

4 Ways Mean 4/25 Amend (6061) v D. Pass 5/1 (p. 1914)

Senate File 2302

Ways and Means: O'Kane, Chair; Brammer and Carpenter.

FILED APR 23 1986

SENATE FILE 2302

BY COMMITTEE ON WAYS AND MEANS

Approved (y. 1359)

Passed Senate, Date 4-24-86 (p. 1381) Passed House, Date 4-30-86 (p. 1930)

Vote: Ayes 47 Nays 0 Vote: Ayes 90 Nays 7

Approved May 21, 1986

Repassed Senate 5-1-86 (p. 1501)  
45-1

A BILL FOR

1 An Act relating to the local option sales and services tax and  
2 the local option earnings tax and providing effective dates.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2302

6001 Section 1. Section 422B.7, subsection 1, Code Supplement  
2 1985, is amended to read as follows:

3 1. On or before January 15, the director of revenue shall  
4 make an accounting of the local earnings tax receipts and any  
5 interest and penalties collected from returns filed on or  
6 before November 1 of the preceding year and shall certify to  
7 the treasurer of state this amount collected. If the director  
8 of revenue is unable to determine which local government  
9 should be paid any of the receipts, those receipts shall be  
10 paid to the local government based on allocation rules adopted  
11 by the director of revenue. The treasurer of state shall  
12 remit within fifteen days of the certification by the director  
13 of revenue to each city and county which has imposed a local  
14 earnings tax the amount in the local earnings tax fund  
15 collected as a result of its tax.

16 Sec. 2. Section 422B.8, unnumbered paragraph 1, Code  
17 Supplement 1985, is amended to read as follows:

18 A local sales and services tax at the rate of not more than  
19 one percent may be imposed by a county on the gross receipts  
20 taxed by the state under chapter 422, division IV. A local  
21 sales and services tax shall be imposed on the same basis as  
22 the state sales and services tax and may not be imposed on the  
23 sale of any property or on any service not taxed by the state,  
24 except the tax shall not be imposed on the gross receipts from  
25 the sale of motor fuel or special fuel as defined in chapter  
26 324, on the gross receipts from the rental of rooms,  
27 apartments, or sleeping quarters which are taxed under chapter  
28 422A during the period the hotel and motel tax is imposed, on  
29 the gross receipts from the sale of natural gas or electric  
30 energy in a city or county where the gross receipts are  
31 subject to a franchise fee or user fee during the period the  
32 franchise or user fee is imposed, and on the gross receipts  
33 from the sale of a lottery ticket or share in a lottery game  
34 conducted pursuant to chapter 99E. However, notwithstanding  
35 that the gross receipts from the sale or rental of the

1 tangible personal property described in section 422.45,  
2 subsections 26 and 27 are taxable during the period beginning  
3 July 1, 1985 and ending June 30, 1987, a local sales and  
4 services tax shall not be imposed on the sale or rental of  
5 such property. A local sales and services tax is applicable  
6 to transactions within those incorporated and unincorporated  
7 areas of the county where it is imposed and shall be collected  
8 by all persons required to collect state gross receipts taxes.  
9 All cities contiguous to each other shall be treated as part  
10 of one incorporated area and the tax would be imposed in each  
11 of those contiguous cities only if the majority of those  
12 voting in the total area covered by the contiguous cities  
13 favor its imposition.

14 Sec. 3. Section 422B.10, subsection 1, Code Supplement  
15 1985, is amended to read as follows:

16 1. The treasurer of state shall credit the local sales and  
17 services tax receipts and interest and penalties from a county  
18 to the county's account in the local sales and services tax  
19 fund. If the director of revenue is unable to determine from  
20 which county any of the receipts were collected, those  
21 receipts shall be allocated amongst the possible counties  
22 based on allocation rules adopted by the director of revenue.

6061, 6069 >

23 Sec. 4. In a county that has imposed a local option sales  
24 and services tax, the board of supervisors shall,  
25 notwithstanding any contrary provision of chapter 422B, repeal  
26 the local option sales and services tax in an incorporated  
27 city area in which the tax has been imposed upon receipt of a  
28 motion adopted by the governing body of that incorporated city  
29 area requesting repeal. The board of supervisors shall repeal  
30 the local option sales and services tax effective at the end  
31 of the calendar quarter during which the motion for the repeal  
32 was received.

