

State Book 3/1/85 Do Pass 3/7 (p. 654)
Appropriation 3/1 Do Pass 3/7 (p. 660)

Reprinted 3/29/85

SENATE FILE

395

BY COMMITTEE ON WAYS AND MEANS

FORMERLY SSB 293 *Approved 3/6 (p. 64)*

FILED MAR 6 1985

Passed Senate, Date 3-7-85 (p. 667) Passed House, Date 4-2-85 (p. 1306)
Vote: Ayes 34 Nays 13 Vote: Ayes 54 Nays 45
Approved April 18
Trans. to House 3/28 (p. 668)

A BILL FOR

1 An Act relating to state and local revenues by providing for
2 the private sale of wine containing more than five percent
3 but not more than seventeen percent alcohol by weight,
4 imposing a tax on wine to be sold, allowing cities and
5 counties to impose certain local option taxes, exempting
6 certain farm machinery and equipment from the state sales,
7 services and use tax, providing for the continued phase
8 out and repeal of all property taxes on personal property,
9 limiting the amount of reimbursement paid to local
10 jurisdictions for property tax exemptions allowed for
11 certain machinery, equipment and computers which are
12 assessed as real property, repealing the county government
13 assistance and municipal assistance funds, and providing
14 penalties, appropriations and effective dates.

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

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1 Section 1. Section 123.1, Code 1985, is amended to read as
2 follows:

3 123.1 PUBLIC POLICY DECLARED.

4 This chapter shall be cited as the "Iowa Beer, Wine, and
5 Liquor Control Act", and shall be deemed an exercise of the
6 police power of the state, for the protection of the welfare,
7 health, peace, morals, and safety of the people of the state,
8 and all its provisions shall be liberally construed for the
9 accomplishment of that purpose, ~~and it.~~ It is declared to be
10 public policy that the traffic in alcoholic liquors is so
11 affected with a public interest that it should be regulated to
12 the extent of prohibiting all traffic in them, except as
13 provided in this chapter.

14 Sec. 2. Section 123.2, Code 1985, is amended to read as
15 follows:

16 123.2 GENERAL PROHIBITION.

17 It ~~shall be~~ is unlawful to manufacture for sale, sell,
18 offer or keep for sale, possess, or transport alcoholic
19 liquor, wine, or beer except upon the terms, conditions,
20 limitations, and restrictions enumerated in this chapter.

21 Sec. 3. Section 123.3, subsections 4, 7, 8, and 10, Code
22 1985, are amended to read as follows:

23 4. "Local authority" means the city council of any
24 incorporated city in this state, or the county board of
25 supervisors of any county in this state, which is empowered by
26 this chapter to approve or deny applications for retail beer
27 or wine permits and liquor control licenses; empowered to
28 recommend that such permits or licenses be granted and issued
29 by the department; and empowered to take such other actions as
30 are reserved to them by this chapter.

31 7. "Wine" means any beverage containing more than five
32 percent but not more than seventeen percent of alcohol by
33 weight obtained by the fermentation of the natural sugar
34 contents of fruits or other agricultural products but
35 excluding any product containing alcohol derived from malt or

1 by the distillation process from grain, cereal, molasses or
2 cactus.

3 8. "Alcoholic liquor", "alcoholic beverage" or "intoxi-
4 cating liquor" means ~~and includes~~ the varieties of liquor
5 defined in subsections 57 and 67-and-7, beverages made as
6 described in subsection 9 which beverages contain more than
7 five percent of alcohol by weight but which are not wine as
8 defined in subsection 7, and every other liquid or solid,
9 patented or not, containing spirits ~~or wine~~ and every beverage
10 obtained by the process described in subsection 7 containing
11 more than seventeen percent alcohol by weight, and susceptible
12 of being consumed by a human being, for beverage purposes.
13 Alcohol manufactured in this state for use as fuel pursuant to
14 an experimental distilled spirits plant permit or its
15 equivalent issued by the federal bureau of alcohol, tobacco
16 and firearms is not an "alcoholic liquor".

17 10. "Person" means any individual, association, partner-
18 ship, corporation, club, hotel or motel, or municipal corpo-
19 ration owning or operating a bona fide airport, marina, park,
20 coliseum, auditorium, or recreational facility in or at which
21 the sale of alcoholic liquor, wine, or beer is only an inci-
22 dental part of such the ownership or operation.

23 Sec. 4. Section 123.3, subsection 11, paragraph c, Code
24 1985, is amended to read as follows:

25 c. The person is not prohibited by ~~the provisions of~~
26 section 123.40 from obtaining a liquor control license or a
27 wine or beer permit.

28 Sec. 5. Section 123.3, subsections 13, 17, 19, 20, 25, 26,
29 27, and 31, Code 1985, are amended to read as follows:

30 13. "Permit" or "license" means an express written autho-
31 rization issued by the department for the manufacture or sale,
32 or both, of alcoholic liquor, wine, or beer.

33 17. "Distillery", "winery", and "brewery" means mean not
34 only the premises wherein where alcohol or spirits is are
35 distilled, ~~or-rectified~~ wine is fermented, or beer is brewed,

1 but in addition mean a person owning, representing, or in
2 charge of such premises and the operations conducted thereon
3 there, including the blending and bottling or other handling
4 and preparation of alcoholic liquor, wine, or beer in any
5 form.

6 19. "Importer" means the person transporting-or-ordering,
7 ~~authorizing,-or-arranging~~ who transports or orders, autho-
8 rizes, or arranges the transportation of alcoholic liquor,
9 wine, or beer into this state whether ~~such~~ the person is a
10 resident of this state or not.

11 20. "Import" means the transporting or ordering or ar-
12 ranging the transportation of alcoholic liquor, wine, or beer
13 into this state whether by a resident of this state or not.

14 25. The prohibited "sale" of alcoholic liquor, wine, or
15 beer under this chapter includes soliciting for sales, taking
16 orders for sales, keeping or exposing for sale, delivery or
17 other trafficking for a valuable consideration promised or
18 obtained, and procuring or allowing procurement for any other
19 person.

20 26. "Wholesaler" means any person, other than a vintner,
21 brewer or bottler of beer or wine, who shall sell, barter,
22 exchange, offer for sale, have in possession with intent to
23 sell, deal or traffic in alcoholic liquor, wine, or beer. No
24 A wholesaler shall be-permitted-to not sell for consumption
25 upon the premises.

26 27. "Retailer" means any person who shall sell, barter,
27 exchange, offer for sale, or have in possession with intent to
28 sell any alcoholic liquor for consumption on the premises
29 where sold, or beer or wine for consumption either on or off
30 the premises where sold.

31 31. "Licensed premises" or "premises" means all rooms,
32 enclosures, contiguous areas, or places susceptible of precise
33 description satisfactory to the director where alcoholic
34 beverages, wine, or beer is sold or consumed under authority
35 of a liquor control license, wine permit, or beer permit. A

1 single licensed premise may consist of multiple rooms,
2 enclosures, areas or places if they are wholly within the
3 confines of a single building or contiguous grounds.

4 Sec. 6. Section 123.3, Code 1985, is amended by adding the
5 following new subsection:

6 NEW SUBSECTION. "Retail wine permit" means a class "B"
7 wine permit issued under this chapter.

8 Sec. 7. Section 123.4, Code 1985, is amended to read as
9 follows:

10 123.4 DEPARTMENT CREATED -- PLACE OF BUSINESS.

11 ~~There-is-hereby-created-an~~ An Iowa beer and liquor control
12 department is created to administer and enforce the laws of
13 this state concerning beer, wine, and alcoholic liquor. The
14 principal place of business of the department shall be
15 provided the department by the authority designated by law to
16 provide such quarters or offices to state departments or
17 agencies.

18 Sec. 8. Section 123.6, Code 1985, is amended to read as
19 follows:

20 123.6 APPOINTMENT -- TERM -- QUALIFICATIONS --
21 COMPENSATION.

22 Appointments shall be for five-year staggered terms
23 beginning and ending as provided by section 69.19 and shall be
24 made by the governor, subject to confirmation by the senate.
25 Members of the council shall be chosen on the basis of
26 managerial ability and experience as business executives. One
27 member of the council may be the holder of or have an interest
28 in a permit or license to manufacture alcoholic liquor, wine,
29 or beer or sell alcoholic liquor, wine, or beer at wholesale
30 or retail. Members may be reappointed for one additional
31 term. Each member appointed shall receive compensation for
32 the member's services of forty dollars per diem in addition to
33 reasonable and necessary expenses while attending meetings.

34 Sec. 9. Section 123.14, subsections 1 and 3, Code 1985,
35 are amended to read as follows:

1 1. The division of beer and liquor law enforcement of the
2 department of public safety, created pursuant to section
3 80.25, ~~shall-be~~ is the primary beer, wine, and liquor law en-
4 forcement authority for this state.

5 3. The division of beer and liquor law enforcement shall
6 ~~be-allowed~~ have full access to all records, reports, audits,
7 tax reports and all other documents and papers in the
8 department pertaining to liquor licensees and wine and beer
9 permittees and their business.

10 Sec. 10. Section 123.15, Code 1985, is amended to read as
11 follows:

12 123.15 HEARING BOARD ESTABLISHED.

13 ~~There-is-hereby-created-a~~ A three-member hearing board is
14 created for the purpose of conducting departmental hearings
15 relating to controversies concerning the issuance, suspension,
16 or revocation of special liquor permits, liquor control
17 licenses, wine permits, and beer permits authorized under this
18 chapter. One member shall be appointed by the council from
19 its membership, which member may be periodically replaced by
20 appointment of another council member; one member shall be the
21 attorney general or the attorney general's designee; and one
22 member shall be the commissioner of public safety or the
23 commissioner's designee. The hearing board shall establish
24 and adopt rules and procedures for conducting departmental
25 hearings under this chapter.

26 Sec. 11. Section 123.16, subsection 2, paragraph b, Code
27 1985, is amended to read as follows:

28 b. The granting or refusing of liquor licenses and per-
29 mits, wine permits, and beer permits, and the suspension or
30 revocation of ~~such~~ the licenses and permits.

31 Sec. 12. Section 123.18, Code 1985, is amended to read as
32 follows:

33 123.18 FAVORS FROM LICENSEE OR PERMITTEE.

34 No A person responsible for the administration or
35 enforcement of this chapter shall not accept or solicit

1 donations, gratuities, political advertising, gifts, or other
2 favors, directly or indirectly, from any liquor control
3 licensee, wine permittee, or beer permittee. ~~A violation of~~
4 ~~this section shall subject the violator to the general~~
5 ~~penalties provided by this chapter.~~

6 Sec. 13. Section 123.19, subsection 1, Code 1985, is
7 amended to read as follows:

8 1. Any manufacturer, distiller, ~~vintner~~, or importer of
9 alcoholic beverages shipping, selling, or having alcoholic
10 beverages brought into this state for resale by the state
11 shall, as a condition precedent to the privilege of so traf-
12 ficking in alcoholic liquors in this state, annually make
13 application for and ~~shall~~ hold a distiller's certificate of
14 compliance which shall be issued by the director for ~~such~~ that
15 purpose. No brand of alcoholic liquor shall be sold by the
16 department in this state unless the manufacturer, distiller,
17 ~~vintner~~, importer, and all other persons participating in the
18 distribution of ~~such~~ that brand in this state have obtained
19 ~~such a~~ certificate. ~~Such~~ The certificate of compliance shall
20 expire at the end of one year from the date of issuance and
21 shall be renewed for a like period upon application to the
22 director unless otherwise suspended or revoked for cause.
23 Each application for a certificate of compliance or renewal
24 thereof shall be made in ~~such a~~ such manner and upon ~~such~~ forms as
25 ~~shall be~~ prescribed by the director and shall be accompanied
26 by a fee of fifty dollars payable to the department. However,
27 ~~the provisions of~~ this subsection need not apply to a
28 manufacturer, distiller, ~~vintner~~, or importer who ships or
29 sells in this state no more than eleven gallons or its case
30 equivalent during any fiscal year as a result of "special
31 orders" which might be placed, as defined and allowed by
32 departmental rules adopted under this chapter.

33 Sec. 14. Section 123.21, subsections 6 and 10, Code 1985,
34 are amended to read as follows:

35 6. Providing for the ~~issuing~~ issuance and distributing

1 distribution of price lists showing which show the price to be
2 paid by purchasers for each brand, class, or variety of liquor
3 kept for sale under this chapter--Provide, providing for the
4 filing or posting of prices charged in sales between class "A"
5 beer and class "A" wine permit holders and retailers, as
6 provided in this chapter, and establish establishing or
7 control--such controlling the prices as--may--be based on minimum
8 standards of fill, quantity, or alcoholic content for each
9 individual sale of intoxicating liquor or beer as deemed
10 necessary for retail or consumer protection. However, the
11 department does not have the authority to regulate markups,
12 prices, discounts, allowances, or other terms of sale at which
13 wine may be purchased and sold by class "A" and retail wine
14 permittees, or change, nullify, or vary the terms of any
15 agreement between a holder of a vintner certificate of
16 compliance and a class "A" wine permittee.

17 10. Prescribing the time, manner, means, and method by
18 which distillers, vintners, vendors, or others authorized
19 under this chapter may deliver or transport alcoholic liquors
20 and prescribing the time, manner, means, and methods by which
21 alcoholic liquor may be lawfully conveyed, carried, or trans-
22 ported.

23 Sec. 15. Section 123.22, unnumbered paragraph 1, Code
24 1985, is amended to read as follows:

25 The department ~~shall have~~ has the ~~sole and~~ exclusive right
26 of importation, into the state, of all forms of alcoholic
27 liquor, except as otherwise provided in this chapter, and ~~no a~~
28 person shall ~~so not~~ import ~~any-such~~ alcoholic liquor, except
29 that an individual of legal age may import and have in the
30 individual's possession an amount of alcoholic liquor not
31 exceeding one quart or, in the case of alcoholic liquor
32 personally obtained outside the United States, one gallon for
33 personal consumption only in a private home or other private
34 accommodation. No distillery shall sell any alcoholic liquor
35 within the state to any person but only to the department,

1 except as otherwise provided in this chapter. It is the
2 intent of this section to vest in the department exclusive
3 control within the state both as purchaser and vendor of all
4 alcoholic liquor sold by distilleries within the state or
5 imported therein, except beer, and wine. Neither the
6 department nor any instrumentality of the department shall
7 sell wine at either wholesale or retail except as otherwise
8 provided in this chapter.

9 Sec. 16. Section 123.27, subsection 2, Code 1985, is
10 amended by striking the subsection.

11 Sec. 17. Section 123.29, subsection 4, paragraph c, Code
12 1985, is amended to read as follows:

13 c. That neither the applicant, if the applicant is an
14 individual, nor any members of the firm or officers of the
15 corporation, if the applicant is not an individual, has been
16 convicted of any violation of the laws of this state with
17 reference to the sale of alcoholic liquors, wine, or beer
18 within the three years preceding the date of the affidavit.

19 Sec. 18. Section 123.30, subsection 3, paragraphs a, b, c,
20 and d, Code 1985, are amended to read as follows:

21 a. CLASS "A". A class "A" liquor control license may be
22 issued to a club and shall authorize the holder to purchase
23 alcoholic liquors from only the department, wine from class
24 "A" wine permittees, and native wines from native wine
25 manufacturers, and to sell such liquors, wine, and beer, to
26 bona fide members and their guests by the individual drink for
27 consumption on the premises only.

28 b. CLASS "B". A class "B" liquor control license may be
29 issued to a hotel or motel and shall authorize the holder to
30 purchase alcoholic liquors from only the department, wine from
31 class "A" wine permittees, and native wines from native wine
32 manufacturers, and to sell such liquors, wine, and beer, to
33 patrons by the individual drink for consumption on the
34 premises only, however, beer may also be sold for consumption
35 off the premises. Each license shall be effective throughout

1 the premises described in the application.

2 c. CLASS "C". A class "C" liquor control license may be
3 issued to a commercial establishment but must be issued in the
4 name of the individuals who actually own the entire business
5 and shall authorize the holder to purchase alcoholic liquors
6 from only the department, wine from class "A" wine permittees,
7 and native wines from native wine manufacturers, and to sell
8 such liquors, wine, and beer, to patrons by the individual
9 drink for consumption on the premises only, however, beer may
10 also be sold for consumption off the premises.

11 A special class "C" liquor control license may be issued
12 and shall authorize the holder or-holders to purchase wine
13 ~~containing-not-more-than-seventeen-percent-alcohol-by-weight~~
14 ~~from the-department~~ class "A" wine permittees only, and to
15 sell such wine, and beer, to patrons by the individual drink
16 for consumption on the premises only, however, beer may also
17 be sold for consumption off the premises. The license issued
18 to holders of a special class "C" license shall clearly state
19 on its face ~~"alcoholic-liquor,"~~ that the license is limited to
20 wine-only."

21 d. CLASS "D". A class "D" liquor control license may be
22 issued to a railway corporation, to an air common carrier, and
23 to passenger-carrying boats or ships for hire with a capacity
24 of twenty-five persons or more operating in inland or boundary
25 waters, and shall authorize the holder to sell or furnish
26 alcoholic beverages, wine, and beer to passengers for
27 consumption only on trains, watercraft as described herein in
28 this section, or aircraft, respectively. Each such license
29 ~~shall-be~~ is valid throughout the state ~~as-a-state-license.~~
30 Only one such license ~~shall-be~~ is required for all trains,
31 watercraft, or aircraft operated in the state by the licensee.

32 Sec. 19. Section 123.32, subsections 1, 2, and 4, Code
33 1985, are amended to read as follows:

34 1. FILING OF APPLICATION. An application for a class "A",
35 class "B", or class "C" liquor control license, and for a

1 retail beer permit as provided in sections 123.128 and
2 123.129, or for a class "B" retail wine permit as provided in
3 section 123.76, accompanied by the required fee and bond,
4 shall be filed with the appropriate city council if the
5 premises for which the license or permit is sought are located
6 within the corporate limits of a city, or with the board of
7 supervisors if the premises for which the license or permit is
8 sought are located outside the corporate limits of a city. An
9 application for a class "D" liquor control license and for a
10 class "A" beer or class "A" wine permit, accompanied by the
11 required fee and bond, shall be filed with the department,
12 which shall proceed in the same manner as in the case of an
13 application approved by local authorities.

14 2. ACTION BY LOCAL AUTHORITIES. The local authority shall
15 either approve or disapprove the issuance of a liquor control
16 license, retail wine permit, or retail beer permit, and shall
17 endorse such its approval or disapproval on the application
18 and shall forward same the application along with the required
19 fee and bond to the department. Upon the initial ~~issuance of~~
20 application for a liquor control license, retail wine permit,
21 or retail beer permit, the fact that the local authority
22 determines that no liquor control license, retail wine permit,
23 or retail beer permit shall be issued shall not be held to be
24 arbitrary, capricious, or without reasonable cause. There
25 ~~shall be~~ is no limit upon the number of liquor control
26 licenses, retail wine permits, or retail beer permits which
27 may be approved for issuance by local authorities.

28 4. APPEAL TO HEARING BOARD. Any applicant for a liquor
29 control license, wine permit, or beer permit may appeal from
30 the director's disapproval of an application for a license or
31 permit to the department hearing board, established pursuant
32 to section 123.157, ~~from the director's disapproval of an~~
33 ~~application for a license or permit.~~ If, upon such appeal the
34 hearing board ~~shall determine~~ determines that the local
35 authority acted arbitrarily, capriciously, or without

1 reasonable cause in disapproving the application, or that,
2 where the local authority approved the application, the
3 director's own disapproval should be reversed, it shall order
4 issuance of a license or permit. The same right of appeal to
5 the hearing board shall be afforded a liquor control licensee,
6 wine permittee, or beer permittee, whose license or permit has
7 been suspended or revoked under this chapter, and the hearing
8 board shall reduce the period of suspension or order
9 reinstatement of ~~such~~ the license or permit for good cause
10 shown.

11 Sec. 20. Section 123.34, Code 1985, is amended to read as
12 follows:

13 1. Liquor control licenses, wine permits, and beer
14 permits, unless sooner suspended or revoked, expire one year
15 from date of issuance. The director shall give sixty days'
16 written notice of the expiration to each licensee or
17 permittee. However, the director may issue six-month or
18 eight-month seasonal licenses, class "B" wine permits, or
19 class "B" beer permits for a proportionate part of the license
20 or permit fee or may issue fourteen-day liquor licenses, wine
21 permits, or beer permits as provided in subsection 2. No
22 refund shall be made for seasonal licenses or permits or for
23 fourteen-day liquor licenses, wine permits, or beer permits.
24 No seasonal license or permit shall be renewed except after a
25 period of two months.

26 2. The director may issue fourteen-day class "A", class
27 "B", class "C", and class "D" liquor control licenses,
28 fourteen day class "B" wine permits, and fourteen-day class
29 "B" beer permits. A fourteen-day license or permit, if
30 granted, is valid for fourteen consecutive days, but the
31 holder shall not sell on the two Sundays in the fourteen-day
32 period unless the holder qualifies for and obtains the
33 privilege to sell on Sundays contained in sections 123.36,
34 subsection 6 and 123.134, subsection 5.

35 3. The fee for a fourteen-day liquor license, wine permit,

1 or beer permit is one-quarter of the annual fee for that class
2 of liquor license or beer permit. The fee for the privilege
3 to sell on the two Sundays in the fourteen-day period is
4 twenty percent of the price of the fourteen-day liquor
5 license, wine permit, or beer permit.

6 Sec. 21. Section 123.35, unnumbered paragraph 1, Code
7 1985, is amended to read as follows:

8 The director shall prescribe simplified application forms
9 for the renewal of liquor control licenses, wine permits, and
10 beer permits ~~issued under the provisions of this chapter~~,
11 which may be filed by licensees and permittees in lieu of a
12 detailed renewal application form when qualifications and
13 qualification information have not changed since the original
14 issuance of the license or permit. ~~Such~~ The simplified form
15 shall require the licensee or permittee to verify under oath
16 that the information contained in the original application
17 remains current, and that no reason exists for the
18 department's refusal to renew the license or permit as
19 originally issued.

20 Sec. 22. Section 123.36, subsection 2, Code 1985, is
21 amended to read as follows:

22 2. Class "A" liquor control licenses, the sum of six
23 hundred dollars, except that for class "A" licenses in cities
24 of less than two thousand population, and for clubs of less
25 than two hundred fifty members, the license fee shall be four
26 hundred dollars; however, the fee shall be two hundred dollars
27 for any club which is a post, branch, or chapter of a veterans
28 organization chartered by the Congress of the United States,
29 if ~~such the~~ club does not sell or permit the consumption of
30 alcoholic beverages, wine, or beer on the premises more than
31 one day in any week, and if the application for a license
32 states that ~~such the~~ club does not and will not sell or permit
33 the consumption of alcoholic beverages, wine, or beer on the
34 premises more than one day in any week.

35 Sec. 23. Section 123.36, subsection 5, paragraph c, Code

1 1985, is amended to read as follows:

2 c. For air common carriers, each company shall pay a base
3 annual fee of five hundred dollars and, in addition, shall
4 quarterly remit to the department an amount equal to seven
5 dollars for each gallon of alcoholic liquor sold, given away,
6 or dispensed in or over this state during the preceding
7 calendar quarter. The class "D" license fee and tax for air
8 common carriers ~~shall be~~ is in lieu of any other fee or tax
9 collected from ~~such~~ the carriers in this state for the
10 possession and sale of alcoholic liquor, wine, and beer.

11 Sec. 24. Section 123.36, subsection 6, Code 1985, is
12 amended to read as follows:

13 6. Any club, hotel, motel, or commercial establishment
14 holding a liquor control license for whom the sale of goods
15 and services other than alcoholic liquor, wine, or beer
16 constitutes fifty percent or more of the gross receipts from
17 the licensed premises, subject to ~~the provisions of~~ section
18 123.49, subsection 2, paragraph "b", may sell and dispense
19 alcoholic liquor and wine to patrons on Sunday for consumption
20 on the premises only, and beer for consumption on or off the
21 premises between the hours of ten a.m. and twelve midnight on
22 Sunday. For the privilege of selling beer, wine, and
23 alcoholic liquor on the premises on Sunday the liquor control
24 license fee of the applicant shall be increased by twenty
25 percent of the regular fee prescribed for the license pursuant
26 to this section, and the privilege shall be noted on the
27 liquor control license. The department shall prescribe the
28 nature and the character of the evidence ~~which shall be~~
29 required of the applicant under this subsection.

30 Sec. 25. Section 123.36, subsection 7, unnumbered
31 paragraph 1, Code 1985, is amended to read as follows:

32 ~~Class~~ Special class "C" liquor control licenses ~~which limit~~
33 ~~sales of alcoholic liquor to wine containing not more than~~
34 ~~seventeen percent alcohol by weight~~, a sum as follows:

35 Sec. 26. Section 123.37, Code 1985, is amended to read as

1 follows:

2 123.37 POWER TO LICENSE AND LEVY TAXES.

3 The power to establish licenses and permits and levy taxes
4 as imposed in title VI of the Code is vested exclusively with
5 the state. Unless specifically provided, no local authority
6 shall levy a local tax on the sale of alcoholic beverages,
7 wine, or beer, require the obtaining of a special license or
8 permit for such sale ~~on~~ at any establishment, or require the
9 obtaining of a license by any person as a condition precedent
10 to the person's employment in the sale, serving, or handling
11 of alcoholic beverages, wine, or beer, within an establishment
12 operating under a license or permit.

13 Sec. 27. Section 123.38, unnumbered paragraphs 1 and 2,
14 Code 1985, are amended to read as follows:

15 A special liquor permit, liquor control license, wine
16 permit, or beer permit ~~shall be~~ is a purely personal privilege
17 and ~~be~~ is revocable for cause. It ~~shall~~ is not constitute
18 property nor ~~be~~ is it subject to attachment and execution nor
19 ~~be~~ alienable nor assignable, and ~~in any case~~ it shall cease
20 upon the death of the permittee or licensee. However, the
21 director may in the director's discretion allow the executor
22 or administrator of a permittee or licensee to operate the
23 business of the decedent for a reasonable time not to exceed
24 the expiration date of the permit or license. Every permit or
25 license shall be issued in the name of the applicant and no
26 person holding a permit or license shall allow any other
27 person to use ~~same~~ it.

28 Any ~~such~~ licensee or permittee, or the licensee's or
29 permittee's executor, or administrator, or any person duly
30 appointed by the court to take charge of and administer the
31 property or assets of the licensee or permittee for the
32 benefit of the licensee's or permittee's creditors, may
33 voluntarily surrender ~~such a~~ a license or permit to the
34 department ~~and when so~~. When a license or permit is
35 surrendered the department shall notify the local authority,

1 and the department ~~and such~~ or the local authority ~~or the~~
2 ~~local authority by itself in the case of a retail beer permit,~~
3 shall refund to the person so surrendering the license or
4 permit, a proportionate amount of the fee paid received by the
5 department or the local authority for ~~such the~~ license or
6 permit as follows: If a license or permit is surrendered
7 during the first three months of the period for which ~~said~~
8 ~~license or permit~~ it was issued, the refund shall be three-
9 fourths of the amount of the fee; if surrendered more than
10 three months but not more than six months after issuance, the
11 refund shall be one-half of the amount of the fee; if
12 surrendered more than six months but not more than nine months
13 after issuance, the refund shall be one-fourth of the amount
14 of the fee. No refund shall be made, however, for any special
15 liquor permit, nor for a liquor control license, wine permit,
16 or beer permit surrendered more than nine months after
17 issuance. For purposes of this paragraph, any portion of
18 license or permit fees deposited in the county mental health
19 and institutions fund, shall not be deemed received either by
20 the department or by a local authority. No refund shall be
21 made to any licensee or permittee, upon the surrender of the
22 license or permit, if there is at the time of ~~said~~ surrender,
23 a complaint filed with the department or local authority,
24 charging the licensee or permittee with a violation of the
25 ~~provisions of~~ this chapter. If upon a hearing on ~~any such a~~
26 complaint the license or permit is not revoked or suspended,
27 then the licensee or permittee ~~shall be~~ is eligible, upon
28 surrender of the license or permit, to receive a refund as
29 ~~herein provided;--But~~ in this section; but if the license or
30 permit is revoked or suspended upon such hearing the licensee
31 or permittee ~~shall~~ is not be eligible for the refund of any
32 portion of the license or permit fee.

33 Sec. 28. Section 123.39, Code 1985, is amended to read as
34 follows:

35 123.39 SUSPENSION OR REVOCATION OF LIQUOR LICENSE OR BEER

1 PERMIT.

2 Any liquor control license, wine permit, or beer permit
3 issued under this chapter may, after notice in writing to the
4 license or permit holder and reasonable opportunity for
5 hearing, and subject to section 123.50 where applicable, be
6 suspended for a period not to exceed one year or revoked by
7 the local authority or the director for any of the following
8 causes:

- 9 1. Misrepresentation of any material fact in the
10 application for such the license or permit.
- 11 2. Violation of any of the provisions of this chapter.
- 12 3. Any change in the ownership or interest in the business
13 operated under a class "A", class "B", or class "C" liquor
14 control license, or any wine or beer permit, which change was
15 not previously reported to and approved by the local authority
16 and the department.
- 17 4. An event which would have resulted in disqualification
18 from receiving such the license or permit when originally
19 issued.
- 20 5. Any sale, hypothecation, or transfer of such the
21 license or permit.
- 22 6. The failure or refusal on the part of any licensee or
23 permittee to render any report or remit any taxes to the
24 department under this chapter when due.
- 25 Local authorities ~~shall have the power to~~ may suspend any
26 retail wine or beer permit or liquor control license for a
27 violation of any ordinance or regulation adopted by such the
28 local authority. Local authorities ~~are empowered to~~ may adopt
29 ordinances or regulations for the location of the premises of
30 retail wine or beer and liquor control licensed establishments
31 and ~~are empowered to~~ local authorities may adopt ordinances,
32 not in conflict with ~~the provisions of~~ this chapter and that
33 do not diminish the hours during which beer, wine, or
34 alcoholic beverages may be sold or consumed at retail,
35 governing any other activities or matters which may affect the

1 retail sale and consumption of beer, wine, and alcoholic
2 liquor and the health, welfare and morals of the community
3 involved.

4 When a liquor license or wine or beer permit is suspended
5 after a hearing as a result of violations of ~~the provisions of~~
6 this chapter by the licensee, permittee or the licensee's or
7 permittee's agents or employees, the premises which were
8 licensed by ~~such~~ the license or permit shall not be relicensed
9 for a new applicant until the suspension has terminated or
10 time of suspension has elapsed, or ninety days have elapsed
11 since the commencement of the suspension, whichever occurs
12 first. However, ~~nothing in~~ this section ~~shall~~ does not
13 prohibit the premises from being relicensed to a new applicant
14 before the suspension has terminated or before the time of
15 suspension has elapsed or before ninety days have elapsed from
16 the commencement of the suspension, if the premises prior to
17 the time of the suspension had been purchased under contract,
18 and the vendor under that contract had exercised the person's
19 rights under chapter 656 and sold the property to a different
20 person who is not related to the previous licensee or
21 permittee by marriage or within the third degree of
22 consanguinity or affinity and if the previous licensee or
23 permittee does not have a financial interest in the business
24 of the new applicant.

25 Sec. 29. Section 123.40, Code 1985, is amended to read as
26 follows:

27 123.40 EFFECT OF REVOCATION.

28 Any liquor control licensee, wine permittee, or beer
29 permittee whose license or permit is revoked under this
30 chapter shall not thereafter be permitted to hold a liquor
31 control license, wine permit, or beer permit in the state of
32 Iowa for a period of two years from the date of such
33 revocation. ~~The~~ A spouse and or business ~~associates~~ associate
34 holding ten percent or more of the capital stock or ownership
35 interest in the business of a person whose license or permit

1 has been revoked shall not be issued a liquor control license,
2 wine permit, or beer permit, and no liquor control license,
3 wine permit, or beer permit shall be issued which covers any
4 business in which such person has a financial interest for a
5 period of two years from the date of such revocation. In the
6 event If a license or permit is revoked, the premises which
7 had been covered by such the license or permit shall not be
8 relicensed for one year.

9 Sec. 30. Section 123.44, Code 1985, is amended to read as
10 follows:

11 123.44 GIFT OF LIQUORS PROHIBITED.

12 No A manufacturer or wholesaler shall not give away any
13 alcoholic liquor of any kind or description at any time in
14 connection with the manufacturer's or wholesaler's business
15 except for testing or sampling purposes only. No A manufac-
16 turer, vintner, wholesaler, or importer, organized as a cor-
17 poration pursuant to the laws of this state or any other
18 state, and who deals in alcoholic liquor, wine, or beer
19 subject to this chapter shall not offer or give anything of
20 value to any council member, official or employee of the
21 department, or directly or indirectly contribute in any manner
22 any money or thing of value to any person seeking a public or
23 appointive office or any recognized political party or a group
24 of persons seeking to become a recognized political party.

25 Sec. 31. Section 123.45, Code 1985, is amended to read as
26 follows:

27 123.45 INTEREST IN LIQUOR BUSINESS.

28 Except as provided in section 123.6, a council member or
29 department employee shall not, directly or indirectly,
30 individually, or as a member of a partnership or shareholder
31 in a corporation, have any interest in dealing in or in the
32 manufacture of alcoholic liquor, wine, or beer, and shall not
33 receive any kind of profit nor have any interest in the
34 purchase or sale of alcoholic liquor, wine, or beer by persons
35 so authorized under this chapter. However, this provision

1 ~~shall~~ does not prohibit any ~~such~~ member or employee from
2 lawfully purchasing and keeping alcoholic liquor, wine, or
3 beer in the member's or employee's possession for personal
4 use.

5 No A person engaged in the business of manufacturing,
6 bottling, or wholesaling alcoholic beverages, wine, or beer,
7 ~~nor~~ or any jobber or agent of such person, shall not directly
8 or indirectly supply, furnish, give, or pay for any
9 furnishings, fixtures, or equipment used in the storage,
10 handling, serving, or dispensing of alcoholic beverages, wine,
11 beer, or food within the place of business of a licensee or
12 permittee authorized under ~~the-provisions-of~~ this chapter, to
13 sell at retail; nor shall the person directly or indirectly
14 extend any credit for alcoholic beverages or beer or pay for
15 any such license or permit, nor directly or indirectly be
16 interested in the ownership, conduct, or operation of the
17 business of another licensee or permittee authorized under ~~the~~
18 ~~provisions-of~~ this chapter to sell at retail, except that a
19 person engaged in the business of manufacturing beer may sell
20 beer at retail for consumption on or off the premises of the
21 manufacturing facility and, notwithstanding any other
22 provision of this chapter or the fact that such a person may
23 be the holder of a class "A" beer permit, may be granted not
24 more than one class "B" permit as defined in section 123.124
25 for such purpose. Any licensee or permittee who ~~shall-permit~~
26 permits or ~~assent-or-be~~ assents to or is a party in any way to
27 any such violation or infringement of ~~the-provisions-of~~ this
28 ~~chapter-shall-be-deemed~~ section is guilty of a violation of
29 ~~the-provisions-of this chapter~~ section.

30 Sec. 32. Section 123.46, Code 1985, is amended to read as
31 follows:

32 123.46 CONSUMPTION IN PUBLIC PLACES -- INTOXICATION.

33 It is unlawful for any person to use or consume alcoholic
34 liquors, wine, or beer upon the public streets or highways, or
35 alcoholic liquors in any public place, except premises covered

1 by a liquor control license, or to possess or consume
2 alcoholic liquors, wine, or beer on any public school property
3 or while attending any public or private school related
4 functions, and no a person shall not be intoxicated nor
5 simulate intoxication in a public place. As used in this
6 section, "school" means a school or that portion thereof of a
7 school, which provides teaching for any grade from
8 kindergarten through grade twelve. Any person violating any
9 provisiens provision of this section ~~shall be~~ is guilty of a
10 simple misdemeanor.

11 Sec. 33. Section 123.47, Code 1985, is amended to read as
12 follows:

13 123.47 PERSONS UNDER LEGAL AGE.

14 No A person shall not sell, give, or otherwise supply
15 alcoholic liquor, wine, or beer to any person knowing or
16 having reasonable cause to believe that person to be under
17 legal age, and no a person or persons under legal age shall
18 not individually or jointly have alcoholic liquor, wine, or
19 beer in their possession or control; except in the case of
20 liquor, wine, or beer given or dispensed to a person under
21 legal age within a private home and with the knowledge and
22 consent of the parent or guardian for beverage or medicinal
23 purposes or as administered to the person by either a physi-
24 cian or dentist for medicinal purposes and except to the ex-
25 tent that a person under legal age may handle alcoholic bev-
26 erages, wine, and beer during the regular course of the
27 person's employment by a liquor control licensee, or wine or
28 beer permittee under this chapter.

29 Sec. 34. Section 123.49, subsection 1, Code 1985, is
30 amended to read as follows:

31 1. No A person shall not sell, dispense, or give to any
32 intoxicated person, or one simulating intoxication, any
33 alcoholic liquor, wine, or beer.

34 Sec. 35. Section 123.49, subsection 2, unnumbered
35 paragraph 1, Code 1985, is amended to read as follows:

1 No A person or club holding a liquor control license or
2 retail wine or beer permit under this chapter, nor and the
3 person's or club's agents or employees, shall not do any of
4 the following:

5 Sec. 36. Section 123.49, subsection 2, paragraphs c
6 through i, Code 1985, are amended to read as follows:

7 c. Sell alcoholic beverages, wine, or beer to any person
8 on credit, except with a bona fide credit card. This provi-
9 sion ~~shall~~ does not apply to sales by a club to its members
10 nor to sales by a hotel or motel to bona fide registered
11 guests.

12 d. Keep on premises covered by a liquor control license
13 any alcoholic liquor in any container except the original
14 package purchased from the department ~~or from a native wine~~
15 ~~manufacturer, except still wines placed in dispensing or~~
16 ~~serving containers for temporary storage~~, and except mixed
17 drinks or cocktails mixed on the premises for immediate
18 consumption. This prohibition does not apply to common
19 carriers holding a class "D" liquor control license.

20 e. Reuse for packaging alcoholic liquor or wine any
21 container or receptacle used originally for packaging
22 alcoholic liquor or wine; or adulterate, by the addition of
23 any substance, the contents or remaining contents of an
24 original package of an alcoholic liquor or wine; or knowingly
25 possess any original package which has been so reused or
26 adulterated.

27 f. Any Employ a person under eighteen years of age ~~shall~~
28 ~~not be employed~~ in the sale or serving of alcoholic liquor,
29 wine, or beer for consumption on the premises where sold.

30 g. Allow any person other than the licensee, permittee, or
31 employees of such the licensee or permittee, to use or keep on
32 the licensed premises any alcoholic liquor in any bottle or
33 other container which is designed for the transporting of such
34 beverages, except as permitted in section 123.95. This
35 paragraph ~~shall~~ does not apply to the lodging quarters of a

1 class "B" liquor control licensee or wine or beer permittee,
2 or to common carriers holding a class "D" liquor control
3 license.

4 h. Sell, give, or otherwise supply any alcoholic beverage,
5 wine, or beer to any person, knowing or having reasonable
6 cause to believe the person to be under legal age, or permit
7 any person, knowing or having reasonable cause to believe the
8 person to be under legal age, to consume any alcoholic
9 beverage, wine, or beer.

10 i. In the case of a retail beer or wine permittee, know-
11 ingly allow the mixing or adding of alcohol or any alcoholic
12 beverage to beer, wine, or any other beverage in or about the
13 permittee's place of business.

14 Sec. 37. Section 123.49, subsection 2, Code 1985, is
15 amended by adding the following new lettered paragraph:

16 NEW LETTERED PARAGRAPH. k. Sell or dispense any wine on
17 the premises covered by the permit or permit the consumption
18 on the premises between the hours of two a.m. and six a.m. on
19 a weekday, and between the hours of two a.m. and six a.m. on
20 the following Monday, however, a holder of a wine permit
21 authorized to sell wine on Sunday may sell or dispense wine
22 between the hours of ten a.m. and twelve midnight on Sunday.

23 Sec. 38. Section 123.49, subsections 3 and 4, Code 1985,
24 are amended to read as follows:

25 3. No person under legal age shall misrepresent the
26 person's age for the purpose of purchasing or attempting to
27 purchase any alcoholic beverage, wine, or beer from any
28 licensee or permittee. If any person under legal age ~~shall~~
29 ~~misrepresent~~ misrepresents the person's age, and the licensee
30 or permittee establishes that the licensee or permittee made
31 reasonable inquiry to determine whether such the prospective
32 purchaser was over legal age, such the licensee or permittee
33 ~~shall~~ is not be guilty of selling alcoholic liquor, wine, or
34 beer to minors.

35 4. No privilege of selling alcoholic liquor, wine, or beer

1 on Sunday as provided in sections 123.36, subsection 6, and
2 123.134, subsection 5, shall be granted to a club or other
3 organization which places restrictions on admission or
4 membership in the club or organization on the basis of sex,
5 race, religion, or national origin. However, the privilege
6 may be granted to a club or organization which places
7 restrictions on membership on the basis of sex, if the club or
8 organization has an auxiliary organization open to persons of
9 the other sex.

10 Sec. 39. Section 123.50, subsections 2 and 3, Code 1985,
11 are amended to read as follows:

12 2. The conviction of any liquor control licensee, wine
13 permittee, or beer permittee for a violation of any of the
14 provisions of section 123.49 ~~shall~~, subject to subsection 3 of
15 this section, be is grounds for the suspension or revocation
16 of the license or permit by the department or the local
17 authority. However, if any liquor control licensee is
18 convicted of any violation of subsection 2, paragraphs "a",
19 "d" or "e", of such that section, or any wine or beer
20 permittee is convicted of a violation of paragraph "a" or "e"
21 of that section, the liquor control license, wine permit, or
22 beer permit shall be revoked and shall immediately be
23 surrendered by the holder, and the bond of the license or
24 permit holder shall be forfeited to the department.

25 3. If any licensee, wine permittee, beer permittee, or
26 employee of such a licensee or permittee ~~shall-be is~~ convicted
27 of a violation of section 123.49, subsection 2, paragraph "h",
28 or if a retail wine or beer permittee shall-be is convicted of
29 a violation of paragraph "i" of such that subsection, the
30 director or local authority shall, in addition to the other
31 penalties fixed for such violations by this section, assess a
32 penalty as follows:

33 a. Upon a first conviction, the violator's liquor control
34 license, wine permit, or beer permit shall be suspended for a
35 period of fourteen days.

1 b. Upon a second conviction within a period of two years,
2 the violator's liquor control license, wine permit, or beer
3 permit shall be suspended for a period of thirty days.

4 c. Upon a third conviction within a period of five years,
5 the violator's liquor control license, wine permit, or beer
6 permit shall be suspended for a period of sixty days.

7 d. Upon a fourth conviction within a period of five years,
8 the violator's liquor control license, wine permit, or beer
9 permit shall be revoked.

10 Sec. 40. Section 123.51, subsection 3, Code 1985, is
11 amended to read as follows:

12 3. No signs or other matter advertising any brand of beer
13 or wine shall be erected or placed upon the outside of any
14 premises occupied by a licensee or permittee authorized to
15 sell beer or wine at retail. This subsection ~~shall~~ does not
16 prohibit the use of signs or other matter inside a fence or
17 similar enclosure which wholly or partially surrounds the
18 licensed premises.

19 Sec. 41. Section 123.53, subsection 2, Code 1985, is
20 amended by adding the following new unnumbered paragraph:

21 NEW UNNUMBERED PARAGRAPH. All moneys received by the
22 department from the issuance of vintner's certificates of
23 compliance and wine permits shall be transferred by the state
24 comptroller to the general fund of the state.

25 Sec. 42. Section 123.55, subsections 8 and 9, Code 1985,
26 are amended to read as follows:

27 8. The number of liquor control licenses, wine permits,
28 and beer permits issued, by class, the number in effect on the
29 last day included in the report, and the number which have
30 been suspended or revoked during the period covered by the
31 report.

32 9. Amount of fees paid to the department from liquor
33 control licenses, wine permits, and beer permits, in gross,
34 and the amount of liquor control license fees returned to
35 local subdivisions of government as provided under this

1 chapter.

2 Sec. 43. Section 123.56, Code 1985, is amended by striking
3 the section and inserting in lieu thereof the following:

4 123.56 NATIVE WINES.

5 1. Subject to rules of the department, manufacturers of
6 native wines from grapes, cherries, other fruits or other
7 fruit juices, vegetables, vegetable juices, dandelions,
8 clover, honey, or any combination of these ingredients,
9 holding a class "A" wine permit as required by this chapter,
10 may sell, keep, or offer for sale and deliver the wine. Sales
11 may be made at retail for off-premises consumption when sold
12 on the premises of the manufacturer. Sales may also be made
13 to class "A" or retail wine permittees or liquor control
14 licensees as authorized by the class "A" wine permit.

15 2. A manufacturer of native wines shall not sell the wines
16 other than as permitted in this chapter and shall not allow
17 wine sold to be consumed upon the premises of the
18 manufacturer. However, prior to sale native wines may be
19 sampled on the premises where made, when no charge is made for
20 the sampling. A person may manufacture native wine for
21 consumption on the manufacturer's premises, when the wine or
22 any part of it is not manufactured for sale.

23 3. For the purposes of this section, "manufacturer"
24 includes only those persons who process in Iowa the fruit,
25 vegetables, dandelions, clover, honey, or any combination of
26 these ingredients, by fermentation into wines.

27 Sec. 44. Section 123.59, Code 1985, is amended to read as
28 follows:

29 123.59 BOOTLEGGING.

30 Any person who, acting individually, or through another
31 acting for the person, shall keep or carry on his the person,
32 or in a vehicle, or leave in a place for another to secure,
33 any alcoholic liquor, wine, or beer, with intent to sell or
34 dispense ~~of such~~ the liquor, wine, or beer, by gift or other-
35 wise in violation of law, or who shall, within this state, in

1 any manner, directly or indirectly, solicit, take, or accept
2 any order for the purchase, sale, shipment, or delivery of
3 such alcoholic liquor, wine, or beer in violation of law, or
4 aid in the delivery and distribution of any alcoholic liquor,
5 wine, or beer so ordered or shipped, or who shall in any
6 manner procure for, sell, or give any alcoholic liquor, wine,
7 or beer to any person under legal age, for any purpose except
8 as authorized and permitted in this chapter, ~~shall-be~~ is a
9 bootlegger and be subject to the general penalties provided by
10 this chapter.

11 Sec. 45. Section 123.60, Code 1985, is amended to read as
12 follows:

13 123.60 NUISANCES.

14 The premises where the unlawful manufacture or sale, or
15 keeping with intent to sell, use or give away, of alcoholic
16 liquors, wine, or beer is carried on, and any vehicle or other
17 means of conveyance used in transporting such liquor, wine, or
18 beer in violation of law, and the furniture, fixtures, vessels
19 and contents, kept or used in connection with such activities
20 are nuisances and shall be abated as provided in this chapter.

21 Sec. 46. Section 123.71, Code 1985, is amended to read as
22 follows:

23 123.71 CONDITIONS.

24 ~~In-no-case-shall-a~~ A bootlegger injunction proceeding, as
25 provided in this chapter, shall not be maintained unless it be
26 is shown to the court that efforts in good faith have been
27 made to discover the base of supplies or place where the
28 defendant charged as a bootlegger conducts an unlawful
29 business or receives or manufactures the alcoholic liquor,
30 wine, or beer, ~~of~~ which the defendant is charged with
31 bootlegging.

32 Sec. 47. Section 123.72, Code 1985, is amended to read as
33 follows:

34 123.72 ORDER OF ABATEMENT.

35 If the existence of a nuisance is established in a civil or

1 criminal action, an order of abatement shall be entered as a
2 part of the judgment in the case. Such The order shall direct
3 the confiscation of all alcoholic liquor, wine, or beer by the
4 state; the removal from the premises involved of all fixtures,
5 furniture, vessels, or movable property used in any way in
6 conducting the unlawful business; the sale of all such removed
7 property as well as any vehicle or other means of conveyance
8 which has been abated, such the sale to be conducted in the
9 manner provided for the sale of chattels under execution; and
10 the effective closing of the premises against use for the
11 purpose of manufacture, sale, or consumption of alcoholic
12 liquor, wine, or beer for a period of one year, unless sooner
13 released by the court.

14 Sec. 48. Section 123.81, Code 1985, is amended to read as
15 follows:

16 123.81 FORFEITURE OF BOND.

17 If the owner of a property who has filed an abatement bond
18 as provided in this chapter fails to abate the liquor, wine,
19 or beer nuisance on the premises covered by the bond, or fails
20 to prevent the maintenance of any liquor, wine, or beer
21 nuisance on said the premises at any time within a period of
22 one year after entry of the abatement order, the court shall,
23 after a hearing in which such fact is established, direct an
24 entry of such the violation of the terms of the owner's bond,
25 to be made on the record and the undertaking of the owner's
26 bond thereupon shall be forfeited.

27 Sec. 49. Section 123.84, Code 1985, is amended to read as
28 follows:

29 123.84 JUDGMENT.

30 If the court after a hearing finds a liquor, wine, or beer
31 nuisance has been maintained on the premises covered by the
32 abatement bond and that liquor, wine, or beer has been sold or
33 kept for sale on the premises contrary to law within one year
34 from the date of the giving of such the bond, then the court
35 shall order the forfeiture of the bond and enter judgment for

1 the full amount of such the bond against the principal and
2 sureties thereof on the bond, and the lien on the real estate
3 created pursuant to section 123.79 shall be decreed foreclosed
4 and the court shall provide for a special and general
5 execution for the enforcement of such the decree and judgment.

6 Sec. 50. Section 123.91, Code 1985, is amended to read as
7 follows:

8 123.91 SECOND AND SUBSEQUENT CONVICTION.

9 Any person who has been convicted, in a criminal action, in
10 any court of record, of a violation of ~~any-of-the-following~~:

11 ~~1--Any~~ a provision of this chapter:

12 ~~2--Any,~~ a provision of the prior laws of this state
13 relating to intoxicating liquors, wine, or beer which ~~were~~ was
14 in force prior to the enactment of this chapter:

15 ~~3--Any,~~ or a provision of the laws of the United States or
16 of any other state relating to intoxicating liquors, wine, or
17 beer, and who is thereafter convicted of a subsequent criminal
18 offense against any provision of this chapter is guilty of the
19 following offenses:

20 a 1. For the second conviction, a serious misdemeanor.

21 b 2. For the third and each subsequent conviction, an
22 aggravated misdemeanor.

23 Sec. 51. Section 123.92, unnumbered paragraph 1, Code
24 1985, is amended to read as follows:

25 Every husband, wife, child, parent, guardian, employer or
26 other person who ~~shall-be~~ is injured in person or property or
27 means of support by any intoxicated person or resulting from
28 the intoxication of any such person, ~~shall-have~~ has a right of
29 action for all damages actually sustained, severally or
30 jointly, against any licensee or permittee, who ~~shall-sell~~
31 sells or ~~give~~ gives any beer, wine, or intoxicating liquor to
32 ~~any-such~~ a person while the person is intoxicated, or ~~serve~~
33 ~~any-such~~ serves a person to a point where such the person is
34 intoxicated, ~~for-all-damages-actually-sustained~~. If the
35 injury was caused by an intoxicated person, a permittee or

1 licensee may establish as an affirmative defense that the
2 intoxication did not contribute to the injurious action of the
3 person.

4 Sec. 52. Section 123.95, unnumbered paragraph 1, Code
5 1985, is amended to read as follows:

6 It is unlawful for any person to allow the dispensing or
7 consumption of intoxicating liquor, except sacramental wines
8 and beer, in any establishment unless such the establishment
9 is licensed under this chapter.

10 Sec. 53. Section 123.96, subsections 1 and 2, Code 1985,
11 are amended to read as follows:

12 1. ~~Except as provided by section 123.56, subsection 4,~~
13 there ~~There~~ is imposed on every person licensed to sell
14 alcoholic beverages for consumption on the premises where
15 sold, a special tax equivalent to fifteen percent of the price
16 established by the department on all alcoholic beverages for
17 general sale to the public. The tax shall be paid by all
18 licensees at the point of purchase from the state on all
19 alcoholic beverages intended or used for resale for
20 consumption on the premises of retail establishments. The tax
21 is in lieu of any other sales tax applied at the state store
22 and shall be shown as a separate item on special sales slips
23 provided by the department for purchases by licensees.

24 2. ~~Except as allowed under section 123.95 and, except as~~
25 ~~allowed under section 123.56, subsection 4,~~ a licensee shall
26 not knowingly keep on the licensed premises nor use for resale
27 purposes any alcoholic liquor on which the special tax has not
28 been paid to the state. The conviction of a violation of this
29 section shall cause the license held to automatically be
30 revoked and the license shall immediately be surrendered by
31 the holder, and the bond of the license holder shall be
32 forfeited to the department.

