section 8.55, subsection 2, paragraph a, Code 2018,
4 is amended to read as follows:

5 a. The first sixty million dollars of the difference
6 between the actual net revenue for the general fund of the
7 state for the fiscal year and the adjusted revenue estimate for
8 the fiscal year shall be transferred to the ~~taxpayers trust~~
9 taxpayer relief fund created in section 8.57E.

10 Sec. 50. Section 8.57E, Code 2018, is amended to read as
11 follows:

12 **8.57E ~~Taxpayers trust~~ Taxpayer relief fund.**

13 1. A ~~taxpayers trust~~ Taxpayer relief fund is created. The
14 fund shall be separate from the general fund of the state and
15 the balance in the fund shall not be considered part of the
16 balance of the general fund of the state. The moneys credited
17 to the fund are not subject to section 8.33 and shall not
18 be transferred, used, obligated, appropriated, or otherwise
19 encumbered except as provided in this section.

20 2. Moneys in the ~~taxpayers trust~~ taxpayer relief fund shall
21 only be used pursuant to appropriations or transfers made by
22 the general assembly for tax relief, including but not limited
23 to increases in the general retirement income exclusion under
24 section 422.7, subsection 31, or reductions in income tax
25 rates. ~~During each fiscal year beginning on or after July 1,~~
26 ~~2014, in which the balance of the taxpayers trust fund equals~~
27 ~~or exceeds thirty million dollars, there is transferred from~~
28 ~~the taxpayers trust fund to the Iowa taxpayers trust fund tax~~
29 ~~credit fund created in section 422.11E, the entire balance of~~
30 ~~the taxpayers trust fund to be used for the Iowa taxpayers~~
31 ~~trust fund tax credit in accordance with section 422.11E,~~
32 ~~subsection 5.~~

33 3. a. Moneys in the ~~taxpayers trust~~ taxpayer relief
34 fund may be used for cash flow purposes during a fiscal year
35 provided that any moneys so allocated are returned to the fund

1 by the end of that fiscal year.

2 *b.* Except as provided in section 8.58, the ~~taxpayers trust~~
3 taxpayer relief fund shall be considered a special account for
4 the purposes of section 8.53 in determining the cash position
5 of the general fund of the state for the payment of state
6 obligations.

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

10 Sec. 51. Section 8.58, Code 2018, is amended to read as
11 follows:

12 **8.58 Exemption from automatic application.**

13 1. To the extent that moneys appropriated under section
14 8.57 do not result in moneys being credited to the general
15 fund under section 8.55, subsection 2, moneys appropriated
16 under section 8.57 and moneys contained in the cash reserve
17 fund, rebuild Iowa infrastructure fund, environment first fund,
18 Iowa economic emergency fund, ~~taxpayers trust~~ taxpayer relief
19 fund, and state bond repayment fund shall not be considered
20 in the application of any formula, index, or other statutory
21 triggering mechanism which would affect appropriations,
22 payments, or taxation rates, contrary provisions of the Code
23 notwithstanding.

24 2. To the extent that moneys appropriated under section
25 8.57 do not result in moneys being credited to the general fund
26 under section 8.55, subsection 2, moneys appropriated under
27 section 8.57 and moneys contained in the cash reserve fund,
28 rebuild Iowa infrastructure fund, environment first fund, Iowa
29 economic emergency fund, ~~taxpayers trust~~ taxpayer relief fund,
30 and state bond repayment fund shall not be considered by an
31 arbitrator or in negotiations under chapter 20.

32 Sec. 52. Section 257.21, subsection 2, Code 2018, is amended
33 to read as follows:

34 2. The instructional support income surtax shall be imposed
35 on the state individual income tax for the calendar year during

1 which the school's budget year begins, or for a taxpayer's
2 fiscal year ending during the second half of that calendar year
3 and after the date the board adopts a resolution to participate
4 in the program or the first half of the succeeding calendar
5 year, and shall be imposed on all individuals residing in the
6 school district on the last day of the applicable tax year.
7 As used in this section, "*state individual income tax*" means
8 the taxes computed under section 422.5, less the amounts of
9 nonrefundable credits allowed under chapter 422, division II,
10 ~~except for the Iowa taxpayers trust fund tax credit allowed~~
11 ~~under section 422.11E.~~

12 Sec. 53. Section 422D.2, Code 2018, is amended to read as
13 follows:

14 **422D.2 Local income surtax.**

15 A county may impose by ordinance a local income surtax as
16 provided in section 422D.1 at the rate set by the board of
17 supervisors, of up to one percent, on the state individual
18 income tax of each individual residing in the county at the
19 end of the individual's applicable tax year. However, the
20 cumulative total of the percents of income surtax imposed on
21 any taxpayer in the county shall not exceed twenty percent.
22 The reason for imposing the surtax and the amount needed
23 shall be set out in the ordinance. The surtax rate shall be
24 set to raise only the amount needed. For purposes of this
25 section, "*state individual income tax*" means the tax computed
26 under section 422.5, less the amounts of nonrefundable credits
27 allowed under chapter 422, division II, ~~except for the Iowa~~
28 ~~taxpayers trust fund tax credit allowed under section 422.11E.~~

29 Sec. 54. REPEAL. Section 422.11E, Code 2018, is repealed.

30 Sec. 55. EFFECTIVE DATE. This division of this Act, being
31 deemed of immediate importance, takes effect upon enactment.

32 Sec. 56. RETROACTIVE APPLICABILITY. The following apply
33 retroactively to January 1, 2018, for tax years beginning on
34 or after that date:

35 1. The section of this division of this Act amending section

1 257.21.

2 2. The section of this division of this Act repealing
3 section 422.11E.

4 3. The section of this division of this Act amending section
5 422D.2.

6 DIVISION VI

7 TAXPAYERS TRUST FUND TRANSFER CAP

8 Sec. 57. Section 8.54, subsection 5, Code 2018, is amended
9 by striking the subsection.

10 Sec. 58. Section 8.55, subsection 2, Code 2018, is amended
11 to read as follows:

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

17 ~~a. The first sixty million dollars of the difference between~~
18 ~~the actual net revenue for the general fund of the state for~~
19 ~~the fiscal year and the adjusted revenue estimate for the~~
20 ~~fiscal year shall be transferred to the taxpayers trust fund~~
21 ~~created in section 8.57E.~~

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

24 Sec. 59. Section 8.58, Code 2018, is amended to read as
25 follows:

26 **8.58 Exemption from automatic application.**

27 1. ~~To the extent that moneys appropriated under section~~
28 ~~8.57 do not result in moneys being credited to the general fund~~
29 ~~under section 8.55, subsection 2, moneys Moneys appropriated~~
30 ~~under section 8.57 and moneys contained in the cash reserve~~
31 ~~fund, rebuild Iowa infrastructure fund, environment first fund,~~
32 ~~Iowa economic emergency fund, taxpayers trust fund, and state~~
33 ~~bond repayment fund shall not be considered in the application~~
34 ~~of any formula, index, or other statutory triggering mechanism~~
35 ~~which would affect appropriations, payments, or taxation rates,~~

1 section 179 of the Internal Revenue Code, as amended by Pub.
2 L. No. 115-97, §13101.

3 (2) (a) For tax years beginning on or after January
4 1, 2018, but before January 1, 2019, subtract the amount
5 of expense deduction on section 179 property allowable for
6 federal tax purposes under section 179 of the Internal Revenue
7 Code, as amended by Pub. L. No. 115-97, §13101, not to exceed
8 seventy thousand dollars. The subtraction in this subparagraph
9 division shall be reduced, but not below zero, by the amount by
10 which the total cost of section 179 property placed in service
11 by the taxpayer during the tax year exceeds two hundred eighty
12 thousand dollars.

13 (b) For tax years beginning on or after January 1, 2019,
14 but before January 1, 2020, subtract the amount of expense
15 deduction on section 179 property allowable for federal tax
16 purposes under section 179 of the Internal Revenue Code, as
17 amended by Pub. L. No. 115-97, §13101, not to exceed one
18 hundred thousand dollars. The subtraction in this subparagraph
19 division shall be reduced, but not below zero, by the amount by
20 which the total cost of section 179 property placed in service
21 by the taxpayer during the tax year exceeds four hundred
22 thousand dollars.

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

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

27 NEW SUBSECTION. 52. *a.* For tax years beginning on or
28 after January 1, 2018, but before January 1, 2020, a taxpayer
29 may elect to take advantage of this subsection in lieu of
30 subsection 51, but only if the taxpayer's total expensing
31 allowance deduction for federal tax purposes under section 179
32 of the Internal Revenue Code, as amended by Pub. L. No. 115-97,
33 §13101, that is allocated to the taxpayer from one or more
34 partnerships, S corporations, or limited liability companies
35 electing to have the income taxed directly to the individual

1 exceeds seventy thousand dollars for a tax year beginning
2 during the 2018 calendar year, or exceeds one hundred thousand
3 dollars for a tax year beginning during the 2019 calendar year,
4 and would, except as provided in this subsection, be limited
5 for purposes of computing net income for state tax purposes
6 pursuant to subsection 51.

7 *b.* A taxpayer who elects to take advantage of this
8 subsection shall make the following adjustments to federal
9 adjusted gross income when computing net income for state tax
10 purposes:

11 (1) Add the total amount of section 179 expense
12 deduction allocated to the taxpayer from all partnerships, S
13 corporations, or limited liability companies electing to have
14 the income taxed directly to the individual, to the extent the
15 allocated amount was allowed as a deduction to the taxpayer
16 for federal tax purposes for the tax year under section 179 of
17 the Internal Revenue Code, as amended by Pub. L. No. 115-97,
18 §13101.

19 (2) From the amount added in subparagraph (1), do the
20 following:

21 (a) For tax years beginning on or after January 1, 2018,
22 but before January 1, 2019, subtract the first seventy thousand
23 dollars of expensing allowance deduction on section 179
24 property.

25 (b) For tax years beginning on or after January 1, 2019,
26 but before January 1, 2020, subtract the first one hundred
27 thousand dollars of expensing allowance deduction on section
28 179 property.

29 (3) The remaining amount, equal to the difference between
30 the amount added in subparagraph (1), and the amount subtracted
31 in subparagraph (2), may be deducted by the taxpayer but such
32 deduction shall be amortized equally over five tax years
33 beginning in the following tax year.

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

1 *c.* A taxpayer who elects to take advantage of this
2 subsection shall not take the increased expensing allowance
3 under section 179 of the Internal Revenue Code, as amended by
4 Pub. L. No. 115-97, §13101, for any section 179 property placed
5 in service by the taxpayer in computing adjusted gross income
6 for state tax purposes. If the taxpayer has taken any such
7 deduction for purposes of computing federal adjusted gross
8 income, the taxpayer shall make the following adjustments to
9 federal adjusted gross income when computing net income for
10 state tax purposes:

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

15 (2) Subtract the amount of depreciation allowable on such
16 property under the modified accelerated cost recovery system
17 described in section 168 of the Internal Revenue Code, without
18 regard to section 168(k) of the Internal Revenue Code. The
19 taxpayer shall continue to take depreciation on the applicable
20 property in future tax years to the extent allowed under the
21 modified accelerated cost recovery system described in section
22 168 of the Internal Revenue Code, without regard to section
23 168(k) of the Internal Revenue Code.

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

26 *d.* The election made under this subsection is for one tax
27 year and the taxpayer may elect or not elect to take advantage
28 of this subsection in any subsequent tax year. However, not
29 electing to take advantage of this subsection in a subsequent
30 tax year shall not affect the taxpayer's ability to claim the
31 tax deduction under paragraph "b", subparagraph (3), that
32 originated from a previous tax year.

33 *e.* The director shall adopt rules pursuant to chapter 17A
34 to administer this subsection.

35 Sec. 63. Section 422.9, subsection 2, paragraph h, Code

1 2018, is amended to read as follows:

2 *h.* For purposes of calculating the deductions in this
3 subsection that are authorized under the Internal Revenue Code,
4 and to the extent that any of such deductions is determined by
5 an individual's federal adjusted gross income, the individual's
6 federal adjusted gross income is computed in accordance with
7 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

8 Sec. 64. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC
9 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE
10 OR OLDER. Notwithstanding any other provision of law to the
11 contrary, for tax years beginning during the 2018 calendar
12 year, the exclusion from federal adjusted gross income for
13 certain qualified charitable distributions from an individual
14 retirement plan provided in section 408(d)(8) of the Internal
15 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
16 §112, applies in computing net income for state tax purposes.

17 Sec. 65. STATE SALES AND USE TAX DEDUCTION.
18 Notwithstanding any other provision of law to the contrary, for
19 tax years beginning during the 2018 calendar year, a taxpayer
20 who elects to itemize deductions for state tax purposes under
21 section 422.9, subsection 2, is allowed to take the deduction
22 for state sales and use tax in lieu of the deduction for state
23 and local income taxes under section 164(b)(5) of the Internal
24 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
25 §106, in computing taxable income for state tax purposes, but
26 only if the taxpayer elected to deduct state sales and use
27 taxes in lieu of state and local income taxes for federal tax
28 purposes for the same tax year.

29 Sec. 66. EARNED INCOME TAX CREDIT FOR 2018.
30 Notwithstanding the definition of "Internal Revenue Code"
31 in section 422.3, for tax years beginning during the 2018
32 calendar year, any reference to the term "Internal Revenue
33 Code" in section 422.12B shall mean the Internal Revenue Code
34 of 1954, prior to the date of its redesignation as the Internal
35 Revenue Code of 1986 by the Tax Reform Act of 1986, or means

1 the Internal Revenue Code of 1986 as amended and in effect on
2 January 1, 2016, but shall not be construed to include any
3 amendment to the Internal Revenue Code enacted after January 1,
4 2016, including any amendment with retroactive applicability
5 or effectiveness.

6 Sec. 67. ACCOUNTING METHOD AND OTHER MISCELLANEOUS
7 COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any
8 other provision of law to the contrary, amendments to the
9 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,
10 §13221, §13504, §13541, §13543, §13611, and §13613, apply in
11 calculating federal adjusted gross income or federal taxable
12 income, as applicable, for state tax purposes for purposes of
13 chapter 422 for tax years beginning during the 2018 calendar
14 year to the extent those amendments affect the calculation of
15 federal adjusted gross income or federal taxable income, as
16 applicable, for federal tax purposes for tax years beginning
17 during the 2018 calendar year.

18 Sec. 68. TEACHER EXPENSE DEDUCTION. Notwithstanding
19 any other provision of law to the contrary, for tax years
20 beginning during the 2018 calendar year, a taxpayer is allowed
21 to take the deduction for certain expenses of elementary and
22 secondary school teachers allowed under section 62(a)(2)(D) of
23 the Internal Revenue Code, as amended by Pub. L. No. 114-113,
24 division Q, §104, in computing net income for state tax
25 purposes.

26 Sec. 69. EFFECTIVE DATE. This division of this Act, being
27 deemed of immediate importance, takes effect upon enactment.

28 Sec. 70. RETROACTIVE APPLICABILITY. Except as otherwise
29 provided in this division of this Act, this division of this
30 Act applies retroactively to January 1, 2018, for tax years
31 beginning on or after that date, but before January 1, 2019.

32 Sec. 71. RETROACTIVE APPLICABILITY. The following apply
33 retroactively to January 1, 2018, for tax years beginning on
34 or after that date:

35 1. The section of this division of this Act enacting section

1 422.7, subsections 51 and 52.

2 2. The section of this division of this Act amending section
3 422.9, subsection 2, paragraph "h".

4

DIVISION VIII

5 INDIVIDUAL AND CORPORATE INCOME TAX AND FRANCHISE TAX CHANGES
6 BEGINNING IN TAX YEAR 2019

7 Sec. 72. Section 15.335, subsection 7, paragraph b, Code
8 2018, is amended by striking the paragraph and inserting in
9 lieu thereof the following:

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

12 Sec. 73. Section 422.3, subsection 5, Code 2018, is amended
13 to read as follows:

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

15 a. For tax years beginning during the 2019 calendar year,

16 "*Internal Revenue Code*" means the Internal Revenue Code of
17 1954, prior to the date of its redesignation as the Internal
18 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
19 the Internal Revenue Code of 1986 as amended and in effect on
20 ~~January 1, 2015~~ March 24, 2018. This definition shall not be
21 construed to include any amendment to the Internal Revenue Code
22 enacted after the date specified in the preceding sentence,
23 including any amendment with retroactive applicability or
24 effectiveness.

25 b. For tax years beginning on or after January 1, 2020,

26 "*Internal Revenue Code*" means the Internal Revenue Code of
27 1954, prior to the date of its redesignation as the Internal
28 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
29 Internal Revenue Code of 1986, as amended.

30 Sec. 74. Section 422.4, subsection 16, Code 2018, is amended
31 to read as follows:

32 16. The words "*taxable income*" mean the net income as
33 defined in section 422.7 minus the deductions allowed by
34 section 422.9, in the case of individuals; in the case of
35 estates or trusts, the words "*taxable income*" mean the taxable

1 income ~~(without a deduction for personal exemption)~~ as
2 computed for federal income tax purposes under the Internal
3 Revenue Code, but with the following adjustments specified in
4 section 422.7 plus the Iowa income tax deducted in computing
5 the federal taxable income and minus federal income taxes as
6 provided in section 422.9.:

7 a. Add back the personal exemption deduction taken in
8 computing federal taxable income.

9 b. Make the adjustments specified in section 422.7.

10 c. Add back Iowa income tax deducted in computing federal
11 taxable income.

12 d. Subtract federal income taxes as provided in section
13 422.9.

14 e. Add back the following percentage of the qualified
15 business income deduction under section 199A of the Internal
16 Revenue Code taken in calculating federal taxable income for
17 the applicable tax year:

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

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

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

24 Sec. 75. Section 422.5, subsection 1, Code 2018, is amended
25 to read as follows:

26 1. a. A tax is imposed upon every resident and nonresident
27 of the state which tax shall be levied, collected, and paid
28 annually upon and with respect to the entire taxable income
29 as defined in this division at rates as ~~follows:~~ provided in
30 section 422.5A.

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

33 ~~b. On all taxable income exceeding one thousand dollars but~~
34 ~~not exceeding two thousand dollars, seventy-two hundredths of~~
35 ~~one percent.~~

1 ~~c. On all taxable income exceeding two thousand dollars~~
2 ~~but not exceeding four thousand dollars, two and forty-three~~
3 ~~hundredths percent.~~

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

6 ~~e. On all taxable income exceeding nine thousand dollars~~
7 ~~but not exceeding fifteen thousand dollars, six and twelve~~
8 ~~hundredths percent.~~

9 ~~f. On all taxable income exceeding fifteen thousand dollars~~
10 ~~but not exceeding twenty thousand dollars, six and forty-eight~~
11 ~~hundredths percent.~~

12 ~~g. On all taxable income exceeding twenty thousand dollars~~
13 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~
14 ~~percent.~~

15 ~~h. On all taxable income exceeding thirty thousand dollars~~
16 ~~but not exceeding forty-five thousand dollars, seven and~~
17 ~~ninety-two hundredths percent.~~

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

20 ~~j. b.~~ (1) The tax imposed upon the taxable income of a
21 nonresident shall be computed by reducing the amount determined
22 pursuant to paragraphs "a" through "i" paragraph "a" by the
23 amounts of nonrefundable credits under this division and by
24 multiplying this resulting amount by a fraction of which the
25 nonresident's net income allocated to Iowa, as determined in
26 section 422.8, subsection 2, paragraph "a", is the numerator and
27 the nonresident's total net income computed under section 422.7
28 is the denominator. This provision also applies to individuals
29 who are residents of Iowa for less than the entire tax year.

30 (2) (a) The tax imposed upon the taxable income of a
31 resident shareholder in an S corporation or of an estate
32 or trust with a situs in Iowa that is a shareholder in an S
33 corporation, which S corporation has in effect for the tax
34 year an election under subchapter S of the Internal Revenue
35 Code and carries on business within and without the state,

1 may be computed by reducing the amount determined pursuant
2 to ~~paragraphs "a" through "i"~~ paragraph "a" by the amounts of
3 nonrefundable credits under this division and by multiplying
4 this resulting amount by a fraction of which the resident's
5 or estate's or trust's net income allocated to Iowa, as
6 determined in section 422.8, subsection 2, paragraph "b", is
7 the numerator and the resident's or estate's or trust's total
8 net income computed under section 422.7 is the denominator. If
9 a resident shareholder, or an estate or trust with a situs in
10 Iowa that is a shareholder, has elected to take advantage of
11 this subparagraph (2), and for the next tax year elects not to
12 take advantage of this subparagraph, the resident or estate or
13 trust shareholder shall not reelect to take advantage of this
14 subparagraph for the three tax years immediately following the
15 first tax year for which the shareholder elected not to take
16 advantage of this subparagraph, unless the director consents to
17 the reelection. This subparagraph also applies to individuals
18 who are residents of Iowa for less than the entire tax year.

19 (b) This subparagraph (2) shall not affect the amount of
20 the taxpayer's checkoffs under this division, the credits from
21 tax provided under this division, and the allocation of these
22 credits between spouses if the taxpayers filed separate returns
23 or separately on combined returns.

24 Sec. 76. Section 422.5, subsection 2, paragraph a, Code
25 2018, is amended to read as follows:

26 a. There is imposed upon every resident and nonresident of
27 this state, including estates and trusts, the greater of the
28 tax determined in subsection 1, ~~paragraphs "a" through "j"~~, or
29 the state alternative minimum tax equal to seventy-five percent
30 of the maximum state individual income tax rate for the tax
31 year, rounded to the nearest one-tenth of one percent, times
32 the state alternative minimum taxable income of the taxpayer as
33 computed under this subsection.

34 Sec. 77. NEW SECTION. **422.5A Tax rates.**

35 The tax imposed in section 422.5 shall be calculated at the

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1 following rates:

2 1. On all taxable income from 0 through \$1,000, the rate of
3 0.33 percent.

4 2. On all taxable income exceeding \$1,000 but not exceeding
5 \$2,000, the rate of 0.67 percent.

6 3. On all taxable income exceeding \$2,000 but not exceeding
7 \$4,000, the rate of 2.25 percent.

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

10 5. On all taxable income exceeding \$9,000 but not exceeding
11 \$15,000, the rate of 5.63 percent.

12 6. On all taxable income exceeding \$15,000 but not exceeding
13 \$20,000, the rate of 5.96 percent.

14 7. On all taxable income exceeding \$20,000 but not exceeding
15 \$30,000, the rate of 6.25 percent.

16 8. On all taxable income exceeding \$30,000 but not exceeding
17 \$45,000, the rate of 7.44 percent.

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

20 Sec. 78. Section 422.5, subsection 6, Code 2018, is amended
21 to read as follows:

22 6. Upon determination of the latest cumulative inflation
23 factor, the director shall multiply each dollar amount set
24 forth in ~~subsection 1, paragraphs "a" through "i"~~ section
25 422.5A by this cumulative inflation factor, shall round
26 off the resulting product to the nearest one dollar, and
27 shall incorporate the result into the income tax forms and
28 instructions for each tax year.

29 Sec. 79. Section 422.7, subsection 39A, unnumbered
30 paragraph 1, Code 2018, is amended by striking the unnumbered
31 paragraph and inserting in lieu thereof the following:

32 The additional first-year depreciation allowance authorized
33 in section 168(k) of the Internal Revenue Code does not
34 apply in computing net income for state tax purposes. If the
35 taxpayer has taken the additional first-year depreciation

1 allowance for purposes of computing federal adjusted gross
2 income, then the taxpayer shall make the following adjustments
3 to federal adjusted gross income when computing net income for
4 state tax purposes:

5 Sec. 80. Section 422.7, Code 2018, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 59. *a.* The rules for nonrecognition
8 of gain or loss from exchanges of real property held for
9 productive use or investment and not held primarily for sale,
10 as provided in section 1031 of the Internal Revenue Code, apply
11 for state income tax purposes with regard to exchanges of real
12 property.

13 *b.* (1) The rules for nonrecognition of gain or loss
14 from exchanges of property other than real property held for
15 productive use or investment as provided in section 1031 of the
16 Internal Revenue Code, as amended up to and including December
17 21, 2017, apply for state income tax purposes for tax years
18 beginning during the 2019 calendar year, notwithstanding any
19 other provision of law to the contrary. If the taxpayer's
20 federal adjusted gross income includes gain or loss from
21 property, other than real property described in paragraph "a",
22 and the taxpayer elects to have this paragraph apply, the
23 following adjustments shall be made:

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

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

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

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

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

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

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

14 Sec. 81. Section 422.8, subsection 2, paragraph a, Code
15 2018, is amended to read as follows:

16 a. Nonresident's net income allocated to Iowa is the net
17 income, or portion of net income, which is derived from a
18 business, trade, profession, or occupation carried on within
19 this state or income from any property, trust, estate, or
20 other source within Iowa. However, income derived from a
21 business, trade, profession, or occupation carried on within
22 this state and income from any property, trust, estate, or
23 other source within Iowa shall not include distributions from
24 pensions, including defined benefit or defined contribution
25 plans, annuities, individual retirement accounts, and deferred
26 compensation plans or any earnings attributable thereto so long
27 as the distribution is directly related to an individual's
28 documented retirement and received while the individual is a
29 nonresident of this state. If a business, trade, profession,
30 or occupation is carried on partly within and partly without
31 the state, only the portion of the net income which is fairly
32 and equitably attributable to that part of the business,
33 trade, profession, or occupation carried on within the state
34 is allocated to Iowa for purposes of section 422.5, subsection
35 1, paragraph ~~"j"~~ "b", and section 422.13 and income from any

1 property, trust, estate, or other source partly within and
2 partly without the state is allocated to Iowa in the same
3 manner, except that annuities, interest on bank deposits and
4 interest-bearing obligations, and dividends are allocated
5 to Iowa only to the extent to which they are derived from a
6 business, trade, profession, or occupation carried on within
7 the state. Net income described in section 29C.24, subsection
8 3, paragraph "a", subparagraph (3), and paragraph "b",
9 subparagraph (2), shall not be allocated and apportioned to the
10 state, as provided in section 29C.24.

11 Sec. 82. Section 422.9, unnumbered paragraph 1, Code 2018,
12 is amended to read as follows:

13 In computing taxable income of individuals, there shall be
14 deducted from net income the larger of the ~~following~~ amounts:
15 computed under subsection 1 or 2, plus the amount computed
16 under subsection 2A.

17 Sec. 83. Section 422.9, Code 2018, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 2A. a. The following percentage of the
20 qualified business income deduction under section 199A of the
21 Internal Revenue Code taken in calculating federal taxable
22 income for the applicable tax year:

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

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

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

29 b. Notwithstanding paragraph "a", and section 422.4,
30 subsection 16, paragraph "e", for an entity electing or required
31 to file a composite return under section 422.13, subsection 5,
32 the deduction allowed under this subsection for purposes of the
33 composite return shall be an amount equal to the applicable
34 percentage described in paragraph "a" of the deduction that
35 would be allowable for federal income tax purposes under

1 section 199A of the Internal Revenue Code by an individual
2 taxpayer reporting the same items of income and loss that are
3 included in the composite return.

4 Sec. 84. Section 422.9, subsection 2, paragraph i, Code
5 2018, is amended to read as follows:

6 *i.* The deduction for state sales and use taxes is allowable
7 only if the taxpayer elected to deduct the state sales and use
8 taxes in lieu of state income taxes under section 164 of the
9 Internal Revenue Code. A deduction for state sales and use
10 taxes is not allowed if the taxpayer has taken the deduction
11 for state income taxes or claimed the standard deduction under
12 section 63 of the Internal Revenue Code. This paragraph
13 applies to taxable years beginning after ~~December 31, 2003, and~~
14 ~~before January 1, 2008, and to taxable years beginning after~~
15 ~~December 31, 2009, and before January 1, 2015~~ December 31,
16 2018.

17 Sec. 85. Section 422.9, subsection 2, Code 2018, is amended
18 by adding the following new paragraph:

19 NEW PARAGRAPH. *1.* The limitation on the deduction of
20 certain taxes in section 164(b)(6) of the Internal Revenue
21 Code does not apply in computing taxable income for state tax
22 purposes. A taxpayer is allowed to deduct taxes in computing
23 taxable income as otherwise provided in this subsection without
24 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,
25 §11042.

26 Sec. 86. Section 422.9, subsection 3, paragraph d, Code
27 2018, is amended to read as follows:

28 *d.* Notwithstanding paragraph "a", for a taxpayer who is
29 engaged in the trade or business of farming as defined in
30 section 263A(e)(4) of the Internal Revenue Code and has a loss
31 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of
32 the Internal Revenue Code including modifications prescribed by
33 rule by the director, the Iowa loss from the trade or business
34 of farming is a net operating loss which may be carried back
35 five taxable years prior to the taxable year of the loss.

1 Sec. 87. Section 422.9, subsection 5, Code 2018, is amended
2 to read as follows:

3 5. A taxpayer affected by section 422.8 shall, ~~if the~~
4 ~~optional standard deduction is not used,~~ be permitted to deduct
5 only such portion of the total referred to in ~~subsection~~
6 subsections 2 above and 2A as is fairly and equitably allocable
7 to Iowa under the rules prescribed by the director.

8 Sec. 88. Section 422.9, subsections 6 and 7, Code 2018, are
9 amended by striking the subsections.

10 Sec. 89. Section 422.10, subsection 3, paragraph b, Code
11 2018, is amended by striking the paragraph.

12 Sec. 90. Section 422.11B, Code 2018, is amended to read as
13 follows:

14 **422.11B Minimum tax credit.**

15 1. *a.* There is allowed as a credit against the tax
16 determined in section 422.5, subsection 1, ~~paragraphs "a"~~
17 ~~through "j"~~ for a tax year an amount equal to the minimum tax
18 credit for that tax year.

19 *b.* The minimum tax credit for a tax year is the excess,
20 if any, of the net minimum tax imposed for all prior tax
21 years beginning on or after January 1, 1987, over the amount
22 allowable as a credit under this section for those prior tax
23 years.

24 2. *a.* The allowable credit under subsection 1 for a tax
25 year shall not exceed the excess, if any, of the tax determined
26 in section 422.5, subsection 1, ~~paragraphs "a" through "j"~~ over
27 the state alternative minimum tax as determined in section
28 422.5, subsection 2.

29 *b.* The net minimum tax for a tax year is the excess, if any,
30 of the tax determined in section 422.5, subsection 2, for the
31 tax year over the tax determined in section 422.5, subsection
32 1, ~~paragraphs "a" through "j"~~ for the tax year.

33 Sec. 91. Section 422.32, subsection 1, paragraph h, Code
34 2018, is amended to read as follows:

35 *h.* *"Internal Revenue Code"* means one of the following:

1 (1) For tax years beginning during the 2019 calendar year,
2 "Internal Revenue Code" means the Internal Revenue Code of
3 1954, prior to the date of its redesignation as the Internal
4 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
5 the Internal Revenue Code of 1986 as amended and in effect on
6 January 1, 2015 March 24, 2018. This definition shall not be
7 construed to include any amendment to the Internal Revenue Code
8 enacted after the date specified in the preceding sentence,
9 including any amendment with retroactive applicability or
10 effectiveness.

11 (2) For tax years beginning on or after January 1, 2020,
12 "Internal Revenue Code" means the Internal Revenue Code of
13 1954, prior to the date of its redesignation as the Internal
14 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
15 Internal Revenue Code of 1986, as amended.

16 Sec. 92. Section 422.33, subsection 1, paragraphs a, b, c,
17 and d, Code 2018, are amended to read as follows:

18 a. On the first twenty-five thousand dollars of taxable
19 income, or any part thereof, the rate of six percent for tax
20 years beginning prior to January 1, 2021, and the rate of
21 five and one-half percent for tax years beginning on or after
22 January 1, 2021.

23 b. On taxable income between twenty-five thousand dollars
24 and one hundred thousand dollars or any part thereof, the rate
25 of eight percent for tax years beginning prior to January 1,
26 2021, and the rate of five and one-half percent for tax years
27 beginning on or after January 1, 2021.

28 c. On taxable income between one hundred thousand dollars
29 and two hundred fifty thousand dollars or any part thereof, the
30 rate of ten percent for tax years beginning prior to January 1,
31 2021, and the rate of nine percent for tax years beginning on
32 or after January 1, 2021.

33 d. On taxable income of two hundred fifty thousand dollars
34 or more, the rate of twelve percent for tax years beginning
35 prior to January 1, 2021, and the rate of nine and eight-tenths

1 percent for tax years beginning on or after January 1, 2021.

2 Sec. 93. Section 422.33, subsection 4, paragraph a, Code
3 2018, is amended to read as follows:

4 a. In addition to all taxes imposed under this division,
5 there is imposed upon each corporation doing business within
6 the state the greater of the tax determined in subsection 1,
7 paragraphs "a" through "d" or the state alternative minimum tax
8 equal to sixty percent of the maximum state corporate income
9 tax rate for the tax year, rounded to the nearest one-tenth of
10 one percent, of the state alternative minimum taxable income of
11 the taxpayer computed under this subsection.

12 Sec. 94. Section 422.33, subsection 4, paragraph b,
13 subparagraph (1), Code 2018, is amended to read as follows:

14 (1) Add items of tax preference included in federal
15 alternative minimum taxable income under section 57, except
16 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
17 make the adjustments included in federal alternative minimum
18 taxable income under section 56, except subsections (a)(4) and
19 (d), of the Internal Revenue Code, and add losses as required
20 by section 58 of the Internal Revenue Code. In making the
21 adjustment under section 56(c)(1) of the Internal Revenue Code,
22 interest and dividends from federal securities and interest
23 and dividends from state and other political subdivisions and
24 from regulated investment companies exempt from federal income
25 tax under the Internal Revenue Code, net of amortization of
26 any discount or premium, shall be subtracted. For purposes of
27 this subparagraph, "Internal Revenue Code" means the Internal
28 Revenue Code of 1954, prior to the date of its redesignation
29 as the Internal Revenue Code of 1986 by the Tax Reform Act of
30 1986, or means the Internal Revenue Code of 1986 as amended and
31 in effect on December 21, 2017. This definition shall not be
32 construed to include any amendment to the Internal Revenue Code
33 enacted after the date specified in the preceding sentence,
34 including any amendment with retroactive applicability or
35 effectiveness.

1 Sec. 95. Section 422.33, subsection 4, Code 2018, is amended
2 by adding the following new paragraph:

3 NEW PARAGRAPH. c. This subsection is repealed January 1,
4 2021, for tax years beginning on or after that date.

5 Sec. 96. Section 422.33, subsection 5, paragraph e,
6 subparagraph (2), Code 2018, is amended by striking the
7 subparagraph.

8 Sec. 97. Section 422.33, subsection 7, Code 2018, is amended
9 to read as follows:

10 7. a. (1) ~~There~~ For tax years beginning before January 1,
11 2022, there is allowed as a credit against the tax determined
12 in subsection 1 for a tax year an amount equal to the minimum
13 tax credit for that tax year.

14 (2) The minimum tax credit for a tax year is the excess,
15 if any, of the net minimum tax imposed for all prior tax years
16 beginning on or after January 1, 1987, but before January
17 1, 2021, over the amount allowable as a credit under this
18 subsection for those prior tax years.

19 b. (1) The allowable credit under paragraph "a" for a tax
20 year beginning before January 1, 2021, shall not exceed the
21 excess, if any, of the tax determined in subsection 1 over
22 the state alternative minimum tax as determined in subsection
23 4. The allowable credit under paragraph "a" for a tax year
24 beginning in the 2021 calendar year shall not exceed the tax
25 determined in subsection 1.

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

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

31 Sec. 98. Section 422.35, subsection 4, Code 2018, is amended
32 to read as follows:

33 4. a. ~~Subtract~~ For tax years beginning before January 1,
34 2022, subtract fifty percent of the federal income taxes paid
35 ~~or accrued, as the case may be,~~ during the tax year to the

1 extent payment is for a tax year beginning prior to January 1,
2 2021, adjusted by any federal income tax refunds; and add the
3 Iowa income tax deducted in computing said taxable income to
4 the extent the tax was deducted for a tax year beginning prior
5 to January 1, 2021.

6 b. Add the Iowa income tax deducted in computing federal
7 taxable income.

8 Sec. 99. Section 422.35, Code 2018, is amended by adding the
9 following new subsections:

10 NEW SUBSECTION. 14. *a.* The increased expensing allowance
11 under section 179 of the Internal Revenue Code applies in
12 computing net income for state tax purposes for tax years
13 beginning on or after January 1, 2019, subject to the
14 limitations in this subsection for tax years beginning on or
15 after January 1, 2019, but before January 1, 2020.

16 *b.* If the taxpayer has taken the increased expensing
17 allowance under section 179 of the Internal Revenue Code for
18 purposes of computing federal taxable income for tax years
19 beginning on or after January 1, 2019, but before January 1,
20 2020, then the taxpayer shall make the following adjustments to
21 federal taxable income when computing net income for state tax
22 purposes for the same tax year:

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

26 (2) Subtract the amount of expense deduction on section
27 179 property allowable for federal tax purposes under section
28 179 of the Internal Revenue Code, not to exceed one hundred
29 thousand dollars. The subtraction in this subparagraph shall
30 be reduced, but not below zero, by the amount by which the
31 total cost of section 179 property placed in service by the
32 taxpayer during the tax year exceeds four hundred thousand
33 dollars.

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

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

3 NEW SUBSECTION. 15. *a.* For tax years beginning on or
4 after January 1, 2019, but before January 1, 2020, a taxpayer
5 may elect to take advantage of this subsection in lieu of
6 subsection 14, but only if the taxpayer's total expensing
7 allowance deduction for federal tax purposes under section
8 179 of the Internal Revenue Code that is allocated to the
9 taxpayer from one or more partnerships or limited liability
10 companies electing to have the income taxed directly to the
11 owners exceeds one hundred thousand dollars and would, except
12 as provided in this subsection, be limited for purposes
13 of computing net income for state tax purposes pursuant to
14 subsection 14.

15 *b.* A taxpayer who elects to take advantage of this
16 subsection shall make the following adjustments to federal
17 taxable income when computing net income for state tax
18 purposes:

19 (1) Add the total amount of section 179 expense deduction
20 allocated to the taxpayer from all partnerships or limited
21 liability companies electing to have the income taxed directly
22 to the owners, to the extent the allocated amount was allowed
23 as a deduction to the taxpayer for federal tax purposes for the
24 tax year under section 179 of the Internal Revenue Code.

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

28 (3) The remaining amount, equal to the difference between
29 the amount added in subparagraph (1), and the amount subtracted
30 in subparagraph (2), may be deducted by the taxpayer but such
31 deduction shall be amortized equally over five tax years
32 beginning in the following tax year.

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

35 *c.* A taxpayer who elects to take advantage of this

1 subsection shall not take the increased expensing allowance
2 under section 179 of the Internal Revenue Code for any section
3 179 property placed in service by the taxpayer in computing
4 taxable income for state tax purposes. If the taxpayer has
5 taken any such deduction for purposes of computing federal
6 taxable income, the taxpayer shall make the following
7 adjustments to federal taxable income when computing net income
8 for state tax purposes:

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

12 (2) Subtract the amount of depreciation allowable on such
13 property under the modified accelerated cost recovery system
14 described in section 168 of the Internal Revenue Code, without
15 regard to section 168(k) of the Internal Revenue Code. The
16 taxpayer shall continue to take depreciation on the applicable
17 property in future tax years to the extent allowed under the
18 modified accelerated cost recovery system described in section
19 168 of the Internal Revenue Code, without regard to section
20 168(k) of the Internal Revenue Code.

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

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

25 Sec. 100. Section 422.35, subsection 19A, unnumbered
26 paragraph 1, Code 2018, is amended by striking the unnumbered
27 paragraph and inserting in lieu thereof the following:

28 The additional first-year depreciation allowance authorized
29 in section 168(k) of the Internal Revenue Code does not
30 apply in computing net income for state tax purposes. If the
31 taxpayer has taken the additional first-year depreciation
32 allowance for purposes of computing federal taxable income,
33 then the taxpayer shall make the following adjustments to
34 federal taxable income when computing net income for state tax
35 purposes:

1 Sec. 101. EFFECTIVE DATE. This division of this Act takes
2 effect January 1, 2019.

3 Sec. 102. APPLICABILITY. This division of this Act applies
4 to tax years beginning on or after January 1, 2019.

5 DIVISION IX

6 FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX
7 CHANGES

8 Sec. 103. Section 12D.9, subsection 2, Code 2018, is amended
9 to read as follows:

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

13 Sec. 104. Section 217.39, Code 2018, is amended to read as
14 follows:

15 **217.39 Persecuted victims of World War II — reparations —**
16 **heirs.**

17 Notwithstanding any other law of this state, payments paid
18 to and income from lost property of a victim of persecution
19 for racial, ethnic, or religious reasons by Nazi Germany or
20 any other Axis regime or as an heir of such victim which is
21 ~~exempt from state income tax as provided~~ described in section
22 422.7, subsection 35, Code 2018, shall not be considered as
23 income or an asset for determining the eligibility for state or
24 local government benefit or entitlement programs. The proceeds
25 are not subject to recoupment for the receipt of governmental
26 benefits or entitlements, and liens, except liens for child
27 support, are not enforceable against these sums for any reason.

28 Sec. 105. Section 422.4, subsection 1, paragraphs b and c,
29 Code 2018, are amended to read as follows:

30 **b.** *"Cumulative inflation factor"* means the product of the
31 annual inflation factor for the ~~1988~~ calendar year beginning on
32 January 1 of the calendar year that this division of this Act
33 takes effect and all annual inflation factors for subsequent
34 calendar years as determined pursuant to this subsection. The
35 cumulative inflation factor applies to all tax years beginning

1 on or after January 1 of the calendar year for which the latest
2 annual inflation factor has been determined.

3 c. The annual inflation factor for the ~~1988~~ calendar year
4 beginning on January 1 of the calendar year that this division
5 of this Act takes effect is one hundred percent.

6 Sec. 106. Section 422.4, subsection 2, Code 2018, is amended
7 by striking the subsection.

8 Sec. 107. Section 422.4, subsection 16, Code 2018, is
9 amended by striking the subsection and inserting in lieu
10 thereof the following:

11 16. "*Taxable income*" means, in the case of individuals,
12 the net income as defined in section 422.7 minus the deduction
13 allowed by section 422.9, if available. "*Taxable income*" means,
14 in the case of estates or trusts, the taxable income without
15 a deduction for personal exemption as computed for federal
16 income tax purposes under the Internal Revenue Code, but with
17 the adjustments specified in section 422.7, and the deduction
18 allowed by section 422.9, if available.

19 Sec. 108. Section 422.5, subsection 1, paragraph j,
20 subparagraph (2), subparagraph division (b), Code 2018, is
21 amended to read as follows:

22 (b) This subparagraph (2) shall not affect the amount of
23 the taxpayer's checkoffs under this division, the credits from
24 tax provided under this division, and the allocation of these
25 credits between spouses if the taxpayers filed separate returns
26 ~~or separately on combined returns.~~

27 Sec. 109. Section 422.5, subsection 2, Code 2018, is amended
28 by striking the subsection.

29 Sec. 110. Section 422.5, subsections 3 and 3B, Code 2018,
30 are amended to read as follows:

31 3. a. The tax shall not be imposed on a resident or
32 nonresident whose net income, as defined in section 422.7, is
33 thirteen thousand five hundred dollars or less in the case
34 of married persons filing jointly ~~or filing separately on a~~
35 ~~combined return~~, heads of household, and surviving spouses or

1 nine thousand dollars or less in the case of all other persons;
2 but in the event that the payment of tax under this division
3 would reduce the net income to less than thirteen thousand five
4 hundred dollars or nine thousand dollars as applicable, then
5 the tax shall be reduced to that amount which would result
6 in allowing the taxpayer to retain a net income of thirteen
7 thousand five hundred dollars or nine thousand dollars as
8 applicable. The preceding sentence does not apply to estates
9 or trusts. For the purpose of this subsection, the entire net
10 income, including any part of the net income not allocated
11 to Iowa, shall be taken into account. For purposes of this
12 subsection, net income includes all amounts of pensions or
13 other retirement income, except for military retirement pay
14 excluded under section 422.7, subsection 31A, paragraph "a",
15 or section 422.7, subsection 31B, paragraph "a", received from
16 any source which is not taxable under this division as a result
17 of the government pension exclusions in section 422.7, or any
18 other state law. In calculating net income for purposes of
19 this subsection, any amount of itemized or standard deduction,
20 personal exemption deduction, or qualified business income
21 deduction that was allowed as a deduction in computing federal
22 taxable income under the Internal Revenue Code shall be added
23 back. If the combined net income of a husband and wife exceeds
24 thirteen thousand five hundred dollars, neither of them shall
25 receive the benefit of this subsection, and it is immaterial
26 whether they file a joint return or separate returns. However,
27 if a husband and wife file separate returns and have a combined
28 net income of thirteen thousand five hundred dollars or less,
29 neither spouse shall receive the benefit of this paragraph,
30 if one spouse has a net operating loss and elects to carry
31 back or carry forward the loss as provided under the Internal
32 Revenue Code or in section 422.9, ~~subsection 3.~~ A person who
33 is claimed as a dependent by another person as defined in
34 section 422.12 shall not receive the benefit of this subsection
35 if the person claiming the dependent has net income exceeding

1 thirteen thousand five hundred dollars or nine thousand dollars
2 as applicable or the person claiming the dependent and the
3 person's spouse have combined net income exceeding thirteen
4 thousand five hundred dollars or nine thousand dollars as
5 applicable.

6 *b.* In lieu of the computation in subsection 1 ~~or 2~~, or in
7 paragraph "a" of this subsection, if the married persons',
8 filing jointly ~~or filing separately on a combined return~~,
9 head of household's, or surviving spouse's net income exceeds
10 thirteen thousand five hundred dollars, the regular tax imposed
11 under this division shall be the lesser of the maximum state
12 individual income tax rate times the portion of the net income
13 in excess of thirteen thousand five hundred dollars or the
14 regular tax liability computed without regard to this sentence.
15 Taxpayers electing to file separately shall compute the
16 alternate tax described in this paragraph using the total net
17 income of the husband and wife. The alternate tax described
18 in this paragraph does not apply if one spouse elects to carry
19 back or carry forward the a net operating loss as provided
20 under the Internal Revenue Code or in section 422.9, subsection
21 3.

22 3B. *a.* The tax shall not be imposed on a resident or
23 nonresident who is at least sixty-five years old on December
24 31 of the tax year and whose net income, as defined in section
25 422.7, is thirty-two thousand dollars or less in the case
26 of married persons filing jointly ~~or filing separately on a~~
27 ~~combined return~~, heads of household, and surviving spouses or
28 twenty-four thousand dollars or less in the case of all other
29 persons; but in the event that the payment of tax under this
30 division would reduce the net income to less than thirty-two
31 thousand dollars or twenty-four thousand dollars as applicable,
32 then the tax shall be reduced to that amount which would result
33 in allowing the taxpayer to retain a net income of thirty-two
34 thousand dollars or twenty-four thousand dollars as applicable.
35 The preceding sentence does not apply to estates or trusts.

1 For the purpose of this subsection, the entire net income,
2 including any part of the net income not allocated to Iowa,
3 shall be taken into account. For purposes of this subsection,
4 net income includes all amounts of pensions or other retirement
5 income, except for military retirement pay excluded under
6 section 422.7, subsection 31A, paragraph "a", or section 422.7,
7 subsection 31B, paragraph "a", received from any source which is
8 not taxable under this division as a result of the government
9 pension exclusions in section 422.7, or any other state law.
10 In calculating net income for purposes of this subsection, any
11 amount of itemized or standard deduction, personal exemption
12 deduction, or qualified business income deduction that was
13 allowed as a deduction in computing federal taxable income
14 under the Internal Revenue Code shall be added back. If the
15 combined net income of a husband and wife exceeds thirty-two
16 thousand dollars, neither of them shall receive the benefit
17 of this subsection, and it is immaterial whether they file a
18 joint return or separate returns. However, if a husband and
19 wife file separate returns and have a combined net income of
20 thirty-two thousand dollars or less, neither spouse shall
21 receive the benefit of this paragraph, if one spouse has a net
22 operating loss and elects to carry back or carry forward the
23 loss as provided under the Internal Revenue Code or in section
24 ~~422.9, subsection 3~~. A person who is claimed as a dependent by
25 another person as defined in section 422.12 shall not receive
26 the benefit of this subsection if the person claiming the
27 dependent has net income exceeding thirty-two thousand dollars
28 or twenty-four thousand dollars as applicable or the person
29 claiming the dependent and the person's spouse have combined
30 net income exceeding thirty-two thousand dollars or twenty-four
31 thousand dollars as applicable.
32 *b.* In lieu of the computation in subsection ~~1, 2~~ or 3, if
33 the married persons' ~~filing jointly or filing separately on~~
34 ~~a combined return,~~ head of household's, or surviving spouse's
35 net income exceeds thirty-two thousand dollars, the regular

1 tax imposed under this division shall be the lesser of the
2 maximum state individual income tax rate times the portion of
3 the net income in excess of thirty-two thousand dollars or the
4 regular tax liability computed without regard to this sentence.
5 Taxpayers electing to file separately shall compute the
6 alternate tax described in this paragraph using the total net
7 income of the husband and wife. The alternate tax described
8 in this paragraph does not apply if one spouse elects to carry
9 back or carry forward ~~the~~ a net operating loss as provided
10 under the Internal Revenue Code or in section 422.9, subsection
11 3.

12 *c.* This subsection applies even though one spouse has not
13 attained the age of sixty-five, if the other spouse is at least
14 sixty-five at the end of the tax year.

15 Sec. 111. Section 422.5A, as enacted in this Act, Code
16 2018, is amended by striking the section and inserting in lieu
17 thereof the following:

18 **422.5A Tax rates.**

19 1. The tax imposed in section 422.5 shall be calculated
20 at the following rates in the case of a married couple filing
21 jointly:

22 *a.* On all taxable income from 0 through \$12,000, the rate of
23 4.40 percent.

24 *b.* On all taxable income exceeding \$12,000 but not exceeding
25 \$60,000, the rate of 4.82 percent.

26 *c.* On all taxable income exceeding \$60,000 but not exceeding
27 \$150,000, the rate of 5.70 percent.

28 *d.* On all taxable income exceeding \$150,000, the rate of
29 6.50 percent.

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

33 *a.* On all taxable income from 0 through \$6,000, the rate of
34 4.40 percent.

35 *b.* On all taxable income exceeding \$6,000 but not exceeding

1 \$30,000, the rate of 4.82 percent.

2 *c.* On all taxable income exceeding \$30,000 but not exceeding
3 \$75,000, the rate of 5.70 percent.

4 *d.* On all taxable income exceeding \$75,000, the rate of 6.50
5 percent.

6 Sec. 112. Section 422.7, unnumbered paragraph 1, Code 2018,
7 is amended to read as follows:

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

12 Sec. 113. Section 422.7, Code 2018, is amended by adding the
13 following new subsections:

14 NEW SUBSECTION. 4. Add any federal net operating loss
15 deduction carried over from a taxable year beginning prior to
16 January 1 of the calendar year that this division of this Act
17 takes effect.

18 NEW SUBSECTION. 6. *a.* For tax years beginning in the
19 calendar year that this division of this Act takes effect,
20 subtract the amount of federal income taxes paid during the
21 tax year to the extent payment is for a tax year beginning
22 prior to January 1 of the calendar year that this division of
23 this Act takes effect, and add any federal income tax refunds
24 received during the tax year to the extent the federal income
25 tax was deducted for a tax year beginning prior to January 1 of
26 the calendar year that this division of this Act takes effect.
27 Where married persons who have filed a joint federal income
28 tax return file separately for state tax purposes, such total
29 shall be divided between them according to the portion of the
30 total paid by each. Federal income taxes paid for a tax year
31 in which an Iowa return was not required to be filed shall not
32 be subtracted.

33 *b.* Notwithstanding any other provision of law to the
34 contrary, amounts subtracted or added pursuant to this
35 subsection shall not be included in the calculation of net

1 income for purposes of section 422.5, subsection 3 or 3B, or
2 section 422.13.

3 Sec. 114. Section 422.7, subsection 5, Code 2018, is amended
4 to read as follows:

5 5. Individual taxpayers and married taxpayers who file a
6 joint federal income tax return and who elect to file a joint
7 return, or separate returns, ~~or separate filing on a combined~~
8 ~~return~~ for Iowa income tax purposes, may avail themselves of
9 the disability income exclusion and shall compute the amount
10 of the disability income exclusion subject to the limitations
11 for joint federal income tax return filers provided by section
12 105(d) of the Internal Revenue Code. The disability income
13 exclusion provided in section 105(d) of the Internal Revenue
14 Code, as amended up to and including December 31, 1982,
15 continues to apply for state income tax purposes for tax years
16 beginning on or after January 1, 1984.

17 Sec. 115. Section 422.7, subsection 13, Code 2018, is
18 amended by striking the subsection and inserting in lieu
19 thereof the following:

20 13. Subtract, to the extent included, the amount of social
21 security benefits taxable under section 86 of the Internal
22 Revenue Code.

23 Sec. 116. Section 422.7, Code 2018, is amended by adding the
24 following new subsections:

25 NEW SUBSECTION. 18. Add, to the extent deducted for federal
26 tax purposes, charitable contributions under section 170 of
27 the Internal Revenue Code to the extent such contribution was
28 made to an organization for the purpose of deposit in the Iowa
29 education savings plan trust established in chapter 12D, and
30 the taxpayer designated that any part of the contribution be
31 used for the direct benefit of any dependent of the taxpayer or
32 any other single beneficiary designated by the taxpayer.

