

April 23, 1969
Passed on File
Cities & Towns 1-13

SENATE FILE 656

By COMMITTEE ON CITIES AND TOWNS

Passed Senate, Date..... Passed House, Date.....

Vote: Ayes Nays Vote: Ayes Nays

Approved

A BILL FOR

1 An Act authorizing cities and towns to impose local income,
2 earnings, sales, and wheel taxes, upon a majority vote
3 of the electorate.
4 *Be It Enacted by the General Assembly of the State of Iowa:*
5 Section 1. Any city or town may impose one or more of the
6 local taxes authorized by this Act after approval by a ma-
7 jority of the electorate. Upon its own motion, or upon
8 receipt of a petition signed by not less than ten percent
9 of the qualified electors within the city, as determined by
10 the number of votes cast at the preceding regular municipal
11 election, requesting that an election be held on the question
12 of imposing one or more of the authorized taxes, the local
13 governing body may submit to the voters of the city or town,
14 at a special election called for that purpose, the question
15 of whether one or more of the authorized taxes shall be im-
16 posed. The special election shall not be held within thirty
17 days of any general election. Prior to the special election,
18 the local governing body shall publish notice of the election
19 at least three times, no oftener than once a week, in a news-
20 paper of general circulation serving the city or town. If a
21 majority of those voting on the question favor the imposition
22 of one or more of the authorized taxes, the governing body
23 shall impose the tax by ordinance, according to the provi-
24 sions of this Act, and the tax shall become effective January
25 first following the election, except that a local sales tax

1 shall become effective either January first or July first
2 following the election, whichever is sooner. An ordinance
3 imposing an authorized local tax shall remain effective for
4 a minimum period of four years, and for succeeding years
5 until modified or repealed. Any change in the rate of tax,
6 or a repeal of any portion of a tax, shall be accomplished
7 in the same manner as the imposition of the tax, and shall
8 become effective the following January first, or in the case
9 of a sales tax, the following January first or July first,
10 whichever is sooner. An ordinance imposing an authorized
11 local income, earnings, or sales tax shall adopt by refer-
12 ence the applicable provisions of the appropriate sections
13 of chapter four hundred twenty-two (422) of the Code, so
14 that local tax administration will conform as nearly as
15 possible to state tax administration. Local officials shall
16 confer with the director of revenue and obtain his assistance
17 in drafting the ordinance imposing a local income, earnings,
18 or sales tax, and shall also confer with the commissioner
19 of public safety and obtain his assistance in drafting the
20 ordinance imposing a local wheel tax.

21 The director of revenue shall provide appropriate forms,
22 or provide on the regular state tax forms, for reporting
23 local income, earnings, and sales tax liability, and shall
24 administer the provisions of a local income, earnings, or
25 sales tax as nearly as possible in conjunction with the ad-
26 ministration of state tax laws.

27 The director shall promulgate necessary rules and regula-
28 tions relating to local income, earnings, or sales taxes.

29 Sec. 2. For purposes of this Act, definitions in sections
30 four hundred twenty-two point three (422.3), four hundred
31 twenty-two point four (422.4), four hundred twenty-two point
32 thirty-two (422.32), and four hundred twenty-two point forty-
33 two (422.42) of the Code shall apply where applicable except
34 that:

35 1. "Resident taxpayer" means an individual taxpayer whose

1 principal place of residence is in the city or town imposing
2 the tax.

3 2. "Nonresident taxpayer" means an individual taxpayer
4 who derives income from sources within the city or town al-
5 though his principal place of residence is not in the city
6 or town, and a fiduciary or a corporation which is a taxpayer
7 and which derives income from sources within the city or town
8 imposing the tax.

9 3. "Income derived from sources within the city or town"
10 means income of every kind produced as a result of work per-
11 formed, services rendered, goods sold, and other business
12 activities conducted in the city or town, and includes, but
13 is not limited to dividends and interest from investment prop-
14 erty with a situs within the city or town, capital gains in
15 excess of capital losses on property located within the city
16 or town, and rental income from real and tangible personal
17 property located within the city or town.

18 Sec. 3. A local income tax may be imposed on every resi-
19 dent taxpayer at the rate of ten percent of his state income
20 tax liability, and on every nonresident taxpayer at the rate
21 of ten percent of his state income tax liability on income
22 derived from sources within the city or town.

23 Sec. 4. A local earnings tax may be imposed on every
24 resident and nonresident taxpayer exclusive of fiduciaries
25 and corporations, at the rate of two percent of the taxpayer's
26 Iowa taxable income derived from work performed and services
27 rendered within the limits of the city or town. All cities
28 or towns imposing an earnings tax shall give a credit for
29 any local income tax paid by the taxpayer or income which is
30 also subject to the earnings tax.