33 Sec. 5. This Act being deemed of immediate importance,  
34 takes effect from and after its publication in The Cedar  
35 Rapids Gazette, a newspaper published in Cedar Rapids, Iowa,

1 and in the West Des Moines Express, a newspaper published in  
2 Des Moines, Iowa.

3 Sec. 6. Sections 2 and 3 of this Act are retroactive to  
4 January 1, 1986 for local option sales and services taxes  
5 imposed on or after that date.

6 Sec. 7. Section 4 of this Act is repealed July 1, 1986.

7 EXPLANATION

8 The bill allows a county to repeal a local sales tax in a  
9 city if the governing body of the city adopts a motion re-  
10 questing its repeal. This provision is effective upon  
11 publication and is repealed July 1, 1986. The bill also  
12 provides that if the director of revenue is unable to  
13 determine which local government should be paid local sales  
14 and services tax receipts or local earnings tax receipts, the  
15 receipts would be allocated to the local governments based  
16 upon rules adopted by the director of revenue. The bill  
17 provides for the exemption from a local sales tax of lottery  
18 tickets, motor and special fuel, hotel and motel rentals if  
19 these are taxed under a local hotel and motel tax, and natural  
20 gas and electric energy if a city or county imposes a  
21 franchise or user fee on them.

22 The bill provides different effective dates.

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## SENATE FILE 2302

H-6061

1 Amend Senate File 2302 as passed by the Senate as  
2 follows:

3 1. Page 1, by striking lines 1 through 15 and  
4 inserting the following:

5 "Sec. \_\_\_\_ . Section 422A.1, unnumbered paragraph 3,  
6 Code 1985, is amended to read as follows:

7 A city or county shall impose a hotel and motel tax  
8 or increase the tax rate, only after an election at  
9 which a majority of those voting on the question  
10 favors imposition or increase. However, a hotel and  
11 motel tax shall not be repealed or reduced in rate if  
12 obligations are outstanding which are payable as  
13 provided in section 422A.2, unless funds sufficient to  
14 pay the principal, interest, and premium, if any, on  
15 the outstanding obligations at and prior to maturity  
16 have been properly set aside and pledged for such that  
17 purpose. The election shall be held at the time of  
18 that city's or county's general election or at the  
19 time of a special election.

20 Sec. \_\_\_\_ . Section 422B.1, subsections 1 and 2,  
21 Code Supplement 1985, are amended to read as follows:

22 1. ~~A city-or-a~~ county may impose by ordinance of  
23 ~~the-city-council-or~~ the board of supervisors local  
24 option taxes authorized by this chapter, subject to  
25 this section.

26 2. A local option tax shall be imposed only after  
27 an election at which a majority of those voting on the  
28 question favors imposition and shall then be imposed  
29 until repealed as provided in subsection 7, paragraph  
30 "a". ~~If-the-tax-is-a-local-earnings-tax-imposed-by-a~~  
31 ~~city,-it-shall-only-apply-within-the-corporate~~  
32 ~~boundaries-of-that-city-and-if-imposed-by-a-county,-it~~  
33 ~~shall-only-apply-to-unincorporated-areas-of-that~~  
34 ~~county-~~ If the tax is a local vehicle tax imposed by  
35 a county, it shall apply to all incorporated and  
36 unincorporated areas of the county. If the tax is a  
37 local sales and services tax imposed by a county, it  
38 shall only apply to those incorporated areas and the  
39 unincorporated area of that county in which a majority  
40 of those voting in the area on the tax favor its  
41 imposition. For purposes of the local sales and  
42 services tax, all cities contiguous to each other  
43 shall be treated as part of one incorporated area and  
44 the tax would be imposed in each of those contiguous  
45 cities only if the majority of those voting in the  
46 total area covered by the contiguous cities favor its  
47 imposition.

48 Sec. \_\_\_\_ . Section 422B.1, subsections 3 and 4,  
49 Code Supplement 1985, are amended by striking the  
50 subsections.