33 NEW SUBSECTION. 19. a. Subtract, to the extent included,
34 income resulting from the payment by an employer of the
35 taxpayer, whether paid to the taxpayer or to a lender, of

1 principal or interest on any qualified education loan incurred
2 by the taxpayer.

3 **b.** If the taxpayer has a deduction in computing federal
4 taxable income under section 221 of the Internal Revenue Code
5 for interest on a qualified education loan, the taxpayer shall
6 recompute for purposes of this subsection the amount of the
7 deduction under paragraph "a" by not subtracting any amount of
8 income resulting from the employer's payment of interest on a
9 qualified education loan that was also deducted by the taxpayer
10 under section 221 of the Internal Revenue Code.

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

14 Sec. 117. Section 422.7, subsection 21, Code 2018, is
15 amended by striking the subsection and inserting in lieu
16 thereof the following:

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

18 (1) "*Farming business*" means the raising and harvesting
19 of crops or forest or fruit trees, the rearing, feeding, and
20 management of livestock, or horticulture, all for intended
21 profit.

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

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

27 (4) (a) "*Real property used in a farming business*" means all
28 tracts of land and the improvements and structures located on
29 them which are in good faith used primarily for agricultural
30 purposes except buildings which are primarily used or intended
31 for human habitation. Land and the nonresidential improvements
32 and structures located on it shall be considered to be used
33 primarily for agricultural purposes if its principal use is
34 devoted to the raising and harvesting of crops or forest or
35 fruit trees, the rearing, feeding, and management of livestock,

1 or horticulture, all for intended profit. Woodland, wasteland,
2 and pastureland shall qualify but only if such land is held or
3 operated in conjunction with real property that otherwise meets
4 the requirements of this paragraph.

5 (b) Real property classified as agricultural property for
6 Iowa property tax purposes, except real property described
7 in section 441.21, subsection 12, paragraphs "a" or "b",
8 shall be presumed to be real property used in a farming
9 business. This presumption is rebuttable by the department by
10 a preponderance of evidence that the real property did not meet
11 the requirements of subparagraph division (a).

12 (5) "Relative" means an individual that satisfies one or
13 more of the following conditions:

14 (a) The individual is related to the taxpayer by
15 consanguinity within the second degree as determined by common
16 law.

17 (b) The individual is a lineal descendent of the taxpayer.
18 For purposes of this subparagraph division, "lineal descendent"
19 means children of the taxpayer, including legally adopted
20 children and biological children, stepchildren, grandchildren,
21 great-grandchildren, and any other lineal descendent of the
22 taxpayer.

23 b. Subtract the net capital gain from the sale of real
24 property used in a farming business if all of the following
25 conditions are satisfied:

26 (1) The taxpayer has materially participated in the farming
27 business for a minimum of ten years immediately preceding the
28 sale.

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

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

34 c. (1) If the relative to whom the taxpayer sold the
35 real property used in a farming business that qualified

1 for the deduction in this subsection subsequently sells or
2 otherwise transfers all or part of said real property to a
3 person who is not a relative of the taxpayer within five years
4 of the original sale, the subsequent sale or transfer shall
5 be considered prima facie evidence that the original sale
6 was entered into by the taxpayer primarily to obtain the tax
7 benefits provided in this subsection, and the deduction under
8 this subsection for the original sale shall be disallowed for
9 the taxpayer with respect to that real property subsequently
10 sold or transferred by the relative.

11 (2) The prima facie determination in subparagraph (1) may be
12 rebutted by the taxpayer by a preponderance of evidence showing
13 that at the time of the original sale by the taxpayer of the
14 real property used in a farming business, all of the following
15 conditions were satisfied:

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

18 (b) The taxpayer did not intend that the real property would
19 subsequently be sold or transferred to a person who is not a
20 relative of the taxpayer.

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

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

28 (a) The date which is three years after the date that the
29 return upon which the deduction in this subsection is claimed
30 is filed.

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

34 (c) The date which is six years after the date of the sale
35 of the real property used in a farming business for which the

1 deduction in this subsection is claimed.

2 *d.* To the extent otherwise allowed, the deduction provided
3 in this subsection is not allowed for purposes of computing the
4 income for the taxable year or years for which a net operating
5 loss is deducted under the Internal Revenue Code or under
6 subsection 422.9.

7 Sec. 118. Section 422.7, subsection 29, Code 2018, is
8 amended to read as follows:

9 29. *a.* ~~Subtract~~ For a taxpayer who is sixty-five years
10 of age or older and whose net income is less than one hundred
11 thousand dollars, subtract, to the extent not otherwise
12 deducted in computing adjusted-gross federal taxable income,
13 the amounts paid by the taxpayer for the purchase of health
14 benefits coverage or insurance for the taxpayer or taxpayer's
15 spouse or dependent.

16 *b.* For purposes of this subsection, "net income" means net
17 income as properly computed under this section without regard
18 to the deduction in this subsection and with the following
19 additional adjustments:

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

24 (2) Add back any amount of itemized or standard deduction,
25 personal exemption deduction, or qualified business income
26 deduction that was allowed as a deduction from federal adjusted
27 gross income in computing federal taxable income under the
28 Internal Revenue Code.

29 Sec. 119. Section 422.7, subsection 31, Code 2018, is
30 amended to read as follows:

31 31. For a person who is disabled, or is fifty-five years of
32 age or older, or is the surviving spouse of an individual or
33 a survivor having an insurable interest in an individual who
34 would have qualified for the exemption under this subsection
35 for the tax year, subtract, to the extent included, the

1 total amount of a governmental or other pension or retirement
2 pay, including, but not limited to, defined benefit or
3 defined contribution plans, annuities, individual retirement
4 accounts, plans maintained or contributed to by an employer,
5 or maintained or contributed to by a self-employed person as
6 an employer, and deferred compensation plans or any earnings
7 attributable to the deferred compensation plans, up to a
8 maximum of six thousand dollars for a person, other than a
9 husband or wife, who files a separate state income tax return
10 and up to a maximum of twelve thousand dollars for a husband
11 and wife who file a joint state income tax return. However, a
12 surviving spouse who is not disabled or fifty-five years of age
13 or older can only exclude the amount of pension or retirement
14 pay received as a result of the death of the other spouse. A
15 husband and wife filing separate state income tax returns ~~or~~
16 ~~separately on a combined state return~~ are allowed a combined
17 maximum exclusion under this subsection of up to twelve
18 thousand dollars. The twelve thousand dollar exclusion shall
19 be allocated to the husband or wife in the proportion that each
20 spouse's respective pension and retirement pay received bears
21 to total combined pension and retirement pay received.

22 Sec. 120. Section 422.7, subsection 41, Code 2018, is
23 amended by adding the following new paragraph:

24 NEW PARAGRAPH. *De.* Add, to the extent deducted for
25 federal tax purposes, interest, taxes, and other miscellaneous
26 expenses to the extent such amounts are eligible home costs
27 in connection with a qualified home purchase that were paid
28 or reimbursed from funds in a first-time homebuyer savings
29 account.

30 Sec. 121. Section 422.7, subsection 47, Code 2018, is
31 amended to read as follows:

32 47. Subtract, to the extent not otherwise deducted in
33 computing ~~adjusted-gross~~ federal taxable income, the amounts
34 paid by the taxpayer to the department of veterans affairs for
35 the purpose of providing grants under the injured veterans

1 grant program established in section 35A.14. Amounts
2 subtracted under this subsection shall not be used by the
3 taxpayer in computing the amount of charitable contributions as
4 defined by section 170 of the Internal Revenue Code.

5 Sec. 122. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14,
6 15, 16, 20, 22, 24, 25, 26, 30, 35, 36, 37, 39, 39B, 40, 43, 45,
7 49, 53, 55, 56, 57, and 58, Code 2018, are amended by striking
8 the subsections.

9 Sec. 123. Section 422.8, subsection 4, Code 2018, is amended
10 by striking the subsection.

11 Sec. 124. Section 422.9, Code 2018, is amended by striking
12 the section and inserting in lieu thereof the following:

13 **422.9 Carry over of Iowa net operating loss.**

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

18 Sec. 125. Section 422.11B, Code 2018, is amended to read as
19 follows:

20 **422.11B Minimum tax credit.**

21 1. *a.* ~~There~~ For tax years beginning before January 1 of the
22 calendar year following the calendar year that this division
23 of this Act takes effect, there is allowed as a credit against
24 the tax determined in section 422.5, subsection 1, ~~paragraphs~~
25 ~~"a" through "j"~~ for a tax year an amount equal to the minimum
26 tax credit for that tax year.

27 *b.* The minimum tax credit for a tax year is the excess, if
28 any, of the net minimum tax imposed for all prior tax years
29 beginning on or after January 1, 1987, but before January 1 of
30 the calendar year that this division of this Act takes effect,
31 over the amount allowable as a credit under this section for
32 those prior tax years.

33 2. *a.* The allowable credit under subsection 1 for a tax
34 year beginning before January 1 of the calendar year that this
35 division of this Act takes effect shall not exceed the excess,

1 if any, of the tax determined in section 422.5, subsection
2 1, ~~paragraphs "a" through "j"~~ over the state alternative
3 minimum tax as determined in section 422.5, subsection 2, Code
4 2018. The allowable credit under subsection 1 for a tax year
5 beginning in the calendar year that this division of this Act
6 takes effect shall not exceed the tax determined under section
7 422.5, subsection 1.

8 *b.* The net minimum tax for a tax year is the excess, if
9 any, of the tax determined in section 422.5, subsection 2,
10 Code 2018, for the tax year over the tax determined in section
11 422.5, subsection 1, ~~paragraphs "a" through "j"~~ for the tax
12 year.

13 3. This section is repealed January 1 of the calendar year
14 following the calendar year that this division of this Act
15 takes effect, for tax years beginning on or after January 1
16 of the calendar year following the calendar year that this
17 division of this Act takes effect.

18 Sec. 126. Section 422.11S, subsection 4, Code 2018, is
19 amended to read as follows:

20 4. Married taxpayers who file separate returns ~~or file~~
21 ~~separately on a combined return form~~ must determine the tax
22 credit under subsection 1 based upon their combined net income
23 and allocate the total credit amount to each spouse in the
24 proportion that each spouse's respective net income bears to
25 the total combined net income. Nonresidents or part-year
26 residents of Iowa must determine their tax credit in the ratio
27 of their Iowa source net income to their all source net income.
28 Nonresidents or part-year residents who are married and elect
29 to file separate returns ~~or to file separately on a combined~~
30 ~~return form~~ must allocate the tax credit between the spouses
31 in the ratio of each spouse's Iowa source net income to the
32 combined Iowa source net income of the taxpayers.

33 Sec. 127. Section 422.12B, subsection 2, Code 2018, is
34 amended to read as follows:

35 2. Married taxpayers electing to file separate returns ~~or~~

1 ~~filing separately on a combined return~~ may avail themselves
2 of the earned income credit by allocating the earned income
3 credit to each spouse in the proportion that each spouse's
4 respective earned income bears to the total combined earned
5 income. Taxpayers affected by the allocation provisions of
6 section 422.8 shall be permitted a deduction for the credit
7 only in the amount fairly and equitably allocable to Iowa under
8 rules prescribed by the director.

9 Sec. 128. Section 422.12C, subsection 4, Code 2018, is
10 amended to read as follows:

11 4. Married taxpayers who have filed joint federal returns
12 electing to file separate returns ~~or to file separately on a~~
13 ~~combined return form~~ must determine the child and dependent
14 care credit under subsection 1 or the early childhood
15 development tax credit under subsection 2 based upon their
16 combined net income and allocate the total credit amount to
17 each spouse in the proportion that each spouse's respective net
18 income bears to the total combined net income. Nonresidents
19 or part-year residents of Iowa must determine their Iowa child
20 and dependent care credit in the ratio of their Iowa source
21 net income to their all source net income. Nonresidents or
22 part-year residents who are married and elect to file separate
23 returns ~~or to file separately on a combined return form~~ must
24 allocate the Iowa child and dependent care credit between the
25 spouses in the ratio of each spouse's Iowa source net income to
26 the combined Iowa source net income of the taxpayers.

27 Sec. 129. Section 422.13, subsection 1, paragraph c, Code
28 2018, is amended by striking the paragraph.

29 Sec. 130. Section 422.16, subsection 1, paragraph f, Code
30 2018, is amended by striking the paragraph.

31 Sec. 131. Section 422.21, subsections 2, 5, and 7, Code
32 2018, are amended to read as follows:

33 2. An individual in the armed forces of the United States
34 serving in an area designated by the president of the United
35 States or the United States Congress as a combat zone or as a

1 qualified hazardous duty area, or deployed outside the United
2 States away from the individual's permanent duty station while
3 participating in an operation designated by the United States
4 secretary of defense as a contingency operation as defined
5 in 10 U.S.C. §101(a)(13), or which became such a contingency
6 operation by the operation of law, or an individual serving in
7 support of those forces, is allowed the same additional time
8 period after leaving the combat zone or the qualified hazardous
9 duty area, or ceasing to participate in such contingency
10 operation, or after a period of continuous hospitalization, to
11 file a state income tax return or perform other acts related
12 to the department, as would constitute timely filing of the
13 return or timely performance of other acts described in section
14 7508(a) of the Internal Revenue Code. An individual on active
15 duty federal military service in the armed forces, armed forces
16 military reserve, or national guard who is deployed outside
17 the United States in other than a combat zone, qualified
18 hazardous duty area, or contingency operation is allowed the
19 same additional period of time described in section 7508(a)
20 of the Internal Revenue Code to file a state income tax
21 return or perform other acts related to the department. For
22 the purposes of this subsection, "*other acts related to the*
23 *department*" includes filing claims for refund for any tax
24 administered by the department, making tax payments other than
25 withholding payments, filing appeals on the tax matters, filing
26 other tax returns, and performing other acts described in the
27 department's rules. The additional time period allowed applies
28 to the spouse of the individual described in this subsection
29 to the extent the spouse files jointly ~~or separately on the~~
30 ~~combined return form~~ with the individual or when the spouse
31 is a party with the individual to any matter for which the
32 additional time period is allowed.

33 5. The director shall determine for the ~~1989~~ calendar year
34 that this division of this Act takes effect and each subsequent
35 calendar year the annual and cumulative inflation factors for

1 each calendar year to be applied to tax years beginning on or
2 after January 1 of that calendar year. The director shall
3 compute the new dollar amounts as specified to be adjusted in
4 section 422.5 by the latest cumulative inflation factor and
5 round off the result to the nearest one dollar. The annual and
6 cumulative inflation factors determined by the director are not
7 rules as defined in section 17A.2, subsection 11. ~~The director~~
8 ~~shall determine for the 1990 calendar year and each subsequent~~
9 ~~calendar year the annual and cumulative standard deduction~~
10 ~~factors to be applied to tax years beginning on or after~~
11 ~~January 1 of that calendar year. The director shall compute~~
12 ~~the new dollar amounts of the standard deductions specified in~~
13 ~~section 422.9, subsection 1, by the latest cumulative standard~~
14 ~~deduction factor and round off the result to the nearest ten~~
15 ~~dollars. The annual and cumulative standard deduction factors~~
16 ~~determined by the director are not rules as defined in section~~
17 ~~17A.2, subsection 11.~~

18 7. If married taxpayers file a joint return ~~or file~~
19 ~~separately on a combined return~~ in accordance with rules
20 prescribed by the director, both spouses are jointly and
21 severally liable for the total tax due on the return, except
22 when one spouse is considered to be an innocent spouse under
23 criteria established pursuant to section 6015 of the Internal
24 Revenue Code.

25 Sec. 132. Section 422.35, unnumbered paragraph 1, Code
26 2018, is amended to read as follows:

27 The term "*net income*" means the taxable income ~~before the~~
28 ~~net operating loss deduction~~, as properly computed for federal
29 income tax purposes under the Internal Revenue Code, with the
30 following adjustments:

31 Sec. 133. Section 422.35, subsection 11, Code 2018, is
32 amended by striking the subsection and inserting in lieu
33 thereof the following:

34 11. a. Add any federal net operating loss deduction carried
35 over from a taxable year beginning prior to January 1 of the

1 calendar year that this division of this Act takes effect.

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

6 Sec. 134. Section 422.35, subsections 3, 4, 5, 7, 8, 10,
7 16, 17, 18, 19, 19B, 20, 22, and 24, Code 2018, are amended by
8 striking the subsections.

9 Sec. 135. Section 541B.3, subsection 1, paragraph b, Code
10 2018, is amended to read as follows:

11 *b.* A married couple electing to file a joint Iowa individual
12 income tax return may establish a joint first-time homebuyer
13 savings account. Married taxpayers electing to file separate
14 tax returns ~~or separately on a combined tax return~~ for Iowa tax
15 purposes shall not establish or maintain a joint first-time
16 homebuyer savings account.

17 Sec. 136. Section 541B.6, Code 2018, is amended to read as
18 follows:

19 **541B.6 Tax considerations.**

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

23 **Sec. 137. CONTINGENT EFFECTIVE DATE — NET GENERAL FUND**
24 **REVENUES CALCULATION — ANNUAL REPORTS.**

25 1. This division of this Act takes effect on January 1,
26 2023, if both of the following conditions are satisfied:

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

30 *b.* The net general fund revenues for the fiscal year ending
31 June 30, 2022, equal or exceed one hundred and four percent of
32 the net general fund revenues for the fiscal year ending June
33 30, 2021.

34 2. If the provisions of subsection 1 are not satisfied
35 and this division of this Act does not take effect on January

1 1, 2023, then this division of this Act shall take effect on
2 January 1 following the first fiscal year for which both of the
3 following conditions are satisfied:

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

7 b. The net general fund revenues for that fiscal year ending
8 June 30 equal or exceed one hundred and four percent of the
9 net general fund revenues for the fiscal year ending June 30
10 immediately preceding that fiscal year.

11 3. a. For purposes of this section, "net general fund
12 revenues" means total appropriated general fund revenues
13 excluding transfers from reserve funds, less the sum of tax and
14 other refunds and school infrastructure transfers, all made on
15 an accrual basis as computed for purposes of the comprehensive
16 annual financial reports of the state.

17 b. Net general fund revenues shall be calculated by
18 the department of management, in consultation with the
19 department of revenue, for each fiscal year beginning on
20 or after July 1, 2020, until such time as this division of
21 this Act takes effect, in accordance with rules adopted by
22 the department of management. The department of management
23 shall adopt rules pursuant to chapter 17A for calculating net
24 general fund revenues as defined in paragraph "a", including
25 rules defining "total appropriated general fund revenues",
26 "transfers from reserve funds", "tax and other refunds", and
27 "school infrastructure transfers", and including the types
28 and categories of receipts that will be included within each
29 definition and in the calculation of net general fund revenues.

30 c. The department of management shall submit an annual
31 report to the governor and general assembly by November 1
32 following the close of each fiscal year beginning on or after
33 July 1, 2020, until such time as this division of this Act
34 takes effect, which report shall identify the net general fund
35 revenues for the fiscal year and shall include a detailed

1 description of the net general fund revenues calculation made
2 by the department of management.

3 Sec. 138. APPLICABILITY. This division of this Act applies
4 to tax years beginning on or after the effective date of this
5 division of this Act.

6 DIVISION X

7 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE
8 SAVINGS PLAN TRUST

9 Sec. 139. Section 12D.1, Code 2018, is amended to read as
10 follows:

11 **12D.1 Purpose and definitions.**

12 1. The general assembly finds that the general welfare and
13 well-being of the state are directly related to educational
14 levels and skills of the citizens of the state, and that a
15 vital and valid public purpose is served by the creation and
16 implementation of programs which encourage and make possible
17 the attainment of higher formal education by the greatest
18 number of citizens of the state. ~~The state has limited~~
19 ~~resources to provide additional programs for higher education~~
20 ~~funding and the continued operation and maintenance of the~~
21 ~~state's public institutions of higher education and the general~~
22 welfare of the citizens of the state will be enhanced by
23 establishing a program which allows citizens of the state to
24 invest money in a public trust for future application to the
25 payment of ~~higher education costs~~ qualified education expenses.
26 The creation of the means of encouragement for citizens to
27 invest in such a program represents the carrying out of a
28 vital and valid public purpose. In order to make available
29 to the citizens of the state an opportunity to fund future
30 higher formal education needs, it is necessary that a public
31 trust be established in which moneys may be invested for future
32 educational use.

33 2. As used in this chapter, unless the context otherwise
34 requires:

35 a. "Account balance limit" means the maximum allowable

1 aggregate balance of accounts established for the same
2 beneficiary. Account earnings, if any, are included in the
3 account balance limit.

4 *b.* "*Administrative fund*" means the administrative fund
5 established under section 12D.4.

6 *c.* "*Beneficiary*" means the individual designated by a
7 participation agreement to benefit from advance payments of
8 ~~higher education costs~~ qualified education expenses on behalf
9 of the beneficiary.

10 *d.* "*Benefits*" means the payment of ~~higher education costs~~
11 qualified education expenses on behalf of a beneficiary by the
12 trust during the beneficiary's attendance at an ~~institution of~~
13 ~~higher education~~ a qualified educational institution.

14 ~~*e.* "*Higher education costs*" means the same as "qualified~~
15 ~~higher education expenses" as defined in section 529(e)(3) of~~
16 ~~the Internal Revenue Code.~~

17 ~~*f.*~~ *e.* "*Institution of higher education*" means an institution
18 described in section 481 of the federal Higher Education Act of
19 1965, 20 U.S.C. §1088, which is eligible to participate in the
20 United States department of education's student aid programs.

21 ~~*g.*~~ *f.* "*Internal Revenue Code*" means the same as defined
22 in section 12I.1.

23 ~~*h.*~~ *g.* "*Iowa educational savings plan trust*" or "*trust*" means
24 the trust created under section 12D.2.

25 ~~*i.*~~ *h.* "*Participant*" means an individual, individual's legal
26 representative, trust, estate, or an organization described
27 in section 501(c)(3) of the Internal Revenue Code and exempt
28 from taxation under section 501(a) of the Internal Revenue
29 Code, that has entered into a participation agreement under
30 this chapter for the advance payment of ~~higher education costs~~
31 qualified education expenses on behalf of a beneficiary.

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

34 ~~*k.*~~ *j.* "*Program fund*" means the program fund established
35 under section 12D.4.

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

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

12 l. m. "Tuition and fees" "Tuition" means the quarter, or
13 semester, or annual charges imposed to attend an institution
14 of higher education a qualified educational institution and
15 required as a condition of enrollment or attendance.

16 Sec. 140. Section 12D.2, subsections 2, 5, 9, and 14, Code
17 2018, are amended to read as follows:

18 2. Enter into agreements with any ~~institution of higher~~
19 education qualified educational institution, the state, or any
20 federal or other state agency, or other entity as required to
21 implement this chapter.

22 5. Carry out studies and projections so the treasurer of
23 state may advise participants regarding present and estimated
24 future ~~higher education costs~~ qualified education expenses
25 and levels of financial participation in the trust required
26 in order to enable participants to achieve their educational
27 funding objectives.

28 9. Make payments to ~~institutions of higher education~~
29 qualified educational institutions, participants, or
30 beneficiaries, pursuant to participation agreements on behalf
31 of beneficiaries.

32 14. Establish, impose, and collect administrative fees
33 and charges in connection with transactions of the trust, and
34 provide for reasonable service charges, ~~including penalties for~~
35 ~~cancellations and late payments with respect to participation~~

1 agreements.

2 Sec. 141. Section 12D.3, subsections 1 and 2, Code 2018, are
3 amended to read as follows:

4 1. ~~a.~~ Each participation agreement may require a
5 participant to agree to invest a specific amount of money in
6 the trust for a specific period of time for the benefit of a
7 specific beneficiary. A participant shall not be required to
8 make an annual contribution on behalf of a beneficiary. The
9 maximum contribution that may be deducted for Iowa income tax
10 purposes shall not exceed two thousand dollars per beneficiary
11 per year adjusted annually to reflect increases in the consumer
12 price index. The treasurer of state shall set an account
13 balance limit to maintain compliance with section 529 of the
14 Internal Revenue Code. A contribution shall not be permitted
15 to the extent it causes the aggregate balance of all accounts
16 established for the same beneficiary under the trust to exceed
17 the applicable account balance limit.

18 ~~b.~~ ~~Participation agreements may be amended to provide for~~
19 ~~adjusted levels of payments based upon changed circumstances or~~
20 ~~changes in educational plans.~~

21 2. The execution of a participation agreement by the trust
22 shall not guarantee in any way that ~~higher education costs~~
23 qualified education expenses will be equal to projections
24 and estimates provided by the trust or that the beneficiary
25 named in any participation agreement will attain any of the
26 following:

27 a. Be admitted to an ~~institution of higher education~~ a
28 qualified educational institution.

29 b. If admitted, be determined a resident for tuition
30 purposes by the ~~institution of higher education~~ qualified
31 educational institution.

32 c. Be allowed to continue attendance at the ~~institution of~~
33 ~~higher education~~ qualified educational institution following
34 admission.

35 d. Graduate from the ~~institution of higher education~~

1 qualified educational institution.

2 Sec. 142. Section 12D.3, Code 2018, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 5. A participant may designate a successor
5 in accordance with rules adopted by the treasurer of state.
6 The designated successor shall succeed to the ownership of the
7 account in the event of the death of the participant. In the
8 event a participant dies and has not designated a successor to
9 the account, the following criteria shall apply:

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

14 b. If the beneficiary of the account is under the age of
15 eighteen, account ownership shall be transferred to the first
16 surviving parent or other legal guardian of the beneficiary to
17 file the appropriate forms in accordance with rules adopted by
18 the treasurer of state.

19 Sec. 143. Section 12D.4, Code 2018, is amended to read as
20 follows:

21 **12D.4 Program and administrative funds — investment and**
22 **payments.**

23 1. a. The treasurer of state shall segregate moneys
24 received by the trust into two funds: the program fund and the
25 administrative fund.

26 b. All moneys paid by participants in connection with
27 participation agreements shall be deposited as received into
28 separate accounts within the program fund.

29 c. Contributions to the trust made by participants may only
30 be made in the form of cash.

31 d. A participant or beneficiary ~~shall not provide investment~~
32 ~~direction regarding program contributions or earnings held by~~
33 the trust may, directly or indirectly, direct the investment of
34 any contributions to the trust or any earnings thereon no more
35 than two times in a calendar year.

1 e. The amount of cash distributions from the trust and all
2 other qualified state tuition programs under section 529 of
3 the Internal Revenue Code to a beneficiary during any taxable
4 year shall, in the aggregate, include no more than ten thousand
5 dollars in expenses for tuition in connection with enrollment
6 at an elementary or secondary public, private, or religious
7 school incurred during the taxable year.

8 2. Moneys accrued by participants in the program fund of
9 the trust may be used for payments to any ~~institution of higher~~
10 ~~education~~ qualified educational institution. Payments can be
11 made to the qualified educational institution, the participant,
12 or the beneficiary.

13 Sec. 144. Section 12D.6, subsection 1, paragraph a, Code
14 2018, is amended to read as follows:

15 a. A participant retains ownership of all payments made
16 under a participation agreement up to the date of utilization
17 for payment of ~~higher education costs~~ qualified education
18 expenses for the beneficiary.

19 Sec. 145. Section 12D.6, subsections 2, 3, and 5, Code 2018,
20 are amended to read as follows:

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

25 3. The ~~institution of higher education~~ qualified
26 educational institution shall obtain ownership of the payments
27 made for the ~~higher education costs~~ qualified education
28 expenses paid to the institution at the time each payment is
29 made to the institution.

30 5. A participant may transfer ownership rights to another
31 ~~eligible individual, including a gift of the ownership rights~~
32 ~~to a minor beneficiary~~ participant, or may transfer funds to
33 another plan under the trust or to an ABLE account as permitted
34 under section 529(c)(3)(C) of the Internal Revenue Code.

35 The transfer shall be made and the property distributed in

1 accordance with rules adopted by the treasurer of state or with
2 the terms of the participation agreement.

3 Sec. 146. Section 12D.7, Code 2018, is amended to read as
4 follows:

5 **12D.7 Effect of payments on determination of need and**
6 **eligibility for student financial aid.**

7 A student loan program, student grant program, or other
8 program administered by any agency of the state, except as
9 may be otherwise provided by federal law or the provisions
10 of any specific grant applicable to that law, shall not take
11 into account and shall not consider amounts available for
12 the payment of ~~higher education costs~~ qualified education
13 expenses pursuant to the Iowa educational savings plan trust in
14 determining need and eligibility for student aid.

15 Sec. 147. Section 12D.9, subsection 1, paragraph a, Code
16 2018, is amended to read as follows:

17 a. Pursuant to section 12D.3, subsection 1, paragraph "a",
18 a participant may make contributions to an account which is
19 established for the purpose of meeting the qualified ~~higher~~
20 education expenses of the designated beneficiary of the
21 account.

22 Sec. 148. Section 422.7, subsection 32, paragraph c, Code
23 2018, is amended by striking the paragraph and inserting in
24 lieu thereof the following:

25 c. (1) Add, to the extent previously deducted as a
26 contribution to the trust, the amount resulting from a
27 withdrawal or transfer made by the taxpayer from the Iowa
28 educational savings plan trust for purposes other than any of
29 the following:

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

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

33 (c) A change in beneficiaries under, or transfer to another
34 account within, the Iowa educational savings plan trust, or a
35 transfer to the Iowa ABLE savings plan trust, provided such

1 change or transfer is permitted under section 12D.6, subsection
2 5.

3 (2) For purposes of this paragraph:

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

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

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

12 (ii) For purposes of this subparagraph division (c),
13 "*Internal Revenue Code*" means the Internal Revenue Code of
14 1954, prior to the date of its redesignation as the Internal
15 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
16 the Internal Revenue Code of 1986 as amended and in effect on
17 January 1, 2018. This definition shall not be construed to
18 include any amendment to the Internal Revenue Code enacted
19 after the date specified in the preceding sentence, including
20 any amendment with retroactive applicability or effectiveness.

21 Sec. 149. Section 422.7, subsection 34, Code 2018, is
22 amended to read as follows:

23 34. a. (1) Subtract the amount contributed during the tax
24 year on behalf of a designated beneficiary that is a resident
25 of this state to the Iowa ABLE savings plan trust or to the
26 qualified ABLE program with which the state has contracted
27 pursuant to section 12I.10, not to exceed the maximum
28 contribution level established in section 12I.3, subsection 1,
29 paragraph "d", or section 12I.10, subsection 2, paragraph "a",
30 as applicable.

31 (2) This paragraph "a" shall not apply to any amount
32 of contribution that represents a transfer from the Iowa
33 educational savings plan trust created in chapter 12D that
34 meets the requirements of subsection 32, paragraph "c",
35 subparagraph (1), subparagraph division (c), and that was

1 previously deducted as a contribution to the Iowa educational
2 savings plan trust.

3 *b.* Add the amount resulting from the cancellation of a
4 participation agreement refunded to the taxpayer as an account
5 owner in the Iowa ABLE savings plan trust or the qualified
6 ABLE program with which the state has contracted pursuant to
7 section 12I.10 to the extent previously deducted pursuant
8 to this subsection by the taxpayer or any other person as a
9 contribution to the trust or qualified ABLE program, or to the
10 extent the amount was previously deducted by the taxpayer or
11 any other person pursuant to subsection 32, paragraph "a", and
12 qualified as a transfer under paragraph "a", subparagraph (2),
13 of this subsection.

14 *c.* Add the amount resulting from a withdrawal made by a
15 taxpayer from the Iowa ABLE savings plan trust or the qualified
16 ABLE program with which the state has contracted pursuant to
17 section 12I.10 for purposes other than the payment of qualified
18 disability expenses to the extent previously deducted pursuant
19 to this subsection by the taxpayer or any other person as a
20 contribution to the trust or qualified ABLE program, or to the
21 extent the amount was previously deducted by the taxpayer or
22 any other person pursuant to subsection 32, paragraph "a", and
23 qualified as a transfer under paragraph "a", subparagraph (2),
24 of this subsection.

25 Sec. 150. Section 627.6, Code 2018, is amended by adding the
26 following new subsection:

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

32 Sec. 151. EFFECTIVE DATE. This division of this Act, being
33 deemed of immediate importance, takes effect upon enactment.

34 Sec. 152. RETROACTIVE APPLICABILITY.

35 1. Except as provided in subsection 2, this division of this

1 Act applies retroactively to January 1, 2018, for withdrawals
2 from the Iowa educational savings plan trust made on or after
3 that date.

4 2. The sections of this division of this Act amending
5 section 422.7 apply retroactively to January 1, 2018, for tax
6 years beginning on or after that date, and for withdrawals from
7 the Iowa educational savings plan trust made on or after that
8 date.

9 DIVISION XI

10 SALES AND USE TAXES

11 Sec. 153. Section 15J.4, subsection 3, paragraph f, Code
12 2018, is amended to read as follows:

13 f. The total aggregate amount of state sales tax revenues
14 and state hotel and motel tax revenues that may be approved by
15 the board for remittance to all municipalities and that may
16 be transferred to the state reinvestment district fund under
17 section ~~423.2, subsection 11,~~ 423.2A or section 423A.6, and
18 remitted to all municipalities having a reinvestment district
19 under this chapter shall not exceed one hundred million
20 dollars.

21 Sec. 154. Section 15J.5, subsection 1, paragraph a, Code
22 2018, is amended to read as follows:

23 a. The department shall calculate quarterly the amount of
24 new state sales tax revenues for each district established in
25 the state to be deposited in the state reinvestment district
26 fund created in section 15J.6, pursuant to section ~~423.2,~~
27 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, subject to
28 remittance limitations established by the board pursuant to
29 section 15J.4, subsection 3.

30 Sec. 155. Section 15J.6, subsection 1, Code 2018, is amended
31 to read as follows:

32 1. A state reinvestment district fund is established in the
33 state treasury under the control of the department consisting
34 of the new state sales tax revenues collected within each
35 district and deposited in the fund pursuant to section ~~423.2,~~

1 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, and the
2 new state hotel and motel tax revenues collected within each
3 district and deposited in the fund pursuant to section 423A.6.
4 Moneys deposited in the fund are appropriated to the department
5 for the purposes of this section. Moneys in the fund shall
6 only be used for the purposes of this section.

7 Sec. 156. Section 418.11, subsection 1, Code 2018, is
8 amended to read as follows:

9 1. The department of revenue shall calculate quarterly the
10 amount of increased sales tax revenues for each governmental
11 entity approved to use sales tax increment revenues and the
12 amount of such revenues to be transferred to the sales tax
13 increment fund pursuant to section ~~423.2, subsection 11,~~
14 ~~paragraph "b"~~ 423.2A, subsection 2.

15 Sec. 157. Section 418.12, subsection 1, Code 2018, is
16 amended to read as follows:

17 1. A sales tax increment fund is established as a separate
18 and distinct fund in the state treasury under the control of
19 the department of revenue consisting of the amount of the
20 increased state sales and services tax revenues collected by
21 the department of revenue within each applicable area specified
22 in section 418.11, subsection 3, and deposited in the fund
23 pursuant to section ~~423.2, subsection 11, paragraph "b"~~ 423.2A,
24 subsection 2. Moneys deposited in the fund are appropriated
25 to the department of revenue for the purposes of this section.
26 Moneys in the fund shall only be used for the purposes of this
27 section.

28 Sec. 158. Section 421.26, Code 2018, is amended to read as
29 follows:

30 **421.26 Personal liability for tax due.**

31 If a licensee or other person under section 452A.65, a
32 retailer or purchaser under chapter 423A, 423B, 423C, 423D, or
33 423E, or section 423.14, 423.14A, 423.29, 423.31, 423.32, or
34 ~~423.33, or a retailer or purchaser under section 423.32, or~~
35 a user under section 423.34, or a permit holder or licensee

1 under section 453A.13, 453A.16, or 453A.44 fails to pay a tax
2 under those sections when due, an officer of a corporation
3 or association, notwithstanding section 489.304, a member or
4 manager of a limited liability company, or a partner of a
5 partnership, having control or supervision of or the authority
6 for remitting the tax payments and having a substantial legal
7 or equitable interest in the ownership of the corporation,
8 association, limited liability company, or partnership, who has
9 intentionally failed to pay the tax is personally liable for
10 the payment of the tax, interest, and penalty due and unpaid.
11 However, this section shall not apply to taxes on accounts
12 receivable. The dissolution of a corporation, association,
13 limited liability company, or partnership shall not discharge a
14 person's liability for failure to remit the tax due.

15 Sec. 159. Section 423.1, Code 2018, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 22A. "*Information services*" means
18 delivering or providing access to databases or subscriptions
19 to information through any tangible or electronic medium.
20 "*Information services*" includes but is not limited to database
21 files, research databases, genealogical information, and other
22 similar information.

23 Sec. 160. Section 423.1, subsection 24, paragraph a, Code
24 2018, is amended to read as follows:

25 a. "*Lease or rental*" means any transfer of possession
26 or control of, or access to, tangible personal property or
27 specified digital products for a fixed or indeterminate term
28 for consideration. A "*lease or rental*" may include future
29 options to purchase or extend.

30 Sec. 161. Section 423.1, subsection 37, Code 2018, is
31 amended to read as follows:

32 37. "*Place of business*" means any warehouse, store,
33 place, office, building, or structure where ~~goods, wares, or~~
34 ~~merchandise~~ tangible personal property, specified digital
35 products, or services are offered for sale at retail or where

1 any taxable amusement is conducted, or each office where gas,
2 water, heat, communication, or electric services are offered
3 for sale at retail. When a retailer or amusement operator
4 sells merchandise by means of vending machines or operates
5 music or amusement devices by coin-operated machines at more
6 than one location within the state, the office, building, or
7 place where the books, papers, and records of the taxpayer are
8 kept shall be deemed to be the taxpayer's place of business.

9 Sec. 162. Section 423.1, Code 2018, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 36A. "*Personal property*" includes but is
12 not limited to tangible personal property and specified digital
13 products.

14 Sec. 163. Section 423.1, subsection 43, paragraph a,
15 subparagraph (3), Code 2018, is amended to read as follows:

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

18 Sec. 164. Section 423.1, subsection 47, Code 2018, is
19 amended to read as follows:

20 47. "*Retailer*" means and includes every person engaged
21 in the business of selling tangible personal property,
22 specified digital products, or taxable services at retail, or
23 the furnishing of gas, electricity, water, or communication
24 service, and tickets or admissions to places of amusement
25 and athletic events or operating amusement devices or other
26 forms of commercial amusement from which revenues are derived.
27 However, when in the opinion of the director it is necessary
28 for the efficient administration of this chapter to regard any
29 agent or affiliate of a retailer as a retailer for purposes
30 of this chapter, the director may so regard them, or when
31 it is necessary for the efficient administration of this
32 chapter to regard any salespersons, representatives, truckers,
33 peddlers, or canvassers, or other persons as agents of the
34 dealers, distributors, supervisors, employers, or persons under
35 whom they operate or from whom they obtain tangible personal

1 property, services, or specified digital products sold by
2 them irrespective of whether or not they are making sales on
3 their own behalf or on behalf of such dealers, distributors,
4 supervisors, employers, or persons, the director may so regard
5 them, and may regard such dealers, distributors, supervisors,
6 employers, or persons as retailers for the purposes of this
7 chapter. *“Retailer”* includes a seller obligated to collect
8 sales or use tax, including any person obligated to collect
9 sales and use tax pursuant to section 423.14A.

10 Sec. 165. Section 423.1, subsection 48, paragraph a, Code
11 2018, is amended to read as follows:

12 a. *“Retailer maintaining a place of business in this state”*
13 or any like term includes any of the following:

14 (1) A retailer having or maintaining within this state,
15 directly or by a subsidiary, an office, distribution house,
16 sales house, warehouse, or other place of business, or any
17 representative operating within this state under the authority
18 of the retailer or its subsidiary, irrespective of whether that
19 place of business or representative is located here permanently
20 or temporarily, or whether the retailer or subsidiary is
21 admitted to do business within this state pursuant to chapter
22 490.

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

25 Sec. 166. Section 423.1, subsection 48, paragraph b,
26 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended
27 to read as follows:

28 A retailer shall be presumed to be maintaining a place of
29 business in this state, ~~as defined in~~ for purposes of paragraph
30 *“a”*, subparagraph (1), if any person that has substantial nexus
31 in this state, other than a person acting in its capacity as a
32 common carrier, does any of the following:

33 Sec. 167. Section 423.1, subsection 48, paragraph b,
34 subparagraph (1), subparagraph division (b), Code 2018, is
35 amended to read as follows:

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

5 Sec. 168. Section 423.1, subsection 50, Code 2018, is
6 amended to read as follows:

7 50. "Sales" or "sale" means any transfer, exchange, or
8 barter, conditional or otherwise, in any manner or by any means
9 whatsoever, for consideration, including but not limited to any
10 such transfer, exchange, or barter on a subscription basis.

11 Sec. 169. Section 423.1, Code 2018, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 55A. "*Sold at retail in the state*" and
14 other references to sales "in the state" or "in this state"
15 includes but is not limited to sales sourced to this state
16 under this chapter.

17 Sec. 170. Section 423.1, Code 2018, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 55B. a. "*Specified digital products*" means
20 electronically transferred digital audio-visual works, digital
21 audio works, digital books, or other digital products.

22 b. For purposes of this subsection:

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

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

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

34 (4) "*Electronically transferred*" means obtained or accessed
35 by the purchaser by means other than tangible storage media,

1 including but not limited to a specified digital product
2 purchased through a computer software application, commonly
3 referred to as an in-app purchase, or through another specified
4 digital product, or through any other means.

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

8 Sec. 171. Section 423.1, Code 2018, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 57A. "*Subscription*" means any arrangement
11 in which a person has the right or ability to access,
12 receive, use, obtain, purchase, or otherwise acquire tangible
13 personal property, specified digital products, or services
14 on a permanent or less than permanent basis, regardless of
15 whether the person actually accesses, receives, uses, obtains,
16 purchases, or otherwise acquires such tangible personal
17 property, specified digital product, or service.

18 Sec. 172. Section 423.1, subsections 62, 63, and 64, Code
19 2018, are amended to read as follows:

20 62. "*Use*" means and includes the exercise by any person of
21 any right or power over or access to tangible personal property
22 or a specified digital product incident to the ownership of
23 that property, or any right or power over or access to the
24 product or result of a service. A retailer's or building
25 contractor's sale of manufactured housing for use in this
26 state, whether in the form of tangible personal property or
27 of realty, is a use of that property for the purposes of this
28 chapter.

29 63. "*Use tax*" means the tax levied under subchapter III of
30 this chapter ~~for which the retailer collects and remits tax to~~
31 ~~the department.~~

32 64. "*User*" means the immediate recipient of the personal
33 property or services who is entitled to exercise a right ~~of~~ or
34 power over or access to the personal property, or the product
35 or result of such services.

1 Sec. 173. Section 423.2, subsection 1, paragraph a,
2 subparagraph (1), Code 2018, is amended to read as follows:

3 (1) Sales of engraving, ~~photography, retouching,~~ printing,
4 and binding services.

5 Sec. 174. Section 423.2, subsection 6, Code 2018, is amended
6 to read as follows:

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

9 a. ~~alteration~~ Alteration and garment repair; ~~armored.~~

10 b. Armored car; ~~vehicle.~~

11 c. Vehicle repair; ~~battery.~~

12 d. Battery, tire, and allied; ~~investment.~~

13 e. Investment counseling; ~~service.~~

14 f. Service charges of all financial institutions; ~~barber.~~

15 For the purposes of this paragraph, "financial institutions"
16 means all national banks, federally chartered savings and loan
17 associations, federally chartered savings banks, federally
18 chartered credit unions, banks organized under chapter 524,
19 credit unions organized under chapter 533, and all banks,
20 savings banks, credit unions, and savings and loan associations
21 chartered or otherwise created under the laws of any state and
22 doing business in Iowa.

23 g. Barber and beauty; ~~boat.~~

24 h. Boat repair; ~~vehicle.~~

25 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~

26 j. Campgrounds.

27 k. Carpentry.

28 l. Roof, shingle, and glass repair; ~~dance.~~

29 m. Dance schools and dance studios; ~~dating.~~

30 n. Dating services; ~~dry.~~

31 o. Dry cleaning, pressing, dyeing, and laundering excluding
32 the use of self-pay washers and dryers; ~~electrical.~~

33 p. Electrical and electronic repair and installation;
34 ~~excavating.~~

35 q. Excavating and grading; ~~farm.~~

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- 1 r. Farm implement repair of all kinds; ~~flying.~~
2 s. Flying service; ~~furniture.~~
3 t. Furniture, rug, carpet, and upholstery repair and
4 cleaning; ~~fur.~~
5 u. Fur storage and repair; ~~golf.~~
6 v. Golf and country clubs and all commercial recreation;
7 gun.
8 w. Gun and camera repair; ~~house.~~
9 x. House and building moving; ~~household.~~
10 y. Household appliance, television, and radio repair;
11 janitorial.
12 z. Janitorial and building maintenance or cleaning; ~~jewelry.~~
13 aa. Jewelry and watch repair; ~~lawn.~~
14 ab. Lawn care, landscaping, and tree trimming and removal;
15 ac. Personal transportation service, including but not
16 limited to taxis, driver service, ride sharing service, rides
17 for hire, and limousine service; ~~including driver; machine.~~
18 ad. Machine operator; ~~machine.~~
19 ae. Machine repair of all kinds; ~~motor.~~
20 af. Motor repair; ~~motorcycle.~~
21 ag. Motorcycle, scooter, and bicycle repair; ~~oilers.~~
22 ah. Oilers and lubricators; ~~office.~~
23 ai. Office and business machine repair; ~~painting.~~
24 aj. Painting, papering, and interior decorating; ~~parking.~~
25 ak. Parking facilities; ~~pay.~~
26 al. Pay television; ~~pet, including but not limited to~~
27 streaming video, video on-demand, and pay-per-view.
28 am. Pet grooming; ~~pipe.~~
29 an. Pipe fitting and plumbing; ~~wood.~~
30 ao. Wood preparation; ~~executive.~~
31 ap. Executive search agencies; ~~private.~~
32 aq. Private employment agencies, excluding services for
33 placing a person in employment where the principal place of
34 employment of that person is to be located outside of the
35 state; ~~reflexology; security.~~

- 1 ar. Reflexology.
- 2 as. Security and detective services, excluding private
3 security and detective services furnished by a peace officer
4 with the knowledge and consent of the chief executive officer
5 of the peace officer's law enforcement agency;~~sewage.~~
- 6 at. Sewage services for nonresidential commercial
7 operations;~~sewing.~~
- 8 au. Sewing and stitching;~~shoe.~~
- 9 av. Shoe repair and shoeshine;~~sign.~~
- 10 aw. Sign construction and installation;~~storage.~~
- 11 ax. Storage of household goods, mini-storage, and
12 warehousing of raw agricultural products;~~swimming.~~
- 13 ay. Swimming pool cleaning and maintenance;~~tanning.~~
- 14 az. Tanning beds or salons;~~taxidermy.~~
- 15 ba. Taxidermy services;~~telephone.~~
- 16 bb. Telephone answering service;~~test.~~
- 17 bc. Test laboratories, including mobile testing laboratories
18 and field testing by testing laboratories, and excluding tests
19 on humans or animals and excluding environmental testing
20 services;~~termite.~~
- 21 bd. Termite, bug, roach, and pest eradicators;~~tin.~~
- 22 be. Tin and sheet metal repair;~~transportation.~~
- 23 bf. Transportation service consisting of the rental of
24 recreational vehicles or recreational boats, or the rental of
25 vehicles subject to registration which are registered for a
26 gross weight of thirteen tons or less for a period of sixty
27 days or less, or the rental of aircraft for a period of sixty
28 days or less~~;~~.
- 29 bg. Turkish baths, massage, and reducing salons, excluding
30 services provided by massage therapists licensed under chapter
31 152C;~~water.~~
- 32 bh. Water conditioning and softening;~~weighing; welding;~~
33 well.
- 34 bi. Weighing.
- 35 bj. Welding.

1 bk. Well drilling; wrapping.

2 bl. Wrapping, packing, and packaging of merchandise other
3 than processed meat, fish, fowl, and vegetables; wrecking.

4 bm. Wrecking service; wrecker.

5 bn. Wrecker and towing.

6 ~~b. For the purposes of this subsection, "financial~~
7 ~~institutions" means all national banks, federally chartered~~
8 ~~savings and loan associations, federally chartered savings~~
9 ~~banks, federally chartered credit unions, banks organized under~~
10 ~~chapter 524, credit unions organized under chapter 533, and~~
11 ~~all banks, savings banks, credit unions, and savings and loan~~
12 ~~associations chartered or otherwise created under the laws of~~
13 ~~any state and doing business in Iowa.~~

14 bo. Photography.

15 bp. Retouching.

16 bq. Storage of tangible or electronic files, documents, or
17 other records.

18 br. Information services.

19 bs. Services arising from or related to installing,
20 maintaining, servicing, repairing, operating, upgrading, or
21 enhancing specified digital products.

22 bt. Video game services and tournaments.

23 bu. Software as a service.

24 Sec. 175. Section 423.2, subsection 8, Code 2018, is amended
25 by adding the following new paragraph:

26 NEW PARAGRAPH. *d.* A transaction that otherwise meets
27 the definition of "*bundled transaction*" as defined in this
28 subsection is not a bundled transaction if it is any of the
29 following:

30 (1) The retail sale of tangible personal property and a
31 service where the tangible personal property is essential
32 to the use of the service, and is provided exclusively in
33 connection with the service, and the true object of the
34 transaction is the service.

35 (2) The retail sale of services where one service is

1 provided that is essential to the use or receipt of a second
2 service and the first service is provided exclusively in
3 connection with the second service and the true object of the
4 transaction is the second service.

5 (3) (a) A transaction that includes taxable products and
6 nontaxable products and the purchase price or sales price of
7 the taxable products is de minimis.

8 (b) For purposes of this subparagraph, "*de minimis*" means
9 the seller's purchase or sales price of the taxable products
10 is ten percent or less of the total purchase price or sales
11 price of the bundled products. Sellers shall use either the
12 purchase price or the sale price of the products to determine
13 if the taxable products are de minimis. Sellers may not use
14 a combination of the purchase price and sales price of the
15 products to determine if the taxable products are de minimis.

16 (4) The retail sale of exempt tangible personal property and
17 taxable tangible personal property where all of the following
18 apply:

19 (a) The transaction includes food and food ingredients,
20 drugs, durable medical equipment, mobility enhancing equipment,
21 prosthetic devices, or medical supplies.

22 (b) The seller's purchase price or sales price of the
23 taxable tangible personal property is fifty percent or less
24 of the total purchase price or sales price of the bundled
25 tangible personal property. Sellers may not use a combination
26 of the purchase price and sales price of the tangible personal
27 property when making the fifty percent determination for a
28 transaction.

29 Sec. 176. Section 423.2, Code 2018, is amended by adding the
30 following new subsection:

31 NEW SUBSECTION. 9A. a. A tax of six percent is imposed on
32 the sales price of specified digital products sold at retail
33 in the state. The tax applies whether the purchaser obtains
34 permanent use or less than permanent use of the specified
35 digital product, whether the sale is conditioned or not

1 conditioned upon continued payment from the purchaser, and
2 whether the sale is on a subscription basis or is not on a
3 subscription basis.

4 *b.* The sale of a digital code that may be used to obtain
5 or access a specified digital product shall be taxed in the
6 same manner as the specified digital product. For purposes
7 of this paragraph, "*digital code*" means a method that permits
8 a purchaser to obtain or access at a later date a specified
9 digital product.

10 Sec. 177. Section 423.2, subsections 10, 11, and 12, Code
11 2018, are amended by striking the subsections.

12 Sec. 178. NEW SECTION. **423.2A Deposit and transfer of**
13 **revenues.**

14 1. *a.* All revenues arising under the operation of the
15 provisions of this subchapter II shall be deposited into the
16 general fund of the state.

17 *b.* Subsequent to the deposit into the general fund of
18 the state, the director shall credit an amount equal to the
19 product of the sales tax rate imposed in section 423.2 times
20 the sales price of the tangible personal property or services
21 furnished to purchasers at a baseball and softball complex that
22 has received an award under section 15F.207 and that meets
23 the qualifications of section 423.4, subsection 10, into the
24 baseball and softball complex sales tax rebate fund created
25 under section 423.4, subsection 10, paragraph "e". The director
26 shall credit the moneys beginning the first day of the quarter
27 following July 1, 2016. This paragraph is repealed thirty
28 days following the date on which five million dollars in total
29 rebates have been provided under section 423.4, subsection 10.

30 2. Subsequent to the deposit into the general fund of the
31 state pursuant to subsection 1, the department shall do the
32 following in the order prescribed:

33 *a.* Transfer the revenues collected under chapter 423B.

34 *b.* Transfer from the remaining revenues the amounts required
35 under Article VII, section 10, of the Constitution of the State

1 of Iowa to the natural resources and outdoor recreation trust
2 fund created in section 461.31, if applicable.

3 *c.* Transfer one-sixth of the remaining revenues to the
4 secure an advanced vision for education fund created in section
5 423F.2. This paragraph "c" is repealed December 31, 2029.

6 *d.* Transfer to the baseball and softball complex sales tax
7 rebate fund that portion of the sales tax receipts described
8 in subsection 1, paragraph "b", remaining after the transfers
9 required under paragraphs "a", "b", and "c" of this subsection
10 2. This paragraph is repealed thirty days following the date
11 on which five million dollars in total rebates have been
12 provided under section 423.4, subsection 10.