31 Sec. 5. A certified copy of the ordinance imposing a
32 local income or earnings tax shall be filed with the direc-
33 tor of revenue not later than one hundred twenty days before
34 the date the tax becomes effective. The director, in con-
35 sultation with local officials, shall collect and account

1 for all local income and earnings taxes, crediting local in-
2 come and earnings tax receipts to a local income and earnings
3 tax fund hereby established in the office of the treasurer of
4 state. Annually, after crediting to the department of revenue
5 the actual cost of administrative expense, not to exceed two
6 percent of the total tax collected, the treasurer of state
7 shall remit to the cities and towns which have imposed a
8 local income or earnings tax their share of the balance in
9 the local income and earnings tax fund. Local income and
10 earnings tax receipt shall be deposited to the credit of
11 the city or town treasurer and may be expended for any law-
12 ful municipal purpose.

13 Sec. 6. Local income and earnings taxes shall be subject
14 to all applicable provisions of divisions I, II, and III of
15 chapter four hundred twenty-two (422) of the Code, and par-
16 ticularly to those provisions relating to withholding of tax
17 at source, declaration of estimated tax due, remittances of
18 withholding and estimated tax, application of interest and
19 penalties, and procedures for hearing and appeal.

20 Sec. 7. A local sales tax at a rate of one percent may
21 be imposed on the first fifteen hundred dollars of the gross
22 receipts from each sale of goods and services subject to the
23 state sales tax. Subject to the above limitation, a local
24 sales tax shall be imposed on the same basis as the state
25 sales tax and shall not be imposed on any goods and services
26 not taxed by the state. A local sales tax shall apply only
27 within the territorial limits of the city or town imposing
28 it, and shall be collected by all persons required to col-
29 lect state sales tax.

30 The amount subject to any local sales tax shall not in-
31 clude the amount of the state sales tax.

32 Sec. 8. A certified copy of the ordinance imposing a local
33 sales tax shall be filed with the director of revenue not
34 later than one hundred twenty days before the date the tax
35 becomes effective. The director, in consultation with local

1 officials, shall collect and account for all local sales
2 taxes, crediting local sales tax receipts to a local sales
3 tax fund hereby established in the office of the treasurer
4 of state. Quarterly, after crediting to the department the
5 actual cost of administrative expense, not to exceed two
6 percent of the total tax collected, the treasurer of state
7 shall remit to the cities and towns which have imposed a
8 local sales tax their share of the balance in the local
9 sales tax fund. Local sales tax receipts shall be deposited
10 to the credit of the city or town treasurer and may be ex-
11 pended for any lawful municipal purpose.

12 Sec. 9. Local sales taxes shall be subject to all appli-
13 cable provisions of division IV of chapter four hundred
14 twenty-two (422) of the Code. No sales tax permit, other
15 than the state sales tax permit, shall be required.

16 Sec. 10. A local wheel tax at a rate of two dollars and
17 fifty cents per wheel attached to the running gear of a
18 vehicle may be imposed on every vehicle which is:

- 19 1. Required to be registered by the state, and
- 20 a. Registered to a resident taxpayer, or
- 21 b. Registered to any taxpayer, and is usually kept,
22 garaged, or stored during the night and on weekends and
23 holidays within the limits of the city or town.

24 The definition of "vehicle" contained in section three
25 hundred twenty-one point one (321.1) of the Code is hereby
26 adopted for the purpose of this section.

27 Sec. 11. A local wheel tax shall be paid to the county
28 treasurer or to the motor vehicle department under the com-
29 missioner of public safety, at the time of application for
30 registration of the vehicle under the provisions of sections
31 three hundred twenty-one point twenty (321.20), three hundred
32 twenty-one point twenty-three (321.23), three hundred twenty-
33 one point twenty-five (321.25), three hundred twenty-one point
34 forty (321.40), three hundred twenty-one point forty-six
35 (321.46), or three hundred twenty-one point forty-seven

1 (321.47) of the Code. A corporation or fiduciary applying
2 for registration of a vehicle shall be required to state
3 where the vehicle is usually kept, garaged, or stored during
4 the night and on weekends and holidays. No state registra-
5 tion certificate shall be issued to the owner of a vehicle
6 on which a local wheel tax is due, until the local wheel
7 tax is paid.