33 Sec. 54. Section 123.121, unnumbered paragraph 1, Code
34 1985, is amended to read as follows:

35 In any prosecution under this chapter for the unlawful sale

1 of alcoholic liquor, wine, or beer, a sale of alcoholic
2 liquor, wine, or beer which requires a shipment or delivery of
3 such the liquor, wine, or beer, shall be deemed to be made in
4 the county in which such the delivery is made by the carrier
5 to the consignee, or the consignee's agent, or employee.

6 Sec. 55. Chapter 123, Code 1985, is amended by adding
7 sections 56 through 71 of this Act as a new division.

8 Sec. 56. NEW SECTION. 123.171 WINE PERMIT OR LICENSE
9 REQUIRED.

10 A person shall not cause the manufacture, importation, or
11 sale of wine in this state unless a certificate or permit as
12 provided in this division, or a liquor control license as
13 provided in division I of this chapter, is first obtained
14 which authorizes that manufacture, importation, or sale.

15 Sec. 57. NEW SECTION. 123.172 EFFECT ON LIQUOR CONTROL
16 LICENSEES.

17 All applicable provisions of this division relating to
18 class "B" wine permits apply to liquor control licensees in
19 the purchasing, storage, handling, serving and sale of wine.

20 Sec. 58. NEW SECTION. 123.173 WINE PERMITS -- CLASSES.

21 Permits exclusively for the sale or manufacture and sale of
22 wine shall be divided into two classes, and shall be known as
23 class "A" or "B" wine permits.

24 A class "A" wine permit allows the holder to manufacture
25 and sell, or sell at wholesale, in this state, wine as defined
26 in section 123.3, subsection 7. The holder of a class "A"
27 wine permit may manufacture in this state wine having an
28 alcoholic content greater than seventeen percent by weight for
29 shipment outside this state or for sale to the department. A
30 class "B" wine permit allows the holder to sell wine at retail
31 for consumption off the premises.

32 A class "A" wine permittee shall be required to deliver
33 wine to a class "B" wine permittee, and a class "B" wine
34 permittee shall be required to accept delivery of wine from a
35 class "A" wine permittee, only at the licensed premise of the

1 class "B" wine permittee. Except as specifically permitted by
2 the department upon good cause shown, delivery or transfer of
3 wine from an unlicensed premise to a licensed "B" wine
4 permittee's premise, or from one licensed "B" wine permittee's
5 premise to another licensed "B" wine permittee's premise, even
6 where there is common ownership of all of the premises by one
7 class "B" wine permittee, is prohibited.

8 Sec. 59. NEW SECTION. 123.174 ISSUANCE OF WINE PERMITS.

9 The director shall issue class "A" and "B" wine permits as
10 provided in this chapter, and may suspend or revoke a wine
11 permit for cause as provided in this chapter.

12 Sec. 60. NEW SECTION. 123.175 CLASS "A" APPLICATION.

13 Except as otherwise provided in this chapter, a class "A"
14 wine permit shall be issued to a person who complies with all
15 of the following:

16 1. Submits a written application for the permit and states
17 on the application under oath:

18 a. The name and place of residence of the applicant and
19 the length of time the applicant has lived at the place of
20 residence.

21 b. That the applicant is a citizen of the state of Iowa,
22 or if a corporation, that the applicant is authorized to do
23 business in Iowa.

24 c. The place of birth of the applicant, and if the
25 applicant is a naturalized citizen, the time and place of
26 naturalization, or if a corporation, the state of in-
27 corporation.

28 d. The location of the premises where the applicant
29 intends to use the permit.

30 e. The name of the owner of the premises, and if that
31 owner is not the applicant, that the applicant is the actual
32 lessee of the premises.

33 2. Establishes all of the following:

34 a. That the applicant meets the test of good moral
35 character as provided in section 123.3, subsection 11.

1 b. That the premises where the applicant intends to use
2 the permit conform to all applicable laws, health regulations,
3 and fire regulations, and constitute a safe and proper place
4 or building.

5 3. Submits a bond in the amount of five thousand dollars
6 in the form prescribed and furnished by the department with
7 good and sufficient sureties to be approved by the department
8 conditioned upon compliance with this chapter.

9 Sec. 61. NEW SECTION. 123.176 CLASS "B" APPLICATION.

10 Except as otherwise provided in this chapter, a class "B"
11 wine permit shall be issued to a person who complies with all
12 of the following:

13 1. Submits a written application for the permit and states
14 on the application under oath:

15 a. The name and place of residence of the applicant, and
16 the length of time the applicant has lived at the place of
17 residence.

18 b. That the applicant is a citizen of the state of Iowa,
19 or if a corporation, that the applicant is authorized to do
20 business in Iowa.

21 c. The place of birth of the applicant, and if the
22 applicant is a naturalized citizen, the time and place of
23 naturalization, or if a corporation, the place of in-
24 corporation.

25 d. The location of the premises where the applicant
26 intends to use the permit.

27 e. The name of the owner of the premises, and if that
28 owner is not the applicant, that the applicant is the actual
29 lessee of the premises.

30 2. Establishes all of the following:

31 a. That the applicant is a person of good moral character
32 as provided in section 123.3, subsection 11.

33 b. That the premises where the applicant intends to use
34 the permit conform to all applicable laws, health regulations,
35 and fire regulations, and constitute a safe and proper place

1 or building.

2 3. Submits a bond in the amount of one thousand dollars in
3 the form prescribed and furnished by the department with good
4 and sufficient sureties to be approved by the department
5 conditioned upon compliance with this chapter. The bond shall
6 be further conditioned as a part of the permit granted to the
7 effect that the permittee and each surety shall consent to
8 forfeiture of the principal sum of the bond in event of
9 suspension or revocation of the permit pursuant to this
10 chapter.

11 Sec. 62. NEW SECTION. 123.177 AUTHORITY UNDER CLASS "A"
12 PERMIT.

13 1. A person holding a class "A" wine permit may
14 manufacture and sell, or sell at wholesale, wine for
15 consumption off the premises. Sales within the state may be
16 made only to persons holding a class "A" or "B" wine permit
17 and to persons holding a class "A", "B", "C" or "D" liquor
18 control license. A class "A" wine permittee having more than
19 one place of business shall obtain a separate permit for each
20 place of business where wine is to be stored, warehoused, or
21 sold.

22 2. A class "A" wine permit holder may purchase and resell
23 only those brands of wine which are manufactured, fermented,
24 bottled, shipped, or imported by a person holding a
25 certificate of compliance issued pursuant to section 123.175.

26 Sec. 63. NEW SECTION. 123.178 AUTHORITY UNDER CLASS "B"
27 PERMIT.

28 1. A person holding a class "B" wine permit may sell wine
29 at retail for consumption off the premises. Wine shall be
30 sold for consumption off the premises in original containers
31 only.

32 2. A class "B" wine permittee having more than one place
33 of business where wine is sold shall obtain a separate permit
34 for each place of business.

35 Sec. 64. NEW SECTION. 123.179 PERMIT FEES.

1 1. The annual permit fee for a class "A" wine permit is
2 seven hundred fifty dollars.

3 2. The annual permit fee for a class "B" wine permit is
4 five hundred dollars.

5 Sec. 65. NEW SECTION. 123.180 VINTNER'S CERTIFICATE OF
6 COMPLIANCE -- WHOLESALE AND RETAIL RESTRICTIONS.

7 1. A manufacturer, vintner, bottler, importer, or vendor
8 of wine or an agent thereof desiring to ship, sell, or have
9 wine brought into this state for sale at wholesale by a class
10 "A" permittee shall first make application for and shall be
11 issued a vintner's certificate of compliance by the director
12 for that purpose. The vintner's certificate of compliance
13 shall expire at the end of one year from the date of issuance
14 and shall be renewed for a like period upon application to the
15 director unless otherwise revoked for cause. Each application
16 for a vintner's certificate of compliance or renewal of a
17 certificate shall be accompanied by a fee of one hundred
18 dollars payable to the department. Each holder of a vintner's
19 certificate of compliance shall furnish the information
20 required by the director in the form the director requires. A
21 vintner or wine bottler whose plant is located in Iowa and who
22 otherwise holds a class "A" wine permit to sell wine at
23 wholesale is exempt from the fee, but not the other terms and
24 conditions. The holder of a vintner's certificate of
25 compliance may also hold a class "A" wine permit.

26 2. At the time of applying for a vintner's certificate of
27 compliance, each applicant shall file with the department a
28 list of all class "A" wine permittees with whom it intends to
29 do business and shall designate the geographic area in which
30 its products are to be distributed by the permittees.
31 Vintner's certificate holders may appoint more than one class
32 "A" wine permittee to service the same geographic territory.
33 The listing of class "A" wine permittees and geographic area
34 as filed with the department may be amended from time to time
35 by the holder of the certificate of compliance.

1 3. All class "A" wine permit holders shall sell only those
2 brands of wine which are manufactured, bottled, fermented,
3 shipped, or imported by a person holding a current vintner's
4 certificate of compliance. An employee or agent working for
5 or representing the holder of a vintner's certificate of
6 compliance within this state shall register the employee's or
7 agent's name and address with the department. These names and
8 addresses shall be filed with the department's copy of the
9 certificate of compliance issued except that this provision
10 does not require the listing of those persons who are employed
11 on the premises of a bottling plant, or winery where wine is
12 manufactured, fermented, or bottled in Iowa or to the listing
13 of those persons who are thereafter engaged in the
14 transporting of the wine.

15 4. It is unlawful for a holder of a vintner's certificate
16 of compliance or the holder's agent, or any class "A" wine
17 permittee or the permittee's agent, to discriminate between
18 class "B" wine permittees authorized to sell wine at retail.

19 5. It is unlawful for a holder of a vintner's certificate
20 of compliance or the vintner's agent who is engaged in the
21 business of selling wine to class "A" wine permittees to
22 discriminate between class "A" wine permittees authorized to
23 sell wine at wholesale.

24 6. Regardless of any other penalties provided by this
25 chapter, any holder of a certificate of compliance relating to
26 wine, class "A" or retail wine permittee or retail liquor
27 licensee, who violates any of the provisions of this section
28 is subject to a civil fine not to exceed one thousand dollars
29 or subject to suspension of the certificate of compliance,
30 license, or permit for a period not to exceed thirty days or
31 to both civil fine and suspension.

32 Sec. 66. NEW SECTION. 123.181 PROHIBITED ACTS.

33 1. A holder of any class "B" wine permit shall not sell
34 wine except wine which is purchased from a person holding a
35 class "A" wine permit and on which the tax imposed by section

1 123.185 has been paid or wine purchased from the department.

2 2. A class "A" wine permittee shall not sell wine on
3 credit to a retail liquor licensee or wine permittee for a
4 period exceeding thirty days from date of delivery.

5 3. A holder of a vintner's certificate of compliance or
6 class "A" wine permit shall not offer to any purchaser of wine
7 at retail any rebate or coupon as an incentive to purchase
8 wine.

9 Sec. 67. NEW SECTION. 123.182 LABELS -- CONCLUSIVE
10 EVIDENCE.

11 The label on a bottle or other container in which wine is
12 offered for sale in this state, which label represents the
13 alcoholic content of the wine as being in excess of seventeen
14 per cent by weight, is conclusive evidence of the alcoholic
15 content of that wine.

16 Sec. 68. NEW SECTION. 123.183 WINE GALLONAGE TAX.

17 In addition to the annual permit fee to be paid by each
18 class "A" wine permittee, there shall be levied and collected
19 from each class "A" wine permittee on all wine manufactured
20 for sale and sold in this state at wholesale and on all wine
21 imported into this state for sale at wholesale and sold in
22 this state at wholesale, a tax of one dollar for every wine
23 gallon and a like rate for the fractional parts of a wine
24 gallon. A tax shall not be levied or collected on wine
25 manufactured in this state and shipped outside this state by a
26 class "A" wine permittee, or on wine sold by one class "A"
27 wine permittee to another class "A" wine permittee. All
28 revenue derived from the wine tax shall be deposited in the
29 liquor control fund established by section 123.53 and shall be
30 transferred by the state comptroller to the general fund of
31 the state.

32 Sec. 69. NEW SECTION. 123.184 REPORT OF GALLONAGE SALES
33 -- PENALTY.

34 Each class "A" wine permit holder on or before the tenth
35 day of each calendar month commencing on the tenth day of the

1 calendar month following the month in which the person is
2 issued a permit, shall make a report under oath to the
3 department upon forms to be furnished by the department
4 showing the exact number of gallons of wine and fractional
5 parts of gallons, sold by that permit holder during the
6 preceding calendar month. The report also shall state
7 whatever reasonable additional information the director
8 requires. The permit holder at the time of filing this report
9 shall pay to the department the amount of tax due at the rate
10 fixed in section 123.185. A penalty of ten percent of the
11 amount of the tax shall be assessed and collected if the
12 report is not filed and the tax paid within the time required
13 by this section.

14 Sec. 70. NEW SECTION. 123.185 RECORDS REQUIRED.

15 Each class "A" wine permittee shall keep books of account
16 and records showing each sale of wine, which shall be at all
17 times open to inspection by the director and agents of the
18 department. Each class "B" wine permittee shall keep proper
19 books of account and records showing each purchase of wine and
20 the date and the amount of each purchase and the name of the
21 person from whom each purchase was made, which shall be open
22 to inspection by the director and agents of the department
23 during normal business hours of the permittee.

24 Sec. 71. NEW SECTION. 123.186 FEDERAL REGULATIONS
25 ADOPTED AS RULES.

26 The department shall adopt as rules the substance of the
27 federal regulations 27 CFR pt. 6, 27 CFR pt. 8, 27 CFR pt. 10,
28 and 27 CFR pt. 11 as they relate to transactions between
29 wholesalers and retailers.

30 Sec. 72. Section 321.40, Code 1985, is amended by adding
31 the following new unnumbered paragraph:

32 NEW UNNUMBERED PARAGRAPH. The county treasurer shall
33 refuse to renew the registration of a vehicle registered to
34 the applicant for renewal of registration if the applicant has
35 failed to pay any local vehicle taxes due on that vehicle or

1 any other vehicle owned or previously owned by the applicant
2 until such local vehicle taxes are paid.

3 Sec. 73. Section 321.130, Code 1985, is amended to read as
4 follows:

5 321.130 FEES IN LIEU OF TAXES.

6 The registration fees imposed by this chapter upon private
7 passenger motor vehicles or semitrailers ~~shall-be~~ are in lieu
8 of all state and local taxes, except wheel taxes, general-or
9 ~~local,~~ to which motor vehicles or semitrailers ~~may-be~~ are
10 subject, and if a motor vehicle or semitrailer ~~shall-have~~ has
11 been registered at any time under this chapter it shall not
12 thereafter be subject to a personal property tax unless such
13 the motor vehicle or semitrailer ~~shall-have~~ has been in
14 storage continuously as an unregistered motor vehicle or
15 semitrailer during the preceding registration year.

16 Sec. 74. Section 422.45, Code 1985, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. For the period beginning July 1, 1985 and
19 ending June 30, 1986, one half of the gross receipts from the
20 sale or rental of farm machinery and equipment and beginning
21 July 1, 1986, the total gross receipts from the sale or rental
22 of farm machinery and equipment, if the following conditions
23 are met:

24 a. The farm machinery and equipment shall be directly and
25 primarily used in production of agricultural products.

26 b. The farm machinery and equipment shall constitute self-
27 propelled implements or implements customarily drawn or
28 attached to self-propelled implements.

29 Vehicles subject to registration, as defined in section
30 423.1, or replacement parts for such vehicles, shall not be
31 eligible for this exemption.

32 Sec. 75. NEW SECTION. 422B.1 AUTHORIZATION -- ELECTION -
33 - IMPOSITION AND REPEAL.

34 1. A city or a county may impose by ordinance of the city
35 council or the board of supervisors local option taxes

1 authorized by sections 422B.1 through 422B.11, subject to this
2 section.

3 2. A local option tax shall be imposed only after an
4 election at which a majority of those voting on the question
5 favors imposition and shall then be imposed until repealed as
6 provided in subsection 7, paragraph "a". If the tax is a
7 local earnings tax or an additional real property tax imposed
8 by a city, it shall only apply within the corporate boundaries
9 of that city and if imposed by a county, it shall only apply
10 to unincorporated areas of that county. If the tax is a local
11 vehicle tax imposed by a county, it shall apply to all
12 incorporated and unincorporated areas of the county. If the
13 tax is a local sales and services tax imposed by a county, it
14 shall only apply to those incorporated areas and the
15 unincorporated area of that county in which a majority of
16 those voting in the area on the tax favor its imposition. For
17 purposes of the local sales and services tax, all cities
18 contiguous to each other shall be treated as part of one
19 incorporated area.

20 3. Upon its own motion or upon receipt of a petition
21 signed by eligible electors of the city equal in number to
22 five percent of the persons of the city who voted in the last
23 preceding state general election requesting imposition of a
24 local earnings tax or additional real property tax, the city
25 council shall direct within sixty days of its motion or
26 receipt of the petition the county commissioner of elections
27 to submit the question of the imposition to the qualified
28 electors of the city.

29 4. Upon its own motion or upon receipt of a petition
30 signed by eligible electors of the unincorporated area of the
31 county equal in number to five percent of the persons of the
32 unincorporated area of the county who voted at the last
33 preceding state general election requesting imposition of a
34 local earnings tax or additional real property tax, the county
35 board of supervisors shall direct within sixty days of its

1 motion or receipt of the petition the county commissioner of
2 elections to submit the question of the imposition to the
3 qualified electors of the unincorporated area of the county.

4 5. A county board of supervisors shall direct within sixty
5 days the county commissioner of elections to submit the ques-
6 tion of imposition of a local vehicle tax or a local sales and
7 services tax to the qualified electors of the incorporated and
8 unincorporated areas of the county upon receipt of a petition,
9 requesting imposition of a local vehicle tax or a local sales
10 and services tax, signed by eligible electors of the whole
11 county equal in number to five percent of the persons in the
12 whole county who voted at the last preceding state general
13 election or signed by the governing bodies of the cities
14 located within the county representing at least one half of
15 the population of the county. In the case of a local vehicle
16 tax, the petition requesting imposition shall specify the rate
17 of tax and the classes, if any, that are to be exempt. If
18 more than one valid petition is received, the earliest
19 received petition shall be used.

20 6. The county commissioner of elections shall submit the
21 question of imposition of a local option tax at a state
22 general election or at a special election held at the time of
23 a city regular election in the case of a tax imposed by a
24 county or at a state general election or city regular election
25 in the case of a tax imposed by a city which may not be held
26 sooner than sixty days after publication of notice of the
27 ballot proposition. The ballot proposition shall specify the
28 type and rate of tax and in the case of a vehicle tax the
29 classes that will be exempt and in the case of a local sales
30 and services tax the date it will be imposed. The ballot
31 proposition shall also specify the approximate amount of local
32 option tax revenues that will be used for property tax relief.
33 The rate of a local earnings tax shall be in increments of one
34 percent but not in excess of six percent as set by the
35 governing body of the city or county seeking to impose the

1 tax. The rate of the vehicle tax shall be in increments of
2 twenty-five cents per axle as set by the petition seeking to
3 impose the tax. The rate of a local sales and services tax
4 shall be one percent. The rate of an additional real property
5 tax shall be in increments of five cents per one thousand
6 dollars of taxable valuation as set by the governing body of
7 the city or county seeking to impose the tax. The state
8 commissioner of elections shall establish by rule the form for
9 the ballot proposition which form shall be uniform throughout
10 the state.

11 7. a. If a majority of those voting on the question of
12 imposition of a local option tax favor imposition of a local
13 option tax, the governing body of that city or that county, as
14 applicable, shall impose the tax at the rate specified for an
15 unlimited period. However, in the case of a local sales and
16 services tax, the county shall not impose the tax in any
17 incorporated area or the unincorporated area if the majority
18 of those voting on the tax in that area did not favor its
19 imposition. For purposes of the local sales and services tax,
20 all cities contiguous to each other shall be treated as part
21 of one incorporated area. The local option tax may be
22 repealed or the rate increased or decreased only after an
23 election at which a majority of those voting on the question
24 of repeal or rate change favor the repeal or rate change. The
25 election at which the question of repeal or rate change is
26 offered shall be called and held in the same manner and under
27 the same conditions as provided in subsections 3, 4, 5, and 6
28 for the election on the imposition of the local option tax.
29 However, in the case of a local sales and services tax where
30 the tax has not been imposed countywide, the question of
31 repeal or imposition shall be voted on only by the qualified
32 electors of the areas of the county where the tax has been
33 imposed or has not been imposed, as appropriate.

34 b. Within ten days of the election at which a majority of
35 those voting on the question favors the imposition, repeal, or

1 change in the rate of a local option tax, the governing body
2 shall give written notice to the director of revenue or, in
3 the case of a local vehicle tax, to the director of the
4 department of transportation, of the result of the election.

5 8. More than one of the authorized local option taxes may
6 be submitted at a single election and the different taxes
7 shall be separately implemented as provided in this section.

8 9. Local option taxes authorized to be imposed as provided
9 in sections 422B.1 through 422B.11 are a local earnings tax, a
10 local sales and services tax, a local vehicle tax and an
11 additional real property tax. The rate of the taxes shall be
12 up to six percent in increments of one percent for the
13 earnings tax, in increments of twenty-five cents per axle for
14 a vehicle tax, and in increments of five cents per one
15 thousand dollars of taxable valuation for the additional real
16 property tax all as set by the governing body of the city or
17 county seeking to impose the earnings tax or additional real
18 property tax or as set on the petition seeking to impose the
19 vehicle tax. The rate of a local sales and services tax shall
20 be one percent.

21 Sec. 76. NEW SECTION. 422B.2 LOCAL VEHICLE TAX.

22 An annual local vehicle tax at the rate per axle specified
23 on the ballot proposition may be imposed by a county on every
24 vehicle which is required to be registered by the state and is
25 registered with the county treasurer to a person residing
26 within the county where the tax is imposed at the time of
27 registration of the vehicle.

28 The county imposing the tax shall provide for the exemption
29 of each class, if any, of vehicles for which an exemption was
30 listed on the ballot proposition.

31 For the purpose of the tax authorized by this section,
32 "person" and "registration year" mean the same as defined in
33 section 321.1, "vehicle" means motor vehicle as defined in
34 section 321.1 which is subject to registration under section
35 321.18, and which is registered with the county treasurer and

1 "axle" means the assembly of housing and axle shafts which
2 supports and propels either a pair of wheels or one wheel
3 only.

4 Sec. 77. NEW SECTION. 422B.3 ADMINISTRATION.

5 A local vehicle tax or change in the rate shall be imposed
6 January 1 immediately following a favorable election for
7 registration years beginning on or after that date and the
8 repeal of the tax shall be as of December 31 following a
9 favorable election for registration years beginning after that
10 date.

11 Local officials shall confer with the director of the
12 department of transportation for assistance in drafting the
13 ordinance imposing a local vehicle tax. A certified copy of
14 the ordinance shall be filed with the director as soon as
15 possible after passage. The director shall inform the
16 appropriate county treasurers and provide assistance to them
17 for the collection of all local vehicle taxes and any
18 penalties, crediting local vehicle tax receipts including
19 penalties to a "local vehicle tax fund" established in the
20 office of the county treasurer. From the local vehicle tax
21 fund, the treasurer shall remit monthly, by direct deposit in
22 the same manner as provided in section 384.11, to each city in
23 the county the amount collected from residents of the city
24 during the preceding calendar month and to the county the
25 amount collected from the residents of the unincorporated area
26 during the preceding calendar month. Moneys received by a
27 city or county from this fund shall be credited to the general
28 fund of the city or county to be used solely for public
29 transit or shall be credited to the street construction fund
30 of that city or the secondary road fund of that county to be
31 used for the purposes specified in section 312.6.

32 Sec. 78. NEW SECTION. 422B.4 PAYMENT.

33 Taxpayers shall pay a local vehicle tax to the county
34 treasurer at the time of application for registration of the
35 vehicle under chapter 321 for the registration year. The

1 county treasurer shall require a person applying for
2 registration of a vehicle to state the person's residence and
3 shall not issue a state registration certificate to the owner
4 of a vehicle on which a local vehicle tax is due until the
5 local vehicle tax is paid.

6 Payment of a local vehicle tax shall be evidenced by a
7 notation on the state registration certificate. The director
8 of the department of transportation shall prescribe by rule
9 the type of notation. A local vehicle tax imposed on a
10 vehicle registered for a part of a registration year only
11 shall be prorated on the same basis and in the same manner as
12 state registration fees. A local vehicle tax shall not be
13 refunded even when state registration fees are refunded.

14 Unpaid local vehicle taxes are a lien upon the vehicle on
15 which they are due. Penalties for late payment which are
16 comparable to the penalties for late payment of state regis-
17 tration fees shall be imposed by the ordinance imposing a
18 local vehicle tax. Willful violation of a local vehicle tax
19 ordinance is a simple misdemeanor.

20 Sec. 79. NEW SECTION. 422B.5 LOCAL EARNINGS TAX.

21 1. A city or county may impose an annual earnings tax at
22 the rate on the ballot proposition on the wages, salaries,
23 commissions, and other compensation of resident and
24 nonresident individuals derived from work performed or
25 services rendered within the city or the unincorporated area
26 of the county when the tax is imposed.

27 2. For purposes of the local earnings tax "resident
28 individual" means an individual taxpayer whose principal place
29 of residence at the end of the taxpayer's tax year is located
30 in the city or unincorporated area of the county where the tax
31 is imposed and "nonresident individual" means an individual
32 who is not a resident individual. If the compensation
33 received for work performed or services rendered is for work
34 performed or services rendered both within and without the
35 area where the tax is imposed, the amount of compensation of

1 an individual derived from work performed or services rendered
2 that is subject to the local earnings tax shall be reasonably
3 apportioned to the city or unincorporated area of the county,
4 as applicable, by means of a work activity ratio as provided
5 in rules adopted by the department of revenue.

6 Sec. 80. NEW SECTION. 422B.6 ADMINISTRATION.

7 A local earnings tax or change in the rate shall be imposed
8 January 1 following the favorable election for tax years
9 beginning on or after January 1 and repeal of the tax shall be
10 as of December 31 following the favorable election for tax
11 years beginning after December 31.

12 The director of revenue shall administer the provisions of
13 a local earnings tax as nearly as possible in conjunction with
14 the administration of state income tax laws. The director
15 shall provide appropriate forms, or provide on the regular
16 state tax forms, for reporting local earnings tax.

17 An ordinance imposing a local earnings tax shall adopt by
18 reference the applicable provisions of the appropriate
19 sections of chapter 422, division II. All powers and
20 requirements of the director in administering the state income
21 tax law apply to the administration of a local earnings tax,
22 including but not limited to, the provisions of sections
23 422.20, 422.22 to 422.31, 422.68, and 422.72 to 422.75. Local
24 officials shall confer with the director of revenue and obtain
25 the director's assistance in drafting the ordinance imposing a
26 local earnings tax. A certified copy of the ordinance shall
27 be filed with the director as soon as possible after passage.

28 The director, in consultation with local officials, shall
29 collect and account for a local earnings tax and any interest
30 and penalties. The director shall credit local earnings tax
31 receipts and any interest and penalties collected from returns
32 filed on or before November 1 of the calendar year following
33 the tax year for which the local earnings tax is imposed to a
34 "local earnings tax fund" established in the office of the
35 treasurer of state. All local earnings tax receipts and any

1 interest and penalties received or refunded from returns filed
2 after November 1 of the calendar year following the tax year
3 for which the local earnings tax is imposed shall be deposited
4 in or withdrawn from the state general fund and shall be
5 considered part of the cost of administering the local
6 earnings tax.

7 Sec. 81. NEW SECTION. 422B.7 PAYMENT TO LOCAL GOVERNMENT
8 -- USE OF RECEIPTS.

9 1. On or before January 15, the director of revenue shall
10 make an accounting of the local earnings tax receipts and any
11 interest and penalties collected from returns filed on or
12 before November 1 of the preceding year and shall certify to
13 the treasurer of state this amount collected. The treasurer
14 of state shall remit within fifteen days of the certification
15 by the director of revenue to each city and county which has
16 imposed a local earnings tax the amount in the local earnings
17 tax fund collected as a result of its tax.

18 2. Local earnings tax moneys received by a city or county
19 may be expended for any lawful purpose of the city or county
20 which imposed the tax.

21 Sec. 82. NEW SECTION. 422B.8 LOCAL SALES AND SERVICES
22 TAX.

23 1. A local sales and services tax at the rate of one
24 percent may be imposed by a county on the gross receipts taxed
25 by the state under chapter 422, division IV. A local sales
26 and services tax shall be imposed on the same basis as the
27 state sales and services tax and may not be imposed on the
28 sale of any property or on any service not taxed by the state.
29 A local sales and services tax is applicable to transactions
30 within those incorporated and unincorporated areas of the
31 county where it is imposed and shall be collected by all
32 persons required to collect state gross receipts taxes. All
33 cities contiguous to each other shall be treated as part of
34 one incorporated area.

35 The amount of the sale, for purposes of determining the

1 amount of the local sales and services tax, does not include
2 the amount of any state gross receipts taxes.

3 A tax permit other than the state tax permit required under
4 section 422.53 shall not be required by local authorities.

5 2. Notwithstanding anything in subsection 1, the following
6 items shall not be subject to a local option sales and
7 services tax regardless if the state sales, services and use
8 tax is imposed or not:

9 a. The gross receipts from the sale or rental of farm
10 machinery and equipment, if the following conditions are met:

11 (1) The farm machinery and equipment shall be directly and
12 primarily used in production of agricultural products.

13 (2) The farm machinery and equipment shall constitute
14 self-propelled implements or implements customarily drawn or
15 attached to self-propelled implements.

16 Vehicles subject to registration, as defined in section
17 423.1, or replacement parts for such vehicles, shall not be
18 eligible for this exemption.

19 b. The gross receipts from the sale or rental of
20 industrial machinery, equipment and computers, including
21 replacement parts which are depreciable for state and federal
22 income tax purposes, if the following conditions are met:

23 (1) The industrial machinery, equipment and computers
24 shall be directly and primarily used in the manner described
25 in section 428.20 in processing tangible personal property or
26 in research and development of new products or processes of
27 manufacturing, refining, purifying, combining of different
28 materials or packing of meats to be used for the purpose of
29 adding value to products, or in processing or storage of data
30 or information by an insurance company, financial institution
31 or commercial enterprise. As used in this subparagraph:

32 (a) "Insurance company" means an insurer organized under
33 chapter 508, 515, 518, 519, or 520 or authorized to do
34 business in Iowa as an insurer and having fifty or more
35 persons employed in this state excluding licensed insurance

1 agents.

2 (b) "Financial institutions" means as defined in section
3 527.2, subsection 4.

4 (c) "Commercial enterprise" includes businesses and
5 manufacturers conducted for profit and includes centers for
6 data processing services to insurance companies, financial
7 institutions, businesses and manufacturers but excludes
8 professions and occupations and nonprofit organizations.

9 (2) The industrial machinery, equipment and computers must
10 be real property within the scope of section 427A.1,
11 subsection 1, paragraph "e" or "j", and must be subject to
12 taxation as real property.

13 However, the provisions of chapters 404 and 427B which
14 result in the exemption from taxation of property for property
15 tax purposes do not preclude the property from receiving this
16 exemption if the property otherwise qualifies.

17 The gross receipts from the sale or rental of hand tools
18 are not exempt. The gross receipts from the sale or rental of
19 pollution control equipment qualifying under subparagraph (1)
20 shall be exempt.

21 The gross receipts from the sale or rental of industrial
22 machinery, equipment, and computers, including pollution
23 control equipment, within the scope of section 427A.1,
24 subsection 1, paragraphs "h" and "i", shall not be exempt.

25 Sec. 83. NEW SECTION. 422B.9 ADMINISTRATION.

26 A local sales and services tax shall be imposed either
27 January 1, April 1, July 1 or October 1 following the
28 notification of the director of revenue.

29 A local sales and services tax shall be repealed only on
30 March 31, June 30, September 30, or December 31. At least
31 fifty-five days before the imposition or repeal of the tax, a
32 county shall provide notice of the action by certified mail to
33 the director of revenue.

34 The director of revenue shall administer a local sales and
35 services tax as nearly as possible in conjunction with the ad-

1 ministration of state gross receipts tax laws. The director
2 shall provide appropriate forms or provide on the regular
3 state tax forms for reporting local sales and services tax
4 liability.

5 The ordinance of a county board of supervisors imposing a
6 local sales and services tax shall adopt by reference the
7 applicable provisions of the appropriate sections of chapter
8 422, division IV. All powers and requirements of the director
9 to administer the state gross receipts tax law are applicable
10 to the administration of a local sales and services tax law,
11 including but not limited to, the provisions of sections
12 422.25, subsection 4, 422.30, 422.48 to 422.52, 422.54 to
13 422.58, 422.67, 422.68, 422.69, subsection 1, and 422.70 to
14 422.75. Local officials shall confer with the director of
15 revenue for assistance in drafting the ordinance imposing a
16 local sales and services tax. A certified copy of the
17 ordinance shall be filed with the director as soon as possible
18 after passage.

19 The director, in consultation with local officials, shall
20 collect and account for a local sales and services tax. The
21 director shall certify each quarter the amount of local sales
22 and services tax receipts and any interest and penalties to be
23 credited to the "local sales and services tax fund"
24 established in the office of the treasurer of state.

25 All local tax moneys and interest and penalties received or
26 refunded one hundred eighty days or more after the date on
27 which the county repeals its local sales and services tax
28 shall be deposited in or withdrawn from the state general
29 fund.

30 Sec. 84. NEW SECTION. 422B.10 PAYMENT TO LOCAL
31 GOVERNMENTS.

32 1. The treasurer of state shall credit the local sales and
33 services tax receipts and interest and penalties from a county
34 to the county's account in the local sales and services tax
35 fund. The treasurer of state, pursuant to rules of the

1 director of revenue, shall remit at least quarterly to the
2 board of supervisors, if the tax was imposed in the unincor-
3 porated area, a pro rata share of the county account based
4 upon the percentage of population of the county residing in
5 the unincorporated area of the county to the total population
6 residing in those areas of the county where the tax was
7 imposed and to each city in the county where the tax was
8 imposed a pro rata share of the county account based upon the
9 percentage of the city's population residing in the county to
10 the total population residing in those areas of the county
11 where the tax was imposed, all according to the population as
12 determined by the most recent certified federal census.

13 2. Local sales and services tax moneys received by a city
14 or county may be expended for any lawful purpose of the city
15 or county.

16 Sec. 85. NEW SECTION. 422B.11 ADDITIONAL REAL PROPERTY
17 TAX.

18 An additional real property tax may be imposed by a city or
19 county on all taxable property located within the incorporated
20 area of the city or the unincorporated area of the county, as
21 applicable. The additional real property tax shall be imposed
22 for the tax year in which the favorable election was held and
23 for each subsequent tax year until repealed. The rate of the
24 tax shall be the rate specified on the ballot proposition.

25 Sec. 86. Section 427A.9, unnumbered paragraph 3, Code
26 1985, is amended to read as follows:

27 Notwithstanding the provisions of this section which
28 require an increase in general fund revenues in excess of five
29 and one-half percent, adjusted for changes in rate or basis,
30 to increase the personal property tax credit, the amount of
31 the personal property tax credit, to be allowed for taxes
32 payable in the fiscal year beginning July 1, 1982 and ending
33 June 30, 1983 and in each fiscal year of the fiscal period
34 beginning July 1, 1985 and ending June 30, 1987 shall be
35 increased as provided in this section.

1 Sec. 87. Section 427A.10, Code 1985, is amended to read as
2 follows:

3 427A.10 PHASE OUT OF TAX.

4 Effective on July 1 ~~after the tax year in which the ninth~~
5 ~~increase in the additional personal property tax credit~~
6 ~~becomes effective, 1987~~, all taxes on personal property as
7 defined in section 427A.1 are repealed, and personal property
8 shall not thereafter be listed or assessed. This section
9 shall prevail over all inconsistent statutes.

10 Sec. 88. Section 427A.12, subsection 6, Code 1985, is
11 amended to read as follows:

12 6. For each state fiscal year beginning on or after the
13 ~~year in which the ninth increase in the additional personal~~
14 ~~property tax credit under this division becomes effective July~~
15 1, 1987, each taxing district shall be reimbursed from the
16 personal property tax replacement fund in an amount equal to
17 its personal property tax replacement base.

18 Sec. 89. Section 427A.13, Code 1985, is amended to read as
19 follows:

20 427A.13 APPROPRIATION.

21 There is hereby appropriated from the general fund of the
22 state ~~of Iowa~~ to the personal property tax replacement fund
23 the following sums, or so much thereof as may be necessary, to
24 carry out the provisions of this chapter as amended by this
25 division. For the fiscal year beginning July 1, 1973, and
26 ending June 30, 1974, there is appropriated the sum of thirty-
27 one million nine hundred thousand dollars. For the fiscal
28 year beginning July 1, 1974, and ending June 30, 1975, and
29 each succeeding fiscal year, there is appropriated the sum of
30 thirty-five million seven hundred thousand dollars. For each
31 year of the fiscal period beginning July 1, 1977 and ending
32 June 30, 1979 the total appropriation shall be thirty-eight
33 million six hundred thousand dollars. For the fiscal year
34 beginning July 1, 1983 and ending June 30, 1984, the total
35 appropriation shall be forty-six million two hundred thousand

1 dollars. For the fiscal year beginning July 1, 1984 and
2 ending June 30, 1985, the total appropriation shall be twenty-
3 three million one hundred thousand dollars. For the fiscal
4 year beginning July 1, 1985 and ending June 30, 1986, and each
5 succeeding fiscal year, the total appropriation shall be an
6 amount equal to the amount paid on May 15 of the preceding
7 fiscal year plus one-half of the amount needed to fund the
8 additional personal property tax credit payable in that fiscal
9 year. In each fiscal year for which an increase in the
10 additional personal property tax credit becomes effective as
11 provided in this division, the appropriation under this
12 section shall be increased by three million eight hundred
13 thousand dollars, and ~~such~~ this increased appropriation shall
14 continue for each succeeding fiscal year. For the fiscal year
15 ~~for which the ninth increase in the additional personal~~
16 ~~property tax credit becomes effective as provided in this~~
17 ~~division~~ beginning July 1, 1987 the total appropriation shall
18 be sixty-two million eight hundred thousand dollars. For the
19 fiscal year beginning July 1, 1988, and for each succeeding
20 fiscal year, the total appropriation shall be sixty-eight
21 million dollars per year.

22 Sec. 90. Section 427B.12, Code 1985, is amended to read as
23 follows:

24 427B.12 REIMBURSEMENT.

25 Each county treasurer shall be reimbursed an amount equal
26 to the machinery and computer tax replacement claim for that
27 county determined pursuant to section 427B.11, subsection 3.
28 For the fiscal year beginning July 1, 1987 and for each
29 subsequent fiscal year, each county treasurer shall be
30 reimbursed the same percentage of the tax replacement claim
31 determined pursuant to section 427B.11, subsection 3. The
32 state comptroller shall determine the percent of each tax
33 replacement claim to be paid by dividing the amount
34 appropriated to pay the claims under section 427B.13 by the
35 total amount of tax replacement claims from all county

1 treasurers. The reimbursement shall be made in two equal
2 installments on or before September 30 and March 30 of each
3 year. The county treasurer shall apportion the disbursement
4 in the manner provided in section 445.57.

5 Sec. 91. Section 427B.13, Code 1985, is amended to read as
6 follows:

7 427B.13 APPROPRIATION.

8 There is appropriated annually from the general fund of the
9 state to the state comptroller an amount sufficient to carry
10 out the provisions of sections 427B.10 to 427B.14. For the
11 fiscal year beginning July 1, 1987 and for each subsequent
12 fiscal year, there is appropriated from the general fund of
13 the state the same amount, or as much as is necessary, as was
14 appropriated for the fiscal year beginning July 1, 1986 to
15 carry out sections 427B.10 to 427B.14.

16 Sec. 92. Section 455C.1, subsection 1, Code 1985, is
17 amended to read as follows:

18 1. "Beverage" means wine as defined in section 123.3,
19 subsection 7, alcoholic liquor as defined in section 123.3,
20 subsection 8, beer as defined in section 123.3, subsection 9,
21 mineral water, soda water and similar carbonated soft drinks
22 in liquid form and intended for human consumption.

23 Sec. 93. Section 455C.2, subsection 1, Code 1985, is
24 amended to read as follows:

25 1. Except purchases of wine as defined in section 123.3,
26 subsection 7, or alcoholic liquor as defined in section 123.3,
27 subsection 8, by holders of class "A", "B" and "C" liquor
28 control licenses, a refund value of not less than five cents
29 shall be paid by the consumer on each beverage container sold
30 in this state by a dealer for consumption off the premises.
31 Upon return of the empty beverage container upon which a
32 refund value has been paid to the dealer or person operating a
33 redemption center and acceptance of the empty beverage
34 container by the dealer or person operating a redemption
35 center, the dealer or person operating a redemption center

1 shall return the amount of the refund value to the consumer.

2 Sec. 94. DEPARTMENT PHASEOUT. Notwithstanding other pro-
3 visions of this Act, the department shall continue to sell its
4 existing wine inventory through the department's stores for a
5 period beginning July 1, 1985 and ending June 30, 1986.
6 Anytime within these dates the department may dispose of all
7 or any part of its wine inventory at a public sale to the
8 highest bidder at times and places determined by the
9 department. The department shall not sell wine at retail or
10 wholesale beyond June 30, 1986. Any wine product not disposed
11 of and remaining in inventory on June 30, 1986 shall be sold
12 at a public sale to the highest bidder at times and places
13 determined by the department.

14 Sec. 95. Sections 334A.1 and 405.1, Code 1985, are
15 repealed.

16 Sec. 96. Section 95 of this Act is effective July 1, 1987.

17 EXPLANATION

18 Sections 1 through 71 of this bill would place wines
19 containing more than five but not more than seventeen percent
20 alcohol by weight under private distribution and sale by
21 wholesalers, wine stores, and stores which deal in the sale of
22 food for consumption off the premises. A class "A" wine
23 permit is for wholesalers and class "B" is for retailers. A
24 class "B" permit allows the sale of wine for consumption off
25 the licensed premises.

26 Wholesalers, and retailers dealing primarily in wine, would
27 be required to obtain a separate and distinct wine permit. A
28 retail liquor licensee who presently has the privilege of
29 selling wine for on-premise consumption would not need
30 additional authority but would be required to purchase a class
31 "B" permit to sell wine for consumption off the premises.

32 Wine containing more than seventeen percent alcohol by
33 weight would continue to be subject to the present alcoholic
34 beverage provisions. Wine containing more than five percent
35 but less than seventeen percent could be imported, wholesaled,

1 and retailed through private facilities and the state is
2 required to dispose of its stock of wine within a year of the
3 bill's enactment. Vintner's and wholesaler's certificates and
4 permits would be approved and issued by the department.

5 Fees for the issuance of wine permits are of fixed rate set
6 at seven hundred fifty dollars for a class "A" permit and five
7 hundred dollars for a class "B" permit.

8 These sections of the bill also establish an excise tax of
9 one dollar per gallon on wine sold for retail sale within this
10 state. This tax is imposed in place of the current state
11 revenue from these sales, and is imposed at the wholesale
12 level.

13 The bill creates a new division in chapter 123 with
14 sections numbered 123.163 through 123.186, and refers to some
15 of these sections.

16 Section 74 exempts the gross receipts from the sale or
17 rental of farm machinery and equipment from the state sales,
18 services and use tax if the machinery or equipment is directly
19 and primarily used in the production of farm products and is
20 self-propelled or drawn by self-propelled implements. The
21 total exemption begins July 1, 1986. Between July 1, 1985 and
22 June 30, 1986 one half of the gross receipts are exempt.

23 Sections 75 through 85 of this bill authorize both cities
24 and counties to impose an earnings tax based upon the wages,
25 salaries, and compensation received by individuals, an
26 additional real property tax, and authorize counties to impose
27 a tax on every state-registered vehicle belonging to a
28 resident of the county, to impose a sales and services tax
29 based upon gross receipts subject to state sales and services
30 tax.

31 An earnings tax and sales and services tax will be
32 administered by the state director of revenue in much the same
33 way as the comparable state tax is administered. A local
34 vehicle tax will be administered by county officials.

35 Local taxes shall be imposed, have the rate changed, or be

1 repealed only after a favorable vote at an election. If a
2 city imposes a tax, it applies only within the incorporated
3 area. If a county imposes a tax, it applies only within the
4 unincorporated area of the county, except that a vehicle tax
5 applies countywide and the sales and services tax applies only
6 to those areas where a majority of the voters favored its
7 imposition. The election for the local earnings tax can be
8 held by motion of the city council or board of supervisors but
9 must be held if a valid petition is presented to the council
10 or board. The election for the vehicle tax or the sales and
11 services tax must be held if a valid petition is presented to
12 the board of supervisors by the eligible electors or must be
13 held if the cities representing a majority of the population
14 of the county petition for it. The election must specify the
15 type of tax and the rate at which it is to be imposed. The
16 rates are up to six percent in increments of one percent for
17 the earnings tax, one percent for the sales and services tax,
18 in increments of twenty-five cents per axle for the vehicle
19 tax and in increments of five cents per one thousand dollars
20 of taxable value for the additional real property tax.

21 Sections 86 through 89 of this bill continue the personal
22 property tax phaseout for the 1985-86 and 1986-87 fiscal years
23 and repeal all taxes on personal property beginning July 1,
24 1987 for taxes payable in that year. Beginning with the 1987-
25 88 fiscal year the state will reimburse the local taxing
26 jurisdictions for the loss in taxes from personal property
27 being exempt from tax in the total amount of sixty-eight
28 million dollars.

29 Sections 90 and 91 of this bill freeze the amount the state
30 reimburses local jurisdictions for the loss in tax revenue as
31 a result of certain industrial machinery, equipment and
32 computers being assessed at thirty percent of their value.
33 The amount at which the reimbursement is frozen is equal to
34 the amount that was reimbursed to the local jurisdiction for
35 the 1987-88 fiscal year.

S.F. 395 H.F. _____

1 Section 95 of the bill repeals the county government
2 assistance fund and the municipal assistance fund into which
3 state moneys are appropriated to assist local cities and
4 counties. This repeal is effective for the 1987-88 fiscal
5 year.

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SENATE 2
MARCH 11, 1985

STATE OF IOWA

LSB No. 2747S

Staff ID. CMG

FISCAL NOTE

FILED MAR 8 1985

SENATE FILE 395

REQUESTED BY SEN. PALMER

In compliance with a written request received March 6, 1985, a fiscal note for SENATE FILE 395 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SENATE FILE 395 has the following provisions:

Permits the PRIVATE DISTRIBUTION AND SALE OF WINE containing more than five, but not more than seventeen percent alcohol by wholesalers, wine stores, and stores which sell food for consumption off the premises (sections 1 to 70). Wine containing more than seventeen percent alcohol by weight would continue to be distributed and sold by the Iowa Beer & Liquor Control Department. The State is required to dispose of its inventory of wine within a year of the bill's enactment.

Senate File 395 establishes three classes of licenses: Class A Wine (wholesaler), \$750 per year; Class B Wine (off premises), \$500 per year; and a certificate for a manufacturer, vintner, bottler, importer, or vendor of wine or an agent thereof desiring to ship, sell, or have wine brought into this state for sale (\$100 per year). The bill deposits the license fees in the state general fund.

A WINE GALLONAGE TAX of \$1.00 per gallon is established by the bill. This tax is levied and collected on all wines sold at the wholesale level. The bill deposits the gallonage tax in the state general fund.

FISCAL EFFECT: For those sections pertaining to the private sale of wine, the following assumptions have been made in determining the fiscal effect:

1. Volume sales would increase three times in the first year and approximately twice each year thereafter. (Based on experience of other control states.)
2. Average cost per bottle of wine in Iowa is \$1.88 and the average retail price is \$3.50. The wholesale markup under the proposed bill would be 20% and the retail markup would be 30%. The bill establishes a \$1.00 a gallon tax on wine, which would establish the average retail price under the proposed bill at \$3.55.
3. Approximately 160 vintner's certificates of compliance would be issued the first year and 80 vintner's certificates of compliance in the second year. (Based on other control states' experience).
4. Approximately 100 Class A wine wholesale permits will be issued the first year and 50 permits in the second year. (Based on experience of other control states)
5. There would be 4,000 Class B licenses per year.
6. Beer & Liquor Control Department operations would be reduced.
7. Sales of spirits would decline due to less foot traffic and inconvenience. This decline in sales would be directly tied to the level of private wine sales.
8. Increased economic activity would result from private sale of wine.

The fiscal effect of these sections is as follows:

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(dollars in thousands)

Receipts/Disbursements

	Fiscal Year 1986			Fiscal Year 1987		
	Current Law	Proposed Law	Diff.	Current Law	Proposed Law	Diff.
<u>RECEIPTS</u>						
Gross Profits (wine)	\$12,900	0	(12,900)	\$12,900	0	(12,900)
Sales Tax - 4%	900	3,294	2,394	900	2,080	1,180
Licensee Tax - 15%	840	653	(187)	840	0	(840)
Gallonage Tax - \$1.00	0	6,210	6,210	0	4,140	4,140
Excess Bottle Deposit	140	0	(140)	140	0	(140)
New Licenses/Cert.	0	2,091	2,091	0	2,045	2,045
Inventory/Sell Off	0	4,000	4,000	0	0	0
Reduced Spirit Sales	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Increased Economic Activity	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**
TOTAL RECEIPTS	\$14,780	16,248	1,468	\$14,780	8,265	(6,515)
<u>DISBURSEMENTS</u>						
<u>State</u>						
General Fund	\$ 8,840	11,105	2,265	\$ 8,840	6,185	(2,655)
Sales Tax	900	3,294	2,394	900	2,080	1,180
Licensee Tax	840	653	(187)	840	0	(840)
TOTAL GENERAL FUND	\$10,580	15,052	4,472	\$10,580	8,265	(2,211)
<u>Local</u>						
10% to Cities	\$ 2,800	804	(1,996)	\$ 2,800	0	(2,800)
5% to Counties	1,400	392	(1,008)	1,400	0	(1,400)
TOTAL LOCAL	\$ 4,200	1,196	(3,004)	\$ 4,200	0	(4,200)
TOTAL DISBURSEMENTS	\$14,780	16,248	1,468	\$14,780	8,265	(6,411)
<u>RECAP</u>						
Fiscal Effect - State	\$10,580	15,052	4,472	\$10,580	8,265	(2,211)
Fiscal Effect - Local	4,200	1,196	(3,004)	4,200	0	(4,200)
TOTAL FISCAL EFFECT	\$14,780	16,248	1,468	\$14,780	8,265	(6,411)

Effect to Beer and Liquor Operations (Appropriations Savings)

The appropriations for Beer and Liquor Control Department operations can be expected to decrease due to private sale of wine. Currently wine sales represent approximately 22 percent of the Department's sales. However, much of the Department's \$18.0 million budget represents costs that are fixed, at least in the near-term. Some future savings may be realized as store leases expire, but these would not be realized for several years. It is expected that the general fund appropriation can be reduced by \$761,000 for fiscal 1986, representing a reduction of 55 FTE's, and by \$1,522,000 for fiscal 1987, representing a

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reduction of 111 FTE's. (Note- because the Department would be selling its wine inventory during 1986, the full annual savings will not be recognized until fiscal year 1987.)

Footnotes

* Decrease in Spirit Sales: Based on the experience of other states, sales of spirits in state liquor stores are expected to decline. Because the exact impact is unknown, an accurate estimate is not possible. It should be noted that for every one percent decline in spirit sales, total revenues will decrease by approximately \$432,000. The Beer and Liquor Control Department feels that this reduction could be five percent or more.

* Increased Economic Activity: Increased economic activity is also expected to result from the private sale of wine. Again, the exact effect is unknown, thus no accurate estimate is possible. Increasing the employment base has the potential of raising revenues in the following areas:

	<u>State Revenues</u>	<u>Local Revenues</u>
Business share	Corporate Income Tax Franchise Tax Insurance Premiums Tax	Property Tax
Individual share	Personal Income Tax Sales Tax Excise Taxes	Property Tax

The Bill also exempts the gross receipts from the sale or rental of FARM MACHINERY AND EQUIPMENT from the state sales, services and use tax (Section 74). The machinery or equipment must be directly and primarily used in production of farm products and must be self-propelled or drawn by self-propelled implements. For fiscal year 1986, one-half of the gross receipts are exempt. Beginning in fiscal 1987, all of the qualifying gross receipts are exempt.

FISCAL EFFECT: The effect for this area assumes no changes in the economy as related to the exemption on agricultural machinery and equipment. Revenue Department estimates have been based on a \$32.0 million annual cost which includes repair parts. By eliminating repair parts from this estimate base, the \$32.0 million cost is expected to decline by \$4.0 to \$8.0 million. For fiscal 1986 a reduction of one-half of the tax results in a decline of approximately \$13.0 million. For fiscal 1987, when the full reduction begins, a decline of approximately \$26.0 million is projected.