13 *e.* Beginning the first day of the calendar quarter
14 beginning on the reinvestment district's commencement date,
15 subject to remittance limitations established by the economic
16 development authority board pursuant to section 15J.4,
17 subsection 3, transfer to a district account created in the
18 state reinvestment district fund for each reinvestment district
19 established under chapter 15J, the amount of new state sales
20 tax revenue, determined in section 15J.5, subsection 1,
21 paragraph "b", in the district, that remains after the prior
22 transfers required under this subsection 2. Such transfers
23 shall cease pursuant to section 15J.8.

24 *f.* Subject to the limitation on the calculation and
25 deposit of sales tax increment revenues in section 418.12,
26 beginning the first day of the quarter following adoption
27 of the resolution pursuant to section 418.4, subsection 3,
28 paragraph "d", transfer to the account created in the sales tax
29 increment fund for each governmental entity approved to use
30 sales tax increment revenues under chapter 418, that portion
31 of the increase in sales tax revenue, determined in section
32 418.11, subsection 2, paragraph "d", in the applicable area of
33 the governmental entity, that remains after the other transfers
34 required under this subsection 2.

35 *g.* Beginning the first day of the quarter following July 1,

1 2014, transfer to the raceway facility tax rebate fund created
2 in section 423.4, subsection 11, paragraph "e", that portion
3 of the sales tax receipts collected and remitted upon sales of
4 tangible personal property or services furnished by retailers
5 at a raceway facility meeting the qualifications of section
6 423.4, subsection 11, that remains after the transfers required
7 in paragraphs "a" through "f" of this subsection 2. This
8 paragraph is repealed June 30, 2025, or thirty days following
9 the date on which an amount of total rebates specified in
10 section 423.4, subsection 11, paragraph "c", subparagraph (4),
11 subparagraph division (a) or (b), whichever is applicable,
12 has been provided or thirty days following the date on which
13 rebates cease as provided in section 423.4, subsection 11,
14 paragraph "c", subparagraph (5), whichever is earliest.

15 3. Of the amount of sales tax revenue actually transferred
16 per quarter pursuant to subsection 2, paragraphs "e" and "f",
17 the department shall retain an amount equal to the actual cost
18 of administering the transfers under subsection 2, paragraphs
19 "e" and "f", or twenty-five thousand dollars, whichever is
20 less. The amount retained by the department pursuant to this
21 subsection shall be divided pro rata each quarter between
22 the amounts that would have been transferred pursuant to
23 subsection 2, paragraphs "e" and "f", without the deduction
24 made by operation of this subsection. Revenues retained by
25 the department pursuant to this subsection shall be considered
26 repayment receipts as defined in section 8.2.

27 Sec. 179. Section 423.3, subsections 1 and 17, Code 2018,
28 are amended to read as follows:

29 1. The sales price from sales of tangible personal property,
30 specified digital products, and services furnished which this
31 state is prohibited from taxing under the Constitution or laws
32 of the United States or under the Constitution of this state.

33 17. The sales price of all ~~goods, wares, or merchandise,~~
34 tangible personal property, specified digital products, or
35 services, used for educational purposes sold to any private

1 nonprofit educational institution in this state. For the
2 purpose of this subsection, "*educational institution*" means an
3 institution which primarily functions as a school, college,
4 or university with students, faculty, and an established
5 curriculum. The faculty of an educational institution must be
6 associated with the institution and the curriculum must include
7 basic courses which are offered every year. "*Educational*
8 *institution*" includes an institution primarily functioning as
9 a library.

10 Sec. 180. Section 423.3, subsection 18, unnumbered
11 paragraph 1, Code 2018, is amended to read as follows:

12 The sales price of tangible personal property or specified
13 digital products sold, or of services furnished, to the
14 following nonprofit corporations:

15 Sec. 181. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
16 28, and 31, Code 2018, are amended to read as follows:

17 20. The sales price of tangible personal property or
18 specified digital products sold, or of services furnished, to
19 nonprofit legal aid organizations.

20 21. The sales price of ~~goods, wares, or merchandise,~~
21 tangible personal property, of specified digital products,
22 or of services, used for educational, scientific, historic
23 preservation, or aesthetic purpose sold to a nonprofit private
24 museum.

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

29 23. The sales price of tangible personal property or
30 specified digital products sold, or of services furnished, by a
31 fair organized under chapter 174.

32 26. The sales price of tangible personal property or
33 specified digital products sold, or of services furnished, to a
34 statewide nonprofit organ procurement organization, as defined
35 in section 142C.2.

1 27. The sales price of tangible personal property or
2 specified digital products sold, or of services furnished, to a
3 nonprofit hospital licensed pursuant to chapter 135B to be used
4 in the operation of the hospital.

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

10 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~
11 tangible personal property or specified digital products sold
12 to and of services furnished, and used for public purposes
13 sold to a tax-certifying or tax-levying body of the state or
14 a governmental subdivision of the state, including regional
15 transit systems, as defined in section 324A.1, the state board
16 of regents, department of human services, state department of
17 transportation, any municipally owned solid waste facility
18 which sells all or part of its processed waste as fuel to a
19 municipally owned public utility, and all divisions, boards,
20 commissions, agencies, or instrumentalities of state, federal,
21 county, or municipal government which have no earnings going to
22 the benefit of an equity investor or stockholder, except any
23 of the following:

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

30 ~~(2)~~ b. The sales price of furnishing of sewage services to
31 a county or municipality on behalf of nonresidential commercial
32 operations.

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

1 or municipality.

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

5 Sec. 182. Section 423.3, subsection 32, unnumbered
6 paragraph 1, Code 2018, is amended to read as follows:

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

10 Sec. 183. Section 423.3, subsection 36, unnumbered
11 paragraph 1, Code 2018, is amended to read as follows:

12 The sales price from sales of tangible personal property
13 or specified digital products or of the sale or furnishing of
14 electrical energy, natural or artificial gas, or communication
15 service to another state or political subdivision of another
16 state if the other state provides a similar reciprocal
17 exemption for this state and political subdivision of this
18 state.

19 Sec. 184. Section 423.3, subsection 39, paragraph a,
20 subparagraphs (1) and (2), Code 2018, are amended to read as
21 follows:

22 (1) Sales of tangible personal property or specified
23 digital products, or the furnishing of services, of a
24 nonrecurring nature, by the owner, if the seller, at the time
25 of the sale, is not engaged for profit in the business of
26 selling tangible personal property, specified digital products,
27 or services taxed under section 423.2.

28 (2) The sale of all or substantially all of the tangible
29 personal property, or specified digital products, or services
30 held or used by a seller in the course of the seller's trade or
31 business for which the seller is required to hold a sales tax
32 permit when the seller sells or otherwise transfers the trade
33 or business to another person who shall engage in a similar
34 trade or business.

35 Sec. 185. Section 423.3, subsection 39, Code 2018, is

1 amended by adding the following new paragraph:

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

5 Sec. 186. Section 423.3, subsection 47, paragraph d,
6 subparagraph (1), Code 2018, is amended to read as follows:

7 (1) "*Commercial enterprise*" ~~includes means~~ means businesses
8 and manufacturers conducted for profit ~~and centers for data~~
9 ~~processing services to,~~ for-profit and nonprofit insurance
10 companies, and for-profit and nonprofit financial institutions,
11 ~~businesses, and manufacturers,~~ but excludes other nonprofits
12 and professions and occupations ~~and nonprofit organizations.~~

13 Sec. 187. Section 423.3, subsection 47, paragraph d,
14 subparagraph (4), Code 2018, is amended by striking the
15 subparagraph and inserting in lieu thereof the following:

16 (4) (a) "*Manufacturer*" means a business that primarily
17 purchases, receives, or holds personal property of any
18 description for the purpose of adding to its value by a process
19 of manufacturing with a view to selling the property for gain
20 or profit.

21 (b) "*Manufacturer*" includes contract manufacturers. A
22 contract manufacturer is a manufacturer that otherwise falls
23 within the definition of manufacturer, except that a contract
24 manufacturer does not sell the tangible personal property
25 the contract manufacturer processes on behalf of other
26 manufacturers.

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

30 (i) Construction contracting.

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

32 (iii) Providing health care.

33 (iv) Farming, including cultivating agricultural products
34 and raising livestock.

35 (v) Transporting for hire.

1 (d) For purposes of this subparagraph:

2 (i) "*Business*" means those businesses conducted for
3 profit, but excludes professions and occupations and nonprofit
4 organizations.

5 (ii) "*Manufacturing*" means those activities commonly
6 understood within the ordinary meaning of the term, and shall
7 include:

8 (A) Refining.

9 (B) Purifying.

10 (C) Combining of different materials.

11 (D) Packing of meats.

12 (E) Activities subsequent to the extractive process of
13 quarrying or mining, such as crushing, washing, sizing, or
14 blending of aggregate materials.

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

17 Sec. 188. Section 423.3, subsection 63, Code 2018, is
18 amended to read as follows:

19 63. The sales price from the sale of tangible personal
20 property, specified digital products, or services which will be
21 given as prizes to players in games of skill, games of chance,
22 raffles, and bingo games as defined in chapter 99B.

23 Sec. 189. Section 423.3, subsections 65, 66, and 67, Code
24 2018, are amended by striking the subsections.

25 Sec. 190. Section 423.3, subsection 78, paragraph a,
26 unnumbered paragraph 1, Code 2018, is amended to read as
27 follows:

28 The sales price from ~~sales or rental~~ the sale of tangible
29 personal property, specified digital products, or services
30 rendered by any entity where the profits from the ~~sales or~~
31 ~~rental~~ sale of the tangible personal property, specified
32 digital products, or services rendered, are used by or donated
33 to a nonprofit entity that is exempt from federal income
34 taxation pursuant to section 501(c)(3) of the Internal Revenue
35 Code, a government entity, or a nonprofit private educational

1 institution, and where the entire proceeds from the ~~sales,~~
2 ~~rental,~~ sale or services are expended for any of the following
3 purposes:

4 Sec. 191. Section 423.3, subsection 79, Code 2018, is
5 amended to read as follows:

6 79. The sales price from the sale ~~or rental~~ of tangible
7 personal property or specified digital products, or from
8 services furnished, to a recognized community action agency as
9 provided in section 216A.93 to be used for the purposes of the
10 agency.

11 Sec. 192. Section 423.3, Code 2018, is amended by adding the
12 following new subsections:

13 NEW SUBSECTION. 103. *a.* The sales price of specified
14 digital products and of prewritten computer software sold, and
15 of enumerated services described in section 423.2, subsection
16 6, paragraphs "*bq*", "*br*", "*bs*", and "*bu*" furnished, to a
17 commercial enterprise for use exclusively by the commercial
18 enterprise. The use of prewritten computer software, a
19 specified digital product, or service fails to qualify as a
20 use exclusively by the commercial enterprise if its use for
21 noncommercial purposes is more than de minimis.

22 *b.* For purposes of this subsection:

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

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

28 NEW SUBSECTION. 104. The sales price of specified digital
29 products sold to a non-end user. For purposes of this
30 subsection, "*non-end user*" means a person who receives by
31 contract a specified digital product for further commercial
32 broadcast, rebroadcast, transmission, retransmission,
33 licensing, relicensing, distribution, redistribution, or
34 exhibition of the product, in whole or in part, to another
35 person.

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

5 Sec. 193. Section 423.4, subsection 3, unnumbered paragraph
6 1, Code 2018, is amended to read as follows:

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

12 Sec. 194. Section 423.4, subsection 3, paragraph a,
13 subparagraph (1), Code 2018, is amended to read as follows:

14 (1) On forms furnished by the department, and filed within
15 the time as the director shall provide by rule, the relief
16 agency shall report to the department the total amount or
17 amounts, valued in money, expended directly or indirectly
18 for ~~goods, wares, merchandise,~~ tangible personal property or
19 specified digital products, or services furnished, used for
20 free distribution to the poor and needy.

21 Sec. 195. Section 423.4, subsection 10, paragraph e, Code
22 2018, is amended to read as follows:

23 e. There is established within the state treasury under the
24 control of the department a baseball and softball complex sales
25 tax rebate fund consisting of the amount of state sales tax
26 revenues transferred pursuant to section ~~423.2, subsection 11,~~
27 ~~paragraph "b", subparagraph (4)~~ 423.2A, subsection 2, paragraph
28 "d". An account is created within the fund for each baseball
29 and softball complex receiving an award under section 15F.207
30 and meeting the qualifications of this subsection. Moneys
31 in the fund shall only be used to provide rebates of state
32 sales tax pursuant to this subsection, and only the state sales
33 tax revenues in the baseball and softball complex rebate fund
34 are subject to rebate under this subsection. The amount of
35 rebates paid from each baseball and softball complex's account

1 within the fund shall not exceed the amount of the award under
2 section 15F.207, and not more than five million dollars in
3 total rebates shall be paid from the fund. Any moneys in the
4 fund which represent state sales tax revenue for which the time
5 period in paragraph "c" for receiving a rebate has expired,
6 or which otherwise represent state sales tax revenue that has
7 become ineligible for rebate pursuant to this subsection, shall
8 immediately revert to the general fund of this state.

9 Sec. 196. Section 423.4, subsection 11, paragraph b,
10 subparagraph (1), Code 2018, is amended to read as follows:

11 (1) Sales tax imposed and collected by retailers upon
12 sales of tangible personal property or services furnished to
13 purchasers at the raceway facility. Notwithstanding the state
14 sales tax imposed in section 423.2, a sales tax rebate issued
15 pursuant to this subparagraph shall not exceed the amounts
16 transferred to the raceway facility tax rebate fund pursuant to
17 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~
18 423.2A, subsection 2, paragraph "g".

19 Sec. 197. Section 423.4, subsection 11, paragraph b,
20 subparagraph (2), subparagraph division (c), Code 2018, is
21 amended to read as follows:

22 (c) Notwithstanding the state sales tax imposed in section
23 423.2, a sales tax rebate issued pursuant to this subparagraph
24 shall not exceed the amounts remaining after the transfers
25 required under ~~section 423.2, subsection 11, paragraph "b",~~
26 ~~subparagraphs (1) through (6)~~ 423.2A, subsection 2, paragraphs
27 "a" through "f", have been made from the total amount of sales
28 tax for which the rebate is requested.

29 Sec. 198. Section 423.4, subsection 11, paragraph e, Code
30 2018, is amended to read as follows:

31 e. There is established within the state treasury under
32 the control of the department a raceway facility tax rebate
33 fund consisting of the amount of state sales tax revenues
34 transferred pursuant to ~~section 423.2, subsection 11, paragraph~~
35 ~~"b", subparagraph (7)~~ 423.2A, subsection 2, paragraph "g". An

1 account is created within the fund for each raceway facility
2 meeting the qualifications of this subsection. Moneys in the
3 fund shall only be used to provide rebates of state sales tax
4 pursuant to paragraph "b", subparagraph (1). The total amount
5 of rebates paid from the fund shall not exceed the amount
6 specified in paragraph "c", subparagraph (4), subparagraph
7 division (a) or (b), whichever is applicable. Any moneys in
8 the fund which represent state sales tax revenue for which the
9 time period in paragraph "c" for receiving a rebate has expired,
10 or which otherwise represent state sales tax revenue that has
11 become ineligible for rebate pursuant to this subsection shall
12 immediately revert to the general fund of the state.

13 Sec. 199. Section 423.5, subsection 1, paragraph a, Code
14 2018, is amended to read as follows:

15 a. The use in this state of tangible personal property
16 as defined in section 423.1, including aircraft subject to
17 registration under section 328.20, purchased for use in this
18 state. For the purposes of this subchapter, the furnishing
19 or use of the following services is also treated as the use
20 of tangible personal property: optional service or warranty
21 contracts, except residential service contracts regulated under
22 chapter 523C, vulcanizing, recapping, or retreading services,
23 engraving, ~~photography, retouching,~~ printing, or binding
24 services, and communication service when furnished or delivered
25 to consumers or users within this state.

26 Sec. 200. Section 423.5, subsection 1, paragraph d, Code
27 2018, is amended to read as follows:

28 d. Purchases of tangible personal property or specified
29 digital products made from the government of the United States
30 or any of its agencies by ultimate consumers shall be subject
31 to the tax imposed by this section. Services purchased from
32 the same source or sources shall be subject to the service
33 tax imposed by this subchapter and apply to the user of the
34 services.

35 Sec. 201. Section 423.5, subsection 1, Code 2018, is amended

1 by adding the following new paragraph:

2 NEW PARAGRAPH. *f.* (1) The use in this state of specified
3 digital products. The tax applies whether the purchaser
4 obtains permanent use or less than permanent use of the
5 specified digital product, whether the use is conditioned or
6 not conditioned upon continued payment from the purchaser,
7 and whether the use is on a subscription basis or is not on a
8 subscription basis.

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

14 Sec. 202. Section 423.5, subsection 3, Code 2018, is amended
15 to read as follows:

16 3. For the purpose of the proper administration of the use
17 tax and to prevent its evasion, evidence that tangible personal
18 property ~~was~~ or specified digital products were sold by any
19 person for delivery in this state shall be prima facie evidence
20 that such tangible personal property ~~was~~ or specified digital
21 products were sold for use in this state.

22 Sec. 203. Section 423.5, subsection 4, Code 2018, is amended
23 by striking the subsection.

24 Sec. 204. Section 423.6, unnumbered paragraph 1, Code 2018,
25 is amended to read as follows:

26 The use in this state of the following tangible personal
27 property, specified digital products, and services is exempted
28 from the tax imposed by this subchapter:

29 Sec. 205. Section 423.6, subsections 1, 2, 4, and 6, Code
30 2018, are amended to read as follows:

31 1. Tangible personal property, specified digital products,
32 and enumerated services, the sales price from the sale of which
33 are required to be included in the measure of the sales tax, if
34 that tax has been paid to the department or the retailer. This
35 exemption does not include vehicles subject to registration or

1 subject only to the issuance of a certificate of title.

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

5 4. All articles of tangible personal property and all
6 specified digital products brought into the state of Iowa by a
7 nonresident individual for the individual's use or enjoyment
8 while within the state.

9 6. Tangible personal property, specified digital products,
10 or services the sales price of which is exempt from the sales
11 tax under section 423.3, except section 423.3, subsections 39
12 and 73, as it relates to the sale, but not the lease or rental,
13 of vehicles subject only to the issuance of a certificate of
14 title and as it relates to aircraft subject to registration
15 under section 328.20.

16 Sec. 206. Section 423.14, subsection 2, paragraphs b and c,
17 Code 2018, are amended to read as follows:

18 b. The tax upon the use of all tangible personal property
19 and specified digital products other than that enumerated in
20 paragraph "a", which is sold by a seller who is a retailer
21 ~~maintaining a place of business in this state, or by such other~~
22 ~~retailer or agent as the director shall authorize pursuant to~~
23 ~~section 423.30~~ or its agent that is not otherwise required
24 to collect sales tax under the provisions of this chapter,
25 shall be collected by the retailer or agent and remitted to the
26 department, pursuant to the provisions of paragraph "e", and
27 sections 423.24, 423.29, 423.30, 423.32, and 423.33.

28 c. The tax upon the use of all tangible personal property
29 and specified digital products not paid pursuant to paragraphs
30 "a" and "b" shall be paid to the department directly by any
31 person using the property within this state, pursuant to the
32 provisions of section 423.34.

33 Sec. 207. NEW SECTION. 423.14A Persons required to collect
34 sales and use tax — supplemental conditions, requirements, and
35 responsibilities.

1 1. For purposes of this section:

2 a. "*Iowa sales*" means sales of tangible personal property,
3 services, or specified digital products sourced to this state
4 pursuant to section 423.15, 423.16, 423.17, 423.19, or 423.20,
5 or that are otherwise sold in this state or for delivery into
6 this state.

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

10 (a) The person directly or indirectly does any of the
11 following:

12 (i) Lists, makes available, or advertises tangible personal
13 property, services, or specified digital products for sale
14 by a marketplace seller in a marketplace owned, operated, or
15 controlled by the person.

16 (ii) Facilitates the sale of a marketplace seller's
17 product through a marketplace by transmitting or otherwise
18 communicating an offer or acceptance of a retail sale of
19 tangible personal property, services, or specified digital
20 products between a marketplace seller and a purchaser in a
21 forum including a shop, store, booth, catalog, internet site,
22 or similar forum.

23 (iii) Owns, rents, licenses, makes available, or operates
24 any electronic or physical infrastructure or any property,
25 process, method, copyright, trademark, or patent that connects
26 marketplace sellers to purchasers for the purpose of making
27 retail sales of tangible personal property, services, or
28 specified digital products.

29 (iv) Provides a marketplace for making retail sales of
30 tangible personal property, services, or specified digital
31 products, or otherwise facilitates retail sales of tangible
32 personal property, services, or specified digital products,
33 regardless of ownership or control of the tangible personal
34 property, services, or specified digital products that are the
35 subject of the retail sale.

1 (v) Provides software development or research and
2 development activities related to any activity described in
3 this subparagraph division (a), if such software development or
4 research and development activities are directly related to the
5 physical or electronic marketplace provided by a marketplace
6 provider.

7 (vi) Provides or offers fulfillment or storage services for
8 a marketplace seller.

9 (vii) Sets prices for a marketplace seller's sale of
10 tangible personal property, services, or specified digital
11 products.

12 (viii) Provides or offers customer service to a marketplace
13 seller or a marketplace seller's customers, or accepts or
14 assists with taking orders, returns, or exchanges of tangible
15 personal property, services, or specified digital products sold
16 by a marketplace seller.

17 (ix) Brands or otherwise identifies sales as those of the
18 marketplace facilitator.

19 (b) The person directly or indirectly does any of the
20 following:

21 (i) Collects the sales price or purchase price of a retail
22 sale of tangible personal property, services, or specified
23 digital products.

24 (ii) Provides payment processing services for a retail sale
25 of tangible personal property, services, or specified digital
26 products.

27 (iii) Charges, collects, or otherwise receives selling
28 fees, listing fees, referral fees, closing fees, fees for
29 inserting or making available tangible personal property,
30 services, or specified digital products on a marketplace, or
31 other consideration from the facilitation of a retail sale of
32 tangible personal property, services, or specified digital
33 products, regardless of ownership or control of the tangible
34 personal property, services, or specified digital products that
35 are the subject of the retail sale.

1 (iv) Through terms and conditions, agreements, or
2 arrangements with a third party, collects payment in connection
3 with a retail sale of tangible personal property, services,
4 or specified digital products from a purchaser and transmits
5 that payment to the marketplace seller, regardless of whether
6 the person collecting and transmitting such payment receives
7 compensation or other consideration in exchange for the
8 service.

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

12 (2) "*Marketplace facilitator*" includes but is not limited
13 to a person who satisfies the requirements of this paragraph
14 through the ownership, operation, or control of a digital
15 distribution service, digital distribution platform, online
16 portal, or application store.

17 (3) A "*rental platform*", as defined in section 423C.2, that
18 meets the requirements described in section 423C.3, subsection
19 3, paragraph "c", subparagraph (2), shall not be considered
20 a "*marketplace facilitator*" with respect to any sale of a
21 transportation service under section 423.2, subsection 6,
22 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
23 consisting of the rental of vehicles subject to registration
24 which are registered for a gross weight of thirteen tons or
25 less for a period of sixty days or less.

26 c. "*Marketplace seller*" means any of the following:

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

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

1 2. In addition to and not in lieu of any application of
2 this chapter to sellers who are retailers and sellers who are
3 retailers maintaining a place of business in this state, any
4 person described in subsection 3, or the person's agents,
5 shall be considered a retailer in this state and a retailer
6 maintaining a place of business in this state for purposes of
7 this chapter on or after January 1, 2019, and shall be subject
8 to all requirements of this chapter imposed on retailers and
9 retailers maintaining a place of business in this state,
10 including but not limited to the requirement to collect and
11 remit sales and use taxes pursuant to sections 423.14 and
12 423.29, and local option taxes under chapter 423B.

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

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

19 *c.* (1) A retailer that owns, licenses, or uses software
20 or data files that are installed or stored on property used
21 in this state. For purposes of this subparagraph, "*software*
22 *or data files*" include but are not limited to software that is
23 affirmatively downloaded by a user, software that is downloaded
24 as a result of the use of a website, preloaded software, and
25 cookies.

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

31 (3) A retailer that provides, or enters into an agreement
32 with another person to provide, a content distribution network
33 in this state to facilitate, accelerate, or enhance the
34 delivery of the retailer's internet site to purchasers. For
35 purposes of this subparagraph, "*content distribution network*"

1 means a system of distributed servers that deliver internet
2 sites and other internet content to a user based on the
3 geographic location of the user, the origin of the internet
4 site or internet content, and a content delivery server.

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

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

14 (2) A marketplace facilitator shall collect sales and
15 use tax on the entire sales price or purchase price paid by
16 a purchaser on each Iowa sale subject to sales and use tax
17 that is made or facilitated by the marketplace facilitator,
18 regardless of whether the marketplace seller for whom an Iowa
19 sale is made or facilitated has or is required to have a
20 retail sales tax permit or would have been required to collect
21 sales and use tax had the sale not been facilitated by the
22 marketplace facilitator, and regardless of the amount of the
23 sales price or purchase price that will ultimately accrue
24 to or benefit the marketplace facilitator, the marketplace
25 seller, or any other person. This sales and use tax collection
26 responsibility of a marketplace facilitator applies but shall
27 not be limited to sales facilitated through a computer software
28 application, commonly referred to as in-app purchases, or
29 through another specified digital product.

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

35 (a) If the marketplace facilitator demonstrates to the

1 satisfaction of the department that the marketplace facilitator
2 has made a reasonable effort to obtain accurate information
3 from the marketplace seller about a retail sale and that
4 the failure to collect and remit the correct tax was due to
5 incorrect information provided to the marketplace facilitator
6 by the marketplace seller, then the marketplace facilitator
7 shall be relieved of liability for that retail sale. This
8 subparagraph division does not apply with regard to a retail
9 sale for which the marketplace facilitator is the seller or if
10 the marketplace facilitator and the seller are affiliates. For
11 Iowa sales for which a marketplace facilitator is relieved of
12 liability under this subparagraph division, the marketplace
13 seller and purchaser are liable for any amount of uncollected,
14 unpaid, or unremitted tax.

15 (b) (i) Subject to the limitation in subparagraph
16 subdivision (ii), if the marketplace facilitator demonstrates
17 to the satisfaction of the department that the Iowa sale was
18 made or facilitated for a marketplace seller prior to January
19 1, 2026, through a marketplace of the marketplace facilitator,
20 that the marketplace facilitator is not the seller and that
21 the marketplace facilitator and the seller are not affiliates,
22 and that the failure to collect sales and use tax was due to
23 an error other than an error in sourcing the sale. To the
24 extent that a marketplace facilitator is relieved of liability
25 for collection of sales and use tax under this subparagraph
26 division, the marketplace seller for whom the marketplace
27 facilitator has made or facilitated the Iowa sale is also
28 relieved of liability. The department may determine the manner
29 in which a marketplace facilitator or marketplace seller shall
30 claim the liability relief provided in this subparagraph
31 division.

32 (ii) The liability relief provided in subparagraph
33 subdivision (i) shall not exceed the following percentage
34 of the total sales and use tax due on Iowa sales made or
35 facilitated by a marketplace facilitator for marketplace

1 sellers and sourced to this state during a calendar year,
2 which Iowa sales shall not include sales by the marketplace
3 facilitator or affiliates of the marketplace facilitator:

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

6 (B) For Iowa sales made or facilitated during calendar years
7 2020 through 2024, five percent.

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

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

13 (d) A marketplace facilitator is deemed to be an agent
14 of any marketplace seller making retail sales through a
15 marketplace of the marketplace facilitator.

16 e. (1) A referrer if, for any immediately preceding
17 calendar year or a current calendar year, one hundred thousand
18 dollars or more in Iowa sales or two hundred or more separate
19 Iowa sales transactions result from referrals from a platform
20 of the referrer. A referrer is not required to collect and
21 remit sales and use tax pursuant to this paragraph if the
22 referrer does all of the following:

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

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

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

30 (iii) A statement that Iowa requires the purchaser to pay
31 sales or use tax and file sales or use tax returns if sales
32 or use tax is not collected at the time of the sale by the
33 marketplace seller.

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

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

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

8 (i) A statement that Iowa imposes a sales or use tax on Iowa
9 sales.

10 (ii) A statement that a marketplace facilitator or other
11 retailer making Iowa sales must collect and remit sales and use
12 tax.

13 (iii) Instructions for obtaining additional information
14 from the department regarding the collection and remittance of
15 Iowa sales and use tax.

16 (c) The referrer provides the department with monthly
17 reports in an electronic format and in the manner prescribed
18 by the department, which monthly reports contain all of the
19 following:

20 (i) A list of marketplace sellers who received the
21 referrer's notice under subparagraph division (b).

22 (ii) A list of marketplace sellers that collect and
23 remit Iowa sales and use tax and that list or advertise the
24 marketplace seller's products for sale on a platform of the
25 referrer.

26 (iii) An affidavit signed under penalty of perjury from
27 an officer of the referrer affirming that the referrer made
28 reasonable efforts to comply with the applicable sales and use
29 tax notice and reporting requirements of this subparagraph.

30 (2) A referrer is deemed to be an agent of any marketplace
31 seller making retail sales resulting from a referral of the
32 referrer.

33 (3) For purposes of this paragraph:

34 (a) "Platform" means an electronic or physical medium,
35 including but not limited to an internet site or catalog, that

1 is owned, operated, or controlled by a referrer.

2 (b) "Referral" means the transfer through telephone,
3 internet link, or other means by a referrer of a potential
4 customer to a retailer or seller who advertises or lists
5 products for sale on a platform of the referrer.

6 (c) (i) "Referrer" means a person who does all of the
7 following:

8 (A) Contracts or otherwise agrees with a retailer, seller,
9 or marketplace facilitator to list or advertise for sale a
10 product of the retailer, seller, or marketplace facilitator on
11 a platform, provided such listing or advertisement identifies
12 whether or not the retailer, seller, or marketplace facilitator
13 collects sales and use tax.

14 (B) Receives a commission, fee, or other consideration
15 from the retailer, seller, or marketplace facilitator for the
16 listing or advertisement.

17 (C) Provides referrals to a retailer, seller, or
18 marketplace facilitator, or an affiliate of a retailer, seller,
19 or marketplace facilitator.

20 (D) Does not collect money or other consideration from the
21 customer for the transaction.

22 (ii) "Referrer" does not include any of the following:

23 (A) A person primarily engaged in the business of printing
24 or publishing a newspaper.

25 (B) A person who does not provide the retailer's, seller's,
26 or marketplace facilitator's shipping terms and who does
27 not advertise whether a retailer, seller, or marketplace
28 facilitator collects sales or use tax.

29 (4) This paragraph only applies to referrals by a referrer
30 and shall not preclude the applicability of other provisions
31 of this section to a person who is a referrer and is also a
32 retailer, a marketplace facilitator, or a marketplace seller.

33 f. (1) A retailer that makes Iowa sales through the use of
34 a solicitor. For purposes of this paragraph, "solicitor" means
35 a person that directly or indirectly solicits business for a

1 retailer.

2 (2) (a) A retailer is deemed to have a solicitor in
3 this state if the retailer enters into an agreement with a
4 resident under which the resident, for a commission, fee, or
5 other similar consideration, directly or indirectly refers
6 potential customers, whether by link on an internet site,
7 or otherwise, to the retailer. This determination may be
8 rebutted by a showing of proof that the resident with whom the
9 retailer has an agreement did not engage in any solicitation
10 in this state on behalf of the retailer that would satisfy the
11 nexus requirement of the United States Constitution during the
12 calendar year in question.

13 (b) This subparagraph (2) shall not apply to a retailer that
14 has Iowa gross revenue from Iowa sales of ten thousand dollars
15 or less for an immediately preceding calendar year or a current
16 calendar year.

17 (c) For purposes of this subparagraph (2):

18 (i) "*Iowa gross revenue*" means gross revenue from Iowa
19 sales to purchasers who were referred to the retailer by all
20 solicitors who are residents.

21 (ii) "*Resident*" includes an individual who is a resident
22 of this state, as defined in section 422.4, and any business
23 that owns any tangible or intangible property with a situs in
24 this state, or that has one or more employees performing or
25 providing services for the business in this state.

26 (d) This paragraph "f" does not apply to chapter 422 and
27 does not expand or contract the state's jurisdiction to tax a
28 trade or business under chapter 422.

29 g. A retailer that owns, controls, rents, licenses, makes
30 available, or uses any tangible or intangible property in this
31 state or with a situs in this state, to make or otherwise
32 facilitate a retail sale.

33 h. (1) Any person that enters into a contract or agreement
34 with a governmental entity, including but not limited to
35 contracts for the provision of financial assistance or

1 incentives such as a tax credit, forgivable loan, grant, tax
2 rebate, or any other thing of value. For purposes of this
3 subparagraph, "*governmental entity*" means any unit of government
4 in the executive, legislative, or judicial branch, or any
5 political subdivision of the state, including but not limited
6 to a city, county, township, or school district.

7 (2) Every bid submitted and each contract or agreement
8 executed by a state agency shall contain a certification by
9 the bidder or contractor stating that the bidder or contractor
10 is registered with the department pursuant to this chapter
11 and will collect and remit Iowa sales and use tax due under
12 this chapter. In the certification, the bidder or contractor
13 shall also acknowledge that the state agency may declare the
14 contractor or bid void if the certification is false or becomes
15 false. Fraudulent certification, by act or omission, may
16 result in the state agency or its representative filing for
17 damages for breach of contract.

18 *i.* Any affiliate of any person that is required to collect
19 and remit sales and use tax under this chapter, provided the
20 affiliate makes retail sales.

21 Sec. 208. NEW SECTION. **423.14B Sales and use tax reporting**
22 **requirements — penalties.**

23 1. For purposes of this section, "*Iowa sales*" and
24 "*marketplace facilitator*" all mean the same as defined in
25 section 423.14A.

26 2. The department may, in its discretion, adopt rules
27 pursuant to chapter 17A establishing and imposing notice and
28 reporting requirements related to Iowa sales for retailers,
29 including but not limited to marketplace facilitators,
30 who do not collect and remit sales and use tax under this
31 chapter. The rules may include but are not limited to rules
32 requiring retailers, including but not limited to marketplace
33 facilitators, to do any of the following:

34 *a.* Notify purchasers at the time of an Iowa sales
35 transaction of sales and use tax obligations under this

1 chapter.

2 *b.* Provide purchasers with periodic reports of purchases
3 that are Iowa sales.

4 *c.* Provide the department with annual reports that include
5 but are not limited to information relating to purchases,
6 purchasers, and Iowa sales.

7 3. *a.* The department may adopt rules pursuant to chapter
8 17A establishing and imposing penalties as described in and
9 subject to the dollar limitations of paragraph "b", provided
10 that any such penalty shall include a procedure for waiver
11 of the penalty upon a showing of reasonable cause for such
12 failure.

13 *b.* (1) The department may impose penalties for failure to
14 provide a notification to a purchaser in the manner and form
15 prescribed by the department by rule. Such penalties shall not
16 exceed five dollars for each failure.

17 (2) The department may impose penalties for failure to
18 provide a purchaser with a periodic report of purchases in the
19 manner and form prescribed by the department by rule. Such
20 penalties shall not exceed ten dollars for each failure.

21 (3) The department may impose penalties for failure to
22 provide the department with an annual report in the manner
23 and form prescribed by the department. Such penalties shall
24 not exceed an amount per annual report equal to ten dollars
25 multiplied by the number of purchasers for whom information
26 should have been but was not included in the annual report.

27 Sec. 209. Section 423.15, unnumbered paragraph 1, Code
28 2018, is amended to read as follows:

29 All sales of ~~products~~ tangible personal property, services,
30 or specified digital products, except those sales enumerated
31 in section 423.16, shall be sourced according to this section
32 by sellers obligated to collect Iowa sales and use tax. The
33 sourcing rules described in this section apply to sales of
34 tangible personal property, specified digital ~~goods~~ products,
35 and all services other than telecommunications services. This

1 section only applies to determine a seller's obligation to pay
2 or collect and remit a Iowa sales or use tax with respect to
3 the seller's sale of a product. This section does not affect
4 the obligation of a purchaser or lessee to remit tax on the use
5 of the product to the taxing jurisdictions in which the use
6 occurs. A seller's obligation to collect Iowa sales tax or
7 Iowa use tax only occurs if the sale is sourced to this state.
8 ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall~~
9 ~~be determined based on the location at which the sale is~~
10 ~~consummated by delivery or, in the case of a service, where the~~
11 ~~first use of the service occurs~~ made by a seller subject to
12 section 423.1, subsection 48, or section 423.14A.

13 Sec. 210. Section 423.15, subsection 1, paragraph e, Code
14 2018, is amended to read as follows:

15 e. When paragraphs "a", "b", "c", and "d" do not apply,
16 including the circumstance where the seller is without
17 sufficient information to apply the previous rules, then the
18 location will be determined by the address from which tangible
19 personal property was shipped, from which the specified digital
20 ~~good~~ product or the computer software delivered electronically
21 was first available for transmission by the seller, or from
22 which the service was provided disregarding for these purposes
23 any location that merely provided the digital transfer of the
24 product sold.

25 Sec. 211. Section 423.22, Code 2018, is amended to read as
26 follows:

27 **423.22 Taxation in another state.**

28 If any person who causes tangible personal property or
29 specified digital products to be brought into this state or
30 who uses in this state services enumerated in section 423.2
31 has already paid a tax in another state in respect to the sale
32 or use of the property or the performance of the service, or
33 an occupation tax in respect to the property or service, in
34 an amount less than the tax imposed by subchapter II or III,
35 the provisions of those subchapters shall apply, but at a rate

1 measured by the difference only between the rate fixed by
2 subchapter II or III and the rate by which the previous tax on
3 the sale or use, or the occupation tax, was computed. If the
4 tax imposed and paid in the other state is equal to or more than
5 the tax imposed by those subchapters, then a tax is not due in
6 this state on the personal property or service.

7 Sec. 212. Section 423.29, subsection 1, Code 2018, is
8 amended to read as follows:

9 1. Every seller who is a retailer and who is making taxable
10 sales of tangible personal property or specified digital
11 products in Iowa shall, at the time of ~~selling the property~~
12 making the sale, collect the sales tax. Every seller who
13 is a retailer ~~maintaining a place of business in this state~~
14 that is not otherwise required to collect sales tax under the
15 provisions of this chapter and who is selling tangible personal
16 property or specified digital products for use in Iowa shall,
17 at the time of making the sale, whether within or without the
18 state, collect the use tax. Sellers required to collect sales
19 or use tax shall give to any purchaser a receipt for the tax
20 collected in the manner and form prescribed by the director.

21 Sec. 213. Section 423.30, subsection 1, Code 2018, is
22 amended to read as follows:

23 1. The director may, upon application, authorize the
24 collection of the use tax by any seller who is a retailer not
25 maintaining a place of business within this state and not
26 registered under the agreement, who, to the satisfaction of
27 the director, furnishes adequate security to ensure collection
28 and payment of the tax. Such sellers shall be issued, without
29 charge, permits to collect tax subject to any regulations
30 which the director shall prescribe. When so authorized, it
31 shall be the duty of foreign sellers to collect the tax upon
32 all tangible personal property and specified digital products
33 sold, to the retailer's knowledge, for use within this state,
34 in the same manner and subject to the same requirements as a
35 retailer maintaining a place of business within this state.

1 The authority and permit may be canceled when, at any time, the
2 director considers the security inadequate, or that tax can
3 more effectively be collected from the person using property
4 in this state.

5 Sec. 214. Section 423.31, subsection 1, Code 2018, is
6 amended to read as follows:

7 1. Each person subject to this section and section 423.36
8 and in accordance with the provisions of this section and
9 section 423.36 shall, on or before the last day of the month
10 following the close of each calendar quarter during which
11 such person is or has become or ceased being subject to the
12 provisions of this section and section 423.36, make, sign, and
13 file a return for the calendar quarter in the form as may be
14 required. Returns shall show information relating to sales
15 prices including ~~goods, wares,~~ tangible personal property,
16 specified digital products, and services converted to the
17 use of such person, the amounts of sales prices excluded and
18 exempt from the tax, the amounts of sales prices subject to
19 tax, a calculation of tax due, and any other information for
20 the period covered by the return as may be required. Returns
21 shall be signed by the retailer or the retailer's authorized
22 agent and must be certified by the retailer to be correct in
23 accordance with forms and rules prescribed by the director.

24 Sec. 215. Section 423.31, subsection 5, paragraph a, Code
25 2018, is amended to read as follows:

26 a. Upon making application and receiving approval from
27 the director, a ~~parent corporation~~ person and its affiliated
28 ~~corporations~~ affiliates that make retail sales of tangible
29 personal property, specified digital products, or taxable
30 enumerated services may make deposits and file a consolidated
31 sales tax return for the affiliated group, pursuant to rules
32 adopted by the director. A ~~parent corporation~~ person and each
33 ~~affiliate corporation~~ that files a consolidated return are
34 jointly and severally liable for all tax, penalty, and interest
35 found due for the tax period for which a consolidated return is

1 filed or required to be filed.

2 Sec. 216. Section 423.32, subsection 1, paragraph b, Code
3 2018, is amended to read as follows:

4 *b.* The deposit form is due on or before the twentieth day of
5 the month following the month of collection, except a deposit
6 is not required for the third month of the calendar quarter,
7 and the total quarterly amount, less the amounts deposited for
8 the first two months of the quarter, is due with the quarterly
9 report on the last day of the month following the month of
10 collection. At that time, the retailer shall file with the
11 department a return for the preceding quarterly period in the
12 form prescribed by the director showing the purchase price of
13 the tangible personal property, specified digital products, and
14 services sold by the retailer during the preceding quarterly
15 period, the use of which is subject to the use tax imposed
16 by this chapter, and other information the director deems
17 necessary for the proper administration of the use tax.

18 Sec. 217. Section 423.33, subsection 3, Code 2018, is
19 amended to read as follows:

20 3. *Event sponsor's liability for sales tax.* A person
21 sponsoring a flea market or a craft, antique, coin, or stamp
22 show or similar event shall obtain from every retailer selling
23 tangible personal property, specified digital products,
24 or taxable services at the event proof that the retailer
25 possesses a valid sales tax permit or secure from the retailer
26 a statement, taken in good faith, that tangible personal
27 property, specified digital products, or services offered for
28 sale are not subject to sales tax. Failure to do so renders
29 a sponsor of the event liable for payment of any sales tax,
30 interest, and penalty due and owing from any retailer selling
31 property or services at the event. Sections 423.31, 423.32,
32 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
33 sponsors. For purposes of this subsection, a "*person sponsoring*
34 *a flea market or a craft, antique, coin, or stamp show or similar*
35 *event*" does not include an organization which sponsors an

1 event determined to qualify as an event involving casual sales
2 pursuant to section 423.3, subsection 39, or the state fair or
3 a fair as defined in section 174.1.

4 Sec. 218. Section 423.33, Code 2018, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 4. *Liability of affiliates.*

7 a. Notwithstanding any other provision of law to the
8 contrary, if any retailer required to collect and remit sales
9 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
10 or any other provision of this chapter, fails to do so, all
11 affiliates that directly, indirectly, or constructively control
12 the retailer shall be jointly and severally liable for any tax,
13 penalty, and interest under this chapter, regardless of whether
14 the affiliate is a retailer.

15 b. Pursuant to paragraph "a", the department may elect
16 to assess the full amount of any tax, penalty, and interest
17 against the retailer, an affiliate of the retailer described
18 in paragraph "a", or any combination of the retailer and the
19 retailer's affiliates described in paragraph "a".

20 c. Notwithstanding any other provision of law to the
21 contrary, the department has the discretion to deem an
22 affiliate of a retailer an agent or alter ego of that retailer.

23 d. Notwithstanding any other provision of law to the
24 contrary, the department has the discretion to disregard or
25 look through any organizational structure of an enterprise in
26 order to assess and collect any tax, penalty, and interest
27 against an affiliate that is acting to benefit an affiliate or
28 an enterprise of which the affiliate is a part.

29 Sec. 219. Section 423.34, Code 2018, is amended to read as
30 follows:

31 **423.34 Liability of user.**

32 Any person who uses any tangible personal property,
33 specified digital products, or services enumerated in section
34 423.2 upon which the use tax has not been paid, either to the
35 county treasurer or to a retailer or direct to the department

1 as required by this subchapter, shall be liable for the payment
2 of tax, and shall on or before the last day of the month next
3 succeeding each quarterly period pay the use tax upon all
4 property or services used by the person during the preceding
5 quarterly period in the manner and accompanied by such returns
6 as the director shall prescribe. All of the provisions of
7 sections 423.32 and 423.33 with reference to the returns and
8 payments shall be applicable to the returns and payments
9 required by this section.

10 Sec. 220. Section 423.36, subsection 1, Code 2018, is
11 amended to read as follows:

12 1. A person shall not engage in or transact business as a
13 retailer making taxable sales of tangible personal property,
14 specified digital products, or furnishing services within
15 this state or as a retailer making taxable sales of tangible
16 personal property, specified digital products, or furnishing
17 services for use within this state, unless a permit has been
18 issued to the retailer under this section, except as provided
19 in subsection 7. Every person desiring to engage in or
20 transact business as a retailer shall file with the department
21 an application for a permit to collect sales or use tax. Every
22 application for a sales or use tax permit shall be made upon
23 a form prescribed by the director and shall set forth any
24 information the director may require. The application shall
25 be signed by an owner of the business if a natural person; in
26 the case of a retailer which is an association or partnership,
27 by a member or partner; and in the case of a retailer which
28 is a corporation, by an executive officer or some person
29 specifically authorized by the corporation to sign the
30 application, to which shall be attached the written evidence of
31 the person's authority.

32 Sec. 221. Section 423.36, subsection 2, paragraph a, Code
33 2018, is amended to read as follows:

34 a. Notwithstanding subsection 1, if any person will make
35 taxable sales of tangible personal property, specified digital

1 products, or furnish services to any state agency, that person
2 shall, prior to the sale, apply for and receive a permit to
3 collect sales or use tax pursuant to this section. A state
4 agency shall not purchase tangible personal property, specified
5 digital products, or services from any person unless that
6 person has a valid, unexpired permit issued pursuant to this
7 section and is in compliance with all other requirements in
8 this chapter imposed upon retailers, including but not limited
9 to the requirement to collect and remit sales and use tax and
10 file sales and use tax returns.

11 Sec. 222. Section 423.36, subsection 7, paragraph b, Code
12 2018, is amended to read as follows:

13 b. Persons engaged in selling tangible personal property,
14 specified digital products, or furnishing services shall not be
15 required to obtain or retain a sales tax permit for a place of
16 business at which taxable sales of tangible personal property,
17 specified digital products, or taxable performance of services
18 will not occur.

19 Sec. 223. Section 423.36, subsection 9, paragraph a, Code
20 2018, is amended to read as follows:

21 a. Except as provided in paragraph "b", purchasers, users,
22 and consumers of tangible personal property, specified digital
23 products, or enumerated services taxed pursuant to subchapter
24 II or III of this chapter or chapter 423B may be authorized,
25 pursuant to rules adopted by the director, to remit tax owed
26 directly to the department instead of the tax being collected
27 and paid by the seller. To qualify for a direct pay tax permit,
28 the purchaser, user, or consumer must accrue a tax liability
29 of more than four thousand dollars in tax under subchapters
30 II and III in a semimonthly period and make deposits and file
31 returns pursuant to section 423.31. This authority shall not
32 be granted or exercised except upon application to the director
33 and then only after issuance by the director of a direct pay
34 tax permit.

35 Sec. 224. Section 423.40, subsection 2, Code 2018, is

1 amended to read as follows:

2 2. a. Any person who knowingly sells tangible personal
3 property, specified digital products, tickets or admissions
4 to places of amusement and athletic events, or gas, water,
5 electricity, or communication service at retail, or engages in
6 the furnishing of services enumerated in section 423.2, in this
7 state without procuring a permit to collect tax, as provided
8 in section 423.36, or who violates section 423.24 and the
9 officers of any corporation who so act are guilty of a serious
10 misdemeanor.

11 b. A person who knowingly sells tangible personal property,
12 specified digital products, tickets or admissions to places of
13 amusement and athletic events, or gas, water, electricity, or
14 communication service at retail, or engages in the furnishing
15 of services enumerated in section 423.2, in this state after
16 the person's sales tax permit has been revoked and before it
17 has been restored as provided in section 423.36, subsection 6,
18 and the officers of any corporation who so act are guilty of an
19 aggravated misdemeanor.

20 Sec. 225. Section 423.41, Code 2018, is amended to read as
21 follows:

22 **423.41 Books — examination.**

23 Every retailer required or authorized to collect taxes
24 imposed by this chapter and every person using in this state
25 tangible personal property, specified digital products,
26 services, or the product of services shall keep records,
27 receipts, invoices, and other pertinent papers as the director
28 shall require, in the form that the director shall require,
29 for as long as the director has the authority to examine and
30 determine tax due. The director or any duly authorized agent
31 of the department may examine the books, papers, records,
32 and equipment of any person ~~either~~ selling tangible personal
33 property, specified digital products, or services or liable
34 for the tax imposed by this chapter, and investigate the
35 character of the business of any person in order to verify

1 the accuracy of any return made, or if a return was not made
2 by the person, ascertain and determine the amount due under
3 this chapter. These books, papers, and records shall be made
4 available within this state for examination upon reasonable
5 notice when the director deems it advisable and so orders. If
6 the taxpayer maintains any records in an electronic format,
7 the taxpayer shall comply with reasonable requests by the
8 director or the director's authorized agents to provide those
9 electronic records in a standard record format. The preceding
10 requirements shall likewise apply to users and persons
11 furnishing services enumerated in section 423.2.

12 Sec. 226. Section 423.45, subsection 4, paragraphs a, b, and
13 e, Code 2018, are amended to read as follows:

14 a. The department shall issue or the seller may separately
15 provide exemption certificates in the form prescribed by the
16 director, including certificates not made of paper, which
17 conform to the requirements of paragraph "c", to assist
18 retailers in properly accounting for nontaxable sales of
19 tangible personal property, specified digital products,
20 or services to purchasers for a nontaxable purpose. The
21 department shall also allow the use of exemption certificates
22 for those circumstances in which a sale is taxable but the
23 seller is not obligated to collect tax from the buyer.

24 b. The sales tax liability for all sales of tangible
25 personal property and specified digital products and all sales
26 of services is upon the seller and the purchaser unless the
27 seller takes from the purchaser a valid exemption certificate
28 stating under penalty of perjury that the purchase is for a
29 nontaxable purpose and is not a retail sale as defined in
30 section 423.1, or the seller is not obligated to collect tax
31 due, or unless the seller takes a fuel exemption certificate
32 pursuant to subsection 5. If the tangible personal property,
33 specified digital products, or services are purchased tax free
34 pursuant to a valid exemption certificate and the tangible
35 personal property, specified digital products, or services are

1 used or disposed of by the purchaser in a nonexempt manner, the
2 purchaser is solely liable for the taxes and shall remit the
3 taxes directly to the department and sections 423.31, 423.32,
4 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
5 to the purchaser.

6 e. If the circumstances change and as a result the tangible
7 personal property, specified digital products, or services are
8 used or disposed of by the purchaser in a nonexempt manner or
9 the purchaser becomes obligated to pay the tax, the purchaser
10 is liable solely for the taxes and shall remit the taxes
11 directly to the department in accordance with this subsection.

12 Sec. 227. Section 423.57, Code 2018, is amended to read as
13 follows:

14 **423.57 Statutes applicable.**

15 The director shall administer this subchapter as it relates
16 to the taxes imposed in this chapter in the same manner and
17 subject to all the provisions of, and all of the powers,
18 duties, authority, and restrictions contained in sections
19 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,
20 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,
21 423.32, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,
22 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection
23 1, and sections 423.45, 423.46, and 423.47.

24 Sec. 228. Section 423.58, Code 2018, is amended to read as
25 follows:

26 **423.58 Collection, permit, and tax return exemption for
27 certain out-of-state businesses.**

28 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,
29 423.31, 423.32, and 423.36, a person meeting the requirements
30 of section 29C.24 is not required to obtain a sales or use tax
31 permit, collect and remit sales and use tax, or make and file
32 applicable sales or use tax returns, as provided in section
33 29C.24, subsection 3, paragraph "a", subparagraph (2).

34 Sec. 229. Section 423B.5, subsection 1, Code 2018, is
35 amended to read as follows:

1 1. A local sales and services tax at the rate of not more
2 than one percent may be imposed by a county on the sales price
3 taxed by the state under chapter 423, subchapter II. A local
4 sales and services tax shall be imposed on the same basis as
5 the state sales and services tax or in the case of the use of
6 natural gas, natural gas service, electricity, or electric
7 service on the same basis as the state use tax and shall not
8 be imposed on the sale of any property or on any service not
9 taxed by the state, except the tax shall not be imposed on
10 the sales price from the sale of motor fuel or special fuel
11 as defined in chapter 452A which is consumed for highway use
12 or in watercraft or aircraft if the fuel tax is paid on the
13 transaction and a refund has not or will not be allowed, on the
14 sales price from the sale of equipment by the state department
15 of transportation, or on the sales price from the sale or use
16 of natural gas, natural gas service, electricity, or electric
17 service in a city or county where the sales price from the sale
18 of natural gas or electric energy is subject to a franchise
19 fee or user fee during the period the franchise or user fee
20 is imposed. A local sales and services tax is applicable
21 to transactions within those incorporated and unincorporated
22 areas of the county where it is imposed ~~and~~, which transactions
23 include but are not limited to sales sourced pursuant to
24 section 423.15, 423.17, 423.19, or 423.20, to a location within
25 that city or unincorporated area of the county. The tax shall
26 be collected by all persons required to collect state sales
27 taxes. All cities contiguous to each other shall be treated
28 as part of one incorporated area and the tax would be imposed
29 in each of those contiguous cities only if the majority of
30 those voting in the total area covered by the contiguous cities
31 favors its imposition. In the case of a local sales and
32 services tax submitted to the registered voters of two or more
33 contiguous counties as provided in section 423B.1, subsection
34 4, paragraph "c", all cities contiguous to each other shall be
35 treated as part of one incorporated area, even if the corporate

1 boundaries of one or more of the cities include areas of more
2 than one county, and the tax shall be imposed in each of those
3 contiguous cities only if a majority of those voting on the tax
4 in the total area covered by the contiguous cities favored its
5 imposition.