H-6061

Page Two

1     Sec. \_\_\_\_ . Section 422B.1, subsection 6, Code  
2 Supplement 1985, is amended to read as follows:  
3     6. The county commissioner of elections shall  
4 submit the question of imposition of a local option  
5 tax at a state general election or at a special  
6 election held at anytime other than the time of a city  
7 ~~regular election in-the-case-of-a-tax-imposed-by-a~~  
8 ~~county-or-at-a-state-general-election-or-city-regular~~  
9 ~~election-in-the-case-of-a-tax-imposed-by-a-city~~ which  
10 may not be held sooner than sixty days after  
11 publication of notice of the ballot proposition. The  
12 ballot proposition shall specify the type and rate of  
13 tax and in the case of a vehicle tax the classes that  
14 will be exempt and in the case of a local sales and  
15 services tax the date it will be imposed. The ballot  
16 proposition shall also specify the approximate amount  
17 of local option tax revenues that will be used for  
18 property tax relief and shall contain a statement as  
19 to the specific purpose or purposes for which the  
20 revenues shall otherwise be expended. ~~The-rate-of-a~~  
21 ~~local-earnings-tax-shall-be-in-increments-of-one~~  
22 ~~percent-but-not-in-excess-of-four-percent-as-set-by~~  
23 ~~the-governing-body-of-the-city-or-county-seeking-to~~  
24 ~~impose-the-tax.~~ The rate of the vehicle tax shall be  
25 in increments of one dollar per vehicle as set by the  
26 petition seeking to impose the tax. The rate of a  
27 local sales and services tax shall not be more than  
28 one percent as set by the governing body. The state  
29 commissioner of elections shall establish by rule the  
30 form for the ballot proposition which form shall be  
31 uniform throughout the state.

32     Sec. \_\_\_\_ . Section 422B.1, subsection 7, paragraph  
33 a, Code Supplement 1985, is amended to read as  
34 follows:

35     a. If a majority of those voting on the question  
36 of imposition of a local option tax favor imposition  
37 of a local option tax, the governing body of that ~~city~~  
38 ~~or-that~~ county, ~~as-applicable,~~ shall impose the tax at  
39 the rate specified for an unlimited period. However,  
40 in the case of a local sales and services tax, the  
41 county shall not impose the tax in any incorporated  
42 area or the unincorporated area if the majority of  
43 those voting on the tax in that area did not favor its  
44 imposition. For purposes of the local sales and  
45 services tax, all cities contiguous to each other  
46 shall be treated as part of one incorporated area and  
47 the tax would be imposed in each of those contiguous  
48 cities only if the majority of those voting in the  
49 total area covered by the contiguous cities favor its  
50 imposition. The local option tax may be repealed or

1 the rate increased or decreased only after an election  
 2 at which a majority of those voting on the question of  
 3 repeal or rate change favor the repeal or rate change.  
 4 The election at which the question of repeal or rate  
 5 change is offered shall be called and held in the same  
 6 manner and under the same conditions as provided in  
 7 subsections 37-47, 57 and 6 for the election on the  
 8 imposition of the local option tax. However, in the  
 9 case of a local sales and services tax where the tax  
 10 has not been imposed countywide, the question of  
 11 repeal or imposition shall be voted on only by the  
 12 qualified electors of the areas of the county where  
 13 the tax has been imposed or has not been imposed, as  
 14 appropriate.

15 Sec. \_\_\_\_\_. Section 422B.1, subsection 9, Code  
 16 Supplement 1985, is amended to read as follows:

17 9. Local option taxes authorized to be imposed as  
 18 provided in this chapter are ~~a local earnings tax~~, a  
 19 local sales and services tax, and a local vehicle tax.  
 20 The rate of the ~~taxes tax~~ shall be ~~up-to-four-percent~~  
 21 ~~in-increments-of-one-percent-for-the-earnings-tax~~, and  
 22 in increments of one dollar per vehicle for a vehicle  
 23 tax ~~all-as-set-by-the-governing-body-of-the-city-or~~  
 24 ~~county-seeking-to-impose-the-earnings-tax-or~~ as set on  
 25 the petition seeking to impose the vehicle tax. The  
 26 rate of a local sales and services tax shall not be  
 27 more than one percent as set by the governing body."

28 2. Page 2, by inserting after line 22 the  
 29 following:

30 "Sec. \_\_\_\_\_. Sections 422B.5 through 422B.7, Code  
 31 Supplement 1985, are repealed."