Senate File 395 further provides authorization for cities or counties to impose LOCAL OPTION TAXES (sections 75-85). These taxes may be imposed, have their rates changed, or be repealed after an election upon a majority favorable vote. An election can be called by a city council or a county board of supervisors and shall be called upon receipt of a petition signed by eligible electors in the city or county equal in number to five percent of the persons in the city or county who voted in the last preceding state general election requesting the tax imposition, rate change, or repeal. The local option tax shall be imposed for an unlimited period.

The ballot proposition shall specify the type and rate of tax. In the case of a vehicle tax, the ballot must also specify the classes that will be exempt. In the case of a local sales and services tax, the ballot shall specify the date it shall be imposed. The ballot

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proposition shall also specify the approximate amount of additional revenues that will be used for property tax relief.

If a tax is imposed by a city, it shall only apply within the corporate boundaries of that city. If a tax is imposed by a county, it shall apply only within the unincorporated areas of the county, except that a vehicle tax applies countywide and the sales and services tax applies only to those areas where a majority of the voters favored its imposition.

Local option tax areas and the rate increments are as follows.

Local Earnings Tax. Rate increments of one percent but not in excess of six percent applied to the wages, salaries, commissions, and other compensation of resident and non-resident individuals derived from work performed or services rendered within the city or the unincorporated area of the county when the tax is imposed. A local income surtax or change in the rate shall be imposed January 1 following the favorable election for tax years beginning on or after January 1 and repeal of the surtax shall be as of December 31 following the favorable election for tax years beginning after December 31.

Local earnings tax moneys received by a city or county may be expended for any lawful purpose of the city or county which imposed the tax.

Vehicle Tax. Rate increments of twenty-five cents per axle applied to every vehicle which is registered by the state and is registered with the county treasurer to a person residing within the county at the time of registration where the tax is imposed. Vehicles which the local authority exempts from the local tax must be listed on the ballot proposition. A local vehicle tax or change in the rate shall be imposed January 1 immediately following a favorable election for registration years beginning on or after that date and the repeal of the tax shall be as of December 31 following favorable election for registration years beginning after that date.

A 'local vehicle tax fund' shall be established in the office of the county treasurer. On a monthly basis, the county treasurer shall remit from this fund to each city in the county the amount collected from the residents of the city during the preceding calendar month. Moneys received by a city or county from this fund shall be credited to the general fund of the city or county to be used solely for public transit or shall be credited to the street construction fund of the city or the secondary road fund of the county to be used for purposes specified in Section 312.6.

Sales and Services Tax. Rates shall be one percent 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. The amount of the sale, for purposes of determining the amount of local sales and services tax, does not include the amount of any state gross receipt taxes. A local sales and services tax shall be imposed either January 1, April 1, July 1, or October 1 following the notification of the director of revenue. A local option sales and services tax shall be repealed only on March 31, June 30, September 30, or December 31.

The state treasurer shall credit the local sales and services tax moneys to the county's account in the 'local sales and services fund'. These remittances shall be made at least quarterly. If the tax shall be distributed to cities within the county that are participating in the local option tax on a pro rata basis based on the ratio of resident population to the total population of the county residing in the areas of the county where the tax was imposed. Local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

Additional Real Property Tax. Rate increments of \$0.05 per \$1,000 of taxable valuation may be imposed by a city or county on all taxable property located within the incorporated area of the city or the unincorporated area of the county, as applicable. The additional real property tax shall be imposed for the tax year in which the favorable election was held and for each subsequent tax year until repealed. The rate of the tax shall be the rate specified on the ballot proposition.

Senate File 395 further continues the PERSONAL PROPERTY TAX PHASEOUT (sections 86 to 89). Appropriations for fiscal years 1986 and 1987 to the personal property tax credit reimbursement are increased by \$3.8 million to continue the phaseout. For fiscal 1988 and thereafter the appropriation is increased by \$21.8 million to complete the phaseout of personal property.

The bill freezes the amount the states reimburses local jurisdictions for the loss in tax revenue as a result of certain industrial machinery, equipment and computers being assessed at 30 percent of their value (the 70/30 TAX CREDIT) (sections 90 and 91). The amount at which the reimbursement is frozen is equal to the amount that was reimbursed to the local jurisdictions for fiscal year 1988. The fiscal effect to the state general fund will not begin until fiscal 1988.

Senate File 395 also repeals the COUNTY GOVERNMENT ASSISTANCE and MUNICIPAL ASSISTANCE FUNDS (section 95). This repeal is effective beginning fiscal year 1988. The fiscal effect to the state general fund will not begin until fiscal 1988.

SENATE FILE 395: TOTAL FISCAL EFFECT

By fiscal year, the effect of Senate File 395 is as follows:

<u>State General Fund Taxation Areas</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Private Sale of Wine	4.27 M.	(2.21 M.)
Agricultural M & E Exemption	(13.00 M.)	(26.00 M.)
<u>State General Fund Appropriation Areas</u>		
Private Sale of Wine	(0.76 M.)	(1.52 M.)
Personal Property Tax Phaseout	(3.80 M.)	(7.60 M.)
Freeze 70/30 Credit @ '88 Levels	---	---
Repeal County/Municipal Assistance	---	---
<u>Effects to Local Governments</u>		
Private Sale of Wine	1.47 M.	(6.41 M.)
Local Options	unknown	unknown
Personal Property Tax Phaseout	none	none
Freeze 70-/30 Credit @ '88 Levels	---	---
Repeal County/Municipal Assistance	---	---

(LSB 2747S, CMG)


Fiscal Director
Legislative Fiscal Bureau
Date: 3/17/85

S-3229

SENATE FILE 395

1 Amend Senate File 395 as follows:

2 1. By striking page 1, line 1 through page 37,
3 line 29.

4 2. Page 37, by inserting after line 29 the
5 following:

6 "Section 101. Section 98.6, subsection 2, Code
7 1985, is amended to read as follows:

8 2. Notwithstanding subsection 1, there is imposed
9 beginning ~~July 1, 1985~~ October 1, 1985 and shall be
10 collected and paid to the department a tax on all
11 cigarettes used or otherwise disposed of in this state
12 for any purpose at the rate of nine thirteen mills on
13 each cigarette."

14 3. Page 38, line 22, by inserting after the word
15 "equipment," the following: "including replacement
16 parts,".

17 4. Page 38, by inserting after line 28 the
18 following:

19 "c. In the case of replacement parts, the part
20 costs one hundred dollars or more or the total cost of
21 all parts for a single repair job for a single
22 implement is two hundred fifty dollars or more."

23 5. Page 47, line 10, by inserting after the word
24 "equipment," the following: "including replacement
25 parts,".

26 6. Page 47, by inserting after line 15 the
27 following:

28 "(3) In the case of replacement parts, the part
29 costs one hundred dollars or more or the total cost of
30 all parts for a single repair job for a single
31 implement is two hundred fifty dollars or more."

32 7. By striking page 53, line 16 through page 54,
33 line 13.

34 8. Page 54, by inserting after line 15 the
35 following:

36 "Sec. _____.

37 1. All persons required to be licensed under
38 section 98.13 as distributors having in their
39 possession prior to delivery for resale as of the
40 close of business on September 30, 1985 cigarettes or
41 little cigars upon which the tax under section 98.6 or
42 98.43 has been paid, unused cigarette tax stamps which
43 have been paid for under section 98.8, or unused
44 metered imprints which have been paid for under
45 section 98.12 shall be subject to an inventory tax on
46 such items as provided in this section.

47 2. Persons subject to the inventory tax imposed
48 under this section shall take an inventory as of the
49 close of business on September 30, 1985 of those items
50 subject to the inventory tax for the purpose of

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1 determining the tax due. These persons shall report
2 the tax on forms provided by the department of revenue
3 and remit the tax due with the forms by October 31,
4 1985. The department of revenue shall adopt rules as
5 are necessary to carry out this section.

6 3. The rate of the inventory tax on each item
7 subject to the tax as specified in subsection 1 is
8 equal to the difference between the amount paid on
9 each item under section 98.6, 98.8, 98.12, or 98.43
10 prior to October 1, 1985 and the amount that is to be
11 paid on each similar item under section 98.6, 98.8,
12 98.12, or 98.43 on or after October 1, 1985 except
13 that in computing the rate of the inventory tax any
14 discount allowed or allowable under section 98.8 shall
15 not be considered.

16 Sec. _____. Section 101 of this Act is effective
17 October 1, 1985."

18 9. Title page, by striking lines 2 through 4 and
19 inserting the following: "an increase in the tax on
20 cigarettes and little cigars, imposing an inventory
21 tax on cigarettes, little cigars, unused tax stamps
22 and metered imprints, allowing cities and".

23 10. Title page, line 6, by inserting after the
24 word "equipment" the following: ", including
25 replacement parts,".

S-3229 Filed & Lost

March 7, 1985

by TAYLOR & DIELEMAN

A- *Food 3/7 (p. 66)*

B- *W/12*

C- *Food*

S-3228

SENATE FILE 395

1 Amend Senate File 395 as follows:

2 1. Page 38, by inserting after line 15 the
3 following:

4 "Sec. _____. Section 422.45, subsection 12, Code
5 1985, is amended to read as follows:

6 12. Gross receipts from the sale of all foods for
7 human consumption which are eligible for purchase with
8 food coupons issued by the United States department of
9 agriculture pursuant to regulations in effect on July
10 1, 1974, regardless of whether the retailer from which
11 the foods are purchased is participating in the food
12 stamp program. However, as used in this subsection,
13 "foods" does not include meals prepared for immediate
14 consumption on or off the premises of the retailer,
15 and does not include foods sold through vending
16 machines, or beverages as defined in section 455C.1,
17 subsection 1."

18 2. Title page, line 6, by inserting after the
19 word "from" the following: "and subjecting certain
20 beverages to".

S-3228 Filed & Ruled Not Germano

March 7, 1985 (p. 664)

By DIELEMAN

1 Amend Senate File 395 as follows:
2 1. Page 15, lines 18 and 19, by striking the
3 words "deposited in the county mental health and
4 institutions fund" and inserting the following: "used
5 for the purposes authorized in section 331.424,
6 subsection 1, paragraphs "a", "b", "c", "d", "e", "f",
7 "g", and "h"."

S-3223 Filed & Adopted

March 7, 1985 (p. 643)

by MURPHY

S-3222

SENATE FILE 395

1 Amend Senate File 395 as follows:
2 1. Page 22, line 19, by inserting after the words
3 "two a.m." the following: "on Sunday".
4 2. Page 40, line 32, by inserting after the word
5 "relief" the following: "and shall contain a
6 statement as to the specific purpose or purposes for
7 which the revenues shall otherwise be expended".
8 3. Page 50, line 22, by striking the word "and"
9 and inserting the following: "to be paid during the
10 fiscal year beginning July 1 following the favorable
11 election and the tax shall be continued".

S-3233 Filed & Adopted

March 7, 1985 (p. 643)

by JUNKINS & PALMER

S-3224

SENATE FILE 395

1 Amend Senate File 395 as follows:
2 1. Page 54, line 9, by inserting after the word
3 "department." the following: "The department may
4 continue to replenish its wine inventory up to October
5 1, 1985."

S-3224 Filed & Adopted

March 7, 1985 (p. 644)

by DRAKE

S-3225

SENATE FILE 395

1 Amend Senate File 395 as follows:
2 1. Page 39, line 19, by inserting after the word
3 "area" the following: "and the tax would be imposed
4 in each of those contiguous cities only if the
5 majority of those voting in the total area covered by
6 the contiguous cities favor its imposition".
7 2. Page 41, line 21, by inserting after the word
8 "area" the following: "and the tax would be imposed
9 in each of those contiguous cities only if the
10 majority of those voting in the total area covered by
11 the contiguous cities favor its imposition".
12 3. Page 46, line 34, by inserting after the word
13 "area" the following: "and the tax would be imposed
14 in each of those contiguous cities only if the
15 majority of those voting in the total area covered by
16 the contiguous cities favor its imposition".
17 4. Page 50, line 12, by inserting after the word
18 "census." the following: "The method of distribution
19 of the tax under this subsection to any city shall be
20 the same regardless if the city is contiguous to
21 another city or not."

S-3225 Filed & Adopted

March 7, 1985 (p. 644)

by GRONSTAL

- 1 Amend Senate File 395 as follows:
- 2 1. Page 39, line 12, by striking the words "If
- 3 the".
- 4 2. Page 39, by striking lines 13 through 19.
- 5 3. Page 40, lines 6 and 7, by striking the words
- 6 "or a local sales and services tax".
- 7 4. Page 40, lines 9 and 10, by striking the words
- 8 "or a local sales and services tax".
- 9 5. Page 40, by striking lines 29 and 30 and
- 10 inserting the following: "classes that will be
- 11 exempt. The ballot".
- 12 6. Page 41, by striking lines 3 and 4 and
- 13 inserting the following: "impose the tax. The rate
- 14 of an additional real property".
- 15 7. Page 41, by striking lines 15 through 21 and
- 16 inserting the following: "unlimited period. The
- 17 local option tax may be".
- 18 8. Page 41, by striking lines 29 through 33.
- 19 9. Page 42, lines 9 and 10, by striking the words
- 20 "a local sales and services tax,".
- 21 10. Page 42, by striking lines 19 and 20 and
- 22 inserting the following: "vehicle tax."
- 23 11. By striking page 46, line 21 through page 50,
- 24 line 15.
- 25 12. By renumbering and correcting internal
- 26 references.

S-3219 Filed

March 7, 1985

Checked out of index (p. 664)

By RIFE

S-3221

- 1 Amend Senate File 395 as follows:
- 2 1. Page 8, line 34, by inserting after the word
- 3 "beer" the following: "and wine".
- 4 2. Page 9, line 9, by inserting after the word
- 5 "beer" the words "and wine".
- 6 3. Page 9, by striking lines 16 and 17 and
- 7 inserting the following: "for consumption on and off
- 8 the premises only; however, beer may also be sold for
- 9 consumption off the premises. The license issued".

S-3221 Filed & WITHDRAWN

March 7, 1985 *(p. 665)*

By RODGERS & COLEMAN

S-3220

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 8, line 34, by inserting after the word
- 3 "beer" the following: "and wine".
- 4 2. Page 9, line 9, by inserting after the word
- 5 "beer" the following: "and wine".
- 6 3. Page 9, by striking lines 16 and 17 and
- 7 inserting the following: "for consumption on and off
- 8 the premises. only; however, beer may also be sold
- 9 for consumption off the premises. The license
- 10 issued".

S-3220 Filed & WITHDRAWN

March 7, 1985 *(p. 665)*

By RODGERS & COLEMAN

1 Amend Senate File 395 as follows:

2 1. By striking page 49, line 32 through page 50,
3 line 15 and inserting the following:

4 "1. The treasurer of state shall credit the local
5 sales and services tax receipts and interest and
6 penalties from a county to the county's account in the
7 local sales and services tax fund.

8 2. The treasurer of state, pursuant to rules of
9 the director of revenue, shall remit at least
10 quarterly to the board of supervisors and each city
11 where the tax was imposed its share of the county's
12 account in the local sales and services tax fund as
13 computed under subsections 3 and 4.

14 3. Fifty percent of each county's account shall be
15 remitted on the basis of the county's population
16 residing in the unincorporated area and those
17 incorporated areas where the tax is imposed as
18 follows:

19 a. To the board of supervisors a pro rata share
20 based upon the percentage of the above population of
21 the county residing in the unincorporated area of the
22 county according to the most recent certified federal
23 census.

24 b. To each city in the county where the tax was
25 imposed a pro rata share based upon the percentage of
26 the city's population residing in the county to the
27 above population of the county according to the most
28 recent certified federal census.

29 4. Fifty percent of each county's account shall be
30 remitted based on the sum of property tax dollars
31 levied by the board of supervisors and each city in
32 the county where the tax was imposed during the three-
33 year period beginning July 1, 1983 and ending June 30,
34 1985 as follows:

35 a. To the board of supervisors a pro rata share
36 based upon the percentage of property tax dollars
37 levied by the board of supervisors during the above
38 three-year period of the total property tax dollars
39 levied by the board of supervisors and each city where
40 the tax was imposed during the above three-year
41 period.

42 b. To each city council where the tax was imposed
43 a pro rata share based upon the percentage of property
44 tax dollars levied by the city during the above three-
45 year period of the total property tax dollars levied
46 by the board of supervisors and each city where the
47 tax was imposed during the above three-year period.

48 5. Local sales and services tax moneys received by
49 a city or county may be expended for any lawful
50 purpose of the city or county. However, if the tax is

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1 not imposed in the unincorporated area of the county,
2 the moneys received by the board of supervisors shall
3 be deposited in the county general fund under section
4 331.427."

S-3231

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 42, line 14, by inserting after the word
- 3 "tax" the following: "with a limit of two dollars
- 4 per axle".

S-3231 Filed & Withdrawn

March 7, 1985 (p. 664)

by NYSTROM & HALL

S-3230

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 42, line 16, by inserting after the word
- 3 "tax" the words "property tax with a maximum rate of
- 4 fifty cents per one thousand dollars".

S-3230 Filed & Withdrawn

March 7, 1985 (p. 664)

by NYSTROM & HALL

S-3227

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 47, line 10, by inserting after the word
- 3 "equipment," the words "including replacement parts,".
- 4 2. Page 47, line 11, by inserting after the word
- 5 "equipment" the words ", including replacement
- 6 parts,".
- 7 3. Page 47, line 13, by inserting after the word
- 8 "equipment" the words ", including replacement
- 9 parts,".

S-3227 Filed & Adopted

March 7, 1985 (p. 664)

by TIEDEN

S-3237

SENATE FILE 395

1 Amend Senate File 395 as follows:

- 2 1. Page 38, line 28, by inserting after the word
3 "implements" the following "or the farm machinery or
4 equipment is a grain dryer".
5 2. Page 47, line 15, by inserting after the word
6 "implements" the following "or the farm machinery or
7 equipment is a grain dryer".

S-3237 Filed & Adopted
March 7, 1985 (p. 224)

By PRIEBE

S-3238

SENATE FILE 395

1 Amend the Drake amendment, S-3234, to Senate File
2 395 as follows:

- 3 1. Page 1, by inserting after line 8 the
4 following:
5 "____. Page 41, line 3, by inserting after the
6 words "the tax" the following: "but not in excess of
7 ten dollars per vehicle".
8 2. Page 1, line 11, by inserting after the word
9 "vehicle" the following: ", not to exceed ten dollars
10 per vehicle".
11 3. Page 1, by inserting after line 13 the
12 following:
13 "____. Page 42, line 23, by inserting after the
14 word "proposition" the following: "which rate may not
15 be greater than ten dollars per vehicle".

S-3238 Filed & Lost
March 7, 1985 (p. 224)

By DRAKE

S-3239

SENATE FILE 395

1 Amend Senate File 395 as follows:

- 2 1. Page 50, by inserting after line 24, the
3 following:
4 "Sec. ____ Section 7B.4, Code 1985, is amended by
5 adding the following new subsection:
6 8. The state shall retrain for a job of
7 comparable value, without effecting further layoffs,
8 any state employee displaced as a result of either
9 the private wholesale or retail sale of wine."

S-3239 Filed & Adopted
March 7, 1985 (p. 225)

By WELSH

MARCH 8, 1985

S-3234

SENATE FILE 395

1 Amend Senate File 395 as follows:
2 1. Page 37, line 35, by inserting after the word
3 "due" the following: "in that county".
4 2. Page 38, line 8, by striking the word "wheel"
5 and inserting the following: "local vehicle".
6 3. Page 41, line 2, by striking the words
7 "twenty-five cents per axle" and inserting the
8 following: "one dollar per vehicle".
9 4. Page 42, line 13, by striking the words
10 "twenty-five cents per axle" and inserting the
11 following: "one dollar per vehicle".
12 5. Page 42, line 22, by striking the word "axle"
13 and inserting the following: "vehicle".
14 6. Page 42, line 26, by inserting after the word
15 "of" the following: "the renewal of the".
16 7. Page 42, line 27, by inserting after the word
17 "vehicle." the following: "The local vehicle tax
18 shall be imposed only on the renewals of registrations
19 and shall be payable during the registration renewal
20 periods provided under section 321.40."
21 8. By striking page 42, line 35 through page 43,
22 line 3 and inserting the following: "321.18, and
23 which is registered with the county treasurer."
24 9. Page 43, line 34, by inserting after the word
25 "for" the following: "the renewal of the".
26 10. Page 44, line 1, by inserting after the word
27 "for" the following: "the renewal of the".
28 11. Page 44, by striking line 3 and inserting the
29 following: "shall not renew a registration
30 certificate".
31 12. Page 44, by striking lines 9 through 12 and
32 inserting the following: "the type of notation. A
33 local vehicle tax shall not be".
34 13. Page 44, by striking line 14.
35 14. Page 44, line 15, by striking the words
36 "which they are due."

S-3234 Filed & Adopted
March 7, 1985 (p. 664)

by DRAKE

S-3233

SENATE FILE 395

1 Amend Senate File 395 as follows:
2 1. Page 43, line 18, by striking the word
3 "including" and inserting the following: "excluding".
4 2. Page 43, line 31, by inserting after the word
5 and figure "section 312.6." the following: "Any
6 penalties collected shall be credited to the county
7 general fund to be used to defray the cost to the
8 county of administering the local vehicle tax."

S-3233 Filed & Adopted
March 7, 1985 (p. 664)

by READINGER

S-3241

SENATE FILE 395

1 Amend Senate File 395 as follows:

2 1. Page 39, line 11, by inserting after the word
3 "tax" the following: "or a local mineral severance
4 tax".
5 2. Page 40, line 6, by inserting after the word
6 "tax" the following: ", a local mineral severance
7 tax,".
8 3. Page 40, line 8, by inserting after the word
9 "upon" the following: "its own motion in the case of
10 a local mineral severance tax or upon".

11 4. Page 40, line 9, by inserting after the word
12 "tax" the following: ", a local mineral severance
13 tax,".

14 5. Page 41, line 7, by inserting after the word
15 "tax." the following: "The rate of a local mineral
16 severance tax is five cents per ton mined."

17 6. Page 42, line 10, by inserting after the words
18 "services tax," the following: "a local mineral
19 severance tax,".

20 7. Page 42, line 20, by inserting after the word
21 "percent." the following: "The rate of a local
22 mineral severance tax is five cents per ton mined."

23 8. Page 50, by inserting after line 24 the
24 following:

25 "Sec. ____ NEW SECTION. 422B.12 LOCAL MINERAL
26 SEVERANCE TAX.

27 A local mineral severance tax may be imposed on
28 each ton of class "B" and class "C" gravel, as defined
29 in section 4120 of the standard specifications for
30 highway and bridge construction of the department of
31 transportation, mined in a county each year by each
32 mine located within the county. The amount of the tax
33 shall be five cents per ton mined. The county shall
34 require that the owner of any mine in the county
35 obtain a permit from the county to extract minerals
36 subject to the severance tax under this section. As a
37 condition of issuing the permit, the board of
38 supervisors shall require that the owner of the mine
39 file with the county recorder at no cost to the owner
40 a monthly report of all minerals subject to the
41 severance tax extracted from each mine in the county
42 operated by the owner. The reports shall be recorded
43 alphabetically by the name of the owner.

44 The recorder shall calculate the amount of the
45 taxes to be collected from each mine owner, and
46 certify monthly a list of mineral severance taxes to
47 be collected to the county treasurer who, within ten
48 working days after receipt of the certified list from
49 the recorder, shall send a tax statement to the owner.
50 Payment of the severance tax is due within thirty days

S-3241 page 2

- 1 of receipt of the tax statement from the treasurer.
- 2 Taxes not paid by the owner within ninety days of re-
- 3 ceipt of the tax statement from the county treasurer
- 4 become a lien on the property from which the minerals
- 5 are extracted. If any severance tax due from one
- 6 owner is delinquent for more than one year, the
- 7 property to which the lien attached may be sold by the
- 8 county under the procedures provided for tax de-
- 9 linquent sales of real property.
- 10 The proceeds from the mineral severance tax shall
- 11 be credited to the general fund of the county in which
- 12 the minerals subject to the tax are mined and shall be
- 13 used to maintain public property affected by the
- 14 mineral mining process and transportation of the
- 15 mineral, most particularly secondary roads damaged by
- 16 vehicles hauling the mineral.
- 17 An owner failing to comply with the conditions of
- 18 the permit required by the county or to file the
- 19 appropriate reports is guilty of a simple misdemeanor.
- 20 A subsequent offense under this section by the same
- 21 owner is a class "D" felony."

S-3241 Filed & Ruled Not Germane
March 7, 1985 (p. 665)

By Vande Hoef

S-3240

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 39, lines 6 and 7, by striking the words
- 3 "a local earnings tax or".
- 4 2. Page 39, lines 23 and 24, by striking the
- 5 words "a local earnings tax or" and inserting the
- 6 following: "an".
- 7 3. Page 39, lines 33 and 34, by striking the
- 8 words "a local earnings tax or" and inserting the
- 9 following: "an".
- 10 4. Page 40, by striking lines 33 through 35.
- 11 5. Page 41, line 1, by striking the word "tax."
- 12 6. Page 42, line 9, by striking the words "a
- 13 local earnings tax,".
- 14 7. Page 42, by striking line 12.
- 15 8. Page 42, line 13, by striking the words
- 16 "earnings tax,".
- 17 9. Page 42, line 17, by striking the words
- 18 "earnings tax or".
- 19 10. By striking page 44, line 20 through page 46,
- 20 line 20.
- 21 11. By renumbering and correcting internal
- 22 references as necessary.

S-3240 Filed & Lost
March 7, 1985

by TAYLOR

Out of order (p. 665)
Recommended & Lost (p. 666)

1 Amend Senate File 395 as follows:

2 1. Page 7, line 9, by inserting after the word
3 "liquor" the following: "wine".

4 2. Page 7, by striking lines 10 through 16, and
5 inserting the following: "necessary for retail or
6 consumer protection."

7 3. Page 8, by striking lines 5 through 7 and
8 inserting the following: "imported therein, except
9 beer and wine, and except as otherwise".

10 4. Page 8, by inserting after line 8 the
11 following:

12 "Sec. 16. Section 123.23, Code 1985, is amended to
13 read as follows:

14 123.23 STATE LIQUOR STORES.

15 The department shall establish and maintain in any
16 city which the director deems advisable, a state
17 liquor store or stores for storage and sale of
18 alcoholic liquor and wine in accordance with this
19 chapter. The department may, from time to time, as
20 determined by the director, fix the prices of the
21 different classes, varieties, or brands of alcoholic
22 liquor to be sold. Prior to a decision to establish,
23 relocate or discontinue a state liquor store, the
24 director shall appoint a designee to conduct a public
25 hearing on the decision within the city affected."

26 5. Page 8, lines 23 and 24, by striking the
27 following: "wine from class "A" wine permittees,".

28 6. Page 8, lines 30 and 31, by striking the
29 following: "wine from class "A" wine permittees,".

30 7. Page 9, line 6, by striking the following:
31 "wine from class "A" wine permittees,".

32 8. Page 9, by striking line 14 and inserting the
33 following: "from-the-department only, and to".

34 9. Page 21, by striking lines 12 through 19, and
35 inserting the following:

36 "d. Keep on premises covered by a liquor control
37 license any alcoholic liquor or wine in any container
38 except the original ~~package-purchased-from-the~~
39 ~~department-or-from-a-native-wine-manufacturer~~
40 ~~container in which purchased, except still-wines~~
41 ~~placed-in-dispensing-or-serving-containers-for~~
42 ~~temporary-storage~~ wine and beer served on the premises
43 for immediate consumption, and except mixed drinks or
44 cocktails mixed on the premises for immediate
45 consumption. This prohibition does not apply to
46 common carriers holding a class "D" liquor control
47 license."

48 10. Page 29, by striking lines 10 through 32, and
49 inserting the following:

50 "Sec. 5. Section 123.96, Code 1985, is amended to

1 read as follows:

2 123.96 TAX ON BEVERAGES SOLD FOR CONSUMPTION ON
3 THE PREMISES.

4 1. ~~Except-as-provided-by-section-123-567~~
5 ~~subsection-47-there~~ There is imposed on every person
6 licensed to sell alcoholic beverages for consumption
7 on the premises where sold, a special tax equivalent
8 to fifteen percent of the price established by the
9 department on all alcoholic beverages for general sale
10 to the public. The tax shall be paid by all licensees
11 at the point of purchase from the state on all
12 alcoholic beverages intended or used for resale for
13 consumption on the premises of retail establishments.
14 The tax is in lieu of any other sales tax applied at
15 the state store and shall be shown as a separate item
16 on special sales slips provided by the department for
17 purchases by licensees.

18 2. Wine sold by the department to the holder of a
19 liquor control license or wine permit for resale shall
20 include a surcharge equal to or exceeding the amount
21 which would be imposed by the wine gallonage tax under
22 section 123.183. This surcharge is in lieu of any
23 other sales tax applied at the state store.

24 2 3. ~~Except as allowed under section 123.95 and~~
25 ~~except-as-allowed-under-section-123-567-subsection-4,~~
26 a licensee shall not knowingly keep on the licensed
27 premises nor use for resale purposes any alcoholic
28 liquor on which the special tax has not been paid to
29 the state. The conviction of a violation of this
30 section shall cause the license held to automatically
31 be revoked and the license shall immediately be
32 surrendered by the holder, and the bond of the license
33 holder shall be forfeited to the department.

34 3 4. Each bottle of alcoholic liquor or wine
35 purchased by a licensee shall bear an identification
36 marker applied at the place of purchase."

37 11. Page 54, by striking lines 2 through 13.

38 12. By renumbering as required by this amendment.

SENATE FILE 395
MARCH 8, 1985

S-3244

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 39, line 12, by striking the words "if
- 3 the".
- 4 2. Page 39, by striking lines 13 through 19.
- 5 3. Page 40, lines 6 and 7, by striking the words
- 6 "or a local sales and services tax".
- 7 4. Page 40, lines 9 and 10, by striking the words
- 8 "or a local sales and services tax".
- 9 5. Page 40, by striking lines 29 and 30 and
- 10 inserting the following: "classes that will be
- 11 exempt. The ballot".
- 12 6. Page 41, by striking lines 3 and 4 and
- 13 inserting the following: "impose the tax. The rate
- 14 of an additional real property".
- 15 7. Page 41, by striking lines 15 through 21 and
- 16 inserting the following: "unlimited period. The
- 17 local option tax may be".
- 18 8. Page 41, by striking lines 29 through 33.
- 19 9. Page 42, lines 9 and 10, by striking the words
- 20 "a local sales and services tax".
- 21 10. Page 42, by striking lines 19 and 20 and
- 22 inserting the following: "vehicle tax."
- 23 11. By striking page 46, line 23 through page 47,
- 24 line 5 and inserting the following: "Notwithstanding
- 25 anything in this chapter, the following".
- 26 12. By striking page 48, line 25 through page 50,
- 27 line 15.
- 28 13. By renumbering and correcting internal
- 29 references.

S-3244 Filed & Ruled o/o
March 7, 1985 (j. 644)

by RIFE

S-3245

SENATE FILE 395

- 1 Amend Senate File 395 as follows:
- 2 1. Page 31, line 23, by inserting after the word
- 3 "Iowa" the following: "and that a majority of the
- 4 shares of the corporation are owned by citizens of the
- 5 state of Iowa".

S-3245 Filed & Lost
March 7, 1985 (j. 744)

by GENTLEMAN

1 Amend Senate File 395 as follows:

- 2 1. Page 39, by striking lines 11 and 12.
- 3 2. Page 39, line 13, by striking the words "tax
- 4 is" and inserting the following: "vehicle tax or".
- 5 3. Page 39, line 16, by striking the word "For".
- 6 4. Page 39, by striking lines 17 through 19.
- 7 5. Page 41, line 15, by inserting after the word
- 8 "of" the following: "a local vehicle tax or".
- 9 6. Page 41, by striking lines 19 through 21 and
- 10 inserting the following: "imposition. The local
- 11 option tax may be".
- 12 7. Page 41, line 29, by inserting after the word
- 13 "of" the following: "a local vehicle tax or".
- 14 8. Page 42, line 26, by inserting after the word
- 15 "within" the following: "an area of".
- 16 9. Page 43, line 23, by inserting after the word
- 17 "county" the following: "where the tax is imposed".
- 18 10. Page 46, line 32, by striking the word "All".
- 19 11. Page 46, by striking lines 33 and 34.

S-3243 Filed & Ruled o/o

March 7, 1985 (p. 444)

by HOLDEN

1 Amend Senate File 395 as follows:

2 1. Page 50, by inserting before line 25 the
3 following:

4 "Sec. ____ . Section 422.45, Code 1985, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. The gross receipts from the sales
7 of fuel consumed or used in the operation of ships,
8 barges, or waterborne vessels which are used primarily
9 in or for the transportation of property or cargo, or
10 the conveyance of persons for hire on rivers bordering
11 on the state if the fuel is delivered by the seller to
12 the purchaser's barge, ship, or waterborne vessel
13 while it is afloat upon such a river."

S-3345 Filed

March 18, 1985

Filed o/o 3/22 (j. 1099)

By GOODWIN

SENATE 21--April 2, 1985

STATE OF IOWA

FISCAL NOTE

LSB No. 2747S.2

Staff ID. CMG

FILED APR 11 1985

SF 395

In compliance with a written request received March 11, 1985, a fiscal note for SENATE FILE 395 AS PASSED BY THE SENATE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SENATE FILE 395, as passed by the Senate, has the following provisions:

Permits the PRIVATE DISTRIBUTION AND SALE OF WINE containing more than five, but not more than seventeen percent alcohol by wholesalers, wine stores, and stores which sell food for consumption off the premises (sections 1 to 71). Wine containing more than seventeen percent alcohol by weight would continue to be distributed and sold by the Iowa Beer & Liquor Control Department. The State is required to dispose of its inventory of wine within a year of the bill's enactment.

Senate File 395, as passed by the Senate, establishes three classes of licenses: Class A Wine (wholesaler), \$750 per year; Class B Wine (off premises), \$500 per year; and a certificate for a manufacturer, vintner, bottler, importer, or vendor of wine or an agent thereof desiring to ship, sell, or have wine brought into this state for sale (\$100 per year). The bill deposits the license fees in the state general fund.

A WINE GALLONAGE TAX of \$1.00 per gallon is established by the bill. This tax is levied and collected on all wines sold at the wholesale level. The bill deposits the gallonage tax in the state general fund.

FISCAL EFFECT: For those sections pertaining to the private sale of wine, the following assumptions have been made in determining the fiscal effect:

1. Volume sales would increase three times in the first year and approximately twice each year thereafter. (Based on experience of other control states.)
2. Average cost per bottle of wine in Iowa is \$1.88 and the average retail price is \$3.50. The wholesale markup under the proposed bill would be 20% and the retail markup would be 30%. The bill establishes a \$1.00 a gallon tax on wine, which would establish the average retail price under the proposed bill at \$3.55.
3. Approximately 160 vintner's certificates of compliance would be issued the first year and 80 vintner's certificates of compliance in the second year. (Based on other control states' experience).
4. Approximately 100 Class A wine wholesale permits will be issued the first year and 50 permits in the second year. (Based on experience of other control states).
5. There would be 4,000 Class B licenses per year.
6. Beer & Liquor Control Department operations would be reduced.
7. Sales of spirits would decline due to less foot traffic and inconvenience. This decline in sales would be directly tied to the level of private wine sales.
8. Increased economic activity would result from private sale of wine.

The fiscal effect of these sections is as follows:

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(dollars in thousands)

Receipts/Disbursements

	Fiscal Year 1986			Fiscal Year 1987		
	Current Law	Proposed Law	Diff.	Current Law	Proposed Law	Diff.
<u>RECEIPTS</u>						
Gross Profits (wine)	\$12,900	0	(12,900)	\$12,900	0	(12,900)
Sales Tax - 4%	900	3,294	2,394	900	2,080	1,180
Licensee Tax - 15%	840	653	(187)	840	0	(840)
Gallage Tax - \$1.00	0	6,210	6,210	0	4,140	4,140
Excess Bottle Deposit	140	0	(140)	140	0	(140)
New Licenses/Cert.	0	2,091	2,091	0	2,045	2,045
Inventory/Sell Off	0	4,000	4,000	0	0	0
Reduced Spirit Sales	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Increased Economic Activity	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**
TOTAL RECEIPTS	\$14,780	16,248	1,468	\$14,780	8,265	(6,515)
<u>DISBURSEMENTS</u>						
<u>State</u>						
General Fund	\$ 8,840	11,105	2,265	\$ 8,840	6,185	(2,655)
Sales Tax	900	3,294	2,394	900	2,080	1,180
Licensee Tax	840	653	(187)	840	0	(840)
TOTAL GENERAL FUND	\$10,580	15,052	4,472	\$10,580	8,265	(2,211)
<u>Local</u>						
10% to Cities	\$ 2,800	804	(1,996)	\$ 2,800	0	(2,800)
5% to Counties	1,400	392	(1,008)	1,400	0	(1,400)
TOTAL LOCAL	\$ 4,200	1,196	(3,004)	\$ 4,200	0	(4,200)
TOTAL DISBURSEMENTS	\$14,780	16,248	1,468	\$14,780	8,265	(6,411)
<u>RECEIPTS RECAP</u>						
Fiscal Effect - State	\$10,580	15,052	4,472	\$10,580	8,265	(2,211)
Fiscal Effect - Local	4,200	1,196	(3,004)	4,200	0	(4,200)
TOTAL EFFECT ON RECEIPTS	\$14,780	16,248	1,468	\$14,780	8,265	(6,411)

Effect to Beer and Liquor Operations (Appropriations Savings)

The appropriations for Beer and Liquor Control Department operations can be expected to decrease due to private sale of wine. Currently wine sales represent approximately 22 percent of the Department's sales. However, much of the Department's \$18.0 million budget represents costs that are fixed, at least in the near-term. Some future savings may be realized as store leases expire, but these would not be realized for several years. It is expected that the general fund appropriation can be reduced by \$761,000 for fiscal 1986, representing a reduction of 55 FTE's, and by \$1,522,000 for fiscal 1987, representing a reduction of 111 FTE's. (Note- because the Department would be selling its wine inventory during 1986, the full annual savings will not be recognized until fiscal year 1987.)

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SF 395APPROPRIATIONS SAVINGS RECAP

Operational Savings

FTE's

Fiscal '86

\$ 761,000

55

Fiscal '87

\$1,522,000

111

Displaced Worker Retraining

Senate file 395 as passed by the Senate requires the state to retrain, under section 7B.4 of the Code, any state employee displaced as a result of either private wholesale or retail sale of wine (section 86). Because it is not known how many displaced workers would actually receive retraining or the type of retraining required, an accurate estimate is not possible. Currently the average enrollment cost per person for completing Title III job retraining is approximately \$649. The state match (hard dollar) is approximately 36%. These dollars combined with state soft match currently attract approximately \$1.8 million in federal funding. It should be noted that dollars used for retraining Beer & Liquor employees would reduce the funds allocated to local entities for job training.

Department Phaseout

Senate file 395 as passed by the Senate allows the Beer & Liquor Control Department to continue replenishing its wine inventory up to October 1, 1985 (section 95). The department expects the wine licensing function to be fully operational soon after July 1, 1985, with licenses issued and licensees being able to stock wine for sale well before the end of September. (It is expected that the vast majority of wine license applicants already hold beer permits or liquor licenses and meet the basic licensing requirements.) Also, the department's wine purchases through the end of FY 1985 (June 30, 1985), will be delivered in August for distribution in September. The department feels it will have sufficient wine to accommodate the transition period by continuing its purchasing practices. As a result the department does not plan to purchase any additional wine after July 1, 1985. Therefore, this provision would have no fiscal effect.

STATE GENERAL FUND RECAP

Receipts

Operational Savings

Reduced Spirit Sales

Increased Economic Activity

Restock Wine Inventory

GENERAL FUND IMPACT

Fiscal '86

\$ 4,472,000

760,000

N/A

N/A

0

\$ 5,233,000

Fiscal '87

\$ (2,211,000)

1,522,000

N/A

N/A

0

\$ (689,000)

Footnotes

* Decrease in Spirit Sales: Based on the experience of other states, sales of spirits in state liquor stores are expected to decline. Because the exact impact is unknown, an accurate estimate is not possible. It should be noted that for every one percent decline in spirit sales, total revenues will decrease by approximately \$432,000. The Beer and Liquor Control Department feels that this reduction could be five percent or more.

**Increased Economic Activity: Increased economic activity is also expected to result from the private sale of wine. Again, the exact effect is unknown, thus no accurate estimate is possible. Increasing the employment base has the potential of raising revenues in the following areas:

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	State Revenues	Local Revenues
Business share	Corporate Income Tax Franchise Tax Insurance Premiums Tax	Property Tax
Individual share	Personal Income Tax Sales Tax	Property Tax

The Bill also exempts the gross receipts from the sale or rental of FARM MACHINERY AND EQUIPMENT from the state sales services and use tax (Section 74). The machinery or equipment must be directly and primarily used in production of farm products and must be a grain driver or self-propelled or drawn by self-propelled implements. For fiscal year 1986, one-half of the gross receipts are exempt. Beginning in fiscal 1987, all of the qualifying gross receipts are exempt.

FISCAL EFFECT The effect for this area assumes no changes in the economy as related to the exemption on agricultural machinery and equipment. Revenue Department estimates have been based on a \$32.0 million annual cost which includes repair parts. By eliminating repair parts from this estimate base, the \$32.0 million cost is expected to decline by \$4.0 to 8.0 million. For fiscal 1996 a reduction of one-half of the tax results in a decline of approximately \$13.0 million. For fiscal 1987, when the full reduction begins, a decline of approximately \$26.0 million is projected.

Senate File 395 as passed by the Senate further provides authorization for cities or counties to impose LOCAL OPTION TAXES (sections 75-85). These taxes may be imposed, have their rates changed, or be repealed after an election upon a majority favorable vote. An election can be called by a city council or a county board of supervisors and shall be called upon receipt of a petition signed by eligible electors in the city or county equal in number to five percent of the persons in the city or county who voted in the last preceding state general election requesting the tax imposition, rate change, or repeal. The local option tax shall be imposed for an unlimited period.

The ballot proposition shall specify the type and rate of tax. In the case of a vehicle tax, the ballot must also specify the classes that will be exempt. In the case of a local sales and services tax, the ballot shall specify the date it shall be imposed. The ballot proposition shall also specify the approximate amount of local option 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.

If a tax is imposed by a city, it shall only apply within the corporate boundaries of that city. If a tax is imposed by a county, it shall apply only within the unincorporated areas of the county, except that a vehicle tax applies countywide and the sales and services tax applies only to those areas where a majority of the voters favored 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.

Local option tax areas and the rate increments are as follows.

Local Earnings Tax Rate increments of one percent but not in excess of six percent

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applied to the wages, salaries, commissions, and other compensation of resident and non-resident individuals derived from work performed or services rendered within the city or the unincorporated area of the county when the tax is imposed. A local income surtax or change in the rate shall be imposed January 1 following the favorable election for tax years beginning on or after January 1 and repeal of the surtax shall be as of December 31 following the favorable election for tax years beginning after December 31.

The director to the Revenue Department shall credit local earnings tax receipts and any interest and penalties collected from revenues filed on or before November 1 of the calendar year following the tax year for which the tax is imposed to a 'local earnings tax fund' established in the office of the state treasurer. All local earnings tax receipts and any interest and penalties received or refunded from returns filed after November 1 shall go to the state general fund as a part of the cost of administering the earnings tax. Local earnings tax moneys received by a city or county may be expended for any lawful purpose of the city or county which imposed the tax.

Vehicle Tax. Rate increments of one dollar per axle applied to every vehicle which is registered by the state and is registered with the county treasurer to a person residing within the county at the time of registration where the tax is imposed. Vehicles which the local authority exempts from the local tax must be listed on the ballot proposition. The local vehicle tax shall only be imposed on the renewals of registrations and shall be payable during the registration periods provided under Section 321.40. A local vehicle tax or change in the rate shall be imposed January 1 immediately following a favorable election for registration years beginning on or after that date and the repeal of the tax shall be as of December 31 following favorable election for registration years beginning after that date.

A 'local vehicle tax fund' shall be established in the office of the county treasurer. On a monthly basis, the county treasurer shall remit from this fund to each city in the county the amount collected from the residents of the city during the preceding calendar month, excluding penalties. Moneys received by a city or county from this fund shall be credited to the general fund of the city or county to be used solely for public transit or shall be credited to the street construction fund of the city or the secondary road fund of the county to be used for purposes specified in Section 312.6. Any penalties collected shall be credited to the county general fund to be used to defray administration costs to the county from the tax.

Sales and Services Tax. Rates shall be one percent 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. The amount of the sale, for purposes of determining the amount of local sales and services tax, does not include the amount of any state gross receipt taxes. A local sales and services tax shall be imposed either January 1, April 1, July 1, or October 1 following the notification of the director of revenue. A local option sales and services tax shall be repealed only on March 31, June 30, September 30, or December 31.

The state treasurer shall credit the local sales and services tax moneys to the county's account in the 'local sales and services fund'. These remittances shall be made at least quarterly. If the tax shall be distributed to cities within the county that are participating in the local option tax on a pro rata basis based on the ratio of resident population to the total population of the county residing in the areas of the county where the tax was imposed. Local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

Additional Real Property Tax. Rate increments of \$0.05 per \$1,000 of taxable valuation may

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be imposed by a city or county on all taxable property located within the incorporated area of the city or the unincorporated area of the county, as applicable. The additional real property tax shall be imposed for the tax year in which the favorable election was held, to be paid during the fiscal year beginning July 1 following the election, and shall be continued for each subsequent tax year until repealed. The rate of the tax shall be the rate specified on the ballot proposition.

Senate File 395 as passed by the Senate further continues the PERSONAL PROPERTY TAX PHASEOUT (sections 87 to 90). Appropriations for fiscal years 1986 and 1987 to the personal property tax credit reimbursement are increased by \$3.8 million to continue the phaseout. For fiscal 1988 and thereafter the appropriation is increased by \$21.8 million to complete the phaseout of personal property.

The bill freezes the amount the states reimburses local jurisdictions for the loss in tax revenue as a result of certain industrial machinery, equipment and computers being assessed at 30 percent of their value (the 70/30 TAX CREDIT) (sections 91 and 92). The amount at which the reimbursement is frozen is equal to the amount that was reimbursed to the local jurisdictions for fiscal year 1988. The fiscal effect to the state general fund will not begin until fiscal 1988.

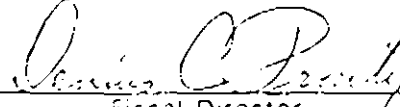
Senate File 395 as passed by the Senate also repeals the COUNTY GOVERNMENT ASSISTANCE and MUNICIPAL ASSISTANCE FUNDS (sections 96 and 97). This repeal is effective beginning fiscal year 1988. The fiscal effect to the state general fund will not begin until fiscal 1988.

SENATE FILE 395, AS PASSED SENATE: TOTAL FISCAL EFFECT

By fiscal year, the effect of Senate File 395 as passed by the Senate is as follows:

<u>State General Fund Taxation Areas</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Private Sale of Wine	4.47 M.	(2.21 M.)
Agricultural M & E Exemption	(13.00 M.)	(26.00 M.)
 <u>State General Fund Appropriation Areas</u>		
Private Sale of Wine	(0.76 M.)	(1.52 M.)
Personal Property Tax Phaseout	(3.80 M.)	(7.60 M.)
Freeze 70/30 Credit @ '88 Levels	---	---
Repeal County/Municipal Assistance	---	---
 <u>Effects to Local Governments</u>		
Private Sale of Wine	(3.00 M.)	(4.20 M.)
Local Options	unknown	unknown
Personal Property Tax Phaseout	none	none
Freeze 70/30 Credit @ '88 Levels	---	---
Repeal County/Municipal Assistance	---	---

(LSB 2747S.2, CMG)


Fiscal Director

Legislative Fiscal Bureau

Date: 4/1/85

Ways and Means: Chapman, Chair; Arnould, Bennett, Miller, Parker, Schnackloth and Tabor.

SENATE FILE

395

BY COMMITTEE ON WAYS AND MEANS

(AS AMENDED AND PASSED BY THE SENATE MARCH 7, 1985)

Passed Senate, Date _____

Passed House, Date 4-2-85 (p. 1306)

Vote: Ayes _____ Nays _____

Vote: Ayes 54 Nays 45

Approved April 18, 1985 (p. 1544)

Passed Senate for Conference Committee Report
4-11-85 (p. 1311)
31-18

Passed House for Conference Committee Report
4-11-85 (p. 1489)
62-36

A BILL FOR

1 An Act relating to state and local revenues by providing for
2 the private sale of wine containing more than five percent
3 but not more than seventeen percent alcohol by weight,
4 imposing a tax on wine to be sold, allowing cities and
5 counties to impose certain local option taxes, exempting
6 certain farm machinery and equipment from the state sales,
7 services and use tax, providing for the continued phase
8 out and repeal of all property taxes on personal property,
9 limiting the amount of reimbursement paid to local
10 jurisdictions for property tax exemptions allowed for
11 certain machinery, equipment and computers which are
12 assessed as real property, repealing the county government
13 assistance and municipal assistance funds, and providing
14 penalties, appropriations and effective dates.

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

16

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25

_____ = New Language

by the Senate

* = Language Stricken

by the Senate

Conference Committee

Rep. Arnould, Chair; Chapman; O'Kane;
Stricker; Schaeffer 4/3 (p. 1308)
Amator Palmer, Chair; Jenkins; Walsh;
Hultman; & Brock 4/3 (p. 1205)

1 Section 1. Section 123.1, Code 1985, is amended to read as
2 follows:

3 123.1 PUBLIC POLICY DECLARED.

4 This chapter shall be cited as the "Iowa Beer, Wine, and
5 Liquor Control Act", and shall be deemed an exercise of the
6 police power of the state, for the protection of the welfare,
7 health, peace, morals, and safety of the people of the state,
8 and all its provisions shall be liberally construed for the
9 accomplishment of that purpose~~7-and-it~~. It is declared to be
10 public policy that the traffic in alcoholic liquors is so
11 affected with a public interest that it should be regulated to
12 the extent of prohibiting all traffic in them, except as
13 provided in this chapter.

14 Sec. 2. Section 123.2, Code 1985, is amended to read as
15 follows:

16 123.2 GENERAL PROHIBITION.

17 It ~~shall-be~~ is unlawful to manufacture for sale, sell,
18 offer or keep for sale, possess, or transport alcoholic
19 liquor, wine, or beer except upon the terms, conditions,
20 limitations, and restrictions enumerated in this chapter.

21 Sec. 3. Section 123.3, subsections 4, 7, 8, and 10, Code
22 1985, are amended to read as follows:

23 4. "Local authority" means the city council of any
24 incorporated city in this state, or the county board of
25 supervisors of any county in this state, which is empowered by
26 this chapter to approve or deny applications for retail beer
27 or wine permits and liquor control licenses; empowered to
28 recommend that such permits or licenses be granted and issued
29 by the department; and empowered to take ~~such~~ other actions ~~as~~
30 ~~are~~ reserved to them by this chapter.

31 7. "Wine" means any beverage containing more than five
32 percent but not more than seventeen percent of alcohol by
33 weight obtained by the fermentation of the natural sugar
34 contents of fruits or other agricultural products but
35 excluding any product containing alcohol derived from malt or

1 by the distillation process from grain, cereal, molasses or
2 cactus.

3 8. "Alcoholic liquor", "alcoholic beverage" or "intoxi-
4 cating liquor" means ~~and includes~~ the varieties of liquor
5 defined in subsections 5~~7~~ and 6~~7~~-and-7, beverages made as
6 described in subsection 9 which beverages contain more than
7 five percent of alcohol by weight but which are not wine as
8 defined in subsection 7, and every other liquid or solid,
9 patented or not, containing spirits ~~or wine~~ and every beverage
10 obtained by the process described in subsection 7 containing
11 more than seventeen percent alcohol by weight, and susceptible
12 of being consumed by a human being, for beverage purposes.
13 Alcohol manufactured in this state for use as fuel pursuant to
14 an experimental distilled spirits plant permit or its
15 equivalent issued by the federal bureau of alcohol, tobacco
16 and firearms is not an "alcoholic liquor".

17 10. "Person" means any individual, association, partner-
18 ship, corporation, club, hotel or motel, or municipal corpo-
19 ration owning or operating a bona fide airport, marina, park,
20 coliseum, auditorium, or recreational facility in or at which
21 the sale of alcoholic liquor, wine, or beer is only an inci-
22 dental part of ~~such~~ the ownership or operation.

23 Sec. 4. Section 123.3, subsection 11, paragraph c, Code
24 1985, is amended to read as follows:

25 c. The person is not prohibited by ~~the provisions of~~
26 section 123.40 from obtaining a liquor control license or a
27 wine or beer permit.

28 Sec. 5. Section 123.3, subsections 13, 17, 19, 20, 25, 26,
29 27, and 31, Code 1985, are amended to read as follows:

30 13. "Permit" or "license" means an express written autho-
31 rization issued by the department for the manufacture or sale,
32 or both, of alcoholic liquor, wine, or beer.