6 Sec. 230. Section 423B.6, subsection 2, paragraph b, Code
7 2018, is amended to read as follows:

8 b. The ordinance of a county board of supervisors imposing
9 a local sales and services tax shall adopt by reference the
10 applicable provisions of the appropriate sections of chapter
11 423. All powers and requirements of the director to administer
12 the state sales tax law and use tax law are applicable to the
13 administration of a local sales and services tax law and the
14 local excise tax, including but not limited to the provisions
15 of section 422.25, subsection 4, sections 422.30, 422.67,
16 and 422.68, section 422.69, subsection 1, sections 422.70
17 through 422.75, section 423.14, subsection 1 and subsection
18 2, paragraphs "b" through "e", and sections 423.14A, 423.15,
19 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through
20 423.42, 423.46, and 423.47. Local officials shall confer
21 with the director of revenue for assistance in drafting the
22 ordinance imposing a local sales and services tax. A certified
23 copy of the ordinance shall be filed with the director as soon
24 as possible after passage.

25 Sec. 231. LEGISLATIVE INTENT. It is the intent of the
26 general assembly that the provisions of this division of this
27 Act amending the definition of "place of business" in section
28 423.1, subsection 37, and "sales" in section 423.1, subsection
29 50, enacting definitions of "sold at retail in the state" in
30 section 423.1, subsection 55A, and "subscription" in section
31 423.1, subsection 57A, and amending the enumerated service of
32 pay television in 423.2, subsection 6, paragraph "a1", are
33 conforming amendments consistent with current state law, and
34 that the amendments do not change the application of current
35 law but instead reflect current law both before and after the

1 enactment of this division of this Act.

2 Sec. 232. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF
3 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of
4 this Act relating to the imposition of tax on the sale or use of
5 "specified digital products", as defined in this division of
6 this Act, shall not be construed as affecting the taxability
7 or nontaxability under other provisions of existing law of
8 sales or uses occurring prior to the enactment of this division
9 of this Act of products meeting the definition of "specified
10 digital products", as defined in this division of this Act.

11 Sec. 233. EFFECTIVE DATE. Except as otherwise provided
12 in this division of this Act, this division of this Act takes
13 effect January 1, 2019.

14 Sec. 234. EFFECTIVE DATE. The following, being deemed of
15 immediate importance, take effect upon enactment:

16 1. The sections of this division of this Act amending
17 section 423.1, subsections 37 and 50.

18 2. The sections of this division of this Act enacting
19 section 423.1, subsections 55A and 57A.

20 3. The section of this division of this Act amending section
21 423.3, subsection 47, paragraph "d", subparagraph (4).

22 4. The provision amending the enumerated service of pay
23 television to include but not be limited to streaming video,
24 video on-demand, and pay-per-view, in the section of this
25 division of this Act amending section 423.2, subsection 6, by
26 designating paragraph "a1".

27 5. The section of this division of this Act entitled
28 "legislative intent" which describes the intent of the general
29 assembly with respect to certain amendments in this division of
30 this Act to the definition of "place of business" in section
31 423.1, subsection 37, "sales" in section 423.1, subsection 50,
32 the enactment of a definition for "subscription" in section
33 423.1, subsection 57A, and "sold at retail" in section 423.1,
34 subsection 55A, and amendments to the enumerated service of pay
35 television in section 423.2, subsection 6, paragraph "a1".

1 majority of those voting in the area on the tax favors its
2 imposition. For purposes of the local sales and services tax,
3 all cities contiguous to each other shall be treated as part of
4 one incorporated area and the tax would be imposed in each of
5 those contiguous cities only if the majority of those voting
6 in the total area covered by the contiguous cities favors its
7 imposition. ~~In the case of a local sales and services tax~~
8 ~~submitted to the registered voters of two or more contiguous~~
9 ~~counties as provided in subsection 4, paragraph "c", all cities~~
10 ~~contiguous to each other shall be treated as part of one~~
11 ~~incorporated area, even if the corporate boundaries of one or~~
12 ~~more of the cities include areas of more than one county, and~~
13 ~~the tax shall be imposed in each of those contiguous cities~~
14 ~~only if a majority of those voting on the tax in the total area~~
15 ~~covered by the contiguous cities favored its imposition. For~~
16 purposes of the local sales and services tax, a city is not
17 contiguous to another city if the only road access between the
18 two cities is through another state.

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

31 4. a. (1) A The county board of supervisors shall direct
32 within thirty days the county commissioner of elections to
33 submit the question of imposition of a local vehicle tax ~~or~~
34 ~~a local sales and services tax~~ to the registered voters of
35 the incorporated and unincorporated areas of the county upon

1 receipt of a petition, requesting imposition of a local vehicle
2 tax ~~or a local sales and services tax~~, signed by eligible
3 electors of the whole county equal in number to five percent of
4 the persons in the whole county who voted at the last preceding
5 general election. ~~In the case of a local vehicle tax, the~~ The
6 petition requesting imposition shall specify the rate of tax
7 and the classes, if any, that are to be exempt. If more than
8 one valid petition is received, the earliest received petition
9 shall be used.

10 (2) The county board of supervisors shall direct within
11 thirty days the county commissioner of elections to submit the
12 question of imposition of a local sales and services tax to the
13 registered voters of the incorporated and unincorporated areas
14 of the county upon receipt of a petition requesting imposition
15 of a local sales and services tax, signed by eligible electors
16 of the whole county equal in number to five percent of the
17 persons in the whole county who voted at the last preceding
18 general election. If more than one valid petition is received,
19 the earliest received petition shall be used.

20 (3) In lieu of the petition requirement of subparagraph
21 (2), the county board of supervisors for a county that is a
22 qualified county shall direct within thirty days the county
23 commissioner of elections to submit the question of imposition
24 of a local sales and services tax to the registered voters of a
25 city, or the portion thereof located in the county, or to the
26 registered voters of the unincorporated area of the county upon
27 receipt by the board of supervisors of a petition requesting
28 imposition of a local sales and services tax, signed by
29 eligible electors of the city, or the portion thereof located
30 in the county, or eligible electors of the unincorporated area
31 of the county, as applicable, equal in number to five percent
32 of the persons in the city, or applicable portion thereof, or
33 in the unincorporated area of the county who voted at the last
34 preceding general election. If more than one valid petition
35 is received for a city or for the unincorporated area of the

1 county, the earliest received petition shall be used. This
2 subparagraph applies to petitions received on or after January
3 1, 2019.

4 b. (1) The question of the imposition of a local sales
5 and services tax shall be submitted to the registered voters
6 of the incorporated and unincorporated areas of the county
7 upon receipt by the county commissioner of elections of the
8 motion or motions, requesting such submission, adopted by
9 the governing body or bodies of the city or cities located
10 within the county or of the county, for the unincorporated
11 areas of the county, representing at least one half of the
12 population of the county. Upon adoption of such motion, the
13 governing body of the city or county, for the unincorporated
14 areas, shall submit the motion to the county commissioner of
15 elections and in the case of the governing body of the city
16 shall notify the board of supervisors of the adoption of the
17 motion. The county commissioner of elections shall keep a file
18 on all the motions received and, upon reaching the population
19 requirements, shall publish notice of the ballot proposition
20 concerning the imposition of the local sales and services tax.
21 A motion ceases to be valid at the time of the holding of the
22 regular election for the election of members of the governing
23 body ~~which~~ that adopted the motion. The county commissioner of
24 elections shall eliminate from the file any motion that ceases
25 to be valid.

26 (2) In lieu of the motion requirements of subparagraph (1),
27 the question of the imposition of a local sales and services
28 tax shall be submitted to the registered voters of a city
29 located in a county that is a qualified county, or the portion
30 thereof located in the county, or to the registered voters
31 of the unincorporated area of a county that is a qualified
32 county upon receipt by the county commissioner of elections of
33 a motion requesting such submission, adopted by the governing
34 body of the city or the county for the unincorporated area of
35 the county, as applicable. Upon adoption of such motion, the

1 governing body of the city or county for the unincorporated
2 area shall submit the motion to the county commissioner of
3 elections. The county commissioner of elections shall publish
4 notice of the ballot proposition concerning the imposition of
5 the local sales and services tax. This subparagraph applies to
6 motions received by the county commissioner of elections on or
7 after January 1, 2019.

8 (3) ~~The manner methods~~ provided under this paragraph for the
9 submission of the question of imposition of a local sales and
10 services tax ~~is an alternative~~ are alternatives to the manner
11 methods provided in paragraph "a".

12 ~~c. Upon receipt of petitions or motions calling for the~~
13 ~~submission of the question of the imposition of a local sales~~
14 ~~and services tax as described in paragraph "a" or "b", the~~
15 ~~boards of supervisors of two or more contiguous counties in~~
16 ~~which the question is to be submitted may enter into a joint~~
17 ~~agreement providing that for purposes of this chapter, a~~
18 ~~city whose corporate boundaries include areas of more than~~
19 ~~one county shall be treated as part of the county in which a~~
20 ~~majority of the residents of the city reside. In such event,~~
21 ~~the county commissioners of elections from each such county~~
22 ~~shall cooperate in the selection of a single date upon which~~
23 ~~the election shall be held, and for all purposes of this~~
24 ~~chapter relating to the imposition, repeal, change of use,~~
25 ~~or collection of the tax, such a city shall be deemed to be~~
26 ~~part of the county in which a majority of the residents of the~~
27 ~~city reside. A copy of the joint agreement shall be provided~~
28 ~~promptly to the director of revenue.~~

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

35 b. The ballot proposition shall specify the type and rate of

1 tax and, in the case of a vehicle tax, the classes that will be
2 exempt and, in the case of a local sales and services tax, the
3 date it will be imposed which date shall not be earlier than
4 ninety days following the election. The ballot proposition
5 shall also specify the approximate amount of local option tax
6 revenues that will be used for property tax relief, subject to
7 the requirement of section 423B.7, subsection 7, paragraph "b",
8 and shall contain a statement as to the specific purpose or
9 purposes for which the revenues shall otherwise be expended.
10 If the county board of supervisors or governing body of the
11 city, as applicable, decides under subsection 6 to specify a
12 date on which the local option sales and services tax shall
13 automatically be repealed, the date of the repeal shall also be
14 specified on the ballot.

15 c. The rate of the vehicle tax shall be in increments of one
16 dollar per vehicle as set by the petition seeking to impose the
17 tax.

18 d. The rate of a local sales and services tax shall ~~not~~ be
19 ~~more than one percent as set by the governing body.~~

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

23 Sec. 238. Section 423B.1, subsection 6, paragraph a,
24 subparagraph (1), Code 2018, is amended by striking the
25 subparagraph.

26 Sec. 239. Section 423B.1, subsection 6, paragraph a,
27 subparagraphs (2) and (3), Code 2018, are amended to read as
28 follows:

29 (2) (a) ~~The A~~ local option tax may be repealed or the
30 rate of the local vehicle tax increased or decreased or the
31 use thereof of a local option tax changed after an election at
32 which a majority of those voting on the question of repeal or
33 rate or use change ~~avored~~ favors the repeal or rate or use
34 change.

35 (b) The date on which the repeal, rate, or use change is

1 to take effect shall not be earlier than ninety days following
2 the election. The election at which the question of repeal
3 or rate or use change is offered shall be called and held in
4 the same manner and under the same conditions as provided in
5 subsections 4 and 5 for the election on the imposition of the
6 local option tax. However, in the case of a local sales and
7 services tax where the tax has not been imposed countywide, the
8 question of repeal or imposition ~~or rate~~ or use change shall
9 be voted on only by the registered voters of the areas of the
10 county where the tax has been imposed or has not been imposed,
11 as appropriate.

12 (c) ~~However, the~~ The governing body of the ~~incorporated~~
13 ~~area~~ city or unincorporated area where the local sales and
14 services tax is imposed may, upon its own motion, request the
15 county commissioner of elections to hold an election in the
16 ~~incorporated~~ city, or portion thereof located in the county,
17 or unincorporated area, as appropriate, on the question of the
18 change in use of local sales and services tax revenues. The
19 election may be held at any time but not sooner than sixty days
20 following publication of the ballot proposition. If a majority
21 of those voting in the ~~incorporated~~ city, or portion thereof
22 located in the county, or unincorporated area on the change in
23 use favors the change, the governing body of that area shall
24 change the use to which the revenues shall be used. The ballot
25 proposition shall list the present use of the revenues, the
26 proposed use, and the date after which revenues received will
27 be used for the new use.

28 (3) When submitting the question of the imposition of a
29 local sales and services tax, the ~~county~~ board of supervisors
30 or if the election is initiated under subsection 4, paragraph
31 "a", subparagraph (3), or subsection 4, paragraph "b",
32 subparagraph (2), the governing board of a city, may direct
33 that the question contain a provision for the repeal, without
34 election, of the local sales and services tax on a specific
35 date, which date shall be as provided in section 423B.6,

1 subsection 1.

2 Sec. 240. Section 423B.1, subsection 7, paragraph b, Code
3 2018, is amended to read as follows:

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

10 Sec. 241. Section 423B.1, subsection 8, Code 2018, is
11 amended by striking the subsection.

12 Sec. 242. Section 423B.1, subsections 9 and 10, Code 2018,
13 are amended to read as follows:

14 9. *a.* In a county that has imposed a local option sales and
15 services tax, the board of supervisors shall, notwithstanding
16 any contrary provision of this chapter, repeal the local
17 option sales and services tax in the unincorporated areas or
18 in an incorporated city area in which the tax has been imposed
19 upon adoption of ~~its~~ the board's own motion for repeal in the
20 unincorporated areas or upon receipt of a motion adopted by
21 the governing body of that incorporated city area requesting
22 repeal. The board of supervisors shall repeal the local
23 option sales and services tax effective on the ~~later of the~~
24 ~~date of the adoption of the repeal motion or the earliest date~~
25 specified in section 423B.6, subsection 1, following adoption
26 of the motion. For purposes of this ~~subsection~~ paragraph,
27 incorporated city area includes an incorporated city which is
28 contiguous to another incorporated city.

29 *b.* If imposition of the local option sales and services tax
30 is initiated under subsection 4, paragraph "a", subparagraph
31 (3), or subsection 4, paragraph "b", subparagraph (2),
32 notwithstanding any contrary provision of this chapter, the
33 board of supervisors may repeal the local sales and services
34 tax in a city, or portion thereof located in the county, upon
35 receipt of a motion adopted by the governing board of the city

1 requesting the repeal. The board of supervisors shall repeal
2 the local sales and services tax effective on the earliest date
3 specified in section 423B.6, subsection 1, following adoption
4 of the motion.

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

13 Sec. 243. Section 423B.5, subsections 1 and 4, Code 2018,
14 are amended to read as follows:

15 1. A local sales and services tax ~~at the rate of not more~~
16 ~~than one percent~~ may be imposed by a county on the sales price
17 taxed by the state under chapter 423, subchapter II. A local
18 sales and services tax shall be imposed on the same basis as
19 the state sales and services tax or in the case of the use of
20 natural gas, natural gas service, electricity, or electric
21 service on the same basis as the state use tax and shall not
22 be imposed on the sale of any property or on any service not
23 taxed by the state, except the tax shall not be imposed on
24 the sales price from the sale of motor fuel or special fuel
25 as defined in chapter 452A which is consumed for highway use
26 or in watercraft or aircraft if the fuel tax is paid on the
27 transaction and a refund has not or will not be allowed,
28 on the sales price from the sale of equipment by the state
29 department of transportation, or on the sales price from the
30 sale or use of natural gas, natural gas service, electricity,
31 or electric service in a city or county where the sales price
32 from the sale of natural gas or electric energy is subject to
33 a franchise fee or user fee during the period the franchise
34 or user fee is imposed. A local sales and services tax is
35 applicable to transactions within those ~~incorporated~~ cities

1 and unincorporated areas of the county where it is imposed and
2 shall be collected by all persons required to collect state
3 sales taxes. ~~All cities contiguous to each other shall be~~
4 ~~treated as part of one incorporated area and the tax would be~~
5 ~~imposed in each of those contiguous cities only if the majority~~
6 ~~of those voting in the total area covered by the contiguous~~
7 ~~cities favors its imposition. In the case of a local sales and~~
8 ~~services tax submitted to the registered voters of two or more~~
9 ~~contiguous counties as provided in section 423B.1, subsection~~
10 ~~4, paragraph "c", all cities contiguous to each other shall be~~
11 ~~treated as part of one incorporated area, even if the corporate~~
12 ~~boundaries of one or more of the cities include areas of more~~
13 ~~than one county, and the tax shall be imposed in each of those~~
14 ~~contiguous cities only if a majority of those voting on the~~
15 ~~tax in the total area covered by the contiguous cities favored~~
16 ~~its imposition. However, a local sales and services tax is~~
17 not applicable to transactions sourced under chapter 423 to a
18 place of business, as defined in section 423.1, of a retailer
19 if such place of business is located in part within a city or
20 unincorporated area of the county where the tax is not imposed.

21 4. If a local sales and services tax is imposed by a county
22 pursuant to this chapter, a local excise tax at the same rate
23 shall be imposed by the county on the purchase price of natural
24 gas, natural gas service, electricity, or electric service
25 subject to tax under chapter 423, subchapter III, and not
26 exempted from tax by any provision of chapter 423, subchapter
27 III. The local excise tax is applicable only to the use of
28 natural gas, natural gas service, electricity, or electric
29 service within those ~~incorporated~~ cities and unincorporated
30 areas of the county where it is imposed and, except as
31 otherwise provided in this chapter, shall be collected and
32 administered in the same manner as the local sales and services
33 tax. For purposes of this chapter, "*local sales and services*
34 *tax*" shall also include the local excise tax.

35 Sec. 244. Section 423B.6, subsection 1, paragraph c, Code

1 2018, is amended to read as follows:

2 *c.* The imposition of ~~or a rate change for~~ a local sales and
3 services tax shall not be applied to purchases from a printed
4 catalog wherein a purchaser computes the local tax based on
5 rates published in the catalog unless a minimum of one hundred
6 twenty days' notice of the imposition ~~or rate change~~ has been
7 given to the seller from the catalog and the first day of a
8 calendar quarter has occurred on or after the one hundred
9 twentieth day.

10 Sec. 245. Section 423B.7, subsection 1, Code 2018, is
11 amended to read as follows:

12 1. *a.* Except as provided in ~~paragraph~~ paragraphs "b" and
13 "c", the director shall credit the local sales and services
14 tax receipts and interest and penalties from a county-imposed
15 tax to the county's account in the local sales and services
16 tax fund ~~and from a city-imposed tax under section 423B.1,~~
17 ~~subsection 2, to the city's account in the local sales~~
18 ~~and services tax fund~~ for the county in which the tax was
19 collected. If the director is unable to determine from which
20 county any of the receipts were collected, those receipts shall
21 be allocated among the possible counties based on allocation
22 rules adopted by the director.

23 *b.* ~~Notwithstanding paragraph "a",~~ The director shall
24 credit the designated amount of the increase in local sales
25 and services tax receipts, as computed in section 423B.10,
26 collected in an urban renewal area of an eligible city that has
27 adopted an ordinance pursuant to section 423B.10, subsection
28 2, into a special city account in the local sales and services
29 tax fund.

30 *c.* The director shall credit the local sales and services
31 tax receipts and interest and penalties from a city-imposed tax
32 under section 423B.1, subsection 2, to the city's account in
33 the local sales and services tax fund.

34 Sec. 246. Section 423B.7, subsection 7, Code 2018, is
35 amended to read as follows:

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

5 b. Each city located in whole or in part in a qualified
6 county and each qualified county for the unincorporated area
7 for which the imposition of the local sales and services tax
8 in the city or portion thereof or the unincorporated area,
9 as applicable, was approved at election on or after January
10 1, 2019, shall use not less than fifty percent of the moneys
11 received from the qualified county's account in the local sales
12 and services tax fund for property tax relief.

13 Sec. 247. Section 423B.8, subsection 1, paragraph a, Code
14 2018, is amended to read as follows:

15 a. The goods, wares, or merchandise are incorporated into
16 an improvement to real estate in fulfillment of a written
17 contract fully executed prior to the date of the imposition ~~or~~
18 ~~increase in rate~~ of a local sales and services tax under this
19 chapter. The refund shall not apply to equipment transferred
20 in fulfillment of a mixed construction contract.

21 Sec. 248. IMPLEMENTATION. This division of this Act shall
22 not affect the imposition of local option taxes in effect on
23 the effective date of this division of this Act and such taxes
24 shall continue to be imposed until their repeal pursuant to
25 chapter 423B. The law regarding repeal in effect at the time
26 of the repeal governs the repeal of the local option taxes.

27 Sec. 249. EFFECTIVE DATE. This division of this Act takes
28 effect January 1, 2019.

29

DIVISION XIII

30 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX 31 CHANGES

32 Sec. 250. Section 423A.2, subsection 1, Code 2018, is
33 amended to read as follows:

34 1. For the purposes of this chapter, unless the context
35 otherwise requires:

- 1 a. "Affiliate" means the same as defined in section 423.1.
2 ~~a. b.~~ "Department" means the department of revenue.
3 ~~b. "Lessor" means any person engaged in the business of~~
4 ~~renting lodging to users.~~
5 c. "Facilitate" or "facilitation" includes brokering,
6 coordinating, or in any way arranging for the rental of lodging
7 by users.
8 d. "Facilitation fee" means any consideration, by whatever
9 name called, that a lodging facilitator or lodging platform
10 charges to a user for facilitating the user's rental of
11 lodging. "Facilitation fee" does not include any commission
12 a lodging provider pays to a lodging facilitator or a lodging
13 platform for facilitating the rental of lodging.
14 ~~e. e.~~ "Lodging" means rooms, apartments, or sleeping
15 quarters in a hotel, motel, inn, public lodging house, rooming
16 house, cabin, apartment, residential property, or manufactured
17 or mobile home which is tangible personal property, or in a
18 tourist court, or in any place where sleeping accommodations
19 are furnished to transient guests for rent, whether with or
20 without meals. Lodging does not include conference, meeting,
21 or banquet rooms that are not used for or offered as part of
22 sleeping accommodations.
23 f. "Lodging facilitator" means a person or any affiliate of
24 a person, other than a lodging provider or a lodging platform,
25 that facilitates the renting of lodging and collects or
26 processes the sales price charged to the user.
27 g. "Lodging platform" means a person or any affiliate of
28 a person, other than a lodging provider, that facilitates the
29 renting of lodging by doing all of the following:
30 (1) The person or an affiliate of the person owns, operates,
31 or controls a lodging marketplace that allows a lodging
32 provider who is not an affiliate of the person to offer or
33 list lodging for rent on the marketplace. For purposes of
34 this subparagraph, it is immaterial whether or not the lodging
35 provider has a tax permit under this chapter or in what manner

1 the lodging is classified for property tax or zoning purposes.

2 (2) The person or an affiliate of the person collects or
3 processes the sales price charged to the user.

4 h. "Lodging provider" means any of the following:

5 (1) A person or any affiliate of a person that owns,
6 operates, or manages lodging and makes the lodging available
7 for rent through the person or any affiliate, or through a
8 lodging platform or a lodging facilitator.

9 (2) A person or any affiliate of a person who possesses or
10 acquires a right to or interest in any lodging with an intent
11 to rent the lodging to another person through the person or
12 any affiliate, or through a lodging platform or a lodging
13 facilitator.

14 ~~d.~~ i. "Person" means the same as the term is defined in
15 section 423.1.

16 ~~e.~~ j. "Renting", "rental", or "rent" means a transfer
17 of use, possession, or control of lodging for a fixed or
18 indeterminate term for consideration and includes any kind of
19 direct or indirect charge for such lodging or its use.

20 ~~f.~~ k. "Sales price" means the all consideration charged
21 for the renting and facilitation of renting of lodging and
22 means the same as the term is defined in section 423.1 before
23 taxes, including but not limited to facilitation fees, cleaning
24 fees, linen fees, towel fees, nonrefundable deposits, and any
25 other direct or indirect charge made or consideration provided
26 in connection with the renting and facilitation of renting of
27 lodging.

28 ~~g.~~ l. "User" means a person to whom lodging is rented.

29 Sec. 251. Section 423A.3, Code 2018, is amended to read as
30 follows:

31 **423A.3 State-imposed hotel and motel tax.**

32 A tax of five percent is imposed upon the sales price for
33 the renting of any lodging if the renting occurs lodging is
34 located in this state. The tax shall be collected by any
35 lessor of lodging from the user of that lodging and remitted

1 ~~as provided in section 423A.5A. The lessor shall add the tax~~
2 ~~to the sales price of the lodging, and the state imposed tax,~~
3 ~~when collected, shall be stated as a distinct item, separate~~
4 ~~and apart from the sales price of the lodging and the local tax~~
5 ~~imposed, if any, under section 423A.4.~~

6 Sec. 252. Section 423A.4, Code 2018, is amended by adding
7 the following new subsection:

8 NEW SUBSECTION. 5. The locally imposed hotel and motel tax
9 shall be collected and remitted as provided in section 423A.5A.

10 Sec. 253. Section 423A.5, Code 2018, is amended to read as
11 follows:

12 **423A.5 Exemptions.**

13 ~~1.~~ There are exempted from the provisions of this chapter
14 and from the computation of any amount of tax imposed by
15 ~~section 423A.3~~ this chapter all of the following:

16 ~~a.~~ 1. The sales price from the renting of lodging which is
17 rented by the same person for a period of more than thirty-one
18 consecutive days.

19 ~~b.~~ 2. The sales price from the renting of sleeping rooms
20 in dormitories and in memorial unions at all universities and
21 colleges located in the state of Iowa.

22 ~~2.~~ ~~There is exempted from the provisions of this chapter and~~
23 ~~from the computation of any amount of tax imposed by section~~
24 ~~423A.4 all of the following:~~

25 ~~a.~~ ~~The sales price from the renting of lodging or rooms~~
26 ~~exempt under subsection 1.~~

27 ~~b.~~ 3. The sales price of lodging furnished to the guests of
28 a religious institution if the property is exempt under section
29 427.1, subsection 8, and the purpose of renting is to provide a
30 place for a religious retreat or function and not a place for
31 transient guests generally.

32 Sec. 254. NEW SECTION. **423A.5A Collection and remittance**
33 **of hotel and motel tax.**

34 1. For purposes of this section:

35 *a.* "Discount room charge" means the amount a lodging

1 provider charges a lodging facilitator for lodging, excluding
2 any applicable tax.

3 *b.* "Travel package" means lodging bundled with one or more
4 separate components such as air transportation, car rental, or
5 similar items and charged for a single retail price.

6 2. This section shall govern the collection and remittance
7 of all taxes imposed under this chapter.

8 3. Unless otherwise provided in this section, the
9 state-imposed tax under section 423A.3 and any locally
10 imposed tax under section 423A.4 shall be collected by the
11 lodging provider from the user of that lodging and shall be
12 remitted to the department. The lodging provider shall add
13 the state-imposed tax to the sales price of the lodging and
14 the tax, when collected, shall be stated as a distinct item,
15 separate and apart from the sales price of the lodging and from
16 the locally imposed tax, if any. The lodging provider shall
17 add the locally imposed tax, if any, to the sales price of
18 the lodging and the tax, when collected, shall be stated as a
19 distinct item, separate and apart from the sales price of the
20 lodging and from the state-imposed tax.

21 4. If a transaction for the rental of lodging involves a
22 lodging facilitator, all of the following shall occur in the
23 order prescribed:

24 *a.* The lodging facilitator shall collect the taxes imposed
25 under this chapter on any sales price that the user pays to the
26 lodging facilitator in the same manner as a lodging provider
27 under subsection 3.

28 *b.* (1) Unless otherwise required by rule or order of the
29 department, the lodging facilitator shall remit to the lodging
30 provider that portion of the taxes collected on the sales price
31 that represents the discount room charge.

32 (2) No assessment shall be made against a lodging
33 facilitator for tax due on a discount room charge if the
34 lodging facilitator collected the tax and remitted it to a
35 lodging provider that has a valid tax permit required under

1 this chapter. This subparagraph shall not apply if the lodging
2 facilitator and lodging provider are affiliates, or if the
3 department requires the lodging facilitator to remit taxes
4 collected on that portion of the sales price that represents
5 the discount room charge directly to the department.

6 c. The lodging facilitator shall remit any remaining tax it
7 collected to the department.

8 d. (1) The lodging provider shall collect and remit to the
9 department any taxes the lodging facilitator remitted to the
10 lodging provider, and shall collect and remit to the department
11 any taxes due on any amount of sales price the user paid to the
12 lodging provider.

13 (2) No assessment shall be made against a lodging provider
14 for any tax due on a discount room charge that was not remitted
15 to the lodging provider by a lodging facilitator. This
16 subparagraph shall not apply if the lodging provider and
17 lodging facilitator are affiliates.

18 e. Notwithstanding any other provision of this section
19 to the contrary, if a lodging facilitator and its affiliates
20 facilitate total rentals under this chapter and chapter
21 423C that are equal to or less than an aggregate amount of
22 sales price and rental price of ten thousand dollars for an
23 immediately preceding calendar year or a current calendar year,
24 or in ten or fewer separate transactions for an immediately
25 preceding calendar year or a current calendar year, the lodging
26 facilitator shall not be required to collect tax on the amount
27 of sales price that represents the lodging facilitator's
28 facilitation fee.

29 5. If a transaction for the rental of lodging involves a
30 lodging platform, the lodging platform shall collect and remit
31 the taxes imposed under this chapter in the same manner as a
32 lodging provider under subsection 3.

33 6. If a transaction for the rental of lodging is part of a
34 travel package, the portion of the total price that represents
35 the sales price for the rental of lodging may be determined by

1 the person required under this section to collect the taxes
2 from the person's books and records that are kept in the
3 regular course of business including but not limited to books
4 and records kept for non-tax purposes.

5 Sec. 255. Section 423A.6, subsection 4, Code 2018, is
6 amended to read as follows:

7 4. Section 422.25, subsection 4, sections 422.30, 422.67,
8 and 422.68, section 422.69, subsection 1, sections 422.70,
9 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
10 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,
11 423.35, 423.37 through 423.42, and 423.47, consistent with the
12 provisions of this chapter, apply with respect to the taxes
13 authorized under this chapter, in the same manner and with the
14 same effect as if the state and local hotel and motel taxes
15 were retail sales taxes within the meaning of those statutes.
16 Notwithstanding this subsection, the director shall provide
17 for quarterly filing of returns and for other than quarterly
18 filing of returns both as prescribed in section 423.31. The
19 director may require all persons who are engaged in the
20 business of deriving any sales price subject to tax under this
21 chapter to register with the department. All taxes collected
22 under this chapter by a retailer, lodging provider, lodging
23 facilitator, lodging platform, or any individual other person
24 are deemed to be held in trust for the state of Iowa and the
25 local jurisdictions imposing the taxes.

26 Sec. 256. Section 423C.2, Code 2018, is amended to read as
27 follows:

28 **423C.2 Definitions.**

29 For purposes of this chapter, unless the context otherwise
30 requires:

31 1. "Affiliate" means the same as defined in section 423.1.

32 ~~1.~~ 2. "Automobile" means a motor vehicle subject to
33 registration in any state designed primarily for carrying
34 nine passengers or less, excluding motorcycles and motorized
35 bicycles.

1 3. "Automobile provider" means any of the following:

2 a. A person or any affiliate of a person that owns or
3 controls an automobile and makes the automobile available for
4 rent through the person or any affiliate, or through a rental
5 platform or rental facilitator.

6 b. A person or any affiliate of a person who possesses or
7 acquires a right or interest in any automobile with an intent
8 to rent the automobile to another person through the person
9 or any affiliate, or through a rental platform or a rental
10 facilitator.

11 ~~2.~~ 4. "Department" means the department of revenue.

12 ~~3. "Lessor" means a person engaged in the business of~~
13 ~~renting automobiles to users. "Lessor" includes a motor vehicle~~
14 ~~dealer licensed pursuant to chapter 322 who rents automobiles~~
15 ~~to users. For this purpose, the objective of making a profit~~
16 ~~is not necessary to make the renting activity a business.~~

17 5. "Facilitate" or "facilitation" includes brokering,
18 coordinating, or in any way arranging for the rental of
19 automobiles by users.

20 6. "Facilitation fee" means any consideration, by whatever
21 name called, that a rental facilitator or a rental platform
22 charges to a user for facilitating the user's rental of an
23 automobile. "Facilitation fee" does not include any commission
24 an automobile provider pays to a rental facilitator or a rental
25 platform for facilitating the rental of an automobile.

26 ~~4.~~ 7. "Person" means person as defined in section 423.1.

27 ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer
28 of the use, control, or possession or right to use, control,
29 or possession of an automobile to a user for a valuable
30 consideration for a period of sixty days or less.

31 9. "Rental facilitator" means a person or any affiliate of a
32 person, other than an automobile provider or a rental platform,
33 that facilitates the renting of an automobile and collects or
34 processes the rental price charged to the user.

35 10. "Rental platform" means a person or any affiliate of a

1 person, other than an automobile provider, that facilitates the
2 renting of an automobile by doing all of the following:

3 a. The person or an affiliate of the person owns, operates,
4 or controls an automobile rental marketplace that allows an
5 automobile provider who is not an affiliate of the person to
6 offer or list an automobile for rent on the marketplace. For
7 purposes of this paragraph, it is immaterial whether or not
8 the automobile provider has a tax permit under this chapter or
9 chapter 423 or whether the automobile is owned by a natural
10 person or by a business entity.

11 b. The person or an affiliate of the person collects or
12 processes the rental price charged to the user.

13 ~~6. 11. "Rental price" means the all consideration charged~~
14 ~~for the renting and facilitation of renting of an automobile~~
15 ~~valued in money, and means the same as "sales price" as~~
16 ~~defined in section 423.1 before taxes, including but not~~
17 ~~limited to facilitation fees, reservation fees, services fees,~~
18 ~~nonrefundable deposits, and any other direct or indirect charge~~
19 ~~made or consideration provided in connection with the renting~~
20 ~~or facilitation of renting of an automobile.~~

21 ~~7. 12. "User" means a person to whom the possession or~~
22 ~~the right to possession of an automobile is transferred for~~
23 ~~a period of sixty days or less for a valuable consideration~~
24 ~~which is paid by the user or by another person an automobile is~~
25 ~~rented.~~

26 Sec. 257. Section 423C.3, Code 2018, is amended to read as
27 follows:

28 **423C.3 Tax on rental of automobiles — collection and**
29 **remittance of tax.**

30 1. For purposes of this section:

31 a. "Discount rental charge" means the amount an automobile
32 provider charges to a rental facilitator for the rental of an
33 automobile, excluding any applicable tax.

34 b. "Travel package" means an automobile rental bundled
35 with one or more separate components such as lodging, air

1 transportation, or similar items and charged for a single
2 retail price.

3 ~~1.~~ 2. A tax of five percent is imposed upon the rental
4 price of an automobile if the rental transaction is subject to
5 the sales and services tax under chapter 423, subchapter II, or
6 the use tax under chapter 423, subchapter III. The tax shall
7 not be imposed on any rental transaction not taxable under the
8 state sales and services tax, as provided in section 423.3, or
9 the state use tax, as provided in section 423.6, on automobile
10 rental receipts.

11 ~~2.~~ 3. ~~The lessor~~ This subsection shall govern the
12 collection and remittance of the tax imposed under subsection
13 2.

14 a. Unless otherwise provided in this subsection, the
15 automobile provider shall collect the tax by adding the tax to
16 the rental price of the automobile.

17 ~~3.~~ ~~The~~ and the tax, when collected, shall be stated as a
18 distinct item separate and apart from the rental price of the
19 automobile and the sales and services tax imposed under chapter
20 423, subchapter II, or the use tax imposed under chapter 423,
21 subchapter III.

22 b. If a transaction for the rental of an automobile involves
23 a rental facilitator, all of the following shall occur in the
24 order prescribed:

25 (1) The rental facilitator shall collect the tax on any
26 rental price that the user pays to the rental facilitator in
27 the same manner as an automobile provider under paragraph "a".

28 (2) (a) Unless otherwise required by rule or order of
29 the department, the rental facilitator shall remit to the
30 automobile provider that portion of the tax collected on the
31 rental price that represents the discount rental charge.

32 (b) No assessment shall be made against a rental facilitator
33 for tax due on a discount rental charge if the rental
34 facilitator collected the tax and remitted it to an automobile
35 provider that has a valid tax permit required under this

1 chapter or under chapter 423. This subparagraph division shall
2 not apply if the rental facilitator and automobile provider
3 are affiliates, or if the department requires the rental
4 facilitator to remit taxes collected on that portion of the
5 sales price that represents the discount rental charge directly
6 to the department.

7 (3) The rental facilitator shall remit any remaining tax it
8 collected to the department.

9 (4) (a) The automobile provider shall collect and remit
10 to the department any taxes the rental facilitator remitted to
11 the automobile provider, and shall collect and remit to the
12 department any taxes due on any amount of rental price the user
13 paid to the automobile provider.

14 (b) No assessment shall be made against an automobile
15 provider for any tax due on a discount rental charge that
16 was not remitted to the automobile provider by a rental
17 facilitator. This subparagraph division shall not apply if the
18 automobile provider and the rental facilitator are affiliates.

19 (5) Notwithstanding any other provision of this paragraph
20 to the contrary, if a rental facilitator and its affiliates
21 facilitate total rentals under this chapter and chapter
22 423A that are equal to or less than an aggregate amount of
23 rental price and sales price of ten thousand dollars for an
24 immediately preceding calendar year or a current calendar year,
25 or in ten or fewer separate transactions for an immediately
26 preceding calendar year or a current calendar year, the
27 rental facilitator shall not be required to collect tax on the
28 amount of sales price that represents the rental facilitator's
29 facilitation fee.

30 c. (1) If a transaction for the rental of an automobile
31 involves a rental platform, other than a rental platform
32 described in subparagraph (2), the rental platform shall
33 collect and remit the tax imposed under this chapter in the
34 same manner as an automobile provider under paragraph "a".

35 (2) A rental platform is not required to collect and remit

1 the tax imposed under this chapter in the same manner as an
2 automobile provider under paragraph "a" if the rental platform
3 meets all of the following requirements:

4 (a) The only sales the rental platform and its affiliates
5 facilitate that are subject to tax under chapter 423 are sales
6 of a transportation service under section 423.2, subsection 6,
7 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
8 consisting of the rental of vehicles subject to registration
9 which are registered for a gross weight of thirteen tons or
10 less for a period of sixty days or less.

11 (b) The rental platform operates a peer-to-peer automobile
12 sharing marketplace.

13 (3) For any rental transaction for which the rental platform
14 is required to or elects to collect and remit the tax under
15 this chapter, the rental platform shall also be liable for the
16 collection and remittance of any sales or use tax due on that
17 transaction under section 423.2, subsection 6, paragraph "bf",
18 or section 423.5, subsection 1, paragraph "e", notwithstanding
19 any other provision to the contrary in chapter 423.

20 (4) For any rental transaction for which the rental platform
21 is not required to collect and remit the tax under this chapter
22 as provided under subparagraph (2), the automobile provider
23 shall be solely liable for any amount of uncollected or
24 unremitted tax under this chapter.

25 Sec. 258. LEGISLATIVE INTENT. It is the intent of the
26 general assembly that the provision of this division of this
27 Act amending the definition of "lodging" in section 423A.2,
28 subsection 1, is a conforming amendment consistent with
29 current state law, and that the amendment does not change the
30 application of current law but instead reflects current law
31 both before and after the enactment of this division of this
32 Act.

33 Sec. 259. EFFECTIVE DATE. Except as otherwise provided
34 in this division of this Act, this division of this Act takes
35 effect January 1, 2019.

H-8476 (Continued)

1 Sec. 260. EFFECTIVE DATE. The following, being deemed of
2 immediate importance, take effect upon enactment:

3 1. The provision amending the definition of "lodging" in the
4 section of this division of this Act amending section 423A.2,
5 subsection 1.

6 2. The section of this division of this Act entitled
7 "legislative intent" which describes the intent of the general
8 assembly with respect to the amendment in this division of
9 this Act to the definition of "lodging" in section 423A.2,
10 subsection 1.>

11 2. Title page, by striking lines 1 through 8 and inserting
12 <An Act relating to state and local revenue and finance by
13 modifying the individual and corporate income taxes, the
14 franchise tax, tax credits, the sales and use taxes and
15 local option sales tax, the hotel and motel excise tax, the
16 automobile rental excise tax, the Iowa educational savings plan
17 trust, providing for other properly related matters, making
18 penalties applicable, and including immediate and contingent
19 effective date and retroactive and other applicability
20 provisions.>

By VANDER LINDEN of Mahaska

[H-8476](#) FILED MAY 3, 2018

HOUSE FILE 2489

H-8477

1 Amend the amendment, H-8476, to House File 2489 as follows:

2 1. By striking page 1, line 1, through page 149, line 20,
3 and inserting:

4 <Amend House File 2489 as follows:

5 1. By striking everything after the enacting clause and
6 inserting:

7 <DIVISION I

8 INTEREST ACCRUAL ON CERTAIN TAX REFUNDS

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

11 8. Any credit in excess of the tax liability for the
12 taxable year shall be refunded with interest ~~computed under~~
13 ~~section 422.25~~ in accordance with section 421.60, subsection
14 2, paragraph "e". In lieu of claiming a refund, a taxpayer may
15 elect to have the overpayment shown on its final, completed
16 return credited to the tax liability for the following year.

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

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

27 Sec. 3. Section 421.60, subsection 2, paragraph e, Code
28 2018, is amended to read as follows:

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

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

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

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

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

1 the treasurer of state by warrants drawn by the director of
2 the department of administrative services, or an authorized
3 employee of the department, and the taxpayer's return of
4 income shall constitute a claim for refund for this purpose,
5 except in respect to amounts of less than one dollar. There
6 is appropriated, out of any funds in the state treasury not
7 otherwise appropriated, a sum sufficient to carry out the
8 provisions of this subsection.

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

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

30 b. Notwithstanding section 421.60, subsection 2, paragraph
31 "e", and paragraph "a" of this subsection, when the net
32 operating loss or net capital loss carryback to a prior year
33 eliminates or reduces an underpayment of tax due for an earlier
34 year, the full amount of the underpayment of tax shall bear
35 interest at the rate in effect under section 421.7 for each

1 month counting each fraction of a month as an entire month from
2 the due date of the tax for the earlier year to the last day of
3 the taxable year in which the net operating loss or net capital
4 loss occurred.

5 Sec. 7. Section 422.28, Code 2018, is amended to read as
6 follows:

7 **422.28 Revision of tax.**

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

25 Sec. 8. Section 422.33, subsection 5, paragraph f, Code
26 2018, is amended to read as follows:

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

34 Sec. 9. Section 422.33, subsection 9, paragraph a, Code
35 2018, is amended to read as follows:

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

21 Sec. 10. Section 422.91, Code 2018, is amended to read as
22 follows:

23 **422.91 Credit for estimated tax.**

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

1 within twelve months after the due date for the return.

2 2. In lieu of claiming a refund, the taxpayer may elect
3 to have the overpayment shown on its final, completed return
4 for the taxable year credited to the tax liability for the
5 following taxable year.

6 Sec. 11. Section 423.4, subsection 1, paragraph c, Code
7 2018, is amended to read as follows:

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

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

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

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

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

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

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

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

1 department.

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

4 Sec. 16. RETROACTIVE APPLICABILITY. This division of this
5 Act applies retroactively to January 1, 2018, for tax years
6 beginning on or after that date, and for refunds issued on or
7 after that date.

8 DIVISION II

9 TAX PENALTIES

10 Sec. 17. Section 421.27, subsection 6, Code 2018, is amended
11 to read as follows:

12 6. *Improper receipt of refund or credit payments.* A person
13 who makes an erroneous application for refund, ~~or~~ credit,
14 reimbursement, rebate, or other payment shall be liable for any
15 overpayment received or tax liability reduced plus interest
16 at the rate in effect under section 421.7. In addition, a
17 person who willfully makes a false or frivolous application
18 for refund, ~~or~~ credit, reimbursement, rebate, or other payment
19 with intent to evade tax or with intent to receive a refund,
20 ~~or~~ credit, reimbursement, rebate, or other payment to which
21 the person is not entitled is guilty of a fraudulent practice
22 and is liable for a penalty equal to seventy-five percent of
23 the refund, ~~or~~ credit, reimbursement, rebate, or other payment
24 being claimed. Payments, penalties, and interest due under
25 this subsection may be collected and enforced in the same
26 manner as the tax imposed.

27 Sec. 18. Section 425.29, Code 2018, is amended to read as
28 follows:

29 **425.29 False claim — penalty.**

30 A person who makes a false affidavit for the purpose
31 of obtaining credit or reimbursement provided for in this
32 division or who knowingly receives the credit or reimbursement
33 without being legally entitled to it or makes claim for the
34 credit or reimbursement in more than one county in the state
35 without being legally entitled to it is guilty of a fraudulent

1 practice. The claim for credit or reimbursement shall be
2 disallowed in full and if the claim has been paid the amount
3 shall be recovered in the manner provided in section 425.27.
4 The department of revenue may impose penalties under section
5 421.27. The department of revenue shall send a notice of
6 disallowance of the claim.

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

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

15 DIVISION III

16 MISCELLANEOUS TAX PROVISIONS

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

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

27 Sec. 22. Section 421.17, subsection 2, paragraph d, Code
28 2018, is amended to read as follows:

29 d. To facilitate uniformity and equalization of
30 assessments throughout the state of Iowa and to facilitate
31 transfers of funds to local governments, the director may
32 use geographic information system technology and may require
33 assessing authorities and local governments that have adopted
34 compatible technology to provide information to the department
35 electronically using electronic geographic information

1 system file formats. The department of revenue shall act on
2 behalf of political subdivisions and the state to deliver a
3 consolidated response to the boundary and annexation survey
4 and provide legal boundary geography data to the United States
5 census bureau. The department shall coordinate with political
6 subdivisions and the state to ensure that consistent, accurate,
7 and integrated geography is provided to the United States
8 census bureau. The office of the chief information officer
9 shall provide geographic information system and technical
10 support to the department to facilitate the exchange.

11 Sec. 23. Section 421.19, Code 2018, is amended to read as
12 follows:

13 **421.19 Counsel.**

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

20 2. If the department has information that indicates a
21 taxpayer intentionally filed a false claim, affidavit, return,
22 or other information with intent to evade tax or to obtain
23 a refund, credit, or other benefit from the department, the
24 department may notify federal, state, or local law enforcement
25 and may disclose state returns, state return information,
26 state investigative or audit information, or any other state
27 information to such law enforcement, notwithstanding sections
28 422.20 and 422.72.

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

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

35 **1. Class actions prohibited.** No class action may be brought

1 against the department, a taxpayer, or a person required to
2 collect any tax imposed under this title, in any court, agency,
3 or other adjudicative body, or in any other forum, based on
4 any act or omission arising from or related to any provision
5 of this title.

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

15 3. *Private cause of action immunity for overpayment of*
16 *certain taxes.*

17 a. A taxpayer, or any person required to collect taxes
18 imposed under chapters 423, 423A, 423B, 423C, and 423D, and
19 chapter 423G, as enacted in 2018 Iowa Acts, Senate File 512,
20 shall be immune from any private cause of action arising from
21 or related to the overpayment of taxes imposed under chapters
22 423, 423A, 423B, 423C, and 423D, and chapter 423G, as enacted
23 in 2018 Iowa Acts, Senate File 512, that are collected and
24 remitted to the department.

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

27 (1) Any claim, action, mandate, power, remedy, or
28 discretion of the department, or an agent or designee of the
29 department.

30 (2) A taxpayer's right to seek a refund from the department
31 related to taxes imposed under chapters 423, 423A, 423B,
32 423C, and 423D, and chapter 423G, as enacted in 2018 Iowa
33 Acts, Senate File 512, that are collected from or paid by the
34 taxpayer.

35 Sec. 25. Section 423G.5, subsection 1, as enacted by 2018

1 Iowa Acts, Senate File 512, section 15, is amended to read as
2 follows:

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

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

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

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

27 c. For revenues ~~collected~~ reported on or after August 1,
28 2020, one-half of the revenues to the water quality financial
29 assistance fund created in section 16.134A.

30 Sec. 27. IOWA ELECTION CAMPAIGN FUND TAX CHECKOFF AND
31 CONTRIBUTIONS — CREDIT TO GENERAL FUND. Notwithstanding
32 section 68A.601 or 422.12J, or any other provision of law to
33 the contrary, any amount of contribution to the Iowa election
34 campaign fund in section 68A.602 designated on an individual
35 income tax return for any tax year and filed on or after

1 January 1, 2018, is void and shall be disregarded, and such
2 contribution amount shall be credited to the general fund and
3 not to the Iowa election campaign fund.

4 Sec. 28. EFFECTIVE DATE. The following, being deemed of
5 immediate importance, take effect upon enactment:

6 1. The section of this division of this Act relating to the
7 Iowa election campaign fund tax checkoff and contributions.

8 2. The section of this division of this Act enacting section
9 421.71.

10 Sec. 29. RETROACTIVE APPLICABILITY. The following applies
11 retroactively to January 1, 2018, for individual income tax
12 returns filed on or after that date:

13 The section of this division of this Act relating to the Iowa
14 election campaign fund tax checkoff and contributions.

15 DIVISION IV

16 TAX CREDITS

17 Sec. 30. Section 15E.52, subsection 8, Code 2018, is amended
18 to read as follows:

19 8. The board shall not certify an innovation fund after June
20 30, ~~2018~~ 2023.

21 Sec. 31. Section 403.19A, subsection 3, paragraph c,
22 subparagraph (2), Code 2018, is amended to read as follows:

23 (2) The pilot project city and the economic development
24 authority shall not enter into a withholding agreement after
25 June 30, ~~2018~~ 2019.

26 Sec. 32. Section 422.10, subsection 1, Code 2018, is amended
27 by adding the following new paragraph:

28 NEW PARAGRAPH. *0a.* An individual shall only be eligible for
29 the credit provided in this section if the business conducting
30 the research meets all of the following requirements:

31 (1) (a) The business is engaged in the manufacturing,
32 life sciences, software engineering, or aviation and aerospace
33 industry.

34 (b) Persons that shall not be considered to be engaged in
35 the manufacturing, life sciences, software engineering, or

1 aviation and aerospace industry, and thus are not eligible
2 for the credit, include but are not limited to all of the
3 following:

4 (i) A person engaged in agricultural production as defined
5 in section 423.1.

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

15 (iii) A finance or investment company.

16 (iv) A retailer.

17 (v) A wholesaler.

18 (vi) A transportation company.

19 (vii) A publisher.

20 (viii) An agricultural cooperative association as defined
21 in section 502.102.

22 (ix) A real estate company.

23 (x) A collection agency.

24 (xi) An accountant.

25 (xii) An architect.

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

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

32 NEW PARAGRAPH. *0a.* For purposes of this section, "base
33 amount" means the product of the fixed-based percentage times
34 the average annual gross receipts of the taxpayer for the four
35 taxable years preceding the taxable year for which the credit

1 is being determined, but in no event shall the base amount be
2 less than fifty percent of the qualified research expenses for
3 the credit year.

4 Sec. 34. Section 422.10, subsection 3, paragraph a, Code
5 2018, is amended to read as follows:

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

12 Sec. 35. Section 422.11S, subsection 6, paragraph a, Code
13 2018, is amended to read as follows:

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

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

23 (2) "*Total approved tax credits*" means for the tax year
24 beginning in the 2006 calendar year, two million five hundred
25 thousand dollars, for the tax year beginning in the 2007
26 calendar year, five million dollars, for tax years beginning
27 on or after January 1, 2008, but before January 1, 2012, seven
28 million five hundred thousand dollars, for tax years beginning
29 on or after January 1, 2012, but before January 1, 2014, eight
30 million seven hundred fifty thousand dollars, and for tax years
31 beginning on or after January 1, 2014, but before January 1,
32 2019, twelve million dollars, and for tax years beginning on or
33 after January 1, 2019, thirteen million dollars.

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

1 NEW PARAGRAPH. *Oe.* A corporation shall only be
2 eligible for the credit provided in this subsection if the
3 business conducting the research meets all of the following
4 requirements:

5 (1) (a) The business is engaged in the manufacturing,
6 life sciences, software engineering, or aviation and aerospace
7 industry.

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

13 (i) A person engaged in agricultural production as defined
14 in section 423.1.

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

24 (iii) A finance or investment company.

25 (iv) A retailer.

26 (v) A wholesaler.

27 (vi) A transportation company.

28 (vii) A publisher.

29 (viii) An agricultural cooperative association as defined
30 in section 502.102.

31 (ix) A real estate company.

32 (x) A collection agency.