32 3. Title page, lines 1 and 2, by striking the  
 33 words "sales and services tax and the local option  
 34 earnings tax" and inserting the following: "taxes".

H-6061 FILED APRIL 30, 1986 BY COMMITTEE ON WAYS AND MEANS  
 ADOPTED (p. 1929)

SENATE FILE 2302

H-6069

1 Amend Senate File 2302 as passed by the Senate as  
 2 follows:

3 1. Page 2, by inserting after line 22 the  
 4 following:

5 "Sec. 3A. Section 423.4, Code Supplement 1985, is  
 6 amended by adding the following new subsection:

7 NEW SUBSECTION. 13. Aircraft used in interstate  
 8 commerce prior to their entry into this state and  
 9 which continue to be used substantially in interstate  
 10 commerce. For purposes of this subsection,  
 11 "substantially" means at least ninety percent of the  
 12 aircraft's actual flights."

13 2. Page 3, by inserting after line 5 the  
 14 following:

15 "Sec. \_\_\_\_\_. Section 3A of this Act is retroactive  
 16 to January 1, 1985."

H-6069 FILED APRIL 30, 1986 BY STROMER of Hancock  
 NOT GERMANE (p. 1929)

## SENATE FILE 2302

H-6066

- 1 Amend the committee amendment, H-6061, to Senate  
2 File 2302 as passed by the Senate as follows:
- 3 1. Page 1, line 20, by striking the word "Sec.  
4 \_\_\_\_." and inserting the following: "Sec. 100."  
5 2. Page 1, line 34, by inserting after the words  
6 "vehicle tax" the following: "or a local sales and  
7 services tax".
- 8 3. Page 1, by striking lines 36 through 47 and  
9 inserting the following: "unincorporated areas of the  
10 county. ~~If the tax is a local sales and services tax~~  
11 ~~imposed by a county, it shall only apply to those~~  
12 ~~incorporated areas and the unincorporated area of that~~  
13 ~~county in which a majority of those voting in the area~~  
14 ~~on the tax favor its imposition. For purposes of the~~  
15 ~~local sales and services tax, all cities contiguous to~~  
16 ~~each other shall be treated as part of one~~  
17 ~~incorporated area and the tax would be imposed in each~~  
18 ~~of those contiguous cities only if the majority of~~  
19 ~~those voting in the total area covered by the~~  
20 ~~contiguous cities favor its imposition."~~  
21 4. Page 2, line 32, by striking the word "Sec.  
22 \_\_\_\_." and inserting the following: "Sec. 101."  
23 5. Page 2, by striking lines 39 through 50 and  
24 inserting the following: "the rate specified for an  
25 unlimited period. However, ~~in the case of a local~~  
26 ~~sales and services tax, the county shall not impose~~  
27 ~~the tax in any incorporated area or the unincorporated~~  
28 ~~area if the majority of those voting on the tax in~~  
29 ~~that area did not favor its imposition. For purposes~~  
30 ~~of the local sales and services tax, all cities~~  
31 ~~contiguous to each other shall be treated as part of~~  
32 ~~one incorporated area and the tax would be imposed in~~  
33 ~~each of those contiguous cities only if the majority~~  
34 ~~of those voting in the total area covered by the~~  
35 ~~contiguous cities favor its imposition. The local~~  
36 ~~option tax may be repealed or".~~  
37 6. Page 3, by striking lines 8 through 14 and  
38 inserting the following: "imposition of the local  
39 option tax. However, ~~in the case of a local sales and~~  
40 ~~services tax where the tax has not been imposed~~  
41 ~~countywide, the question of repeat or imposition shall~~  
42 ~~be voted on only by the qualified electors of the~~  
43 ~~areas of the county where the tax has been imposed or~~  
44 ~~has not been imposed, as appropriate."~~  
45 7. Page 3, by inserting after line 27 the  
46 following:  
47 "\_\_\_\_. Page 2, by inserting after line 13 the  
48 following:  
49 "Sec. 102. Section 422B.8, unnumbered paragraph 1,  
50 Code Supplement 1985, is amended to read as follows:

H-6066

Page Two

1 A local sales and services tax at the rate of not  
2 more than one percent may be imposed by a county on  
3 the gross receipts taxed by the state under chapter  
4 422, division IV. A local sales and services tax  
5 shall be imposed on the same basis as the state sales  
6 and services tax and may not be imposed on the sale of  
7 any property or on any service not taxed by the state.  
8 However, notwithstanding that the gross receipts from  
9 the sale or rental of the tangible personal property  
10 described in section 422.45, subsections 26 and 27 are  
11 taxable during the period beginning July 1, 1985 and  
12 ending June 30, 1987, a local sales and services tax  
13 shall not be imposed on the sale or rental of such  
14 property. A local sales and services tax is  
15 applicable to transactions within those incorporated  
16 and unincorporated areas of the county where it is  
17 imposed and shall be collected by all persons required  
18 to collect state gross receipts taxes. ~~All-cities  
19 contiguous-to-each-other-shall-be-treated-as-part-of  
20 one-incorporated-area-and-the-tax-would-be-imposed-in  
21 each-of-those-contiguous-cities-only-if-the-majority  
22 of-those-voting-in-the-total-area-covered-by-the  
23 contiguous-cities-favor-its-imposition."~~

24 8. Page 3, by inserting after line 29 the  
25 following:

26 "Sec. 103. Section 422B.10, subsection 2, Code  
27 Supplement 1985, is amended to read as follows:

28 2. The treasurer of state, pursuant to rules of  
29 the director of revenue, shall remit at least  
30 quarterly to the board of supervisors, ~~if the tax was  
31 imposed in the unincorporated areas,~~ and each city  
32 ~~where the tax was imposed~~ its share of the county's  
33 account in the local sales and services tax fund as  
34 computed under subsections 3 and 4."

35 9. Page 3, line 30, by striking the word "Sec."  
36 and inserting the following: "Sec."

37 10. Page 3, by inserting after line 31 the fol-  
38 lowing:

39 "\_\_\_\_. Page 2, line 33, by inserting after the  
40 word "Act" the following: ", except for sections 100  
41 through 103,".

42 \_\_\_\_\_. Page 3, by inserting after line 2 the  
43 following:

44 "Sec. \_\_\_\_\_. Sections 100 through 103 of this Act  
45 are effective July 1, 1986."

H-6066 FILED APRIL 30, 1986 BY BENNETT of Ida

LOST (p. 1929)

HOUSE AMENDMENT TO  
SENATE FILE 2302

S-5888

1 Amend Senate File 2302 as passed by the Senate as  
2 follows:

3 1. Page 1, by striking lines 1 through 15 and  
4 inserting the following:

5 "Sec. \_\_\_\_ . Section 422A.1, unnumbered paragraph 3,  
6 Code 1985, is amended to read as follows:

7 A city or county shall impose a hotel and motel tax  
8 or increase the tax rate, only after an election at  
9 which a majority of those voting on the question  
10 favors imposition or increase. However, a hotel and  
11 motel tax shall not be repealed or reduced in rate if  
12 obligations are outstanding which are payable as  
13 provided in section 422A.2, unless funds sufficient to  
14 pay the principal, interest, and premium, if any, on  
15 the outstanding obligations at and prior to maturity  
16 have been properly set aside and pledged for such that  
17 purpose. The election shall be held at the time of  
18 that city's or county's general election or at the  
19 time of a special election.

20 Sec. \_\_\_\_ . Section 422B.1, subsections 1 and 2,  
21 Code Supplement 1985, are amended to read as follows:

22 1. ~~A city-or-a~~ county may impose by ordinance of  
23 ~~the-city-council-or~~ the board of supervisors local  
24 option taxes authorized by this chapter, subject to  
25 this section.

26 2. A local option tax shall be imposed only after  
27 an election at which a majority of those voting on the  
28 question favors imposition and shall then be imposed  
29 until repealed as provided in subsection 7, paragraph  
30 "a". ~~If-the-tax-is-a-local-earnings-tax-imposed-by-a~~  
31 ~~city,-it-shall-only-apply-within-the-corporate~~  
32 ~~boundaries-of-that-city-and-if-imposed-by-a-county,-it~~  
33 ~~shall-only-apply-to-unincorporated-areas-of-that~~  
34 county. If the tax is a local vehicle tax imposed by  
35 a county, it shall apply to all incorporated and  
36 unincorporated areas of the county. If the tax is a  
37 local sales and services tax imposed by a county, it  
38 shall only apply to those incorporated areas and the  
39 unincorporated area of that county in which a majority  
40 of those voting in the area on the tax favor its  
41 imposition. For purposes of the local sales and  
42 services tax, all cities contiguous to each other  
43 shall be treated as part of one incorporated area and  
44 the tax would be imposed in each of those contiguous  
45 cities only if the majority of those voting in the  
46 total area covered by the contiguous cities favor its  
47 imposition.