33 17. "Distillery", "winery", and "brewery" ~~means~~ mean not
34 only the premises ~~wherein~~ where alcohol or spirits ~~is~~ are
35 distilled, ~~or rectified~~ wine is fermented, or beer is brewed,

1 but in addition mean a person owning, representing, or in
2 charge of such premises and the operations conducted thereon
3 there, including the blending and bottling or other handling
4 and preparation of alcoholic liquor, wine, or beer in any
5 form.

6 19. "Importer" means the person transporting-or-ordering,
7 authorizing,-or-arranging who transports or orders, autho-
8 rizes, or arranges the transportation of alcoholic liquor,
9 wine, or beer into this state whether such the person is a
10 resident of this state or not.

11 20. "Import" means the transporting or ordering or ar-
12 ranging the transportation of alcoholic liquor, wine, or beer
13 into this state whether by a resident of this state or not.

14 25. The prohibited "sale" of alcoholic liquor, wine, or
15 beer under this chapter includes soliciting for sales, taking
16 orders for sales, keeping or exposing for sale, delivery or
17 other trafficking for a valuable consideration promised or
18 obtained, and procuring or allowing procurement for any other
19 person.

20 26. "Wholesaler" means any person, other than a vintner,
21 brewer or bottler of beer or wine, who shall sell, barter,
22 exchange, offer for sale, have in possession with intent to
23 sell, deal or traffic in alcoholic liquor, wine, or beer. No
24 A wholesaler shall be-permitted-to not sell for consumption
25 upon the premises.

26 27. "Retailer" means any person who shall sell, barter,
27 exchange, offer for sale, or have in possession with intent to
28 sell any alcoholic liquor for consumption on the premises
29 where sold, or beer or wine for consumption either on or off
30 the premises where sold.

31 31. "Licensed premises" or "premises" means all rooms,
32 enclosures, contiguous areas, or places susceptible of precise
33 description satisfactory to the director where alcoholic
34 beverages, wine, or beer is sold or consumed under authority
35 of a liquor control license, wine permit, or beer permit. A

1 single licensed premise may consist of multiple rooms,
2 enclosures, areas or places if they are wholly within the
3 confines of a single building or contiguous grounds.

4 Sec. 6. Section 123.3, Code 1985, is amended by adding the
5 following new subsection:

6 NEW SUBSECTION. "Retail wine permit" means a class "B"
7 wine permit issued under this chapter.

8 Sec. 7. Section 123.4, Code 1985, is amended to read as
9 follows:

10 123.4 DEPARTMENT CREATED -- PLACE OF BUSINESS.

11 ~~There-is-hereby-created-an~~ An Iowa beer and liquor control
12 department is created to administer and enforce the laws of
13 this state concerning beer, wine, and alcoholic liquor. The
14 principal place of business of the department shall be
15 provided the department by the authority designated by law to
16 provide such quarters or offices to state departments or
17 agencies.

18 Sec. 8. Section 123.6, Code 1985, is amended to read as
19 follows:

20 123.6 APPOINTMENT -- TERM -- QUALIFICATIONS --
21 COMPENSATION.

22 Appointments shall be for five-year staggered terms
23 beginning and ending as provided by section 69.19 and shall be
24 made by the governor, subject to confirmation by the senate.
25 Members of the council shall be chosen on the basis of
26 managerial ability and experience as business executives. One
27 member of the council may be the holder of or have an interest
28 in a permit or license to manufacture alcoholic liquor, wine,
29 or beer or sell alcoholic liquor, wine, or beer at wholesale
30 or retail. Members may be reappointed for one additional
31 term. Each member appointed shall receive compensation for
32 the member's services of forty dollars per diem in addition to
33 reasonable and necessary expenses while attending meetings.

34 Sec. 9. Section 123.14, subsections 1 and 3, Code 1985,
35 are amended to read as follows:

1 1. The division of beer and liquor law enforcement of the
2 department of public safety, created pursuant to section
3 80.25, ~~shall-be~~ is the primary beer, wine, and liquor law en-
4 forcement authority for this state.

5 3. The division of beer and liquor law enforcement shall
6 ~~be-allowed~~ have full access to all records, reports, audits,
7 tax reports and all other documents and papers in the
8 department pertaining to liquor licensees and wine and beer
9 permittees and their business.

10 Sec. 10. Section 123.15, Code 1985, is amended to read as
11 follows:

12 123.15 HEARING BOARD ESTABLISHED.

13 ~~There-is-hereby-created-a~~ A three-member hearing board is
14 created for the purpose of conducting departmental hearings
15 relating to controversies concerning the issuance, suspension,
16 or revocation of special liquor permits, liquor control
17 licenses, wine permits, and beer permits authorized under this
18 chapter. One member shall be appointed by the council from
19 its membership, which member may be periodically replaced by
20 appointment of another council member; one member shall be the
21 attorney general or the attorney general's designee; and one
22 member shall be the commissioner of public safety or the
23 commissioner's designee. The hearing board shall establish
24 and adopt rules and procedures for conducting departmental
25 hearings under this chapter.

26 Sec. 11. Section 123.16, subsection 2, paragraph b, Code
27 1985, is amended to read as follows:

28 b. The granting or refusing of liquor licenses and per-
29 mits, wine permits, and beer permits, and the suspension or
30 revocation of ~~such~~ the licenses and permits.

31 Sec. 12. Section 123.18, Code 1985, is amended to read as
32 follows:

33 123.18 FAVORS FROM LICENSEE OR PERMITTEE.

34 ~~No~~ A person responsible for the administration or
35 enforcement of this chapter shall not accept or solicit

1 donations, gratuities, political advertising, gifts, or other
2 favors, directly or indirectly, from any liquor control
3 licensee, wine permittee, or beer permittee. ~~A violation of~~
4 ~~this section shall subject the violator to the general~~
5 ~~penalties provided by this chapter.~~

6 Sec. 13. Section 123.19, subsection 1, Code 1985, is
7 amended to read as follows:

8 1. Any manufacturer, distiller, ~~vintner~~, or importer of
9 alcoholic beverages shipping, selling, or having alcoholic
10 beverages brought into this state for resale by the state
11 shall, as a condition precedent to the privilege of so traf-
12 ficking in alcoholic liquors in this state, annually make
13 application for and ~~shall~~ hold a distiller's certificate of
14 compliance which shall be issued by the director for ~~such~~ that
15 purpose. No brand of alcoholic liquor shall be sold by the
16 department in this state unless the manufacturer, distiller,
17 ~~vintner~~, importer, and all other persons participating in the
18 distribution of ~~such~~ that brand in this state have obtained
19 ~~such a~~ certificate. ~~Such~~ The certificate of compliance shall
20 expire at the end of one year from the date of issuance and
21 shall be renewed for a like period upon application to the
22 director unless otherwise suspended or revoked for cause.
23 Each application for a certificate of compliance or renewal
24 thereof shall be made in ~~such a~~ manner and upon ~~such~~ forms as
25 ~~shall be~~ prescribed by the director and shall be accompanied
26 by a fee of fifty dollars payable to the department. However,
27 ~~the provisions of~~ this subsection need not apply to a
28 manufacturer, distiller, ~~vintner~~, or importer who ships or
29 sells in this state no more than eleven gallons or its case
30 equivalent during any fiscal year as a result of "special
31 orders" which might be placed, as defined and allowed by
32 departmental rules adopted under this chapter.

33 Sec. 14. Section 123.21, subsections 6 and 10, Code 1985,
34 are amended to read as follows:

35 6. Providing for the ~~issuing~~ issuance and ~~distributing~~

1 distribution of price lists showing which show the price to be
2 paid by purchasers for each brand, class, or variety of liquor
3 kept for sale under this chapter.--Provide, providing for the
4 filing or posting of prices charged in sales between class "A"
5 beer and class "A" wine permit holders and retailers, as
6 provided in this chapter, and establish establishing or
7 ~~control-such~~ controlling the prices ~~as-may-be~~ based on minimum
8 standards of fill, quantity, or alcoholic content for each
9 individual sale of intoxicating liquor or beer as deemed
10 necessary for retail or consumer protection. However, the
11 department does not have the authority to regulate markups,
12 prices, discounts, allowances, or other terms of sale at which
13 wine may be purchased and sold by class "A" and retail wine
14 permittees, or change, nullify, or vary the terms of any
15 agreement between a holder of a vintner certificate of
16 compliance and a class "A" wine permittee.

17 10. Prescribing the time, manner, means, and method by
18 which distillers, ~~vintners,~~ vendors, or others authorized
19 under this chapter may deliver or transport alcoholic liquors
20 and prescribing the time, manner, means, and methods by which
21 alcoholic liquor may be lawfully conveyed, carried, or trans-
22 ported.

23 Sec. 15. Section 123.22, unnumbered paragraph 1, Code
24 1985, is amended to read as follows:

25 The department ~~shall-have~~ has the ~~sole-and~~ exclusive right
26 of importation, into the state, of all forms of alcoholic
27 liquor, except as otherwise provided in this chapter, and ~~no a~~
28 person shall ~~so not~~ import ~~any-such~~ alcoholic liquor, except
29 that an individual of legal age may import and have in the
30 individual's possession an amount of alcoholic liquor not
31 exceeding one quart or, in the case of alcoholic liquor
32 personally obtained outside the United States, one gallon for
33 personal consumption only in a private home or other private
34 accommodation. No distillery shall sell any alcoholic liquor
35 within the state to any person but only to the department,

1 except as otherwise provided in this chapter. It is the
2 intent of this section to vest in the department exclusive
3 control within the state both as purchaser and vendor of all
4 alcoholic liquor sold by distilleries within the state or
5 imported therein, except beer, and wine. Neither the
6 department nor any instrumentality of the department shall
7 sell wine at either wholesale or retail except as otherwise
8 provided in this chapter.

9 Sec. 16. Section 123.27, subsection 2, Code 1985, is
10 amended by striking the subsection.

11 Sec. 17. Section 123.29, subsection 4, paragraph c, Code
12 1985, is amended to read as follows:

13 c. That neither the applicant, if the applicant is an
14 individual, nor any members of the firm or officers of the
15 corporation, if the applicant is not an individual, has been
16 convicted of any violation of the laws of this state with
17 reference to the sale of alcoholic liquors, wine, or beer
18 within the three years preceding the date of the affidavit.

19 Sec. 18. Section 123.30, subsection 3, paragraphs a, b, c,
20 and d, Code 1985, are amended to read as follows:

21 a. CLASS "A". A class "A" liquor control license may be
22 issued to a club and shall authorize the holder to purchase
23 alcoholic liquors from only the department, wine from class
24 "A" wine permittees, and native wines from native wine
25 manufacturers, and to sell ~~such~~ liquors, wine, and beer, to
26 bona fide members and their guests by the individual drink for
27 consumption on the premises only.

28 b. CLASS "B". A class "B" liquor control license may be
29 issued to a hotel or motel and shall authorize the holder to
30 purchase alcoholic liquors from only the department, wine from
31 class "A" wine permittees, and native wines from native wine
32 manufacturers, and to sell ~~such~~ liquors, wine, and beer, to
33 patrons by the individual drink for consumption on the
34 premises only, however, beer may also be sold for consumption
35 off the premises. Each license shall be effective throughout

1 the premises described in the application.

2 c. CLASS "C". A class "C" liquor control license may be
3 issued to a commercial establishment but must be issued in the
4 name of the individuals who actually own the entire business
5 and shall authorize the holder to purchase alcoholic liquors
6 from only the department, wine from class "A" wine permittees,
7 and native wines from native wine manufacturers, and to sell
8 such liquors, wine, and beer, to patrons by the individual
9 drink for consumption on the premises only, however, beer may
10 also be sold for consumption off the premises.

11 A special class "C" liquor control license may be issued
12 and shall authorize the holder ~~or-holders~~ to purchase wine
13 ~~containing-not-more-than-seventeen-percent-alcohol-by-weight~~
14 ~~from the-department~~ class "A" wine permittees only, and to
15 sell such wine, and beer, to patrons by the individual drink
16 for consumption on the premises only, however, beer may also
17 be sold for consumption off the premises. The license issued
18 to holders of a special class "C" license shall clearly state
19 on its face ~~"alcoholic-liquor,~~ that the license is limited to
20 wine-only."

21 d. CLASS "D". A class "D" liquor control license may be
22 issued to a railway corporation, to an air common carrier, and
23 to passenger-carrying boats or ships for hire with a capacity
24 of twenty-five persons or more operating in inland or boundary
25 waters, and shall authorize the holder to sell or furnish
26 alcoholic beverages, wine, and beer to passengers for
27 consumption only on trains, watercraft as described ~~herein in~~
28 this section, or aircraft, respectively. Each ~~such~~ license
29 ~~shall-be~~ is valid throughout the state ~~as-a-state-license.~~
30 Only one ~~such~~ license ~~shall-be~~ is required for all trains,
31 watercraft, or aircraft operated in the state by the licensee.

32 Sec. 19. Section 123.32, subsections 1, 2, and 4, Code
33 1985, are amended to read as follows:

34 1. FILING OF APPLICATION. An application for a class "A",
35 class "B", or class "C" liquor control license, and for a

1 retail beer permit as provided in sections 123.128 and
2 123.129, or for a class "B" retail wine permit as provided in
3 section 123.76, accompanied by the required fee and bond,
4 shall be filed with the appropriate city council if the
5 premises for which the license or permit is sought are located
6 within the corporate limits of a city, or with the board of
7 supervisors if the premises for which the license or permit is
8 sought are located outside the corporate limits of a city. An
9 application for a class "D" liquor control license and for a
10 class "A" beer or class "A" wine permit, accompanied by the
11 required fee and bond, shall be filed with the department,
12 which shall proceed in the same manner as in the case of an
13 application approved by local authorities.

14 2. ACTION BY LOCAL AUTHORITIES. The local authority shall
15 either approve or disapprove the issuance of a liquor control
16 license, retail wine permit, or retail beer permit, and shall
17 endorse such its approval or disapproval on the application
18 and shall forward same the application along with the required
19 fee and bond to the department. Upon the initial ~~issuance of~~
20 application for a liquor control license, retail wine permit,
21 or retail beer permit, the fact that the local authority
22 determines that no liquor control license, retail wine permit,
23 or retail beer permit shall be issued shall not be held to be
24 arbitrary, capricious, or without reasonable cause. There
25 ~~shall be~~ is no limit upon the number of liquor control
26 licenses, retail wine permits, or retail beer permits which
27 may be approved for issuance by local authorities.

28 4. APPEAL TO HEARING BOARD. Any applicant for a liquor
29 control license, wine permit, or beer permit may appeal from
30 the director's disapproval of an application for a license or
31 permit to the department hearing board, established pursuant
32 to section 123.15, ~~from the director's disapproval of an~~
33 ~~application for a license or permit~~. If, upon such appeal the
34 hearing board ~~shall determine~~ determines that the local
35 authority acted arbitrarily, capriciously, or without

1 reasonable cause in disapproving the application, or that,
 2 where the local authority approved the application, the
 3 director's own disapproval should be reversed, it shall order
 4 issuance of a license or permit. The same right of appeal to
 5 the hearing board shall be afforded a liquor control licensee,
 6 wine permittee, or beer permittee, whose license or permit has
 7 been suspended or revoked under this chapter, and the hearing
 8 board shall reduce the period of suspension or order
 9 reinstatement of ~~such~~ the license or permit for good cause
 10 shown.

11 Sec. 20. Section 123.34, Code 1985, is amended to read as
 12 follows:

13 1. Liquor control licenses, wine permits, and beer
 14 permits, unless sooner suspended or revoked, expire one year
 15 from date of issuance. The director shall give sixty days'
 16 written notice of the expiration to each licensee or
 17 permittee. However, the director may issue six-month or
 18 eight-month seasonal licenses, class "B" wine permits, or
 19 class "B" beer permits for a proportionate part of the license
 20 or permit fee or may issue fourteen-day liquor licenses, wine
 21 permits, or beer permits as provided in subsection 2. No
 22 refund shall be made for seasonal licenses or permits or for
 23 fourteen-day liquor licenses, wine permits, or beer permits.
 24 No seasonal license or permit shall be renewed except after a
 25 period of two months.

26 2. The director may issue fourteen-day class "A", class
 27 "B", class "C", and class "D" liquor control licenses,
 28 fourteen day class "B" wine permits, and fourteen-day class
 29 "B" beer permits. A fourteen-day license or permit, if
 30 granted, is valid for fourteen consecutive days, but the
 31 holder shall not sell on the two Sundays in the fourteen-day
 32 period unless the holder qualifies for and obtains the
 33 privilege to sell on Sundays contained in sections 123.36,
 34 subsection 6 and 123.134, subsection 5.

35 3. The fee for a fourteen-day liquor license, wine permit,

1 or beer permit is one-quarter of the annual fee for that class
2 of liquor license or beer permit. The fee for the privilege
3 to sell on the two Sundays in the fourteen-day period is
4 twenty percent of the price of the fourteen-day liquor
5 license, wine permit, or beer permit.

6 Sec. 21. Section 123.35, unnumbered paragraph 1, Code
7 1985, is amended to read as follows:

8 The director shall prescribe simplified application forms
9 for the renewal of liquor control licenses, wine permits, and
10 beer permits ~~issued-under-the-provisions-of-this-chapter~~,
11 which may be filed by licensees and permittees in lieu of a
12 detailed renewal application form when qualifications and
13 qualification information have not changed since the original
14 issuance of the license or permit. ~~Such~~ The simplified form
15 shall require the licensee or permittee to verify under oath
16 that the information contained in the original application
17 remains current, and that no reason exists for the
18 department's refusal to renew the license or permit as
19 originally issued.

20 Sec. 22. Section 123.36, subsection 2, Code 1985, is
21 amended to read as follows:

22 2. Class "A" liquor control licenses, the sum of six
23 hundred dollars, except that for class "A" licenses in cities
24 of less than two thousand population, and for clubs of less
25 than two hundred fifty members, the license fee shall be four
26 hundred dollars; however, the fee shall be two hundred dollars
27 for any club which is a post, branch, or chapter of a veterans
28 organization chartered by the Congress of the United States,
29 if ~~such~~ the club does not sell or permit the consumption of
30 alcoholic beverages, wine, or beer on the premises more than
31 one day in any week, and if the application for a license
32 states that ~~such~~ the club does not and will not sell or permit
33 the consumption of alcoholic beverages, wine, or beer on the
34 premises more than one day in any week.

35 Sec. 23. Section 123.36, subsection 5, paragraph c, Code

1 1985, is amended to read as follows:

2 c. For air common carriers, each company shall pay a base
3 annual fee of five hundred dollars and, in addition, shall
4 quarterly remit to the department an amount equal to seven
5 dollars for each gallon of alcoholic liquor sold, given away,
6 or dispensed in or over this state during the preceding
7 calendar quarter. The class "D" license fee and tax for air
8 common carriers ~~shall-be~~ is in lieu of any other fee or tax
9 collected from ~~such~~ the carriers in this state for the
10 possession and sale of alcoholic liquor, wine, and beer.

11 Sec. 24. Section 123.36, subsection 6, Code 1985, is
12 amended to read as follows:

13 6. Any club, hotel, motel, or commercial establishment
14 holding a liquor control license for whom the sale of goods
15 and services other than alcoholic liquor, wine, or beer
16 constitutes fifty percent or more of the gross receipts from
17 the licensed premises, subject to ~~the-provisions-of~~ section
18 123.49, subsection 2, paragraph "b", may sell and dispense
19 alcoholic liquor and wine to patrons on Sunday for consumption
20 on the premises only, and beer for consumption on or off the
21 premises between the hours of ten a.m. and twelve midnight on
22 Sunday. For the privilege of selling beer, wine, and
23 alcoholic liquor on the premises on Sunday the liquor control
24 license fee of the applicant shall be increased by twenty
25 percent of the regular fee prescribed for the license pursuant
26 to this section, and the privilege shall be noted on the
27 liquor control license. The department shall prescribe the
28 nature and the character of the evidence ~~which-shall-be~~
29 required of the applicant under this subsection.

30 Sec. 25. Section 123.36, subsection 7, unnumbered
31 paragraph 1, Code 1985, is amended to read as follows:

32 ~~Class~~ Special class "C" liquor control licenses ~~which-limit~~
33 ~~sales-of-alcoholic-liquor-to-wine-containing-not-more-than~~
34 ~~seventeen-percent-alcohol-by-weight~~, a sum as follows:

35 Sec. 26. Section 123.37, Code 1985, is amended to read as

1 follows:

2 123.37 POWER TO LICENSE AND LEVY TAXES.

3 The power to establish licenses and permits and levy taxes
4 as imposed in title VI of the Code is vested exclusively with
5 the state. Unless specifically provided, no local authority
6 shall levy a local tax on the sale of alcoholic beverages,
7 wine, or beer, require the obtaining of a special license or
8 permit for such sale ~~on~~ at any establishment, or require the
9 obtaining of a license by any person as a condition precedent
10 to the person's employment in the sale, serving, or handling
11 of alcoholic beverages, wine, or beer, within an establishment
12 operating under a license or permit.

13 Sec. 27. Section 123.38, unnumbered paragraphs 1 and 2,
14 Code 1985, are amended to read as follows:

15 A special liquor permit, liquor control license, wine
16 permit, or beer permit ~~shall be~~ is a purely personal privilege
17 and ~~be~~ is revocable for cause. It ~~shall~~ is not constitute
18 property nor ~~be~~ is it subject to attachment and execution nor
19 be alienable nor assignable, and ~~in any case~~ it shall cease
20 upon the death of the permittee or licensee. However, the
21 director may in the director's discretion allow the executor
22 or administrator of a permittee or licensee to operate the
23 business of the decedent for a reasonable time not to exceed
24 the expiration date of the permit or license. Every permit or
25 license shall be issued in the name of the applicant and no
26 person holding a permit or license shall allow any other
27 person to use ~~same~~ it.

28 Any ~~such~~ licensee or permittee, or the licensee's or
29 permittee's executor, or administrator, or any person duly
30 appointed by the court to take charge of and administer the
31 property or assets of the licensee or permittee for the
32 benefit of the licensee's or permittee's creditors, may
33 voluntarily surrender ~~such a~~ license or permit to the
34 department ~~and when so~~. When a license or permit is
35 surrendered the department shall notify the local authority,

1 and the department ~~and-such~~ or the local authority, ~~-or-the~~
2 ~~local-authority-by-itself-in-the-case-of-a-retail-beer-permit,~~
3 shall refund to the person so surrendering the license or
4 permit, a proportionate amount of the fee paid received by the
5 department or the local authority for ~~such~~ the license or
6 permit as follows: If a license or permit is surrendered
7 during the first three months of the period for which ~~said~~
8 ~~license-or-permit~~ it was issued, the refund shall be three-
9 fourths of the amount of the fee; if surrendered more than
10 three months but not more than six months after issuance, the
11 refund shall be one-half of the amount of the fee; if
12 surrendered more than six months but not more than nine months
13 after issuance, the refund shall be one-fourth of the amount
14 of the fee. No refund shall be made, however, for any special
15 liquor permit, nor for a liquor control license, wine permit,
16 or beer permit surrendered more than nine months after
17 issuance. For purposes of this paragraph, any portion of
18 license or permit fees used for the purposes authorized in
19 section 331.424, subsection 1, paragraphs "a", "b", "c", "d",
20 "e", "f", "g", and "h", shall not be deemed received either by
21 the department or by a local authority. No refund shall be
22 made to any licensee or permittee, upon the surrender of the
23 license or permit, if there is at the time of ~~said~~ surrender,
24 a complaint filed with the department or local authority,
25 charging the licensee or permittee with a violation of the
26 ~~provisions-of~~ this chapter. If upon a hearing on ~~any-such a~~
27 complaint the license or permit is not revoked or suspended,
28 then the licensee or permittee ~~shall-be~~ is eligible, upon
29 surrender of the license or permit, to receive a refund as
30 ~~herein provided;--But~~ in this section; but if the license or
31 permit is revoked or suspended upon such hearing the licensee
32 or permittee ~~shall~~ is not be eligible for the refund of any
33 portion of the license or permit fee.

34 Sec. 28. Section 123.39, Code 1985, is amended to read as
35 follows:

1 123.39 SUSPENSION OR REVOCATION OF LIQUOR LICENSE OR BEER
2 PERMIT.

3 Any liquor control license, wine permit, or beer permit
4 issued under this chapter may, after notice in writing to the
5 license or permit holder and reasonable opportunity for
6 hearing, and subject to section 123.50 where applicable, be
7 suspended for a period not to exceed one year or revoked by
8 the local authority or the director for any of the following
9 causes:

10 1. Misrepresentation of any material fact in the
11 application for such the license or permit.

12 2. Violation of any of the provisions of this chapter.

13 3. Any change in the ownership or interest in the business
14 operated under a class "A", class "B", or class "C" liquor
15 control license, or any wine or beer permit, which change was
16 not previously reported to and approved by the local authority
17 and the department.

18 4. An event which would have resulted in disqualification
19 from receiving such the license or permit when originally
20 issued.

21 5. Any sale, hypothecation, or transfer of such the
22 license or permit.

23 6. The failure or refusal on the part of any licensee or
24 permittee to render any report or remit any taxes to the
25 department under this chapter when due.

26 Local authorities ~~shall have the power to~~ may suspend any
27 retail wine or beer permit or liquor control license for a
28 violation of any ordinance or regulation adopted by such the
29 local authority. Local authorities ~~are empowered to~~ may adopt
30 ordinances or regulations for the location of the premises of
31 retail wine or beer and liquor control licensed establishments
32 and ~~are empowered to~~ local authorities may adopt ordinances,
33 not in conflict with ~~the provisions of~~ this chapter and that
34 do not diminish the hours during which beer, wine, or
35 alcoholic beverages may be sold or consumed at retail,

1 governing any other activities or matters which may affect the
2 retail sale and consumption of beer, wine, and alcoholic
3 liquor and the health, welfare and morals of the community
4 involved.

5 When a liquor license or wine or beer permit is suspended
6 after a hearing as a result of violations of ~~the provisions of~~
7 this chapter by the licensee, permittee or the licensee's or
8 permittee's agents or employees, the premises which were
9 licensed by ~~such~~ the license or permit shall not be relicensed
10 for a new applicant until the suspension has terminated or
11 time of suspension has elapsed, or ninety days have elapsed
12 since the commencement of the suspension, whichever occurs
13 first. However, ~~nothing in this section shall~~ does not
14 prohibit the premises from being relicensed to a new applicant
15 before the suspension has terminated or before the time of
16 suspension has elapsed or before ninety days have elapsed from
17 the commencement of the suspension, if the premises prior to
18 the time of the suspension had been purchased under contract,
19 and the vendor under that contract had exercised the person's
20 rights under chapter 656 and sold the property to a different
21 person who is not related to the previous licensee or
22 permittee by marriage or within the third degree of
23 consanguinity or affinity and if the previous licensee or
24 permittee does not have a financial interest in the business
25 of the new applicant.

26 Sec. 29. Section 123.40, Code 1985, is amended to read as
27 follows:

28 123.40 EFFECT OF REVOCATION.

29 Any liquor control licensee, wine permittee, or beer
30 permittee whose license or permit is revoked under this
31 chapter shall not thereafter be permitted to hold a liquor
32 control license, wine permit, or beer permit in the state of
33 Iowa for a period of two years from the date of ~~such~~
34 revocation. ~~The A spouse and or business associates associate~~
35 holding ten percent or more of the capital stock or ownership

1 interest in the business of a person whose license or permit
2 has been revoked shall not be issued a liquor control license,
3 wine permit, or beer permit, and no liquor control license,
4 wine permit, or beer permit shall be issued which covers any
5 business in which such person has a financial interest for a
6 period of two years from the date of ~~such~~ revocation. ~~In the~~
7 ~~event~~ If a license or permit is revoked, the premises which
8 had been covered by ~~such~~ the license or permit shall not be
9 relicensed for one year.

10 Sec. 30. Section 123.44, Code 1985, is amended to read as
11 follows:

12 123.44 GIFT OF LIQUORS PROHIBITED.

13 No A manufacturer or wholesaler shall not give away any
14 alcoholic liquor of any kind or description at any time in
15 connection with the manufacturer's or wholesaler's business
16 except for testing or sampling purposes only. No A manufac-
17 turer, vintner, wholesaler, or importer, organized as a cor-
18 poration pursuant to the laws of this state or any other
19 state, ~~and~~ who deals in alcoholic liquor, wine, or beer
20 subject to this chapter shall not offer or give anything of
21 value to any council member, official or employee of the
22 department, or directly or indirectly contribute in any manner
23 any money or thing of value to any person seeking a public or
24 appointive office or any recognized political party or a group
25 of persons seeking to become a recognized political party.

26 Sec. 31. Section 123.45, Code 1985, is amended to read as
27 follows:

28 123.45 INTEREST IN LIQUOR BUSINESS.

29 Except as provided in section 123.6, a council member or
30 department employee shall not, directly or indirectly,
31 individually, or as a member of a partnership or shareholder
32 in a corporation, have any interest in dealing in or in the
33 manufacture of alcoholic liquor, wine, or beer, and shall not
34 receive any kind of profit nor have any interest in the
35 purchase or sale of alcoholic liquor, wine, or beer by persons

1 so authorized under this chapter. However, this provision
2 ~~shall~~ does not prohibit any ~~such~~ member or employee from
3 lawfully purchasing and keeping alcoholic liquor, wine, or
4 beer in the member's or employee's possession for personal
5 use.

6 No A person engaged in the business of manufacturing,
7 bottling, or wholesaling alcoholic beverages, wine, or beer,
8 ~~nor~~ or any jobber or agent of such person, shall not directly
9 or indirectly supply, furnish, give, or pay for any
10 furnishings, fixtures, or equipment used in the storage,
11 handling, serving, or dispensing of alcoholic beverages, wine,
12 beer, or food within the place of business of a licensee or
13 permittee authorized under ~~the provisions of~~ this chapter, to
14 sell at retail; nor shall the person directly or indirectly
15 extend any credit for alcoholic beverages or beer or pay for
16 any such license or permit, nor directly or indirectly be
17 interested in the ownership, conduct, or operation of the
18 business of another licensee or permittee authorized under the
19 ~~provisions of~~ this chapter to sell at retail, except that a
20 person engaged in the business of manufacturing beer may sell
21 beer at retail for consumption on or off the premises of the
22 manufacturing facility and, notwithstanding any other
23 provision of this chapter or the fact that such a person may
24 be the holder of a class "A" beer permit, may be granted not
25 more than one class "B" permit as defined in section 123.124
26 for such purpose. Any licensee or permittee who ~~shall permit~~
27 permits or assent or be assents to or is a party in any way to
28 any such violation or infringement of ~~the provisions of~~ this
29 ~~chapter shall be deemed~~ section is guilty of a violation of
30 ~~the provisions of this chapter~~ section.

31 Sec. 32. Section 123.46, Code 1985, is amended to read as
32 follows:

33 123.46 CONSUMPTION IN PUBLIC PLACES -- INTOXICATION.

34 It is unlawful for any person to use or consume alcoholic
35 liquors, wine, or beer upon the public streets or highways, or

1 alcoholic liquors in any public place, except premises covered
2 by a liquor control license, or to possess or consume
3 alcoholic liquors, wine, or beer on any public school property
4 or while attending any public or private school related
5 functions, and ~~no~~ a person shall not be intoxicated nor
6 simulate intoxication in a public place. As used in this
7 section, "school" means a school or that portion thereof of a
8 school, which provides teaching for any grade from
9 kindergarten through grade twelve. Any person violating any
10 ~~provisions~~ provision of this section ~~shall be~~ is guilty of a
11 simple misdemeanor.

12 Sec. 33. Section 123.47, Code 1985, is amended to read as
13 follows:

14 123.47 PERSONS UNDER LEGAL AGE.

15 ~~No~~ A person shall not sell, give, or otherwise supply
16 alcoholic liquor, wine, or beer to any person knowing or
17 having reasonable cause to believe that person to be under
18 legal age, and ~~no~~ a person or persons under legal age shall
19 not individually or jointly have alcoholic liquor, wine, or
20 beer in their possession or control; except in the case of
21 liquor, wine, or beer given or dispensed to a person under
22 legal age within a private home and with the knowledge and
23 consent of the parent or guardian for beverage or medicinal
24 purposes or as administered to the person by either a physi-
25 cian or dentist for medicinal purposes and except to the ex-
26 tent that a person under legal age may handle alcoholic bev-
27 erages, wine, and beer during the regular course of the
28 person's employment by a liquor control licensee, or wine or
29 beer permittee under this chapter.

30 Sec. 34. Section 123.49, subsection 1, Code 1985, is
31 amended to read as follows:

32 1. ~~No~~ A person shall not sell, dispense, or give to any
33 intoxicated person, or one simulating intoxication, any
34 alcoholic liquor, wine, or beer.

35 Sec. 35. Section 123.49, subsection 2, unnumbered

1 paragraph 1, Code 1985, is amended to read as follows:

2 No A person or club holding a liquor control license or
3 retail wine or beer permit under this chapter, ~~nor and~~ the
4 person's or club's agents or employees, shall not do any of
5 the following:

6 Sec. 36. Section 123.49, subsection 2, paragraphs c
7 through i, Code 1985, are amended to read as follows:

8 c. Sell alcoholic beverages, wine, or beer to any person
9 on credit, except with a bona fide credit card. This provi-
10 sion ~~shall~~ does not apply to sales by a club to its members
11 nor to sales by a hotel or motel to bona fide registered
12 guests.

13 d. Keep on premises covered by a liquor control license
14 any alcoholic liquor in any container except the original
15 package purchased from the department ~~or from a native wine~~
16 ~~manufacturer, except still wines placed in dispensing or~~
17 ~~serving containers for temporary storage~~, and except mixed
18 drinks or cocktails mixed on the premises for immediate
19 consumption. This prohibition does not apply to common
20 carriers holding a class "D" liquor control license.

21 e. Reuse for packaging alcoholic liquor or wine any
22 container or receptacle used originally for packaging
23 alcoholic liquor or wine; or adulterate, by the addition of
24 any substance, the contents or remaining contents of an
25 original package of an alcoholic liquor or wine; or knowingly
26 possess any original package which has been so reused or
27 adulterated.

28 f. Any Employ a person under eighteen years of age ~~shall~~
29 ~~not be employed~~ in the sale or serving of alcoholic liquor,
30 wine, or beer for consumption on the premises where sold.

31 g. Allow any person other than the licensee, permittee, or
32 employees of such the licensee or permittee, to use or keep on
33 the licensed premises any alcoholic liquor in any bottle or
34 other container which is designed for the transporting of such
35 beverages, except as permitted in section 123.95. This

1 paragraph ~~shall~~ does not apply to the lodging quarters of a
2 class "B" liquor control licensee or wine or beer permittee,
3 or to common carriers holding a class "D" liquor control
4 license.

5 h. Sell, give, or otherwise supply any alcoholic beverage,
6 wine, or beer to any person, knowing or having reasonable
7 cause to believe the person to be under legal age, or permit
8 any person, knowing or having reasonable cause to believe the
9 person to be under legal age, to consume any alcoholic
10 beverage, wine, or beer.

11 i. In the case of a retail beer or wine permittee, know-
12 ingly allow the mixing or adding of alcohol or any alcoholic
13 beverage to beer, wine, or any other beverage in or about the
14 permittee's place of business.

15 Sec. 37. Section 123.49, subsection 2, Code 1985, is
16 amended by adding the following new lettered paragraph:

17 NEW LETTERED PARAGRAPH. k. Sell or dispense any wine on
18 the premises covered by the permit or permit the consumption
19 on the premises between the hours of two a.m. and six a.m. on
20 a weekday, and between the hours of two a.m. on Sunday and
21 six a.m. on the following Monday, however, a holder of a wine
22 permit authorized to sell wine on Sunday may sell or dispense
23 wine between the hours of ten a.m. and twelve midnight on
24 Sunday.

25 Sec. 38. Section 123.49, subsections 3 and 4, Code 1985,
26 are amended to read as follows:

27 3. No person under legal age shall misrepresent the
28 person's age for the purpose of purchasing or attempting to
29 purchase any alcoholic beverage, wine, or beer from any
30 licensee or permittee. If any person under legal age ~~shall~~
31 ~~misrepresent~~ misrepresents the person's age, and the licensee
32 or permittee establishes that the licensee or permittee made
33 reasonable inquiry to determine whether such the prospective
34 purchaser was over legal age, such the licensee or permittee
35 ~~shall~~ is not be guilty of selling alcoholic liquor, wine, or

1 beer to minors.

2 4. No privilege of selling alcoholic liquor, wine, or beer
3 on Sunday as provided in sections 123.36, subsection 6, and
4 123.134, subsection 5, shall be granted to a club or other
5 organization which places restrictions on admission or
6 membership in the club or organization on the basis of sex,
7 race, religion, or national origin. However, the privilege
8 may be granted to a club or organization which places
9 restrictions on membership on the basis of sex, if the club or
10 organization has an auxiliary organization open to persons of
11 the other sex.

12 Sec. 39. Section 123.50, subsections 2 and 3, Code 1985,
13 are amended to read as follows:

14 2. The conviction of any liquor control licensee, wine
15 permittee, or beer permittee for a violation of any of the
16 provisions of section 123.49 ~~shall~~, subject to subsection 3 of
17 this section, be is grounds for the suspension or revocation
18 of the license or permit by the department or the local
19 authority. However, if any liquor control licensee is
20 convicted of any violation of subsection 2, paragraphs "a",
21 "d" or "e", of ~~such that~~ section, or any wine or beer
22 permittee is convicted of a violation of paragraph "a" or "e"
23 of that section, the liquor control license, wine permit, or
24 beer permit shall be revoked and shall immediately be
25 surrendered by the holder, and the bond of the license or
26 permit holder shall be forfeited to the department.

27 3. If any licensee, wine permittee, beer permittee, or
28 employee of ~~such a~~ licensee or permittee ~~shall-be is~~ convicted
29 of a violation of section 123.49, subsection 2, paragraph "h",
30 or if a retail wine or beer permittee ~~shall-be is~~ convicted of
31 a violation of paragraph "i" of ~~such that~~ subsection, the
32 director or local authority shall, in addition to the other
33 penalties fixed for such violations by this section, assess a
34 penalty as follows:

35 a. Upon a first conviction, the violator's liquor control

1 license, wine permit, or beer permit shall be suspended for a
2 period of fourteen days.

3 b. Upon a second conviction within a period of two years,
4 the violator's liquor control license, wine permit, or beer
5 permit shall be suspended for a period of thirty days.

6 c. Upon a third conviction within a period of five years,
7 the violator's liquor control license, wine permit, or beer
8 permit shall be suspended for a period of sixty days.

9 d. Upon a fourth conviction within a period of five years,
10 the violator's liquor control license, wine permit, or beer
11 permit shall be revoked.

12 Sec. 40. Section 123.51, subsection 3, Code 1985, is
13 amended to read as follows:

14 3. No signs or other matter advertising any brand of beer
15 or wine shall be erected or placed upon the outside of any
16 premises occupied by a licensee or permittee authorized to
17 sell beer or wine at retail. This subsection ~~shall~~ does not
18 prohibit the use of signs or other matter inside a fence or
19 similar enclosure which wholly or partially surrounds the
20 licensed premises.

21 Sec. 41. Section 123.53, subsection 2, Code 1985, is
22 amended by adding the following new unnumbered paragraph:

23 NEW UNNUMBERED PARAGRAPH. All moneys received by the
24 department from the issuance of vintner's certificates of
25 compliance and wine permits shall be transferred by the state
26 comptroller to the general fund of the state.

27 Sec. 42. Section 123.55, subsections 8 and 9, Code 1985,
28 are amended to read as follows:

29 8. The number of liquor control licenses, wine permits,
30 and beer permits issued, by class, the number in effect on the
31 last day included in the report, and the number which have
32 been suspended or revoked during the period covered by the
33 report.

34 9. Amount of fees paid to the department from liquor
35 control licenses, wine permits, and beer permits, in gross,

1 and the amount of liquor control license fees returned to
2 local subdivisions of government as provided under this
3 chapter.

4 Sec. 43. Section 123.56, Code 1985, is amended by striking
5 the section and inserting in lieu thereof the following:

6 123.56 NATIVE WINES.

7 1. Subject to rules of the department, manufacturers of
8 native wines from grapes, cherries, other fruits or other
9 fruit juices, vegetables, vegetable juices, dandelions,
10 clover, honey, or any combination of these ingredients,
11 holding a class "A" wine permit as required by this chapter,
12 may sell, keep, or offer for sale and deliver the wine. Sales
13 may be made at retail for off-premises consumption when sold
14 on the premises of the manufacturer. Sales may also be made
15 to class "A" or retail wine permittees or liquor control
16 licensees as authorized by the class "A" wine permit.

17 2. A manufacturer of native wines shall not sell the wines
18 other than as permitted in this chapter and shall not allow
19 wine sold to be consumed upon the premises of the
20 manufacturer. However, prior to sale native wines may be
21 sampled on the premises where made, when no charge is made for
22 the sampling. A person may manufacture native wine for
23 consumption on the manufacturer's premises, when the wine or
24 any part of it is not manufactured for sale.

25 3. For the purposes of this section, "manufacturer"
26 includes only those persons who process in Iowa the fruit,
27 vegetables, dandelions, clover, honey, or any combination of
28 these ingredients, by fermentation into wines.

29 Sec. 44. Section 123.59, Code 1985, is amended to read as
30 follows:

31 123.59 BOOTLEGGING.

32 Any person who, acting individually, or through another
33 acting for the person, shall keep or carry on ~~his~~ the person,
34 or in a vehicle, or leave in a place for another to secure,
35 any alcoholic liquor, wine, or beer, with intent to sell or

1 dispense ~~of-such~~ the liquor, wine, or beer, by gift or other-
2 wise in violation of law, or who shall, within this state, in
3 any manner, directly or indirectly, solicit, take, or accept
4 any order for the purchase, sale, shipment, or delivery of
5 ~~such~~ alcoholic liquor, wine, or beer in violation of law, or
6 aid in the delivery and distribution of any alcoholic liquor,
7 wine, or beer so ordered or shipped, or who shall in any
8 manner procure for, sell, or give any alcoholic liquor, wine,
9 or beer to any person under legal age, for any purpose except
10 as authorized and permitted in this chapter, ~~shall-be~~ is a
11 bootlegger and ~~be~~ subject to the general penalties provided by
12 this chapter.

13 Sec. 45. Section 123.60, Code 1985, is amended to read as
14 follows:

15 123.60 NUISANCES.

16 The premises where the unlawful manufacture or sale, or
17 keeping with intent to sell, use or give away, of alcoholic
18 liquors, wine, or beer is carried on, and any vehicle or other
19 means of conveyance used in transporting ~~such~~ liquor, wine, or
20 beer in violation of law, and the furniture, fixtures, vessels
21 and contents, kept or used in connection with such activities
22 are nuisances and shall be abated as provided in this chapter.

23 Sec. 46. Section 123.71, Code 1985, is amended to read as
24 follows:

25 123.71 CONDITIONS.

26 ~~In-no-case-shall-a~~ A bootlegger injunction proceeding, as
27 provided in this chapter, shall not be maintained unless it ~~be~~
28 is shown to the court that efforts in good faith have been
29 made to discover the base of supplies or place where the
30 defendant charged as a bootlegger conducts an unlawful
31 business or receives or manufactures the alcoholic liquor,
32 wine, or beer, ~~of~~ which the defendant is charged with
33 bootlegging.

34 Sec. 47. Section 123.72, Code 1985, is amended to read as
35 follows:

1 123.72 ORDER OF ABATEMENT.

2 If the existence of a nuisance is established in a civil or
3 criminal action, an order of abatement shall be entered as a
4 part of the judgment in the case. Such The order shall direct
5 the confiscation of all alcoholic liquor, wine, or beer by the
6 state; the removal from the premises involved of all fixtures,
7 furniture, vessels, or movable property used in any way in
8 conducting the unlawful business; the sale of all ~~such~~ removed
9 property as well as any vehicle or other means of conveyance
10 which has been abated, ~~such~~ the sale to be conducted in the
11 manner provided for the sale of chattels under execution; and
12 the effective closing of the premises against use for the
13 purpose of manufacture, sale, or consumption of alcoholic
14 liquor, wine, or beer for a period of one year, unless sooner
15 released by the court.

16 Sec. 48. Section 123.81, Code 1985, is amended to read as
17 follows:

18 123.81 FORFEITURE OF BOND.

19 If the owner of a property who has filed an abatement bond
20 as provided in this chapter fails to abate the liquor, wine,
21 or beer nuisance on the premises covered by the bond, or fails
22 to prevent the maintenance of any liquor, wine, or beer
23 nuisance on ~~said~~ the premises at any time within a period of
24 one year after entry of the abatement order, the court shall,
25 after a hearing in which such fact is established, direct an
26 entry of ~~such~~ the violation of the terms of the owner's bond,
27 to be made on the record and the undertaking of the owner's
28 bond ~~thereupon~~ shall be forfeited.

29 Sec. 49. Section 123.84, Code 1985, is amended to read as
30 follows:

31 123.84 JUDGMENT.

32 If the court after a hearing finds a liquor, wine, or beer
33 nuisance has been maintained on the premises covered by the
34 abatement bond and that liquor, wine, or beer has been sold or
35 kept for sale on the premises contrary to law within one year

1 from the date of the giving of such the bond, then the court
2 shall order the forfeiture of the bond and enter judgment for
3 the full amount of such the bond against the principal and
4 sureties thereof on the bond, and the lien on the real estate
5 created pursuant to section 123.79 shall be decreed foreclosed
6 and the court shall provide for a special and general
7 execution for the enforcement of such the decree and judgment.

8 Sec. 50. Section 123.91, Code 1985, is amended to read as
9 follows:

10 123.91 SECOND AND SUBSEQUENT CONVICTION.

11 Any person who has been convicted, in a criminal action, in
12 any court of record, of a violation of ~~any-of-the-following~~:

13 ~~1--Any~~ a provision of this chapter:

14 ~~2--Any,~~ a provision of the prior laws of this state
15 relating to intoxicating liquors, wine, or beer which ~~were~~ was
16 in force prior to the enactment of this chapter:

17 ~~3--Any,~~ or a provision of the laws of the United States or
18 of any other state relating to intoxicating liquors, wine, or
19 beer, and who is thereafter convicted of a subsequent criminal
20 offense against any provision of this chapter is guilty of the
21 following offenses:

22 a 1. For the second conviction, a serious misdemeanor.

23 b 2. For the third and each subsequent conviction, an
24 aggravated misdemeanor.

25 Sec. 51. Section 123.92, unnumbered paragraph 1, Code
26 1985, is amended to read as follows:

27 Every husband, wife, child, parent, guardian, employer or
28 other person who ~~shall-be~~ is injured in person or property or
29 means of support by any intoxicated person or resulting from
30 the intoxication of any such person, ~~shall-have~~ has a right of
31 action for all damages actually sustained, severally or
32 jointly, against any licensee or permittee, who ~~shall-sell~~
33 sells or give gives any beer, wine, or intoxicating liquor to
34 ~~any-such~~ a person while the person is intoxicated, or ~~serve~~
35 ~~any-such~~ serves a person to a point where such the person is

1 intoxicated, ~~for all damages actually sustained~~. If the
2 injury was caused by an intoxicated person, a permittee or
3 licensee may establish as an affirmative defense that the
4 intoxication did not contribute to the injurious action of the
5 person.

6 Sec. 52. Section 123.95, unnumbered paragraph 1, Code
7 1985, is amended to read as follows:

8 It is unlawful for any person to allow the dispensing or
9 consumption of intoxicating liquor, except ~~sacramental~~ wines
10 and beer, in any establishment unless ~~such~~ the establishment
11 is licensed under this chapter.

12 Sec. 53. Section 123.96, subsections 1 and 2, Code 1985,
13 are amended to read as follows:

14 1. ~~Except as provided by section 123.567, subsection 4,~~
15 ~~there~~ There is imposed on every person licensed to sell
16 alcoholic beverages for consumption on the premises where
17 sold, a special tax equivalent to fifteen percent of the price
18 established by the department on all alcoholic beverages for
19 general sale to the public. The tax shall be paid by all
20 licensees at the point of purchase from the state on all
21 alcoholic beverages intended or used for resale for
22 consumption on the premises of retail establishments. The tax
23 is in lieu of any other sales tax applied at the state store
24 and shall be shown as a separate item on special sales slips
25 provided by the department for purchases by licensees.

26 2. Except as allowed under section 123.95 and, ~~except as~~
27 ~~allowed under section 123.567, subsection 4,~~ a licensee shall
28 not knowingly keep on the licensed premises nor use for resale
29 purposes any alcoholic liquor on which the special tax has not
30 been paid to the state. The conviction of a violation of this
31 section shall cause the license held to automatically be
32 revoked and the license shall immediately be surrendered by
33 the holder, and the bond of the license holder shall be
34 forfeited to the department.

35 Sec. 54. Section 123.121, unnumbered paragraph 1, Code

1 1985, is amended to read as follows:

2 In any prosecution under this chapter for the unlawful sale
3 of alcoholic liquor, wine, or beer, a sale of alcoholic
4 liquor, wine, or beer which requires a shipment or delivery of
5 such the liquor, wine, or beer, shall be deemed to be made in
6 the county in which such the delivery is made by the carrier
7 to the consignee, or the consignee's agent, or employee.

8 Sec. 55. Chapter 123, Code 1985, is amended by adding
9 sections 56 through 71 of this Act as a new division.

10 Sec. 56. NEW SECTION. 123.171 WINE PERMIT OR LICENSE
11 REQUIRED.

12 A person shall not cause the manufacture, importation, or
13 sale of wine in this state unless a certificate or permit as
14 provided in this division, or a liquor control license as
15 provided in division I of this chapter, is first obtained
16 which authorizes that manufacture, importation, or sale.

17 Sec. 57. NEW SECTION. 123.172 EFFECT ON LIQUOR CONTROL
18 LICENSEES.

19 All applicable provisions of this division relating to
20 class "B" wine permits apply to liquor control licensees in
21 the purchasing, storage, handling, serving and sale of wine.

22 Sec. 58. NEW SECTION. 123.173 WINE PERMITS -- CLASSES.

23 Permits exclusively for the sale or manufacture and sale of
24 wine shall be divided into two classes, and shall be known as
25 class "A" or "B" wine permits.

26 A class "A" wine permit allows the holder to manufacture
27 and sell, or sell at wholesale, in this state, wine as defined
28 in section 123.3, subsection 7. The holder of a class "A"
29 wine permit may manufacture in this state wine having an
30 alcoholic content greater than seventeen percent by weight for
31 shipment outside this state or for sale to the department. A
32 class "B" wine permit allows the holder to sell wine at retail
33 for consumption off the premises.

34 A class "A" wine permittee shall be required to deliver
35 wine to a class "B" wine permittee, and a class "B" wine

1 permittee shall be required to accept delivery of wine from a
2 class "A" wine permittee, only at the licensed premise of the
3 class "B" wine permittee. Except as specifically permitted by
4 the department upon good cause shown, delivery or transfer of
5 wine from an unlicensed premise to a licensed "B" wine
6 permittee's premise, or from one licensed "B" wine permittee's
7 premise to another licensed "B" wine permittee's premise, even
8 where there is common ownership of all of the premises by one
9 class "B" wine permittee, is prohibited.

10 Sec. 59. NEW SECTION. 123.174 ISSUANCE OF WINE PERMITS.

11 The director shall issue class "A" and "B" wine permits as
12 provided in this chapter, and may suspend or revoke a wine
13 permit for cause as provided in this chapter.

14 Sec. 60. NEW SECTION. 123.175 CLASS "A" APPLICATION.

15 Except as otherwise provided in this chapter, a class "A"
16 wine permit shall be issued to a person who complies with all
17 of the following:

18 1. Submits a written application for the permit and states
19 on the application under oath:

20 a. The name and place of residence of the applicant and
21 the length of time the applicant has lived at the place of
22 residence.

23 b. That the applicant is a citizen of the state of Iowa,
24 or if a corporation, that the applicant is authorized to do
25 business in Iowa.

26 c. The place of birth of the applicant, and if the
27 applicant is a naturalized citizen, the time and place of
28 naturalization, or if a corporation, the state of in-
29 corporation.

30 d. The location of the premises where the applicant
31 intends to use the permit.

32 e. The name of the owner of the premises, and if that
33 owner is not the applicant, that the applicant is the actual
34 lessee of the premises.

35 2. Establishes all of the following:

1 a. That the applicant meets the test of good moral
2 character as provided in section 123.3, subsection 11.

3 b. That the premises where the applicant intends to use
4 the permit conform to all applicable laws, health regulations,
5 and fire regulations, and constitute a safe and proper place
6 or building.

7 3. Submits a bond in the amount of five thousand dollars
8 in the form prescribed and furnished by the department with
9 good and sufficient sureties to be approved by the department
10 conditioned upon compliance with this chapter.