33 (xi) An accountant.

34 (xii) An architect.

35 (2) The business claims and is allowed a research credit

1 for such qualified research expenses under section 41 of the
2 Internal Revenue Code for the same taxable year as it is
3 claiming the credit provided in this subsection.

4 Sec. 38. Section 422.33, subsection 5, paragraph e, Code
5 2018, is amended by adding the following new subparagraph:

6 NEW SUBPARAGRAPH. (01) For purposes of this section, "*base*
7 *amount*" means the product of the fixed-based percentage times
8 the average annual gross receipts of the taxpayer for the four
9 taxable years preceding the taxable year for which the credit
10 is being determined, but in no event shall the base amount be
11 less than fifty percent of the qualified research expenses for
12 the credit year.

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

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

21 Sec. 40. Section 422.33, subsection 29, Code 2018, is
22 amended by striking the subsection.

23 Sec. 41. Section 422.60, subsection 12, Code 2018, is
24 amended by striking the subsection.

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

27 Sec. 43. Section 533.329, subsection 2, paragraph 1, Code
28 2018, is amended by striking the paragraph.

29 Sec. 44. 2019 INTERIM TAX CREDIT STUDY.

30 1. The legislative council is requested to authorize a
31 study committee to evaluate tax credits available under Iowa
32 law, including Iowa's utilization of tax credits as a tool
33 for promoting and supporting economic growth and development.
34 The study committee shall also consider new or different
35 tax credits or incentive programs, or tax rate or structure

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

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

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

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

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1 Sec. 46. REPEAL. Sections 422.10A and 422.11I, Code 2018,
2 are repealed.

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

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

6 1. The section of this division of this Act amending section
7 15E.52, subsection 8.

8 2. The section of this division of this Act enacting section
9 422.10, subsection 1, paragraph "0a".

10 3. The section of this division of this Act enacting section
11 422.10, subsection 3, paragraph "0a".

12 4. The section of this division of this Act amending section
13 422.10, subsection 3, paragraph "a".

14 5. The section of this division of this Act enacting section
15 422.33, subsection 5, paragraph "0e".

16 6. The section of this division of this Act enacting section
17 422.33, subsection 5, paragraph "e", subparagraph (01).

18 7. The section of this division of this Act amending section
19 422.33, subsection 5, paragraph "e", subparagraph (1).

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

24 Sec. 49. EFFECTIVE DATE. The following take effect January
25 1, 2019:

26 1. The sections of this division of this Act amending
27 section 422.11S.

28 2. The section of this division of this Act repealing
29 sections 422.10A and 422.11I.

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

33 1. The section of this division of this Act enacting section
34 422.10, subsection 1, paragraph "0a".

35 2. The section of this division of this Act enacting section

1 422.33, subsection 5, paragraph "0e".

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

4 1. The section of this division of this Act repealing
5 section 422.11L.

6 2. The section of this division of this Act striking section
7 422.33, subsection 29.

8 3. The section of this division of this Act striking section
9 422.60, subsection 12.

10 4. The section of this division of this Act striking section
11 476C.2, subsection 3.

12 5. The section of this division of this Act striking section
13 533.329, subsection 2, paragraph "1".

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

18 The section of this division of this Act repealing sections
19 422.10A and 422.11I.

20

DIVISION V

21 TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

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

24 a. The first sixty million dollars of the difference
25 between the actual net revenue for the general fund of the
26 state for the fiscal year and the adjusted revenue estimate for
27 the fiscal year shall be transferred to the ~~taxpayers trust~~
28 taxpayer relief fund created in section 8.57E.

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

31 **8.57E ~~Taxpayers trust~~ Taxpayer relief fund.**

32 1. A ~~taxpayers trust~~ Taxpayer relief fund is created. The
33 fund shall be separate from the general fund of the state and
34 the balance in the fund shall not be considered part of the
35 balance of the general fund of the state. The moneys credited

1 to the fund are not subject to section 8.33 and shall not
2 be transferred, used, obligated, appropriated, or otherwise
3 encumbered except as provided in this section.

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

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

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

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

29 Sec. 55. Section 8.58, Code 2018, is amended to read as
30 follows:

31 **8.58 Exemption from automatic application.**

32 1. To the extent that moneys appropriated under section
33 8.57 do not result in moneys being credited to the general
34 fund under section 8.55, subsection 2, moneys appropriated
35 under section 8.57 and moneys contained in the cash reserve

1 fund, rebuild Iowa infrastructure fund, environment first fund,
2 Iowa economic emergency fund, ~~taxpayers trust~~ taxpayer relief
3 fund, and state bond repayment fund shall not be considered
4 in the application of any formula, index, or other statutory
5 triggering mechanism which would affect appropriations,
6 payments, or taxation rates, contrary provisions of the Code
7 notwithstanding.

8 2. 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 appropriated under
11 section 8.57 and moneys contained in the cash reserve fund,
12 rebuild Iowa infrastructure fund, environment first fund, Iowa
13 economic emergency fund, ~~taxpayers trust~~ taxpayer relief fund,
14 and state bond repayment fund shall not be considered by an
15 arbitrator or in negotiations under chapter 20.

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

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

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

33 **422D.2 Local income surtax.**

34 A county may impose by ordinance a local income surtax as
35 provided in section 422D.1 at the rate set by the board of

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

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

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

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

19 1. The section of this division of this Act amending section
20 257.21.

21 2. The section of this division of this Act repealing
22 section 422.11E.

23 3. The section of this division of this Act amending section
24 422D.2.

25 DIVISION VI

26 TAXPAYERS TRUST FUND TRANSFER CAP

27 Sec. 61. Section 8.54, subsection 5, Code 2018, is amended
28 by striking the subsection.

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

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

1 ~~a. The first sixty million dollars of the difference between~~
2 ~~the actual net revenue for the general fund of the state for~~
3 ~~the fiscal year and the adjusted revenue estimate for the~~
4 ~~fiscal year shall be transferred to the taxpayers trust fund~~
5 ~~created in section 8.57E.~~

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

8 Sec. 63. Section 8.58, Code 2018, is amended to read as
9 follows:

10 **8.58 Exemption from automatic application.**

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

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

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

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

34 DIVISION VII

35 INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

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

3 NEW SUBSECTION. 51. *a.* Notwithstanding any other provision
4 of law to the contrary, the increased expensing allowance under
5 section 179 of the Internal Revenue Code, as amended by Pub.
6 L. No. 115-97, §13101, applies in computing net income for
7 state tax purposes for tax years beginning on or after January
8 1, 2018, subject to the limitations in this subsection for tax
9 years beginning prior to January 1, 2020.

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

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

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

32 (b) For tax years beginning on or after January 1, 2019,
33 but before January 1, 2020, subtract the amount of expense
34 deduction on section 179 property allowable for federal tax
35 purposes under section 179 of the Internal Revenue Code, as

1 amended by Pub. L. No. 115-97, §13101, not to exceed one
2 hundred thousand dollars. The subtraction in this subparagraph
3 division shall be reduced, but not below zero, by the amount by
4 which the total cost of section 179 property placed in service
5 by the taxpayer during the tax year exceeds four hundred
6 thousand dollars.

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

9 c. The director shall adopt rules pursuant to chapter 17A
10 to administer this subsection.

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

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

30 (1) Add the total amount of section 179 expense
31 deduction allocated to the taxpayer from all partnerships, S
32 corporations, or limited liability companies electing to have
33 the income taxed directly to the individual, to the extent the
34 allocated amount was allowed as a deduction to the taxpayer
35 for federal tax purposes for the tax year under section 179 of

1 the Internal Revenue Code, as amended by Pub. L. No. 115-97,
2 §13101.

3 (2) From the amount added in subparagraph (1), do the
4 following:

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

9 (b) For tax years beginning on or after January 1, 2019,
10 but before January 1, 2020, subtract the first one hundred
11 thousand dollars of expensing allowance deduction on section
12 179 property.

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

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

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

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

34 (2) Subtract the amount of depreciation allowable on such
35 property under the modified accelerated cost recovery system

1 described in section 168 of the Internal Revenue Code, without
2 regard to section 168(k) of the Internal Revenue Code. The
3 taxpayer shall continue to take depreciation on the applicable
4 property in future tax years to the extent allowed under the
5 modified accelerated cost recovery system described in section
6 168 of the Internal Revenue Code, without regard to section
7 168(k) of the Internal Revenue Code.

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

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

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

19 Sec. 67. Section 422.9, subsection 2, paragraph h, Code
20 2018, is amended to read as follows:

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

27 Sec. 68. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC
28 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE
29 OR OLDER. Notwithstanding any other provision of law to the
30 contrary, for tax years beginning during the 2018 calendar
31 year, the exclusion from federal adjusted gross income for
32 certain qualified charitable distributions from an individual
33 retirement plan provided in section 408(d)(8) of the Internal
34 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
35 §112, applies in computing net income for state tax purposes.

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

2 Notwithstanding any other provision of law to the contrary, for
3 tax years beginning during the 2018 calendar year, a taxpayer
4 who elects to itemize deductions for state tax purposes under
5 section 422.9, subsection 2, is allowed to take the deduction
6 for state sales and use tax in lieu of the deduction for state
7 and local income taxes under section 164(b)(5) of the Internal
8 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
9 §106, in computing taxable income for state tax purposes, but
10 only if the taxpayer elected to deduct state sales and use
11 taxes in lieu of state and local income taxes for federal tax
12 purposes for the same tax year.

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

14 Notwithstanding the definition of "Internal Revenue Code"
15 in section 422.3, for tax years beginning during the 2018
16 calendar year, any reference to the term "Internal Revenue
17 Code" in section 422.12B shall mean the Internal Revenue Code
18 of 1954, prior to the date of its redesignation as the Internal
19 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
20 the Internal Revenue Code of 1986 as amended and in effect on
21 January 1, 2016, but shall not be construed to include any
22 amendment to the Internal Revenue Code enacted after January 1,
23 2016, including any amendment with retroactive applicability
24 or effectiveness.

25 Sec. 71. ACCOUNTING METHOD AND OTHER MISCELLANEOUS

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

1 during the 2018 calendar year.

2 Sec. 72. TEACHER EXPENSE DEDUCTION. Notwithstanding
3 any other provision of law to the contrary, for tax years
4 beginning during the 2018 calendar year, a taxpayer is allowed
5 to take the deduction for certain expenses of elementary and
6 secondary school teachers allowed under section 62(a)(2)(D) of
7 the Internal Revenue Code, as amended by Pub. L. No. 114-113,
8 division Q, §104, in computing net income for state tax
9 purposes.

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

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

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

19 1. The section of this division of this Act enacting section
20 422.7, subsections 51 and 52.

21 2. The section of this division of this Act amending section
22 422.9, subsection 2, paragraph "h".

23 DIVISION VIII

24 INDIVIDUAL AND CORPORATE INCOME TAX AND FRANCHISE TAX CHANGES
25 BEGINNING IN TAX YEAR 2019

26 Sec. 76. Section 15.335, subsection 7, paragraph b, Code
27 2018, is amended by striking the paragraph and inserting in
28 lieu thereof the following:

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

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

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

34 *a.* For tax years beginning during the 2019 calendar year,
35 "Internal Revenue Code" means the Internal Revenue Code of

1 1954, prior to the date of its redesignation as the Internal
2 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
3 the Internal Revenue Code of 1986 as amended and in effect on
4 ~~January 1, 2015~~ March 24, 2018. This definition shall not be
5 construed to include any amendment to the Internal Revenue Code
6 enacted after the date specified in the preceding sentence,
7 including any amendment with retroactive applicability or
8 effectiveness.

9 b. For tax years beginning on or after January 1, 2020,
10 "Internal Revenue Code" means the Internal Revenue Code of
11 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
13 Internal Revenue Code of 1986, as amended.

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

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

26 a. Add back the personal exemption deduction taken in
27 computing federal taxable income.

28 b. Make the adjustments specified in section 422.7.

29 c. Add back Iowa income tax deducted in computing federal
30 taxable income.

31 d. Subtract federal income taxes as provided in section
32 422.9.

33 e. Add back the following percentage of the qualified
34 business income deduction under section 199A of the Internal
35 Revenue Code taken in calculating federal taxable income for

1 the applicable tax year:

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

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

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

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

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

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

17 ~~b. On all taxable income exceeding one thousand dollars but~~
18 ~~not exceeding two thousand dollars, seventy-two hundredths of~~
19 ~~one percent.~~

20 ~~c. On all taxable income exceeding two thousand dollars~~
21 ~~but not exceeding four thousand dollars, two and forty-three~~
22 ~~hundredths percent.~~

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

25 ~~e. On all taxable income exceeding nine thousand dollars~~
26 ~~but not exceeding fifteen thousand dollars, six and twelve~~
27 ~~hundredths percent.~~

28 ~~f. On all taxable income exceeding fifteen thousand dollars~~
29 ~~but not exceeding twenty thousand dollars, six and forty-eight~~
30 ~~hundredths percent.~~

31 ~~g. On all taxable income exceeding twenty thousand dollars~~
32 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~
33 ~~percent.~~

34 ~~h. On all taxable income exceeding thirty thousand dollars~~
35 ~~but not exceeding forty-five thousand dollars, seven and~~

1 ~~ninety-two hundredths percent.~~

2 ~~*i.* On all taxable income exceeding forty-five thousand~~
3 ~~dollars, eight and ninety-eight hundredths percent.~~

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

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

1 the reelection. This subparagraph also applies to individuals
2 who are residents of Iowa for less than the entire tax year.

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. 80. Section 422.5, subsection 2, paragraph a, Code
9 2018, is amended to read as follows:

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

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

19 The tax imposed in section 422.5 shall be calculated at the
20 following rates:

21 1. On all taxable income from 0 through \$1,000, the rate of
22 0.33 percent.

23 2. On all taxable income exceeding \$1,000 but not exceeding
24 \$2,000, the rate of 0.67 percent.

25 3. On all taxable income exceeding \$2,000 but not exceeding
26 \$4,000, the rate of 2.25 percent.

27 4. On all taxable income exceeding \$4,000 but not exceeding
28 \$9,000, the rate of 4.14 percent.

29 5. On all taxable income exceeding \$9,000 but not exceeding
30 \$15,000, the rate of 5.63 percent.

31 6. On all taxable income exceeding \$15,000 but not exceeding
32 \$20,000, the rate of 5.96 percent.

33 7. On all taxable income exceeding \$20,000 but not exceeding
34 \$30,000, the rate of 6.25 percent.

35 8. On all taxable income exceeding \$30,000 but not exceeding

1 \$45,000, the rate of 7.44 percent.

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

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

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

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

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

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

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

32 *b.* (1) The rules for nonrecognition of gain or loss
33 from exchanges of property other than real property held for
34 productive use or investment as provided in section 1031 of the
35 Internal Revenue Code, as amended up to and including December

1 21, 2017, apply for state income tax purposes for tax years
2 beginning during the 2019 calendar year, notwithstanding any
3 other provision of law to the contrary. If the taxpayer's
4 federal adjusted gross income includes gain or loss from
5 property, other than real property described in paragraph "a",
6 and the taxpayer elects to have this paragraph apply, the
7 following adjustments shall be made:

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

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

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

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

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

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

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

33 Sec. 85. Section 422.8, subsection 2, paragraph a, Code
34 2018, is amended to read as follows:

35 a. Nonresident's net income allocated to Iowa is the net

1 income, or portion of net income, which is derived from a
2 business, trade, profession, or occupation carried on within
3 this state or income from any property, trust, estate, or
4 other source within Iowa. However, income derived from a
5 business, trade, profession, or occupation carried on within
6 this state and income from any property, trust, estate, or
7 other source within Iowa shall not include distributions from
8 pensions, including defined benefit or defined contribution
9 plans, annuities, individual retirement accounts, and deferred
10 compensation plans or any earnings attributable thereto so long
11 as the distribution is directly related to an individual's
12 documented retirement and received while the individual is a
13 nonresident of this state. If a business, trade, profession,
14 or occupation is carried on partly within and partly without
15 the state, only the portion of the net income which is fairly
16 and equitably attributable to that part of the business,
17 trade, profession, or occupation carried on within the state
18 is allocated to Iowa for purposes of section 422.5, subsection
19 1, paragraph "j" "b", and section 422.13 and income from any
20 property, trust, estate, or other source partly within and
21 partly without the state is allocated to Iowa in the same
22 manner, except that annuities, interest on bank deposits and
23 interest-bearing obligations, and dividends are allocated
24 to Iowa only to the extent to which they are derived from a
25 business, trade, profession, or occupation carried on within
26 the state. Net income described in section 29C.24, subsection
27 3, paragraph "a", subparagraph (3), and paragraph "b",
28 subparagraph (2), shall not be allocated and apportioned to the
29 state, as provided in section 29C.24.

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

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

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

3 NEW SUBSECTION. 2A. *a.* The following percentage of the
4 qualified business income deduction under section 199A of the
5 Internal Revenue Code taken in calculating federal taxable
6 income for the applicable tax year:

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

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

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

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

23 Sec. 88. Section 422.9, subsection 2, paragraph i, Code
24 2018, is amended to read as follows:

25 *i.* The deduction for state sales and use taxes is allowable
26 only if the taxpayer elected to deduct the state sales and use
27 taxes in lieu of state income taxes under section 164 of the
28 Internal Revenue Code. A deduction for state sales and use
29 taxes is not allowed if the taxpayer has taken the deduction
30 for state income taxes or claimed the standard deduction under
31 section 63 of the Internal Revenue Code. This paragraph
32 applies to taxable years beginning after ~~December 31, 2003, and~~
33 ~~before January 1, 2008, and to taxable years beginning after~~
34 ~~December 31, 2009, and before January 1, 2015~~ December 31,
35 2018.

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

3 NEW PARAGRAPH. 1. The limitation on the deduction of
4 certain taxes in section 164(b)(6) of the Internal Revenue
5 Code does not apply in computing taxable income for state tax
6 purposes. A taxpayer is allowed to deduct taxes in computing
7 taxable income as otherwise provided in this subsection without
8 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,
9 §11042.

10 Sec. 90. Section 422.9, subsection 3, paragraph d, Code
11 2018, is amended to read as follows:

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

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

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

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

29 Sec. 93. Section 422.10, subsection 3, paragraph b, Code
30 2018, is amended by striking the paragraph.

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

33 **422.11B Minimum tax credit.**

34 1. a. There is allowed as a credit against the tax
35 determined in section 422.5, subsection 1, ~~paragraphs "a"~~

1 ~~through "j"~~ for a tax year an amount equal to the minimum tax
2 credit for that tax year.

3 **b.** The minimum tax credit for a tax year is the excess,
4 if any, of the net minimum tax imposed for all prior tax
5 years beginning on or after January 1, 1987, over the amount
6 allowable as a credit under this section for those prior tax
7 years.

8 **2. a.** The allowable credit under subsection 1 for a tax
9 year shall not exceed the excess, if any, of the tax determined
10 in section 422.5, subsection 1, ~~paragraphs "a" through "j"~~ over
11 the state alternative minimum tax as determined in section
12 422.5, subsection 2.

13 **b.** The net minimum tax for a tax year is the excess, if any,
14 of the tax determined in section 422.5, subsection 2, for the
15 tax year over the tax determined in section 422.5, subsection
16 1, ~~paragraphs "a" through "j"~~ for the tax year.

17 Sec. 95. Section 422.32, subsection 1, paragraph h, Code
18 2018, is amended to read as follows:

19 **h.** *"Internal Revenue Code"* means one of the following:

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

30 (2) For tax years beginning on or after January 1, 2020,
31 "Internal Revenue Code" means the Internal Revenue Code of
32 1954, prior to the date of its redesignation as the Internal
33 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
34 Internal Revenue Code of 1986, as amended.

35 Sec. 96. Section 422.33, subsection 1, paragraphs a, b, c,

1 and d, Code 2018, are amended to read as follows:

2 a. On the first twenty-five thousand dollars of taxable
3 income, or any part thereof, the rate of six percent for tax
4 years beginning prior to January 1, 2021, and the rate of
5 five and one-half percent for tax years beginning on or after
6 January 1, 2021.

7 b. On taxable income between twenty-five thousand dollars
8 and one hundred thousand dollars or any part thereof, the rate
9 of eight percent for tax years beginning prior to January 1,
10 2021, and the rate of five and one-half percent for tax years
11 beginning on or after January 1, 2021.

12 c. On taxable income between one hundred thousand dollars
13 and two hundred fifty thousand dollars or any part thereof, the
14 rate of ten percent for tax years beginning prior to January 1,
15 2021, and the rate of nine percent for tax years beginning on
16 or after January 1, 2021.

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

21 Sec. 97. Section 422.33, subsection 4, paragraph a, Code
22 2018, is amended to read as follows:

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

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

33 (1) Add items of tax preference included in federal
34 alternative minimum taxable income under section 57, except
35 subsections (a)(1) and (a)(5), of the Internal Revenue Code,

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

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

22 NEW PARAGRAPH. c. This subsection is repealed January 1,
23 2021, for tax years beginning on or after that date.

24 Sec. 100. Section 422.33, subsection 5, paragraph e,
25 subparagraph (2), Code 2018, is amended by striking the
26 subparagraph.

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

29 7. a. (1) There For tax years beginning before January 1,
30 2022, there is allowed as a credit against the tax determined
31 in subsection 1 for a tax year an amount equal to the minimum
32 tax credit for that tax year.

33 (2) The minimum tax credit for a tax year is the excess,
34 if any, of the net minimum tax imposed for all prior tax years
35 beginning on or after January 1, 1987, but before January

1 1, 2021, over the amount allowable as a credit under this
2 subsection for those prior tax years.

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

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

13 *c.* This subsection is repealed January 1, 2022, for tax
14 years beginning on or after that date.

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

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

25 *b.* Add the Iowa income tax deducted in computing federal
26 taxable income.

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

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

35 *b.* If the taxpayer has taken the increased expensing

1 allowance under section 179 of the Internal Revenue Code for
2 purposes of computing federal taxable income for tax years
3 beginning on or after January 1, 2019, but before January 1,
4 2020, then the taxpayer shall make the following adjustments to
5 federal taxable income when computing net income for state tax
6 purposes for the same tax year:

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

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

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

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

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

34 *b.* A taxpayer who elects to take advantage of this
35 subsection shall make the following adjustments to federal

1 taxable income when computing net income for state tax
2 purposes:

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

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

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

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

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

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

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 director shall adopt rules pursuant to chapter 17A
8 to administer this subsection.

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

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

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

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

24 DIVISION IX

25 FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX
26 CHANGES

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

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

32 Sec. 108. Section 217.39, Code 2018, is amended to read as
33 follows:

34 **217.39 Persecuted victims of World War II — reparations —**
35 **heirs.**

1 Notwithstanding any other law of this state, payments paid
2 to and income from lost property of a victim of persecution
3 for racial, ethnic, or religious reasons by Nazi Germany or
4 any other Axis regime or as an heir of such victim which is
5 ~~exempt from state income tax as provided~~ described in section
6 422.7, subsection 35, Code 2018, shall not be considered as
7 income or an asset for determining the eligibility for state or
8 local government benefit or entitlement programs. The proceeds
9 are not subject to recoupment for the receipt of governmental
10 benefits or entitlements, and liens, except liens for child
11 support, are not enforceable against these sums for any reason.

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

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

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

25 Sec. 110. Section 422.4, subsection 2, Code 2018, is amended
26 by striking the subsection.

27 Sec. 111. Section 422.4, subsection 16, Code 2018, is
28 amended by striking the subsection and inserting in lieu
29 thereof the following:

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

1 the adjustments specified in section 422.7, and the deduction
2 allowed by section 422.9, if available.

3 Sec. 112. Section 422.5, subsection 1, paragraph j,
4 subparagraph (2), subparagraph division (b), Code 2018, is
5 amended to read as follows:

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

11 Sec. 113. Section 422.5, subsection 2, Code 2018, is amended
12 by striking the subsection.

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

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

1 of the government pension exclusions in section 422.7, or any
2 other state law. In calculating net income for purposes of
3 this subsection, any amount of itemized or standard deduction,
4 personal exemption deduction, or qualified business income
5 deduction that was allowed as a deduction in computing federal
6 taxable income under the Internal Revenue Code shall be added
7 back. If the combined net income of a husband and wife exceeds
8 thirteen thousand five hundred dollars, neither of them shall
9 receive the benefit of this subsection, and it is immaterial
10 whether they file a joint return or separate returns. However,
11 if a husband and wife file separate returns and have a combined
12 net income of thirteen thousand five hundred dollars or less,
13 neither spouse shall receive the benefit of this paragraph,
14 if one spouse has a net operating loss and elects to carry
15 back or carry forward the loss as provided under the Internal
16 Revenue Code or in section 422.9, ~~subsection 3.~~ A person who
17 is claimed as a dependent by another person as defined in
18 section 422.12 shall not receive the benefit of this subsection
19 if the person claiming the dependent has net income exceeding
20 thirteen thousand five hundred dollars or nine thousand dollars
21 as applicable or the person claiming the dependent and the
22 person's spouse have combined net income exceeding thirteen
23 thousand five hundred dollars or nine thousand dollars as
24 applicable.

25 *b.* In lieu of the computation in subsection 1 ~~or 2~~, or in
26 paragraph "a" of this subsection, if the married persons',
27 filing jointly ~~or filing separately on a combined return,~~
28 head of household's, or surviving spouse's net income exceeds
29 thirteen thousand five hundred dollars, the regular tax imposed
30 under this division shall be the lesser of the maximum state
31 individual income tax rate times the portion of the net income
32 in excess of thirteen thousand five hundred dollars or the
33 regular tax liability computed without regard to this sentence.
34 Taxpayers electing to file separately shall compute the
35 alternate tax described in this paragraph using the total net

1 income of the husband and wife. The alternate tax described
2 in this paragraph does not apply if one spouse elects to carry
3 back or carry forward ~~the~~ a net operating loss as provided
4 under the Internal Revenue Code or in section 422.9, subsection
5 3.

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

1 of this subsection, and it is immaterial whether they file a
2 joint return or separate returns. However, if a husband and
3 wife file separate returns and have a combined net income of
4 thirty-two thousand dollars or less, neither spouse shall
5 receive the benefit of this paragraph, if one spouse has a net
6 operating loss and elects to carry back or carry forward the
7 loss as provided under the Internal Revenue Code or in section
8 422.9, ~~subsection 3.~~ A person who is claimed as a dependent by
9 another person as defined in section 422.12 shall not receive
10 the benefit of this subsection if the person claiming the
11 dependent has net income exceeding thirty-two thousand dollars
12 or twenty-four thousand dollars as applicable or the person
13 claiming the dependent and the person's spouse have combined
14 net income exceeding thirty-two thousand dollars or twenty-four
15 thousand dollars as applicable.

16 *b.* In lieu of the computation in subsection 1, ~~2,~~ or 3, if
17 the married persons', filing jointly ~~or filing separately on~~
18 ~~a combined return,~~ head of household's, or surviving spouse's
19 net income exceeds thirty-two thousand dollars, the regular
20 tax imposed under this division shall be the lesser of the
21 maximum state individual income tax rate times the portion of
22 the net income in excess of thirty-two thousand dollars or the
23 regular tax liability computed without regard to this sentence.
24 Taxpayers electing to file separately shall compute the
25 alternate tax described in this paragraph using the total net
26 income of the husband and wife. The alternate tax described
27 in this paragraph does not apply if one spouse elects to carry
28 back or carry forward the a net operating loss as provided
29 under the Internal Revenue Code or in section 422.9, ~~subsection~~
30 3.

31 *c.* This subsection applies even though one spouse has not
32 attained the age of sixty-five, if the other spouse is at least
33 sixty-five at the end of the tax year.

34 Sec. 115. Section 422.5A, as enacted in this Act, Code
35 2018, is amended by striking the section and inserting in lieu

1 thereof the following:

2 **422.5A Tax rates.**

3 1. The tax imposed in section 422.5 shall be calculated
4 at the following rates in the case of a married couple filing
5 jointly:

6 a. On all taxable income from 0 through \$12,000, the rate of
7 4.40 percent.

8 b. On all taxable income exceeding \$12,000 but not exceeding
9 \$60,000, the rate of 4.82 percent.

10 c. On all taxable income exceeding \$60,000 but not exceeding
11 \$150,000, the rate of 5.70 percent.

12 d. On all taxable income exceeding \$150,000, the rate of
13 6.50 percent.

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

17 a. On all taxable income from 0 through \$6,000, the rate of
18 4.40 percent.

19 b. On all taxable income exceeding \$6,000 but not exceeding
20 \$30,000, the rate of 4.82 percent.

21 c. On all taxable income exceeding \$30,000 but not exceeding
22 \$75,000, the rate of 5.70 percent.

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

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

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

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

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

1 takes effect.

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

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

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

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

1 Sec. 119. Section 422.7, subsection 13, Code 2018, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 13. Subtract, to the extent included, the amount of social
5 security benefits taxable under section 86 of the Internal
6 Revenue Code.

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

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

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

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

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

33 Sec. 121. Section 422.7, subsection 21, Code 2018, is
34 amended by striking the subsection and inserting in lieu
35 thereof the following:

1 21. a. For purposes of this subsection:

2 (1) "*Farming business*" means the raising and harvesting
3 of crops or forest or fruit trees, the rearing, feeding, and
4 management of livestock, or horticulture, all for intended
5 profit.

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

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

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

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

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

33 (a) The individual is related to the taxpayer by
34 consanguinity within the second degree as determined by common
35 law.

1 (b) The individual is a lineal descendent of the taxpayer.
2 For purposes of this subparagraph division, "*lineal descendent*"
3 means children of the taxpayer, including legally adopted
4 children and biological children, stepchildren, grandchildren,
5 great-grandchildren, and any other lineal descendent of the
6 taxpayer.

7 b. Subtract the net capital gain from the sale of real
8 property used in a farming business if all of the following
9 conditions are satisfied:

10 (1) The taxpayer has materially participated in the farming
11 business for a minimum of ten years immediately preceding the
12 sale.

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

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

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

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

35 (a) The taxpayer had a substantial purpose for entering into

1 the sale transaction apart from the state tax benefits.

2 (b) The taxpayer did not intend that the real property would
3 subsequently be sold or transferred to a person who is not a
4 relative of the taxpayer.

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

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

12 (a) The date which is three years after the date that the
13 return upon which the deduction in this subsection is claimed
14 is filed.

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

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

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

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

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

35 *b.* For purposes of this subsection, "net income" means net

1 income as properly computed under this section without regard
2 to the deduction in this subsection and with the following
3 additional adjustments:

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

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

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

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

1 maximum exclusion under this subsection of up to twelve
2 thousand dollars. The twelve thousand dollar exclusion shall
3 be allocated to the husband or wife in the proportion that each
4 spouse's respective pension and retirement pay received bears
5 to total combined pension and retirement pay received.

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

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

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

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

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

28 Sec. 127. Section 422.8, subsection 4, Code 2018, is amended
29 by striking the subsection.

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

32 **422.9 Carry over of Iowa net operating loss.**

33 Any Iowa net operating loss carried over from a taxable year
34 beginning prior to January 1 of the calendar year that this
35 division of this Act takes effect may be deducted as provided

1 in section 422.9, subsection 3, Code 2018.

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

4 **422.11B Minimum tax credit.**

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

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

17 2. *a.* The allowable credit under subsection 1 for a tax
18 year beginning before January 1 of the calendar year that this
19 division of this Act takes effect shall not exceed the excess,
20 if any, of the tax determined in section 422.5, subsection
21 1, paragraphs "a" through "j" over the state alternative
22 minimum tax as determined in section 422.5, subsection 2, Code
23 2018. The allowable credit under subsection 1 for a tax year
24 beginning in the calendar year that this division of this Act
25 takes effect shall not exceed the tax determined under section
26 422.5, subsection 1.

27 *b.* The net minimum tax for a tax year is the excess, if
28 any, of the tax determined in section 422.5, subsection 2,
29 Code 2018, for the tax year over the tax determined in section
30 422.5, subsection 1, paragraphs "a" through "j" for the tax
31 year.

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

1 division of this Act takes effect.

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

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

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

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

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

30 4. Married taxpayers who have filed joint federal returns
31 electing to file separate returns ~~or to file separately on a~~
32 ~~combined return form~~ must determine the child and dependent
33 care credit under subsection 1 or the early childhood
34 development tax credit under subsection 2 based upon their
35 combined net income and allocate the total credit amount to

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

11 Sec. 133. Section 422.13, subsection 1, paragraph c, Code
12 2018, is amended by striking the paragraph.

13 Sec. 134. Section 422.16, subsection 1, paragraph f, Code
14 2018, is amended by striking the paragraph.

15 Sec. 135. Section 422.21, subsections 2, 5, and 7, Code
16 2018, are amended to read as follows:

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

1 the United States in other than a combat zone, qualified
2 hazardous duty area, or contingency operation is allowed the
3 same additional period of time described in section 7508(a)
4 of the Internal Revenue Code to file a state income tax
5 return or perform other acts related to the department. For
6 the purposes of this subsection, "*other acts related to the*
7 *department*" includes filing claims for refund for any tax
8 administered by the department, making tax payments other than
9 withholding payments, filing appeals on the tax matters, filing
10 other tax returns, and performing other acts described in the
11 department's rules. The additional time period allowed applies
12 to the spouse of the individual described in this subsection
13 to the extent the spouse files jointly ~~or separately on the~~
14 ~~combined return form~~ with the individual or when the spouse
15 is a party with the individual to any matter for which the
16 additional time period is allowed.

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

1 ~~17A.2, subsection 11.~~

2 7. If married taxpayers file a joint return ~~or file~~
3 ~~separately on a combined return~~ in accordance with rules
4 prescribed by the director, both spouses are jointly and
5 severally liable for the total tax due on the return, except
6 when one spouse is considered to be an innocent spouse under
7 criteria established pursuant to section 6015 of the Internal
8 Revenue Code.

9 Sec. 136. Section 422.35, unnumbered paragraph 1, Code
10 2018, is amended to read as follows:

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

15 Sec. 137. Section 422.35, subsection 11, Code 2018, is
16 amended by striking the subsection and inserting in lieu
17 thereof the following:

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

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

25 Sec. 138. Section 422.35, subsections 3, 4, 5, 7, 8, 10,
26 16, 17, 18, 19, 19B, 20, 22, and 24, Code 2018, are amended by
27 striking the subsections.

28 Sec. 139. Section 541B.3, subsection 1, paragraph b, Code
29 2018, is amended to read as follows:

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

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

3 **541B.6 Tax considerations.**

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

7 Sec. 141. CONTINGENT EFFECTIVE DATE — NET GENERAL FUND
8 REVENUES CALCULATION — ANNUAL REPORTS.

9 1. This division of this Act takes effect on January 1,
10 2023, if both of the following conditions are satisfied:

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

14 b. The net general fund revenues for the fiscal year ending
15 June 30, 2022, equal or exceed one hundred and four percent of
16 the net general fund revenues for the fiscal year ending June
17 30, 2021.

18 2. If the provisions of subsection 1 are not satisfied
19 and this division of this Act does not take effect on January
20 1, 2023, then this division of this Act shall take effect on
21 January 1 following the first fiscal year for which both of the
22 following conditions are satisfied:

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

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

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

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

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

22 Sec. 142. APPLICABILITY. This division of this Act applies
23 to tax years beginning on or after the effective date of this
24 division of this Act.

25 DIVISION X

26 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE
27 SAVINGS PLAN TRUST

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

30 **12D.1 Purpose and definitions.**

31 1. The general assembly finds that the general welfare and
32 well-being of the state are directly related to educational
33 levels and skills of the citizens of the state, and that a
34 vital and valid public purpose is served by the creation and
35 implementation of programs which encourage and make possible

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

17 2. As used in this chapter, unless the context otherwise
18 requires:

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

23 b. "*Administrative fund*" means the administrative fund
24 established under section 12D.4.

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

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

33 e. "*Higher education costs*" means ~~the same as "qualified~~
34 ~~higher education expenses" as defined in section 529(e)(3) of~~
35 ~~the Internal Revenue Code.~~

1 ~~f.~~ e. "Institution of higher education" means an institution
2 described in section 481 of the federal Higher Education Act of
3 1965, 20 U.S.C. §1088, which is eligible to participate in the
4 United States department of education's student aid programs.

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

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

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

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

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

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

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

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

35 Sec. 144. Section 12D.2, subsections 2, 5, 9, and 14, Code

1 2018, are amended to read as follows:

2 2. Enter into agreements with any ~~institution of higher~~
3 ~~education~~ qualified educational institution, the state, or any
4 federal or other state agency, or other entity as required to
5 implement this chapter.

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

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

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

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

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

1 the applicable account balance limit.

2 ~~*b.* Participation agreements may be amended to provide for~~
3 ~~adjusted levels of payments based upon changed circumstances or~~
4 ~~changes in educational plans.~~

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

11 *a.* Be admitted to ~~an institution of higher education~~ a
12 qualified educational institution.

13 *b.* If admitted, be determined a resident for tuition
14 purposes by the ~~institution of higher education~~ qualified
15 educational institution.

16 *c.* Be allowed to continue attendance at the ~~institution of~~
17 ~~higher education~~ qualified educational institution following
18 admission.

19 *d.* Graduate from the ~~institution of higher education~~
20 qualified educational institution.

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

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

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

33 *b.* If the beneficiary of the account is under the age of
34 eighteen, account ownership shall be transferred to the first
35 surviving parent or other legal guardian of the beneficiary to

1 file the appropriate forms in accordance with rules adopted by
2 the treasurer of state.

3 Sec. 147. Section 12D.4, Code 2018, is amended to read as
4 follows:

5 **12D.4 Program and administrative funds — investment and**
6 **payments.**

7 1. *a.* The treasurer of state shall segregate moneys
8 received by the trust into two funds: the program fund and the
9 administrative fund.

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

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

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

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

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

32 Sec. 148. Section 12D.6, subsection 1, paragraph a, Code
33 2018, is amended to read as follows:

34 *a.* A participant retains ownership of all payments made
35 under a participation agreement up to the date of utilization

1 for payment of ~~higher education costs~~ qualified education
2 expenses for the beneficiary.

3 Sec. 149. Section 12D.6, subsections 2, 3, and 5, Code 2018,
4 are amended to read as follows:

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

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

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

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

24 **12D.7 Effect of payments on determination of need and**
25 **eligibility for student financial aid.**

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

34 Sec. 151. Section 12D.9, subsection 1, paragraph a, Code
35 2018, is amended to read as follows:

1 *a.* Pursuant to section 12D.3, subsection 1, paragraph "a",
2 a participant may make contributions to an account which is
3 established for the purpose of meeting the qualified ~~higher~~
4 education expenses of the designated beneficiary of the
5 account.

6 Sec. 152. Section 422.7, subsection 32, paragraph c, Code
7 2018, is amended by striking the paragraph and inserting in
8 lieu thereof the following:

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

14 (i) The payment of qualified higher education expenses.

15 (ii) The payment of tuition to an elementary or secondary
16 school if the tuition amounts are qualified education expenses.

17 (iii) A change in beneficiaries under, or transfer to another
18 account within, the Iowa educational savings plan trust, or a
19 transfer to the Iowa ABLE savings plan trust, provided such
20 change or transfer is permitted under section 12D.6, subsection
21 5.

22 (2) For purposes of this paragraph:

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

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

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

31 (ii) For purposes of this subparagraph division (c),
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, 2018. This definition shall not be construed to
2 include any amendment to the Internal Revenue Code enacted
3 after the date specified in the preceding sentence, including
4 any amendment with retroactive applicability or effectiveness.

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

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

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

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

33 c. Add the amount resulting from a withdrawal made by a
34 taxpayer from the Iowa ABLE savings plan trust or the qualified
35 ABLE program with which the state has contracted pursuant to

1 section 12I.10 for purposes other than the payment of qualified
2 disability expenses to the extent previously deducted pursuant
3 to this subsection by the taxpayer or any other person as a
4 contribution to the trust or qualified ABLE program, or to the
5 extent the amount was previously deducted by the taxpayer or
6 any other person pursuant to subsection 32, paragraph "a", and
7 qualified as a transfer under paragraph "a", subparagraph (2),
8 of this subsection.

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

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

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

18 Sec. 156. RETROACTIVE APPLICABILITY.

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

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

28 DIVISION XI

29 SALES AND USE TAXES

30 Sec. 157. Section 15J.4, subsection 3, paragraph f, Code
31 2018, is amended to read as follows:

32 f. The total aggregate amount of state sales tax revenues
33 and state hotel and motel tax revenues that may be approved by
34 the board for remittance to all municipalities and that may
35 be transferred to the state reinvestment district fund under

1 section ~~423.2, subsection 11,~~ 423.2A or section 423A.6, and
2 remitted to all municipalities having a reinvestment district
3 under this chapter shall not exceed one hundred million
4 dollars.

5 Sec. 158. Section 15J.5, subsection 1, paragraph a, Code
6 2018, is amended to read as follows:

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

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

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

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

28 1. The department of revenue shall calculate quarterly the
29 amount of increased sales tax revenues for each governmental
30 entity approved to use sales tax increment revenues and the
31 amount of such revenues to be transferred to the sales tax
32 increment fund pursuant to section ~~423.2, subsection 11,~~
33 ~~paragraph "b"~~ 423.2A, subsection 2.

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

1 1. A sales tax increment fund is established as a separate
2 and distinct fund in the state treasury under the control of
3 the department of revenue consisting of the amount of the
4 increased state sales and services tax revenues collected by
5 the department of revenue within each applicable area specified
6 in section 418.11, subsection 3, and deposited in the fund
7 pursuant to section ~~423.2, subsection 11, paragraph "b"~~ 423.2A,
8 subsection 2. Moneys deposited in the fund are appropriated
9 to the department of revenue for the purposes of this section.
10 Moneys in the fund shall only be used for the purposes of this
11 section.

12 Sec. 162. Section 421.26, Code 2018, is amended to read as
13 follows:

14 **421.26 Personal liability for tax due.**

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

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

1 NEW SUBSECTION. 22A. "*Information services*" means
2 delivering or providing access to databases or subscriptions
3 to information through any tangible or electronic medium.
4 "*Information services*" includes but is not limited to database
5 files, research databases, genealogical information, and other
6 similar information.

7 Sec. 164. Section 423.1, subsection 24, paragraph a, Code
8 2018, is amended to read as follows:

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

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

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

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

30 NEW SUBSECTION. 36A. "*Personal property*" includes but is
31 not limited to tangible personal property and specified digital
32 products.

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

35 (3) Taking possession or making first use of ~~digital goods~~

1 specified digital products, whichever comes first.

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

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

29 Sec. 169. Section 423.1, subsection 48, paragraph a, Code
30 2018, is amended to read as follows:

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

33 (1) A retailer having or maintaining within this state,
34 directly or by a subsidiary, an office, distribution house,
35 sales house, warehouse, or other place of business, or any

1 representative operating within this state under the authority
2 of the retailer or its subsidiary, irrespective of whether that
3 place of business or representative is located here permanently
4 or temporarily, or whether the retailer or subsidiary is
5 admitted to do business within this state pursuant to chapter
6 490.

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

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

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

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

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

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

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

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

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

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

3 NEW SUBSECTION. 55B. *a. "Specified digital products"* means
4 electronically transferred digital audio-visual works, digital
5 audio works, digital books, or other digital products.

6 *b.* For purposes of this subsection:

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

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

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

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

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

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

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

1 property, specified digital product, or service.

2 Sec. 176. Section 423.1, subsections 62, 63, and 64, Code
3 2018, are amended to read as follows:

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

13 63. "Use tax" means the tax levied under subchapter III of
14 this chapter ~~for which the retailer collects and remits tax to~~
15 ~~the department~~.

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

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

22 (1) Sales of engraving, ~~photography, retouching,~~ printing,
23 and binding services.

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

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

28 a. alteration ~~Alteration~~ and garment repair; ~~armored.~~

29 b. Armored car; ~~vehiele.~~

30 c. Vehicle repair; ~~battery.~~

31 d. Battery, tire, and allied; ~~investment.~~

32 e. Investment counseling; ~~service.~~

33 f. Service charges of all financial institutions; ~~barber.~~

34 For the purposes of this paragraph, "financial institutions"
35 means all national banks, federally chartered savings and loan

- 1 associations, federally chartered savings banks, federally
2 chartered credit unions, banks organized under chapter 524,
3 credit unions organized under chapter 533, and all banks,
4 savings banks, credit unions, and savings and loan associations
5 chartered or otherwise created under the laws of any state and
6 doing business in Iowa.
- 7 g. Barber and beauty; ~~boat.~~
8 h. Boat repair; ~~vehicle.~~
9 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~
10 j. Campgrounds.
11 k. Carpentry.
12 l. Roof, shingle, and glass repair; ~~dance.~~
13 m. Dance schools and dance studios; ~~dating.~~
14 n. Dating services; ~~dry.~~
15 o. Dry cleaning, pressing, dyeing, and laundering excluding
16 the use of self-pay washers and dryers; ~~electrical.~~
17 p. Electrical and electronic repair and installation;
18 excavating.
19 q. Excavating and grading; ~~farm.~~
20 r. Farm implement repair of all kinds; ~~flying.~~
21 s. Flying service; ~~furniture.~~
22 t. Furniture, rug, carpet, and upholstery repair and
23 cleaning; ~~fur.~~
24 u. Fur storage and repair; ~~golf.~~
25 v. Golf and country clubs and all commercial recreation;
26 gun.
27 w. Gun and camera repair; ~~house.~~
28 x. House and building moving; ~~household.~~
29 y. Household appliance, television, and radio repair;
30 janitorial.
31 z. Janitorial and building maintenance or cleaning; ~~jewelry.~~
32 aa. Jewelry and watch repair; ~~lawn.~~
33 ab. Lawn care, landscaping, and tree trimming and removal;
34 ac. Personal transportation service, including but not
35 limited to taxis, driver service, ride sharing service, rides

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

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

1 other records.

2 br. Information services.

3 bs. Services arising from or related to installing,
4 maintaining, servicing, repairing, operating, upgrading, or
5 enhancing specified digital products.

6 bt. Video game services and tournaments.

7 bu. Software as a service.

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

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

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

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

24 (3) (a) A transaction that includes taxable products and
25 nontaxable products and the purchase price or sales price of
26 the taxable products is de minimis.

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

35 (4) The retail sale of exempt tangible personal property and

1 taxable tangible personal property where all of the following
2 apply:

3 (a) The transaction includes food and food ingredients,
4 drugs, durable medical equipment, mobility enhancing equipment,
5 prosthetic devices, or medical supplies.

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

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

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

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

29 Sec. 181. Section 423.2, subsections 10, 11, and 12, Code
30 2018, are amended by striking the subsections.

31 Sec. 182. NEW SECTION. 423.2A **Deposit and transfer of**
32 **revenues.**

33 1. a. All revenues arising under the operation of the
34 provisions of this subchapter II shall be deposited into the
35 general fund of the state.

1 *b.* Subsequent to the deposit into the general fund of
2 the state, the director shall credit an amount equal to the
3 product of the sales tax rate imposed in section 423.2 times
4 the sales price of the tangible personal property or services
5 furnished to purchasers at a baseball and softball complex that
6 has received an award under section 15F.207 and that meets
7 the qualifications of section 423.4, subsection 10, into the
8 baseball and softball complex sales tax rebate fund created
9 under section 423.4, subsection 10, paragraph "e". The director
10 shall credit the moneys beginning the first day of the quarter
11 following July 1, 2016. This paragraph is repealed thirty
12 days following the date on which five million dollars in total
13 rebates have been provided under section 423.4, subsection 10.

14 2. Subsequent to the deposit into the general fund of the
15 state pursuant to subsection 1, the department shall do the
16 following in the order prescribed:

17 *a.* Transfer the revenues collected under chapter 423B.

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

22 *c.* Transfer one-sixth of the remaining revenues to the
23 secure an advanced vision for education fund created in section
24 423F.2. This paragraph "c" is repealed December 31, 2029.

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

32 *e.* Beginning the first day of the calendar quarter
33 beginning on the reinvestment district's commencement date,
34 subject to remittance limitations established by the economic
35 development authority board pursuant to section 15J.4,

1 subsection 3, transfer to a district account created in the
2 state reinvestment district fund for each reinvestment district
3 established under chapter 15J, the amount of new state sales
4 tax revenue, determined in section 15J.5, subsection 1,
5 paragraph "b", in the district, that remains after the prior
6 transfers required under this subsection 2. Such transfers
7 shall cease pursuant to section 15J.8.

8 *f.* Subject to the limitation on the calculation and
9 deposit of sales tax increment revenues in section 418.12,
10 beginning the first day of the quarter following adoption
11 of the resolution pursuant to section 418.4, subsection 3,
12 paragraph "d", transfer to the account created in the sales tax
13 increment fund for each governmental entity approved to use
14 sales tax increment revenues under chapter 418, that portion
15 of the increase in sales tax revenue, determined in section
16 418.11, subsection 2, paragraph "d", in the applicable area of
17 the governmental entity, that remains after the other transfers
18 required under this subsection 2.

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

34 3. Of the amount of sales tax revenue actually transferred
35 per quarter pursuant to subsection 2, paragraphs "e" and "f",

1 the department shall retain an amount equal to the actual cost
2 of administering the transfers under subsection 2, paragraphs
3 "e" and "f", or twenty-five thousand dollars, whichever is
4 less. The amount retained by the department pursuant to this
5 subsection shall be divided pro rata each quarter between
6 the amounts that would have been transferred pursuant to
7 subsection 2, paragraphs "e" and "f", without the deduction
8 made by operation of this subsection. Revenues retained by
9 the department pursuant to this subsection shall be considered
10 repayment receipts as defined in section 8.2.

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

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

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

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

31 The sales price of tangible personal property or specified
32 digital products sold, or of services furnished, to the
33 following nonprofit corporations:

34 Sec. 185. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
35 28, and 31, Code 2018, are amended to read as follows:

1 20. The sales price of tangible personal property or
2 specified digital products sold, or of services furnished, to
3 nonprofit legal aid organizations.

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

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

13 23. The sales price of tangible personal property or
14 specified digital products sold, or of services furnished, by a
15 fair organized under chapter 174.

16 26. The sales price of tangible personal property or
17 specified digital products sold, or of services furnished, to a
18 statewide nonprofit organ procurement organization, as defined
19 in section 142C.2.

20 27. The sales price of tangible personal property or
21 specified digital products sold, or of services furnished, to a
22 nonprofit hospital licensed pursuant to chapter 135B to be used
23 in the operation of the hospital.

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

29 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~
30 tangible personal property or specified digital products sold
31 to and of services furnished, and used for public purposes
32 sold to a tax-certifying or tax-levying body of the state or
33 a governmental subdivision of the state, including regional
34 transit systems, as defined in section 324A.1, the state board
35 of regents, department of human services, state department of

1 transportation, any municipally owned solid waste facility
2 which sells all or part of its processed waste as fuel to a
3 municipally owned public utility, and all divisions, boards,
4 commissions, agencies, or instrumentalities of state, federal,
5 county, or municipal government which have no earnings going to
6 the benefit of an equity investor or stockholder, except any
7 of the following:

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

14 ~~(2)~~ b. The sales price of furnishing of sewage services to
15 a county or municipality on behalf of nonresidential commercial
16 operations.

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

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

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

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

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

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

1 exemption for this state and political subdivision of this
2 state.

3 Sec. 188. Section 423.3, subsection 39, paragraph a,
4 subparagraphs (1) and (2), Code 2018, are amended to read as
5 follows:

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

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

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

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

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

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

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

35 (4) (a) "*Manufacturer*" means a business that primarily

1 purchases, receives, or holds personal property of any
2 description for the purpose of adding to its value by a process
3 of manufacturing with a view to selling the property for gain
4 or profit.

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

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

14 (i) Construction contracting.

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

16 (iii) Providing health care.

17 (iv) Farming, including cultivating agricultural products
18 and raising livestock.

19 (v) Transporting for hire.

20 (d) For purposes of this subparagraph:

21 (i) "*Business*" means those businesses conducted for
22 profit, but excludes professions and occupations and nonprofit
23 organizations.

24 (ii) "*Manufacturing*" means those activities commonly
25 understood within the ordinary meaning of the term, and shall
26 include:

27 (A) Refining.

28 (B) Purifying.

29 (C) Combining of different materials.

30 (D) Packing of meats.

31 (E) Activities subsequent to the extractive process of
32 quarrying or mining, such as crushing, washing, sizing, or
33 blending of aggregate materials.

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

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

3 63. The sales price from the sale of tangible personal
4 property, specified digital products, or services which will be
5 given as prizes to players in games of skill, games of chance,
6 raffles, and bingo games as defined in chapter 99B.

7 Sec. 193. Section 423.3, subsections 65, 66, and 67, Code
8 2018, are amended by striking the subsections.

9 Sec. 194. Section 423.3, subsection 78, paragraph a,
10 unnumbered paragraph 1, Code 2018, is amended to read as
11 follows:

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

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

25 79. The sales price from the sale ~~or rental~~ of tangible
26 personal property or specified digital products, or from
27 services furnished, to a recognized community action agency as
28 provided in section 216A.93 to be used for the purposes of the
29 agency.

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

32 NEW SUBSECTION. 103. a. The sales price of specified
33 digital products and of prewritten computer software sold, and
34 of enumerated services described in section 423.2, subsection
35 6, paragraphs "bq", "br", "bs", and "bu" furnished, to a

1 commercial enterprise for use exclusively by the commercial
2 enterprise. The use of prewritten computer software, a
3 specified digital product, or service fails to qualify as a
4 use exclusively by the commercial enterprise if its use for
5 noncommercial purposes is more than de minimis.