48 Sec. \_\_\_\_ . Section 422B.1, subsections 3 and 4,  
49 Code Supplement 1985, are amended by striking the  
50 subsections.

S-5888 p. 2

1 Sec. \_\_\_\_ . Section 422B.1, subsection 6, Code  
2 Supplement 1985, is amended to read as follows:  
3 6. The county commissioner of elections shall  
4 submit the question of imposition of a local option  
5 tax at a state general election or at a special  
6 election held at anytime other than the time of a city  
7 regular election in-the-case-of-a-tax-imposed-by-a  
8 county-or-at-a-state-general-election-or-city-regular  
9 election-in-the-case-of-a-tax-imposed-by-a-city which  
10 may not be held sooner than sixty days after  
11 publication of notice of the ballot proposition. The  
12 ballot proposition shall specify the type and rate of  
13 tax and in the case of a vehicle tax the classes that  
14 will be exempt and in the case of a local sales and  
15 services tax the date it will be imposed. The ballot  
16 proposition shall also specify the approximate amount  
17 of local option tax revenues that will be used for  
18 property tax relief and shall contain a statement as  
19 to the specific purpose or purposes for which the  
20 revenues shall otherwise be expended. ~~The rate of a~~  
21 ~~local-earnings-tax-shall-be-in-increments-of-one~~  
22 ~~percent-but-not-in-excess-of-four-percent-as-set-by~~  
23 ~~the-governing-body-of-the-city-or-county-seeking-to~~  
24 ~~impose-the-tax.~~ The rate of the vehicle tax shall be  
25 in increments of one dollar per vehicle as set by the  
26 petition seeking to impose the tax. The rate of a  
27 local sales and services tax shall not be more than  
28 one percent as set by the governing body. The state  
29 commissioner of elections shall establish by rule the  
30 form for the ballot proposition which form shall be  
31 uniform throughout the state.

32 Sec. \_\_\_\_ . Section 422B.1, subsection 7, paragraph  
33 a, Code Supplement 1985, is amended to read as  
34 follows:

35 a. If a majority of those voting on the question  
36 of imposition of a local option tax favor imposition  
37 of a local option tax, the governing body of that city  
38 ~~or-that county,-as-applicable,~~ shall impose the tax at  
39 the rate specified for an unlimited period. However,  
40 in the case of a local sales and services tax, the  
41 county shall not impose the tax in any incorporated  
42 area or the unincorporated area if the majority of  
43 those voting on the tax in that area did not favor its  
44 imposition. For purposes of the local sales and  
45 services tax, all cities contiguous to each other  
46 shall be treated as part of one incorporated area and  
47 the tax would be imposed in each of those contiguous  
48 cities only if the majority of those voting in the  
49 total area covered by the contiguous cities favor its  
50 imposition. The local option tax may be repealed or

1 the rate increased or decreased only after an election  
2 at which a majority of those voting on the question of  
3 repeal or rate change favor the repeal or rate change.  
4 The election at which the question of repeal or rate  
5 change is offered shall be called and held in the same  
6 manner and under the same conditions as provided in  
7 subsections 3~~7~~-4~~7~~ 5~~7~~ and 6 for the election on the  
8 imposition of the local option tax. However, in the  
9 case of a local sales and services tax where the tax  
10 has not been imposed countywide, the question of  
11 repeal or imposition shall be voted on only by the  
12 qualified electors of the areas of the county where  
13 the tax has been imposed or has not been imposed, as  
14 appropriate.