11 Sec. 61. NEW SECTION. 123.176 CLASS "B" APPLICATION.

12 Except as otherwise provided in this chapter, a class "B"
13 wine permit shall be issued to a person who complies with all
14 of the following:

15 1. Submits a written application for the permit and states
16 on the application under oath:

17 a. The name and place of residence of the applicant, and
18 the length of time the applicant has lived at the place of
19 residence.

20 b. That the applicant is a citizen of the state of Iowa,
21 or if a corporation, that the applicant is authorized to do
22 business in Iowa.

23 c. The place of birth of the applicant, and if the
24 applicant is a naturalized citizen, the time and place of
25 naturalization, or if a corporation, the place of in-
26 corporation.

27 d. The location of the premises where the applicant
28 intends to use the permit.

29 e. The name of the owner of the premises, and if that
30 owner is not the applicant, that the applicant is the actual
31 lessee of the premises.

32 2. Establishes all of the following:

33 a. That the applicant is a person of good moral character
34 as provided in section 123.3, subsection 11.

35 b. That the premises where the applicant intends to use

1 the permit conform to all applicable laws, health regulations,
2 and fire regulations, and constitute a safe and proper place
3 or building.

4 3. Submits a bond in the amount of one thousand dollars in
5 the form prescribed and furnished by the department with good
6 and sufficient sureties to be approved by the department
7 conditioned upon compliance with this chapter. The bond shall
8 be further conditioned as a part of the permit granted to the
9 effect that the permittee and each surety shall consent to
10 forfeiture of the principal sum of the bond in event of
11 suspension or revocation of the permit pursuant to this
12 chapter.

13 Sec. 62. NEW SECTION. 123.177 AUTHORITY UNDER CLASS "A"
14 PERMIT.

15 1. A person holding a class "A" wine permit may
16 manufacture and sell, or sell at wholesale, wine for
17 consumption off the premises. Sales within the state may be
18 made only to persons holding a class "A" or "B" wine permit
19 and to persons holding a class "A", "B", "C" or "D" liquor
20 control license. A class "A" wine permittee having more than
21 one place of business shall obtain a separate permit for each
22 place of business where wine is to be stored, warehoused, or
23 sold.

24 2. A class "A" wine permit holder may purchase and resell
25 only those brands of wine which are manufactured, fermented,
26 bottled, shipped, or imported by a person holding a
27 certificate of compliance issued pursuant to section 123.175.

28 Sec. 63. NEW SECTION. 123.178 AUTHORITY UNDER CLASS "B"
29 PERMIT.

30 1. A person holding a class "B" wine permit may sell wine
31 at retail for consumption off the premises. Wine shall be
32 sold for consumption off the premises in original containers
33 only.

34 2. A class "B" wine permittee having more than one place
35 of business where wine is sold shall obtain a separate permit

1 for each place of business.

2 Sec. 64. NEW SECTION. 123.179 PERMIT FEES.

3 1. The annual permit fee for a class "A" wine permit is
4 seven hundred fifty dollars.

5 2. The annual permit fee for a class "B" wine permit is
6 five hundred dollars.

7 Sec. 65. NEW SECTION. 123.180 VINTNER'S CERTIFICATE OF
8 COMPLIANCE -- WHOLESALE AND RETAIL RESTRICTIONS.

9 1. A manufacturer, vintner, bottler, importer, or vendor
10 of wine or an agent thereof desiring to ship, sell, or have
11 wine brought into this state for sale at wholesale by a class
12 "A" permittee shall first make application for and shall be
13 issued a vintner's certificate of compliance by the director
14 for that purpose. The vintner's certificate of compliance
15 shall expire at the end of one year from the date of issuance
16 and shall be renewed for a like period upon application to the
17 director unless otherwise revoked for cause. Each application
18 for a vintner's certificate of compliance or renewal of a
19 certificate shall be accompanied by a fee of one hundred
20 dollars payable to the department. Each holder of a vintner's
21 certificate of compliance shall furnish the information
22 required by the director in the form the director requires. A
23 vintner or wine bottler whose plant is located in Iowa and who
24 otherwise holds a class "A" wine permit to sell wine at
25 wholesale is exempt from the fee, but not the other terms and
26 conditions. The holder of a vintner's certificate of
27 compliance may also hold a class "A" wine permit.

28 2. At the time of applying for a vintner's certificate of
29 compliance, each applicant shall file with the department a
30 list of all class "A" wine permittees with whom it intends to
31 do business and shall designate the geographic area in which
32 its products are to be distributed by the permittees.

33 Vintner's certificate holders may appoint more than one class
34 "A" wine permittee to service the same geographic territory.
35 The listing of class "A" wine permittees and geographic area

1 as filed with the department may be amended from time to time
2 by the holder of the certificate of compliance.

3 3. All class "A" wine permit holders shall sell only those
4 brands of wine which are manufactured, bottled, fermented,
5 shipped, or imported by a person holding a current vintner's
6 certificate of compliance. An employee or agent working for
7 or representing the holder of a vintner's certificate of
8 compliance within this state shall register the employee's or
9 agent's name and address with the department. These names and
10 addresses shall be filed with the department's copy of the
11 certificate of compliance issued except that this provision
12 does not require the listing of those persons who are employed
13 on the premises of a bottling plant, or winery where wine is
14 manufactured, fermented, or bottled in Iowa or to the listing
15 of those persons who are thereafter engaged in the
16 transporting of the wine.

17 4. It is unlawful for a holder of a vintner's certificate
18 of compliance or the holder's agent, or any class "A" wine
19 permittee or the permittee's agent, to discriminate between
20 class "B" wine permittees authorized to sell wine at retail.

21 5. It is unlawful for a holder of a vintner's certificate
22 of compliance or the vintner's agent who is engaged in the
23 business of selling wine to class "A" wine permittees to
24 discriminate between class "A" wine permittees authorized to
25 sell wine at wholesale.

26 6. Regardless of any other penalties provided by this
27 chapter, any holder of a certificate of compliance relating to
28 wine, class "A" or retail wine permittee or retail liquor
29 licensee, who violates any of the provisions of this section
30 is subject to a civil fine not to exceed one thousand dollars
31 or subject to suspension of the certificate of compliance,
32 license, or permit for a period not to exceed thirty days or
33 to both civil fine and suspension.

34 Sec. 66. NEW SECTION. 123.181 PROHIBITED ACTS.

35 1. A holder of any class "B" wine permit shall not sell

1 wine except wine which is purchased from a person holding a
2 class "A" wine permit and on which the tax imposed by section
3 123.185 has been paid or wine purchased from the department.

4 2. A class "A" wine permittee shall not sell wine on
5 credit to a retail liquor licensee or wine permittee for a
6 period exceeding thirty days from date of delivery.

7 3. A holder of a vintner's certificate of compliance or
8 class "A" wine permit shall not offer to any purchaser of wine
9 at retail any rebate or coupon as an incentive to purchase
10 wine.

11 Sec. 67. NEW SECTION. 123.182 LABELS -- CONCLUSIVE
12 EVIDENCE.

13 The label on a bottle or other container in which wine is
14 offered for sale in this state, which label represents the
15 alcoholic content of the wine as being in excess of seventeen
16 per cent by weight, is conclusive evidence of the alcoholic
17 content of that wine.

18 Sec. 68. NEW SECTION. 123.183 WINE GALLONAGE TAX.

19 In addition to the annual permit fee to be paid by each
20 class "A" wine permittee, there shall be levied and collected
21 from each class "A" wine permittee on all wine manufactured
22 for sale and sold in this state at wholesale and on all wine
23 imported into this state for sale at wholesale and sold in
24 this state at wholesale, a tax of one dollar for every wine
25 gallon and a like rate for the fractional parts of a wine
26 gallon. A tax shall not be levied or collected on wine
27 manufactured in this state and shipped outside this state by a
28 class "A" wine permittee, or on wine sold by one class "A"
29 wine permittee to another class "A" wine permittee. All
30 revenue derived from the wine tax shall be deposited in the
31 liquor control fund established by section 123.53 and shall be
32 transferred by the state comptroller to the general fund of
33 the state.

34 Sec. 69. NEW SECTION. 123.184 REPORT OF GALLONAGE SALES
35 -- PENALTY.

1 Each class "A" wine permit holder on or before the tenth
2 day of each calendar month commencing on the tenth day of the
3 calendar month following the month in which the person is
4 issued a permit, shall make a report under oath to the
5 department upon forms to be furnished by the department
6 showing the exact number of gallons of wine and fractional
7 parts of gallons, sold by that permit holder during the
8 preceding calendar month. The report also shall state
9 whatever reasonable additional information the director
10 requires. The permit holder at the time of filing this report
11 shall pay to the department the amount of tax due at the rate
12 fixed in section 123.185. A penalty of ten percent of the
13 amount of the tax shall be assessed and collected if the
14 report is not filed and the tax paid within the time required
15 by this section.

16 Sec. 70. NEW SECTION. 123.185 RECORDS REQUIRED.

17 Each class "A" wine permittee shall keep books of account
18 and records showing each sale of wine, which shall be at all
19 times open to inspection by the director and agents of the
20 department. Each class "B" wine permittee shall keep proper
21 books of account and records showing each purchase of wine and
22 the date and the amount of each purchase and the name of the
23 person from whom each purchase was made, which shall be open
24 to inspection by the director and agents of the department
25 during normal business hours of the permittee.

26 Sec. 71. NEW SECTION. 123.186 FEDERAL REGULATIONS
27 ADOPTED AS RULES.

28 The department shall adopt as rules the substance of the
29 federal regulations 27 CFR pt. 6, 27 CFR pt. 8, 27 CFR pt. 10,
30 and 27 CFR pt. 11 as they relate to transactions between
31 wholesalers and retailers.

32 Sec. 72. Section 321.40, Code 1985, is amended by adding
33 the following new unnumbered paragraph:

34 NEW UNNUMBERED PARAGRAPH. The county treasurer shall
35 refuse to renew the registration of a vehicle registered to

1 the applicant for renewal of registration if the applicant has
2 failed to pay any local vehicle taxes due in that county on
3 that vehicle or any other vehicle owned or previously owned by
4 the applicant until such local vehicle taxes are paid.

5 Sec. 73. Section 321.130, Code 1985, is amended to read as
6 follows:

7 321.130 FEES IN LIEU OF TAXES.

8 The registration fees imposed by this chapter upon private
9 passenger motor vehicles or semitrailers ~~shall be~~ are in lieu
10 of all state and local taxes, except local vehicle taxes,
11 ~~general or local,~~ to which motor vehicles or semitrailers may
12 be ~~are~~ subject, and if a motor vehicle or semitrailer ~~shall~~
13 have ~~has~~ been registered at any time under this chapter it
14 shall not thereafter be subject to a personal property tax
15 unless ~~such~~ the motor vehicle or semitrailer ~~shall have~~ has
16 been in storage continuously as an unregistered motor vehicle
17 or semitrailer during the preceding registration year.

18 Sec. 74. Section 422.45, Code 1985, is amended by adding
19 the following new subsection:

20 NEW SUBSECTION. For the period beginning July 1, 1985 and
21 ending June 30, 1986, one half of the gross receipts from the
22 sale or rental of farm machinery and equipment and beginning
23 July 1, 1986, the total gross receipts from the sale or rental
24 of farm machinery and equipment, if the following conditions
25 are met:

26 a. The farm machinery and equipment shall be directly and
27 primarily used in production of agricultural products.

28 b. The farm machinery and equipment shall constitute self-
29 propelled implements or implements customarily drawn or
30 attached to self-propelled implements or the farm machinery or
31 equipment is a grain dryer.

32 Vehicles subject to registration, as defined in section
33 423.1, or replacement parts for such vehicles, shall not be
34 eligible for this exemption.

35 Sec. 75. NEW SECTION. 422B.1 AUTHORIZATION -- ELECTION -

1 -IMPOSITION AND REPEAL.

2 1. A city or a county may impose by ordinance of the city
3 council or the board of supervisors local option taxes
4 authorized by sections 422B.1 through 422B.11, subject to this
5 section.

6 2. A local option tax shall be imposed only after an
7 election at which a majority of those voting on the question
8 favors imposition and shall then be imposed until repealed as
9 provided in subsection 7, paragraph "a". If the tax is a
10 local earnings tax or an additional real property tax imposed
11 by a city, it shall only apply within the corporate boundaries
12 of that city and if imposed by a county, it shall only apply
13 to unincorporated areas of that county. If the tax is a local
14 vehicle tax imposed by a county, it shall apply to all
15 incorporated and unincorporated areas of the county. If the
16 tax is a local sales and services tax imposed by a county, it
17 shall only apply to those incorporated areas and the
18 unincorporated area of that county in which a majority of
19 those voting in the area on the tax favor its imposition. For
20 purposes of the local sales and services tax, all cities
21 contiguous to each other shall be treated as part of one
22 incorporated area and the tax would be imposed in each of
23 those contiguous cities only if the majority of those voting
24 in the total area covered by the contiguous cities favor its
25 imposition.

26 3. Upon its own motion or upon receipt of a petition
27 signed by eligible electors of the city equal in number to
28 five percent of the persons of the city who voted in the last
29 preceding state general election requesting imposition of a
30 local earnings tax or additional real property tax, the city
31 council shall direct within sixty days of its motion or
32 receipt of the petition the county commissioner of elections
33 to submit the question of the imposition to the qualified
34 electors of the city.

35 4. Upon its own motion or upon receipt of a petition

1 signed by eligible electors of the unincorporated area of the
2 county equal in number to five percent of the persons of the
3 unincorporated area of the county who voted at the last
4 preceding state general election requesting imposition of a
5 local earnings tax or additional real property tax, the county
6 board of supervisors shall direct within sixty days of its
7 motion or receipt of the petition the county commissioner of
8 elections to submit the question of the imposition to the
9 qualified electors of the unincorporated area of the county.

10 5. A county board of supervisors shall direct within sixty
11 days the county commissioner of elections to submit the ques-
12 tion of imposition of a local vehicle tax or a local sales and
13 services tax to the qualified electors of the incorporated and
14 unincorporated areas of the county upon receipt of a petition,
15 requesting imposition of a local vehicle tax or a local sales
16 and services tax, signed by eligible electors of the whole
17 county equal in number to five percent of the persons in the
18 whole county who voted at the last preceding state general
19 election or signed by the governing bodies of the cities
20 located within the county representing at least one half of
21 the population of the county. In the case of a local vehicle
22 tax, the petition requesting imposition shall specify the rate
23 of tax and the classes, if any, that are to be exempt. If
24 more than one valid petition is received, the earliest
25 received petition shall be used.

26 6. The county commissioner of elections shall submit the
27 question of imposition of a local option tax at a state
28 general election or at a special election held at the time of
29 a city regular election in the case of a tax imposed by a
30 county or at a state general election or city regular election
31 in the case of a tax imposed by a city which may not be held
32 sooner than sixty days after publication of notice of the
33 ballot proposition. The ballot proposition shall specify the
34 type and rate of tax and in the case of a vehicle tax the
35 classes that will be exempt and in the case of a local sales

1 and services tax the date it will be imposed. The ballot
2 proposition shall also specify the approximate amount of local
3 option tax revenues that will be used for property tax relief
4 and shall contain a statement as to the specific purpose or
5 purposes for which the revenues shall otherwise be expended.
6 The rate of a local earnings tax shall be in increments of one
7 percent but not in excess of six percent as set by the
8 governing body of the city or county seeking to impose the
9 tax. The rate of the vehicle tax shall be in increments of
10 one dollar per vehicle as set by the petition seeking to
11 impose the tax. The rate of a local sales and services tax
12 shall be one percent. The rate of an additional real property
13 tax shall be in increments of five cents per one thousand
14 dollars of taxable valuation as set by the governing body of
15 the city or county seeking to impose the tax. The state
16 commissioner of elections shall establish by rule the form for
17 the ballot proposition which form shall be uniform throughout
18 the state.

19 7. a. If a majority of those voting on the question of
20 imposition of a local option tax favor imposition of a local
21 option tax, the governing body of that city or that county, as
22 applicable, shall impose the tax at the rate specified for an
23 unlimited period. However, in the case of a local sales and
24 services tax, the county shall not impose the tax in any
25 incorporated area or the unincorporated area if the majority
26 of those voting on the tax in that area did not favor its
27 imposition. For purposes of the local sales and services tax,
28 all cities contiguous to each other shall be treated as part
29 of one incorporated area and the tax would be imposed in each
30 of those contiguous cities only if the majority of those
31 voting in the total area covered by the contiguous cities
32 favor its imposition. The local option tax may be repealed or
33 the rate increased or decreased only after an election at
34 which a majority of those voting on the question of repeal or
35 rate change favor the repeal or rate change. The election at

1 which the question of repeal or rate change is offered shall
2 be called and held in the same manner and under the same
3 conditions as provided in subsections 3, 4, 5, and 6 for the
4 election on the imposition of the local option tax. However,
5 in the case of a local sales and services tax where the tax
6 has not been imposed countywide, the question of repeal or
7 imposition shall be voted on only by the qualified electors of
8 the areas of the county where the tax has been imposed or has
9 not been imposed, as appropriate.

10 b. Within ten days of the election at which a majority of
11 those voting on the question favors the imposition, repeal, or
12 change in the rate of a local option tax, the governing body
13 shall give written notice to the director of revenue or, in
14 the case of a local vehicle tax, to the director of the
15 department of transportation, of the result of the election.

16 8. More than one of the authorized local option taxes may
17 be submitted at a single election and the different taxes
18 shall be separately implemented as provided in this section.

19 9. Local option taxes authorized to be imposed as provided
20 in sections 422B.1 through 422B.11 are a local earnings tax, a
21 local sales and services tax, a local vehicle tax and an
22 additional real property tax. The rate of the taxes shall be
23 up to six percent in increments of one percent for the
24 earnings tax, in increments of one dollar per vehicle for a
25 vehicle tax, and in increments of five cents per one thousand
26 dollars of taxable valuation for the additional real property
27 tax all as set by the governing body of the city or county
28 seeking to impose the earnings tax or additional real property
29 tax or as set on the petition seeking to impose the vehicle
30 tax. The rate of a local sales and services tax shall be one
31 percent.

32 Sec. 76. NEW SECTION. 422B.2 LOCAL VEHICLE TAX.

33 An annual local vehicle tax at the rate per vehicle
34 specified on the ballot proposition may be imposed by a county
35 on every vehicle which is required to be registered by the

1 state and is registered with the county treasurer to a person
2 residing within the county where the tax is imposed at the
3 time of the renewal of the registration of the vehicle. The
4 local vehicle tax shall be imposed only on the renewals of
5 registrations and shall be payable during the registration
6 renewal periods provided under section 321.40.

7 The county imposing the tax shall provide for the exemption
8 of each class, if any, of vehicles for which an exemption was
9 listed on the ballot proposition.

10 For the purpose of the tax authorized by this section,
11 "person" and "registration year" mean the same as defined in
12 section 321.1, "vehicle" means motor vehicle as defined in
13 section 321.1 which is subject to registration under section
14 321.18, and which is registered with the county treasurer.

15 Sec. 77. NEW SECTION. 422B.3 ADMINISTRATION.

16 A local vehicle tax or change in the rate shall be imposed
17 January 1 immediately following a favorable election for
18 registration years beginning on or after that date and the
19 repeal of the tax shall be as of December 31 following a
20 favorable election for registration years beginning after that
21 date.

22 Local officials shall confer with the director of the
23 department of transportation for assistance in drafting the
24 ordinance imposing a local vehicle tax. A certified copy of
25 the ordinance shall be filed with the director as soon as
26 possible after passage. The director shall inform the
27 appropriate county treasurers and provide assistance to them
28 for the collection of all local vehicle taxes and any
29 penalties, crediting local vehicle tax receipts excluding
30 penalties to a "local vehicle tax fund" established in the
31 office of the county treasurer. From the local vehicle tax
32 fund, the treasurer shall remit monthly, by direct deposit in
33 the same manner as provided in section 384.11, to each city in
34 the county the amount collected from residents of the city
35 during the preceding calendar month and to the county the

1 amount collected from the residents of the unincorporated area
2 during the preceding calendar month. Moneys received by a
3 city or county from this fund shall be credited to the general
4 fund of the city or county to be used solely for public
5 transit or shall be credited to the street construction fund
6 of that city or the secondary road fund of that county to be
7 used for the purposes specified in section 312.6. Any
8 penalties collected shall be credited to the county general
9 fund to be used to defray the cost to the county of
10 administering the local vehicle tax.

11 Sec. 78. NEW SECTION. 422B.4 PAYMENT.

12 Taxpayers shall pay a local vehicle tax to the county
13 treasurer at the time of application for the renewal of the
14 registration of the vehicle under chapter 321 for the
15 registration year. The county treasurer shall require a
16 person applying for the renewal of the registration of a
17 vehicle to state the person's residence and shall not renew a
18 registration certificate of a vehicle on which a local vehicle
19 tax is due until the local vehicle tax is paid.

20 Payment of a local vehicle tax shall be evidenced by a
21 notation on the state registration certificate. The director
22 of the department of transportation shall prescribe by rule
23 the type of notation. A local vehicle tax shall not be
24 refunded even when state registration fees are refunded.

* 25 Penalties for late payment which are comparable to the
26 penalties for late payment of state registration fees shall be
27 imposed by the ordinance imposing a local vehicle tax.
28 Willful violation of a local vehicle tax ordinance is a simple
29 misdemeanor.

30 Sec. 79. NEW SECTION. 422B.5 LOCAL EARNINGS TAX.

31 1. A city or county may impose an annual earnings tax at
32 the rate on the ballot proposition on the wages, salaries,
33 commissions, and other compensation of resident and
34 nonresident individuals derived from work performed or
35 services rendered within the city or the unincorporated area

1 of the county when the tax is imposed.

2 2. For purposes of the local earnings tax "resident
3 individual" means an individual taxpayer whose principal place
4 of residence at the end of the taxpayer's tax year is located
5 in the city or unincorporated area of the county where the tax
6 is imposed and "nonresident individual" means an individual
7 who is not a resident individual. If the compensation
8 received for work performed or services rendered is for work
9 performed or services rendered both within and without the
10 area where the tax is imposed, the amount of compensation of
11 an individual derived from work performed or services rendered
12 that is subject to the local earnings tax shall be reasonably
13 apportioned to the city or unincorporated area of the county,
14 as applicable, by means of a work activity ratio as provided
15 in rules adopted by the department of revenue.

16 Sec. 80. NEW SECTION. 422B.6 ADMINISTRATION.

17 A local earnings tax or change in the rate shall be imposed
18 January 1 following the favorable election for tax years
19 beginning on or after January 1 and repeal of the tax shall be
20 as of December 31 following the favorable election for tax
21 years beginning after December 31.

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

27 An ordinance imposing a local earnings tax shall adopt by
28 reference the applicable provisions of the appropriate
29 sections of chapter 422, division II. All powers and
30 requirements of the director in administering the state income
31 tax law apply to the administration of a local earnings tax,
32 including but not limited to, the provisions of sections
33 422.20, 422.22 to 422.31, 422.66, and 422.72 to 422.75. Local
34 officials shall confer with the director of revenue and obtain
35 the director's assistance in drafting the ordinance imposing a

1 local earnings tax. A certified copy of the ordinance shall
2 be filed with the director as soon as possible after passage.

3 The director, in consultation with local officials, shall
4 collect and account for a local earnings tax and any interest
5 and penalties. The director shall credit local earnings tax
6 receipts and any interest and penalties collected from returns
7 filed on or before November 1 of the calendar year following
8 the tax year for which the local earnings tax is imposed to a
9 "local earnings tax fund" established in the office of the
10 treasurer of state. All local earnings tax receipts and any
11 interest and penalties received or refunded from returns filed
12 after November 1 of the calendar year following the tax year
13 for which the local earnings tax is imposed shall be deposited
14 in or withdrawn from the state general fund and shall be
15 considered part of the cost of administering the local
16 earnings tax.

17 Sec. 81. NEW SECTION. 422B.7 PAYMENT TO LOCAL GOVERNMENT
18 - -USE OF RECEIPTS.

19 1. On or before January 15, the director of revenue shall
20 make an accounting of the local earnings tax receipts and any
21 interest and penalties collected from returns filed on or
22 before November 1 of the preceding year and shall certify to
23 the treasurer of state this amount collected. The treasurer
24 of state shall remit within fifteen days of the certification
25 by the director of revenue to each city and county which has
26 imposed a local earnings tax the amount in the local earnings
27 tax fund collected as a result of its tax.

28 2. Local earnings tax moneys received by a city or county
29 may be expended for any lawful purpose of the city or county
30 which imposed the tax.

31 Sec. 82. NEW SECTION. 422B.8 LOCAL SALES AND SERVICES
32 TAX.

33 1. A local sales and services tax at the rate of one
34 percent may be imposed by a county on the gross receipts taxed
35 by the state under chapter 422, division IV. A local sales

1 and services tax shall be imposed on the same basis as the
2 state sales and services tax and may not be imposed on the
3 sale of any property or on any service not taxed by the state.
4 A local sales and services tax is applicable to transactions
5 within those incorporated and unincorporated areas of the
6 county where it is imposed and shall be collected by all
7 persons required to collect state gross receipts taxes. All
8 cities contiguous to each other shall be treated as part of
9 one incorporated area and the tax would be imposed in each of
10 those contiguous cities only if the majority of those voting
11 in the total area covered by the contiguous cities favor its
12 imposition.

13 The amount of the sale, for purposes of determining the
14 amount of the local sales and services tax, does not include
15 the amount of any state gross receipts taxes.

16 A tax permit other than the state tax permit required under
17 section 422.53 shall not be required by local authorities.

18 2. Notwithstanding anything in subsection 1, the following
19 items shall not be subject to a local option sales and
20 services tax regardless if the state sales, services and use
21 tax is imposed or not:

22 a. The gross receipts from the sale or rental of farm
23 machinery and equipment, including replacement parts, if the
24 following conditions are met:

25 (1) The farm machinery and equipment, including
26 replacement parts, shall be directly and primarily used in
27 production of agricultural products.

28 (2) The farm machinery and equipment, including
29 replacement parts, shall constitute self-propelled implements
30 or implements customarily drawn or attached to self-propelled
31 implements or the farm machinery or equipment is a grain
32 dryer.

33 Vehicles subject to registration, as defined in section
34 423.1, or replacement parts for such vehicles, shall not be
35 eligible for this exemption.

1 b. The gross receipts from the sale or rental of
2 industrial machinery, equipment and computers, including
3 replacement parts which are depreciable for state and federal
4 income tax purposes, if the following conditions are met:

5 (1) The industrial machinery, equipment and computers
6 shall be directly and primarily used in the manner described
7 in section 428.20 in processing tangible personal property or
8 in research and development of new products or processes of
9 manufacturing, refining, purifying, combining of different
10 materials or packing of meats to be used for the purpose of
11 adding value to products, or in processing or storage of data
12 or information by an insurance company, financial institution
13 or commercial enterprise. As used in this subparagraph:

14 (a) "Insurance company" means an insurer organized under
15 chapter 508, 515, 518, 519, or 520 or authorized to do
16 business in Iowa as an insurer and having fifty or more
17 persons employed in this state excluding licensed insurance
18 agents.

19 (b) "Financial institutions" means as defined in section
20 527.2, subsection 4.

21 (c) "Commercial enterprise" includes businesses and
22 manufacturers conducted for profit and includes centers for
23 data processing services to insurance companies, financial
24 institutions, businesses and manufacturers but excludes
25 professions and occupations and nonprofit organizations.

26 (2) The industrial machinery, equipment and computers must
27 be real property within the scope of section 427A.1,
28 subsection 1, paragraph "e" or "j", and must be subject to
29 taxation as real property.

30 However, the provisions of chapters 404 and 427B which
31 result in the exemption from taxation of property for property
32 tax purposes do not preclude the property from receiving this
33 exemption if the property otherwise qualifies.

34 The gross receipts from the sale or rental of hand tools
35 are not exempt. The gross receipts from the sale or rental of

1 pollution control equipment qualifying under subparagraph (1)
2 shall be exempt.

3 The gross receipts from the sale or rental of industrial
4 machinery, equipment, and computers, including pollution
5 control equipment, within the scope of section 427A.1,
6 subsection 1, paragraphs "h" and "i", shall not be exempt.

7 Sec. 83. NEW SECTION. 422B.9 ADMINISTRATION.

8 A local sales and services tax shall be imposed either
9 January 1, April 1, July 1 or October 1 following the
10 notification of the director of revenue.

11 A local sales and services tax shall be repealed only on
12 March 31, June 30, September 30, or December 31. At least
13 fifty-five days before the imposition or repeal of the tax, a
14 county shall provide notice of the action by certified mail to
15 the director of revenue.

16 The director of revenue shall administer a local sales and
17 services tax as nearly as possible in conjunction with the ad-
18 ministration of state gross receipts tax laws. The director
19 shall provide appropriate forms or provide on the regular
20 state tax forms for reporting local sales and services tax
21 liability.

22 The ordinance of a county board of supervisors imposing a
23 local sales and services tax shall adopt by reference the
24 applicable provisions of the appropriate sections of chapter
25 422, division IV. All powers and requirements of the director
26 to administer the state gross receipts tax law are applicable
27 to the administration of a local sales and services tax law,
28 including but not limited to, the provisions of sections
29 422.25, subsection 4, 422.30, 422.48 to 422.52, 422.54 to
30 422.58, 422.67, 422.68, 422.69, subsection 1, and 422.70 to
31 422.75. Local officials shall confer with the director of
32 revenue for assistance in drafting the ordinance imposing a
33 local sales and services tax. A certified copy of the
34 ordinance shall be filed with the director as soon as possible
35 after passage.

1 The director, in consultation with local officials, shall
2 collect and account for a local sales and services tax. The
3 director shall certify each quarter the amount of local sales
4 and services tax receipts and any interest and penalties to be
5 credited to the "local sales and services tax fund"
6 established in the office of the treasurer of state.

7 All local tax moneys and interest and penalties received or
8 refunded one hundred eighty days or more after the date on
9 which the county repeals its local sales and services tax
10 shall be deposited in or withdrawn from the state general
11 fund.

12 Sec. 84. NEW SECTION. 422B.10 PAYMENT TO LOCAL
13 GOVERNMENTS.

14 1. The treasurer of state shall credit the local sales and
15 services tax receipts and interest and penalties from a county
16 to the county's account in the local sales and services tax
17 fund. The treasurer of state, pursuant to rules of the
18 director of revenue, shall remit at least quarterly to the
19 board of supervisors, if the tax was imposed in the unincor-
20 porated area, a pro rata share of the county account based
21 upon the percentage of population of the county residing in
22 the unincorporated area of the county to the total population
23 residing in those areas of the county where the tax was
24 imposed and to each city in the county where the tax was
25 imposed a pro rata share of the county account based upon the
26 percentage of the city's population residing in the county to
27 the total population residing in those areas of the county
28 where the tax was imposed, all according to the population as
29 determined by the most recent certified federal census. The
30 method of distribution of the tax under this subsection to any
31 city shall be the same regardless if the city is contiguous to
32 another city or not.

33 2. Local sales and services tax moneys received by a city
34 or county may be expended for any lawful purpose of the city
35 or county.

1 Sec. 85. NEW SECTION. 422B.11 ADDITIONAL REAL PROPERTY
2 TAX.

3 An additional real property tax may be imposed by a city or
4 county on all taxable property located within the incorporated
5 area of the city or the unincorporated area of the county, as
6 applicable. The additional real property tax shall be imposed
7 for the tax year in which the favorable election was held to
8 be paid during the fiscal year beginning July 1 following the
9 favorable election and the tax shall be continued for each
10 subsequent tax year until repealed. The rate of the tax shall
11 be the rate specified on the ballot proposition.

12 Sec. 86. Section 7B.4, Code 1985, is amended by adding the
13 following new subsection:

14 8. The state shall retrain for a job of comparable value,
15 without effecting further layoffs, any state employee
16 displaced as a result of either the private wholesale or
17 retail sale of wine.

18 Sec. 87. Section 427A.9, unnumbered paragraph 3, Code
19 1985, is amended to read as follows:

20 Notwithstanding the provisions of this section which
21 require an increase in general fund revenues in excess of five
22 and one-half percent, adjusted for changes in rate or basis,
23 to increase the personal property tax credit, the amount of
24 the personal property tax credit, to be allowed for taxes
25 payable in the fiscal year beginning July 1, 1982 and ending
26 June 30, 1983 and in each fiscal year of the fiscal period
27 beginning July 1, 1985 and ending June 30, 1987 shall be
28 increased as provided in this section.

29 Sec. 88. Section 427A.10, Code 1985, is amended to read as
30 follows:

31 427A.10 PHASE OUT OF TAX.

32 ~~Effective on July 1 after the tax year in which the ninth~~
33 ~~increase in the additional personal property tax credit~~
34 ~~becomes effective, 1987,~~ all taxes on personal property as
35 defined in section 427A.1 are repealed, and personal property

1 shall not thereafter be listed or assessed. This section
2 shall prevail over all inconsistent statutes.

3 Sec. 89. Section 427A.12, subsection 6, Code 1985, is
4 amended to read as follows:

5 6. For each state fiscal year beginning on or after the
6 ~~year-in-which-the-ninth-increase-in-the-additional-personal~~
7 ~~property-tax-credit-under-this-division-becomes-effective~~ July
8 1, 1987, each taxing district shall be reimbursed from the
9 personal property tax replacement fund in an amount equal to
10 its personal property tax replacement base.

11 Sec. 90. Section 427A.13, Code 1985, is amended to read as
12 follows:

13 427A.13 APPROPRIATION.

14 There is hereby appropriated from the general fund of the
15 state of Iowa to the personal property tax replacement fund
16 the following sums, or so much thereof as may be necessary, to
17 carry out the provisions of this chapter as amended by this
18 division. For the fiscal year beginning July 1, 1973, and
19 ending June 30, 1974, there is appropriated the sum of thirty-
20 one million nine hundred thousand dollars. For the fiscal
21 year beginning July 1, 1974, and ending June 30, 1975, and
22 each succeeding fiscal year, there is appropriated the sum of
23 thirty-five million seven hundred thousand dollars. For each
24 year of the fiscal period beginning July 1, 1977 and ending
25 June 30, 1979 the total appropriation shall be thirty-eight
26 million six hundred thousand dollars. For the fiscal year
27 beginning July 1, 1983 and ending June 30, 1984, the total
28 appropriation shall be forty-six million two hundred thousand
29 dollars. For the fiscal year beginning July 1, 1984 and
30 ending June 30, 1985, the total appropriation shall be twenty-
31 three million one hundred thousand dollars. For the fiscal
32 year beginning July 1, 1985 and ending June 30, 1986, and each
33 succeeding fiscal year, the total appropriation shall be an
34 amount equal to the amount paid on May 15 of the preceding
35 fiscal year plus one-half of the amount needed to fund the

1 additional personal property tax credit payable in that fiscal
2 year. In each fiscal year for which an increase in the
3 additional personal property tax credit becomes effective as
4 provided in this division, the appropriation under this
5 section shall be increased by three million eight hundred
6 thousand dollars, and such this increased appropriation shall
7 continue for each succeeding fiscal year. For the fiscal year
8 ~~for which the ninth increase in the additional personal~~
9 ~~property tax credit becomes effective as provided in this~~
10 division beginning July 1, 1987 the total appropriation shall
11 be sixty-two million eight hundred thousand dollars. For the
12 fiscal year beginning July 1, 1988, and for each succeeding
13 fiscal year, the total appropriation shall be sixty-eight
14 million dollars per year.

15 Sec. 91. Section 427B.12, Code 1985, is amended to read as
16 follows:

17 427B.12 REIMBURSEMENT.

18 Each county treasurer shall be reimbursed an amount equal
19 to the machinery and computer tax replacement claim for that
20 county determined pursuant to section 427B.11, subsection 3.
21 For the fiscal year beginning July 1, 1987 and for each
22 subsequent fiscal year, each county treasurer shall be
23 reimbursed the same percentage of the tax replacement claim
24 determined pursuant to section 427B.11, subsection 3. The
25 state comptroller shall determine the percent of each tax
26 replacement claim to be paid by dividing the amount
27 appropriated to pay the claims under section 427B.13 by the
28 total amount of tax replacement claims from all county
29 treasurers. The reimbursement shall be made in two equal
30 installments on or before September 30 and March 30 of each
31 year. The county treasurer shall apportion the disbursement
32 in the manner provided in section 445.57.

33 Sec. 92. Section 427B.13, Code 1985, is amended to read as
34 follows:

35 427B.13 APPROPRIATION.

1 There is appropriated annually from the general fund of the
2 state to the state comptroller an amount sufficient to carry
3 out the provisions of sections 427B.10 to 427B.14. For the
4 fiscal year beginning July 1, 1987 and for each subsequent
5 fiscal year, there is appropriated from the general fund of
6 the state the same amount, or as much as is necessary, as was
7 appropriated for the fiscal year beginning July 1, 1986 to
8 carry out sections 427B.10 to 427B.14.

9 Sec. 93. Section 455C.1, subsection 1, Code 1985, is
10 amended to read as follows:

11 1. "Beverage" means wine as defined in section 123.3,
12 subsection 7, alcoholic liquor as defined in section 123.3,
13 subsection 8, beer as defined in section 123.3, subsection 9,
14 mineral water, soda water and similar carbonated soft drinks
15 in liquid form and intended for human consumption.

16 Sec. 94. Section 455C.2, subsection 1, Code 1985, is
17 amended to read as follows:

18 1. Except purchases of wine as defined in section 123.3,
19 subsection 7, or alcoholic liquor as defined in section 123.3,
20 subsection 8, by holders of class "A", "B" and "C" liquor
21 control licenses, a refund value of not less than five cents
22 shall be paid by the consumer on each beverage container sold
23 in this state by a dealer for consumption off the premises.
24 Upon return of the empty beverage container upon which a
25 refund value has been paid to the dealer or person operating a
26 redemption center and acceptance of the empty beverage
27 container by the dealer or person operating a redemption
28 center, the dealer or person operating a redemption center
29 shall return the amount of the refund value to the consumer.

30 Sec. 95. DEPARTMENT PHASEOUT. Notwithstanding other pro-
31 visions of this Act, the department shall continue to sell its
32 existing wine inventory through the department's stores for a
33 period beginning July 1, 1985 and ending June 30, 1986.
34 Anytime within these dates the department may dispose of all
35 or any part of its wine inventory at a public sale to the

1 highest bidder at times and places determined by the
2 department. The department may continue to replenish its wine
3 inventory up to October 1, 1985. The department shall not
4 sell wine at retail or wholesale beyond June 30, 1986. Any
5 wine product not disposed of and remaining in inventory on
6 June 30, 1986 shall be sold at a public sale to the highest
7 bidder at times and places determined by the department.

8 Sec. 96. Sections 334A.1 and 405.1, Code 1985, are
9 repealed.

10 Sec. 97. Section 96 of this Act is effective July 1, 1987.

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SENATE FILE 395

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1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 98.6, subsection 2, Code 1985,
6 is amended to read as follows:

7 2. Notwithstanding subsection 1, there is imposed
8 ~~beginning July 1, 1981~~ and shall be collected and paid
9 to the department a tax on all cigarettes used or
10 otherwise disposed of in this state for any purpose at
11 the rate of nine mills on each cigarette for the
12 period beginning July 1, 1981 and ending September 30,
13 1985 and at the rate of thirteen mills on each
14 cigarette beginning October 1, 1985."

15 2. Page 8, by striking lines 5 through 7 and
16 inserting the following: "imported therein, except
17 beer and wine, and except as otherwise".

18 3. Page 8, by inserting after line 8 the
19 following:

20 "Sec. 16. Section 123.23, Code 1985, is amended to
21 read as follows:

22 123.23 STATE LIQUOR STORES.

23 The department shall establish and maintain in any
24 city which the director deems advisable, a state
25 liquor store or stores for storage and sale of
26 alcoholic liquor and wine in accordance with this
27 chapter. The department may, from time to time, as
28 determined by the director, fix the prices of the
29 different classes, varieties, or brands of alcoholic
30 liquor and wine to be sold. Prior to a decision to
31 establish, relocate or discontinue a state liquor
32 store, the director shall appoint a designee to
33 conduct a public hearing on the decision within the
34 city affected."

35 4. Page 10, line 3, by striking the figure
36 "123.76" and inserting the following: "123.176".

37 5. Page 24, by inserting after line 26 the
38 following:

39 "Sec. 42. Section 123.53, subsections 3 and 7,
40 Code 1985, are amended to read as follows:

41 3. The treasurer of state shall semiannually
42 distribute a sum of money equal to at least ten
43 percent of the gross sales made by the state liquor
44 stores but not less than six million four hundred
45 thousand dollars to the cities of the state. Such
46 amount shall be distributed to the cities of the state
47 in proportion to the population that each incorporated
48 city bears to the total population of all incorporated
49 cities of the state as computed by the latest federal
50 census. A city may have one special federal census

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1 taken each decade, and the population figure thus
2 obtained shall be used in apportioning amounts under
3 this subsection beginning the calendar year following
4 the year in which the special census is certified by
5 the secretary of state. Such apportionment shall be
6 made semiannually as of July 1 and January 1 of each
7 year. Warrants for the same shall be issued by the
8 state comptroller upon certification of the treasurer
9 of state and mailed to the city clerk of each
10 incorporated city of the state and shall be made
11 payable to such incorporated city and shall be subject
12 to expenditure under the direction of the city council
13 or other governing bodies of such incorporated city
14 for any lawful municipal purpose. It shall be a
15 lawful municipal purpose for cities to allocate a
16 portion of the above funds for the purpose of
17 financing the activities of a city commission or
18 committee on alcoholism, such commission or committee
19 to be appointed by the mayor or by the council or
20 both. The commission or committee may use any funds
21 so allocated for the treatment, rehabilitation, and
22 education of alcoholics in Iowa.

23 7. The treasurer of state shall credit to the
24 military service tax fund described in chapter 426A, a
25 sum of money equal to at least five percent of the
26 gross amount of sales made by the state liquor stores
27 in the cities of the state but not less than six
28 million four hundred thousand dollars. Any amount
29 thus credited shall be allocated to the various taxing
30 districts of the state as reimbursement for losses of
31 revenue due to exemption or remission of property
32 taxes which would be imposed upon property upon which
33 soldiers' exemptions or soldiers' tax credits are
34 provided under such terms as the general assembly may
35 provide.

36 Sec. 43. Section 123.53, Code 1985, is amended by
37 adding the following new subsection:

38 "NEW SUBSECTION. 8. The treasurer of state shall
39 transfer into a special revenue account in the general
40 fund of the state, a sum of money at least equal to
41 seven percent of the gross amount of sales made by the
42 state liquor stores in the cities of the state but not
43 less than nine million dollars annually from the beer
44 and liquor control fund on a monthly basis, and any
45 amounts so transferred shall be used by the department
46 of substance abuse for substance abuse treatment and
47 prevention programs in an amount determined by the
48 general assembly and any amounts received in excess of
49 the amounts appropriated to the department of
50 substance abuse shall be considered part of the

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1 general fund balance."

2 6. Page 25, line 14, by inserting after the word
3 "manufacturer" the words ", or in a retail
4 establishment operated by the manufacturer which is no
5 closer than five miles from an existing native
6 winery".

7 7. Page 25, line 16, by inserting after the word
8 "permit." the following: "Sales of native wines by
9 the manufacturer of the native wines are exempt from
10 the wine gallonage tax imposed under section 123.183."

11 8. Page 25, by inserting after line 24 the
12 following:

13 "3. A manufacturer of native wines may ship wine
14 in closed containers to individual purchasers inside
15 and outside this state. The manufacturer shall label
16 the package containing the wine with the words
17 "deliver to adults only".

18 4. Notwithstanding section 123.179, subsection 1,
19 a class "A" wine permit for a native wine manufacturer
20 shall be issued and renewed annually upon payment of a
21 fee of twenty-five dollars which shall be in lieu of
22 any other license fee required by this chapter. The
23 class "A" permit shall only allow the native wine
24 manufacturer to sell, keep, or offer for sale and
25 deliver the manufacturer's native wines as provided
26 under this section."

27 9. Page 34, by inserting after line 1 the
28 following:

29 "3. A person holding a class "B" wine permit may
30 purchase wine for resale only from a person holding a
31 class "A" wine permit."

32 10. Page 34, line 4, by striking the words "seven
33 hundred fifty" and inserting the words "five hundred".

34 11. Page 34, line 6, by striking the words "five
35 hundred" and inserting the words "two hundred fifty".

36 12. Page 36, line 3, by striking the figure
37 "123.185" and inserting the following: "123.183".

38 13. Page 36, line 3, by striking the words "the
39 department" and inserting the following: "a
40 manufacturer of native wines".

41 14. Page 36, by striking lines 11 and 12 and
42 inserting the following:

43 "Sec. 67. NEW SECTION. 123.182 LABELS -- POINT
44 OF ORIGIN -- CONCLUSIVE EVIDENCE.

45 All imported bulk wines to be bottled and
46 distributed in the state shall have the point of
47 origin stated on the label. The print size for the
48 point of origin shall be at least half the print size
49 of the brand name on the label."

50 15. Page 36, by striking lines 21 and 22 and

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1 inserting the following: "from each class "A" wine
2 permittee on all wine".
3 16. Page 36, line 24, by striking the words "one
4 dollar" and inserting the following: "two dollars".
5 17. Page 36, by striking lines 27 and 28 and
6 inserting the following: "manufactured in this state,
7 or on wine sold by one class "A"".
8 18. Page 37, line 12, by striking the figure
9 "123.185" and inserting the following: "123.183".
10 19. Page 38, by striking lines 18 through 34 and
11 inserting the following:
12 "Sec. ____ . Section 422.42, subsections 3, 12, and
13 13, Code 1985, are amended to read as follows:
14 3. "Retail sale" or "sale at retail" means the
15 sale to a consumer or to any person for any purpose,
16 other than for processing, or for resale of tangible
17 personal property or taxable services, or for resale
18 of tangible personal property in connection with
19 taxable services, and includes the sale of gas,
20 electricity, water, and communication service to
21 retail consumers or users, but does not include
22 agricultural breeding livestock and domesticated fowl,
23 or commercial fertilizer, or agricultural limestone,
24 or materials, but not tools or equipment, herbicide,
25 pesticide, insecticide, food and medication and
26 agricultural drain tile and installation thereof which
27 are to be used in disease control, weed control,
28 insect control, or health promotion of plants or
29 livestock produced as part of agricultural production
30 for market, or and does not include electricity, or
31 steam or any taxable service when purchased and used
32 in the processing of tangible personal property
33 intended to be sold ultimately at retail. Tangible
34 personal property is sold for processing within the
35 meaning of this subsection only when it is intended
36 that such the property shall will, by means of
37 fabrication, compounding, manufacturing, or
38 germination become an integral part of other tangible
39 personal property intended to be sold ultimately at
40 retail, or shall will be consumed as fuel in creating
41 heat, power, or steam for processing including grain
42 drying, for providing heat or cooling for livestock
43 buildings or for generating electric current, or
44 consumed in self-propelled implements of husbandry
45 engaged in agricultural production, or such the
46 property is a chemical, solvent, sorbent, or reagent,
47 which is directly used and is consumed, dissipated, or
48 depleted, in processing personal property which is
49 intended to be sold ultimately at retail, and which
50 may not become a component or integral part of the

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1 finished product. The distribution to the public of
2 free newspapers or shoppers guides ~~shall be deemed is~~
3 a retail sale for purposes of the processing
4 exemption.

5 ~~Notwithstanding the foregoing provisions of this~~
6 ~~subsection, the sale of newsprint and ink delivered~~
7 ~~after April 17, 1970 to any person, firm or corporation~~
8 ~~to be incorporated in or used in the printing of any~~
9 ~~newspaper, free newspaper or shoppers guide for~~
10 ~~publication in this state shall be considered as a~~
11 ~~sale at retail and such person, firm or corporation~~
12 ~~shall be deemed to be the consumer of such newsprint~~
13 ~~and ink and subject to the payment of sales tax.~~

14 12. "Casual sales" means:

15 a. Sales or the rendering, furnishing or
16 performing of a nonrecurring nature of tangible
17 personal property or services by the owner, if the
18 seller, at the time of the sale, is not engaged for
19 profit in the business of selling tangible personal
20 property or services taxed under section 422.43.

21 b. The sale of all or substantially all of the
22 tangible personal property or services held or used by
23 a retailer in the course of the retailer's trade or
24 business for which the retailer is required to hold a
25 sales tax permit when the retailer sells or otherwise
26 transfers the trade or business to another person who
27 shall engage in a similar trade or business.

28 13. "Services" means all acts or services
29 rendered, furnished, or performed, other than services
30 performed on tangible personal property delivered into
31 interstate commerce, or services used in processing of
32 tangible personal property for use in taxable retail
33 sales or services, for an "employer" as defined in
34 section 422.4, subsection 15, for a valuable
35 consideration by any a person engaged in any a
36 business or occupation specifically enumerated in this
37 division. The tax ~~shall be~~ is due and collectible
38 when the service is rendered, furnished, or performed
39 for the ultimate user thereof of the service.

40 "Services used in the processing of tangible
41 personal property" includes the reconditioning or
42 repairing of tangible personal property of the type
43 normally sold in the regular course of the retailer's
44 business and which is held for sale upon which the
45 gross receipts tax under this division or the use tax
46 under chapter 423 will be paid when the tangible
47 personal property is sold.

48 Sec. _____. Section 422.43, subsections 1 and 11,
49 Code 1985, are amended to read as follows:

50 1. There is imposed a tax of four percent upon the

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1 gross receipts from all sales of tangible personal
2 property, consisting of goods, wares, or merchandise,
3 except as otherwise provided in this division, sold at
4 retail in the state to consumers or users; a like rate
5 of tax upon the gross receipts from the sales,
6 furnishing or service of gas, electricity, water,
7 heat, and communication service, including the gross
8 receipts from such sales by any municipal corporation
9 furnishing gas, electricity, water, heat, and
10 communication service to the public in its proprietary
11 capacity, except as otherwise provided in this
12 division, when sold at retail ~~in-the-state~~ to
13 consumers or users; a like rate of tax upon the gross
14 receipts from all sales of tickets or admissions to
15 places of amusement, fairs, and athletic events except
16 those of elementary and secondary educational
17 institutions; and a like rate of tax upon that part of
18 private club membership fees or charges paid for the
19 privilege of participating in any athletic sports
20 provided club members.

21 11. The following-enumerated services are subject
22 to the tax imposed on gross taxable services include,
23 but are not limited to, the following: Alteration and
24 garment repair; armored car; automobile repair;
25 battery, tire and allied; investment counseling;
26 ~~excluding-investment-services-of-trust-departments;~~
27 bank service charges; barber and beauty; boat repair;
28 car wash and wax; carpentry; roof, shingle, and glass
29 repair; dance schools and dance studios; dry cleaning,
30 pressing, dyeing, and laundering; electrical and
31 electronic repair and installation; rental of tangible
32 personal property; excavating and grading; farm
33 implement repair of all kinds; flying service, except
34 agricultural aerial application services and aerial
35 commercial and charter transportation services;
36 furniture, rug, upholstery repair and cleaning; fur
37 storage and repair; golf and country clubs and all
38 commercial recreation; house and building moving;
39 household appliance, television, and radio repair;
40 jewelry and watch repair; machine operator; machine
41 repair of all kinds; motor repair; motorcycle,
42 scooter, and bicycle repair; oilers and lubricators;
43 office and business machine repair; painting,
44 papering, and interior decorating; parking facilities;
45 pipe fitting and plumbing; wood preparation; licensed
46 executive search agencies; private employment
47 ~~agencies;-excluding-services-for-placing-a-person-in~~
48 ~~employment-where-the-principal-place-of-employment-of~~
49 ~~that-person-is-to-be-located-outside-of-the-state;~~
50 sewing and stitching; shoe repair and shoeshine;

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1 storage warehousing of raw agricultural products;
 2 telephone answering service; test laboratories, except
 3 tests on humans; termite, bug, roach, and pest
 4 eradicators; tin and sheet metal repair; turkish
 5 baths, massage, and reducing salons; weighing;
 6 welding; well drilling; wrapping, packing, and
 7 packaging of merchandise ~~other-than-processed-meat;~~
 8 ~~fish,-fowl-and-vegetables;~~ wrecking service; wrecker
 9 and towing; accounting, auditing or bookkeeping;
 10 aerial photography and surveying; appraisals;
 11 architectural services; auctioneers; bill collection
 12 agencies; cable television; campgrounds; commercial
 13 art; commercial amusement enterprises; commissioned
 14 services including but not limited to brokerage, real
 15 estate, and insurance; computer services; credit
 16 reporting; drafting; engineering services; financial
 17 planning and counseling; funeral services; fundraising
 18 services; garbage disposal; gun and camera repair;
 19 hauling; information storage, manipulation, retrieval
 20 and supply; instruction on physical or recreation
 21 activities; janitorial, housekeeping, and building
 22 maintenance or cleaning; lawn care, landscaping and
 23 tree trimming and removal; legal services; management
 24 consultant services; marketing consultants; mining;
 25 personnel supply services; pet grooming; promotional
 26 services; reflexology; security and detective
 27 services; snow removal; surveying; tanning beds or
 28 salons; tax preparation; travel agencies; veterinarian
 29 services; and water conditioning. For purposes of
 30 this subsection, gross taxable services from rental
 31 includes rents, royalties, and copyright and license
 32 fees.