6 b. For purposes of this subsection:

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

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

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

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

24 Sec. 197. Section 423.4, subsection 3, unnumbered paragraph
25 1, Code 2018, is amended to read as follows:

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

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

33 (1) On forms furnished by the department, and filed within
34 the time as the director shall provide by rule, the relief
35 agency shall report to the department the total amount or

1 amounts, valued in money, expended directly or indirectly
2 for ~~goods, wares, merchandise,~~ tangible personal property or
3 specified digital products, or services furnished, used for
4 free distribution to the poor and needy.

5 Sec. 199. Section 423.4, subsection 10, paragraph e, Code
6 2018, is amended to read as follows:

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

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

30 (1) Sales tax imposed and collected by retailers upon
31 sales of tangible personal property or services furnished to
32 purchasers at the raceway facility. Notwithstanding the state
33 sales tax imposed in section 423.2, a sales tax rebate issued
34 pursuant to this subparagraph shall not exceed the amounts
35 transferred to the raceway facility tax rebate fund pursuant to

1 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~
2 423.2A, subsection 2, paragraph "g".

3 Sec. 201. Section 423.4, subsection 11, paragraph b,
4 subparagraph (2), subparagraph division (c), Code 2018, is
5 amended to read as follows:

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

13 Sec. 202. Section 423.4, subsection 11, paragraph e, Code
14 2018, is amended to read as follows:

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

32 Sec. 203. Section 423.5, subsection 1, paragraph a, Code
33 2018, is amended to read as follows:

34 a. The use in this state of tangible personal property
35 as defined in section 423.1, including aircraft subject to

1 registration under section 328.20, purchased for use in this
2 state. For the purposes of this subchapter, the furnishing
3 or use of the following services is also treated as the use
4 of tangible personal property: optional service or warranty
5 contracts, except residential service contracts regulated under
6 chapter 523C, vulcanizing, recapping, or retreading services,
7 engraving, ~~photography, retouching,~~ printing, or binding
8 services, and communication service when furnished or delivered
9 to consumers or users within this state.

10 Sec. 204. Section 423.5, subsection 1, paragraph d, Code
11 2018, is amended to read as follows:

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

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

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

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

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

35 3. For the purpose of the proper administration of the use

1 tax and to prevent its evasion, evidence that tangible personal
2 property ~~was~~ or specified digital products were sold by any
3 person for delivery in this state shall be prima facie evidence
4 that such tangible personal property ~~was~~ or specified digital
5 products were sold for use in this state.

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

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

10 The use in this state of the following tangible personal
11 property, specified digital products, and services is exempted
12 from the tax imposed by this subchapter:

13 Sec. 209. Section 423.6, subsections 1, 2, 4, and 6, Code
14 2018, are amended to read as follows:

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

21 2. The sale of tangible personal property, specified
22 digital products, or the furnishing of services in the regular
23 course of business.

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

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

35 Sec. 210. Section 423.14, subsection 2, paragraphs b and c,

1 Code 2018, are amended to read as follows:

2 **b.** The tax upon the use of all tangible personal property
3 and specified digital products other than that enumerated in
4 paragraph "a", which is sold by a seller who is a retailer
5 ~~maintaining a place of business in this state, or by such other~~
6 ~~retailer or agent as the director shall authorize pursuant to~~
7 ~~section 423.30~~ or its agent that is not otherwise required
8 to collect sales tax under the provisions of this chapter,
9 shall be collected by the retailer or agent and remitted to the
10 department, pursuant to the provisions of paragraph "e", and
11 sections 423.24, 423.29, 423.30, 423.32, and 423.33.

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

17 Sec. 211. NEW SECTION. **423.14A Persons required to collect**
18 **sales and use tax — supplemental conditions, requirements, and**
19 **responsibilities.**

20 1. For purposes of this section:

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

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

29 (a) The person directly or indirectly does any of the
30 following:

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

35 (ii) Facilitates the sale of a marketplace seller's

1 product through a marketplace by transmitting or otherwise
2 communicating an offer or acceptance of a retail sale of
3 tangible personal property, services, or specified digital
4 products between a marketplace seller and a purchaser in a
5 forum including a shop, store, booth, catalog, internet site,
6 or similar forum.

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

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

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

26 (vi) Provides or offers fulfillment or storage services for
27 a marketplace seller.

28 (vii) Sets prices for a marketplace seller's sale of
29 tangible personal property, services, or specified digital
30 products.

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

1 (ix) Brands or otherwise identifies sales as those of the
2 marketplace facilitator.

3 (b) The person directly or indirectly does any of the
4 following:

5 (i) Collects the sales price or purchase price of a retail
6 sale of tangible personal property, services, or specified
7 digital products.

8 (ii) Provides payment processing services for a retail sale
9 of tangible personal property, services, or specified digital
10 products.

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

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

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

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

1 (3) A *“rental platform”*, as defined in section 423C.2, that
2 meets the requirements described in section 423C.3, subsection
3 3, paragraph *“c”*, subparagraph (2), shall not be considered
4 a *“marketplace facilitator”* with respect to any sale of a
5 transportation service under section 423.2, subsection 6,
6 paragraph *“bf”*, or section 423.5, subsection 1, paragraph *“e”*,
7 consisting of the rental of vehicles subject to registration
8 which are registered for a gross weight of thirteen tons or
9 less for a period of sixty days or less.

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

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

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

20 2. In addition to and not in lieu of any application of
21 this chapter to sellers who are retailers and sellers who are
22 retailers maintaining a place of business in this state, any
23 person described in subsection 3, or the person’s agents,
24 shall be considered a retailer in this state and a retailer
25 maintaining a place of business in this state for purposes of
26 this chapter on or after January 1, 2019, and shall be subject
27 to all requirements of this chapter imposed on retailers and
28 retailers maintaining a place of business in this state,
29 including but not limited to the requirement to collect and
30 remit sales and use taxes pursuant to sections 423.14 and
31 423.29, and local option taxes under chapter 423B.

32 3. a. A retailer that has gross revenue from Iowa sales
33 equal to or exceeding one hundred thousand dollars for an
34 immediately preceding calendar year or a current calendar year.

35 b. A retailer that makes Iowa sales in two hundred or more

1 separate transactions for an immediately preceding calendar
2 year or a current calendar year.

3 *c.* (1) A retailer that owns, licenses, or uses software
4 or data files that are installed or stored on property used
5 in this state. For purposes of this subparagraph, "*software*
6 *or data files*" include but are not limited to software that is
7 affirmatively downloaded by a user, software that is downloaded
8 as a result of the use of a website, preloaded software, and
9 cookies.

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

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

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

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

33 (2) A marketplace facilitator shall collect sales and
34 use tax on the entire sales price or purchase price paid by
35 a purchaser on each Iowa sale subject to sales and use tax

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

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

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

34 (b) (i) Subject to the limitation in subparagraph
35 subdivision (ii), if the marketplace facilitator demonstrates

1 to the satisfaction of the department that the Iowa sale was
2 made or facilitated for a marketplace seller prior to January
3 1, 2026, through a marketplace of the marketplace facilitator,
4 that the marketplace facilitator is not the seller and that
5 the marketplace facilitator and the seller are not affiliates,
6 and that the failure to collect sales and use tax was due to
7 an error other than an error in sourcing the sale. To the
8 extent that a marketplace facilitator is relieved of liability
9 for collection of sales and use tax under this subparagraph
10 division, the marketplace seller for whom the marketplace
11 facilitator has made or facilitated the Iowa sale is also
12 relieved of liability. The department may determine the manner
13 in which a marketplace facilitator or marketplace seller shall
14 claim the liability relief provided in this subparagraph
15 division.

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

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

25 (B) For Iowa sales made or facilitated during calendar years
26 2020 through 2024, five percent.

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

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

32 (d) A marketplace facilitator is deemed to be an agent
33 of any marketplace seller making retail sales through a
34 marketplace of the marketplace facilitator.

35 e. (1) A referrer if, for any immediately preceding

1 calendar year or a current calendar year, one hundred thousand
2 dollars or more in Iowa sales or two hundred or more separate
3 Iowa sales transactions result from referrals from a platform
4 of the referrer. A referrer is not required to collect and
5 remit sales and use tax pursuant to this paragraph if the
6 referrer does all of the following:

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

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

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

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

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

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

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

27 (i) A statement that Iowa imposes a sales or use tax on Iowa
28 sales.

29 (ii) A statement that a marketplace facilitator or other
30 retailer making Iowa sales must collect and remit sales and use
31 tax.

32 (iii) Instructions for obtaining additional information
33 from the department regarding the collection and remittance of
34 Iowa sales and use tax.

35 (c) The referrer provides the department with monthly

1 reports in an electronic format and in the manner prescribed
2 by the department, which monthly reports contain all of the
3 following:

4 (i) A list of marketplace sellers who received the
5 referrer's notice under subparagraph division (b).

6 (ii) A list of marketplace sellers that collect and
7 remit Iowa sales and use tax and that list or advertise the
8 marketplace seller's products for sale on a platform of the
9 referrer.

10 (iii) An affidavit signed under penalty of perjury from
11 an officer of the referrer affirming that the referrer made
12 reasonable efforts to comply with the applicable sales and use
13 tax notice and reporting requirements of this subparagraph.

14 (2) A referrer is deemed to be an agent of any marketplace
15 seller making retail sales resulting from a referral of the
16 referrer.

17 (3) For purposes of this paragraph:

18 (a) "Platform" means an electronic or physical medium,
19 including but not limited to an internet site or catalog, that
20 is owned, operated, or controlled by a referrer.

21 (b) "Referral" means the transfer through telephone,
22 internet link, or other means by a referrer of a potential
23 customer to a retailer or seller who advertises or lists
24 products for sale on a platform of the referrer.

25 (c) (i) "Referrer" means a person who does all of the
26 following:

27 (A) Contracts or otherwise agrees with a retailer, seller,
28 or marketplace facilitator to list or advertise for sale a
29 product of the retailer, seller, or marketplace facilitator on
30 a platform, provided such listing or advertisement identifies
31 whether or not the retailer, seller, or marketplace facilitator
32 collects sales and use tax.

33 (B) Receives a commission, fee, or other consideration
34 from the retailer, seller, or marketplace facilitator for the
35 listing or advertisement.

1 (C) Provides referrals to a retailer, seller, or
2 marketplace facilitator, or an affiliate of a retailer, seller,
3 or marketplace facilitator.

4 (D) Does not collect money or other consideration from the
5 customer for the transaction.

6 (ii) "*Referrer*" does not include any of the following:

7 (A) A person primarily engaged in the business of printing
8 or publishing a newspaper.

9 (B) A person who does not provide the retailer's, seller's,
10 or marketplace facilitator's shipping terms and who does
11 not advertise whether a retailer, seller, or marketplace
12 facilitator collects sales or use tax.

13 (4) This paragraph only applies to referrals by a referrer
14 and shall not preclude the applicability of other provisions
15 of this section to a person who is a referrer and is also a
16 retailer, a marketplace facilitator, or a marketplace seller.

17 *f.* (1) A retailer that makes Iowa sales through the use of
18 a solicitor. For purposes of this paragraph, "*solicitor*" means
19 a person that directly or indirectly solicits business for a
20 retailer.

21 (2) (a) A retailer is deemed to have a solicitor in
22 this state if the retailer enters into an agreement with a
23 resident under which the resident, for a commission, fee, or
24 other similar consideration, directly or indirectly refers
25 potential customers, whether by link on an internet site,
26 or otherwise, to the retailer. This determination may be
27 rebutted by a showing of proof that the resident with whom the
28 retailer has an agreement did not engage in any solicitation
29 in this state on behalf of the retailer that would satisfy the
30 nexus requirement of the United States Constitution during the
31 calendar year in question.

32 (b) This subparagraph (2) shall not apply to a retailer that
33 has Iowa gross revenue from Iowa sales of ten thousand dollars
34 or less for an immediately preceding calendar year or a current
35 calendar year.

1 (c) For purposes of this subparagraph (2):

2 (i) "*Iowa gross revenue*" means gross revenue from Iowa
3 sales to purchasers who were referred to the retailer by all
4 solicitors who are residents.

5 (ii) "*Resident*" includes an individual who is a resident
6 of this state, as defined in section 422.4, and any business
7 that owns any tangible or intangible property with a situs in
8 this state, or that has one or more employees performing or
9 providing services for the business in this state.

10 (d) This paragraph "*f*" does not apply to chapter 422 and
11 does not expand or contract the state's jurisdiction to tax a
12 trade or business under chapter 422.

13 *g.* A retailer that owns, controls, rents, licenses, makes
14 available, or uses any tangible or intangible property in this
15 state or with a situs in this state, to make or otherwise
16 facilitate a retail sale.

17 *h.* (1) Any person that enters into a contract or agreement
18 with a governmental entity, including but not limited to
19 contracts for the provision of financial assistance or
20 incentives such as a tax credit, forgivable loan, grant, tax
21 rebate, or any other thing of value. For purposes of this
22 subparagraph, "*governmental entity*" means any unit of government
23 in the executive, legislative, or judicial branch, or any
24 political subdivision of the state, including but not limited
25 to a city, county, township, or school district.

26 (2) Every bid submitted and each contract or agreement
27 executed by a state agency shall contain a certification by
28 the bidder or contractor stating that the bidder or contractor
29 is registered with the department pursuant to this chapter
30 and will collect and remit Iowa sales and use tax due under
31 this chapter. In the certification, the bidder or contractor
32 shall also acknowledge that the state agency may declare the
33 contractor or bid void if the certification is false or becomes
34 false. Fraudulent certification, by act or omission, may
35 result in the state agency or its representative filing for

1 damages for breach of contract.

2 *i.* Any affiliate of any person that is required to collect
3 and remit sales and use tax under this chapter, provided the
4 affiliate makes retail sales.

5 Sec. 212. NEW SECTION. **423.14B Sales and use tax reporting**
6 **requirements — penalties.**

7 1. For purposes of this section, "*Iowa sales*" and
8 "*marketplace facilitator*" all mean the same as defined in
9 section 423.14A.

10 2. The department may, in its discretion, adopt rules
11 pursuant to chapter 17A establishing and imposing notice and
12 reporting requirements related to Iowa sales for retailers,
13 including but not limited to marketplace facilitators,
14 who do not collect and remit sales and use tax under this
15 chapter. The rules may include but are not limited to rules
16 requiring retailers, including but not limited to marketplace
17 facilitators, to do any of the following:

18 *a.* Notify purchasers at the time of an Iowa sales
19 transaction of sales and use tax obligations under this
20 chapter.

21 *b.* Provide purchasers with periodic reports of purchases
22 that are Iowa sales.

23 *c.* Provide the department with annual reports that include
24 but are not limited to information relating to purchases,
25 purchasers, and Iowa sales.

26 3. *a.* The department may adopt rules pursuant to chapter
27 17A establishing and imposing penalties as described in and
28 subject to the dollar limitations of paragraph "*b*", provided
29 that any such penalty shall include a procedure for waiver
30 of the penalty upon a showing of reasonable cause for such
31 failure.

32 *b.* (1) The department may impose penalties for failure to
33 provide a notification to a purchaser in the manner and form
34 prescribed by the department by rule. Such penalties shall not
35 exceed five dollars for each failure.

1 (2) The department may impose penalties for failure to
2 provide a purchaser with a periodic report of purchases in the
3 manner and form prescribed by the department by rule. Such
4 penalties shall not exceed ten dollars for each failure.

5 (3) The department may impose penalties for failure to
6 provide the department with an annual report in the manner
7 and form prescribed by the department. Such penalties shall
8 not exceed an amount per annual report equal to ten dollars
9 multiplied by the number of purchasers for whom information
10 should have been but was not included in the annual report.

11 Sec. 213. Section 423.15, unnumbered paragraph 1, Code
12 2018, is amended to read as follows:

13 All sales of ~~products~~ tangible personal property, services,
14 or specified digital products, except those sales enumerated
15 in section 423.16, shall be sourced according to this section
16 by sellers obligated to collect Iowa sales and use tax. The
17 sourcing rules described in this section apply to sales of
18 tangible personal property, specified digital goods products,
19 and all services other than telecommunications services. This
20 section only applies to determine a seller's obligation to pay
21 or collect and remit a Iowa sales or use tax with respect to
22 the seller's sale of a product. This section does not affect
23 the obligation of a purchaser or lessee to remit tax on the use
24 of the product to the taxing jurisdictions in which the use
25 occurs. A seller's obligation to collect Iowa sales tax or
26 Iowa use tax only occurs if the sale is sourced to this state.
27 ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall~~
28 ~~be determined based on the location at which the sale is~~
29 ~~consummated by delivery or, in the case of a service, where the~~
30 ~~first use of the service occurs~~ made by a seller subject to
31 section 423.1, subsection 48, or section 423.14A.

32 Sec. 214. Section 423.15, subsection 1, paragraph e, Code
33 2018, is amended to read as follows:

34 e. When paragraphs "a", "b", "c", and "d" do not apply,
35 including the circumstance where the seller is without

1 sufficient information to apply the previous rules, then the
2 location will be determined by the address from which tangible
3 personal property was shipped, from which the specified digital
4 ~~good~~ product or the computer software delivered electronically
5 was first available for transmission by the seller, or from
6 which the service was provided disregarding for these purposes
7 any location that merely provided the digital transfer of the
8 product sold.

9 Sec. 215. Section 423.22, Code 2018, is amended to read as
10 follows:

11 **423.22 Taxation in another state.**

12 If any person who causes tangible personal property or
13 specified digital products to be brought into this state or
14 who uses in this state services enumerated in section 423.2
15 has already paid a tax in another state in respect to the sale
16 or use of the property or the performance of the service, or
17 an occupation tax in respect to the property or service, in
18 an amount less than the tax imposed by subchapter II or III,
19 the provisions of those subchapters shall apply, but at a rate
20 measured by the difference only between the rate fixed by
21 subchapter II or III and the rate by which the previous tax on
22 the sale or use, or the occupation tax, was computed. If the
23 tax imposed and paid in the other state is equal to or more than
24 the tax imposed by those subchapters, then a tax is not due in
25 this state on the personal property or service.

26 Sec. 216. Section 423.29, subsection 1, Code 2018, is
27 amended to read as follows:

28 1. Every seller who is a retailer and who is making taxable
29 sales of tangible personal property or specified digital
30 products in Iowa shall, at the time of ~~selling the property~~
31 making the sale, collect the sales tax. Every seller who
32 is a retailer ~~maintaining a place of business in this state~~
33 that is not otherwise required to collect sales tax under the
34 provisions of this chapter and who is selling tangible personal
35 property or specified digital products for use in Iowa shall,

1 at the time of making the sale, whether within or without the
2 state, collect the use tax. Sellers required to collect sales
3 or use tax shall give to any purchaser a receipt for the tax
4 collected in the manner and form prescribed by the director.

5 Sec. 217. Section 423.30, subsection 1, Code 2018, is
6 amended to read as follows:

7 1. The director may, upon application, authorize the
8 collection of the use tax by any seller who is a retailer not
9 maintaining a place of business within this state and not
10 registered under the agreement, who, to the satisfaction of
11 the director, furnishes adequate security to ensure collection
12 and payment of the tax. Such sellers shall be issued, without
13 charge, permits to collect tax subject to any regulations
14 which the director shall prescribe. When so authorized, it
15 shall be the duty of foreign sellers to collect the tax upon
16 all tangible personal property and specified digital products
17 sold, to the retailer's knowledge, for use within this state,
18 in the same manner and subject to the same requirements as a
19 retailer maintaining a place of business within this state.
20 The authority and permit may be canceled when, at any time, the
21 director considers the security inadequate, or that tax can
22 more effectively be collected from the person using property
23 in this state.

24 Sec. 218. Section 423.31, subsection 1, Code 2018, is
25 amended to read as follows:

26 1. Each person subject to this section and section 423.36
27 and in accordance with the provisions of this section and
28 section 423.36 shall, on or before the last day of the month
29 following the close of each calendar quarter during which
30 such person is or has become or ceased being subject to the
31 provisions of this section and section 423.36, make, sign, and
32 file a return for the calendar quarter in the form as may be
33 required. Returns shall show information relating to sales
34 prices including ~~goods, wares,~~ specified digital products,
35 and services converted to the

1 use of such person, the amounts of sales prices excluded and
2 exempt from the tax, the amounts of sales prices subject to
3 tax, a calculation of tax due, and any other information for
4 the period covered by the return as may be required. Returns
5 shall be signed by the retailer or the retailer's authorized
6 agent and must be certified by the retailer to be correct in
7 accordance with forms and rules prescribed by the director.

8 Sec. 219. Section 423.31, subsection 5, paragraph a, Code
9 2018, is amended to read as follows:

10 a. Upon making application and receiving approval from
11 the director, a ~~parent corporation~~ person and its affiliated
12 ~~corporations~~ affiliates that make retail sales of tangible
13 personal property, specified digital products, or taxable
14 enumerated services may make deposits and file a consolidated
15 sales tax return for the affiliated group, pursuant to rules
16 adopted by the director. A ~~parent corporation~~ person and each
17 affiliate ~~corporation~~ that files a consolidated return are
18 jointly and severally liable for all tax, penalty, and interest
19 found due for the tax period for which a consolidated return is
20 filed or required to be filed.

21 Sec. 220. Section 423.32, subsection 1, paragraph b, Code
22 2018, is amended to read as follows:

23 b. The deposit form is due on or before the twentieth day of
24 the month following the month of collection, except a deposit
25 is not required for the third month of the calendar quarter,
26 and the total quarterly amount, less the amounts deposited for
27 the first two months of the quarter, is due with the quarterly
28 report on the last day of the month following the month of
29 collection. At that time, the retailer shall file with the
30 department a return for the preceding quarterly period in the
31 form prescribed by the director showing the purchase price of
32 the tangible personal property, specified digital products, and
33 services sold by the retailer during the preceding quarterly
34 period, the use of which is subject to the use tax imposed
35 by this chapter, and other information the director deems

1 necessary for the proper administration of the use tax.

2 Sec. 221. Section 423.33, subsection 3, Code 2018, is
3 amended to read as follows:

4 3. *Event sponsor's liability for sales tax.* A person
5 sponsoring a flea market or a craft, antique, coin, or stamp
6 show or similar event shall obtain from every retailer selling
7 tangible personal property, specified digital products,
8 or taxable services at the event proof that the retailer
9 possesses a valid sales tax permit or secure from the retailer
10 a statement, taken in good faith, that tangible personal
11 property, specified digital products, or services offered for
12 sale are not subject to sales tax. Failure to do so renders
13 a sponsor of the event liable for payment of any sales tax,
14 interest, and penalty due and owing from any retailer selling
15 property or services at the event. Sections 423.31, 423.32,
16 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
17 sponsors. For purposes of this subsection, a "*person sponsoring*
18 *a flea market or a craft, antique, coin, or stamp show or similar*
19 *event*" does not include an organization which sponsors an
20 event determined to qualify as an event involving casual sales
21 pursuant to section 423.3, subsection 39, or the state fair or
22 a fair as defined in section 174.1.

23 Sec. 222. Section 423.33, Code 2018, is amended by adding
24 the following new subsection:

25 NEW SUBSECTION. 4. *Liability of affiliates.*

26 a. Notwithstanding any other provision of law to the
27 contrary, if any retailer required to collect and remit sales
28 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
29 or any other provision of this chapter, fails to do so, all
30 affiliates that directly, indirectly, or constructively control
31 the retailer shall be jointly and severally liable for any tax,
32 penalty, and interest under this chapter, regardless of whether
33 the affiliate is a retailer.

34 b. Pursuant to paragraph "a", the department may elect
35 to assess the full amount of any tax, penalty, and interest

1 against the retailer, an affiliate of the retailer described
2 in paragraph "a", or any combination of the retailer and the
3 retailer's affiliates described in paragraph "a".

4 c. Notwithstanding any other provision of law to the
5 contrary, the department has the discretion to deem an
6 affiliate of a retailer an agent or alter ego of that retailer.

7 d. Notwithstanding any other provision of law to the
8 contrary, the department has the discretion to disregard or
9 look through any organizational structure of an enterprise in
10 order to assess and collect any tax, penalty, and interest
11 against an affiliate that is acting to benefit an affiliate or
12 an enterprise of which the affiliate is a part.

13 Sec. 223. Section 423.34, Code 2018, is amended to read as
14 follows:

15 **423.34 Liability of user.**

16 Any person who uses any tangible personal property,
17 specified digital products, or services enumerated in section
18 423.2 upon which the use tax has not been paid, either to the
19 county treasurer or to a retailer or direct to the department
20 as required by this subchapter, shall be liable for the payment
21 of tax, and shall on or before the last day of the month next
22 succeeding each quarterly period pay the use tax upon all
23 property or services used by the person during the preceding
24 quarterly period in the manner and accompanied by such returns
25 as the director shall prescribe. All of the provisions of
26 sections 423.32 and 423.33 with reference to the returns and
27 payments shall be applicable to the returns and payments
28 required by this section.

29 Sec. 224. Section 423.36, subsection 1, Code 2018, is
30 amended to read as follows:

31 1. A person shall not engage in or transact business as a
32 retailer making taxable sales of tangible personal property,
33 specified digital products, or furnishing services within
34 this state or as a retailer making taxable sales of tangible
35 personal property, specified digital products, or furnishing

1 services for use within this state, unless a permit has been
2 issued to the retailer under this section, except as provided
3 in subsection 7. Every person desiring to engage in or
4 transact business as a retailer shall file with the department
5 an application for a permit to collect sales or use tax. Every
6 application for a sales or use tax permit shall be made upon
7 a form prescribed by the director and shall set forth any
8 information the director may require. The application shall
9 be signed by an owner of the business if a natural person; in
10 the case of a retailer which is an association or partnership,
11 by a member or partner; and in the case of a retailer which
12 is a corporation, by an executive officer or some person
13 specifically authorized by the corporation to sign the
14 application, to which shall be attached the written evidence of
15 the person's authority.

16 Sec. 225. Section 423.36, subsection 2, paragraph a, Code
17 2018, is amended to read as follows:

18 a. Notwithstanding subsection 1, if any person will make
19 taxable sales of tangible personal property, specified digital
20 products, or furnish services to any state agency, that person
21 shall, prior to the sale, apply for and receive a permit to
22 collect sales or use tax pursuant to this section. A state
23 agency shall not purchase tangible personal property, specified
24 digital products, or services from any person unless that
25 person has a valid, unexpired permit issued pursuant to this
26 section and is in compliance with all other requirements in
27 this chapter imposed upon retailers, including but not limited
28 to the requirement to collect and remit sales and use tax and
29 file sales and use tax returns.

30 Sec. 226. Section 423.36, subsection 7, paragraph b, Code
31 2018, is amended to read as follows:

32 b. Persons engaged in selling tangible personal property,
33 specified digital products, or furnishing services shall not be
34 required to obtain or retain a sales tax permit for a place of
35 business at which taxable sales of tangible personal property,

1 specified digital products, or taxable performance of services
2 will not occur.

3 Sec. 227. Section 423.36, subsection 9, paragraph a, Code
4 2018, is amended to read as follows:

5 a. Except as provided in paragraph "b", purchasers, users,
6 and consumers of tangible personal property, specified digital
7 products, or enumerated services taxed pursuant to subchapter
8 II or III of this chapter or chapter 423B may be authorized,
9 pursuant to rules adopted by the director, to remit tax owed
10 directly to the department instead of the tax being collected
11 and paid by the seller. To qualify for a direct pay tax permit,
12 the purchaser, user, or consumer must accrue a tax liability
13 of more than four thousand dollars in tax under subchapters
14 II and III in a semimonthly period and make deposits and file
15 returns pursuant to section 423.31. This authority shall not
16 be granted or exercised except upon application to the director
17 and then only after issuance by the director of a direct pay
18 tax permit.

19 Sec. 228. Section 423.40, subsection 2, Code 2018, is
20 amended to read as follows:

21 2. a. Any person who knowingly sells tangible personal
22 property, specified digital products, tickets or admissions
23 to places of amusement and athletic events, or gas, water,
24 electricity, or communication service at retail, or engages in
25 the furnishing of services enumerated in section 423.2, in this
26 state without procuring a permit to collect tax, as provided
27 in section 423.36, or who violates section 423.24 and the
28 officers of any corporation who so act are guilty of a serious
29 misdemeanor.

30 b. A person who knowingly sells tangible personal property,
31 specified digital products, tickets or admissions to places of
32 amusement and athletic events, or gas, water, electricity, or
33 communication service at retail, or engages in the furnishing
34 of services enumerated in section 423.2, in this state after
35 the person's sales tax permit has been revoked and before it

1 has been restored as provided in section 423.36, subsection 6,
2 and the officers of any corporation who so act are guilty of an
3 aggravated misdemeanor.

4 Sec. 229. Section 423.41, Code 2018, is amended to read as
5 follows:

6 **423.41 Books — examination.**

7 Every retailer required or authorized to collect taxes
8 imposed by this chapter and every person using in this state
9 tangible personal property, specified digital products,
10 services, or the product of services shall keep records,
11 receipts, invoices, and other pertinent papers as the director
12 shall require, in the form that the director shall require,
13 for as long as the director has the authority to examine and
14 determine tax due. The director or any duly authorized agent
15 of the department may examine the books, papers, records,
16 and equipment of any person ~~either~~ selling tangible personal
17 property, specified digital products, or services or liable
18 for the tax imposed by this chapter, and investigate the
19 character of the business of any person in order to verify
20 the accuracy of any return made, or if a return was not made
21 by the person, ascertain and determine the amount due under
22 this chapter. These books, papers, and records shall be made
23 available within this state for examination upon reasonable
24 notice when the director deems it advisable and so orders. If
25 the taxpayer maintains any records in an electronic format,
26 the taxpayer shall comply with reasonable requests by the
27 director or the director's authorized agents to provide those
28 electronic records in a standard record format. The preceding
29 requirements shall likewise apply to users and persons
30 furnishing services enumerated in section 423.2.

31 Sec. 230. Section 423.45, subsection 4, paragraphs a, b, and
32 e, Code 2018, are amended to read as follows:

33 a. The department shall issue or the seller may separately
34 provide exemption certificates in the form prescribed by the
35 director, including certificates not made of paper, which

1 conform to the requirements of paragraph "c", to assist
2 retailers in properly accounting for nontaxable sales of
3 tangible personal property, specified digital products,
4 or services to purchasers for a nontaxable purpose. The
5 department shall also allow the use of exemption certificates
6 for those circumstances in which a sale is taxable but the
7 seller is not obligated to collect tax from the buyer.

8 *b.* The sales tax liability for all sales of tangible
9 personal property and specified digital products and all sales
10 of services is upon the seller and the purchaser unless the
11 seller takes from the purchaser a valid exemption certificate
12 stating under penalty of perjury that the purchase is for a
13 nontaxable purpose and is not a retail sale as defined in
14 section 423.1, or the seller is not obligated to collect tax
15 due, or unless the seller takes a fuel exemption certificate
16 pursuant to subsection 5. If the tangible personal property,
17 specified digital products, or services are purchased tax free
18 pursuant to a valid exemption certificate and the tangible
19 personal property, specified digital products, or services are
20 used or disposed of by the purchaser in a nonexempt manner, the
21 purchaser is solely liable for the taxes and shall remit the
22 taxes directly to the department and sections 423.31, 423.32,
23 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
24 to the purchaser.

25 *e.* If the circumstances change and as a result the tangible
26 personal property, specified digital products, or services are
27 used or disposed of by the purchaser in a nonexempt manner or
28 the purchaser becomes obligated to pay the tax, the purchaser
29 is liable solely for the taxes and shall remit the taxes
30 directly to the department in accordance with this subsection.

31 Sec. 231. Section 423.57, Code 2018, is amended to read as
32 follows:

33 **423.57 Statutes applicable.**

34 The director shall administer this subchapter as it relates
35 to the taxes imposed in this chapter in the same manner and

1 subject to all the provisions of, and all of the powers,
2 duties, authority, and restrictions contained in sections
3 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,
4 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,
5 423.32, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,
6 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection
7 1, and sections 423.45, 423.46, and 423.47.

8 Sec. 232. Section 423.58, Code 2018, is amended to read as
9 follows:

10 **423.58 Collection, permit, and tax return exemption for**
11 **certain out-of-state businesses.**

12 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,
13 423.31, 423.32, and 423.36, a person meeting the requirements
14 of section 29C.24 is not required to obtain a sales or use tax
15 permit, collect and remit sales and use tax, or make and file
16 applicable sales or use tax returns, as provided in section
17 29C.24, subsection 3, paragraph "a", subparagraph (2).

18 Sec. 233. Section 423B.5, subsection 1, Code 2018, is
19 amended to read as follows:

20 1. A local sales and services tax at the rate of not more
21 than one percent may be imposed by a county on the sales price
22 taxed by the state under chapter 423, subchapter II. A local
23 sales and services tax shall be imposed on the same basis as
24 the state sales and services tax or in the case of the use of
25 natural gas, natural gas service, electricity, or electric
26 service on the same basis as the state use tax and shall not
27 be imposed on the sale of any property or on any service not
28 taxed by the state, except the tax shall not be imposed on
29 the sales price from the sale of motor fuel or special fuel
30 as defined in chapter 452A which is consumed for highway use
31 or in watercraft or aircraft if the fuel tax is paid on the
32 transaction and a refund has not or will not be allowed, on the
33 sales price from the sale of equipment by the state department
34 of transportation, or on the sales price from the sale or use
35 of natural gas, natural gas service, electricity, or electric

1 service in a city or county where the sales price from the sale
2 of natural gas or electric energy is subject to a franchise
3 fee or user fee during the period the franchise or user fee
4 is imposed. A local sales and services tax is applicable
5 to transactions within those incorporated and unincorporated
6 areas of the county where it is imposed ~~and~~, which transactions
7 include but are not limited to sales sourced pursuant to
8 section 423.15, 423.17, 423.19, or 423.20, to a location within
9 that city or unincorporated area of the county. The tax shall
10 be collected by all persons required to collect state sales
11 taxes. All cities contiguous to each other shall be treated
12 as part of one incorporated area and the tax would be imposed
13 in each of those contiguous cities only if the majority of
14 those voting in the total area covered by the contiguous cities
15 favors its imposition. In the case of a local sales and
16 services tax submitted to the registered voters of two or more
17 contiguous counties as provided in section 423B.1, subsection
18 4, paragraph "c", all cities contiguous to each other shall be
19 treated as part of one incorporated area, even if the corporate
20 boundaries of one or more of the cities include areas of more
21 than one county, and the tax shall be imposed in each of those
22 contiguous cities only if a majority of those voting on the tax
23 in the total area covered by the contiguous cities favored its
24 imposition.

25 Sec. 234. Section 423B.6, subsection 2, paragraph b, Code
26 2018, is amended to read as follows:

27 *b.* The ordinance of a county board of supervisors imposing
28 a local sales and services tax shall adopt by reference the
29 applicable provisions of the appropriate sections of chapter
30 423. All powers and requirements of the director to administer
31 the state sales tax law and use tax law are applicable to the
32 administration of a local sales and services tax law and the
33 local excise tax, including but not limited to the provisions
34 of section 422.25, subsection 4, sections 422.30, 422.67,
35 and 422.68, section 422.69, subsection 1, sections 422.70

1 through 422.75, section 423.14, subsection 1 and subsection
2 2, paragraphs "b" through "e", and sections 423.14A, 423.15,
3 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through
4 423.42, 423.46, and 423.47. Local officials shall confer
5 with the director of revenue for assistance in drafting the
6 ordinance imposing a local sales and services tax. A certified
7 copy of the ordinance shall be filed with the director as soon
8 as possible after passage.

9 Sec. 235. LEGISLATIVE INTENT. It is the intent of the
10 general assembly that the provisions of this division of this
11 Act amending the definition of "place of business" in section
12 423.1, subsection 37, and "sales" in section 423.1, subsection
13 50, enacting definitions of "sold at retail in the state" in
14 section 423.1, subsection 55A, and "subscription" in section
15 423.1, subsection 57A, and amending the enumerated service of
16 pay television in 423.2, subsection 6, paragraph "a", are
17 conforming amendments consistent with current state law, and
18 that the amendments do not change the application of current
19 law but instead reflect current law both before and after the
20 enactment of this division of this Act.

21 Sec. 236. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF
22 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of
23 this Act relating to the imposition of tax on the sale or use of
24 "specified digital products", as defined in this division of
25 this Act, shall not be construed as affecting the taxability
26 or nontaxability under other provisions of existing law of
27 sales or uses occurring prior to the enactment of this division
28 of this Act of products meeting the definition of "specified
29 digital products", as defined in this division of this Act.

30 Sec. 237. EFFECTIVE DATE. Except as otherwise provided
31 in this division of this Act, this division of this Act takes
32 effect January 1, 2019.

33 Sec. 238. EFFECTIVE DATE. The following, being deemed of
34 immediate importance, take effect upon enactment:

35 1. The sections of this division of this Act amending

1 section 423.1, subsections 37 and 50.

2 2. The sections of this division of this Act enacting
3 section 423.1, subsections 55A and 57A.

4 3. The section of this division of this Act amending section
5 423.3, subsection 47, paragraph "d", subparagraph (4).

6 4. The provision amending the enumerated service of pay
7 television to include but not be limited to streaming video,
8 video on-demand, and pay-per-view, in the section of this
9 division of this Act amending section 423.2, subsection 6, by
10 designating paragraph "al".

11 5. The section of this division of this Act entitled
12 "legislative intent" which describes the intent of the general
13 assembly with respect to certain amendments in this division of
14 this Act to the definition of "place of business" in section
15 423.1, subsection 37, "sales" in section 423.1, subsection 50,
16 the enactment of a definition for "subscription" in section
17 423.1, subsection 57A, and "sold at retail" in section 423.1,
18 subsection 55A, and amendments to the enumerated service of pay
19 television in section 423.2, subsection 6, paragraph "al".

20 Sec. 239. EFFECTIVE DATE. The following take effect July
21 1, 2018:

22 1. The section of this division of this Act amending section
23 423.2, subsection 1, paragraph "a", subparagraph (1).

24 2. The provisions adding photography and retouching to the
25 list of enumerated services subject to the sales tax in the
26 section of this division of this Act amending section 423.2,
27 subsection 6, by enacting paragraphs "bo" and "bp".

28 3. The section of this division of this Act enacting section
29 423.2, subsection 8, paragraph "d".

30 4. The section of this division of this Act amending section
31 423.5, subsection 1, paragraph "a".

32 DIVISION XII

33 APPROVAL AND IMPOSITION OF LOCAL OPTION SALES AND SERVICES TAX

34 Sec. 240. Section 423B.1, subsection 2, paragraph b,
35 subparagraph (3), Code 2018, is amended to read as follows:

1 (3) The tax once imposed shall continue to be imposed until
2 the county-imposed tax is ~~reduced or increased in rate or~~
3 ~~repealed, and then the city-imposed tax shall also be reduced~~
4 ~~or increased in rate or repealed in the same amount and be~~
5 effective on the same date.

6 Sec. 241. Section 423B.1, subsections 3, 4, and 5, Code
7 2018, are amended to read as follows:

8 3. a. ~~A local option tax shall be imposed only after an~~
9 ~~election at which~~ If a majority of those voting on the question
10 of imposition of a local option tax favors imposition and, the
11 local option tax shall then be imposed at the rate specified
12 on the ballot until repealed as provided in ~~subsection 6,~~
13 paragraph "a" this chapter.

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

17 c. (1) If the tax is a local sales and services tax
18 imposed by a county, it shall only apply to those incorporated
19 areas and the unincorporated area of that county in which a
20 majority of those voting in the area on the tax favors its
21 imposition. For purposes of the local sales and services tax,
22 all cities contiguous to each other shall be treated as part of
23 one incorporated area and the tax would be imposed in each of
24 those contiguous cities only if the majority of those voting
25 in the total area covered by the contiguous cities favors its
26 imposition. ~~In the case of a local sales and services tax~~
27 ~~submitted to the registered voters of two or more contiguous~~
28 ~~counties as provided in subsection 4, paragraph "c", all cities~~
29 ~~contiguous to each other shall be treated as part of one~~
30 ~~incorporated area, even if the corporate boundaries of one or~~
31 ~~more of the cities include areas of more than one county, and~~
32 ~~the tax shall be imposed in each of those contiguous cities~~
33 ~~only if a majority of those voting on the tax in the total area~~
34 ~~covered by the contiguous cities favored its imposition. For~~
35 purposes of the local sales and services tax, a city is not

1 contiguous to another city if the only road access between the
2 two cities is through another state.

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

15 4. a. (1) A The county board of supervisors shall direct
16 within thirty days the county commissioner of elections to
17 submit the question of imposition of a local vehicle tax ~~or~~
18 ~~a local sales and services tax~~ to the registered voters of
19 the incorporated and unincorporated areas of the county upon
20 receipt of a petition, requesting imposition of a local vehicle
21 tax ~~or a local sales and services tax~~, signed by eligible
22 electors of the whole county equal in number to five percent of
23 the persons in the whole county who voted at the last preceding
24 general election. ~~In the case of a local vehicle tax, the~~ The
25 petition requesting imposition shall specify the rate of tax
26 and the classes, if any, that are to be exempt. If more than
27 one valid petition is received, the earliest received petition
28 shall be used.

29 (2) The county board of supervisors shall direct within
30 thirty days the county commissioner of elections to submit the
31 question of imposition of a local sales and services tax to the
32 registered voters of the incorporated and unincorporated areas
33 of the county upon receipt of a petition requesting imposition
34 of a local sales and services tax, signed by eligible electors
35 of the whole county equal in number to five percent of the

1 persons in the whole county who voted at the last preceding
2 general election. If more than one valid petition is received,
3 the earliest received petition shall be used.

4 (3) In lieu of the petition requirement of subparagraph
5 (2), the county board of supervisors for a county that is a
6 qualified county shall direct within thirty days the county
7 commissioner of elections to submit the question of imposition
8 of a local sales and services tax to the registered voters of a
9 city, or the portion thereof located in the county, or to the
10 registered voters of the unincorporated area of the county upon
11 receipt by the board of supervisors of a petition requesting
12 imposition of a local sales and services tax, signed by
13 eligible electors of the city, or the portion thereof located
14 in the county, or eligible electors of the unincorporated area
15 of the county, as applicable, equal in number to five percent
16 of the persons in the city, or applicable portion thereof, or
17 in the unincorporated area of the county who voted at the last
18 preceding general election. If more than one valid petition
19 is received for a city or for the unincorporated area of the
20 county, the earliest received petition shall be used. This
21 subparagraph applies to petitions received on or after January
22 1, 2019.

23 b. (1) The question of the imposition of a local sales
24 and services tax shall be submitted to the registered voters
25 of the incorporated and unincorporated areas of the county
26 upon receipt by the county commissioner of elections of the
27 motion or motions, requesting such submission, adopted by
28 the governing body or bodies of the city or cities located
29 within the county or of the county, for the unincorporated
30 areas of the county, representing at least one half of the
31 population of the county. Upon adoption of such motion, the
32 governing body of the city or county, for the unincorporated
33 areas, shall submit the motion to the county commissioner of
34 elections and in the case of the governing body of the city
35 shall notify the board of supervisors of the adoption of the

1 motion. The county commissioner of elections shall keep a file
2 on all the motions received and, upon reaching the population
3 requirements, shall publish notice of the ballot proposition
4 concerning the imposition of the local sales and services tax.
5 A motion ceases to be valid at the time of the holding of the
6 regular election for the election of members of the governing
7 body ~~which~~ that adopted the motion. The county commissioner of
8 elections shall eliminate from the file any motion that ceases
9 to be valid.

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

27 (3) The ~~manner~~ methods provided under this paragraph for the
28 submission of the question of imposition of a local sales and
29 services tax ~~is an alternative~~ are alternatives to the ~~manner~~
30 ~~methods~~ provided in paragraph "a".

31 ~~c. Upon receipt of petitions or motions calling for the~~
32 ~~submission of the question of the imposition of a local sales~~
33 ~~and services tax as described in paragraph "a" or "b", the~~
34 ~~boards of supervisors of two or more contiguous counties in~~
35 ~~which the question is to be submitted may enter into a joint~~

~~1 agreement providing that for purposes of this chapter, a
2 city whose corporate boundaries include areas of more than
3 one county shall be treated as part of the county in which a
4 majority of the residents of the city reside. In such event,
5 the county commissioners of elections from each such county
6 shall cooperate in the selection of a single date upon which
7 the election shall be held, and for all purposes of this
8 chapter relating to the imposition, repeal, change of use,
9 or collection of the tax, such a city shall be deemed to be
10 part of the county in which a majority of the residents of the
11 city reside. A copy of the joint agreement shall be provided
12 promptly to the director of revenue.~~

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

19 b. The ballot proposition shall specify the type and rate of
20 tax and, in the case of a vehicle tax, the classes that will be
21 exempt and, in the case of a local sales and services tax, the
22 date it will be imposed which date shall not be earlier than
23 ninety days following the election. The ballot proposition
24 shall also specify the approximate amount of local option tax
25 revenues that will be used for property tax relief, subject to
26 the requirement of section 423B.7, subsection 7, paragraph "b",
27 and shall contain a statement as to the specific purpose or
28 purposes for which the revenues shall otherwise be expended.
29 If the county board of supervisors or governing body of the
30 city, as applicable, decides under subsection 6 to specify a
31 date on which the local option sales and services tax shall
32 automatically be repealed, the date of the repeal shall also be
33 specified on the ballot.

34 c. The rate of the vehicle tax shall be in increments of one
35 dollar per vehicle as set by the petition seeking to impose the

1 tax.

2 d. The rate of a local sales and services tax shall not be
3 ~~more than one percent as set by the governing body.~~

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

7 Sec. 242. Section 423B.1, subsection 6, paragraph a,
8 subparagraph (1), Code 2018, is amended by striking the
9 subparagraph.

10 Sec. 243. Section 423B.1, subsection 6, paragraph a,
11 subparagraphs (2) and (3), Code 2018, are amended to read as
12 follows:

13 (2) (a) ~~The~~ A local option tax may be repealed or the
14 rate of the local vehicle tax increased or decreased or the
15 use ~~thereof~~ of a local option tax changed after an election at
16 which a majority of those voting on the question of repeal or
17 rate or use change ~~avored~~ avors the repeal or rate or use
18 change.

19 (b) The date on which the repeal, rate, or use change is
20 to take effect shall not be earlier than ninety days following
21 the election. The election at which the question of repeal
22 or rate or use change is offered shall be called and held in
23 the same manner and under the same conditions as provided in
24 subsections 4 and 5 for the election on the imposition of the
25 local option tax. However, in the case of a local sales and
26 services tax where the tax has not been imposed countywide, the
27 question of repeal or imposition ~~or rate~~ or use change shall
28 be voted on only by the registered voters of the areas of the
29 county where the tax has been imposed or has not been imposed,
30 as appropriate.

31 (c) ~~However, the~~ The governing body of the ~~incorporated~~
32 area city or unincorporated area where the local sales and
33 services tax is imposed may, upon its own motion, request the
34 county commissioner of elections to hold an election in the
35 ~~incorporated~~ city, or portion thereof located in the county,

1 or unincorporated area, as appropriate, on the question of the
2 change in use of local sales and services tax revenues. The
3 election may be held at any time but not sooner than sixty days
4 following publication of the ballot proposition. If a majority
5 of those voting in the ~~incorporated city, or portion thereof~~
6 located in the county, or unincorporated area on the change in
7 use favors the change, the governing body of that area shall
8 change the use to which the revenues shall be used. The ballot
9 proposition shall list the present use of the revenues, the
10 proposed use, and the date after which revenues received will
11 be used for the new use.

12 (3) When submitting the question of the imposition of a
13 local sales and services tax, the ~~county~~ board of supervisors
14 or if the election is initiated under subsection 4, paragraph
15 "a", subparagraph (3), or subsection 4, paragraph "b",
16 subparagraph (2), the governing board of a city, may direct
17 that the question contain a provision for the repeal, without
18 election, of the local sales and services tax on a specific
19 date, which date shall be as provided in section 423B.6,
20 subsection 1.

21 Sec. 244. Section 423B.1, subsection 7, paragraph b, Code
22 2018, is amended to read as follows:

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

29 Sec. 245. Section 423B.1, subsection 8, Code 2018, is
30 amended by striking the subsection.

31 Sec. 246. Section 423B.1, subsections 9 and 10, Code 2018,
32 are amended to read as follows:

33 9. *a.* In a county that has imposed a local option sales and
34 services tax, the board of supervisors shall, notwithstanding
35 any contrary provision of this chapter, repeal the local

1 option sales and services tax in the unincorporated areas or
2 in an incorporated city area in which the tax has been imposed
3 upon adoption of ~~its~~ the board's own motion for repeal in the
4 unincorporated areas or upon receipt of a motion adopted by
5 the governing body of that incorporated city area requesting
6 repeal. The board of supervisors shall repeal the local
7 option sales and services tax effective on the later of the
8 date of the adoption of the repeal motion or the earliest date
9 specified in section 423B.6, subsection 1, following adoption
10 of the motion. For purposes of this ~~subsection~~ paragraph,
11 incorporated city area includes an incorporated city which is
12 contiguous to another incorporated city.

13 b. If imposition of the local option sales and services tax
14 is initiated under subsection 4, paragraph "a", subparagraph
15 (3), or subsection 4, paragraph "b", subparagraph (2),
16 notwithstanding any contrary provision of this chapter, the
17 board of supervisors may repeal the local sales and services
18 tax in a city, or portion thereof located in the county, upon
19 receipt of a motion adopted by the governing board of the city
20 requesting the repeal. The board of supervisors shall repeal
21 the local sales and services tax effective on the earliest date
22 specified in section 423B.6, subsection 1, following adoption
23 of the motion.

24 10. Notwithstanding subsection 9 or any other contrary
25 provision of this chapter, a local option sales and services
26 tax shall not be repealed ~~or reduced in rate~~ if obligations are
27 outstanding which are payable as provided in section 423B.9,
28 unless funds sufficient to pay the principal, interest, and
29 premium, if any, on the outstanding obligations at and prior
30 to maturity have been properly set aside and pledged for that
31 purpose.

32 Sec. 247. Section 423B.5, subsections 1 and 4, Code 2018,
33 are amended to read as follows:

34 1. A local sales and services tax ~~at the rate of not more~~
35 ~~than one percent~~ may be imposed by a county on the sales price

1 taxed by the state under chapter 423, subchapter II. A local
2 sales and services tax shall be imposed on the same basis as
3 the state sales and services tax or in the case of the use of
4 natural gas, natural gas service, electricity, or electric
5 service on the same basis as the state use tax and shall not
6 be imposed on the sale of any property or on any service not
7 taxed by the state, except the tax shall not be imposed on
8 the sales price from the sale of motor fuel or special fuel
9 as defined in chapter 452A which is consumed for highway use
10 or in watercraft or aircraft if the fuel tax is paid on the
11 transaction and a refund has not or will not be allowed,
12 on the sales price from the sale of equipment by the state
13 department of transportation, or on the sales price from the
14 sale or use of natural gas, natural gas service, electricity,
15 or electric service in a city or county where the sales price
16 from the sale of natural gas or electric energy is subject to
17 a franchise fee or user fee during the period the franchise
18 or user fee is imposed. A local sales and services tax is
19 applicable to transactions within those ~~incorporated~~ cities
20 and unincorporated areas of the county where it is imposed and
21 shall be collected by all persons required to collect state
22 sales taxes. ~~All cities contiguous to each other shall be~~
23 ~~treated as part of one incorporated area and the tax would be~~
24 ~~imposed in each of those contiguous cities only if the majority~~
25 ~~of those voting in the total area covered by the contiguous~~
26 ~~cities favors its imposition. In the case of a local sales and~~
27 ~~services tax submitted to the registered voters of two or more~~
28 ~~contiguous counties as provided in section 423B.1, subsection~~
29 ~~4, paragraph "c", all cities contiguous to each other shall be~~
30 ~~treated as part of one incorporated area, even if the corporate~~
31 ~~boundaries of one or more of the cities include areas of more~~
32 ~~than one county, and the tax shall be imposed in each of those~~
33 ~~contiguous cities only if a majority of those voting on the~~
34 ~~tax in the total area covered by the contiguous cities favored~~
35 ~~its imposition. However, a local sales and services tax is~~

1 not applicable to transactions sourced under chapter 423 to a
2 place of business, as defined in section 423.1, of a retailer
3 if such place of business is located in part within a city or
4 unincorporated area of the county where the tax is not imposed.

5 4. If a local sales and services tax is imposed by a county
6 pursuant to this chapter, a local excise tax at the same rate
7 shall be imposed by the county on the purchase price of natural
8 gas, natural gas service, electricity, or electric service
9 subject to tax under chapter 423, subchapter III, and not
10 exempted from tax by any provision of chapter 423, subchapter
11 III. The local excise tax is applicable only to the use of
12 natural gas, natural gas service, electricity, or electric
13 service within those incorporated cities and unincorporated
14 areas of the county where it is imposed and, except as
15 otherwise provided in this chapter, shall be collected and
16 administered in the same manner as the local sales and services
17 tax. For purposes of this chapter, "*local sales and services*
18 *tax*" shall also include the local excise tax.

19 Sec. 248. Section 423B.6, subsection 1, paragraph c, Code
20 2018, is amended to read as follows:

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

29 Sec. 249. Section 423B.7, subsection 1, Code 2018, is
30 amended to read as follows:

31 1. a. Except as provided in ~~paragraph~~ paragraphs "b" and
32 "c", the director shall credit the local sales and services
33 tax receipts and interest and penalties from a county-imposed
34 tax to the county's account in the local sales and services
35 tax fund ~~and from a city-imposed tax under section 423B.1,~~

1 ~~subsection 2, to the city's account in the local sales~~
2 ~~and services tax fund~~ for the county in which the tax was
3 collected. If the director is unable to determine from which
4 county any of the receipts were collected, those receipts shall
5 be allocated among the possible counties based on allocation
6 rules adopted by the director.