15 Sec. \_\_\_\_\_. Section 422B.1, subsection 9, Code  
16 Supplement 1985, is amended to read as follows:

17 9. Local option taxes authorized to be imposed as  
18 provided in this chapter are ~~a-local-earnings-tax~~, a  
19 local sales and services tax~~7~~, and a local vehicle tax.  
20 The rate of the ~~taxes tax~~ shall be ~~up-to-four-percent~~  
21 ~~in-increments-of-one-percent-for-the-earnings-tax~~, and  
22 in increments of one dollar per vehicle for a vehicle  
23 ~~tax all-as-set-by-the-governing-body-of-the-city-or~~  
24 ~~county-seeking-to-impose-the-earnings-tax-or~~ as set on  
25 the petition seeking to impose the vehicle tax. The  
26 rate of a local sales and services tax shall not be  
27 more than one percent as set by the governing body."

28 2. Page 2, by inserting after line 22 the  
29 following:

30 "Sec. \_\_\_\_\_. Sections 422B.5 through 422B.7, Code  
31 Supplement 1985, are repealed."

32 3. Title page, lines 1 and 2, by striking the  
33 words "sales and services tax and the local option  
34 earnings tax" and inserting the following: "taxes".

S-5888 Filed April 30, 1986 REC'D FROM THE HOUSE

*Senate concurred 5/1 (p. 1497)*

SENATE FILE 2302

AN ACT

RELATING TO THE LOCAL OPTION TAXES AND PROVIDING EFFECTIVE DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 422A.1, unnumbered paragraph 3, Code 1985, is amended to read as follows:

A city or county shall impose a hotel and motel tax or increase the tax rate, only after an election at which a majority of those voting on the question favors imposition or increase. However, a hotel and motel tax shall not be repealed or reduced in rate if obligations are outstanding which are payable as provided in section 422A.2, unless funds sufficient to pay the principal, interest, and premium, if any, on the outstanding obligations at and prior to maturity have been properly set aside and pledged for such that purpose. The election shall be held at the time of that city's or county's general election or at the time of a special election.

Sec. 2. Section 422B.1, subsections 1 and 2, Code Supplement 1985, are amended to read as follows:

1. A ~~city or a~~ county may impose by ordinance of ~~the city council or~~ the board of supervisors local option taxes authorized by this chapter, subject to this section.

2. A local option tax shall be imposed only after an election at which a majority of those voting on the question favors imposition and shall then be imposed until repealed as provided in subsection 7, paragraph "a". ~~If the tax is a local earnings tax imposed by a city, it shall only apply within the corporate boundaries of that city and if imposed by a county, it shall only apply to unincorporated areas of that county.~~ If the tax is a local vehicle tax imposed by a

county, it shall apply to all incorporated and unincorporated areas of the county. If the tax is a local sales and services tax imposed by a county, it shall only apply to those incorporated areas and the unincorporated area of that county in which a majority of those voting in the area on the tax favor its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition.

Sec. 3. Section 422B.1, subsections 3 and 4, Code Supplement 1985, are amended by striking the subsections.

Sec. 4. Section 422B.1, subsection 6, Code Supplement 1985, is amended to read as follows:

6. The county commissioner of elections shall submit the question of imposition of a local option tax at a state general election or at a special election held at any time other than the time of a city regular election ~~in the case of a tax imposed by a county or at a state general election or city regular election in the case of a tax imposed by a city~~ which may not be held sooner than sixty days after publication of notice of the ballot proposition. The ballot proposition shall specify the type and rate of tax and in the case of a vehicle tax the classes that will be exempt and in the case of a local sales and services tax the date it will be imposed. The ballot proposition shall also specify the approximate amount of local option tax revenues that will be used for property tax relief and shall contain a statement as to the specific purpose or purposes for which the revenues shall otherwise be expended. ~~The rate of a local earnings tax shall be in increments of one percent but not in excess of four percent as set by the governing body of the city or county seeking to impose the tax.~~ The rate of the vehicle tax shall be in increments of one dollar per vehicle as set by the

petition seeking to impose the tax. The rate of a local sales and services tax shall not be more than one percent as set by the governing body. The state commissioner of elections shall establish by rule the form for the ballot proposition which form shall be uniform throughout the state.