33 Sec. _____. Section 422.45, subsections 2, 9, 18, 19
 34 and 21, Code 1985, are amended by striking the
 35 subsections.

36 Sec. _____. Section 422.45, subsections 12 and 20,
 37 Code 1985, are amended to read as follows:

38 12. Gross receipts from the sale of all foods for
 39 human consumption which are eligible for purchase with
 40 food coupons issued by the United States department of
 41 agriculture pursuant to regulations in effect on July
 42 1, 1974, regardless of whether the retailer from which
 43 the foods are purchased is participating in the food
 44 stamp program. However, as used in this subsection,
 45 "foods" does not include ~~meats-prepared-for-immediate~~
 46 ~~consumption-on-or-off-the-premises-of-the-retailer;~~
 47 ~~and-does-not-include~~ foods sold through vending
 48 machines; candy, candy-coated items, and other candy
 49 products; beverages as defined in section 455C.1,
 50 subsection 1; foods prepared on or off the premises of

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1 the retailer which are consumed on the premises of the
2 retailer; foods sold by caterers and hot or cold foods
3 prepared for immediate consumption off the premises of
4 the retailer. "Foods prepared for immediate
5 consumption" include any food product upon which an
6 act of preparation, including but not limited to,
7 cooking, mixing, sandwich making, blending, heating or
8 pouring, has been performed by the retailer so the
9 food product may be immediately consumed by the
10 purchaser.

11 20. The gross receipts from sales or services
12 rendered, furnished or performed by a county or city.
13 This exemption does not apply to the tax specifically
14 imposed under section 422.43 on the gross receipts
15 from the sales, furnishing or service of gas,
16 electricity, water, heat and communication service to
17 the public by a municipal corporation in its
18 proprietary capacity and does not apply to fees paid
19 to cities and counties for the privilege of
20 participating in any athletic sports.

21 Sec. 100. Section 422.45, Code 1985, is amended by
22 adding the following new subsections:

23 NEW SUBSECTION. The gross receipts from the sale
24 or rental of farm machinery and equipment, including
25 replacement parts which are depreciable for state and
26 federal income tax purposes, if the following
27 conditions are met:

28 a. The farm machinery and equipment shall be
29 directly and primarily used in production of
30 agricultural products.

31 b. The farm machinery and equipment shall
32 constitute self-propelled implements or implements
33 customarily drawn or attached to self-propelled
34 implements or manufactured aircraft designed
35 specifically for agricultural aerial application
36 services.

37 Vehicles subject to registration, as defined in
38 section 423.1, or replacement parts for such vehicles,
39 shall not be eligible for this exemption.

40 NEW SUBSECTION. The gross receipts from the sale
41 or rental of industrial machinery, equipment and
42 computers, including replacement parts which are
43 depreciable for state and federal income tax purposes,
44 if the following conditions are met:

45 a. The industrial machinery, equipment and
46 computers shall be directly and primarily used in the
47 manner described in section 428.20 in processing
48 tangible personal property.

49 b. The industrial machinery, equipment and
50 computers must be real property within the scope of

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1 section 427A.1, subsection 1, paragraphs "e" or "j",
2 and must be subject to taxation as real property.

3 However, the provisions of chapters 404 and 427B
4 which result in the exemption from taxation of
5 property for property tax purposes do not preclude the
6 property from receiving this exemption if the property
7 otherwise qualifies.

8 The gross receipts from the sale or rental of hand
9 tools are not exempt. The gross receipts from the
10 sale or rental of pollution control equipment
11 qualifying under paragraphs "a" and "b" shall be
12 exempt.

13 The gross receipts from the sale or rental of
14 industrial machinery, equipment, and computers,
15 including pollution control equipment, within the
16 scope of section 427A.1, subsection 1, paragraphs "h"
17 and "i", shall not be exempt.

18 Sec. _____. Section 422.45, Code 1985, is amended by
19 adding the following new subsections:

20 NEW SUBSECTION. The gross receipts from the
21 rendering, furnishing or performing of the following
22 services: custom farming, agricultural aerial
23 application services; advertising; credit card fees;
24 interstate telephone calls; commercial storage
25 warehousing, except of raw agricultural products; and
26 design and installation of new or used industrial
27 machinery or equipment.

28 "NEW SUBSECTION. The gross receipts from the
29 sales, furnishing or service of veterinarian services
30 for agricultural production and day care or medical
31 services.

32 Sec. _____. Section 422.52, subsection 5, Code 1985,
33 is amended to read as follows:

34 5. The provisions of subsection 1, according to
35 the context, shall apply to persons having receipts
36 from rendering, furnishing, or performing services
37 enumerated-in which are taxed under section 422.43.

38 Sec. _____. Section 422.53, subsection 7, Code 1985,
39 is amended to read as follows:

40 7. The provisions of subsection 1, dealing with
41 lawful right of a retailer to transact business,
42 according to the context, apply to persons having
43 receipts from rendering, furnishing, or performing
44 services enumerated-in which are taxed under section
45 422.43, except that a person holding a permit pursuant
46 to subsection 1 shall not be required to obtain any
47 separate sales tax permit for the purpose of engaging
48 in business involving the services.

49 Sec. _____. Section 422.58, subsection 2, Code 1985,
50 is amended to read as follows:

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1 2. Any A person who ~~shall~~ knowingly ~~sell~~ sells
2 tangible personal property, tickets or admissions to
3 places of amusement and athletic events, or gas,
4 water, electricity, and communication service at
5 retail, or engage engages in the rendering,
6 furnishing, or performing services ~~enumerated-in which~~
7 are taxed under section 422.43, in this state without
8 procuring a permit, as provided in section 422.53, or
9 who ~~shall-violate~~ violates the provisions of section
10 422.49, and the officers of any corporation who ~~shall~~
11 so act, ~~shall-be~~ are guilty of a simple misdemeanor.

12 Any A person who ~~shall~~ knowingly ~~sell~~ sells
13 tangible personal property, tickets or admissions to
14 places of amusement and athletic events, or gas,
15 water, electricity, and communication service at
16 retail, or engage engages in the rendering,
17 furnishing, or performing services ~~enumerated-in which~~
18 are taxed under section 422.43, in this state after
19 the person's license ~~shall-have~~ has been revoked and
20 before it has been restored as provided in section
21 422.53, subsection 5 and the officers of any
22 corporation who ~~shall~~ so act ~~shall-be~~ are guilty of a
23 serious misdemeanor."

24 20. Page 39, line 4, by striking the figure
25 "422B.11" and inserting the following: "422B.13".

26 21. Page 39, line 10, by striking the words
27 "additional real property tax" and inserting the
28 following: "income surtax".

29 22. Page 39, line 30, by striking the words
30 "additional real property tax" and inserting the
31 following: "income surtax".

32 23. Page 39, line 31, by striking the word
33 "sixty" and inserting the following: "thirty".

34 24. Page 40, line 5, by striking the words
35 "additional real property tax" and inserting the
36 following: "income surtax".

37 25. Page 40, line 6, by striking the word "sixty"
38 and inserting the following: "thirty".

39 26. Page 40, line 10, by inserting after the
40 figure "5." the following: "a.".

41 27. Page 40, line 10, by striking the word
42 "sixty" and inserting the following: "thirty".

43 28. Page 40, by striking lines 19 through 21 and
44 inserting the following: "election. In the case of a
45 local vehicle".

46 29. Page 40, by inserting after line 25 the
47 following:

48 "b. The question of the imposition of a local
49 sales and services tax shall be submitted to the
50 qualified electors of the incorporated and

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1 unincorporated areas of the county upon receipt by the
2 county commissioner of elections of the motion or
3 motions, requesting such submission, adopted by the
4 governing body or bodies of the city or cities located
5 within the county or of the county, for the
6 unincorporated areas of the county, representing at
7 least one-half of the population of the county. Upon
8 adoption of such motion, the governing body of the
9 city or county, for the unincorporated areas, shall
10 submit the motion to the county commissioner of
11 elections and in the case of the governing body of the
12 city shall notify the board of supervisors of the
13 adoption of the motion. The county commissioner of
14 elections shall keep a file on all the motions
15 received and, upon reaching the population
16 requirements, shall publish notice of the ballot
17 proposition concerning the imposition of the local
18 sales and services tax. A motion ceases to be valid
19 at the time of the holding of the regular election for
20 the election of members of the governing body which
21 adopted the motion. The county commissioner of
22 elections shall eliminate from the file any motion
23 that ceases to be valid. The manner provided under
24 this paragraph for the submission of the question of
25 imposition of a local sales and services tax is an
26 alternative to the manner provided in paragraph "a".

27 30. Page 41, by striking lines 12 through 15 and
28 inserting the following: "shall not be more than one
29 percent as set by the governing body. The rate of a
30 local income surtax shall be in increments of five
31 percent but not in excess of thirty percent as set by
32 the governing body of the city or county seeking to
33 impose the surtax. The state".

34 31. Page 42, line 20, by striking the figure
35 "422B.11" and inserting the following: "422B.13".

36 32. Page 42, lines 21 and 22, by striking the
37 words "an additional real property tax" and inserting
38 the following: "a local income surtax".

39 33. Page 42, by striking lines 25 and 26 and
40 inserting the following: "vehicle tax, and up to
41 thirty percent in increments of five percent for the
42 income surtax".

43 34. Page 42, lines 28 and 29, by striking the
44 words "additional real property tax" and inserting the
45 following: "income surtax".

46 35. Page 42, lines 30 and 31, by striking the
47 words "be one percent" and inserting the following:
48 "not be more than one percent as set by the governing
49 body".

50 36. Page 46, line 33, by striking the figure "1."

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1 37. Page 46, line 33, by inserting after the word
2 "of" the following: "not more than".

3 38. By striking page 47, line 18 through page 49,
4 line 6.

5 39. Page 49, line 13, by striking the word
6 "fifty-five" and inserting the following: "forty".

7 40. Page 50, by striking lines 14 through 32 and
8 inserting the following:

9 "1. The treasurer of state shall credit the local
10 sales and services tax receipts and interest and
11 penalties from a county to the county's account in the
12 local sales and services tax fund.

13 2. The treasurer of state, pursuant to rules of
14 the director of revenue, shall remit at least
15 quarterly to the board of supervisors, if the tax was
16 imposed in the unincorporated areas, and each city
17 where the tax was imposed its share of the county's
18 account in the local sales and services tax fund as
19 computed under subsections 3 and 4.

20 3. Seventy-five percent of each county's account
21 shall be remitted on the basis of the county's
22 population residing in the unincorporated area where
23 the tax was imposed and those incorporated areas where
24 the tax was imposed as follows:

25 a. To the board of supervisors a pro rata share
26 based upon the percentage of the above population of
27 the county residing in the unincorporated area of the
28 county where the tax was imposed according to the most
29 recent certified federal census.

30 b. To each city in the county where the tax was
31 imposed a pro rata share based upon the percentage of
32 the city's population residing in the county to the
33 above population of the county according to the most
34 recent certified federal census.

35 4. Twenty-five percent of each county's account
36 shall be remitted based on the sum of property tax
37 dollars levied, by the board of supervisors if the tax
38 was imposed in the unincorporated areas and each city
39 in the county where the tax was imposed during the
40 three-year period beginning July 1, 1982 and ending
41 June 30, 1985 as follows:

42 a. To the board of supervisors a pro rata share
43 based upon the percentage of the total property tax
44 dollars levied by the board of supervisors during the
45 above three-year period.

46 b. To each city council where the tax was imposed
47 a pro rata share based upon the percentage of property
48 tax dollars levied by the city during the above three-
49 year period of the above total property tax dollars
50 levied by the board of supervisors and each city where

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1 the tax was imposed during the above three-year
2 period."

3 41. Page 50, line 33, by striking the figure "2."
4 and inserting the following: "5."

5 42. Page 51, by striking lines 1 through 11 and
6 inserting the following:

7 "Sec. ____ . NEW SECTION. 422B.11 LOCAL INCOME
8 SURTAX.

9 An annual local income surtax may be imposed by a
10 city or county on every resident taxpayer at the rate
11 specified on the ballot proposition applied to the
12 taxpayer's computed state individual income tax for
13 the tax year. A city or county imposing an income
14 surtax shall give a credit, not to exceed the amount
15 of surtax, for any local earnings tax paid by the
16 resident taxpayer on income included in computing the
17 taxpayer's state individual income tax for the tax
18 year.

19 For purposes of the local income surtax, "resident
20 taxpayer" means an individual taxpayer whose principal
21 place of residence at the end of the taxpayer's tax
22 year is located in the city or county where the tax is
23 imposed and "computed state individual income tax"
24 means the tax computed under section 422.5 less the
25 deductions allowed in sections 422.10, 422.11, and
26 422.12.

27 Sec. ____ . NEW SECTION. 422B.12 ADMINISTRATION.

28 A local income surtax or change in the rate shall
29 be imposed January 1 following the favorable election
30 for tax years beginning on or after January 1 and
31 repeal of the surtax shall be as of December 31
32 following the favorable election for tax years
33 beginning after December 31.

34 The director of revenue shall administer the
35 provisions of a local income surtax as nearly as
36 possible in conjunction with the administration of
37 state income tax laws. The director shall provide
38 appropriate forms, or provide on the regular state tax
39 forms, for reporting local income surtax.

40 An ordinance of a city council or a county board of
41 supervisors imposing a local income surtax shall adopt
42 by reference the applicable provisions of the
43 appropriate sections of chapter 422, division II. All
44 powers of the director and requirements of the
45 director in administering the state income tax law
46 apply to the administration of a local income surtax,
47 including but not limited to, the provisions of
48 sections 422.20, 422.22 to 422.31, 422.68, and 422.72
49 to 422.75. Local officials shall confer with the
50 director of revenue and obtain the director's

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1 assistance in drafting the ordinance imposing a local
2 income surtax. A certified copy of the ordinance
3 shall be filed with the director as soon as possible
4 after passage.

5 The director, in consultation with local officials,
6 shall collect and account for a local income surtax
7 and any interest and penalties. The director shall
8 credit local income surtax receipts and any interest
9 and penalties collected from returns filed on or
10 before November 1 of the calendar year following the
11 tax year for which the local income surtax is imposed
12 to a "local income surtax fund" established in the
13 office of the treasurer of state. All local income
14 surtax receipts and any interest and penalties
15 received or refunded from returns filed after November
16 1 of the calendar year following the tax year for
17 which the local income surtax is imposed shall be
18 deposited in or withdrawn from the state general fund
19 and shall be considered part of the cost of
20 administering the local income surtax.

21 Sec. ____ . NEW SECTION. 422B.13 PAYMENT TO LOCAL
22 GOVERNMENT -- USE OF RECEIPTS.

23 1. On or before January 15, the director of
24 revenue shall make an accounting of the local income
25 surtax receipts and any interest and penalties
26 collected from returns filed on or before November 1
27 of the preceding year and shall certify to the
28 treasurer of state the amount collected. The
29 treasurer of state shall remit within fifteen days of
30 the certification by the director of revenue to each
31 city and county which has imposed a local income
32 surtax the amount in the local income surtax fund
33 collected as a result of its tax.

34 2. Local income surtax moneys received by a city
35 or county may be expended for any lawful purpose of
36 the city or county."

37 43. Page 51, by inserting after line 17 the
38 following:

39 "Sec. ____ . Section 423.1, subsection 1, unnumbered
40 paragraph 2, Code 1985, is amended by striking the
41 paragraph.

42 Sec. ____ . Section 423.2, Code 1985, is amended to
43 read as follows:

44 423.2 IMPOSITION OF TAX.

45 An excise tax is imposed on the use in this state
46 of tangible personal property purchased for use in
47 this state, at the rate of four percent of the
48 purchase price of the property. The excise tax is
49 imposed upon every person using the property within
50 this state until the tax has been paid directly to the

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1 county treasurer or the state department of
2 transportation, to a retailer, or to the department.
3 An excise tax is imposed on the use in this state of
4 services ~~enumerated-in-section-422-43~~ which are taxed
5 under divison IV of chapter 422 at the rate of four
6 percent. This tax is applicable where services are
7 rendered, furnished, or performed in this state or
8 where the product or result of the service is used in
9 this state. This tax is imposed on every person using
10 the services or the product of the services in this
11 state until the user has paid the tax either to an
12 Iowa use tax permit holder or to the department of
13 revenue.

14 Sec. _____. Section 423.4, subsection 5, Code 1985,
15 is amended by striking the subsection.

16 Sec. _____. Section 423.9, unnumbered paragraph 2,
17 Code 1985, is amended to read as follows:

18 Every person rendering, furnishing, or performing
19 services ~~enumerated-in~~ which are taxed under section
20 422.43, maintaining a place of business in this state
21 shall be subject to the-provisions-of the preceding
22 paragraph.

23 Sec. _____. Section 423.10, unnumbered paragraph 2,
24 Code 1985, is amended to read as follows:

25 The discretionary power granted therein is extended
26 to apply in the case of persons rendering, furnishing
27 or performing services ~~enumerated-in~~ which are taxed
28 under section 422.43.

29 Sec. _____. Section 423.14, Code 1985, is amended to
30 read as follows:

31 423.14 LIABILITY OF USER.

32 Any person who uses any property or services
33 ~~enumerated-in~~ which are taxed under section 422.43
34 upon which the tax herein imposed has not been paid,
35 either to the county treasurer or to a retailer or
36 direct to the department as herein provided, shall be
37 liable therefor for the tax, and shall on or before
38 the last day of the month next succeeding each
39 quarterly period pay the tax herein imposed upon all
40 such property used by the person during the preceding
41 quarterly period in such the manner and accompanied by
42 such the returns as the director shall-prescribe
43 prescribes. All of the provisions of section 423.13
44 with reference to such the returns and payments shall
45 be applicable to the returns and payments herein
46 required.

47 Sec. _____. Section 423.21, Code 1985, is amended to
48 read as follows:

49 423.21 BOOKS -- EXAMINATION.

50 Every retailer required or authorized to collect

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1 taxes imposed by this chapter and every person using
 2 in this state tangible personal property shall keep
 3 ~~such~~ records, receipts, invoices, and other pertinent
 4 papers as the director ~~shall-require~~ requires, in ~~such~~
 5 ~~the form as the director shall-require~~ requires. The
 6 director or ~~any a~~ duly authorized agent of the
 7 department may examine the books, papers, records, and
 8 equipment of any person either selling tangible
 9 personal property or liable for the tax imposed by
 10 this chapter, and investigate the character of the
 11 business of any such person in order to verify the
 12 accuracy of any return made, or if no return was made
 13 by such person, ascertain and determine the amount due
 14 under ~~the-provisions-of~~ this chapter. Any such books,
 15 papers, and records shall be made available within
 16 this state for ~~such~~ examination upon reasonable notice
 17 when the director ~~shall-deem~~ deems it advisable and
 18 ~~shall so order~~ orders. The preceding requirements
 19 ~~shall-likewise~~ apply to users and persons rendering,
 20 furnishing, or performing service ~~enumerated-in which~~
 21 is taxed under section 422.43.

22 Sec. . Section 423.22, Code 1985, is amended to
 23 read as follows:

24 423.22 REVOKING PERMITS.

25 Whenever ~~any a~~ retailer maintaining a place of
 26 business in this state, or authorized to collect the
 27 tax ~~herein~~ imposed pursuant to section 423.10, fails
 28 to comply with any of the provisions of this chapter
 29 or any orders or rules prescribed and adopted under
 30 this chapter, the director may, upon notice and
 31 hearing as hereinafter provided, by order revoke the
 32 permit, if any, issued to ~~such that~~ that retailer under
 33 section 422.53, or if ~~such that~~ that retailer is a
 34 corporation authorized to do business in this state
 35 under chapter 494, may certify to the secretary of
 36 state a copy of an order finding that ~~such that~~ that
 37 retailer has failed to comply with certain specified
 38 provisions, orders or rules. The secretary of state
 39 shall, upon receipt of ~~such the~~ the certified copy, revoke
 40 the permit authorizing ~~said the~~ the corporation to do
 41 business in this state, and shall issue a new permit
 42 only when ~~such the~~ the corporation shall have obtained
 43 from the director an order finding that ~~such the~~ the
 44 corporation has complied with its obligations under
 45 this chapter. No ~~An~~ An order authorized in this section
 46 shall ~~not~~ be made until the retailer is given an
 47 opportunity to be heard and to show cause why ~~such the~~ the
 48 order should not be made, and the retailer shall be
 49 given ten days' notice of the time, place, and purpose
 50 of ~~such the~~ the hearing. The director may issue a new

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1 permit pursuant to section 422.53 after such a
2 revocation. The preceding provision ~~shall apply~~
3 applies to users and persons supplying services
4 ~~enumerated-in~~ which are taxed under section 422.43.
5 Sec. _____. Section 427.1, subsection 32, unnumbered
6 paragraphs 1 and 2, Code 1985, are amended to read as
7 follows:

8 Pollution-control property as defined in this
9 subsection shall be exempt from taxation ~~for the~~
10 ~~periods-and~~ to the extent provided in this subsection,
11 upon compliance with the provisions of this
12 subsection.

13 This exemption shall apply to new installations of
14 pollution-control property ~~for a period of ten years~~
15 beginning on January 1 after the construction or
16 installation of the property is completed. This
17 exemption shall apply ~~for a period of ten years~~
18 beginning on January 1, 1975, to existing pollution-
19 control property if its construction or installation
20 was completed after September 23, 1970. This
21 ~~exemption shall apply with respect to each of the ten~~
22 ~~annual assessments within the ten-year exemption~~
23 ~~period and the property taxes payable on the basis of~~
24 ~~each of such ten annual assessments.--This exemption~~
25 ~~for existing pollution-control property shall begin~~
26 ~~with respect to the assessment as of January 1, 1975,~~
27 ~~and the taxes payable on the basis of this assessment~~
28 ~~during the fiscal year beginning July 1, 1976."~~

29 44. Page 51, by striking lines 18 through 28 and
30 inserting the following:

31 "Sec. _____. Section 427A.9, unnumbered paragraph 2,
32 Code 1985, is amended to read as follows:

33 The amount of the additional personal property tax
34 credit shall be a fixed amount for each tax year. The
35 amount of the additional personal property tax credit
36 shall be increased for the extended tax year beginning
37 January 1, 1974, and ending June 30, 1975, and shall
38 be increased for each tax year immediately following a
39 tax year in which the growth of state general fund
40 revenues, adjusted for changes in rate or basis,
41 exceeds five and one-half percent, except that the
42 amount of the additional personal property tax credit
43 for taxes payable in each year of the fiscal period
44 beginning July 1, 1977 and ending June 30, 1979 shall
45 not exceed the amount of the additional personal
46 property tax credit allowed for taxes payable in the
47 fiscal year beginning July 1, 1976 and ending June 30,
48 1977 and , the amount of the additional personal
49 property tax credit for taxes payable in the fiscal
50 year beginning July 1, 1980 and ending June 30, 1981

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1 shall not exceed the amount of the additional personal
2 property tax credit allowed for taxes payable in the
3 fiscal year beginning July 1, 1979 and ending June 30,
4 1980, and the amount of the additional personal
5 property tax credit for taxes payable in each year of
6 the fiscal period beginning July 1, 1985 and ending
7 June 30, 1987 shall not exceed the amount of the
8 additional personal property tax credit allowed for
9 taxes payable in the fiscal year beginning July 1,
10 1984 and ending June 30, 1985. An increase in the
11 additional personal property tax credit, once granted,
12 shall continue for each succeeding tax year. For the
13 purposes of this chapter the state comptroller may
14 estimate the state percent of growth if necessary to
15 avoid delay in the collection of taxes. After nine
16 ~~such increases have been made, all~~ All taxes on
17 personal property shall be repealed as provided in the
18 following section. The director of revenue and the
19 state comptroller, jointly, shall determine the amount
20 of the credit for each such tax year. Such amount
21 shall be the maximum amount, rounded to the nearest
22 ten dollars, which will permit complete funding of the
23 replacement obligation under this division, including
24 the replacement obligation for the tax credit granted
25 pursuant to sections 427A.1 to 427A.5, out of the
26 appropriation provided in this chapter."

27 45. Page 51, line 35, by striking the word "
28 and" and inserting the following: ". For assessment
29 years beginning on or after January 1, 1986".

30 46. Page 52, line 1, by striking the word
31 "thereafter" and inserting the following:
32 "thereafter".

33 47. Page 53, line 11, by striking the words
34 "sixty-two million eight" and inserting the following:
35 "fifty-seven million one".

36 48. By striking page 53, line 15 through page 54,
37 line 8 and inserting the following:

38 "Sec. _____. Section 427B.10, unnumbered paragraph
39 1, Code 1985, is amended to read as follows:

40 For property defined in section 427A.1, subsection
41 1, paragraphs "e" and "j" acquired or initially leased
42 after December 31, 1981 and on or before January 1,
43 1985, the taxpayer's valuation shall be limited to
44 thirty percent of the net acquisition cost of the
45 property. For purposes of this section, "net
46 acquisition cost" means the acquired cost of the
47 property including all foundations and installation
48 cost less any excess cost adjustment.

49 Sec. _____. Chapter 427B, Code 1985, is amended by
50 adding as a new division the following new section:

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1 NEW SECTION. PROPERTY SUBJECT TO SPECIAL
2 VALUATION.

3 For property defined in section 427A.1, subsection
4 1, paragraphs "e" and "j" acquired or initially leased
5 after January 1, 1985 the taxpayer's valuation shall
6 be limited to thirty percent of the net acquisition
7 cost of the property. For purposes of this section,
8 "net acquisition cost" means the acquired cost of the
9 property including all foundations and installation
10 cost less any excess cost adjustment.

11 For purposes of this section:

12 1. Property assessed by the department of revenue
13 pursuant to sections 428.24 to 428.29, or chapters
14 433, 434 and 436 to 438 shall not receive the benefits
15 of this section.

16 2. Property acquired on or before January 1, 1985
17 which was owned or used on or before January 1, 1985
18 by a related person shall not receive the benefits of
19 this section.

20 3. Property acquired after January 1, 1985 which
21 was owned and used by a related person shall not
22 receive any additional benefits under this section.

23 4. Property which was owned or used on or before
24 January 1, 1985 and subsequently acquired by an
25 exchange of like property shall not receive the
26 benefits of this section.

27 5. Property which was acquired after January 1,
28 1985 and subsequently exchanged for like property
29 shall not receive any additional benefits under this
30 section.

31 6. Property acquired on or before January 1, 1985
32 which is subsequently leased to a taxpayer or related
33 person who previously owned the property shall not
34 receive the benefits of this section.

35 7. Property acquired after January 1, 1985 which
36 is subsequently leased to a taxpayer or related person
37 who previously owned the property shall not receive
38 any additional benefits under this section.

39 For purposes of this section, "related person"
40 means a person who owns or controls the taxpayer's
41 business and another business entity from which
42 property is acquired or leased or to which property is
43 sold or leased. Business entities are owned or
44 controlled by the same person if the same person
45 directly or indirectly owns or controls fifty percent
46 or more of the assets or any class of stock or who
47 directly or indirectly has an interest of fifty
48 percent or more in the ownership or profits.

49 Property assessed pursuant to this section shall
50 not be eligible to receive a partial exemption under

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1 sections 427B.1 to 427B.6."

2 49. By striking page 54, line 30 through page 55,
3 line 10 and inserting the following:

4 "Sec. _____. Section 99E.10, subsection 1,
5 unnumbered paragraph 1, 1985 Acts, House File 225,
6 section 110, if division I of House File 225 becomes
7 law is amended to read as follows:

8 1. Upon receipt of any revenue, the commissioner
9 shall deposit the moneys in the lottery fund created
10 pursuant to section 99E.20. As nearly as is
11 practicable, ~~forty-five~~ fifty percent of the projected
12 annual revenue computed on a year-round average basis
13 for each type of lottery game accruing from the sale
14 of tickets or shares is appropriated for payment of
15 prizes to the holders of winning tickets. After the
16 payment of prizes, all of the following shall be
17 deducted from lottery revenue prior to disbursement:

18 Sec. _____. NEW SECTION. 99A.10 MANUFACTURE OF
19 ELECTRONIC GAMBLING DEVICES PERMITTED.

20 A person may manufacture electronic or computerized
21 gambling devices. This chapter does not prohibit such
22 manufacturing activities.

23 Sec. _____. Section 725.9, Code 1985, is amended by
24 adding the following new subsection:

25 NEW SUBSECTION. 5. This chapter does not prohibit
26 the manufacture of electronic or computerized gambling
27 devices.

28 Sec. _____.
29

30 1. All persons required to be licensed under
31 section 98.13 as distributors having in their
32 possession prior to delivery for resale as of the
33 close of business on September 30, 1985 cigarettes or
34 little cigars upon which the tax under section 98.6 or
35 98.43 has been paid, unused cigarette tax stamps which
36 have been paid for under section 98.8, or unused
37 metered imprints which have been paid for under
38 section 98.12 shall be subject to an inventory tax on
39 such items as provided in this section.

40 2. Persons subject to the inventory tax imposed
41 under this section shall take an inventory as of the
42 close of business on September 30, 1985 of those items
43 subject to the inventory tax for the purpose of
44 determining the tax due. These persons shall report
45 the tax on forms provided by the department of revenue
46 and remit the tax due with the forms by October 31,
47 1985. The department of revenue shall adopt rules as
48 are necessary to carry out this section.

49 3. The rate of the inventory tax on each item
50 subject to the tax as specified in subsection 1 is
equal to the difference between the amount paid on

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1 each item under section 98.6, 98.8, 98.12, or 98.43
2 prior to October 1, 1985 and the amount that is to be
3 paid on each similar item under section 98.6, 98.8,
4 98.12, or 98.43 on or after October 1, 1985 except
5 that in computing the rate of the inventory tax any
6 discount allowed or allowable under section 98.8 shall
7 not be considered.

8 Sec. ____ . Section 100 of this Act, being deemed of
9 immediate importance, takes effect May 1, 1985 afters
10 its publication in the Quad City Times, a newspaper
11 published in Davenport, Iowa, and in The Sioux City
12 Journal, a newspaper published in Sioux City, Iowa."

13 50. Title page, by striking lines 6 through 13
14 and inserting the following: "certain industrial and
15 farm machinery, equipment and computers, including
16 replacement parts, from the state sales, services and
17 use tax, imposing the state sales, services and use
18 tax on additional services and certain gross receipts
19 presently exempt, providing for the repeal of all
20 property taxes on personal property and freezing the
21 amount of the additional personal property tax credit
22 and state reimbursement for that credit, increasing
23 the tax on cigarettes and little cigars, imposing an
24 inventory tax on cigarettes and little cigars, unused
25 tax stamps and metered imprints, making permanent the
26 exemption from property taxation of certain pollution
27 control property, providing for the special valuation
28 of certain machinery, equipment and computers acquired
29 after a certain date and limiting the applicability of
30 the present special valuation to that property
31 acquired before a certain date, amending the lottery
32 law to provide for fifty percent of the projected
33 annual revenue from the sales of lottery tickets or
34 shares be used for payment of prizes, eliminating the
35 prohibition on the manufacture of electronic and
36 computerized gambling devices, and providing".

H-3587 FILED APRIL 2, 1985 BY COMMITTEE ON WAYS AND MEANS

ADOPTED *as amended by 3610, 3612 A, B,*
(p. 1366) *3615, 3616, 3617*

SENATE FILE 395
HOUSE AMENDMENT H-3587 TO SF 395
AS PASSED BY THE SENATE

REQUESTED BY REPRESENTATIVE DODERER

In compliance with a written request received April 2, 1985, a fiscal note for HOUSE AMENDMENT H-3587 TO SENATE FILE 395 AS PASSED BY THE SENATE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

HOUSE AMENDMENT H-3587 to SENATE FILE 395, as passed by the Senate, allows for wine to be sold by private enterprise and the Beer & Liquor Control Department, under a dual system. The amendment establishes the wine gallonage tax at \$2.00 per gallon. The amendment also sets wholesale license fees at \$500 per year and retail licenses at \$250 per year.

FISCAL EFFECT: The following assumptions have been made in determining the fiscal effect of House Amendment H-3587:

1. Volume sales would increase two and quarter times in the first year and approximately twice each year thereafter.
2. Average cost per bottle of wine in Iowa is \$1.88 and the average retail price is \$3.50.
3. The wholesale markup under the proposed amendment would be 25% and the retail markup would be 33%.
4. Approximately 50 Class A wine wholesale permits would be issued each year.
5. State's market share would be 20%.
6. There would be approximately 4,000 Class B licenses per year.
7. Sales of spirits would decline due to less foot traffic and inconvenience.
8. Increased economic activity would result from private sale of wine.

The fiscal effect of these sections is as follows:

(dollars in thousands)

Receipts/Disbursements

	Fiscal Year 1986			Fiscal Year 1987		
	Current Law	Proposed Law	Diff.	Current Law	Proposed Law	Diff.
<u>RECEIPTS</u>						
Gross Profits (wine)	\$12,900	6,120	(6,780)	\$12,900	5,440	(7,460)
Sales Tax - 4%	900	2,724	1,824	900	2,422	1,522
Licensee Tax - 15%	840	0	(840)	840	0	(840)
Gallonage Tax - \$2.00	0	7,462	7,462	0	6,632	6,632
Excess Bottle Deposit	140	35	(105)	140	35	(105)
New Licenses/Cert.	0	1,025	1,025	0	1,025	1,025
Reduced Spirit Sales	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Increased Economic Activity	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**
TOTAL RECEIPTS	\$14,780	17,366	2,586	\$14,780	15,554	774

Page Two, Fiscal Note, SF 395, H-3587, AS PASSED BY THE SENATE

DISBURSEMENTSState

General Fund	\$ 8,840	10,442	1,602	\$ 8,840	8,932	92
Sales Tax	900	2,724	1,824	900	2,422	1,522
Licensee Tax	840	0	(840)	840	0	0

TOTAL GENERAL FUND	\$10,580	13,166	2,586	\$10,580	11,354	774
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Local

10% to Cities	\$ 2,800	2,800	0	\$ 2,800	2,800	0
5% to Counties	1,400	1,400	0	1,400	1,400	0

TOTAL LOCAL	\$ 4,200	4,200	0	\$ 4,200	4,200	0
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TOTAL DISBURSEMENTS	\$14,780	17,366	2,586	\$14,780	15,554	774
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RECEIPTS RECAP

Fiscal Effect - State	\$10,580	13,166	2,586	\$10,580	11,354	774
Fiscal Effect - Local	4,200	4,200	0	4,200	4,200	0

TOTAL EFFECT ON RECEIPTS	\$14,780	17,366	2,586	\$14,780	15,554	774
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Effect to Beer and Liquor Operations (Appropriations Savings)

The appropriations for Beer and Liquor Control Department operations can be expected to decrease due to private sale of wine. Currently wine sales represent approximately 22 percent of the Department's sales. However, much of the Department's \$180 million budget represents costs that are fixed, at least in the near-term. Some future savings may be realized as store leases expire, but these would not be realized for several years. It is expected that the general fund appropriation can be reduced by \$794,000.

APPROPRIATIONS SAVINGS RECAP

Operational Savings

FTE's

Fiscal '86

\$ 794,000

47

Fiscal '87

\$ 794,000

47

STATE GENERAL FUND RECAP

Receipts

Operational Savings

Reduced Spirit Sales

Increased Economic Activity

GENERAL FUND IMPACT

Fiscal '86

\$ 2,586,000

794,000

N/A

N/A

\$ 3,380,000

Fiscal '87

\$ 774,000

794,000

N/A

N/A

\$ 1,568,000

Footnotes

* Decrease in Spirit Sales: Based on the experience of other states, sales of spirits in state liquor stores are expected to decline. Because the exact impact is unknown, an accurate estimate is not possible. It should be noted that for every one percent decline in spirit sales, total revenues will decrease by approximately \$432,000. The Beer and Liquor Control Department feels that this reduction could be two and half percent.

Page Three, Fiscal Note, SF 395, H-3587, AS PASSED BY THE SENATE

****Increased Economic Activity:** Increased economic activity is also expected to result from the private sale of wine. Again, the exact effect is unknown, thus no accurate estimate is possible. Increasing the employment base has the potential of raising revenues in the following areas:

	<u>State Revenues</u>	<u>Local Revenues</u>
Business share	Corporate Income Tax	Property Tax
	Franchise Tax	
	Insurance Premiums Tax	
Individual share	Personal Income Tax	Property Tax
	Sales Tax	

The amendment also increases the tax collected on cigarettes from nine mills per cigarette to 13 mills per cigarette, or eight cents per pack beginning October 1, 1985.

FISCAL EFFECT: It is estimated that the tax increase will increase General Fund revenues by \$18 million in fiscal 1986, and \$24 million in fiscal 1987.

House Amendment H-3587 also freezes the personal property tax phase out for fiscal 1986 and fiscal 1987 at \$46.2 million. For assesment years beginning January 1, 1986 personal property will not be listed or assessed. The personal property tax is repealed effective July 1, 1987.

The amendment exempts agricultural machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes from sales tax under certain conditions. Industrial machinery, equipment and computers and replacement parts which are depreciable for state and federal income tax purposes are also exempted from taxation under certain conditions.

The amendment changes the treatment of certain industrial machinery, equipment and computers being assessed at 30 percent of their value (the 70/30 TAX PROGRAM). For property acquired after December 31, 1981 and before January 1, 1985, the taxpayer's valuation will be limited to 30 percent of net acquisition cost, and the state will reimburse 70 percent of the net acquisition cost to the local jurisdictions. However, the state will not reimburse the local jurisdictions for property acquired after January 1, 1985.

The amendment amends House File 225 by changing the split between the state's lottery receipts and the amount awarded in prizes to ticket holders from 55 percent and 45 percent, respectively, to an even split. The amount that the state's revenues would decrease as a result is not known.

The amendment changes one of the local option tax alternatives from an additional property tax to a local income surtax. The income surtax may be imposed in five-cent increments not to exceed 30 cents.

Amendment H-3587 also expands the types of services which may be taxed. It is estimated that the expansion in the base will provide an additional \$36 million to \$55 million during fiscal 1986 and fiscal 1987.

Page Four, Fiscal Note, SF 395, H-3587, AS PASSED BY THE SENATE
 HOUSE AMENDMENT H-3587 TO SENATE FILE 395: TOTAL FISCAL EFFECT

By fiscal year, the effect of Senate File 395 as passed by the Senate is as follows:

<u>State General Fund Taxation Areas</u>	<u>Fiscal '86</u>	<u>Fiscal '87</u>
Private Sale of Wine	2.57 M.	.77 M.
Agricultural M & E Exemption	(32.0 M.)	(32.0 M.)
Industrial M & E Exemption	(20.0 M.)	(20.0 M.)
Increase cigarette tax	18.0 M.	24.0 M.
Expanded sales/services tax (range \$36-55 M.) midpoint	45.5 M.	45.5 M.
Total	14.1 M.	18.3 M.
<u>State General Fund Appropriation Areas</u>		
Private Sale of Wine	(0.79 M.)	(0.79 M.)
Personal Property Tax Phaseout	(1.90 M.)	(5.70 M.)
Phase out 70/30	---	---
Total	(2.7 M.)	(6.5 M.)
<u>Effects to Local Governments</u>		
Private Sale of Wine	---	---
Local Options	unknown	unknown
Personal Property Tax Phaseout	---	---
Phase out 70/30	---	---
NET EFFECT ON GENERAL FUND	16.8 M.	24.8 M.

SOURCES: Beer and Liquor Control Department
 Department of Revenue

(LSB 2747S.3. CMG)

FILED APRIL 3, 1985

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 395

H-3603

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

- 4 1. Page 12, line 20, by striking the word
5 "Seventy-five" and inserting the following: "Fifty".
6 2. Page 12, line 35, by striking the word
7 "Twenty-five" and inserting the following: "Fifty".

H-3603 FILED APRIL 2, 1985 BY HALVORSON of Clayton
LOST (p. 1286)

SENATE FILE 395

H-3604

1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:

- 3 1. By striking page 44, line 30 through page 46,
4 line 30.

H-3604 FILED APRIL 2, 1985 BY CARPENTER of Polk
ADOPTED (p. 1295)

SENATE FILE 395

H-3605

1 Amend amendment H-3587 to Senate File 395 as
2 amended, passed and reprinted by the Senate as follows:
3 1. Page 7, line 17, by striking the words "funeral
4 services;".

BY HAMMOND of Story
H-3605 FILED APRIL 2, 1985 HOLVECK of Polk
LOST (p. 1285)

SENATE FILE 395

H-3602

1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:
3 1. By striking page 42, line 32 through page 44,
4 line 29.

BY VAN CAMP of Scott
H-3602 FILED APRIL 2, 1985 SKOW of Guthrie
LOST (p. 1291)

SENATE FILE 395

H-3608

1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:
3 1. By striking page 46, line 31 through page 50,
4 line 35.

H-3608 FILED APRIL 2, 1985 BY DE GROOT of Lyon
LOST (p. 1292)

SENATE FILE 395

H-3594

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

- 4 1. By striking page 17, line 29 through page 18,
5 line 26.
- 6 2. Page 18, by striking lines 33 and 35.
- 7 3. Page 21, line 20, by striking the word
8 "freezing" and inserting the following: "increasing".

H-3594 FILED APRIL 2, 1985 BY STROMER of Hancock

LOST (p. 1285)

SENATE FILE 395

H-3597

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

- 4 1. By striking page 1, line 15 through page 4,
5 line 9 and inserting the following:
6 "_____. By striking page 1, line 1 through page 37,
7 line 31."
- 8 2. Page 20, line 2, by striking the figure "30"
9 and inserting the following: "9".
- 10 3. Page 21, by inserting after line 12 the
11 following:
12 "_____. Title page, by striking lines 1 through 4
13 and inserting the following: "An Act relating to
14 state and local revenues by allowing the cities and".

H-3597 FILED APRIL 2, 1985 BY BENNETT of Ida

LOST, MOTION TO RECONSIDER LOST
(p. 1284)

SENATE FILE 395

H-3599

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

- 4 1. Page 7, line 33, by striking the figure "2,".

BY PLATT of Muscatine

H-3599 FILED APRIL 2, 1985 VAN CAMP of Scott

OUT OF ORDER (p. 1296)

SENATE FILE 395

H-3600

- 1 Amend amendment H-3587 to Senate File 395 as amended,
2 passed and reprinted by the Senate as follows:
3 1. Page 8, by inserting after line 39, the following:
4 "NEW SUBSECTION. The gross receipts from the sale of
5 grain storage bins and related equipment used primarily
6 for the storage of agricultural products as defined in
7 section 543.1, subsections 4, 5 and 6."

BY HANSON of Delaware

H-3600 FILED APRIL 2, 1985

WITHDRAWN (p. 1286)

RENKEN of Grundy

SENATE FILE 395

H-3609

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

4 1. Page 14, by striking line 36 and inserting the
5 following: "the city or county.

6 Sec. ____ . NEW SECTION. 422B.14 PROPERTY TAX
7 RELIEF.

8 The financial officer of the city or county shall
9 credit fifty percent of the local income surtax, local
10 sales and services tax, and local earnings tax
11 received to a special account for property tax relief
12 to be granted as provided in this section.

13 Before the levy rates authorized under sections
14 384.1 and 384.12 are certified by a city to the county
15 auditor, or in the case of the county, before the levy
16 rates authorized under section 331.422, subsection 2,
17 and section 331.424, subsection 2 are certified, the
18 certifying official shall subtract from the total
19 amount computed in dollars, as provided in section
20 444.2, an amount equal to the amount credited to the
21 special account for property tax relief during the
22 last preceding twelve-month period and shall certify
23 only the net amount and shall identify for what
24 purposes the funds received for property tax relief
25 are to be used. The county auditor shall determine
26 the levy rates under section 444.3 upon the net amount
27 so computed.""

28 2. Page 20, by inserting after line 17 the
29 following:

30 "Sec. ____ . Section 444.3, Code 1985, is amended by
31 adding the following new unnumbered paragraph after
32 unnumbered paragraph 1:

33 NEW UNNUMBERED PARAGRAPH. However, in computing
34 the tax rate under the preceding paragraph for a city
35 or county which has imposed a local option tax
36 authorized in this chapter, the county auditor shall
37 determine if the sum of the net amount certified and
38 the amount deducted in determining that net amount
39 under this chapter would exceed the amount which could
40 be raised by the rate authorized by law. If the
41 county auditor determines that this sum would exceed
42 that amount, the county auditor shall reduce the net
43 amount certified by the excess and determine the tax
44 rate under the preceding paragraph on this reduced
45 amount."

BY McINTEE of Black Hawk
HANSON of Delaware

H-3609 FILED APRIL 2, 1985
LOST (p. 1289)

SENATE FILE 395

H-3606

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 8, by striking lines 25 and 26 and
5 inserting the following: "replacement parts, if the
6 following".

BY KOENIGS of Mitchell

DE GROOT of Lyon

SKOW of Guthrie

RENSINK of Sioux

FOGARTY of Palo Alto

BRANSTAD of Winnebago

GRUHN of Dickinson

DAGGETT of Taylor

PETERSON of Carroll

H-3606 FILED APRIL 2, 1985

LOST (p. 1286)

ROYER of Page

MUHLBAUER of Crawford

RENKEN of Grundy

COOPER of Lucas

VAN MAANEN of Mahaska

BLACK of Jasper

PELLETT of Cass

SULLIVAN of Van Buren

MAULSBY of Calhoun

JAY of Appanoose

SENATE FILE 395

H-3610

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 9, line 28, by striking the word "NEW"
5 and inserting the word "NEW".
6 2. Page 11, line 10, by striking the word "tion"
7 and inserting the word "motion".
8 3. Page 12, line 37, by striking the word
9 "levied," and inserting the word "levied".
10 4. Page 21, line 9, by striking the word "afters"
11 and inserting the word "after".

H-3610 FILED APRIL 2, 1985 BY CHAPMAN of Linn
ADOPTED (p. 1288)

SENATE FILE 395

H-3612

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

4 1. Page 4, line 12, by striking the word "Sec."
5 " and inserting the following: "Sec. 200".

6 2. Page 5, line 48, by striking the word "Sec."
7 " and inserting the following: "Sec. 201".

8 3. Page 7, line 13, by striking the words
9 "amusement enterprises" and inserting the following:
10 "entertainment".

11 4. Page 7, lines 14 and 15, by striking the words
12 ", real estate, and insurance" and inserting the
13 following: "and real estate".

14 5. Page 7, line 19, by striking the word
15 "hauling;".

16 6. Page 7, line 32, by inserting after the word
17 "fees." the following: "For purposes of this sub-
18 section, gross taxable services from commissioned
19 services includes only fees or commissions paid di-
20 rectly by the purchaser of the service."

21 7. Page 7, by striking lines 33 through 35.

22 8. Page 7, by striking line 36 and inserting the
23 following:

24 "Sec. 202. Section 422.45, subsections 2, 9, 12
25 and 20,".

26 9. Page 7, by inserting after line 37 the
27 following:

28 "2. The gross receipts from the sales, furnishing
29 or service of transportation service except the rental
30 or service of recreational vehicles, recreational
31 boats, or motor vehicles subject to registration which
32 are registered for a gross weight of thirteen tons or
33 less. For purposes of this subsection, motor vehicles
34 subject to registration does not include taxicabs and
35 buses.

36 9. Gross receipts from the sales of newspapers,
37 free-newspapers-or-shoppers-guides-and-the-printing
38 and-publishing-thereof,-and envelopes for
39 advertising."

40 10. Page 9, line 18, by striking the word "Sec."
41 " and inserting the following: "Sec. 203".

42 11. Page 9, line 25, by inserting after the word
43 "products;" the following: "commissioned services for
44 insurance;".

45 12. Page 9, line 27, by inserting after the word
46 "equipment" the following: ", except electrical and
47 electronic installation".

48 13. Page 9, line 32, by striking the word "Sec."
49 " and inserting the following: "Sec. 204".

50 14. Page 9, line 38, by striking the word "Sec."

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Page Two

A
1 " and inserting the following: "Sec. 205".
2 15. Page 9, line 49, by striking the word "Sec."
3 " and inserting the following: "Sec. 206".
4 16. Page 14, line 39, by striking the word "Sec."
5 " and inserting the following: "Sec. 207".
6 17. Page 14, line 42, by striking the word "Sec."
7 " and inserting the following: "Sec. 208".
8 18. Page 15, line 14, by striking the word "Sec."
9 " and inserting the following: "Sec. 209".
10 19. Page 15, line 16, by striking the word "Sec."
11 " and inserting the following: "Sec. 210".
12 20. Page 15, line 23, by striking the word "Sec."
13 " and inserting the following: "Sec. 211".
14 21. Page 15, line 29, by striking the word "Sec."
15 " and inserting the following: "Sec. 212".
16 22. Page 15, line 47, by striking the word "Sec."
17 " and inserting the following: "Sec. 213".
18 23. Page 16, line 22, by striking the word "Sec."
19 " and inserting the following: "Sec. 214".
20 24. Page 21, line 8, by striking the word and
21 figure "Section 100" and inserting the following:
22 "Sections 100 and 200 through 214".
23 25. Page 21, line 9, by striking the words "takes
24 effect May" and inserting the following: "take effect
25 June".

BY CHAPMAN of Linn
O'KANE of Woodbury
SCHNEKLOTH of Scott
BENNETT of Ida
PLATT of Muscatine

H-3612 FILED APRIL 2, 1985
DIVISION A - ADOPTED (p. 1296) DIVISION B - LOST, DIVISIONS C AND D WITHDRAWN (p. 1296)
MOTION TO RECONSIDER PREVAILED, DIVISION B WAS ADOPTED (p. 1296)

SENATE FILE 395

H-3615

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 7, by inserting after line 37 the
5 following:
6 "2. The gross receipts from the sales, furnishing
7 or service of transportation service except the rental
8 of recreational vehicles, recreational boats, or motor
9 vehicles subject to registration which are registered
10 for a gross weight of thirteen tons or less.
11 9. Gross receipts from the sales of newspapers,
12 free-newspapers-or-shoppers-guides-and-the-printing
13 and-publishing-thereof, and envelopes for
14 advertising."

BY CHAPMAN of Linn
PLATT of Muscatine

H-3615 FILED APRIL 2, 1985
ADOPTED (p. 1297)

SENATE FILE 395

H-3613

1 Amend Senate File 395 as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 54, by inserting after line 29 the
4 following:

5 "Sec. ____ . Section 455C.4, Code 1985, is amended
6 by adding the following new subsection:

7 NEW SUBSECTION. 3. A dealer, other than a state
8 liquor store, or a distributor may refuse to accept
9 and to pay the refund value of an empty wine container
10 which is marked to indicate that it was sold by a
11 state liquor store. A state liquor store may refuse
12 to accept and to pay the refund value of an empty wine
13 container which is not marked to indicate that it was
14 sold by a state liquor store.

15 Sec. ____ . Section 455C.5, subsection 1, Code 1985,
16 is amended to read as follows:

17 1. Each beverage container sold or offered for
18 sale in this state by a dealer shall clearly indicate
19 by embossing or by a stamp, label or other method
20 securely affixed to the container, the refund value of
21 the container. The department shall specify, by rule,
22 the minimum size of the refund value indication on the
23 beverage containers. Each beverage container
24 containing wine which is sold or offered for sale in a
25 state liquor store shall also be marked by embossing
26 or by stamp, label, or other method securely affixed
27 to the container to indicate that it was sold in a
28 state liquor store."

H-3613 FILED APRIL 2, 1985 BY PARKER of Jasper
ADOPTED (p. 1293)

SENATE FILE 395

H-3617

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

4 1. Page 9, by inserting after line 31 the
5 following:

6 "NEW SUBSECTION. The gross receipts from the
7 rendering, furnishing or performing of additional
8 services taxed by this Act pursuant to a services
9 contract in effect on April 1, 1985. This exemption
10 is repealed June 30, 1986."

BY CARPENTER of Polk
ARNOULD of Scott
CHAPMAN of Linn

H-3617 FILED APRIL 2, 1985
ADOPTED (p. 1294)

PAGE FORTY-EIGHT, APRIL 2, 1985 HOUSE CLIP SHEET

SENATE FILE 395

H-3614

1 Amend House amendment H-3587 to Senate File 395 as
2 amended, passed, and reprinted by the Senate as
3 follows:

4 1. Page 10, by striking lines 27 and 28, and
5 inserting the words "'or an additional real property
6 tax'."

7 2. Page 10, by striking lines 30 and 31, and
8 inserting the words "'or additional real property
9 tax'."

10 3. Page 10, by striking lines 35 and 36, and
11 inserting the words "'or additional real property
12 tax'."

13 4. Page 11, by striking lines 29 through 33 and
14 inserting the words "percent as set by the governing
15 body. The state'."