7 ~~b. Notwithstanding paragraph "a", the~~ The director shall
8 credit the designated amount of the increase in local sales
9 and services tax receipts, as computed in section 423B.10,
10 collected in an urban renewal area of an eligible city that has
11 adopted an ordinance pursuant to section 423B.10, subsection
12 2, into a special city account in the local sales and services
13 tax fund.

14 c. The director shall credit the local sales and services
15 tax receipts and interest and penalties from a city-imposed tax
16 under section 423B.1, subsection 2, to the city's account in
17 the local sales and services tax fund.

18 Sec. 250. Section 423B.7, subsection 7, Code 2018, is
19 amended to read as follows:

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

24 b. Each city located in whole or in part in a qualified
25 county and each qualified county for the unincorporated area
26 for which the imposition of the local sales and services tax
27 in the city or portion thereof or the unincorporated area,
28 as applicable, was approved at election on or after January
29 1, 2019, shall use not less than fifty percent of the moneys
30 received from the qualified county's account in the local sales
31 and services tax fund for property tax relief.

32 Sec. 251. Section 423B.8, subsection 1, paragraph a, Code
33 2018, is amended to read as follows:

34 a. The goods, wares, or merchandise are incorporated into
35 an improvement to real estate in fulfillment of a written

1 contract fully executed prior to the date of the imposition ~~or~~
2 ~~increase in rate~~ of a local sales and services tax under this
3 chapter. The refund shall not apply to equipment transferred
4 in fulfillment of a mixed construction contract.

5 Sec. 252. IMPLEMENTATION. This division of this Act shall
6 not affect the imposition of local option taxes in effect on
7 the effective date of this division of this Act and such taxes
8 shall continue to be imposed until their repeal pursuant to
9 chapter 423B. The law regarding repeal in effect at the time
10 of the repeal governs the repeal of the local option taxes.

11 Sec. 253. EFFECTIVE DATE. This division of this Act takes
12 effect January 1, 2019.

13 DIVISION XIII

14 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX
15 CHANGES

16 Sec. 254. Section 423A.2, subsection 1, Code 2018, is
17 amended to read as follows:

18 1. For the purposes of this chapter, unless the context
19 otherwise requires:

20 a. "Affiliate" means the same as defined in section 423.1.

21 ~~a.~~ b. "Department" means the department of revenue.

22 ~~b. "Lessor" means any person engaged in the business of~~
23 ~~renting lodging to users.~~

24 c. "Facilitate" or "facilitation" includes brokering,
25 coordinating, or in any way arranging for the rental of lodging
26 by users.

27 d. "Facilitation fee" means any consideration, by whatever
28 name called, that a lodging facilitator or lodging platform
29 charges to a user for facilitating the user's rental of
30 lodging. "Facilitation fee" does not include any commission
31 a lodging provider pays to a lodging facilitator or a lodging
32 platform for facilitating the rental of lodging.

33 ~~e.~~ e. "Lodging" means rooms, apartments, or sleeping
34 quarters in a hotel, motel, inn, public lodging house, rooming
35 house, cabin, apartment, residential property, or manufactured

1 or mobile home which is tangible personal property, or in a
2 tourist court, or in any place where sleeping accommodations
3 are furnished to transient guests for rent, whether with or
4 without meals. Lodging does not include conference, meeting,
5 or banquet rooms that are not used for or offered as part of
6 sleeping accommodations.

7 f. "Lodging facilitator" means a person or any affiliate of
8 a person, other than a lodging provider or a lodging platform,
9 that facilitates the renting of lodging and collects or
10 processes the sales price charged to the user.

11 g. "Lodging platform" means a person or any affiliate of
12 a person, other than a lodging provider, that facilitates the
13 renting of lodging by doing all of the following:

14 (1) The person or an affiliate of the person owns, operates,
15 or controls a lodging marketplace that allows a lodging
16 provider who is not an affiliate of the person to offer or
17 list lodging for rent on the marketplace. For purposes of
18 this subparagraph, it is immaterial whether or not the lodging
19 provider has a tax permit under this chapter or in what manner
20 the lodging is classified for property tax or zoning purposes.

21 (2) The person or an affiliate of the person collects or
22 processes the sales price charged to the user.

23 h. "Lodging provider" means any of the following:

24 (1) A person or any affiliate of a person that owns,
25 operates, or manages lodging and makes the lodging available
26 for rent through the person or any affiliate, or through a
27 lodging platform or a lodging facilitator.

28 (2) A person or any affiliate of a person who possesses or
29 acquires a right to or interest in any lodging with an intent
30 to rent the lodging to another person through the person or
31 any affiliate, or through a lodging platform or a lodging
32 facilitator.

33 d. i. "Person" means the same as the term is defined in
34 section 423.1.

35 e. j. "Renting", "rental", or "rent" means a transfer

1 of use, possession, or control of lodging for a fixed or
2 indeterminate term for consideration and includes any kind of
3 direct or indirect charge for such lodging or its use.

4 ~~f.~~ k. "Sales price" means the all consideration charged
5 for the renting and facilitation of renting of lodging and
6 means the same as the term is defined in section 423.1 before
7 taxes, including but not limited to facilitation fees, cleaning
8 fees, linen fees, towel fees, nonrefundable deposits, and any
9 other direct or indirect charge made or consideration provided
10 in connection with the renting and facilitation of renting of
11 lodging.

12 ~~g.~~ l. "User" means a person to whom lodging is rented.

13 Sec. 255. Section 423A.3, Code 2018, is amended to read as
14 follows:

15 **423A.3 State-imposed hotel and motel tax.**

16 A tax of five percent is imposed upon the sales price for
17 the renting of any lodging if the renting occurs lodging is
18 located in this state. The tax shall be collected by any
19 lessor of lodging from the user of that lodging and remitted
20 as provided in section 423A.5A. ~~The lessor shall add the tax~~
21 ~~to the sales price of the lodging, and the state-imposed tax,~~
22 ~~when collected, shall be stated as a distinct item, separate~~
23 ~~and apart from the sales price of the lodging and the local tax~~
24 ~~imposed, if any, under section 423A.4.~~

25 Sec. 256. Section 423A.4, Code 2018, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 5. The locally imposed hotel and motel tax
28 shall be collected and remitted as provided in section 423A.5A.

29 Sec. 257. Section 423A.5, Code 2018, is amended to read as
30 follows:

31 **423A.5 Exemptions.**

32 ~~1.~~ There are exempted from the provisions of this chapter
33 and from the computation of any amount of tax imposed by
34 ~~section 423A.3~~ this chapter all of the following:

35 ~~a.~~ 1. The sales price from the renting of lodging which is

1 rented by the same person for a period of more than thirty-one
2 consecutive days.

3 ~~b.~~ 2. The sales price from the renting of sleeping rooms
4 in dormitories ~~and in memorial unions~~ at all universities and
5 colleges located in the state of Iowa.

6 ~~2. There is exempted from the provisions of this chapter and~~
7 ~~from the computation of any amount of tax imposed by section~~
8 ~~423A.4 all of the following:~~

9 ~~a. The sales price from the renting of lodging or rooms~~
10 ~~exempt under subsection 1.~~

11 ~~b.~~ 3. The sales price of lodging furnished to the guests of
12 a religious institution if the property is exempt under section
13 427.1, subsection 8, and the purpose of renting is to provide a
14 place for a religious retreat or function and not a place for
15 transient guests generally.

16 Sec. 258. NEW SECTION. **423A.5A Collection and remittance**
17 **of hotel and motel tax.**

18 1. For purposes of this section:

19 a. "*Discount room charge*" means the amount a lodging
20 provider charges a lodging facilitator for lodging, excluding
21 any applicable tax.

22 b. "*Travel package*" means lodging bundled with one or more
23 separate components such as air transportation, car rental, or
24 similar items and charged for a single retail price.

25 2. This section shall govern the collection and remittance
26 of all taxes imposed under this chapter.

27 3. Unless otherwise provided in this section, the
28 state-imposed tax under section 423A.3 and any locally
29 imposed tax under section 423A.4 shall be collected by the
30 lodging provider from the user of that lodging and shall be
31 remitted to the department. The lodging provider shall add
32 the state-imposed tax to the sales price of the lodging and
33 the tax, when collected, shall be stated as a distinct item,
34 separate and apart from the sales price of the lodging and from
35 the locally imposed tax, if any. The lodging provider shall

1 add the locally imposed tax, if any, to the sales price of
2 the lodging and the tax, when collected, shall be stated as a
3 distinct item, separate and apart from the sales price of the
4 lodging and from the state-imposed tax.

5 4. If a transaction for the rental of lodging involves a
6 lodging facilitator, all of the following shall occur in the
7 order prescribed:

8 a. The lodging facilitator shall collect the taxes imposed
9 under this chapter on any sales price that the user pays to the
10 lodging facilitator in the same manner as a lodging provider
11 under subsection 3.

12 b. (1) Unless otherwise required by rule or order of the
13 department, the lodging facilitator shall remit to the lodging
14 provider that portion of the taxes collected on the sales price
15 that represents the discount room charge.

16 (2) No assessment shall be made against a lodging
17 facilitator for tax due on a discount room charge if the
18 lodging facilitator collected the tax and remitted it to a
19 lodging provider that has a valid tax permit required under
20 this chapter. This subparagraph shall not apply if the lodging
21 facilitator and lodging provider are affiliates, or if the
22 department requires the lodging facilitator to remit taxes
23 collected on that portion of the sales price that represents
24 the discount room charge directly to the department.

25 c. The lodging facilitator shall remit any remaining tax it
26 collected to the department.

27 d. (1) The lodging provider shall collect and remit to the
28 department any taxes the lodging facilitator remitted to the
29 lodging provider, and shall collect and remit to the department
30 any taxes due on any amount of sales price the user paid to the
31 lodging provider.

32 (2) No assessment shall be made against a lodging provider
33 for any tax due on a discount room charge that was not remitted
34 to the lodging provider by a lodging facilitator. This
35 subparagraph shall not apply if the lodging provider and

1 lodging facilitator are affiliates.

2 e. Notwithstanding any other provision of this section
3 to the contrary, if a lodging facilitator and its affiliates
4 facilitate total rentals under this chapter and chapter
5 423C that are equal to or less than an aggregate amount of
6 sales price and rental price of ten thousand dollars for an
7 immediately preceding calendar year or a current calendar year,
8 or in ten or fewer separate transactions for an immediately
9 preceding calendar year or a current calendar year, the lodging
10 facilitator shall not be required to collect tax on the amount
11 of sales price that represents the lodging facilitator's
12 facilitation fee.

13 5. If a transaction for the rental of lodging involves a
14 lodging platform, the lodging platform shall collect and remit
15 the taxes imposed under this chapter in the same manner as a
16 lodging provider under subsection 3.

17 6. If a transaction for the rental of lodging is part of a
18 travel package, the portion of the total price that represents
19 the sales price for the rental of lodging may be determined by
20 the person required under this section to collect the taxes
21 from the person's books and records that are kept in the
22 regular course of business including but not limited to books
23 and records kept for non-tax purposes.

24 Sec. 259. Section 423A.6, subsection 4, Code 2018, is
25 amended to read as follows:

26 4. Section 422.25, subsection 4, sections 422.30, 422.67,
27 and 422.68, section 422.69, subsection 1, sections 422.70,
28 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
29 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,
30 423.35, 423.37 through 423.42, and 423.47, consistent with the
31 provisions of this chapter, apply with respect to the taxes
32 authorized under this chapter, in the same manner and with the
33 same effect as if the state and local hotel and motel taxes
34 were retail sales taxes within the meaning of those statutes.
35 Notwithstanding this subsection, the director shall provide

1 for quarterly filing of returns and for other than quarterly
2 filing of returns both as prescribed in section 423.31. The
3 director may require all persons who are engaged in the
4 business of deriving any sales price subject to tax under this
5 chapter to register with the department. All taxes collected
6 under this chapter by a retailer, lodging provider, lodging
7 facilitator, lodging platform, or any individual other person
8 are deemed to be held in trust for the state of Iowa and the
9 local jurisdictions imposing the taxes.

10 Sec. 260. Section 423C.2, Code 2018, is amended to read as
11 follows:

12 **423C.2 Definitions.**

13 For purposes of this chapter, unless the context otherwise
14 requires:

15 1. "Affiliate" means the same as defined in section 423.1.

16 ~~1.~~ 2. "Automobile" means a motor vehicle subject to
17 registration in any state designed primarily for carrying
18 nine passengers or less, excluding motorcycles and motorized
19 bicycles.

20 3. "Automobile provider" means any of the following:

21 a. A person or any affiliate of a person that owns or
22 controls an automobile and makes the automobile available for
23 rent through the person or any affiliate, or through a rental
24 platform or rental facilitator.

25 b. A person or any affiliate of a person who possesses or
26 acquires a right or interest in any automobile with an intent
27 to rent the automobile to another person through the person
28 or any affiliate, or through a rental platform or a rental
29 facilitator.

30 ~~2.~~ 4. "Department" means the department of revenue.

31 ~~3.~~ "Lessor" means a person engaged in the business of
32 renting automobiles to users. "Lessor" includes a motor vehicle
33 dealer licensed pursuant to chapter 322 who rents automobiles
34 to users. For this purpose, the objective of making a profit
35 is not necessary to make the renting activity a business.

1 5. "Facilitate" or "facilitation" includes brokering,
2 coordinating, or in any way arranging for the rental of
3 automobiles by users.

4 6. "Facilitation fee" means any consideration, by whatever
5 name called, that a rental facilitator or a rental platform
6 charges to a user for facilitating the user's rental of an
7 automobile. "Facilitation fee" does not include any commission
8 an automobile provider pays to a rental facilitator or a rental
9 platform for facilitating the rental of an automobile.

10 ~~4.~~ 7. "Person" means person as defined in section 423.1.

11 ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer
12 of the use, control, or possession or right to use, control,
13 or possession of an automobile to a user for a valuable
14 consideration for a period of sixty days or less.

15 9. "Rental facilitator" means a person or any affiliate of a
16 person, other than an automobile provider or a rental platform,
17 that facilitates the renting of an automobile and collects or
18 processes the rental price charged to the user.

19 10. "Rental platform" means a person or any affiliate of a
20 person, other than an automobile provider, that facilitates the
21 renting of an automobile by doing all of the following:

22 a. The person or an affiliate of the person owns, operates,
23 or controls an automobile rental marketplace that allows an
24 automobile provider who is not an affiliate of the person to
25 offer or list an automobile for rent on the marketplace. For
26 purposes of this paragraph, it is immaterial whether or not
27 the automobile provider has a tax permit under this chapter or
28 chapter 423 or whether the automobile is owned by a natural
29 person or by a business entity.

30 b. The person or an affiliate of the person collects or
31 processes the rental price charged to the user.

32 ~~6.~~ 11. "Rental price" means the all consideration charged
33 for the renting and facilitation of renting of an automobile
34 valued in money, and means the same as "sales price" as
35 defined in section 423.1 before taxes, including but not

1 limited to facilitation fees, reservation fees, services fees,
2 nonrefundable deposits, and any other direct or indirect charge
3 made or consideration provided in connection with the renting
4 or facilitation of renting of an automobile.

5 ~~7.~~ 12. "User" means a person to whom the possession or
6 the right to possession of an automobile is transferred for
7 a period of sixty days or less for a valuable consideration
8 which is paid by the user or by another person an automobile is
9 rented.

10 Sec. 261. Section 423C.3, Code 2018, is amended to read as
11 follows:

12 **423C.3 Tax on rental of automobiles — collection and**
13 **remittance of tax.**

14 1. For purposes of this section:

15 a. "Discount rental charge" means the amount an automobile
16 provider charges to a rental facilitator for the rental of an
17 automobile, excluding any applicable tax.

18 b. "Travel package" means an automobile rental bundled
19 with one or more separate components such as lodging, air
20 transportation, or similar items and charged for a single
21 retail price.

22 ~~1.~~ 2. A tax of five percent is imposed upon the rental
23 price of an automobile if the rental transaction is subject to
24 the sales and services tax under chapter 423, subchapter II, or
25 the use tax under chapter 423, subchapter III. The tax shall
26 not be imposed on any rental transaction not taxable under the
27 state sales and services tax, as provided in section 423.3, or
28 the state use tax, as provided in section 423.6, on automobile
29 rental receipts.

30 ~~2.~~ 3. This subsection shall govern the
31 collection and remittance of the tax imposed under subsection
32 2.

33 a. Unless otherwise provided in this subsection, the
34 automobile provider shall collect the tax by adding the tax to
35 the rental price of the automobile.

1 ~~3.~~ The and the tax, when collected, shall be stated as a
2 distinct item separate and apart from the rental price of the
3 automobile and the sales and services tax imposed under chapter
4 423, subchapter II, or the use tax imposed under chapter 423,
5 subchapter III.

6 b. If a transaction for the rental of an automobile involves
7 a rental facilitator, all of the following shall occur in the
8 order prescribed:

9 (1) The rental facilitator shall collect the tax on any
10 rental price that the user pays to the rental facilitator in
11 the same manner as an automobile provider under paragraph "a".

12 (2) (a) Unless otherwise required by rule or order of
13 the department, the rental facilitator shall remit to the
14 automobile provider that portion of the tax collected on the
15 rental price that represents the discount rental charge.

16 (b) No assessment shall be made against a rental facilitator
17 for tax due on a discount rental charge if the rental
18 facilitator collected the tax and remitted it to an automobile
19 provider that has a valid tax permit required under this
20 chapter or under chapter 423. This subparagraph division shall
21 not apply if the rental facilitator and automobile provider
22 are affiliates, or if the department requires the rental
23 facilitator to remit taxes collected on that portion of the
24 sales price that represents the discount rental charge directly
25 to the department.

26 (3) The rental facilitator shall remit any remaining tax it
27 collected to the department.

28 (4) (a) The automobile provider shall collect and remit
29 to the department any taxes the rental facilitator remitted to
30 the automobile provider, and shall collect and remit to the
31 department any taxes due on any amount of rental price the user
32 paid to the automobile provider.

33 (b) No assessment shall be made against an automobile
34 provider for any tax due on a discount rental charge that
35 was not remitted to the automobile provider by a rental

1 facilitator. This subparagraph division shall not apply if the
2 automobile provider and the rental facilitator are affiliates.

3 (5) Notwithstanding any other provision of this paragraph
4 to the contrary, if a rental facilitator and its affiliates
5 facilitate total rentals under this chapter and chapter
6 423A that are equal to or less than an aggregate amount of
7 rental price and sales price of ten thousand dollars for an
8 immediately preceding calendar year or a current calendar year,
9 or in ten or fewer separate transactions for an immediately
10 preceding calendar year or a current calendar year, the
11 rental facilitator shall not be required to collect tax on the
12 amount of sales price that represents the rental facilitator's
13 facilitation fee.

14 c. (1) If a transaction for the rental of an automobile
15 involves a rental platform, other than a rental platform
16 described in subparagraph (2), the rental platform shall
17 collect and remit the tax imposed under this chapter in the
18 same manner as an automobile provider under paragraph "a".

19 (2) A rental platform is not required to collect and remit
20 the tax imposed under this chapter in the same manner as an
21 automobile provider under paragraph "a" if the rental platform
22 meets all of the following requirements:

23 (a) The only sales the rental platform and its affiliates
24 facilitate that are subject to tax under chapter 423 are sales
25 of a transportation service under section 423.2, subsection 6,
26 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
27 consisting of the rental of vehicles subject to registration
28 which are registered for a gross weight of thirteen tons or
29 less for a period of sixty days or less.

30 (b) The rental platform operates a peer-to-peer automobile
31 sharing marketplace.

32 (3) For any rental transaction for which the rental platform
33 is required to or elects to collect and remit the tax under
34 this chapter, the rental platform shall also be liable for the
35 collection and remittance of any sales or use tax due on that

1 transaction under section 423.2, subsection 6, paragraph "bf",
2 or section 423.5, subsection 1, paragraph "e", notwithstanding
3 any other provision to the contrary in chapter 423.

4 (4) For any rental transaction for which the rental platform
5 is not required to collect and remit the tax under this chapter
6 as provided under subparagraph (2), the automobile provider
7 shall be solely liable for any amount of uncollected or
8 unremitted tax under this chapter.

9 Sec. 262. LEGISLATIVE INTENT. It is the intent of the
10 general assembly that the provision of this division of this
11 Act amending the definition of "lodging" in section 423A.2,
12 subsection 1, is a conforming amendment consistent with
13 current state law, and that the amendment does not change the
14 application of current law but instead reflects current law
15 both before and after the enactment of this division of this
16 Act.

17 Sec. 263. EFFECTIVE DATE. Except as otherwise provided
18 in this division of this Act, this division of this Act takes
19 effect January 1, 2019.

20 Sec. 264. EFFECTIVE DATE. The following, being deemed of
21 immediate importance, take effect upon enactment:

22 1. The provision amending the definition of "lodging" in the
23 section of this division of this Act amending section 423A.2,
24 subsection 1.

25 2. The section of this division of this Act entitled
26 "legislative intent" which describes the intent of the general
27 assembly with respect to the amendment in this division of
28 this Act to the definition of "lodging" in section 423A.2,
29 subsection 1.>

30 2. Title page, by striking lines 1 through 8 and inserting
31 <An Act relating to state and local revenue and finance by
32 modifying the individual and corporate income taxes, the
33 franchise tax, tax credits, the sales and use taxes and
34 local option sales tax, the hotel and motel excise tax, the
35 automobile rental excise tax, the Iowa educational savings plan

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1 trust, providing for other properly related matters, making
2 penalties applicable, and including immediate and contingent
3 effective date and retroactive and other applicability
4 provisions.>>

By VANDER LINDEN of Mahaska

H-8477 FILED MAY 3, 2018

H-8482

1 Amend House File 2490 as follows:

2 1. Page 13, after line 4 by inserting:

3 <DIVISION ____
4 INDUSTRIAL HEMP

5 Sec. _____. Section 124.401, subsection 5, Code 2018, is
6 amended by adding the following new unnumbered paragraph:
7 NEW UNNUMBERED PARAGRAPH. Notwithstanding this subsection
8 or any other provision of this chapter to the contrary, a
9 person may produce, possess, deliver, transport, process,
10 and use industrial hemp in accordance with the provisions of
11 chapter 188.

12 Sec. _____. NEW SECTION. 188.1 Short title.

13 This chapter shall be known and may be cited as the "*Iowa*
14 *Industrial Hemp Act*".

15 Sec. _____. NEW SECTION. 188.2 Definitions.

16 As used in this chapter, unless the context otherwise
17 requires:

18 1. "*Association*" means the Iowa crop improvement association
19 recognized pursuant to section 177.1.

20 2. "*Certified industrial hemp seed*" means industrial hemp
21 seed that has been certified pursuant to section 188.18.

22 3. "*Council*" means the industrial hemp council established
23 in section 188.11.

24 4. "*Department*" means the department of agriculture and land
25 stewardship.

26 5. "*Industrial hemp*" means any part of the Cannabis
27 sativa plant, whether growing or not, with a concentration of
28 delta-9 tetrahydrocannabinol that does not exceed the maximum
29 concentration for the plant as determined pursuant to section
30 188.8.

31 6. "*Industrial hemp plant*" means all nonseed parts of
32 industrial hemp, whether growing or not.

33 7. a. "*Industrial hemp product*" means any item manufactured
34 from industrial hemp, including but not limited to cloth,
35 cordage, fiber, food, fuel, paint, paper, particleboard,

1 plastic, industrial hemp seed, seed meal, or seed oil.

2 *b.* "Industrial hemp product" does not include industrial
3 hemp seed that is capable of germination.

4 8. "Industrial hemp seed" means seed produced by industrial
5 hemp regardless of whether the seed is capable of germination.

6 9. "Iowa state university" means Iowa state university of
7 science and technology.

8 10. "Law enforcement agency" means the department of public
9 safety, an office of county sheriff, or a city's police force.

10 11. "Licensee" means a person who obtains a license from
11 the department under section 188.15 to participate in the
12 industrial hemp commodity program established pursuant to
13 section 188.13 or the industrial hemp production program
14 established pursuant to section 188.14.

15 12. "Production" means any part of planting, cultivating,
16 or harvesting industrial hemp.

17 13. "Regents institution" means the university of Iowa, Iowa
18 state university of science and technology, or the university
19 of northern Iowa governed by the state board of regents under
20 section 262.7.

21 14. "Registrant" means a regents institution that registers
22 with the department to administer the industrial hemp
23 production program established in section 188.14.

24 Sec. ____ . NEW SECTION. 188.3 Report.

25 1. The department shall prepare and submit an annual report
26 to the governor and general assembly not later than January 10.
27 The report shall evaluate the success of the industrial hemp
28 commodity program established pursuant to section 188.13 and
29 the industrial hemp production program established pursuant
30 to section 188.14. The department, in cooperation with any
31 registrant, may establish performance benchmarks and make
32 recommendations for consideration by the general assembly in
33 order to meet the purposes of the programs in compliance with
34 the requirements of 7 U.S.C. §5940.

35 2. *a.* In preparing the report, the department may require

1 that a select number of licensees complete and submit a brief
2 survey regarding the licensee's business operations including
3 the production, handling, transportation, or processing of
4 industrial hemp.

5 *b.* A registrant shall assist the department in preparing
6 and compiling the results of the survey. Until a regents
7 institution is registered under section 188.14, Iowa state
8 university shall act in lieu of the registrant.

9 3. The report may include the compilation of data, but
10 shall not disclose any information that is confidential under
11 section 188.9, including the identity of a licensee or the
12 location of any facility used by the licensee in the production
13 of industrial hemp. This subsection shall not preclude the
14 disclosure of information to the extent that the licensee
15 voluntarily agrees in writing that such information is to be
16 considered a public record under section 188.9.

17 Sec. _____. NEW SECTION. **188.4 Rules and forms.**

18 The department shall adopt all rules and prepare and publish
19 all forms required to administer this chapter and comply with
20 7 U.S.C. §5940. The department may require the mandatory use
21 of a form and refuse to accept a document that is not prepared
22 using a mandatory form.

23 Sec. _____. NEW SECTION. **188.5 Compliance with federal law.**

24 1. The purpose of this chapter is to fully implement the
25 provisions of 7 U.S.C. §5940.

26 2. The programs established under this chapter and any
27 projects administered under those programs are for the
28 exclusive purpose of growing, cultivating, and marketing
29 industrial hemp in a manner that complies with the programs and
30 projects described in 7 U.S.C. §5940.

31 3. *a.* The department shall seek to obtain any necessary
32 approval by the drug enforcement administration of the United
33 States department of justice in order to obtain industrial hemp
34 seeds for certification pursuant to section 188.18 as part of
35 the industrial hemp commodity program as provided in section

1 188.13 or the industrial hemp production program as provided
2 in section 188.14.

3 **b.** A registrant may seek to obtain any necessary approval
4 by the drug enforcement administration of the United States
5 department of justice in order to obtain industrial hemp seeds
6 for certification pursuant to section 188.18 as part of the
7 industrial hemp production program as provided in section
8 188.14.

9 4. The department or a registrant may seek a waiver of a
10 federal regulation promulgated by the United States department
11 of agriculture or the drug enforcement administration of the
12 United States department of justice if necessary to fully
13 implement the provisions of this chapter.

14 Sec. _____. NEW SECTION. **188.6 General prohibitions.**

15 1. A person shall not produce, handle, transport, market,
16 or process industrial hemp in this state unless the industrial
17 hemp has been produced pursuant to the industrial hemp
18 commodity program established pursuant to section 188.13 or
19 the industrial hemp production program established pursuant to
20 section 188.14.

21 2. Nothing in this chapter prevents a person from producing,
22 handling, transporting, marketing, or processing an industrial
23 hemp product.

24 Sec. _____. NEW SECTION. **188.7 Cannabidiol production**
25 **prohibited — contingent repeal.**

26 1. Industrial hemp shall not be used to produce medical
27 cannabidiol as defined in section 124E.2.

28 2. Nothing in this chapter shall be construed to authorize
29 a person to recommend, possess, use, dispense, deliver,
30 transport, or administer medical cannabidiol.

31 Sec. _____. NEW SECTION. **188.8 Maximum concentration of**
32 **tetrahydrocannabinol.**

33 1. A test of a Cannabis sativa plant under this chapter
34 shall be conducted by the department or a qualified public or
35 private laboratory approved by the department. The department

1 shall establish protocols for sampling and testing Cannabis
2 sativa plants produced pursuant to the provisions of this
3 chapter, including for obtaining test samples for delivery to
4 the laboratory, and the receipt of test results delivered to
5 the department, a registrant, or a licensee. The concentration
6 of delta-9 tetrahydrocannabinol present in a Cannabis sativa
7 plant shall be measured on a dry weight basis in the same
8 manner as provided under 7 U.S.C. §5940 unless subsequent
9 controlling federal law provides otherwise.

10 2. The maximum concentration of delta-9
11 tetrahydrocannabinol present in a Cannabis sativa plant in
12 order for the plant to qualify as industrial hemp shall be
13 established by the department. The department's established
14 maximum concentration shall be the same as the maximum
15 concentration allowed to be present to qualify as industrial
16 hemp under 7 U.S.C. §5940 or any subsequent controlling federal
17 law.

18 3. In testing Cannabis sativa plants which comprise a crop,
19 a composite test result that exceeds the maximum concentration
20 of delta-9 tetrahydrocannabinol as provided in subsections 1
21 and 2 is deemed conclusive that the crop exceeds the maximum
22 concentration for industrial hemp.

23 Sec. _____. NEW SECTION. 188.9 Confidential information —
24 exceptions.

25 1. a. All of the following information is confidential:

26 (1) A completed license application, or information which
27 is part of such application, acquired by the department,
28 a registrant, or a law enforcement agency under section
29 188.15. For purposes of this subparagraph, a completed license
30 application does not include the results of a national criminal
31 history record check acquired by the department from the
32 department of public safety pursuant to section 188.15.

33 (2) A license issued by the department to the applicant
34 under section 188.15.

35 (3) Any information acquired by the department or a

1 registrant from a licensee participating in or seeking to
2 participate in the industrial hemp commodity program under
3 section 188.13 or the industrial hemp production program under
4 section 188.14.

5 (4) A certification of industrial hemp seed issued by the
6 association to the department, a registrant, or a licensee
7 under section 188.18.

8 (5) A survey acquired by the department or by Iowa state
9 university from the department under section 188.3.

10 (6) Information relating to the inspection of a licensee
11 participating in the industrial hemp commodity program under
12 section 188.13 or the industrial hemp production program under
13 section 188.14.

14 (7) The results of any test sample of an industrial hemp
15 crop regardless of whether the test was conducted by the
16 department, a registrant, or a licensee participating in the
17 industrial hemp commodity program under section 188.13 or the
18 industrial hemp production program under section 188.14.

19 (8) Any other information that identifies the business
20 location, operations, management, practices, or finances of a
21 licensee participating in the industrial hemp commodity program
22 under section 188.13 or the industrial hemp production program
23 under section 188.14.

24 *b.* The confidential information may be in a printed or
25 electronic format as part of a document, other tangible medium,
26 or accessible by a computer or similar device.

27 2. The confidential information described in subsection
28 1 is not a public record and is not otherwise subject to
29 disclosure under chapter 22. Such information that is
30 subsequently disclosed to a person under this chapter retains
31 its confidentiality in the manner provided in this section.

32 3. The department shall establish requirements and
33 procedures for the disclosure of confidential information
34 described in subsection 1, including to any of the following:

35 *a.* To a person authorized to receive the confidential

1 information under this chapter.

2 *b.* A federal agency or another state's agency as part of
3 the process to evaluate the approval or renewal of a license
4 under section 188.15 or the licensee's participation in the
5 industrial hemp commodity program under section 188.13 or the
6 industrial hemp production program under section 188.14.

7 *c.* A law enforcement agency or a federal agency which
8 requests the confidential information in order to respond
9 to an emergency situation, a criminal complaint, or an
10 ongoing criminal investigation, subject to any applicable
11 confidentiality requirements for public records under section
12 22.7.

13 *d.* The department in conducting a disciplinary action
14 against a licensee under section 188.26.

15 *e.* A party in any judicial or administrative proceeding
16 involving discovery, so long as the disclosure is made upon
17 subpoena, or other means of legal compulsion for release.

18 *f.* Any person making a request to the custodian of the
19 confidential information in the same manner as provided in
20 section 22.2 to the extent that the licensee voluntarily agrees
21 in writing that such information is to be considered a public
22 record subject to chapter 22.

23 Sec. ____ . NEW SECTION. 188.10 **Liability.**

24 The department or a registrant is not liable for the actions
25 of a licensee regardless of the department's or registrant's
26 legal relationship with the licensee, including but not limited
27 to any relationship as an agent, principal, fiduciary, or party
28 to a contract.

29 Sec. ____ . NEW SECTION. 188.11 **Industrial hemp council —**
30 **establishment, membership, procedures.**

31 1. An industrial hemp council is established under the
32 purview of the department.

33 2. *a.* The council shall consist of the following voting
34 members:

35 (1) An individual who has experience in the regulation

1 of industrial hemp production, appointed by the secretary of
2 agriculture.

3 (2) An individual who is a member of an agricultural
4 cooperative association as defined in section 502.102,
5 appointed by the secretary of agriculture.

6 (3) Two employees of the department appointed by the
7 secretary of agriculture. The employees shall be knowledgeable
8 regarding the production of agricultural crops. One employee
9 may be the state entomologist. One employee may be an employee
10 knowledgeable about procedures and practices relating to the
11 import of agricultural seeds or inputs.

12 (4) One employee of the department of natural resources
13 appointed by the director of the department of natural
14 resources. The employee must be knowledgeable regarding
15 agricultural practices and environmental regulations.

16 (5) One employee of the department of public safety
17 appointed by the director of the department. The person must
18 be knowledgeable regarding federal and state drug enforcement
19 policies.

20 (6) One employee of a registrant appointed by the president
21 of the registrant's regents institution. The employee must
22 be knowledgeable regarding plant sciences. Until such a
23 registrant is appointed, one employee of Iowa state university
24 appointed by the president of the university shall serve as a
25 member. The employee must be knowledgeable regarding plant
26 sciences.

27 *b.* The council shall also include four members of the
28 general assembly appointed to serve in an ex officio, nonvoting
29 capacity. The legislative members shall be selected, one
30 member each, by the majority leader of the senate, the
31 minority leader of the senate, the speaker of the house of
32 representatives, and the minority leader of the house of
33 representatives.

34 3. A voting member who has not been appointed shall be
35 confirmed by the senate pursuant to section 2.32.

1 4. A public member is eligible to receive compensation as
2 provided in section 7E.6 and shall be reimbursed for actual and
3 necessary expenses incurred in the discharge of the member's
4 duties. The moneys used to pay expenses and compensation
5 shall be paid from moneys in the industrial hemp commodity
6 fund established in section 188.23. A legislative member is
7 eligible to receive a per diem and expenses as provided in
8 section 2.10.

9 5. *a.* A public member shall serve a three-year staggered
10 term commencing and ending as provided in section 69.19. A
11 state employee member shall serve at the pleasure of the
12 appointing authority.

13 *b.* The voting members shall elect a chairperson and vice
14 chairperson annually from the voting membership. A majority of
15 the voting members constitutes a quorum. If the chairperson
16 and vice chairperson are unable to preside over the council, a
17 majority of the voting members present may elect a temporary
18 chairperson.

19 6. A vacancy on the council shall be filled in the same
20 manner as the original appointment. A member appointed to fill
21 a vacancy created other than by expiration of a term shall be
22 appointed for the remainder of the unexpired term.

23 7. The council shall be housed within the department and the
24 department, in cooperation with Iowa state university, shall
25 furnish the council with a meeting place and all articles,
26 supplies, and services necessary to enable the council to
27 perform its duties. Iowa state university or the office of
28 attorney general may provide any technical or legal assistance
29 requested by the council or department.

30 8. The appointments of the public members are subject to the
31 requirements of sections 69.16, 69.16A, and 69.19. A public
32 member is eligible for reappointment. The secretary may remove
33 a public member if the removal is based on the public member's
34 misfeasance, malfeasance, or willful neglect of duty or other
35 just cause, after notice and hearing, unless the notice and

1 hearing is expressly waived by the public member in writing.

2 Sec. ____ . NEW SECTION. 188.12 Industrial hemp council —
3 powers and duties.

4 1. The council shall advise the department and each
5 registrant regarding all of the following:

6 a. All aspects relating to the administration of the
7 industrial hemp commodity program established pursuant to
8 section 188.13 and the industrial hemp production program
9 established pursuant to section 188.14.

10 b. The establishment of fees assessed, imposed, and
11 collected pursuant to sections 188.21 and 188.22.

12 c. The management of the industrial hemp commodity fund
13 established in section 188.23.

14 2. The council shall advise the department regarding all of
15 the following:

16 a. Disciplinary action taken against a licensee pursuant to
17 section 188.26.

18 b. The establishment of a range of civil penalties to be
19 imposed, assessed, and collected pursuant to section 188.27.

20 3. The council shall advise a registrant regarding the
21 terms and conditions of contracts entered into with a selected
22 licensee under section 188.17.

23 4. The council shall not control policy decisions or direct
24 the administration or enforcement of this chapter.

25 Sec. ____ . NEW SECTION. 188.13 Industrial hemp commodity
26 program — department and licensees.

27 1. The department shall establish and administer an
28 industrial hemp commodity program. The purpose of the
29 program is to determine the economic feasibility of producing
30 industrial hemp as a profitable commodity in this state and of
31 the effective handling, transporting, marketing, and processing
32 of the commodity in this state.

33 2. A person must be licensed pursuant to section 188.15 to
34 participate in the program. Under the program, a licensee may
35 produce all of the following:

1 *a.* Industrial hemp plants which shall to every extent
2 feasible be processed into industrial hemp products for
3 marketing in commercial channels.

4 *b.* Industrial hemp seeds which shall to every extent
5 feasible be processed into industrial hemp products or used to
6 produce a subsequent industrial hemp crop.

7 3. The department may establish standards for the labeling
8 or marketing of industrial hemp produced under this section.
9 The standards shall to every extent feasible be in accordance
10 with applicable standards in chapter 210.

11 4. A licensee must immediately report the loss of any
12 industrial hemp to the department.

13 5. A licensee shall retain industrial hemp or transfer
14 industrial hemp to another person only as authorized by the
15 department. The licensee may retain industrial hemp seeds
16 capable of germination only as authorized by the department.
17 The licensee shall only transfer industrial hemp seed that is
18 capable of germination to the department, a registrant, or
19 another licensee as approved by the department or any other
20 person authorized by law to receive the industrial hemp seed.

21 6. A licensee must regularly test the industrial hemp to
22 ensure that the industrial hemp does not exceed the maximum
23 concentration of delta-9 tetrahydrocannabinol as provided in
24 section 188.8.

25 7. The department shall conduct an inspection of the
26 licensee's facilities and business records as provided in
27 section 188.16.

28 Sec. ____ . NEW SECTION. 188.14 Industrial hemp production
29 program — registrants and licensees.

30 1. A regents institution, or two or more regents
31 institutions acting jointly, may establish and administer
32 an industrial hemp production program. The purpose of the
33 program shall be to determine the feasibility of increasing
34 the production acreage and yield of industrial hemp as a
35 profitable crop and reducing the concentration of delta-9

1 tetrahydrocannabinol in the industrial hemp.

2 2. In order to administer a program, the regents institution
3 or regents institutions acting jointly must register with
4 the department according to requirements established by the
5 department. The registration shall include a research plan
6 that summarizes the quantifiable short-term and long-term goals
7 of the research. A copy of the registration shall also be
8 filed with the council, the governor, and the general assembly.

9 3. The department has all the same powers to regulate
10 a licensee under this program as the department does in
11 regulating a licensee under the industrial hemp commodity
12 program pursuant to section 188.13. A licensee participating
13 in this program shall comply with the same requirements as a
14 licensee participating in the industrial hemp commodity program
15 under section 188.13, unless the department provides otherwise.

16 4. Only a registrant, including a licensee acting under
17 the supervision of the registrant, may participate in the
18 program. Under the program, a registrant may produce any of
19 the following:

20 a. Industrial hemp plants which may be processed into
21 industrial hemp products.

22 b. Industrial hemp seeds which may be processed into
23 industrial hemp products. A registrant may retain industrial
24 hemp seeds capable of germination to produce the next crop of
25 industrial hemp or transfer the seeds to another person for
26 purposes of scientific research. The registrant shall retain
27 or transfer the seeds after consulting with the department.

28 5. A registrant must regularly test the industrial hemp to
29 ensure that the industrial hemp does not exceed the maximum
30 concentration of delta-9 tetrahydrocannabinol as provided in
31 section 188.8.

32 6. A registrant must immediately report the loss of any
33 industrial hemp produced by the registrant to the department.

34 7. A registrant must maintain records regarding production
35 and transfer of the industrial hemp by the registrant. The

1 records shall to every extent practicable contain the same type
2 of information contained in records maintained by licensees
3 under section 188.13.

4 8. A registrant's inspection of a licensee's facilities
5 may be conducted as provided in the industrial hemp production
6 contract entered into by the registrant and licensee under
7 section 188.17. The registrant may request that the department
8 assign an official or that a law enforcement agency assign an
9 officer to accompany the registrant during the inspection.

10 Sec. ____ . NEW SECTION. 188.15 Industrial hemp commodity
11 license — requirements.

12 1. The department shall establish and administer a process
13 to receive, evaluate, and approve applications for industrial
14 hemp commodity licenses by persons seeking to participate in
15 the industrial hemp commodity program under section 188.13 or
16 the industrial hemp production program under section 188.14.
17 A license expires one year from the date of issuance. An
18 expired license may be renewed for three additional years. The
19 department may require that a licensee apply for an amended
20 or new license if information contained in the existing
21 application is no longer accurate or is incomplete.

22 2. An applicant shall not be issued a license unless the
23 applicant agrees to comply with all terms and conditions
24 relating to the department's regulation of the licensee.

25 3. The department shall disapprove the application of
26 a person for good cause, which shall include any of the
27 following:

28 a. The conviction of a felony within the prior ten years or
29 any drug offense within the same period, regardless of whether
30 the conviction is in this state or another state.

31 b. The revocation of a license under section 188.26, or
32 the revocation of a license, permit, registration, or other
33 authorization to produce industrial hemp in any other state.

34 4. The department shall not issue a license until the
35 applicant has furnished a surety bond to the department in

1 an amount of not more than ten thousand dollars. The surety
2 bond shall insure payment of any amount that the licensee is
3 legally obligated to pay for any costs associated with the
4 confiscation and destruction of the licensee's industrial hemp
5 crop under section 188.25. The surety bond shall be maintained
6 at all times during the period of licensure. The department
7 shall be notified ten days prior to any reduction in the amount
8 of the surety bond made at the request of the applicant or
9 cancellation of the surety bond by the surety. The total and
10 aggregate liability of the surety shall be limited to the face
11 amount of the surety bond.

12 5. The department may do all of the following:

13 a. Limit the number of applications that it accepts or
14 limit the period or periods when applications will be received,
15 evaluated, or accepted each year.

16 b. Establish criteria required to participate in a program
17 which may be based on the qualifications or good character
18 of the applicant, the applicant's proposed investment in
19 industrial hemp production, the applicant's experience in
20 commercial crop production, and the type and size of the
21 applicant's existing agricultural operation. The department
22 may prepare and publish guidelines to assist persons in
23 determining eligibility requirements.

24 c. Require the issuance of different types of licenses or
25 require an applicant to obtain more than one license based
26 on criteria established by the department, including but not
27 limited to whether the proposed industrial hemp production is
28 to occur on noncontiguous parcels of land, whether industrial
29 hemp plants or industrial hemp seeds are proposed to be
30 produced, or whether the applicant is proposing to participate
31 in the industrial hemp commodity program under section 188.13
32 or the industrial hemp production program under section 188.14.

33 d. Require that all or some licenses expire on the same
34 date.

35 e. Provide a different application and requirements for

1 the submission, evaluation, and approval or disapproval of an
2 application for a renewed license. However, the department
3 shall require a check of the applicant's national criminal
4 history record to be conducted under this section each time a
5 license is issued or renewed.

6 6. The department shall prepare and publish license
7 application forms. A completed application form submitted to
8 the department shall contain all of the following:

9 a. The applicant's full name and residence address.

10 b. A legal description, global positioning system location,
11 and map of the site where the applicant proposes to produce the
12 industrial hemp.

13 c. Information required by the department to conduct a check
14 of the applicant's criminal history record. The department
15 shall require an applicant to submit pictures, fingerprints,
16 and descriptions of physical characteristics on forms required
17 by the department of public safety. The department of
18 agriculture and land stewardship shall submit the applicant's
19 fingerprints and other necessary information to the department
20 of public safety, division of criminal investigation, for the
21 purpose of conducting a national criminal history record check
22 through the federal bureau of investigation. The department
23 of public safety shall notify the department of agriculture
24 and land stewardship of the results of the national criminal
25 history record check. The results shall be considered a
26 confidential record under chapter 22 and shall not be released
27 without the consent of the department of public safety. The
28 department of agriculture and land stewardship shall reimburse
29 the department of public safety for costs associated with
30 conducting the national criminal history record check.

31 d. Any other information required by the department in order
32 to administer this chapter.

33 7. The department of agriculture and land stewardship shall
34 deliver a copy of an approved application for a license to
35 the department of public safety and the office of the county

1 sheriff in the county where the industrial hemp is approved
2 to be produced by the licensee in order to participate in the
3 industrial hemp commodity program under section 188.13 or the
4 industrial hemp production program under section 188.14.

5 8. A license shall be suspended or revoked as provided in
6 section 188.26.

7 Sec. ____ . NEW SECTION. **188.16 Licensees — inspections by**
8 **department and law enforcement agencies.**

9 1. The department may conduct an official inspection of
10 a licensee's facilities where industrial hemp is produced,
11 stored, handled, transported, marketed, or processed. The
12 department shall conduct an official inspection during regular
13 business hours. As part of an official inspection, the
14 department shall collect a sample of the crop for testing under
15 section 188.8 at least once and within thirty days prior to
16 harvest. The department may order or request that a licensee
17 independently collect and test one or more samples of the crop
18 during the growing period and notify the department of the
19 results.

20 2. A licensee shall immediately notify the department of
21 the results of any test that exceeds the maximum concentration
22 of delta-9 tetrahydrocannabinol as provided in section 188.8,
23 regardless of whether the department ordered, requested, or
24 knew of the test.

25 3. The department may request that a law enforcement
26 agency assign an officer to accompany the department during an
27 official inspection of the facilities of a licensee.

28 4. As part of its official inspection, the department
29 may examine the licensee's business records. However, a law
30 enforcement officer shall not accompany the department during
31 the examination.

32 Sec. ____ . NEW SECTION. **188.17 Industrial hemp production**
33 **contract — requirements.**

34 A registrant may enter into an industrial hemp production
35 contract with a licensee to produce industrial hemp under the

1 supervision of the registrant. The registrant shall supervise
2 the production of the industrial hemp in cooperation with the
3 department. The contract shall provide for the regulation of
4 the licensee and the industrial hemp produced by the licensee
5 in the same manner as provided in section 188.13, unless
6 otherwise provided by the department in consultation with the
7 registrant.

8 Sec. _____. NEW SECTION. **188.18 Industrial hemp seed capable**
9 **of germination — certification.**

10 1. The Iowa crop improvement association shall certify
11 industrial hemp seed capable of germination for use by a
12 licensee as part of the industrial hemp commodity program
13 under section 188.13 or a registrant as part of the industrial
14 hemp production program under section 188.14. The association
15 may provide different certification processes, including for
16 industrial hemp seed produced or obtained by a registrant or
17 obtained from a qualified and reputable industrial hemp seed
18 source and supplier.

19 2. The association's certification protocols may be based
20 on standards promulgated by independent organizations including
21 but not limited to the association of official seed certifying
22 agencies and verifications offered by qualified and reliable
23 persons in the business of providing such seed.

24 3. The Iowa crop improvement association shall notify the
25 department and the registrant, as applicable, of the results of
26 a request for the certification of industrial hemp seed.

27 4. A licensee may import industrial hemp seed for
28 certification only if allowed by the department acting in
29 consultation with the association. A registrant may import
30 industrial seed for certification after consulting with the
31 department and the association.

32 Sec. _____. NEW SECTION. **188.19 Industrial hemp seed capable**
33 **of germination — sale by the department.**

34 1. The department shall offer certified industrial hemp
35 seed for sale to licensees participating in the industrial hemp

1 commodity program established pursuant to section 188.13. The
2 department may offer certified industrial hemp seed for sale to
3 a registrant participating in the industrial hemp production
4 program established pursuant to section 188.14.

5 2. Moneys collected by the department from the sale of
6 certified industrial hemp seed shall be deposited into the
7 industrial hemp commodity fund established in section 188.23.

8 Sec. _____. NEW SECTION. **188.20 Industrial hemp seed capable**
9 **of germination — sale by a registrant.**

10 1. A registrant may offer certified industrial hemp seed
11 for sale to the department, or a licensee participating in the
12 industrial hemp production program established pursuant to
13 section 188.14.

14 2. All moneys received by a registrant under subsection 1
15 shall be handled in the same manner as repayment receipts as
16 defined in section 8.2, and shall be used by the registrant
17 exclusively for the registrant's administration of the
18 industrial hemp production program.

19 Sec. _____. NEW SECTION. **188.21 Fees assessed by department.**

20 1. The department shall assess and collect all of the
21 following:

22 a. An application fee to be paid by a person seeking to
23 obtain an industrial hemp commodity license as provided in
24 section 188.15.

25 b. A license fee to be paid by a person being issued an
26 industrial hemp commodity license as provided in section
27 188.15.

28 c. An inspection fee to be paid by a licensee as part of
29 an inspection of the facilities where the industrial hemp is
30 produced as provided in section 188.16.

31 d. A laboratory fee to be paid by a licensee if the
32 department takes samples of industrial hemp for testing by a
33 laboratory as provided in section 188.8.

34 2. The fees described in subsection 1 are nonrefundable.

35 3. The total amount of fees collected pursuant to this

1 section shall not exceed the department's estimate of the total
2 amount of revenues necessary to administer and enforce the
3 provisions of this chapter. Prior to the beginning of a fiscal
4 year, the department shall establish an estimated total amount
5 based on the expected costs to be incurred by the department
6 in administering and enforcing the provisions of this chapter
7 during the subsequent fiscal year.

8 4. The department may establish different rates for any
9 category of fees described in subsection 1 based on criteria
10 determined relevant by the department, which may include the
11 type of license issued and the number of acres set aside for
12 industrial hemp production by a licensee.

13 5. All fees collected by the department under this section
14 shall be deposited into the industrial hemp commodity fund
15 established pursuant to section 188.23.

16 Sec. _____. NEW SECTION. **188.22 Fees assessed by registrants.**

17 1. A registrant may assess and collect fees from licensees
18 participating in the registrant's industrial hemp production
19 program as provided in section 188.14. The total amount
20 of fees paid shall not exceed the expenses incurred by the
21 registrant in selecting licensees to participate in the
22 program, conducting inspections of facilities where the
23 industrial hemp is produced, and taking samples of industrial
24 hemp to be tested by a laboratory as provided in section 188.8.

25 2. All moneys received by a registrant under this section
26 shall be handled in the same manner as repayment receipts as
27 defined in section 8.2, and shall be used by the registrant
28 exclusively for the registrant's administration of the
29 industrial hemp production program.

30 Sec. _____. NEW SECTION. **188.23 Industrial hemp commodity**
31 **fund — appropriation.**

32 1. An industrial hemp commodity fund is established in
33 the state treasury under the management and control of the
34 department.

35 2. The fund shall include moneys collected by the department

1 from the sale of certified seed under section 188.19, fees
2 collected under section 188.21, and moneys appropriated by the
3 general assembly for deposit in the fund. The fund may include
4 other moneys available to and obtained or accepted by the
5 department, including moneys from public or private sources.

6 3. Moneys in the fund are appropriated to the department
7 and shall be used exclusively to carry out the responsibilities
8 conferred upon the department under this chapter as determined
9 and directed by the department, and shall not require further
10 special authorization by the general assembly.

11 4. *a.* Notwithstanding section 12C.7, interest or earnings
12 on moneys in the fund shall be credited to the fund.

13 *b.* Notwithstanding section 8.33, moneys credited to the fund
14 that remain unexpended or unobligated at the end of a fiscal
15 year shall not revert to any other fund.

16 Sec. ____ . NEW SECTION. 188.24 Cooperation with department
17 of public safety.

18 1. The department of agriculture and land stewardship and a
19 registrant shall cooperate with the department of public safety
20 in order to administer this chapter.

21 2. The department of public safety shall assist the
22 department of agriculture and land stewardship in conducting
23 national criminal history record checks of applicants applying
24 for licenses under section 188.15.

25 3. The department of agriculture and land stewardship and
26 a registrant shall upon request or as part of routine process
27 provide the department of public safety with the following
28 information regarding the industrial hemp commodity program
29 under section 188.13 and the industrial hemp production program
30 under section 188.14:

31 *a.* The status of the production and the results of any test
32 of a crop produced by a licensee under this chapter.

33 *b.* The date and time of an inspection of a licensee's
34 facilities or business records.