Sec. 5. Section 422B.1, subsection 7, paragraph a, Code Supplement 1985, is amended to read as follows:

a. If a majority of those voting on the question of imposition of a local option tax favor imposition of a local option tax, the governing body of that ~~city or that county, as applicable,~~ shall impose the tax at the rate specified for an unlimited period. However, in the case of a local sales and services tax, the county shall not impose the tax in any incorporated area or the unincorporated area if the majority of those voting on the tax in that area did not favor its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition. The local option tax may be repealed or the rate increased or decreased only after an election at which a majority of those voting on the question of repeal or rate change favor the repeal or rate change. The election at which the question of repeal or rate change is offered shall be called and held in the same manner and under the same conditions as provided in subsections ~~37-47~~ 57 and 6 for the election on the imposition of the local option tax. However, in the case of a local sales and services tax where the tax has not been imposed countywide, the question of repeal or imposition shall be voted on only by the qualified electors of the areas of the county where the tax has been imposed or has not been imposed, as appropriate.

Sec. 6. Section 422B.1, subsection 9, Code Supplement 1985, is amended to read as follows:

9. Local option taxes authorized to be imposed as provided in this chapter are ~~a local earnings tax,~~ a local sales and services tax, and a local vehicle tax. The rate of the ~~taxes tax~~ shall be ~~up to four percent in increments of one percent for the earnings tax,~~ and in increments of one dollar per vehicle for a vehicle tax ~~all as set by the governing body of the city or county seeking to impose the earnings tax or as~~ set on the petition seeking to impose the vehicle tax. The rate of a local sales and services tax shall not be more than one percent as set by the governing body.

Sec. 7. Section 422B.8, unnumbered paragraph 1, Code Supplement 1985, is amended to read as follows:

A local sales and services tax at the rate of not more than one percent may be imposed by a county on the gross receipts taxed by the state under chapter 422, division IV. A local sales and services tax shall be imposed on the same basis as the state sales and services tax and may not be imposed on the sale of any property or on any service not taxed by the state, except the tax shall not be imposed on the gross receipts from the sale of motor fuel or special fuel as defined in chapter 324, on the gross receipts from the rental of rooms, apartments, or sleeping quarters which are taxed under chapter 422A during the period the hotel and motel tax is imposed, on the gross receipts from the sale of natural gas or electric energy in a city or county where the gross receipts are subject to a franchise fee or user fee during the period the franchise or user fee is imposed, and on the gross receipts from the sale of a lottery ticket or share in a lottery game conducted pursuant to chapter 99E. However, notwithstanding that the gross receipts from the sale or rental of the tangible personal property described in section 422.45, subsections 26 and 27 are taxable during the period beginning July 1, 1985 and ending June 30, 1987, a local sales and services tax shall not be imposed on the sale or rental of such property. A local sales and services tax is applicable

to transactions within those incorporated and unincorporated areas of the county where it is imposed and shall be collected by all persons required to collect state gross receipts taxes. All cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favor its imposition.

Sec. 8. Section 422B.10, subsection 1, Code Supplement 1985, is amended to read as follows:

1. The treasurer of state shall credit the local sales and services tax receipts and interest and penalties from a county to the county's account in the local sales and services tax fund. If the director of revenue is unable to determine from which county any of the receipts were collected, those receipts shall be allocated amongst the possible counties based on allocation rules adopted by the director of revenue.

Sec. 9. Sections 422B.5 through 422B.7, Code Supplement 1985, are repealed.

Sec. 10. In a county that has imposed a local option sales and services tax, the board of supervisors shall, notwithstanding any contrary provision of chapter 422B, repeal the local option sales and services tax in an incorporated city area in which the tax has been imposed upon receipt of a motion adopted by the governing body of that incorporated city area requesting repeal. The board of supervisors shall repeal the local option sales and services tax effective at the end of the calendar quarter during which the motion for the repeal was received.

Sec. 11. This Act being deemed of immediate importance, takes effect from and after its publication in The Cedar Rapids Gazette, a newspaper published in Cedar Rapids, Iowa, and in the West Des Moines Express, a newspaper published in Des Moines, Iowa.

Sec. 12. Sections 7 and 8 of this Act are retroactive to January 1, 1986 for local option sales and services taxes imposed on or after that date.

Sec. 13. Section 10 of this Act is repealed July 1, 1986.

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ROBERT T. ANDERSON  
President of the Senate

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DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2302, Seventy-first General Assembly.

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K. MARIE THAYER  
Secretary of the Senate

Approved May 21, 1986

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TERRY E. BRANSTAD  
Governor