16 5. Page 11, by striking lines 36 through 38 and
17 inserting the following:

18 "_____. Page 42, by striking lines 21 and 22 and
19 inserting the words "local sales and service tax, and
20 a local vehicle tax. The rate of the taxes shall
21 be'."

22 6. Page 11, by striking lines 39 through 45 and
23 inserting the following:

24 "_____. Page 42, by striking lines 24 through 27
25 and inserting the words "earnings tax, and in
26 increments of one dollar per vehicle for a vehicle tax
27 both as set by the governing body of the city or
28 county'."

29 "_____. Page 42, lines 28 and 29, by striking the
30 words "'or additional real property tax'."

31 7. By striking page 13, line 5 through page 14,
32 line 36 and inserting the following:

33 "_____. Page 51, by striking lines 1 through 11.

H-3614 FILED APRIL 2, 1985 BY HALVORSON of Clayton
LOST (p. 1298)

SENATE FILE 395

H-3616

1 Amend the Committee amendment H-3587 to Senate File
2 395 as amended, passed and reprinted by the Senate as
3 follows:

4 1. Page 9, line 27, by inserting after the word
5 "equipment" the following: ", including electrical
6 and electronic installation".

BY ARNOULD of Scott

H-3616 FILED APRIL 2, 1985
ADOPTED (p. 1297)

SCHNEKLOTH of Scott

SENATE FILE 395

H-3618

1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:

3 1. Page 54, by inserting after line 29 the
4 following:

5 "Sec. _____. Section 433.8, Code 1985, is amended to
6 read as follows:

7 433.8 ASSESSMENT IN EACH COUNTY -- HOW CERTIFIED.

8 The director of revenue shall, for the purpose of
9 determining what amount shall be assessed to any one
10 of said companies in each county of the state into
11 which the line of the said company extends, multiply
12 the assessed or taxable value per mile of line of said
13 company, as above ascertained, by the number of miles
14 in each of said counties, ~~and the~~. The result thereof
15 shall be reduced to remove the personal property
16 component prior to certification. For amounts based
17 upon assessments commenced the second Monday of July,
18 1985, the result thereof shall be reduced five
19 percent. For assessments commencing July, 1986, and
20 thereafter, the value per mile multiplied by the
21 number of miles in each said county shall be reduced
22 by an additional five percent for assessments
23 commencing in each succeeding July, until such time as
24 the value per mile multiplied by the number of miles
25 in each said county shall have been reduced twenty
26 percent, which twenty percent reduction shall be
27 effective for assessments commencing July, 1988, and
28 thereafter. The result thereof shall be by the
29 director certified to the several county auditors of
30 the respective counties into, over, or through which
31 said line extends.

32 As a condition for receiving the reduction in the
33 assessments as provided in the previous paragraph, the
34 company shall remit to the director of the department
35 of revenue for deposit into the state lifeline service
36 fund created in section 476.65 an amount equal to one
37 half of the taxes saved as a result of such reduction
38 in assessments. For purposes of this paragraph, the
39 term "taxes saved as a result of such reduction in
40 assessments" means the product of the consolidated
41 county levy for the tax year for which the reduction
42 was in effect times the amount of the reduction.

43 Sec. _____. NEW SECTION. 476.61 POLICY
44 DECLARATION.

45 The general assembly finds that lifeline telephone
46 service is a basic human need and that the advent of
47 competition in the telecommunications industry should
48 not be allowed to deprive Iowans of lifeline telephone
49 service. Those individuals and entities that have
50 benefited from competition in the telecommunications

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1 industry have a responsibility to ensure that these
2 benefits are shared among all Iowans. As used in this
3 section, "lifeline telephone service" means
4 residential service at a reduced cost for those in
5 financial need.

6 Sec. ____ . NEW SECTION. 476.62 LIFELINE SERVICE.

7 1. On or before January 1, 1986, every local
8 exchange telephone utility whose rates are regulated
9 by the commission shall file a tariff with the
10 commission which establishes lifeline telephone
11 service subject to the terms and conditions
12 established in sections 476.61 through 476.66. For
13 purposes of this section, "local exchange telephone
14 utility" means a telephone utility that furnishes
15 local telephone service to the public within an
16 exchange, as defined by the commission, pursuant to a
17 tariff filed with the commission.

18 The local exchange telephone utility shall offer
19 lifeline service to the residential customers of the
20 telephone utility who are eligible under the
21 guidelines established pursuant to section 476.63. In
22 all exchanges or wire centers where it is
23 technologically and economically feasible, lifeline
24 service shall be local measured service, as defined by
25 the commission. In all other exchanges or wire
26 centers, lifeline service shall be flat rate service.
27 Notwithstanding section 476.5, the rate for lifeline
28 service shall not exceed fifty percent of the rate for
29 local measured service in an exchange, where
30 available, or fifty percent of the flat rate where
31 measured service is not available.

32 2. A telephone utility whose rates are not
33 regulated by the commission may offer lifeline service
34 by filing a tariff with the commission. If lifeline
35 service is offered, it shall be offered under the same
36 terms and conditions applicable to the telephone
37 utilities described in subsection 1.

38 Sec. ____ . NEW SECTION. 476.63 ELIGIBILITY FOR
39 LIFELINE SERVICE.

40 Lifeline telephone service shall be provided only
41 to those persons who have such financial need as might
42 prevent them from being able to afford basic telephone
43 service. Lifeline service may be provided only to
44 individuals, families or persons residing together who
45 meet the income and asset guidelines established
46 pursuant to this section and only for domestic,
47 personal use at the customer's principal place of
48 residence within the state. A person subscribing to
49 lifeline service shall not have telephone service at
50 more than one location in the state. However, this

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1 section does not prohibit a person from having
2 business telephone service at a location other than
3 that at which lifeline service is provided. A
4 customer subscribing to lifeline service shall not
5 have more than one telephone line at the customer's
6 residence.

7 On or before September 1, 1985, the department of
8 human services shall establish income and asset
9 guidelines for eligibility for lifeline service. The
10 guidelines shall take into account the income and
11 assets of all persons living at or regularly using
12 telephone service at a particular residence. The
13 guidelines shall include rules for applications for
14 lifeline service and the reporting of changes in
15 income and assets of those persons using the lifeline
16 service. The department shall prescribe forms for use
17 in connection with these rules. The forms shall be
18 available from local telephone utilities as well as
19 from the department.

20 Sec. _____. NEW SECTION. 476.64 APPLICATION FOR
21 LIFELINE SERVICE.

22 A person who wishes to subscribe to lifeline
23 service shall apply to the local telephone utility or
24 the department of human services in accordance with
25 the department's rules. If the application is
26 submitted to the local telephone utility, the utility
27 shall forward it immediately to the department of
28 human services for determination.

29 If the department finds that the applicant is
30 qualified, it shall issue two copies of a certificate
31 of eligibility, one for the applicant and one for the
32 local telephone utility. However, the approved
33 applications shall not exceed the moneys available in
34 the lifeline service fund created in section 476.65.
35 For applications forwarded to the department by the
36 utility, both copies shall be transmitted to the
37 utility and the utility shall transmit the applicant's
38 copy with the next billing. For applications filed
39 with the department directly, one copy shall be
40 transmitted to the applicant and one copy to the
41 utility.

42 If the local telephone utility has filed a tariff
43 establishing lifeline service and receives a
44 certificate of the applicant's eligibility, the
45 utility shall provide lifeline service to the
46 applicant under the terms and conditions set forth in
47 the tariff.

48 Sec. _____. NEW SECTION. 476.65 REIMBURSEMENT OF
49 UTILITIES.

50 Every local telephone utility shall be reimbursed

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1 for the revenue lost by providing lifeline service for
2 all its lifeline customers and for the utility's
3 administrative costs of providing the services. To
4 provide for this reimbursement, there is created a
5 "lifeline service fund" to which is credited the
6 amount of any moneys remitted as the condition for the
7 reduction in assessments as provided in section 433.8.

8 Sec. ____ . NEW SECTION. 476.66 PENALTY.

9 A person applying for or using lifeline telephone
10 service who knowingly supplies false information or
11 withholds information required to be supplied
12 concerning an application for or use or continued use
13 of lifeline service is guilty of a fraudulent
14 practice."

15 2. Title page, line 4, by inserting after the
16 word "sold," the following: "providing for a gradual
17 reduction in the assessed value of telegraph and
18 telephone companies related to the personal property
19 tax component of the valuation, establishing lifeline
20 telephone service and providing reimbursement for
21 providing such service,".

H-3618 FILED APRIL 2, 1985 BY SWARTZ of Marshall
NOT GERMANE (p. 1304)

SENATE FILE 395

H-3621

1 Amend House amendment H-3587 to Senate File 395 as
2 amended, passed, and reprinted by the Senate as
3 follows:

4 1. Page 10, by inserting after line 28 the
5 following:

6 "____. Page 39, line 14, by inserting after the
7 word "tax" the words "or a local sales and service
8 tax".

9 _____. Page 39, by striking lines 15 through 25 and
10 inserting the following: "incorporated and
11 unincorporated areas of the county.""

12 2. Page 11, by inserting after line 33 the
13 following:

14 "____. Page 41, by striking lines 23 through 32
15 and inserting the words "unlimited period. The local
16 option tax may be repealed or".

17 "____. Page 42, by striking lines 4 through 9, and
18 inserting the words "election on the imposition of the
19 local option tax.""

20 3. Page 12, by inserting after line 2 the
21 following:

22 "____. Page 47, by striking lines 7 through 12 and
23 inserting the words "persons required to collect state
24 gross receipts taxes.""

25 4. Page 12, by striking lines 15 and 16 and
26 inserting the words "quarterly to the board of
27 supervisors and each city".

28 5. Page 12, line 17, by striking the words "where
29 the tax was imposed".

30 6. Page 12, by striking lines 22 through 24 and
31 inserting the words "population residing in the
32 unincorporated area and incorporated areas as
33 follows":

34 7. Page 12, line 28, by striking the words "where
35 the tax was imposed".

36 8. Page 12, lines 30 and 31, by striking the
37 words "where the tax was imposed".

38 9. Page 12, by striking lines 37 through 39, and
39 inserting the words "dollars levied by the board of
40 supervisors and each city in the county during the".

41 10. Page 12, line 46, by striking the words
42 "where the tax was imposed".

43 11. Page 12, line 50, by striking the word
44 "where".

45 12. Page 13, line 1, by striking the words "the
46 tax was imposed".

H-3621 FILED APRIL 2, 1985 BY CARPENTER of Polk

LOST (p. 1505)

SENATE FILE 395

H-3620

- 1 Amend Senate File 395 as amended, passed and
- 2 reprinted by the Senate as follows:
- 3 1. Page 41, line 1, by inserting after the word
- 4 "imposed" the following: "and that only the first
- 5 five hundred dollars of the gross receipts of each
- 6 sale is subject to the tax".
- 7 2. Page 46, line 34, by striking the words "gross
- 8 receipts" and inserting the following: "first five
- 9 hundred dollars of the gross receipts of each sale".

H-3620 FILED APRIL 2, 1985 BY VAN MAANEN of Mahaska
LOST (p. 1275)

SENATE FILE 395

H-3619

- 1 Amend Senate File 395 as amended, passed and reprinted
- 2 by the Senate as follows:
- 3 1. By striking page 37, line 32 through page 51,
- 4 line 11.

H-3619 FILED APRIL 2, 1985 BY STROMER of Hancock
LOST (p. 1300)

SENATE FILE 395 CONFERENCE CO. REPORT
FISCAL NOTE

REQUESTED BY REPRESENTATIVE COREY

In compliance with a written request received April 11, 1985, a fiscal note for SF 395 CONFERENCE COMMITTEE REPORT is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

The Conference Committee Report on Senate File 395 provides for the following:

- State and private sale of wine containing more than five percent but not more than seventeen percent alcohol by weight.
- Establishes a tax on wine of \$1.50 per gallon.
- Allows cities and counties to impose certain local option taxes including sales, earnings and wheel.
- Exempts and allows for refunds until the exemption begins of the sale or lease of certain farm machinery and equipment, including certain replacement parts, and certain industrial machinery, equipment and computers, including certain replacement parts from the state sales, service and use tax.
- Sets aside revenues to pay the sales tax refunds on agricultural and industrial machinery and equipment. Funds in the set aside shall not be used in computing the state percent of growth for school aid purposes.
- Expands the items taxed under the state sales, services and use tax.
- Increases the state tax on a package of cigarettes by eight cents. Grants a one-time credit purchase on cigarette tax stamps.
- Phases out and repeals all property taxes on personal property.
- Allows special valuation of certain machinery, equipment and computers acquired after a certain date and limits the applicability of the present special valuation to that property acquired before a certain date.
- Amends the lottery law to provide for fifty percent of the projected annual revenues from the sales of lottery tickets be used for payment of prizes.
- Imposes the state sales, services and use tax on the sales of lottery tickets.
- Creates a new jobs tax credit for computing the individual and corporate tax liabilities of certain businesses that create new jobs within the state.

FISCAL EFFECT: The fiscal effect of the Conference Committee Report on Senate File 395 is as follows:

Assumptions - Wine Sections

1. Volume sales would increase two and quarter times in the first year and approximately twice each year thereafter.
2. Average cost per bottle of wine in Iowa is \$1.88 and the average retail price is \$3.50.
3. The wholesale markup under the proposed amendment would be 25% and the retail markup would be 33%.
4. Approximately 50 Class A wine wholesale permits would be issued each year.
5. State's market share would be 20%.
6. There would be approximately 4,000 Class B licenses per year.
7. Sales of spirits would decline due to less foot traffic and inconvenience.
8. Increased economic activity would result from private sale of wine.

Assumptions/Breakdown of Sales, Services and Use Tax Expansion

(Dollars in Millions)

	Low	High
Candy & Pop		6.0
Cable TV	3.0	4.0
Gun & Camera Repair	.1	.2
Lottery		4.0
Landscape / Janitorial	2.0	3.0
Transportation	1.0	2.0
Other - Campgrounds Security		
Detective, Tanning Beds	1.5	2.0
Misc. - Pet Grooming, reflexology, snow removal, Carpet cleaning, lawn care, tree removal, lobbying, non carbonated drinks	1.5	2.0
Non Cig Tobacco items	---	---
Total	<u>19.7</u>	<u>23.8</u>

(Dollars in Millions)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
<u>STATE GENERAL FUND TAXATION AREAS</u>				
Private Sale of Wine	1.66	0.62	0.62	0.62
Ag M & E Exemption			(28.00)	(28.00)
Industrial M & E Exemption			(20.00)	(20.00)
Increase Cigarette Tax	18.00	24.00	24.00	24.00
Expanded Sales/Services Tax	23.00	23.00	23.00	23.00
Targeted Jobs Credit	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN
M & E Set aside	(48.00)	(48.00)	0.00	0.00
Set aside interest @ 9%	<u>2.20</u>	<u>4.30</u>	<u>0.00</u>	<u>0.00</u>
Total	(3.14)	3.92	(0.38)	(0.38)

STATE GENERAL FUND APPROP. AREAS

Private Sale of Wine	(0.79)	(0.79)	(0.79)	(0.79)
Personal Property Tax Phaseout	0.00	(1.90)	3.30	3.50
Phaseout 70/30	<u>0.00</u>	<u>0.00</u>	<u>(9.00)</u>	<u>(18.00)</u>
Total	(0.79)	(2.69)	(6.49)	(10.29)

ANNUAL EFFECT TO THE GENERAL FUND (2.35) 6.61 6.11 9.91

- Note: 1. M & E refunds will be paid from the set aside.
2. Amounts reflect changes from current law except for personal property tax phase out which uses the Governors recommendation.

EFFECT TO LOCAL GOVTS: The fiscal effect of the local option provisions of the bill are unknown.

Sources: Beer and Liquor Control Department
Department of Revenue

(LSB 2747S.6, CMG)

FILED APRIL 11, 1985

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE 35
APRIL 4, 1985

S-3644

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 1, by inserting after line 36 the
5 following:
6 "_____. Page 13, line 20, by inserting after the
7 word "beer" the following: "and wine"."
8 2. Page 3, by striking lines 32 through 35.
9 3. Page 4, line 4, by striking the words "two
10 dollars" and inserting the following: "one dollar and
11 fifty cents".

S-3644 Filed April 3, 1985
w/d 4/3 (p. 1203)

By DRAKE

S-3643

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File
2 395 as amended, passed and reprinted by the Senate
3 as follows:
4 1. Page 7, by striking lines 13 and 14 and
5 inserting the following: "art; commercial
6 entertainment;".
7 2. Page 7, line 15, by striking the word "estate;".

S-3643 Filed April 3, 1985
w/d 4/3 (p. 1203)

By HOLT

S-3642

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 7, lines 11 and 12, by striking the words
5 "bill collection agencies;".
6 2. Page 7, line 15, by striking the words "credit
7 reporting;".
8 3. Page 9, by inserting after line 41 the
9 following:
10 "NEW SUBSECTION. The gross receipts from the
11 rendering, furnishing, or performing of the following
12 services: bill collection agencies; and credit
13 reporting."

S-3642 Filed April 3, 1985
w/d 4/3 (p. 1203)

By HOLT

SENATE 37
APRIL 4, 1985

S-3633

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 9, line 6, by inserting after the word
5 "property" the following: "or in research and
6 development of new products or processes of
7 manufacturing, refining, purifying, combining of
8 different materials or packing of meats to be used for
9 the purpose of adding value to products, or in
10 processing or storage of data or information by an
11 insurance company, financial institution or commercial
12 enterprise. As used in this paragraph:
13 (1) "Insurance company" means an insurer organized
14 under chapters 508, 515, 518, 519, 520 or authorized
15 to do business in Iowa as an insurer and having 50 or
16 more persons employed in this state excluding licensed
17 insurance agents.
18 (2) "Financial institutions" means as defined in
19 section 527.2(4).
20 (3) "Commercial enterprise" includes businesses
21 and manufacturers conducted for profit and includes
22 centers for data processing services to insurance
23 companies, financial institutions, businesses and
24 manufacturers but excludes professions and occupations
25 and nonprofit organizations."

S-3633 Filed April 3, 1985
w/d 4/3 (p 1263)

By DRAKE

S-3635

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 7, line 11, by striking the words
5 "architectural services;"
6 2. Page 7, line 15, by striking the words
7 "drafting;"
8 3. Page 7, line 16, by striking the words
9 "engineering services;"
10 4. Page 9, by inserting after line 41 the
11 following:
12 "NEW SUBSECTION. The gross receipts from the
13 rendering, furnishing or performing of the following
14 services: architectural services; drafting; and
15 engineering services."

S-3635 Filed April 3, 1985
w/d 4/3 (p 1263)

By DRAKE

SENATE 38
APRIL 4, 1985

S-3634

SENATE FILE 395

- 1 Amend the House amendment S-3613 to Senate File 395
- 2 as amended, passed and reprinted by the Senate as
- 3 follows:
- 4 1. Page 6, by striking line 26 and inserting the
- 5 following: "excluding investment services of trust
- 6 departments".
- 7 2. Page 15, by striking lines 31 and 32.

S-3634 Filed April 3, 1985
w/d 4/3 (p. 1203)

By DRAKE

S-3636

SENATE FILE 395

- 1 Amend the House amendment S-3613 to Senate File 395
- 2 as amended, passed and reprinted by the Senate as
- 3 follows:
- 4 1. Page 7, line 14, by striking the words
- 5 "brokerage and".
- 6 2. Page 9, line 34, by inserting after the word
- 7 "insurance" the following: "and the brokerage of
- 8 stocks and bonds and similar securities".

S-3636 Filed April 3, 1985
w/d 4/3 (p. 1203)

By KINLEY

S-3637

SENATE FILE 395

- 1 Amend the House amendment S-3613 to Senate File 395
- 2 as amended, passed and reprinted by the Senate as
- 3 follows:
- 4 1. Page 8, lines 5 and 6, by striking the words
- 5 "foods sold through vending machines;" and inserting
- 6 the following: "foods-sold-through-vending-machines".

S-3637 Filed April 3, 1985
w/d 4/3 (p. 1203)

By DRAKE

S-3638

SENATE FILE 395

- 1 Amend the House amendment S-3613 to Senate File 395
- 2 as amended, passed and reprinted by the Senate as
- 3 follows:
- 4 1. Page 8, by striking lines 45 and 46 and
- 5 inserting the following:
- 6 "Replacement parts for vehicles subject to
- 7 registration, as defined in section 321.1,".

S-3638 Filed April 3, 1985
w/d 4/3 (p. 1203)

By DRAKE

S-3630

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 10, by striking lines 41 through 43 and
5 inserting the following:
6 "____. Page 39, line 10, by striking the words "or
7 an additional real property tax".
8 2. Page 10, by striking lines 44 through 46 and
9 inserting the following:
10 "____. Page 39, line 30, by striking the words "or
11 additional real property tax".
12 3. By striking page 10, line 49 through page 11,
13 line 1 and inserting the following:
14 "____. Page 40, line 5, by striking the words "or
15 additional real property tax".
16 4. Page 11, line 44, by striking the words "The
17 rate of a".
18 5. Page 11, by striking lines 45 through 47.
19 6. Page 11, line 48, by striking the words
20 "impose the surtax."
21 7. Page 12, by striking lines 1 through 10 and
22 inserting the following:
23 "____. Page 42, line 21, by inserting after the
24 words "services tax," the following: "and".
25 _____. Page 42, lines 21 and 22, by striking the
26 words "and an additional real property tax".
27 _____. Page 42, line 24, by inserting after the
28 word "tax," the following: "and".
29 _____. Page 42, by striking lines 25 and 26 and
30 inserting the following: "vehicle".
31 _____. Page 42, lines 28 and 29, by striking the
32 words "or additional real property tax".
33 8. Page 13, line 22, by striking the word "and"
34 and inserting the following: "."
35 9. By striking page 13, line 23 through page 15,
36 line 3.

S-3630 Filed April 3, 1985 By HALL & NYSTROM

7/15 4/3/85 (y 1203)

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 15, by inserting after line 3 the
5 following:
6 "____. Page 51, by inserting after line 17 the
7 following:
8 "Sec. ____ Section 422.45, Code 1985, is amended
9 by adding the following new subsection:
10 NEW SUBSECTION. The gross receipts from the sales
11 of fuel consumed or used in the operation of ships,
12 barges, or waterborne vessels which are used primarily
13 in or for the transportation of property or cargo, or
14 the conveyance of persons for hire on rivers bordering
15 on the state if the fuel is delivered by the seller to
16 the purchaser's barge, ship, or waterborne vessel
17 while it is afloat upon such a river.""

S-3620 Filed April 3, 1985

By GOODWIN

w/d 4/3 (p 1203)

S-3624

SENATE FILE 395

1 Amend the House amendment S-3613 to Senate File 395
2 as amended, passed and reprinted by the Senate as
3 follows:
4 1. Page 7, line 36, by striking the figure "9,".
5 2. Page 7, by striking lines 43 through 45.

S-3624 Filed April 3, 1985

By GETTINGS

w/d 4/3 (p 1203)

SENATE 2
APRIL 4, 1985

S-3613

HOUSE AMENDMENT TO
SENATE FILE 395

1 Amend Senate File 395 as amended, passed and
2 reprinted by the Senate as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 98.6, subsection 2, Code 1985,
6 is amended to read as follows:

7 2. Notwithstanding subsection 1, there is imposed
8 ~~beginning July 1, 1981~~ and shall be collected and paid
9 to the department a tax on all cigarettes used or
10 otherwise disposed of in this state for any purpose at
11 the rate of nine mills on each cigarette for the
12 period beginning July 1, 1981 and ending September 30,
13 1985 and at the rate of thirteen mills on each
14 cigarette beginning October 1, 1985."

15 2. Page 8, by striking lines 5 through 7 and
16 inserting the following: "imported therein, except
17 beer and wine, and except as otherwise".

18 3. Page 8, by inserting after line 8 the
19 following:

20 "Sec. 16. Section 123.23, Code 1985, is amended to
21 read as follows:

22 123.23 STATE LIQUOR STORES.

23 The department shall establish and maintain in any
24 city which the director deems advisable, a state
25 liquor store or stores for storage and sale of
26 alcoholic liquor and wine in accordance with this
27 chapter. The department may, from time to time, as
28 determined by the director, fix the prices of the
29 different classes, varieties, or brands of alcoholic
30 liquor and wine to be sold. Prior to a decision to
31 establish, relocate or discontinue a state liquor
32 store, the director shall appoint a designee to
33 conduct a public hearing on the decision within the
34 city affected."

35 4. Page 10, line 3, by striking the figure
36 "123.76" and inserting the following: "123.176".

37 5. Page 24, by inserting after line 26 the
38 following:

39 "Sec. 42. Section 123.53, subsections 3 and 7,
40 Code 1985, are amended to read as follows:

41 3. The treasurer of state shall semiannually
42 distribute a sum of money equal to at least ten
43 percent of the gross sales made by the state liquor
44 stores but not less than six million four hundred
45 thousand dollars to the cities of the state. Such
46 amount shall be distributed to the cities of the state
47 in proportion to the population that each incorporated
48 city bears to the total population of all incorporated
49 cities of the state as computed by the latest federal
50 census. A city may have one special federal census

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1 taken each decade, and the population figure thus
2 obtained shall be used in apportioning amounts under
3 this subsection beginning the calendar year following
4 the year in which the special census is certified by
5 the secretary of state. Such apportionment shall be
6 made semiannually as of July 1 and January 1 of each
7 year. Warrants for the same shall be issued by the
8 state comptroller upon certification of the treasurer
9 of state and mailed to the city clerk of each
10 incorporated city of the state and shall be made
11 payable to such incorporated city and shall be subject
12 to expenditure under the direction of the city council
13 or other governing bodies of such incorporated city
14 for any lawful municipal purpose. It shall be a
15 lawful municipal purpose for cities to allocate a
16 portion of the above funds for the purpose of
17 financing the activities of a city commission or
18 committee on alcoholism, such commission or committee
19 to be appointed by the mayor or by the council or
20 both. The commission or committee may use any funds
21 so allocated for the treatment, rehabilitation, and
22 education of alcoholics in Iowa.

23 7. The treasurer of state shall credit to the
24 military service tax fund described in chapter 426A, a
25 sum of money equal to at least five percent of the
26 gross amount of sales made by the state liquor stores
27 in the cities of the state but not less than six
28 million four hundred thousand dollars. Any amount
29 thus credited shall be allocated to the various taxing
30 districts of the state as reimbursement for losses of
31 revenue due to exemption or remission of property
32 taxes which would be imposed upon property upon which
33 soldiers' exemptions or soldiers' tax credits are
34 provided under such terms as the general assembly may
35 provide.

36 Sec. 43. Section 123.53, Code 1985, is amended by
37 adding the following new subsection:

38 "NEW SUBSECTION. 8. The treasurer of state shall
39 transfer into a special revenue account in the general
40 fund of the state, a sum of money at least equal to
41 seven percent of the gross amount of sales made by the
42 state liquor stores in the cities of the state but not
43 less than nine million dollars annually from the beer
44 and liquor control fund on a monthly basis, and any
45 amounts so transferred shall be used by the department
46 of substance abuse for substance abuse treatment and
47 prevention programs in an amount determined by the
48 general assembly and any amounts received in excess of
49 the amounts appropriated to the department of
50 substance abuse shall be considered part of the

APRIL 4, 1985

S-3613 page 3

1 general fund balance."

2 6. Page 25, line 14, by inserting after the word
3 "manufacturer" the words ", or in a retail
4 establishment operated by the manufacturer which is no
5 closer than five miles from an existing native
6 winery".

7 7. Page 25, line 16, by inserting after the word
8 "permit." the following: "Sales of native wines by
9 the manufacturer of the native wines are exempt from
10 the wine gallonage tax imposed under section 123.183."

11 8. Page 25, by inserting after line 24 the
12 following:

13 "3. A manufacturer of native wines may ship wine
14 in closed containers to individual purchasers inside
15 and outside this state. The manufacturer shall label
16 the package containing the wine with the words
17 "deliver to adults only".

18 4. Notwithstanding section 123.179, subsection 1,
19 a class "A" wine permit for a native wine manufacturer
20 shall be issued and renewed annually upon payment of a
21 fee of twenty-five dollars which shall be in lieu of
22 any other license fee required by this chapter. The
23 class "A" permit shall only allow the native wine
24 manufacturer to sell, keep, or offer for sale and
25 deliver the manufacturer's native wines as provided
26 under this section."

27 9. Page 34, by inserting after line 1 the
28 following:

29 "3. A person holding a class "B" wine permit may
30 purchase wine for resale only from a person holding a
31 class "A" wine permit."

32 10. Page 34, line 4, by striking the words "seven
33 hundred fifty" and inserting the words "five hundred".

34 11. Page 34, line 6, by striking the words "five
35 hundred" and inserting the words "two hundred fifty".

36 12. Page 36, line 3, by striking the figure
37 "123.185" and inserting the following: "123.183".

38 13. Page 36, line 3, by striking the words "the
39 department" and inserting the following: "a
40 manufacturer of native wines".

41 14. Page 36, by striking lines 11 and 12 and
42 inserting the following:

43 "Sec. 67. NEW SECTION. 123.182 LABELS -- POINT
44 OF ORIGIN -- CONCLUSIVE EVIDENCE.

45 All imported bulk wines to be bottled and
46 distributed in the state shall have the point of
47 origin stated on the label. The print size for the
48 point of origin shall be at least half the print size
49 of the brand name on the label."

50 15. Page 36, by striking lines 21 and 22 and

1 inserting the following: "from each class "A" wine
2 permittee on all wine".
3 16. Page 36, line 24, by striking the words "one
4 dollar" and inserting the following: "two dollars".
5 17. Page 36, by striking lines 27 and 28 and
6 inserting the following: "manufactured in this state,
7 or on wine sold by one class "A"".
8 18. Page 37, line 12, by striking the figure
9 "123.185" and inserting the following: "123.183".
10 19. Page 38, by striking lines 18 through 34 and
11 inserting the following:
12 "Sec. 200. Section 422.42, subsections 3, 12, and
13 13, Code 1985, are amended to read as follows:
14 3. "Retail sale" or "sale at retail" means the
15 sale to a consumer or to any person for any purpose,
16 other than for processing, or for resale of tangible
17 personal property or taxable services, or for resale
18 of tangible personal property in connection with
19 taxable services, and includes the sale of gas,
20 electricity, water, and communication service to
21 retail consumers or users, but does not include
22 agricultural breeding livestock and domesticated fowl,
23 or commercial fertilizer, or agricultural limestone,
24 or materials, but not tools or equipment, herbicide,
25 pesticide, insecticide, food and medication and
26 agricultural drain tile and installation thereof which
27 are to be used in disease control, weed control,
28 insect control, or health promotion of plants or
29 livestock produced as part of agricultural production
30 for market, or and does not include electricity, or
31 steam or any taxable service when purchased and used
32 in the processing of tangible personal property
33 intended to be sold ultimately at retail. Tangible
34 personal property is sold for processing within the
35 meaning of this subsection only when it is intended
36 that such the property shall will, by means of
37 fabrication, compounding, manufacturing, or
38 germination become an integral part of other tangible
39 personal property intended to be sold ultimately at
40 retail, or shall will be consumed as fuel in creating
41 heat, power, or steam for processing including grain
42 drying, for providing heat or cooling for livestock
43 buildings or for generating electric current, or
44 consumed in self-propelled implements of husbandry
45 engaged in agricultural production, or such the
46 property is a chemical, solvent, sorbent, or reagent,
47 which is directly used and is consumed, dissipated, or
48 depleted, in processing personal property which is
49 intended to be sold ultimately at retail, and which
50 may not become a component or integral part of the

1 finished product. The distribution to the public of
2 free newspapers or shoppers guides ~~shall be deemed is~~
3 a retail sale for purposes of the processing
4 exemption.

5 Notwithstanding the foregoing provisions of this
6 subsection, the sale of newsprint and ink delivered
7 after April 17, 1978 to any person, firm or corporation
8 to be incorporated in or used in the printing of any
9 newspaper, free newspaper or shoppers guide for
10 publication in this state shall be considered as a
11 sale at retail and such person, firm or corporation
12 shall be deemed to be the consumer of such newsprint
13 and ink and subject to the payment of sales tax.

14 12. "Casual sales" means:

15 a. Sales or the rendering, furnishing or
16 performing of a nonrecurring nature of tangible
17 personal property or services by the owner, if the
18 seller, at the time of the sale, is not engaged for
19 profit in the business of selling tangible personal
20 property or services taxed under section 422.43.

21 b. The sale of all or substantially all of the
22 tangible personal property or services held or used by
23 a retailer in the course of the retailer's trade or
24 business for which the retailer is required to hold a
25 sales tax permit when the retailer sells or otherwise
26 transfers the trade or business to another person who
27 shall engage in a similar trade or business.

28 13. "Services" means all acts or services
29 rendered, furnished, or performed, other than services
30 performed on tangible personal property delivered into
31 interstate commerce, or services used in processing of
32 tangible personal property for use in taxable retail
33 sales or services, for an "employer" as defined in
34 section 422.4, subsection 15, for a valuable
35 consideration by any a person engaged in any a
36 business or occupation ~~specifically enumerated in this~~
37 ~~division.~~ The tax ~~shall be~~ is due and collectible
38 when the service is rendered, furnished, or performed
39 for the ultimate user thereof of the service.

40 "Services used in the processing of tangible
41 personal property" includes the reconditioning or
42 repairing of tangible personal property of the type
43 normally sold in the regular course of the retailer's
44 business and which is held for sale upon which the
45 gross receipts tax under this division or the use tax
46 under chapter 423 will be paid when the tangible
47 personal property is sold.

48 Sec. 201. Section 422.43, subsections 1 and 11,
49 Code 1985, are amended to read as follows:

50 1. There is imposed a tax of four percent upon the

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1 gross receipts from all sales of tangible personal
2 property, consisting of goods, wares, or merchandise,
3 except as otherwise provided in this division, sold at
4 retail in the state to consumers or users; a like rate
5 of tax upon the gross receipts from the sales,
6 furnishing or service of gas, electricity, water,
7 heat, and communication service, including the gross
8 receipts from such sales by any municipal corporation
9 furnishing gas, electricity, water, heat, and
10 communication service to the public in its proprietary
11 capacity, except as otherwise provided in this
12 division, when sold at retail ~~in-the-state~~ to
13 consumers or users; a like rate of tax upon the gross
14 receipts from all sales of tickets or admissions to
15 places of amusement, fairs, and athletic events except
16 those of elementary and secondary educational
17 institutions; and a like rate of tax upon that part of
18 private club membership fees or charges paid for the
19 privilege of participating in any athletic sports
20 provided club members.

21 11. The following-enumerated services are subject
22 to the tax imposed on gross taxable services include,
23 but are not limited to, the following: Alteration and
24 garment repair; armored car; automobile repair;
25 battery, tire and allied; investment counseling;
26 ~~excluding-investment-services-of-trust-departments;~~
27 bank service charges; barber and beauty; boat repair;
28 car wash and wax; carpentry; roof, shingle, and glass
29 repair; dance schools and dance studios; dry cleaning,
30 pressing, dyeing, and laundering; electrical and
31 electronic repair and installation; rental of tangible
32 personal property; excavating and grading; farm
33 implement repair of all kinds; flying service, except
34 agricultural aerial application services and aerial
35 commercial and charter transportation services;
36 furniture, rug, upholstery repair and cleaning; fur
37 storage and repair; golf and country clubs and all
38 commercial recreation; house and building moving;
39 household appliance, television, and radio repair;
40 jewelry and watch repair; machine operator; machine
41 repair of all kinds; motor repair; motorcycle,
42 scooter, and bicycle repair; oilers and lubricators;
43 office and business machine repair; painting,
44 papering, and interior decorating; parking facilities;
45 pipe fitting and plumbing; wood preparation; licensed
46 executive search agencies; private employment
47 ~~agencies;-excluding-services-for-placing-a-person-in~~
48 ~~employment-where-the-principal-place-of-employment-of~~
49 ~~that-person-is-to-be-located-outside-of-the-state;~~
50 sewing and stitching; shoe repair and shoeshine;

1 storage warehousing of raw agricultural products;
2 telephone answering service; test laboratories, except
3 tests on humans; termite, bug, roach, and pest
4 eradicators; tin and sheet metal repair; turkish
5 baths, massage, and reducing salons; weighing;
6 welding; well drilling; wrapping, packing, and
7 packaging of merchandise ~~other-than-processed-meat;~~
8 ~~fish,-fowl-and-vegetables;~~ wrecking service; wrecker
9 and towing; accounting, auditing or bookkeeping;
10 aerial photography and surveying; appraisals;
11 architectural services; auctioneers; bill collection
12 agencies; cable television; campgrounds; commercial
13 art; commercial entertainment; commissioned services
14 including but not limited to brokerage and real
15 estate; computer services; credit reporting; drafting;
16 engineering services; financial planning and
17 counseling; funeral services; fundraising services;
18 garbage disposal; gun and camera repair; information
19 storage, manipulation, retrieval and supply;
20 instruction on physical or recreation activities;
21 janitorial, housekeeping, and building maintenance or
22 cleaning; lawn care, landscaping and tree trimming and
23 removal; legal services; management consultant
24 services; marketing consultants; mining; personnel
25 supply services; pet grooming; promotional services;
26 reflexology; security and detective services; snow
27 removal; surveying; tanning beds or salons; tax
28 preparation; travel agencies; veterinarian services;
29 and water conditioning. For purposes of this
30 subsection, gross taxable services from rental
31 includes rents, royalties, and copyright and license
32 fees. For purposes of this subsection, gross taxable
33 services from commissioned services includes only fees
34 or commissions paid directly by the purchaser of the
35 service.

36 Sec. 202. Section 422.45, subsections 2, 9, 12 and
37 20, Code 1985, are amended to read as follows:

38 2. The gross receipts from the sales, furnishing
39 or service of transportation service except the rental
40 of recreational vehicles, recreational boats, or motor
41 vehicles subject to registration which are registered
42 for a gross weight of thirteen tons or less.

43 9. Gross receipts from the sales of newspapers;
44 free-newspapers-or-shoppers-guides-and-the-printing
45 and-publishing-thereof;-and envelopes for advertising.

46 12. Gross receipts from the sale of all foods for
47 human consumption which are eligible for purchase with
48 food coupons issued by the United States department of
49 agriculture pursuant to regulations in effect on July
50 1, 1974, regardless of whether the retailer from which

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1 the foods are purchased is participating in the food
2 stamp program. However, as used in this subsection,
3 "foods" does not include ~~meals-prepared-for-immediate~~
4 ~~consumption-on-or-off-the-premises-of-the-retailer,~~
5 ~~and-does-not-include~~ foods sold through vending
6 machines; candy, candy-coated items, and other candy
7 products; beverages as defined in section 455C.1,
8 subsection 1; foods prepared on or off the premises of
9 the retailer which are consumed on the premises of the
10 retailer; foods sold by caterers and hot or cold foods
11 prepared for immediate consumption off the premises of
12 the retailer. "Foods prepared for immediate
13 consumption" include any food product upon which an
14 act of preparation, including but not limited to,
15 cooking, mixing, sandwich making, blending, heating or
16 pouring, has been performed by the retailer so the
17 food product may be immediately consumed by the
18 purchaser.

19 20. The gross receipts from sales or services
20 rendered, furnished or performed by a county or city.
21 This exemption does not apply to the tax specifically
22 imposed under section 422.43 on the gross receipts
23 from the sales, furnishing or service of gas,
24 electricity, water, heat and communication service to
25 the public by a municipal corporation in its
26 proprietary capacity and does not apply to fees paid
27 to cities and counties for the privilege of
28 participating in any athletic sports.

29 Sec. 100. Section 422.45, Code 1985, is amended by
30 adding the following new subsections:

31 NEW SUBSECTION. The gross receipts from the sale
32 or rental of farm machinery and equipment, including
33 replacement parts which are depreciable for state and
34 federal income tax purposes, if the following
35 conditions are met:

36 a. The farm machinery and equipment shall be
37 directly and primarily used in production of
38 agricultural products.

39 b. The farm machinery and equipment shall
40 constitute self-propelled implements or implements
41 customarily drawn or attached to self-propelled
42 implements or manufactured aircraft designed
43 specifically for agricultural aerial application
44 services.

45 Vehicles subject to registration, as defined in
46 section 423.1, or replacement parts for such vehicles,
47 shall not be eligible for this exemption.

48 NEW SUBSECTION. The gross receipts from the sale
49 or rental of industrial machinery, equipment and
50 computers, including replacement parts which are

1 depreciable for state and federal income tax purposes,
2 if the following conditions are met:

3 a. The industrial machinery, equipment and
4 computers shall be directly and primarily used in the
5 manner described in section 428.20 in processing
6 tangible personal property.

7 b. The industrial machinery, equipment and
8 computers must be real property within the scope of
9 section 427A.1, subsection 1, paragraphs "e" or "j",
10 and must be subject to taxation as real property.

11 However, the provisions of chapters 404 and 427B
12 which result in the exemption from taxation of
13 property for property tax purposes do not preclude the
14 property from receiving this exemption if the property
15 otherwise qualifies.

16 The gross receipts from the sale or rental of hand
17 tools are not exempt. The gross receipts from the
18 sale or rental of pollution control equipment
19 qualifying under paragraphs "a" and "b" shall be
20 exempt.

21 The gross receipts from the sale or rental of
22 industrial machinery, equipment, and computers,
23 including pollution control equipment, within the
24 scope of section 427A.1, subsection 1, paragraphs "h"
25 and "i", shall not be exempt.

26 Sec. 203. Section 422.45, Code 1985, is amended by
27 adding the following new subsections:

28 NEW SUBSECTION. The gross receipts from the
29 rendering, furnishing or performing of the following
30 services: custom farming, agricultural aerial
31 application services; advertising; credit card fees;
32 interstate telephone calls; commercial storage
33 warehousing, except of raw agricultural products;
34 commissioned services for insurance; and design and
35 installation of new or used industrial machinery or
36 equipment, including electrical and electronic
37 installation.

38 NEW SUBSECTION. The gross receipts from the sales,
39 furnishing or service of veterinarian services for
40 agricultural production and day care or medical
41 services.

42 NEW SUBSECTION. The gross receipts from the
43 rendering, furnishing or performing of additional
44 services taxed by this Act pursuant to a services
45 contract in effect on April 1, 1985. This exemption
46 is repealed June 30, 1986.

47 Sec. 204. Section 422.52, subsection 5, Code 1985,
48 is amended to read as follows:

49 5. The provisions of subsection 1, according to
50 the context, shall apply to persons having receipts

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1 from rendering, furnishing, or performing services
2 ~~enumerated-in which are taxed under section 422.43.~~

3 Sec. 205. Section 422.53, subsection 7, Code 1985,
4 is amended to read as follows:

5 7. The provisions of subsection 1, dealing with
6 lawful right of a retailer to transact business,
7 according to the context, apply to persons having
8 receipts from rendering, furnishing, or performing
9 services ~~enumerated-in which are taxed under section~~
10 422.43, except that a person holding a permit pursuant
11 to subsection 1 shall not be required to obtain any
12 separate sales tax permit for the purpose of engaging
13 in business involving the services.

14 Sec. 206. Section 422.58, subsection 2, Code 1985,
15 is amended to read as follows:

16 2. Any A person who ~~shall~~ knowingly ~~sell~~ sells
17 tangible personal property, tickets or admissions to
18 places of amusement and athletic events, or gas,
19 water, electricity, and communication service at
20 retail, or engage engages in the rendering,
21 furnishing, or performing services ~~enumerated-in which~~
22 are taxed under section 422.43, in this state without
23 procuring a permit, as provided in section 422.53, or
24 who ~~shall-violate~~ violates the provisions of section
25 422.49, and the officers of any corporation who ~~shall~~
26 so act, ~~shall-be~~ are guilty of a simple misdemeanor.

27 Any A person who ~~shall~~ knowingly ~~sell~~ sells
28 tangible personal property, tickets or admissions to
29 places of amusement and athletic events, or gas,
30 water, electricity, and communication service at
31 retail, or engage engages in the rendering,
32 furnishing, or performing services ~~enumerated-in which~~
33 are taxed under section 422.43, in this state after
34 the person's license ~~shall-have~~ has been revoked and
35 before it has been restored as provided in section
36 422.53, subsection 5 and the officers of any
37 corporation who ~~shall~~ so act ~~shall-be~~ are guilty of a
38 serious misdemeanor."

39 20. Page 39, line 4, by striking the figure
40 "422B.11" and inserting the following: "422B.13".

41 21. Page 39, line 10, by striking the words
42 "additional real property tax" and inserting the
43 following: "income surtax".

44 22. Page 39, line 30, by striking the words
45 "additional real property tax" and inserting the
46 following: "income surtax".

47 23. Page 39, line 31, by striking the word
48 "sixty" and inserting the following: "thirty".

49 24. Page 40, line 5, by striking the words
50 "additional real property tax" and inserting the

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1 following: "income surtax".

2 25. Page 40, line 6, by striking the word "sixty"
3 and inserting the following: "thirty".

4 26. Page 40, line 10, by inserting after the
5 figure "5." the following: "a.".

6 27. Page 40, line 10, by striking the word
7 "sixty" and inserting the following: "thirty".

8 28. Page 40, by striking lines 19 through 21 and
9 inserting the following: "election. In the case of a
10 local vehicle".

11 29. Page 40, by inserting after line 25 the
12 following:

13 "b. The question of the imposition of a local
14 sales and services tax shall be submitted to the
15 qualified electors of the incorporated and
16 unincorporated areas of the county upon receipt by the
17 county commissioner of elections of the motion or
18 motions, requesting such submission, adopted by the
19 governing body or bodies of the city or cities located
20 within the county or of the county, for the
21 unincorporated areas of the county, representing at
22 least one-half of the population of the county. Upon
23 adoption of such motion, the governing body of the
24 city or county, for the unincorporated areas, shall
25 submit the motion to the county commissioner of
26 elections and in the case of the governing body of the
27 city shall notify the board of supervisors of the
28 adoption of the motion. The county commissioner of
29 elections shall keep a file on all the motions
30 received and, upon reaching the population
31 requirements, shall publish notice of the ballot
32 proposition concerning the imposition of the local
33 sales and services tax. A motion ceases to be valid
34 at the time of the holding of the regular election for
35 the election of members of the governing body which
36 adopted the motion. The county commissioner of
37 elections shall eliminate from the file any motion
38 that ceases to be valid. The manner provided under
39 this paragraph for the submission of the question of
40 imposition of a local sales and services tax is an
41 alternative to the manner provided in paragraph "a".

42 30. Page 41, by striking lines 12 through 15 and
43 inserting the following: "shall not be more than one
44 percent as set by the governing body. The rate of a
45 local income surtax shall be in increments of five
46 percent but not in excess of thirty percent as set by
47 the governing body of the city or county seeking to
48 impose the surtax. The state".

49 31. Page 42, line 20, by striking the figure
50 "422B.11" and inserting the following: "422B.13".

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- 1 32. Page 42, lines 21 and 22, by striking the
2 words "an additional real property tax" and inserting
3 the following: "a local income surtax".
- 4 33. Page 42, by striking lines 25 and 26 and
5 inserting the following: "vehicle tax, and up to
6 thirty percent in increments of five percent for the
7 income surtax".
- 8 34. Page 42, lines 28 and 29, by striking the
9 words "additional real property tax" and inserting the
10 following: "income surtax".
- 11 35. Page 42, lines 30 and 31, by striking the
12 words "be one percent" and inserting the following:
13 "not be more than one percent as set by the governing
14 body".
- 15 36. By striking page 44, line 30 through page 46,
16 line 30.
- 17 37. Page 46, line 33, by striking the figure "1."
- 18 38. Page 46, line 33, by inserting after the word
19 "of" the following: "not more than".
- 20 39. By striking page 47, line 18 through page 49,
21 line 6.
- 22 40. Page 49, line 13, by striking the word
23 "fifty-five" and inserting the following: "forty".
- 24 41. Page 50, by striking lines 14 through 32 and
25 inserting the following:
26 "1. The treasurer of state shall credit the local
27 sales and services tax receipts and interest and
28 penalties from a county to the county's account in the
29 local sales and services tax fund.
30 2. The treasurer of state, pursuant to rules of
31 the director of revenue, shall remit at least
32 quarterly to the board of supervisors, if the tax was
33 imposed in the unincorporated areas, and each city
34 where the tax was imposed its share of the county's
35 account in the local sales and services tax fund as
36 computed under subsections 3 and 4.
37 3. Seventy-five percent of each county's account
38 shall be remitted on the basis of the county's
39 population residing in the unincorporated area where
40 the tax was imposed and those incorporated areas where
41 the tax was imposed as follows:
42 a. To the board of supervisors a pro rata share
43 based upon the percentage of the above population of
44 the county residing in the unincorporated area of the
45 county where the tax was imposed according to the most
46 recent certified federal census.
47 b. To each city in the county where the tax was
48 imposed a pro rata share based upon the percentage of
49 the city's population residing in the county to the
50 above population of the county according to the most

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1 recent certified federal census.

2 4. Twenty-five percent of each county's account
3 shall be remitted based on the sum of property tax
4 dollars levied by the board of supervisors if the tax
5 was imposed in the unincorporated areas and each city
6 in the county where the tax was imposed during the
7 three-year period beginning July 1, 1982 and ending
8 June 30, 1985 as follows:

9 a. To the board of supervisors a pro rata share
10 based upon the percentage of the total property tax
11 dollars levied by the board of supervisors during the
12 above three-year period.

13 b. To each city council where the tax was imposed
14 a pro rata share based upon the percentage of property
15 tax dollars levied by the city during the above three-
16 year period of the above total property tax dollars
17 levied by the board of supervisors and each city where
18 the tax was imposed during the above three-year
19 period."

20 42. Page 50, line 33, by striking the figure "2."
21 and inserting the following: "5."

22 43. Page 51, by striking lines 1 through 11 and
23 inserting the following:

24 "Sec. ____ NEW SECTION. 422B.11 LOCAL INCOME
25 SURTAX.

26 An annual local income surtax may be imposed by a
27 city or county on every resident taxpayer at the rate
28 specified on the ballot proposition applied to the
29 taxpayer's computed state individual income tax for
30 the tax year. A city or county imposing an income
31 surtax shall give a credit, not to exceed the amount
32 of surtax, for any local earnings tax paid by the
33 resident taxpayer on income included in computing the
34 taxpayer's state individual income tax for the tax
35 year.

36 For purposes of the local income surtax, "resident
37 taxpayer" means an individual taxpayer whose principal
38 place of residence at the end of the taxpayer's tax
39 year is located in the city or county where the tax is
40 imposed and "computed state individual income tax"
41 means the tax computed under section 422.5 less the
42 deductions allowed in sections 422.10, 422.11, and
43 422.12.

44 Sec. ____ NEW SECTION. 422B.12 ADMINISTRATION.

45 A local income surtax or change in the rate shall
46 be imposed January 1 following the favorable election
47 for tax years beginning on or after January 1 and
48 repeal of the surtax shall be as of December 31
49 following the favorable election for tax years
50 beginning after December 31.

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1 The director of revenue shall administer the
2 provisions of a local income surtax as nearly as
3 possible in conjunction with the administration of
4 state income tax laws. The director shall provide
5 appropriate forms, or provide on the regular state tax
6 forms, for reporting local income surtax.

7 An ordinance of a city council or a county board of
8 supervisors imposing a local income surtax shall adopt
9 by reference the applicable provisions of the
10 appropriate sections of chapter 422, division II. All
11 powers of the director and requirements of the
12 director in administering the state income tax law
13 apply to the administration of a local income surtax,
14 including but not limited to, the provisions of
15 sections 422.20, 422.22 to 422.31, 422.68, and 422.72
16 to 422.75. Local officials shall confer with the
17 director of revenue and obtain the director's
18 assistance in drafting the ordinance imposing a local
19 income surtax. A certified copy of the ordinance
20 shall be filed with the director as soon as possible
21 after passage.

22 The director, in consultation with local officials,
23 shall collect and account for a local income surtax
24 and any interest and penalties. The director shall
25 credit local income surtax receipts and any interest
26 and penalties collected from returns filed on or
27 before November 1 of the calendar year following the
28 tax year for which the local income surtax is imposed
29 to a "local income surtax fund" established in the
30 office of the treasurer of state. All local income
31 surtax receipts and any interest and penalties
32 received or refunded from returns filed after November
33 1 of the calendar year following the tax year for
34 which the local income surtax is imposed shall be
35 deposited in or withdrawn from the state general fund
36 and shall be considered part of the cost of
37 administering the local income surtax.

38 Sec. _____. NEW SECTION. 422B.13 PAYMENT TO LOCAL
39 GOVERNMENT -- USE OF RECEIPTS.

40 1. On or before January 15, the director of
41 revenue shall make an accounting of the local income
42 surtax receipts and any interest and penalties
43 collected from returns filed on or before November 1
44 of the preceding year and shall certify to the
45 treasurer of state the amount collected. The
46 treasurer of state shall remit within fifteen days of
47 the certification by the director of revenue to each
48 city and county which has imposed a local income
49 surtax the amount in the local income surtax fund
50 collected as a result of its tax.