8 Payment of a local wheel tax shall be evidenced by a
9 stamp on the state registration certificate and by issuance
10 of a sticker, decal, or tag. The commissioner of public
11 safety shall prescribe by regulation the form of the sticker,
12 decal, or tag, a reasonable method of prorating local wheel
13 taxes on vehicles originally registered for part of a year
14 only, and a reasonable method for refunding part of local
15 wheel taxes when a refund of a state registration fee is
16 due under section three hundred twenty-one point one hundred
17 twenty-six (321.126) of the Code.

18 Unpaid local wheel taxes shall be a lien upon the vehicle
19 on which they are due. Penalties for late payment which are
20 comparable to the penalties for late payment of state regis-
21 tration fees shall be imposed by the ordinance imposing a
22 local wheel tax. Willful violation of a local wheel tax
23 ordinance shall be a misdemeanor.

24 Sec. 12. A certified copy of the ordinance imposing a
25 local wheel tax shall be filed with the commissioner of
26 public safety not later than one hundred twenty days before
27 the date the tax becomes effective. The commissioner shall
28 inform the appropriate county treasurers and in cooperation
29 with them shall collect and account for all local wheel
30 taxes, crediting local wheel tax receipts to a local wheel
31 tax fund hereby established in the office of the treasurer
32 of state. Annually, after crediting to the motor vehicle
33 department the actual cost of administrative expense, not
34 to exceed two percent of the total tax collected, the trea-
35 surer of state shall remit to the cities and towns which

1 have imposed a local wheel tax their share of the balance in
2 the local wheel tax fund. Local wheel tax receipts shall be
3 deposited to the credit of the city or town treasurer and may
4 be expended for any lawful municipal purpose.

5 Sec. 13. Section three hundred twenty-one point thirty
6 (321.30), Code 1966, is hereby amended by adding the follow-
7 ing subsection:

8 "If any local wheel taxes due have not been paid."

9 Sec. 14. Section three hundred twenty-one point one hun-
10 dred thirty (321.130), Code 1966, is hereby amended as fol-
11 lows:

12 1. By striking from line four (4) the words "taxes, gen-
13 eral and local," and inserting in lieu thereof the words
14 "state taxes, and local personal property taxes based upon
15 assessed valuation,".

16 2. By inserting in line nine (9) after the word "tax" the
17 words "based upon assessed valuation,".

EXPLANATION OF SENATE FILE 656

This bill authorizes cities and towns to impose one or more of the following taxes:

1. An income tax at the rate of ten percent of state income tax liability on residents of the city or town, and on nonresidents to the extent of income derived from sources within the city or town.

2. An earnings tax at the rate of two percent on taxable income of residents or nonresidents, which is derived from work performed or services rendered within the limits of the city or town.

3. A sales tax of one percent based on the state sales tax.

4. A tax of two dollars and fifty cents per wheel on every state-registered vehicle belonging to a resident, or usually kept, garaged, or stored within the limits of the city or town.

A favorable majority vote at a special election is required before any or all of the taxes may be imposed.

A local income, earnings, or sales tax will be administered by the state director of revenue. A wheel tax will be administered by county and state officials.

FISCAL NOTE
SENATE FILE 656

Date prepared April 29, 1969

Requested by Senator Frommelt.

Prepared in regard to Senate File 656, a bill for an Act authorizing cities and towns to impose local income, earnings, sales, and wheel taxes, upon a majority vote of the electorate.

Following is the fiscal effect in dollars of the legislative proposal as required by Rule 47.

In an attempt to provide accurate estimates for Senate File 656, the Legislative Fiscal Director's office contacted the Research and Statistics Division of the Department of Revenue, the Iowa Development Commission, and the U.S. Department of Commerce. Information required in making estimates applying to Sections three, four, seven, and ten was not available.

With respect to Section three, statistics on state income tax liability are not maintained by cities, towns and rural areas. While it is true that many people who work in cities and towns live outside these areas, there are no statistics as to the dollar amount of this income. Department of Revenue figures are maintained on tax liability broken down into resident and non-resident only.

The basis for giving an estimate on Section four presents the same problems indicated in the preceding paragraph.

Section 7 would require classifying sales in dollar amount ranges. Presently, statistics are not maintained on this basis.

Section 10 would require knowing how many vehicles are registered by the state in the cities and towns of Iowa. This information is available on a county basis only, and then the number of wheels on the vehicles in each of the cities and towns would be required.

A fiscal note was issued on House File 246, but much of the information in this note was based on county and school districts, which in some cases, encompasses rural areas. An attempt was made at determining the revenue in 21 selected cities using the county information. No determination has been made as to the accuracy of these estimates.

No revenue estimates available.

Filed
April 29, 1969

GERRY D. RANKIN
Legislative Fiscal Director