35 *c.* The confiscation and destruction of a crop under section

1 188.25.

2 Sec. ____ . NEW SECTION. 188.25 Confiscation and destruction.

3 1. A Cannabis sativa plant exceeding the maximum
4 concentration of delta-9 tetrahydrocannabinol as provided in
5 section 188.8 and that is produced under the industrial hemp
6 commodity program established pursuant to section 188.13 shall
7 be confiscated by the department.

8 2. A Cannabis sativa plant exceeding the maximum
9 concentration of delta-9 tetrahydrocannabinol as provided in
10 section 188.8 and that is produced under the industrial hemp
11 production program established pursuant to section 188.14
12 shall be confiscated by the registrant in cooperation with the
13 department.

14 3. The department shall provide for the destruction,
15 including any accompanying disposal, of a confiscated Cannabis
16 sativa plant produced under the industrial hemp commodity
17 program under section 188.13 or the industrial hemp production
18 program under section 188.14. A registrant may provide for the
19 destruction of a confiscated Cannabis sativa plant produced
20 under the industrial hemp production program under section
21 188.14 in cooperation with the department. The department
22 or a registrant shall not confiscate or destroy a Cannabis
23 sativa plant unless the results of an official test conducted
24 by the department indicate that a sample exceeds the maximum
25 concentration of delta-9 tetrahydrocannabinol as provided in
26 section 188.8. The department, or a registrant acting in
27 cooperation with the department, may require that a confiscated
28 Cannabis sativa plant be kept on the premises where the plant
29 was confiscated, including where it is produced, handled,
30 transported, marketed, or processed, until arrangements are
31 made for the plant's removal and destruction. The destruction
32 may also occur on the premises where the plant was confiscated
33 if such premises may be reasonably used for that purpose
34 as determined by the department or by the registrant in
35 cooperation with the department. The destruction shall be

1 accomplished in a manner that complies with requirements of the
2 department and shall be in accordance with applicable federal
3 law.

4 4. The department or registrant may request assistance from
5 a law enforcement agency necessary to carry out this section.
6 The department or registrant upon request shall deliver any
7 sample of the plant to the law enforcement agency.

8 Sec. _____. NEW SECTION. **188.26 Disciplinary action.**

9 1. The department may suspend or revoke the license obtained
10 under section 188.15 by a person who does any of the following:

11 a. Provides false or misleading information on an
12 application for an industrial hemp commodity license as
13 provided in section 188.15.

14 b. Provides false or misleading information to the
15 department as part of the industrial hemp commodity program
16 under section 188.13 or to a registrant or the department as
17 part of the industrial hemp production program under section
18 188.14.

19 c. Fails to comply with or violates any provision of this
20 chapter, including a rule adopted by the department under
21 section 188.4, a condition of an application for the issuance
22 of a license under section 188.15, or a condition of a contract
23 entered into with a registrant under section 188.17.

24 d. Fails to comply with an order issued by the department or
25 a registrant under this chapter.

26 2. The suspension or revocation of a license is in addition
27 to the confiscation and destruction of a Cannabis sativa plant
28 under section 188.25, a civil penalty under section 188.27, or
29 any other civil or criminal penalty that may be imposed on the
30 person under state or federal law.

31 Sec. _____. NEW SECTION. **188.27 Civil penalties.**

32 1. A person who violates a provision of this chapter is
33 subject to a civil penalty of not less than five hundred
34 dollars and not more than two thousand five hundred dollars.
35 The department may assess and collect the civil penalty. Each

1 day that a continuing violation occurs shall be considered a
2 separate offense.

3 2. The department shall establish a schedule of civil
4 penalties for violations of this chapter.

5 3. A civil penalty shall not be assessed against a
6 licensee for a violation that results in the confiscation and
7 destruction of the licensee's crop under section 188.25, unless
8 the composite test result is greater than two percent delta-9
9 tetrahydrocannabinol as determined in section 188.8.

10 4. All civil penalties collected under this section shall be
11 deposited into the general fund of the state.

12 Sec. _____. NEW SECTION. **188.28 Criminal penalties.**

13 A person who knowingly or intentionally produces the
14 Cannabis sativa plant and who is not the department, a
15 registrant, or a licensee participating in the industrial hemp
16 commodity program established pursuant to section 188.13 or
17 the industrial hemp production program established pursuant to
18 section 188.14 is subject to the provisions in chapters 124 and
19 453B.

20 Sec. _____. NEW SECTION. **262.80 Industrial hemp production**
21 **program.**

22 The board of regents may consult with Iowa state university
23 of science and technology, the university of Iowa, and the
24 university of northern Iowa to provide for the participation
25 of those universities in administering an industrial hemp
26 production program in cooperation with the department of
27 agriculture and land stewardship as provided in chapter 188.>

28 2. Title page, by striking lines 1 through 3 and inserting
29 <An Act relating to agriculture, by providing for an
30 agricultural assets transfer tax credit program, providing for
31 programs relating to the production and marketing of industrial
32 hemp, providing penalties, and including effective date and
33 retroactive and other applicability provisions.>

34 3. By renumbering as necessary.

H-8482 (Continued)

By GASKILL of Wapello

H-8482 FILED MAY 3, 2018

SENATE AMENDMENT TO
HOUSE FILE 2492

H-8466

1 Amend House File 2492, as amended, passed, and reprinted by
2 the House, as follows:

3 1. Page 1, before line 1 by inserting:

4 <DIVISION I
5 FY 2018-2019 APPROPRIATIONS>

6 2. Page 1, line 17, by striking <6,511,705> and inserting
7 <5,911,705>

8 3. Page 3, after line 24 by inserting:

9 <4. The department of justice shall be subject to an
10 agreed-upon procedures engagement performed by the auditor of
11 state to identify sources and uses of discretionary funds of
12 the department, including but not limited to legal settlement
13 funds controlled by the department. The auditor of state
14 shall complete and file the written report of the auditor's
15 findings and recommendations with the general assembly and
16 the governor's office by February 1, 2019. The department of
17 justice shall fully reimburse the auditor of state for the
18 agreed-upon procedures engagement.>

19 4. Page 6, line 20, by striking <9,933,851> and inserting
20 <9,231,488>

21 5. Page 14, line 4, by striking <6,631,377> and inserting
22 <4,734,703>

23 6. Page 14, line 15, by striking <14,463,083> and inserting
24 <14,663,083>

25 7. Page 14, line 17, by striking <162.00> and inserting
26 <163.00>

27 8. Page 14, line 20, by striking <2.0> and inserting <and
28 additional 3.0>

29 9. Page 15, line 2, by striking <302,345> and inserting
30 <650,000>

31 10. Page 15, after line 2 by inserting:

32 <Notwithstanding section 8.33, moneys appropriated in this
33 subsection that remain unencumbered or unobligated at the close
34 of the fiscal year shall not revert but shall remain available
35 for expenditure for the purposes designated until the close of

1 the succeeding fiscal year.>

2 11. Page 15, line 12, by striking <7,585,873> and inserting
3 <7,785,873>

4 12. Page 15, line 29, by striking <109,042> and inserting
5 <209,042>

6 13. Page 16, line 5, by striking <4,765,056> and inserting
7 <4,965,056>

8 14. Page 16, line 21, by striking <62,126,287> and inserting
9 <63,926,287>

10 15. Page 20, after line 28 by inserting:

11 <Sec. ____ . EFFECTIVE DATE. The following, being deemed of
12 immediate importance, takes effect upon enactment:

13 The portion of this division of this Act amending 2017 Iowa
14 Acts, chapter 167, section 31, prohibiting the utilization of
15 the public safety assessment in pretrial hearings.

16 DIVISION ____
17 ATTORNEY GENERAL REPORTS>

18 16. Page 20, after line 30 by inserting:

19 <DIVISION ____
20 PUBLIC SAFETY SUPPORT TRUST FUND>

21 17. Page 21, after line 8 by inserting:

22 <DIVISION ____
23 UNMANNED AERIAL VEHICLES>

24 18. Page 21, after line 33 by inserting:

25 <DIVISION ____
26 PRISON READING ROOMS>

27 19. Page 22, by striking lines 9 through 13 and inserting:

28 <DIVISION ____
29 SPECIALTY COURTS — STUDY

30 Sec. ____ . SPECIALTY COURTS — STUDY. The judicial
31 branch and the department of corrections in cooperation with
32 the division of criminal and juvenile justice planning of
33 the department of human rights, and the judicial district
34 departments of correctional services, shall study the
35 effectiveness and recidivism rates of persons assigned to

1 the specialty courts of the judicial branch. The national
2 center for state courts may be utilized in order to complete
3 the study. The judicial branch shall file a report detailing
4 the cost-effectiveness of the specialty courts including any
5 recommendations with the general assembly and the fiscal
6 services division of the legislative services agency by January
7 15, 2019.

8 DIVISION ____
9 SMALL CLAIMS JURISDICTION

10 Sec. ____ . Section 631.1, subsections 1, 3, 4, 5, 7, and 8,
11 Code 2018, are amended to read as follows:

12 1. The following actions or claims are small claims and
13 shall be commenced, heard and determined as provided in this
14 chapter:

15 a. A civil action for a money judgment where the amount in
16 controversy is ~~four~~ five thousand dollars or less for actions
17 commenced before July 1, ~~2002~~ 2018, exclusive of interest and
18 costs.

19 b. A civil action for a money judgment where the amount in
20 controversy is ~~five~~ six thousand five hundred dollars or less
21 for actions commenced on or after July 1, ~~2002~~ 2018, exclusive
22 of interest and costs.

23 3. The district court sitting in small claims has concurrent
24 jurisdiction of an action of replevin if the value of the
25 property claimed is ~~four~~ five thousand dollars or less for
26 actions commenced before July 1, ~~2002~~ 2018, and ~~five~~ six
27 thousand five hundred dollars or less for actions commenced on
28 or after July 1, ~~2002~~ 2018. When commenced under this chapter,
29 the action is a small claim for the purposes of this chapter.

30 4. The district court sitting in small claims has concurrent
31 jurisdiction of motions and orders relating to executions
32 against personal property, including garnishments, where the
33 value of the property or garnisheed money involved is ~~four~~ five
34 thousand dollars or less for actions commenced before July 1,
35 ~~2002~~ 2018, and ~~five~~ six thousand five hundred dollars or less

1 for actions commenced on or after July 1, ~~2002~~ 2018.

2 5. The district court sitting in small claims has concurrent
3 jurisdiction of an action for abandonment of a manufactured or
4 mobile home or personal property pursuant to section 555B.3,
5 if no money judgment in excess of ~~four~~ five thousand dollars
6 is sought for actions commenced before July 1, ~~2002~~ 2018, and
7 five six thousand five hundred dollars or less for actions
8 commenced on or after July 1, ~~2002~~ 2018. If commenced under
9 this chapter, the action is a small claim for the purposes of
10 this chapter.

11 7. The district court sitting in small claims has concurrent
12 jurisdiction of an action for the collection of taxes brought
13 by a county treasurer pursuant to sections 445.3 and 445.4
14 where the amount in controversy is five thousand dollars or
15 less for actions commenced ~~on or after~~ before July 1, ~~2003~~
16 2018, and six thousand five hundred dollars or less for actions
17 commenced on or after July 1, 2018, exclusive of interest and
18 costs.

19 8. The district court sitting in small claims has concurrent
20 jurisdiction of motions and orders relating to releases of
21 judgments in whole or in part including motions and orders
22 under section 624.23, subsection 2, paragraph "c" and section
23 624.37, where the amount owing on the judgment, including
24 interests and costs, is five thousand dollars or less for
25 actions commenced before July 1, 2018, and six thousand five
26 hundred dollars or less for actions commenced on or after July
27 1, 2018.

28 Sec. ____ . JURISDICTIONAL AMOUNT REVERSION — SMALL
29 CLAIMS. The jurisdictional amount in the section of this
30 division of this Act that amends section 631.1 shall revert
31 to five thousand dollars if a court of competent jurisdiction
32 declares the six thousand five hundred dollar amount
33 unconstitutional.>

34 20. Title page, line 1, after <system,> by inserting
35 <providing penalties,>

H-8466 (Continued)

[H-8466](#) FILED MAY 3, 2018

ADOPTED

HOUSE FILE 2492

H-8475

1 Amend the Senate amendment, H-8466, to House File 2492, as
2 amended, passed, and reprinted by the House, as follows:

3 1. Page 2, after line 9 by inserting:

4 <___. Page 20, line 28, by striking <1,000,000> and
5 inserting <1,500,000>>

By WORTHAN of Buena Vista

H-8475 FILED MAY 3, 2018

ADOPTED

SENATE AMENDMENT TO
HOUSE FILE 2493

H-8467

1 Amend House File 2493, as amended, passed, and reprinted by
2 the House, as follows:
3 1. Page 1, line 17, by striking <56.50> and inserting
4 <56.50>
5 2. Page 1, line 18, by striking <52.30>
6 3. Page 3, line 10, by striking <147.45> and inserting
7 <147.45>
8 4. Page 3, line 11, by striking <126.15>
9 5. Page 9, line 32, by striking <61.12> and inserting
10 <61.12>
11 6. Page 9, line 33, by striking <57.90>
12 7. Page 10, line 9, by striking <27.20> and inserting
13 <27.20>
14 8. Page 10, line 10, by striking <27.00>
15 9. Page 10, line 26, by striking <187.75> and inserting
16 <187.75>
17 10. Page 10, line 27, by striking <183.78>
18 11. Page 11, line 27, after <department> by inserting <, and
19 for not more than the following full-time equivalent positions>
20 12. Page 11, after line 28 by inserting:
21 <..... FTEs 1.00>
22 13. Page 12, line 13, by striking <5.00> and inserting
23 <5.00>
24 14. Page 12, line 14, by striking <4.50>
25 15. Page 13, line 6, by striking <1,060,000> and inserting
26 <1,600,000>
27 16. Page 13, line 20, by striking <13,000,000> and inserting
28 <13,650,000>
29 17. Page 18, after line 12 by inserting:
30 <DIVISION ____
31 DEPARTMENT OF ADMINISTRATIVE SERVICES INVESTIGATION
32 Sec. ____ . DEPARTMENT OF ADMINISTRATIVE SERVICES APPOINTMENT
33 OF INDEPENDENT INVESTIGATOR. The department of administrative
34 services shall appoint an independent investigator responsible
35 for facilitation of an investigation of the Iowa finance

1 authority. The investigation shall include an analysis of
2 all expenses reimbursed by the state to the former director
3 of the authority and all employees of the authority for the
4 period January 1, 2011, through June 30, 2018. Such expenses
5 shall include all travel, lodging, meals, beverages, personal
6 services, entertainment, office expenses, and all other
7 expenditures not included in the authority's budget. The
8 investigation shall also include an analysis of any personal
9 financial or other personal accounts used by the former
10 authority director or any employee of the authority to collect
11 agency fees or other moneys collected by the authority. In
12 addition, the investigation shall include a review of any
13 conduct of current and former authority employees in violation
14 of any state human resources policies or authority personnel
15 policies, or otherwise related to the termination of the
16 former director of the authority. The department shall submit
17 a report with a summary of the results of the independent
18 investigation to the general assembly no later than December 1,
19 2018.>

20 <DIVISION ____

21 MISCELLANEOUS

22 Sec. ____ . Section 8.57, subsection 5, paragraph f,
23 subparagraph (1), subparagraph division (c), Code 2018, is
24 amended to read as follows:

25 (c) (i) For the fiscal year beginning July 1, 2013, and for
26 each fiscal year ~~thereafter~~ through the fiscal year beginning
27 July 1, 2017, of the wagering tax receipts received pursuant to
28 sections 99D.17 and 99F.11, the next sixty-six million dollars
29 shall be deposited in the Iowa skilled worker and job creation
30 fund created in section 8.75.

31 (ii) For the fiscal year beginning July 1, 2018, and for
32 each fiscal year thereafter, of the wagering tax receipts
33 received pursuant to sections 99D.17 and 99F.11, the next
34 sixty-three million seven hundred fifty thousand dollars shall
35 be deposited in the Iowa skilled worker and job creation fund

1 created in section 8.75.

2 Sec. _____. Section 8.57, subsection 5, paragraph f,
3 subparagraph (1), Code 2018, is amended by adding the following
4 new subparagraph division:

5 NEW SUBPARAGRAPH DIVISION. (0d) For the fiscal year
6 beginning July 1, 2018, and for each fiscal year thereafter, of
7 the wagering tax receipts received pursuant to sections 99D.17
8 and 99F.11, the next two million two hundred fifty thousand
9 dollars shall be deposited in the general fund of the state.

10 Sec. _____. Section 8.57, subsection 5, paragraph f,
11 subparagraph (1), subparagraph division (d), Code 2018, is
12 amended to read as follows:

13 (d) For the fiscal year beginning July 1, ~~2013,~~ 2018, and
14 for each fiscal year thereafter, the total moneys in excess of
15 the moneys deposited under this paragraph "f" in the revenue
16 bonds debt service fund, the revenue bonds federal subsidy
17 holdback fund, the vision Iowa fund, and the Iowa skilled
18 worker and job creation fund, and the general fund of the state
19 shall be deposited in the rebuild Iowa infrastructure fund and
20 shall be used as provided in this section, notwithstanding
21 section 8.60.

22 Sec. _____. Section 96.5, Code 2018, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 13. *Overpayment resulting in*
25 *disqualification.* If the department finds that an individual
26 has received benefits by reason of misrepresentation pursuant
27 to section 96.16, such individual shall be disqualified for
28 benefits until the balance of the benefits received by the
29 individual due to misrepresentation, including all penalties,
30 interest, and lien fees, is paid in full.

31 Sec. _____. NEW SECTION. 507E.2A **Definition of insurer —**
32 **workers' compensation.**

33 As used in this chapter, unless the context otherwise
34 requires:

35 1. "Insurance" means any and all contracts, arrangements,

H-8467 (Continued)

1 and agreements by or through which one party, for compensation,
2 assumes risks of another party and promises to pay the second
3 party or the second party's nominee a certain or ascertainable
4 sum of money on the occurrence of a specified contingency.
5 "*Insurance*" includes any and all contracts, arrangements, or
6 agreements contemplated by, falling within, and coming under
7 section 87.11. Without limiting the foregoing, "*insurance*"
8 includes any contract of insurance, indemnity, subscription,
9 membership, suretyship, or annuity that has been issued, is
10 proposed for issuance, or is intended for issuance by any
11 person or entity.
12 2. "*Insurer*" includes an insurer that issues a policy of
13 workers' compensation, a self-insured business for purposes of
14 workers' compensation liability, or a group or self-insured
15 plan as described in section 87.4.>

[H-8467](#) FILED MAY 3, 2018
ADOPTED

HOUSE FILE 2493

H-8478

1 Amend the amendment, H-8467, to House File 2493, as amended,
2 passed, and reprinted by the House, as follows:

3 1. By striking page 1, line 31, through page 2, line 19, and
4 inserting:

5 <INDEPENDENT INVESTIGATION OF IOWA FINANCE AUTHORITY
6 Sec. ____ . FINANCIAL AND SEXUAL HARASSMENT INVESTIGATIONS
7 OF IOWA FINANCE AUTHORITY. The independent investigators who
8 have been selected to conduct an investigation of the Iowa
9 finance authority shall each submit a report with a summary of
10 the results of the independent investigator's investigation
11 to the general assembly no later than December 1, 2018. The
12 financial investigation shall include an analysis of all
13 expenses reimbursed by the state to the former director of
14 the authority and all employees of the authority for the
15 period January 1, 2011, through June 30, 2018. Such expenses
16 shall include all travel, lodging, meals, beverages, personal
17 services, entertainment, office expenses, and all other
18 expenditures not included in the authority's budget. The
19 financial investigation shall also include an analysis of any
20 personal financial or other personal accounts used by the
21 former authority director or any employee of the authority to
22 collect agency fees or other moneys collected by the authority.
23 The sexual harassment investigation shall include a review
24 of any conduct of current and former authority employees in
25 violation of a state human resources policy or an authority
26 personnel policy that is related to the termination of the
27 former director of the authority.>

28 2. By renumbering as necessary.

By BEST of Carroll

H-8478 FILED MAY 3, 2018

ADOPTED

HOUSE FILE 2500

H-8480

- 1 Amend House File 2500 as follows:
- 2 1. Page 1, before line 1 by inserting:
- 3 <Section 1. Section 15.352, subsection 10, Code 2018, is
- 4 amended to read as follows:
- 5 10. "*Small city*" means any city or township located in this
- 6 state, except those located wholly within one or more of the
- 7 eleven most populous counties in the state, as determined by
- 8 the most recent federal decennial census. ~~For the purposes of~~
- 9 ~~this part, a small city that is located in more than one county~~
- 10 ~~shall be considered to be located in the county having the~~
- 11 ~~greatest taxable base within the small city.>~~
- 12 2. Page 1, before line 27 by inserting:
- 13 <Sec. ____ . EFFECTIVE DATE. This Act, being deemed of
- 14 immediate importance, takes effect upon enactment.
- 15 Sec. ____ . APPLICABILITY. The following applies to housing
- 16 projects registered by the economic development authority under
- 17 the workforce housing tax incentives program on or after the
- 18 effective date of this Act:
- 19 The section of this Act amending section 15.352, subsection
- 20 10.>
- 21 3. Page 1, line 27, by striking <This Act applies> and
- 22 inserting <The following apply>
- 23 4. Page 1, line 30, by striking <2018.> and inserting
- 24 <2018:>
- 25 5. Page 1, after line 30 by inserting:
- 26 <1. The section of this Act amending section 15.354,
- 27 subsection 3, paragraph "c".
- 28 2. The section of this Act relating to extension
- 29 applications made prior to August 1, 2018.>
- 30 6. Title page, line 3, before <and> by inserting <amending
- 31 the definition of small city,>
- 32 7. Title page, line 3, after <including> by inserting
- 33 <effective date and>
- 34 8. By renumbering as necessary.

H-8480 (Continued)

By McKEAN of Jones

H-8480 FILED MAY 3, 2018
WITHDRAWN

HOUSE FILE 2501

H-8483

- 1 Amend House File 2501 as follows:
- 2 1. Page 29, by striking lines 22 through 35.
- 3 2. By renumbering as necessary.

By BEST of Carroll

H-8483 FILED MAY 3, 2018

HOUSE FILE 2502

H-8481

1 Amend House File 2502 as follows:

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

4 <DIVISION I

5 STANDING APPROPRIATIONS AND RELATED MATTERS

6 Section 1. 2017 Iowa Acts, chapter 170, is amended by adding
7 the following new section:

8 NEW SECTION. SEC. 5A. GENERAL ASSEMBLY — FY 2018-2019.

9 1. The appropriations made pursuant to section 2.12 for the
10 expenses of the general assembly and legislative agencies for
11 the fiscal year beginning July 1, 2018, and ending June 30,
12 2019, are reduced by the following amount:

13 \$ 1,517,318

14 2. The budgeted amounts for the general assembly and
15 legislative agencies for the fiscal year beginning July 1,
16 2018, may be adjusted to reflect the unexpended budgeted
17 amounts from the previous fiscal year.

18 3. Annual membership dues for organizations, associations,
19 and conferences shall not be paid from moneys appropriated
20 pursuant to section 2.12, except reimbursement for travel
21 expenses may be paid to commissioners serving on the commission
22 of uniform state laws.

23 4. Costs for out-of-state travel and per diems for
24 out-of-state travel shall not be paid from moneys appropriated
25 pursuant to section 2.12.

26 Sec. 2. 2017 Iowa Acts, chapter 170, is amended by adding
27 the following new section:

28 NEW SECTION. SEC. 6A. INSTRUCTIONAL SUPPORT STATE AID — FY
29 2018-2019. In lieu of the appropriation provided in section
30 257.20, subsection 2, the appropriation for the fiscal year
31 beginning July 1, 2018, and ending June 30, 2019, for paying
32 instructional support state aid under section 257.20 for such
33 fiscal years is zero.

34 Sec. 3. Section 257.35, Code 2018, is amended by adding the
35 following new subsection:

1 NEW SUBSECTION. 12A. Notwithstanding subsection 1, and in
2 addition to the reduction applicable pursuant to subsection
3 2, the state aid for area education agencies and the portion
4 of the combined district cost calculated for these agencies
5 for the fiscal year beginning July 1, 2018, and ending June
6 30, 2019, shall be reduced by the department of management by
7 fifteen million dollars. The reduction for each area education
8 agency shall be prorated based on the reduction that the agency
9 received in the fiscal year beginning July 1, 2003.

10 Sec. 4. SALARY MODEL ADMINISTRATOR. The salary model
11 administrator shall work in conjunction with the legislative
12 services agency to maintain the state's salary model used for
13 analyzing, comparing, and projecting state employee salary
14 and benefit information, including information relating to
15 employees of the state board of regents. The department of
16 revenue, the department of administrative services, the five
17 institutions under the jurisdiction of the state board of
18 regents, the judicial district departments of correctional
19 services, and the state department of transportation shall
20 provide salary data to the department of management and the
21 legislative services agency to operate the state's salary
22 model. The format and frequency of provision of the salary
23 data shall be determined by the department of management and
24 the legislative services agency. The information shall be
25 used in collective bargaining processes under chapter 20 and
26 in calculating the funding needs contained within the annual
27 salary adjustment legislation. A state employee organization
28 as defined in section 20.3, subsection 4, may request
29 information produced by the model, but the information provided
30 shall not contain information attributable to individual
31 employees.

32 DIVISION II

33 MISCELLANEOUS PROVISIONS AND APPROPRIATIONS

34 Sec. 5. Section 331.424A, subsection 9, Code 2018, as
35 amended by 2018 Iowa Acts, House File 2456, section 14, is

1 amended to read as follows:

2 a. For the fiscal year beginning July 1, 2017, and each
3 subsequent fiscal year, the county budgeted amount determined
4 for each county shall be the amount necessary to meet the
5 county's financial obligations for the payment of services
6 provided under the regional service system management plan
7 approved pursuant to section 331.393, not to exceed an amount
8 equal to the product of the regional per capita expenditure
9 target amount multiplied by the county's population, and, for
10 fiscal years beginning on or after July 1, 2021, reduced by
11 the amount of the county's cash flow reduction amount for the
12 fiscal year calculated under subsection 4, if applicable.

13 b. If a county officially joins a different region, the
14 county's budgeted amount shall be the amount necessary to meet
15 the county's financial obligations for payment of services
16 provided under the new region's regional service system
17 management plan approved pursuant to section 331.393, not to
18 exceed an amount equal to the product of the new region's
19 regional per capita expenditure target amount multiplied by
20 the county's population, and, for fiscal years beginning on
21 or after July 1, 2021, reduced by the amount of the county's
22 cash flow reduction amount for the fiscal year calculated under
23 subsection 4, if applicable.

24 Sec. 6. 2017 Iowa Acts, chapter 170, section 13, is amended
25 to read as follows:

26 SEC. 13. TRANSFER FROM CASH RESERVE FUND. Notwithstanding
27 section 8.56, subsection 3 and subsection 4, paragraph "a" and
28 section 8.57, subsection 1, paragraph "a", there is transferred
29 from the cash reserve fund created in section 8.56 to the
30 general fund of the state for the fiscal year beginning July 1,
31 2016, and ending June 30, 2017, the following amount:
32 \$131,100,000

33 Sec. 7. 2018 Iowa Acts, House File 2441, section 17,
34 subsection 1, is amended by striking the subsection.

35 Sec. 8. 2018 Iowa Acts, Senate File 2117, section 11,

1 subsection 1, is amended to read as follows:

2 1. There is appropriated from the Iowa economic emergency
3 fund created in section 8.55 to the general fund of the state
4 for the fiscal year beginning July 1, ~~2017~~ 2016, and ending
5 June 30, ~~2018~~ 2017, the following amount:

6 \$ 13,000,000

7 Sec. 9. 2018 Iowa Acts, Senate File 2117, section 12, is
8 amended to read as follows:

9 SEC. 12. RETROACTIVE APPLICABILITY. The following
10 provision or provisions of this division of this Act apply
11 retroactively to ~~September 28, 2017~~ June 30, 2017:

12 The section of this division of this Act appropriating
13 moneys from the Iowa economic emergency fund to the general
14 fund in lieu of a prior standing appropriation.

15 Sec. 10. RETROACTIVE APPLICABILITY. The following applies
16 retroactively to May 12, 2017:

17 The section of this division of this Act amending 2017 Iowa
18 Acts, chapter 170, section 13.

19 Sec. 11. RETROACTIVE APPLICABILITY. The following applies
20 retroactively to the effective date of section 256.9A, as
21 enacted by 2018 Iowa Acts, House File 2441, section 1:

22 The section of this division of this Act amending 2018 Iowa
23 Acts, House File 2441, section 17, subsection 1.

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

26 DIVISION III

27 CORRECTIVE PROVISIONS

28 Sec. 13. Section 9A.102, subsection 1, Code 2017, as amended
29 by 2018 Iowa Acts, Senate File 385, section 2, is amended to
30 read as follows:

31 1. "Agency contract" means an agreement in which a student
32 athlete authorizes a person to negotiate or solicit on behalf
33 of the athlete a professional sports services contract or an
34 endorsement contract.

35 Sec. 14. Section 68B.2C, as enacted by 2018 Iowa Acts,

1 Senate File 2323, section 7, is amended to read as follows:

2 **68B.2C Prohibited outside employment and activities — agents**
3 **of foreign principals.**

4 Officials and state employees shall not engage in any
5 outside employment or activity that requires the person to
6 register under the federal Foreign Agents Registration Act of
7 1938, as amended, 22 U.S.C. §611 et seq.,~~as amended.~~

8 Sec. 15. Section 84A.4, subsection 4, paragraph f, Code
9 2018, if enacted by 2018 Iowa Acts, Senate File 2353, section
10 6, is amended to read as follows:

11 *f. Proven and promising practices.* The local workforce
12 development board shall lead efforts in the local workforce
13 development area to ~~do all of the following:~~

14 ~~(1) Identify~~ identify and promote proven and promising
15 strategies and initiatives for meeting the needs of employers,
16 workers, and jobseekers, including individuals with a barrier
17 to employment, in the local workforce development system,
18 including providing physical and programmatic accessibility,
19 in accordance with 29 U.S.C. §3248, if applicable, applicable
20 provisions of chapter 216, and applicable provisions of the
21 Americans with Disabilities Act of 1990, codified at 42 U.S.C.
22 §12101 et seq., to the one-stop delivery system.

23 Sec. 16. Section 123.92, subsection 3, paragraph a, Code
24 2018, as amended by 2018 Iowa Acts, Senate File 2310, section
25 47, is amended to read as follows:

26 *a.* Notwithstanding section 123.49, subsection 1, any
27 person who is injured in person or property or means of
28 support by an intoxicated person who is under legal age or
29 resulting from the intoxication of a person who is under
30 legal age, has a right of action for all damages actually
31 sustained, severally or jointly, against a person who is
32 not a licensee or permittee and who dispensed or gave any
33 alcoholic beverage to the intoxicated underage person when the
34 nonlicensee or nonpermittee who dispensed or gave the alcoholic
35 beverage to the underage person knew or should have known the

1 underage person was intoxicated, or who dispensed or gave any
2 alcoholic beverage to the underage person to a point where the
3 nonlicensee or nonpermittee knew or should have known that the
4 underage person would become intoxicated.

5 Sec. 17. Section 135.16A, subsection 1, paragraph a, as
6 enacted by 2018 Iowa Acts, House File 2408, section 1, is
7 amended to read as follows:

8 a. "*Conventional eggs*" means eggs ~~others~~ other than
9 specialty eggs.

10 Sec. 18. Section 147C.1, subsection 7, paragraph e,
11 subparagraph (2), subparagraph division (h), as enacted by 2018
12 Iowa Acts, House File 2425, section 1, is amended to read as
13 follows:

14 (h) Disclosure of investigative records compiled for law
15 enforcement purposes ~~of any of the following.~~

16 Sec. 19. Section 148H.1, subsection 4, as enacted by 2018
17 Iowa Acts, Senate File 2228, section 5, is amended to read as
18 follows:

19 4. "*Genetic counseling intern*" means a student enrolled in
20 a genetic counseling program accredited by the accreditation
21 council for genetic counseling or its equivalent or successor
22 organization, or the American board of medical genetics and
23 genomics or its equivalent or successor organization.

24 Sec. 20. Section 256.7, subsection 21, paragraph b,
25 subparagraph (2), subparagraph division (d), as enacted by 2018
26 Iowa Acts, House File 2235, section 1, is amended to read as
27 follows:

28 (d) That the assessment be peer-reviewed by an independent,
29 third-party evaluator to determine that the assessment is
30 aligned with the Iowa core academic standards, provides
31 a measurement of student growth and student proficiency,
32 and meets the summative assessment requirements of the
33 federal Every Student Succeeds Act, Pub. L. No. 114-95. The
34 assessment developed by the Iowa testing ~~service~~ program
35 within the university of Iowa college of education shall ~~make~~

1 ~~any necessary adjustments as determined by the peer review~~
2 be adjusted as necessary to meet the requirements of this
3 subparagraph (2) as determined by the peer review.

4 Sec. 21. Section 256.42, subsection 5, Code 2018, as amended
5 by 2018 Iowa Acts, Senate File 2131, section 1, is amended to
6 read as follows:

7 5. Under the initiative, a student must be enrolled in
8 a participating school district or accredited nonpublic
9 school or be receiving private instruction under chapter 299A
10 as described in subsection 1. For a student enrolled in a
11 participating school district or accredited nonpublic school,
12 the school district or school is responsible for recording
13 grades received for initiative coursework in a student's
14 permanent record, awarding high school credit for initiative
15 coursework, and issuing a high school diploma ~~diplomas~~ to a
16 student enrolled in the district or school who participates and
17 completes coursework under the initiative. Each participating
18 school shall identify a site coordinator to serve as a student
19 advocate and as a liaison between the initiative staff and
20 teachers and the school district or accredited nonpublic
21 school. The individual providing instruction to a student
22 under chapter 299A as described in subsection 1 shall receive
23 the student's score for completed initiative coursework.

24 Sec. 22. Section 261.131, subsection 1, paragraph d, Code
25 2018, as enacted by 2018 Iowa Acts, House File 2458, section
26 12, is amended to read as follows:

27 *d. "Eligible program"* means a program of study or an
28 academic major jointly approved by the commission and the
29 department of workforce development, in consultation with an
30 eligible institution, that leads to a credential aligned with a
31 high-demand job designated by the workforce development board
32 or a community college pursuant to section 84A.1B, subsection
33 13A. If the board or a community college removes a high-demand
34 job from a list created under section 84A.1B, subsection 13A,
35 an eligible student who received a scholarship for a program

1 based on that high-demand job shall continue to receive the
2 scholarship until achieving a postsecondary credential, up to
3 an associate degree, as long as the student continues to meet
4 all other eligibility requirements.

5 Sec. 23. Section 280.13C, subsection 4, paragraph a, Code
6 2018, as amended by 2018 Iowa Acts, House File 2442, section 1,
7 is amended to read as follows:

8 a. The department of public health, Iowa high school
9 athletic association, and the Iowa girls high school athletic
10 union shall work together to distribute the guidelines of the
11 centers for disease control and prevention guidelines of the
12 United States department of health and human services and other
13 pertinent information to inform and educate coaches, students,
14 and the parents and guardians of students of the risks, signs,
15 symptoms, and behaviors consistent with a concussion or brain
16 injury, including the danger of continuing to participate in
17 extracurricular interscholastic activities after suffering a
18 concussion or brain injury and their responsibility to report
19 such signs, symptoms, and behaviors if they occur.

20 Sec. 24. Section 280.13C, subsection 8, paragraph a, Code
21 2018, as amended by 2018 Iowa Acts, House File 2442, section 1,
22 is amended to read as follows:

23 a. A school district or accredited nonpublic school that
24 adopts and follows the protocol required by this section and
25 provides an emergency medical care provider or a licensed
26 health care provider at a contest that is a contact or limited
27 contact activity as identified by the American academy of
28 pediatrics shall not be liable for any claim for injuries or
29 damages based upon the actions or inactions of the emergency
30 medical care provider or the licensed health care provider
31 present at the contest at the request of the school district
32 or accredited nonpublic school so long as the emergency
33 medical care provider or the licensed health care provider
34 acts reasonably and in good faith and in the best interest of
35 the student athlete and without undue influence of the school

1 district or accredited nonpublic school or coaching staff
2 employed by the school district or accredited nonpublic school.
3 A school district or accredited nonpublic school shall not be
4 liable for any claim for injuries or damages if an emergency
5 medical care provider or a licensed health care provider who
6 was scheduled in accordance with a prearranged agreement with
7 the school district or accredited nonpublic school to be
8 present and available at a contest is not able to be present
9 and available due to documentable, unforeseen circumstances and
10 the school district or accredited nonpublic school otherwise
11 followed the protocol.

12 Sec. 25. Section 298.3, subsection 1, paragraph j, Code
13 2018, as amended by 2018 Iowa Acts, House File 2253, section 9,
14 is amended to read as follows:

15 *j.* The purchase of buildings or lease-purchase option
16 agreements for school buildings. However, a contract
17 for construction by a private party of property to be
18 lease-purchased by a public school corporation is a contract
19 for a public improvement as defined in section 26.2. If the
20 estimated cost of the property to be lease-purchased that is
21 renovated, repaired, or involves new construction ~~in excess~~
22 ~~of~~ exceeds the competitive bid threshold in section 26.3, the
23 board of directors shall comply with the competitive bidding
24 requirements of section 26.3.

25 Sec. 26. Section 321G.13, subsection 2, paragraph b,
26 subparagraph (2), Code 2018, as amended by 2018 Iowa Acts,
27 Senate File 2231, section 1, is amended to read as follows:

28 (2) A person may operate or ride ~~on~~ a snowmobile with a
29 loaded pistol or revolver, whether concealed or not, if a the
30 person is operating or riding the snowmobile on land that is
31 not owned, possessed, or rented by the person, and the person's
32 conduct is otherwise lawful.

33 Sec. 27. Section 321I.14, subsection 2, paragraph b,
34 subparagraph (2), Code 2018, as amended by 2018 Iowa Acts,
35 Senate File 2231, section 3, is amended to read as follows:

1 (2) A person may operate or ride ~~on all~~ an all-terrain
2 vehicle with a loaded pistol or revolver, whether concealed or
3 not, if a the person is operating or riding the all-terrain
4 vehicle on land that is not owned, possessed, or rented by the
5 person, and the person's conduct is otherwise lawful.

6 Sec. 28. Section 321I.14, subsection 6, as enacted by 2018
7 Iowa Acts, Senate File 2231, section 4, is amended to read as
8 follows:

9 6. As used in this section, *"rented by the person"* includes
10 a person who does not necessarily rent the land but who
11 principally provides labor for the production of crops located
12 on agricultural land or for the production of livestock
13 principally located on agricultural land. The person must
14 personally provide such labor on a regular, continuous, and
15 substantial basis.

16 Sec. 29. Section 364.4, subsection 4, paragraph i, Code
17 2018, as amended by 2018 Iowa Acts, House File 2253, section
18 11, is amended to read as follows:

19 *i.* A contract for construction by a private party of
20 property to be lease-purchased by a city is a contract for a
21 public improvement under section 26.2, subsection 3. If the
22 estimated cost of the property to be lease-purchased that is
23 renovated, repaired, or involves new construction exceeds the
24 competitive bid threshold set in section 26.3, the city shall
25 comply with the competitive bidding requirements of section
26 26.3.

27 Sec. 30. Section 633.42, subsection 1, Code 2018, as amended
28 by 2018 Iowa Acts, Senate File 2098, section 3, is amended to
29 read as follows:

30 1. At any time after the issuance of letters of appointment,
31 any interested person in the proceeding may file with the
32 clerk a written request for notice of the time and place of
33 all hearings in such proceeding for which notice is required
34 by law, by rule of court, or by an order in such proceeding.
35 The request for notice shall state the name of the requester,

1 the name of the requester's attorney, if any, and the reason
2 the requester is an interested person in the proceeding. The
3 request for notice shall provide the requester's post office
4 address, and, if available, the requester's electronic mail
5 address and telephone number. The request for notice shall
6 also provide the requester's attorney's post office address,
7 electronic mail address, and telephone number. The clerk shall
8 docket the request. Thereafter, unless otherwise ordered by
9 the court, the fiduciary shall serve by ordinary or electronic
10 mail a notice of each hearing upon such requester and the
11 requester's attorney, if any.

12 Sec. 31. Section 633.418, Code 2018, as amended by 2018
13 Iowa Acts, Senate File 2098, section 6, is amended to read as
14 follows:

15 **633.418 Form and verification of claims — general**
16 **requirements.**

17 No claim shall be allowed against an estate on application
18 of the claimant unless it shall be in writing, filed with
19 the clerk, stating the claimant's name, and address, and,
20 if available, telephone number and electronic mail address,
21 describing the nature and the amount thereof, if ascertainable,
22 and accompanied by the affidavit of the claimant, or someone
23 for the claimant, that the amount is justly due, or if not yet
24 due, when it will or may become due, that no payments have been
25 made thereon which are not credited, and that there are no
26 offsets to the same, to the knowledge of the affiant, except as
27 therein stated. If the claim is contingent, the nature of the
28 contingency shall also be stated.

29 Sec. 32. Section 651.29, subsection 5, paragraphs b and c,
30 as enacted by 2018 Iowa Acts, Senate File 2175, section 29, are
31 amended to read as follows:

32 *b.* If none of the cotenants ~~has~~ have paid the entire price
33 for the remaining interest in the heirs property, the court
34 shall resolve the partition action under section 651.30 as if
35 the interest of the cotenant that had requested partition by

1 sale of the heirs property has not been purchased.

2 c. If more than one cotenant ~~have~~ has paid the entire price
3 for the remaining interest in the heirs property, the court
4 shall reapportion the remaining interest among such cotenants
5 based on each cotenant's original fractional ownership of the
6 entire heirs property divided by the total original fractional
7 ownership of all cotenants that paid the entire price for
8 the remaining interest. The court shall promptly issue an
9 order reallocating all cotenants' interests, disburse the
10 amounts held by the court to the persons entitled to such
11 disbursements, and promptly refund any excess payments held by
12 the court to the appropriate persons.

13 Sec. 33. Section 655.6, subsection 1, as enacted by 2018
14 Iowa Acts, House File 2232, section 5, is amended to read as
15 follows:

16 1. The mortgagee established reasonable procedures to
17 achieve compliance with its obligations under section 655.3.

18 Sec. 34. Section 716.11, subsection 1, paragraph b, as
19 enacted by 2018 Iowa Acts, Senate File 2235, section 1, is
20 amended to read as follows:

21 b. A gas, oil, petroleum, refined petroleum product,
22 renewable fuel, or chemical critical generation, storage,
23 transportation, or delivery system.

24 Sec. 35. 2018 Iowa Acts, Senate File 2117, section 1,
25 paragraphs p and s, are amended to read as follows:

26	p. Department of economic <u>Economic</u> development <u>authority</u>	
27	\$ 157,960
28	s. College <u>student</u> aid commission	
29	\$ 94,172

30 Sec. 36. 2018 Iowa Acts, House File 2442, section 4, is
31 amended to read as follows:

32 SEC. 4. STATE MANDATE FUNDING SPECIFIED. In accordance
33 with section 25B.2, subsection 3, the state cost of requiring
34 compliance with any state mandate included in ~~this division~~
35 ~~of~~ this Act shall be paid by a school district from state

H-8481 (Continued)

1 school foundation aid received by the school district under
2 section 257.16. This specification of the payment of the state
3 cost shall be deemed to meet all of the state funding-related
4 requirements of section 25B.2, subsection 3, and no additional
5 state funding shall be necessary for the full implementation of
6 this Act by and enforcement of this Act against all affected
7 school districts.

8 Sec. 37. REPEAL. 2018 Iowa Acts, House File 2348, section
9 9, is repealed.

10 Sec. 38. REPEAL. 2018 Iowa Acts, House File 2457, sections
11 115 and 116 are repealed.

12 Sec. 39. EFFECTIVE DATE. The following, being deemed of
13 immediate importance, takes effect upon enactment:

14 The section of this division of this Act amending 2018 Iowa
15 Acts, Senate File 2117, section 1, paragraphs "p" and "s".

16 Sec. 40. RETROACTIVE APPLICABILITY. The following applies
17 retroactively to March 28, 2018:

18 The section of this division of this Act amending 2018 Iowa
19 Acts, Senate File 2117, section 1, paragraphs "p" and "s".

20 Sec. 41. APPLICABILITY. The following apply July 1, 2018,
21 to probate filings made on or after that date:

22 1. The section of this division of this Act amending section
23 633.42.

24 2. The section of this division of this Act amending section
25 633.418.>

26 2. By renumbering as necessary.

By HALL of Woodbury

H-8481 FILED MAY 3, 2018

SENATE FILE 2382

H-8468

1 Amend the amendment, H-8273, to Senate File 2382, as
2 amended, passed, and reprinted by the Senate, as follows:

3 1. Page 1, by striking line 3 and inserting:

4 <___. By striking page 1, line 1, through page 10, line 23>

5 2. Page 1, by striking lines 6 and 7 and inserting:

6 <___. By striking page 15, line 18, through page 20, line
7 4.>

8 3. Page 1, after line 12 by inserting:

9 <___. Page 26, after line 14 by inserting:

10 <DIVISION ____

11 JUROR SERVICE

12 Sec. ____. Section 607A.5, Code 2018, is amended to read as
13 follows:

14 **607A.5 Automatic excuse from jury service.**

15 1. A person shall be excused from jury service if the
16 person submits written documentation verifying, to the court's
17 satisfaction, that the person is solely responsible for the
18 daily care of a person with a permanent disability living
19 in the person's household and that the performance of juror
20 service would cause substantial risk of injury to the health of
21 the person with a disability, or that the person is the mother
22 of a breastfed child and is responsible for the daily care of
23 the child. However, if the person is regularly employed at a
24 location other than the person's household, the person shall
25 not be excused under this ~~section~~ subsection.

26 2. A person shall be excused from jury service if the person
27 is at least seventy-two years of age and notifies the court
28 that the person is at least seventy-two years of age and wishes
29 to be exempted from jury service.

30 DIVISION ____

31 EARNED TIME

32 Sec. ____. Section 903A.2, subsection 1, paragraph a,
33 subparagraph (2), Code 2018, is amended to read as follows:

34 (2) However, an inmate required to participate in a sex
35 offender treatment program shall not be eligible for a any

1 reduction of sentence ~~unless~~ until the inmate participates in
2 and completes a sex offender treatment program established by
3 the director.

4 Sec. _____. Section 903A.2, subsection 1, paragraph b,
5 subparagraph (2), Code 2018, is amended to read as follows:

6 (2) An inmate required to participate in a domestic abuse
7 treatment program shall not be eligible for a any reduction of
8 sentence ~~unless~~ until the inmate participates in and completes
9 a domestic abuse treatment program established by the director.

10 Sec. _____. Section 903A.3, subsection 1, Code 2018, is
11 amended to read as follows:

12 1. Upon finding that an inmate has violated an institutional
13 rule, has failed to complete a sex offender or domestic abuse
14 treatment program as specified in section 903A.2, or has
15 had an action or appeal dismissed under section 610A.2, the
16 independent administrative law judge may order forfeiture of
17 any or all earned time accrued and not forfeited up to the
18 date of the violation by the inmate and may order forfeiture
19 of any or all earned time accrued and not forfeited up to
20 the date the action or appeal is dismissed, unless the court
21 entered such an order under section 610A.3. The independent
22 administrative law judge has discretion within the guidelines
23 established pursuant to section 903A.4, to determine the amount
24 of time that should be forfeited based upon the severity of the
25 violation. Prior violations by the inmate may be considered by
26 the administrative law judge in the decision.

27 DIVISION ____

28 HUMAN TRAFFICKING

29 Sec. _____. Section 710A.2, Code 2018, is amended to read as
30 follows:

31 **710A.2 Human trafficking.**

32 1. A person who knowingly engages in human trafficking is
33 guilty of a class "D" felony, except that if the victim is
34 under the age of eighteen, the person is guilty of a class "C"
35 "B" felony.

1 2. A person who knowingly engages in human trafficking by
2 causing or threatening to cause serious physical injury to
3 another person is guilty of a class "C" felony, except that if
4 the victim is under the age of eighteen, the person is guilty
5 of a class "B" felony.

6 3. A person who knowingly engages in human trafficking by
7 physically restraining or threatening to physically restrain
8 another person is guilty of a class "D" felony, except that if
9 the victim is under the age of eighteen, the person is guilty
10 of a class "C" "B" felony.

11 4. A person who knowingly engages in human trafficking by
12 soliciting services or benefiting from the services of a victim
13 is guilty of a class "D" felony, except that if the victim is
14 under the age of eighteen, the person is guilty of a class "C"
15 "B" felony.

16 5. A person who knowingly engages in human trafficking by
17 abusing or threatening to abuse the law or legal process is
18 guilty of a class "D" felony, except that if the victim is
19 under the age of eighteen, the person is guilty of a class "C"
20 "B" felony.

21 6. A person who knowingly engages in human trafficking
22 by knowingly destroying, concealing, removing, confiscating,
23 or possessing any actual or purported passport or other
24 immigration document, or any other actual or purported
25 government identification document of a victim is guilty of a
26 class "D" felony, except that if that other person is under
27 the age of eighteen, the person is guilty of a class "C" "B"
28 felony.

29 7. A person who benefits financially or by receiving
30 anything of value from knowing participation in human
31 trafficking is guilty of a class "D" felony, except that if the
32 victim is under the age of eighteen, the person is guilty of a
33 class "C" "B" felony.

34 8. A person's ignorance of the age of the victim or a belief
35 that the victim was older is not a defense to a violation of

1 this section.

2 DIVISION ____

3 EMPLOYEE'S CRIMINAL HISTORY — ADMISSIBILITY

4 Sec. ____ . NEW SECTION. 671A.1 Limitation on admissibility
5 of evidence of an employee's criminal history.

6 1. Information regarding the criminal history of an
7 employee or former employee shall not be introduced as evidence
8 in a civil action against an employer or its employees or
9 agents that is based on the conduct of the employee or former
10 employee in any of the following circumstances:

11 a. The nature of the criminal history does not bear a direct
12 relationship to the facts underlying the cause of action.

13 b. Before the occurrence of the act giving rise to the civil
14 action, a court ordered the record of any criminal case sealed
15 or the president of the United States or the chief executive of
16 a state pardoned the employee or former employee.

17 c. The record is of an arrest or charge that did not result
18 in a criminal conviction.

19 d. A court granted the employee or former employee a
20 deferred judgment at sentencing and a court did not revoke the
21 deferred judgment.

22 2. This section does not alter any statutory provision
23 allowing an employer to conduct a criminal history background
24 investigation or consider criminal history records in the
25 employment process for particular types of employment.

26 3. This section does not create a duty for employers not
27 otherwise so required by law to conduct criminal history
28 background checks.

29 ____ . Title page, line 2, after <proceedings> by inserting
30 <and criminal history admissibility,>>

31 4. By renumbering, redesignating, and correcting internal
32 references as necessary.

By BALTIMORE of Boone

H-8468 (Continued)

H-8468 FILED MAY 3, 2018

SENATE FILE 2382

H-8474

1 Amend the amendment, H-8273, to Senate File 2382, as
2 amended, passed, and reprinted by the Senate, as follows:
3 1. Page 1, line 9, by striking <16> and inserting <26>

By BALTIMORE of Boone

H-8474 FILED MAY 3, 2018

SENATE FILE 2382

H-8479

1 Amend the amendment, H-8273, to Senate File 2382, as
2 amended, passed, and reprinted by the Senate, as follows:

3 1. Page 1, by striking lines 4 and 5.

By BALTIMORE of Boone

H-8479 FILED MAY 3, 2018

SENATE FILE 2415

H-8469

1 Amend Senate File 2415, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. Page 19, after line 21 by inserting:

4 <The recycling and reuse center shall review beverage
5 container control programs and requirements under chapter 455C
6 and shall submit its findings and recommendations in a written
7 report to the general assembly by December 14, 2018.>

By McKEAN of Jones

H-8469 FILED MAY 3, 2018

WITHDRAWN

SENATE FILE 2415

H-8470

1 Amend Senate File 2415, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. Page 2, line 7, by striking <4,700,000> and inserting
4 <4,879,600>

By HALL of Woodbury

H-8470 FILED MAY 3, 2018

LOST

SENATE FILE 2415

H-8471

1 Amend Senate File 2415, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. Page 24, by striking lines 4 through 7 and inserting
4 <requirements of paragraph "b".>

By WINCKLER of Scott

H-8471 FILED MAY 3, 2018

LOST

SENATE FILE 2415

H-8472

1 Amend Senate File 2415, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. By striking page 25, line 32, through page 26, line 1,
4 and inserting <enrolled in eligible institutions.>

By WINCKLER of Scott

H-8472 FILED MAY 3, 2018

LOST

SENATE FILE 2415

H-8473

1 Amend Senate File 2415, as amended, passed, and reprinted by
2 the Senate, as follows:

3 1. Page 15, line 13, by striking <8,300,000> and inserting
4 <10,933,070>

By WINCKLER of Scott
NIELSEN of Johnson
JACOBY of Johnson
MASCHER of Johnson
KRESSIG of Black Hawk
BROWN-POWERS of Black Hawk
R. SMITH of Black Hawk
WESSEL-KROESCHELL of Story
HEDDENS of Story
RUNNING-MARQUARDT of Linn
LENSING of Johnson
THEDE of Scott

H-8473 FILED MAY 3, 2018

LOST