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1 2. Local income surtax moneys received by a city
2 or county may be expended for any lawful purpose of
3 the city or county."

4 44. Page 51, by inserting after line 17 the
5 following:

6 "Sec. 207. Section 423.1, subsection 1, unnumbered
7 paragraph 2, Code 1985, is amended by striking the
8 paragraph.

9 Sec. 208. Section 423.2, Code 1985, is amended to
10 read as follows:

11 423.2 IMPOSITION OF TAX.

12 An excise tax is imposed on the use in this state
13 of tangible personal property purchased for use in
14 this state, at the rate of four percent of the
15 purchase price of the property. The excise tax is
16 imposed upon every person using the property within
17 this state until the tax has been paid directly to the
18 county treasurer or the state department of
19 transportation, to a retailer, or to the department.
20 An excise tax is imposed on the use in this state of
21 services enumerated-in-section-422.43 which are taxed
22 under division IV of chapter 422 at the rate of four
23 percent. This tax is applicable where services are
24 rendered, furnished, or performed in this state or
25 where the product or result of the service is used in
26 this state. This tax is imposed on every person using
27 the services or the product of the services in this
28 state until the user has paid the tax either to an
29 Iowa use tax permit holder or to the department of
30 revenue.

31 Sec. 209. Section 423.4, subsection 5, Code 1985,
32 is amended by striking the subsection.

33 Sec. 210. Section 423.9, unnumbered paragraph 2,
34 Code 1985, is amended to read as follows:

35 Every person rendering, furnishing, or performing
36 services enumerated-in which are taxed under section
37 422.43, maintaining a place of business in this state
38 shall be subject to the-provisions-of the preceding
39 paragraph.

40 Sec. 211. Section 423.10, unnumbered paragraph 2,
41 Code 1985, is amended to read as follows:

42 The discretionary power granted therein is extended
43 to apply in the case of persons rendering, furnishing
44 or performing services enumerated-in which are taxed
45 under section 422.43.

46 Sec. 212. Section 423.14, Code 1985, is amended to
47 read as follows:

48 423.14 LIABILITY OF USER.

49 Any person who uses any property or services
50 enumerated-in which are taxed under section 422.43

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1 upon which the tax herein imposed has not been paid,
2 either to the county treasurer or to a retailer or
3 direct to the department as herein provided, shall be
4 liable ~~therefor~~ for the tax, and shall on or before
5 the last day of the month next succeeding each
6 quarterly period pay the tax herein imposed upon all
7 such property used by the person during the preceding
8 quarterly period in ~~such the~~ manner and accompanied by
9 ~~such the~~ returns as the director ~~shall-prescribe~~
10 prescribes. All of the provisions of section 423.13
11 with reference to ~~such the~~ returns and payments shall
12 be applicable to the returns and payments herein
13 required.

14 Sec. 213. Section 423.21, Code 1985, is amended to
15 read as follows:

16 423.21 BOOKS -- EXAMINATION.

17 Every retailer required or authorized to collect
18 taxes imposed by this chapter and every person using
19 in this state tangible personal property shall keep
20 ~~such~~ records, receipts, invoices, and other pertinent
21 papers as the director ~~shall-require~~ requires, in ~~such~~
22 ~~the~~ form as the director ~~shall-require~~ requires. The
23 director or ~~any a~~ duly authorized agent of the
24 department may examine the books, papers, records, and
25 equipment of any person either selling tangible
26 personal property or liable for the tax imposed by
27 this chapter, and investigate the character of the
28 business of any such person in order to verify the
29 accuracy of any return made, or if no return was made
30 by such person, ascertain and determine the amount due
31 ~~under the-provisions-of~~ this chapter. Any such books,
32 papers, and records shall be made available within
33 this state for ~~such~~ examination upon reasonable notice
34 when the director ~~shall-deem~~ deems it advisable and
35 ~~shall so order~~ orders. The preceding requirements
36 ~~shall-likewise~~ apply to users and persons rendering,
37 furnishing, or performing service ~~enumerated-in which~~
38 is taxed under section 422.43.

39 Sec. 214. Section 423.22, Code 1985, is amended to
40 read as follows:

41 423.22 REVOKING PERMITS.

42 Whenever ~~any a~~ retailer maintaining a place of
43 business in this state, or authorized to collect the
44 tax ~~herein~~ imposed pursuant to section 423.10, fails
45 to comply with any of the provisions of this chapter
46 or any orders or rules prescribed and adopted under
47 this chapter, the director may, upon notice and
48 hearing as hereinafter provided, by order revoke the
49 permit, if any, issued to ~~such that~~ retailer under
50 section 422.53, or if ~~such that~~ retailer is a

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1 corporation authorized to do business in this state
2 under chapter 494, may certify to the secretary of
3 state a copy of an order finding that such that
4 retailer has failed to comply with certain specified
5 provisions, orders or rules. The secretary of state
6 shall, upon receipt of such the certified copy, revoke
7 the permit authorizing said the corporation to do
8 business in this state, and shall issue a new permit
9 only when such the corporation shall have obtained
10 from the director an order finding that such the
11 corporation has complied with its obligations under
12 this chapter. No An order authorized in this section
13 shall not be made until the retailer is given an
14 opportunity to be heard and to show cause why such the
15 order should not be made, and the retailer shall be
16 given ten days' notice of the time, place, and purpose
17 of such the hearing. The director may issue a new
18 permit pursuant to section 422.53 after such a
19 revocation. The preceding provision ~~shall apply~~
20 applies to users and persons supplying services
21 ~~enumerated-in~~ in which are taxed under section 422.43.

22 Sec. _____. Section 427.1, subsection 32, unnumbered
23 paragraphs 1 and 2, Code 1985, are amended to read as
24 follows:

25 Pollution-control property as defined in this
26 subsection shall be exempt from taxation ~~for the~~
27 ~~periods-and~~ to the extent provided in this subsection,
28 upon compliance with the provisions of this
29 subsection.

30 This exemption shall apply to new installations of
31 pollution-control property ~~for a period of ten years~~
32 beginning on January 1 after the construction or
33 installation of the property is completed. This
34 exemption shall apply ~~for a period of ten years~~
35 beginning on January 1, 1975, to existing pollution-
36 control property if its construction or installation
37 was completed after September 23, 1970. This
38 ~~exemption shall apply with respect to each of the ten~~
39 ~~annual assessments within the ten-year exemption~~
40 ~~period-and the property taxes payable on the basis of~~
41 ~~each of such ten annual assessments.--This exemption~~
42 ~~for existing pollution-control property shall begin~~
43 ~~with respect to the assessment as of January 1, 1975,~~
44 ~~and the taxes payable on the basis of this assessment~~
45 ~~during the fiscal year beginning July 1, 1976."~~

46 45. Page 51, by striking lines 18 through 28 and
47 inserting the following:

48 "Sec. _____. Section 427A.9, unnumbered paragraph 2,
49 Code 1985, is amended to read as follows:

50 The amount of the additional personal property tax

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1 credit shall be a fixed amount for each tax year. The
2 amount of the additional personal property tax credit
3 shall be increased for the extended tax year beginning
4 January 1, 1974, and ending June 30, 1975, and shall
5 be increased for each tax year immediately following a
6 tax year in which the growth of state general fund
7 revenues, adjusted for changes in rate or basis,
8 exceeds five and one-half percent, except that the
9 amount of the additional personal property tax credit
10 for taxes payable in each year of the fiscal period
11 beginning July 1, 1977 and ending June 30, 1979 shall
12 not exceed the amount of the additional personal
13 property tax credit allowed for taxes payable in the
14 fiscal year beginning July 1, 1976 and ending June 30,
15 1977 ~~and~~ , the amount of the additional personal
16 property tax credit for taxes payable in the fiscal
17 year beginning July 1, 1980 and ending June 30, 1981
18 shall not exceed the amount of the additional personal
19 property tax credit allowed for taxes payable in the
20 fiscal year beginning July 1, 1979 and ending June 30,
21 1980, and the amount of the additional personal
22 property tax credit for taxes payable in each year of
23 the fiscal period beginning July 1, 1985 and ending
24 June 30, 1987 shall not exceed the amount of the
25 additional personal property tax credit allowed for
26 taxes payable in the fiscal year beginning July 1,
27 1984 and ending June 30, 1985. An increase in the
28 additional personal property tax credit, once granted,
29 shall continue for each succeeding tax year. For the
30 purposes of this chapter the state comptroller may
31 estimate the state percent of growth if necessary to
32 avoid delay in the collection of taxes. After-nine
33 ~~such-increases-have-been-made,-all~~ All taxes on
34 personal property shall be repealed as provided in the
35 following section. The director of revenue and the
36 state comptroller, jointly, shall determine the amount
37 of the credit for each such tax year. Such amount
38 shall be the maximum amount, rounded to the nearest
39 ten dollars, which will permit complete funding of the
40 replacement obligation under this division, including
41 the replacement obligation for the tax credit granted
42 pursuant to sections 427A.1 to 427A.5, out of the
43 appropriation provided in this chapter."
44 46. Page 51, line 35, by striking the word "
45 and" and inserting the following: "For assessment
46 years beginning on or after January 1, 1986".
47 47. Page 52, line 1, by striking the word
48 "thereafter" and inserting the following:
49 "thereafter".
50 48. Page 53, line 11, by striking the words

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1 "sixty-two million eight" and inserting the following:
2 "fifty-seven million one".

3 49. By striking page 53, line 15 through page 54,
4 line 8 and inserting the following:

5 "Sec. _____. Section 427B.10, unnumbered paragraph
6 1, Code 1985, is amended to read as follows:

7 For property defined in section 427A.1, subsection
8 1, paragraphs "e" and "j" acquired or initially leased
9 after December 31, 1981 and on or before January 1,
10 1985, the taxpayer's valuation shall be limited to
11 thirty percent of the net acquisition cost of the
12 property. For purposes of this section, "net
13 acquisition cost" means the acquired cost of the
14 property including all foundations and installation
15 cost less any excess cost adjustment.

16 Sec. _____. Chapter 427B, Code 1985, is amended by
17 adding as a new division the following new section:

18 NEW SECTION. PROPERTY SUBJECT TO SPECIAL
19 VALUATION.

20 For property defined in section 427A.1, subsection
21 1, paragraphs "e" and "j" acquired or initially leased
22 after January 1, 1985 the taxpayer's valuation shall
23 be limited to thirty percent of the net acquisition
24 cost of the property. For purposes of this section,
25 "net acquisition cost" means the acquired cost of the
26 property including all foundations and installation
27 cost less any excess cost adjustment.

28 For purposes of this section:

29 1. Property assessed by the department of revenue
30 pursuant to sections 428.24 to 428.29, or chapters
31 433, 434 and 436 to 438 shall not receive the benefits
32 of this section.

33 2. Property acquired on or before January 1, 1985
34 which was owned or used on or before January 1, 1985
35 by a related person shall not receive the benefits of
36 this section.

37 3. Property acquired after January 1, 1985 which
38 was owned and used by a related person shall not
39 receive any additional benefits under this section.

40 4. Property which was owned or used on or before
41 January 1, 1985 and subsequently acquired by an
42 exchange of like property shall not receive the
43 benefits of this section.

44 5. Property which was acquired after January 1,
45 1985 and subsequently exchanged for like property
46 shall not receive any additional benefits under this
47 section.

48 6. Property acquired on or before January 1, 1985
49 which is subsequently leased to a taxpayer or related
50 person who previously owned the property shall not

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1 receive the benefits of this section.

2 7. Property acquired after January 1, 1985 which
3 is subsequently leased to a taxpayer or related person
4 who previously owned the property shall not receive
5 any additional benefits under this section.

6 For purposes of this section, "related person"
7 means a person who owns or controls the taxpayer's
8 business and another business entity from which
9 property is acquired or leased or to which property is
10 sold or leased. Business entities are owned or
11 controlled by the same person if the same person
12 directly or indirectly owns or controls fifty percent
13 or more of the assets or any class of stock or who
14 directly or indirectly has an interest of fifty
15 percent or more in the ownership or profits.

16 Property assessed pursuant to this section shall
17 not be eligible to receive a partial exemption under
18 sections 427B.1 to 427B.6."

19 50. Page 54, by inserting after line 29 the
20 following:

21 "Sec. _____. Section 455C.4, Code 1985, is amended
22 by adding the following new subsection:

23 NEW SUBSECTION. 3. A dealer, other than a state
24 liquor store, or a distributor may refuse to accept
25 and to pay the refund value of an empty wine container
26 which is marked to indicate that it was sold by a
27 state liquor store. A state liquor store may refuse
28 to accept and to pay the refund value of an empty wine
29 container which is not marked to indicate that it was
30 sold by a state liquor store.

31 Sec. _____. Section 455C.5, subsection 1, Code 1985,
32 is amended to read as follows:

33 1. Each beverage container sold or offered for
34 sale in this state by a dealer shall clearly indicate
35 by embossing or by a stamp, label or other method
36 securely affixed to the container, the refund value of
37 the container. The department shall specify, by rule,
38 the minimum size of the refund value indication on the
39 beverage containers. Each beverage container
40 containing wine which is sold or offered for sale in a
41 state liquor store shall also be marked by embossing
42 or by stamp, label, or other method securely affixed
43 to the container to indicate that it was sold in a
44 state liquor store."

45 51. By striking page 54, line 30 through page 55,
46 line 10 and inserting the following:

47 "Sec. _____. Section 99E.10, subsection 1,
48 unnumbered paragraph 1, 1985 Acts, House File 225,
49 section 110, if division I of House File 225 becomes
50 law is amended to read as follows:

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1 1. Upon receipt of any revenue, the commissioner
2 shall deposit the moneys in the lottery fund created
3 pursuant to section 99E.20. As nearly as is
4 practicable, ~~forty-five~~ fifty percent of the projected
5 annual revenue computed on a year-round average basis
6 for each type of lottery game accruing from the sale
7 of tickets or shares is appropriated for payment of
8 prizes to the holders of winning tickets. After the
9 payment of prizes, all of the following shall be
10 deducted from lottery revenue prior to disbursement:

11 Sec. ____ . NEW SECTION. 99A.10 MANUFACTURE OF
12 ELECTRONIC GAMBLING DEVICES PERMITTED.

13 A person may manufacture electronic or computerized
14 gambling devices. This chapter does not prohibit such
15 manufacturing activities.

16 Sec. ____ . Section 725.9, Code 1985, is amended by
17 adding the following new subsection:

18 NEW SUBSECTION. 5. This chapter does not prohibit
19 the manufacture of electronic or computerized gambling
20 devices.

21 Sec. ____ .

22 1. All persons required to be licensed under
23 section 98.13 as distributors having in their
24 possession prior to delivery for resale as of the
25 close of business on September 30, 1985 cigarettes or
26 little cigars upon which the tax under section 98.6 or
27 98.43 has been paid, unused cigarette tax stamps which
28 have been paid for under section 98.8, or unused
29 metered imprints which have been paid for under
30 section 98.12 shall be subject to an inventory tax on
31 such items as provided in this section.

32 2. Persons subject to the inventory tax imposed
33 under this section shall take an inventory as of the
34 close of business on September 30, 1985 of those items
35 subject to the inventory tax for the purpose of
36 determining the tax due. These persons shall report
37 the tax on forms provided by the department of revenue
38 and remit the tax due with the forms by October 31,
39 1985. The department of revenue shall adopt rules as
40 are necessary to carry out this section.

41 3. The rate of the inventory tax on each item
42 subject to the tax as specified in subsection 1 is
43 equal to the difference between the amount paid on
44 each item under section 98.6, 98.8, 98.12, or 98.43
45 prior to October 1, 1985 and the amount that is to be
46 paid on each similar item under section 98.6, 98.8,
47 98.12, or 98.43 on or after October 1, 1985 except
48 that in computing the rate of the inventory tax any
49 discount allowed or allowable under section 98.8 shall
50 not be considered.

1 Sec. ____ . Sections 100 and 200 through 214 of this
2 Act, being deemed of immediate importance, take effect
3 June 1, 1985 after its publication in the Quad City
4 Times, a newspaper published in Davenport, Iowa, and
5 in The Sioux City Journal, a newspaper published in
6 Sioux City, Iowa."

7 52. Title page, by striking lines 6 through 13
8 and inserting the following: "certain industrial and
9 farm machinery, equipment and computers, including
10 replacement parts, from the state sales, services and
11 use tax, imposing the state sales, services and use
12 tax on additional services and certain gross receipts
13 presently exempt, providing for the repeal of all
14 property taxes on personal property and freezing the
15 amount of the additional personal property tax credit
16 and state reimbursement for that credit, increasing
17 the tax on cigarettes and little cigars, imposing an
18 inventory tax on cigarettes and little cigars, unused
19 tax stamps and metered imprints, making permanent the
20 exemption from property taxation of certain pollution
21 control property, providing for the special valuation
22 of certain machinery, equipment and computers acquired
23 after a certain date and limiting the applicability of
24 the present special valuation to that property
25 acquired before a certain date, amending the lottery
26 law to provide for fifty percent of the projected
27 annual revenue from the sales of lottery tickets or
28 shares be used for payment of prizes, eliminating the
29 prohibition on the manufacture of electronic and
30 computerized gambling devices, and providing".

31 53. By renumbering, relettering, or redesignating
32 and correcting internal references as necessary.

S-3613 Filed April 3, 1985

RECEIVED FROM THE HOUSE

Senate refused to concur 4/3/85 (p. 1204)
House insisted 4/3 (p. 1368)

REPORT OF THE CONFERENCE COMMITTEE ON
SENATE FILE 395

To the President of the Senate and the Speaker of the House
of Representatives:

We, the undersigned members of the conference committee
appointed to resolve the differences between the Senate and
the House of Representatives on Senate File 395, a bill for an
Act relating to state and local revenues by providing for the
private sale of wine containing more than five percent but not
more than seventeen percent alcohol by weight, imposing a tax
on wine to be sold, allowing cities and counties to impose
certain local option taxes, exempting certain farm machinery
and equipment from the state sales, services and use tax,
providing for the continued phase out and repeal of all
property taxes on personal property, limiting the amount of
reimbursement paid to local jurisdictions for property tax
exemptions allowed for certain machinery, equipment and
computers which are assessed as real property, repealing the
county government assistance and municipal assistance funds,
and providing penalties, appropriations and effective dates,
respectfully make the following report:

1. That the House recede from its amendment.
2. That Senate File 395 as amended, passed and reprinted
by the Senate be amended as follows:
 1. Page 1, by inserting before line 1 the following:
"Section 1. Section 98.6, subsection 2, Code 1985, is
amended to read as follows:
 2. Notwithstanding subsection 1, there is imposed

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~~beginning July 1, 1981~~ and shall be collected and paid to the department a tax on all cigarettes used or otherwise disposed of in this state for any purpose at the rate of nine mills on each cigarette for the period beginning July 1, 1981 and ending September 30, 1985 and at the rate of thirteen mills on each cigarette beginning October 1, 1985.

Sec. 2. Section 98.43, subsections 1 and 2, Code 1985, are amended to read as follows:

1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of ~~ten~~ fifteen percent of the wholesale sales price of ~~such~~ the tobacco products, except little cigars as defined in section 98.42. Little cigars shall be subject to the same rate of tax imposed upon cigarettes in section 98.6, payable at the time and in the manner provided in section 98.6; and stamps shall be affixed as provided in division I of this chapter. The tax on tobacco products, excluding little cigars, shall be imposed at the time the distributor does any of the following:

- a. Brings, or causes to be brought, into this state from without the state tobacco products for sale;.
- b. Makes, manufactures, or fabricates tobacco products in this state for sale in this state; ~~or.~~
- c. Ships or transports tobacco products to retailers in this state, to be sold by those retailers.

2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon ~~such~~ the consumers, at the rate of ~~ten~~ fifteen percent of the cost of ~~such~~ the tobacco products.

The tax imposed by this subsection shall not apply if the tax imposed by subsection 1 on ~~such~~ the tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

- a. Less than 25 cigars;.
- b. Less than 10 oz. snuff or snuff powder;.
- c. Less than 1 lb. smoking or chewing tobacco or other

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tobacco products not specifically mentioned herein, in the possession of any one consumer."

2. Page 7, by inserting after line 22 the following:

"Sec. ____ Section 123.21, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 12. Providing for the issuance of combination licenses and permits with fees consistent with individual license and permit fees as may be necessary for the efficient administration of this chapter."

3. Page 2, by striking lines 5 through 7 and inserting the following: "imported therein, except beer and wine, and except as otherwise".

4. Page 8, line 3, by inserting after the word "chapter" the following: "The department may continue to purchase wine from persons holding a vintner's certificate of compliance or a class "A" wine permit for resale in state liquor stores."

5. Page 8, by inserting after line 8 the following:

"Sec. 16. Section 123.23, Code 1985, is amended to read as follows:

123.23 STATE LIQUOR STORES.

The department shall establish and maintain in any city which the director deems advisable, a state liquor store or stores for storage and sale of alcoholic liquor and wine in accordance with this chapter. The department may, from time to time, as determined by the director, fix the prices of the different classes, varieties, or brands of alcoholic liquor and wine to be sold. Prior to a decision to establish, relocate or discontinue a state liquor store, the director shall appoint a designee to conduct a public hearing on the decision within the city affected."

6. Page 8, line 23, by inserting after the word "from" the words "the department or".

7. Page 8, line 30, by inserting after the word "from" the words "the department or".

8. Page 9, line 5, by inserting after the word "from" the words "the department or".

9. Page 9, line 14, by striking the words "the

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department" and inserting the words "the department or".

10. Page 10, line 3, by striking the figure "123.76" and inserting the following: "123.176".

11. Page 24, by inserting after line 26 the following:

"Sec. 42. Section 123.53, subsections 3 and 7, Code 1985, are amended to read as follows:

3. The treasurer of state shall semiannually distribute a sum of money equal to at least ten percent of the gross sales made by the state liquor stores but not less than six million four hundred thousand dollars to the cities of the state.

Such amount shall be distributed to the cities of the state in proportion to the population that each incorporated city bears to the total population of all incorporated cities of the state as computed by the latest federal census. A city may have one special federal census taken each decade, and the population figure thus obtained shall be used in apportioning amounts under this subsection beginning the calendar year following the year in which the special census is certified by the secretary of state. Such apportionment shall be made semiannually as of July 1 and January 1 of each year.

Warrants for the same shall be issued by the state comptroller upon certification of the treasurer of state and mailed to the city clerk of each incorporated city of the state and shall be made payable to such incorporated city and shall be subject to expenditure under the direction of the city council or other governing bodies of such incorporated city for any lawful municipal purpose. It shall be a lawful municipal purpose for cities to allocate a portion of the above funds for the purpose of financing the activities of a city commission or committee on alcoholism, such commission or committee to be appointed by the mayor or by the council or both. The commission or committee may use any funds so allocated for the treatment, rehabilitation, and education of alcoholics in Iowa.

7. The treasurer of state shall credit to the military service tax fund described in chapter 426A, a sum of money equal to at least five percent of the gross amount of sales

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made by the state liquor stores in the cities of the state but not less than six million four hundred thousand dollars. Any amount thus credited shall be allocated to the various taxing districts of the state as reimbursement for losses of revenue due to exemption or remission of property taxes which would be imposed upon property upon which soldiers' exemptions or soldiers' tax credits are provided under such terms as the general assembly may provide.

Sec. 43. Section 123.53, Code 1985, is amended by adding the following new subsection:

"NEW SUBSECTION. 8. The treasurer of state shall transfer into a special revenue account in the general fund of the state, a sum of money at least equal to seven percent of the gross amount of sales made by the state liquor stores in the cities of the state from the beer and liquor control fund on a monthly basis but not less than nine million dollars annually, and any amounts so transferred shall be used by the department of substance abuse for substance abuse treatment and prevention programs in an amount determined by the general assembly and any amounts received in excess of the amounts appropriated to the department of substance abuse shall be considered part of the general fund balance. This section is repealed June 30, 1987."

12. Page 25, line 14, by inserting after the word "manufacturer" the words ", or in a retail establishment operated by the manufacturer which is no closer than five miles from an existing native winery".

13. Page 25, line 16, by inserting after the word "permit." the following: "Sales of native wines by the manufacturer of the native wines are exempt from the wine gallonage tax imposed under section 123.183."

14. Page 25, by inserting after line 24 the following:

"3. A manufacturer of native wines may ship wine in closed containers to individual purchasers inside and outside this state. The manufacturer shall label the package containing the wine with the words "deliver to adults only".

4. Notwithstanding section 123.179, subsection 1, a class

"A" wine permit for a native wine manufacturer shall be issued and renewed annually upon payment of a fee of twenty-five dollars which shall be in lieu of any other license fee required by this chapter. The class "A" permit shall only allow the native wine manufacturer to sell, keep, or offer for sale and deliver the manufacturer's native wines as provided under this section."

15. Page 33, line 18, by inserting after the word "only" the following: "to the department or".

16. Page 34, by inserting after line 1 the following:

"3. A person holding a class "B" wine permit may purchase wine for resale only from the department or from a person holding a class "A" wine permit."

17. Page 34, line 11, by inserting after the word "state" the following: "for resale by the department or".

18. Page 36, line 3, by striking the figure "123.185" and inserting the following: "123.183".

19. Page 36, line 3, by striking the words "the department" and inserting the following: "a manufacturer of native wines".

20. Page 36, by striking lines 11 and 12 and inserting the following:

"Sec. 67. NEW SECTION. 123.182 LABELS -- POINT OF ORIGIN -- CONCLUSIVE EVIDENCE.

All imported bulk wines to be bottled and distributed in the state shall have the point of origin stated on the label. The print size for the point of origin shall be at least half the print size of the brand name on the label."

21. Page 36, by striking lines 21 and 22 and inserting the following: "from each class "A" wine permittee on all wine".

22. Page 36, line 24, by striking the words "one dollar" and inserting the following: "one dollar and fifty cents".

23. Page 36, line 33, by inserting after the word "state." the following: "The price of wine sold or offered for sale in state liquor stores which was not purchased by the department from a class "A" wine permittee shall include a

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markup over the wholesale price at least equal to the tax levied under this section."

24. Page 36, by striking lines 27 and 28 and inserting the following: "manufactured in this state, or on wine sold by one class "A"".

25. Page 37, line 12, by striking the figure "123.185" and inserting the following: "123.183".

26. Page 38, by striking lines 18 through 34 and inserting the following:

"Sec. _____. Chapter 422, division II, Code 1985, is amended by adding the following new section:

NEW SECTION. 422.11A

The taxes imposed under this division, less credits allowed under sections 422.10, 422.11 and 422.12, shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may claim the new jobs tax credit allowed a partnership, subchapter S corporation, or estate or trust electing to have

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the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. _____. Section 422.33, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION _____. The tax credit provided in section 422.33, Code 1985, shall be available to an employer who has entered into an agreement under chapter 280B and who has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. Any credit in excess of the tax liability for the

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tax year may be credited to the tax liability for the following ten tax years or until depleted in less than the ten years. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. ____ . Section 422.42, subsections 3 and 12, Code 1985, are amended to read as follows:

3. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, or for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services, and includes the sale of gas, electricity, water, and communication service to retail consumers or users, but does not include agricultural breeding livestock and domesticated fowl, or commercial fertilizer, or agricultural limestone, or materials, but not tools or equipment, herbicide, pesticide, insecticide, food and medication and agricultural drain tile and installation thereof which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market, or and does not include electricity, or steam or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that such the property ~~shall~~ will, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail, or ~~shall~~ will be consumed as fuel in creating heat, power, or steam for processing including grain drying, for providing heat or cooling for livestock buildings or for generating electric current, or consumed in self-propelled implements of husbandry engaged in agricultural production, or

such the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides ~~shall be deemed~~ is a retail sale for purposes of the processing exemption.

~~Notwithstanding the foregoing provisions of this subsection, the sale of newsprint and ink delivered after April 1, 1970 to any person, firm or corporation to be incorporated in or used in the printing of any newspaper, free newspaper or shoppers guide for publication in this state shall be considered as a sale at retail and such person, firm or corporation shall be deemed to be the consumer of such newsprint and ink and subject to the payment of sales tax.~~

12. "Casual sales" means:

a. Sales or the rendering, furnishing or performing of a nonrecurring nature of tangible personal property or services by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property or services taxed under section 422.43.

b. The sale of all or substantially all of the tangible personal property or services held or used by a retailer in the course of the retailer's trade or business for which the retailer is required to hold a sales tax permit when the retailer sells or otherwise transfers the trade or business to another person who shall engage in a similar trade or business.

Sec. _____. Section 422.43, subsections 2 and 11, Code 1985, are amended to read as follows:

2. There is imposed a tax of four percent upon the gross receipts derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles and bingo games as defined in chapter 99B, operated or conducted within the state of Iowa, the tax to be collected from the operator in the same manner as is provided for the collection of taxes

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upon the gross receipts of tickets or admission as provided in this section. The tax shall also be imposed upon the gross receipts derived from the sale of lottery tickets or shares pursuant to chapter 99E. The tax on the lottery tickets or shares shall be included in the sales price and distributed to the general fund as provided in section 99E.10.

11. The following enumerated services are subject to the tax imposed on gross taxable services: Alteration and garment repair; armored car; automobile repair; battery, tire and allied; investment counseling, excluding investment services of trust departments; bank service charges; barber and beauty; boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; rental of tangible personal property; excavating and grading; farm implement repair of all kinds; flying service, except agricultural aerial application services and aerial commercial and charter transportation services; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish,

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fowl and vegetables; wrecking service; wrecker and towing; cable television; campgrounds; carpet and upholstery cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; lobbying service; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening. For purposes of this subsection, gross taxable services from rental includes rents, royalties, and copyright and license fees. For purposes of this subsection, "lobbying service" means the rendering, furnishing or performing, for a fee, salary or other compensation, activities which are intended or used for the purpose of encouraging the passage, defeat, or modification of legislation or for influencing the decision of the members of a legislative committee or subcommittee or the representing, for a fee, salary or other compensation, on a regular basis an organization which has as one of its purposes the encouragement of the passage, defeat or modification of legislation or the influencing of the decision of the members of a legislative committee or a subcommittee. "Lobbying service" does not include the activities of a federal, state, or local government official or employee acting within the course of the official's or employee's duties or a representative of the news media engaged only in the reporting and dissemination of news and editorials.

Sec. _____. Section 422.45, subsections 2, 12 and 20, Code 1985, are amended to read as follows:

2. The gross receipts from the sales, furnishing or service of transportation service except the rental of recreational vehicles, recreational boats, or motor vehicles subject to registration which are registered for a gross weight of thirteen tons or less.

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is

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participating in the food stamp program. However, as used in this subsection, "foods" does not include meals-prepared-for immediate-consumption-on-or-off-the-premises-of-the-retailer, and-does-not-include-foods-sold-through-vending-machines candy, candy-coated items, and other candy products; beverages, excluding tea and coffee, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain less than fifteen percent natural fruit or vegetable juice; foods prepared on or off the premises of the retailer which are consumed on the premises of the retailer; foods sold by caterers and hot or cold foods prepared for immediate consumption off the premises of the retailer. "Foods prepared for immediate consumption" include any food product upon which an act of preparation, including but not limited to, cooking, mixing, sandwich making, blending, heating or pouring, has been performed by the retailer so the food product may be immediately consumed by the purchaser.

20. The gross receipts from sales or services rendered, furnished or performed by a county or city. This exemption does not apply to the tax specifically imposed under section 422.43 on the gross receipts from the sales, furnishing or service of gas, electricity, water, heat and communication service to the public by a municipal corporation in its proprietary capacity and does not apply to fees paid to cities and counties for the privilege of participating in any athletic sports.

Sec. 203. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987, of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

- a. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.
- b. The farm machinery and equipment shall constitute self-

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propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for this exemption.

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987 or on or after July 1, 1985, in the case of an industry which has entered into an agreement under chapter 280B prior to the sale or lease, of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

a. The industrial machinery, equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(2) "Financial institutions" means as defined in section 527.2, subsection 4.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

b. The industrial machinery, equipment and computers must be real property within the scope of section 427A.1, subsection 1, paragraphs "e" or "j", and must be subject to taxation as real property.

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However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes do not preclude the property from receiving this exemption if the property otherwise qualifies.

The gross receipts from the sale or rental of hand tools are not exempt. The gross receipts from the sale or rental of pollution control equipment qualifying under paragraph "a" shall be exempt.

The gross receipts from the sale or rental of industrial machinery, equipment, and computers, including pollution control equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be exempt.

Sec. _____. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of the following service: design and installation of new industrial machinery or equipment, including electrical and electronic installation.

NEW SUBSECTION. The gross receipts from the sale of wood chips or sawdust used in the production of agricultural livestock or fowl.

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of additional services taxed by this Act pursuant to a written services contract in effect on April 1, 1985. This exemption is repealed June 30, 1986.

Sec. _____. Chapter 422, division IV, Code 1985, is amended by adding the following new sections:

NEW SECTION. 422.47A

1. Sales, services, and use taxes paid on the purchase or rental of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the

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department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The industrial machinery and equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(2) "Financial institutions" means as defined in section 527.2, subsection 4.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

e. The industrial machinery, equipment or any computer must be real property within the scope of section 427A.1, subsection one, paragraph "e" or "j", and must be subject to taxation as real property.

However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes shall not preclude the property from receiving this refund if the property otherwise qualifies.

Any tax paid on hand tools shall not be eligible for a refund. Any tax paid on pollution control equipment qualifying under paragraphs "a" through "d" of this subsection shall be eligible for a refund. Any tax paid on industrial machinery, equipment or computers, including pollution control

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equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be eligible for refund.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

NEW SECTION. 422.47B

1. Sales, services, and use taxes paid on the purchase or rental of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

e. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for the refund for farm machinery and equipment.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after

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receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

Sec. _____. Section 422.69, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Of the taxes, interests and penalties collected under division IV which are credited to the general fund, an amount equal to the amount estimated by the department, adjusted as the department deems necessary, shall be set aside into a separate "machinery and equipment refund account" to be used to pay the refunds entitled to under sections 422.47A and 422.47B. The moneys in this separate account shall not be considered part of the state general fund for purposes of the Iowa economic emergency fund under section 8.55. This subsection is repealed April 1, 1988."

27. Page 39, line 10, by striking the words "or an additional real property tax".

28. Page 39, line 30, by striking the words "or additional real property tax".

29. Page 39, line 31, by striking the word "sixty" and inserting the following: "thirty".

30. Page 40, line 5, by striking the words "or additional real property tax".

31. Page 40, line 6, by striking the word "sixty" and inserting the following: "thirty".

32. Page 40, line 10, by inserting after the figure "5." the following: "a.".

33. Page 40, line 10, by striking the word "sixty" and inserting the following: "thirty".

34. Page 40, by striking lines 19 through 21 and inserting the following: "election. In the case of a local

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vehicle".

35. Page 40, by inserting after line 25 the following:

"b. The question of the imposition of a local sales and services tax shall be submitted to the qualified electors of the incorporated and unincorporated areas of the county upon receipt by the county commissioner of elections of the motion or motions, requesting such submission, adopted by the governing body or bodies of the city or cities located within the county or of the county, for the unincorporated areas of the county, representing at least one half of the population of the county. Upon adoption of such motion, the governing body of the city or county, for the unincorporated areas, shall submit the motion to the county commissioner of elections and in the case of the governing body of the city shall notify the board of supervisors of the adoption of the motion. The county commissioner of elections shall keep a file on all the motions received and, upon reaching the population requirements, shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. A motion ceases to be valid at the time of the holding of the regular election for the election of members of the governing body which adopted the motion. The county commissioner of elections shall eliminate from the file any motion that ceases to be valid. The manner provided under this paragraph for the submission of the question of imposition of a local sales and services tax is an alternative to the manner provided in paragraph "a"."

36. Page 41, line 7, by striking the word "six" and inserting the following: "four".

37. Page 41, by striking lines 12 through 15 and inserting the following: "shall not be more than one percent as set by the governing body. The state".

38. Page 42, line 21, by inserting after the words "services tax," the following: "and".

39. Page 42, lines 21 and 22, by striking the words "and an additional real property tax".

40. Page 42, line 23, by striking the word "six" and

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inserting the following: "four".

41. Page 42, line 24, by inserting after the word "tax," the following: "and".

42. Page 42, by striking lines 25 and 26 and inserting the following: "vehicle".

43. Page 42, lines 28 and 29, by striking the words "or additional real property tax".

44. Page 42, lines 30 and 31, by striking the words "be one percent" and inserting the following: "not be more than one percent as set by the governing body".

45. By striking page 44, line 30 through page 46, line 30 and inserting the following:

"NEW SECTION. 422B.5 LOCAL EARNINGS TAX.

1. A city or county may impose an annual earnings tax at the rate on the ballot proposition on the adjusted gross income from wages, salaries, commissions, and other compensation specified in paragraph "a" received or earned by resident and nonresident individuals, except individuals who are state or county employees:

a. Adjusted gross income from wages, salaries, commissions, and other compensation of resident and nonresident individuals, except individuals who are state or county employees, derived from work performed or services rendered within the city or unincorporated area of the county imposing the tax.

2. For purposes of the local earnings tax "resident individual" means an individual taxpayer whose principal place of residence at the end of the taxpayer's tax year is located in the city or unincorporated area of the county where the tax is imposed, "nonresident individual" means an individual who is not a resident individual and "adjusted gross income from wages, salaries, commissions, and other compensation" means the gross income from such compensation less those deductions allowable for state and federal tax purposes which are attributable to the earning of such compensation. The department of revenue shall adopt rules for determining the adjusted gross income of such compensation. If the

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compensation received for work performed or services rendered is for work performed or services rendered both within and without the area where the tax is imposed, the amount of compensation of an individual derived from work performed or services rendered that is subject to the local earnings tax shall be reasonably apportioned to the city or unincorporated area of the county, as applicable, by means of rules adopted by the department of revenue. The department shall also provide rules for allocation of other types of income on which the earnings tax is imposed.

3. Returns for the local earnings tax shall be in the form as the director of revenue may prescribe, and shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year. All local earnings tax returns shall cover a calendar year. Each taxpayer required to file a return shall show on the return the city of residence on the last day of the tax year, if applicable, and shall show the county of residence on the last day of the tax year.*

4. a. Every withholding agent and every employer as defined in chapter 422 and further defined in the Internal Revenue Code of 1954 as defined in chapter 422, with respect to income tax collected at source, making payment of wages to either a resident employee or employees, or a nonresident employee or employees, working in the city or unincorporated area of the county, shall deduct and withhold from the wages an amount which will approximate the employees' annual tax liability on a calendar year basis, calculated on tables provided by the department of revenue.

b. A withholding agent required to deduct and withhold tax under paragraph "a" shall deposit for each calendar quarterly period, on or before the last day of the month following the close of the quarterly period, on forms prescribed by the director, the tax required to be withheld under paragraph "a".

5. Every resident and nonresident of the city or county imposing a local earnings tax shall make and sign a return if the individual has income of five hundred dollars or more

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which is subject to the earnings tax.

NEW SECTION. 422B.6 ADMINISTRATION.

A local earnings tax or change in the rate shall be imposed January 1 following the favorable election for tax years beginning on or after January 1 and repeal of the tax shall be as of December 31 following the favorable election for tax years beginning after December 31.

The director of revenue shall administer the provisions of a local earnings tax as nearly as possible in conjunction with the administration of state income tax laws. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting local earnings tax.

An ordinance imposing a local earnings tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 422, division II. All powers and requirements of the director in administering the state income tax law apply to the administration of a local earnings tax, including but not limited to, the provisions of sections 422.4, 422.16, 422.20, 422.21, 422.22 to 422.31, 422.68, and 422.72 to 422.75. Local officials shall confer with the director of revenue and obtain the director's assistance in drafting the ordinance imposing a local earnings tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

The director, in consultation with local officials, shall collect and account for a local earnings tax and any interest and penalties. The director shall credit local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the calendar year following the tax year for which the local earnings tax is imposed to a "local earnings tax fund" established in the office of the treasurer of state. All local earnings tax receipts and any interest and penalties received or refunded from returns filed after November 1 of the calendar year following the tax year for which the local earnings tax is imposed shall be deposited in or withdrawn from the state general fund and shall be considered part of the cost of administering the local

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earnings tax.

NEW SECTION. 422B.7 PAYMENT TO LOCAL GOVERNMENT -- USE OF RECEIPTS.

1. On or before January 15, the director of revenue shall make an accounting of the local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the preceding year and shall certify to the treasurer of state this amount collected. The treasurer of state shall remit within fifteen days of the certification by the director of revenue to each city and county which has imposed a local earnings tax the amount in the local earnings tax fund collected as a result of its tax.

2. Local earnings tax moneys received by a city or county may be expended for any lawful purpose of the city or county which imposed the tax."

46. Page 46, line 33, by striking the figure "1."

47. Page 46, line 33, by inserting after the word "of" the following: "not more than".

48. Page 47, line 3, by inserting after the word "state." the following: "However, notwithstanding that the gross receipts from the sale or rental of the tangible personal property described in section 203 of this Act 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."

49. By striking page 47, line 18 through page 49, line 6.

50. Page 49, line 13, by striking the word "fifty-five" and inserting the following: "forty".

51. Page 50, by striking lines 14 through 32 and inserting the following:

"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.

2. The treasurer of state, pursuant to rules of the director of revenue, shall remit at least quarterly to the board of supervisors, if the tax was imposed in the

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unincorporated areas, and each city where the tax was imposed its share of the county's account in the local sales and services tax fund as computed under subsections 3 and 4.

3. Seventy-five percent of each county's account shall be remitted on the basis of the county's population residing in the unincorporated area where the tax was imposed and those incorporated areas where the tax was imposed as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the above population of the county residing in the unincorporated area of the county where the tax was imposed according to the most recent certified federal census.

b. To each city in the county where the tax was imposed a pro rata share based upon the percentage of the city's population residing in the county to the above population of the county according to the most recent certified federal census.

4. Twenty-five percent of each county's account shall be remitted based on the sum of property tax dollars levied by the board of supervisors if the tax was imposed in the unincorporated areas and each city in the county where the tax was imposed during the three-year period beginning July 1, 1982 and ending June 30, 1985 as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the total property tax dollars levied by the board of supervisors during the above three-year period.

b. To each city council where the tax was imposed a pro rata share based upon the percentage of property tax dollars levied by the city during the above three-year period of the above total property tax dollars levied by the board of supervisors and each city where the tax was imposed during the above three-year period."

52. Page 50, line 33, by striking the figure "2." and inserting the following: "5."

53. Page 51, by inserting after line 17 the following:

"Sec. ____ . Section 423.1, subsection 1, unnumbered paragraph 2, Code 1985, is amended by striking the paragraph.

Sec. ____ . Section 427.1, subsection 32, unnumbered

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paragraphs 1 and 2, Code 1985, are amended to read as follows:

Pollution-control property as defined in this subsection shall be exempt from taxation ~~for the periods and~~ to the extent provided in this subsection, upon compliance with the provisions of this subsection.

This exemption shall apply to new installations of pollution-control property ~~for a period of ten years~~ beginning on January 1 after the construction or installation of the property is completed. This exemption shall apply ~~for a period of ten years~~ beginning on January 1, 1975, to existing pollution-control property if its construction or installation was completed after September 23, 1970. ~~This exemption shall apply with respect to each of the ten annual assessments within the ten-year exemption period and the property taxes payable on the basis of each of such ten annual assessments. This exemption for existing pollution-control property shall begin with respect to the assessment as of January 1, 1975, and the taxes payable on the basis of this assessment during the fiscal year beginning July 1, 1976.~~

Sec. _____. Section 427A.1, subsection 1, paragraph j, subparagraph (1), Code 1985, is amended to read as follows:

(1) COMPUTERS. As used in this paragraph, "computer" means stored program processing equipment and all devices fastened to the computer by means of signal cables or communication media that serve the function of signal cables, but does not include point of sales equipment."

54. Page 51, by striking lines 18 through 28 and inserting the following:

"Sec. _____. Section 427A.9, unnumbered paragraphs 2 and 3, Code 1985, are amended to read as follows:

The amount of the additional personal property tax credit shall be a fixed amount for each tax year. The amount of the additional personal property tax credit shall be increased for the extended tax year beginning January 1, 1974, and ending June 30, 1975, and shall be increased for each tax year immediately following a tax year in which the growth of state general fund revenues, adjusted for changes in rate or basis,

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exceeds five and one-half percent, except that the amount of the additional personal property tax credit for taxes payable in each year of the fiscal period beginning July 1, 1977 and ending June 30, 1979 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1976 and ending June 30, 1977, and the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1980 and ending June 30, 1981 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1979 and ending June 30, 1980, and the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1986 and ending June 30, 1987 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1985 and ending June 30, 1986. An increase in the additional personal property tax credit, once granted, shall continue for each succeeding tax year. For the purposes of this chapter the state comptroller may estimate the state percent of growth if necessary to avoid delay in the collection of taxes. ~~After nine such increases have been made, all~~ All taxes on personal property shall be repealed as provided in the following section. The director of revenue and the state comptroller, jointly, shall determine the amount of the credit for each such tax year. Such amount shall be the maximum amount, rounded to the nearest ten dollars, which will permit complete funding of the replacement obligation under this division, including the replacement obligation for the tax credit granted pursuant to sections 427A.1 to 427A.5, out of the appropriation provided in this chapter.

Notwithstanding the provisions of this section which require an increase in general fund revenues in excess of five and one-half percent, adjusted for changes in rate or basis, to increase the personal property tax credit, the amount of the personal property tax credit, to be allowed for taxes payable in the fiscal year beginning July 1, 1982 and ending

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June 30, 1983 and in the fiscal year beginning July 1, 1985 and ending June 30, 1986 shall be increased as provided in this section."

55. Page 51, line 35, by striking the word ", and" and inserting the following: ". For assessment years beginning on or after January 1, 1986".

56. Page 52, line 1, by striking the word "thereafter" and inserting the following: "thereafter".

57. Page 53, line 11, by striking the words "sixty-two million eight hundred thousand" and inserting the following: "fifty-nine million".

58. By striking page 53, line 15 through page 54, line 8 and inserting the following:

"Sec. _____. Section 427B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after December 31, 1981 and on or before January 1, 1985, the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

Sec. _____. Chapter 427B, Code 1985, is amended by adding as a new division the following new section:

NEW SECTION. PROPERTY SUBJECT TO SPECIAL VALUATION.

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after January 1, 1985 the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

For purposes of this section:

1. Property assessed by the department of revenue pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of this section.

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2. Property acquired on or before January 1, 1985 which was owned or used on or before January 1, 1985 by a related person shall not receive the benefits of this section.

3. Property acquired after January 1, 1985 which was owned and used by a related person shall not receive any additional benefits under this section.

4. Property which was owned or used on or before January 1, 1985 and subsequently acquired by an exchange of like property shall not receive the benefits of this section.

5. Property which was acquired after January 1, 1985 and subsequently exchanged for like property shall not receive any additional benefits under this section.

6. Property acquired on or before January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of this section.

7. Property acquired after January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under this section.

For purposes of this section, "related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

Sec. _____. Section 442.7, subsection 1, paragraph a, Code 1985, is amended by adding the following unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, for computing the state percent of growth to be used for the school year beginning July 1, 1987, the revenues received as a result of the

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increase in taxes in this Act or as a result of the inclusion of additional items subject to tax in this Act shall not be considered revenues received for the state general fund for purposes of determining the percentages under subparagraph (1) or (2)."

59. Page 54, by striking lines 16 through 29.

60. Page 54, by inserting after line 29 the following:

"Sec. _____. Section 455C.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A dealer, other than a state liquor store, or a distributor may refuse to accept and to pay the refund value of an empty wine container which is marked to indicate that it was sold by a state liquor store. A state liquor store may refuse to accept and to pay the refund value of an empty wine container which is not marked to indicate that it was sold by a state liquor store.

Sec. _____. Section 455C.5, subsection 1, Code 1985, is amended to read as follows:

1. Each beverage container sold or offered for sale in this state by a dealer shall clearly indicate by embossing or by a stamp, label or other method securely affixed to the container, the refund value of the container. The department shall specify, by rule, the minimum size of the refund value indication on the beverage containers. Each beverage container containing wine which is sold or offered for sale in a state liquor store shall also be marked by embossing or by stamp, label, or other method securely affixed to the container to indicate that it was sold in a state liquor store."

61. By striking page 54, line 30 through page 55, line 10 and inserting the following:

"Sec. _____. Section 99E.10, subsection 1, unnumbered paragraph 1, 1985 Acts, House File 225, section 110, if Division I of House File 225 becomes law is amended to read as follows:

1. Upon receipt of any revenue, the commissioner shall deposit the moneys in the lottery fund created pursuant to

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section 99E.20. As nearly as is practicable, forty-five fifty percent of the projected annual revenue, after deduction of the amount of the sales tax, computed on a year-round average basis for each type of lottery game accruing from the sale of tickets or shares is appropriated for payment of prizes to the holders of winning tickets. After the payment of prizes, all of the following shall be deducted from lottery revenue prior to disbursement:

Sec. _____. Section 99E.10, subsection 1, 1985 Acts, House File 225, section 110, if division I of House File 225 becomes law is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. An amount equal to four percent of the gross sales price of each ticket or share sold shall be deducted as the sales tax on the sale of that ticket or share, remitted to the treasurer of state and deposited into the state general fund.

Sec. _____. Section 422.45, subsection 22, 1985 Acts, House File 225, section 122, if division I of House File 225 becomes law is amended by striking the subsection.

Sec. _____. NEW SECTION 99A.10 MANUFACTURE OF ELECTRONIC GAMBLING DEVICES PERMITTED.

A person may manufacture electronic or computerized gambling devices. This chapter does not prohibit such manufacturing activities.

Sec. _____. Section 725.9, Code 1965, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This chapter does not prohibit the manufacture of electronic or computerized gambling devices.

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1. All persons required to be licensed under section 98.13 as distributors having in their possession prior to delivery for resale as of the close of business on September 30, 1985 cigarettes or little cigars upon which the tax under section 98.6 or 98.43 has been paid, unused cigarette tax stamps which have been paid for under section 98.8, or unused metered imprints which have been paid for under section 98.12 shall be subject to an inventory tax on such items as provided in this

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section.

2. Persons subject to the inventory tax imposed under this section shall take an inventory as of the close of business on September 30, 1985 of those items subject to the inventory tax for the purpose of determining the tax due. These persons shall report the tax on forms provided by the department of revenue and remit the tax due with the forms by October 31, 1985. The department of revenue shall adopt rules as are necessary to carry out this section.

3. The rate of the inventory tax on each item subject to the tax as specified in subsection 1 is equal to the difference between the amount paid on each item under section 98.6, 98.8, 98.12, or 98.43 prior to October 1, 1985 and the amount that is to be paid on each similar item under section 98.6, 98.8, 98.12, or 98.43 on or after October 1, 1985 except that in computing the rate of the inventory tax any discount allowed or allowable under section 98.8 shall not be considered.

Sec. _____. Notwithstanding any provision of section 98.8 or of other provisions of chapter 98, during the period beginning October 1, 1985 and ending November 15, 1985, a holder of a state distributor's permit issued under chapter 98 may at the permitholder's option purchase cigarette tax stamps on credit for a period of forty-five days following such purchase. At the end of the forty-five day period the permitholder shall remit the amount due. As a condition for this credit-purchase, the purchase must be made from the department of revenue office in Des Moines, and the permitholder shall provide, at the time of such purchase, a bond to the department of revenue to insure the payment of the face value of the tax stamps at the end of the forty-five day period. A permitholder is entitled to make only one credit purchase under this section."

62. Title page, by striking lines 1 through 14 and inserting the following:

"An Act relating to state and local revenues by providing for the private sale of wine containing more than five percent

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but not more than seventeen percent alcohol by weight, imposing a tax on wine to be sold, allowing cities and counties to impose certain local option taxes, exempting and providing refunds until the exemption begins of the sale or lease of certain farm machinery and equipment, including certain replacement parts, and certain industrial machinery, equipment and computers, including certain replacement parts, from the state sales, services and use tax, providing for setting aside of revenues to pay such refunds and not including certain increases in revenues in computing the state percent of growth for purposes of chapter 442, amending the state sales, services and use tax to impose the tax on the rendering or furnishing of additional services, and on sales of certain tangible personal property, to alter certain definitions, and to provide exemptions and limit others, increasing the tax on tobacco products and on cigarettes and little cigars, imposing an inventory tax on cigarettes and little cigars, unused tax stamps and metered imprints and granting a one-time credit purchase on cigarette tax stamps, providing for the phase out and repeal of all property taxes on personal property, and providing penalties, appropriations and effective dates, making permanent the exemption from property taxation of certain pollution control property, providing for the special valuation of certain machinery, equipment and computers acquired after a certain date and limiting the applicability of the present special valuation to that property acquired before a certain date, amending the lottery law to provide for fifty percent of the projected annual revenue from the sales of lottery tickets or shares be used for payment of prizes, and imposing the state sales, services and use tax on the sales of lottery tickets and shares, eliminating the prohibition on the manufacture of electronic and computerized gambling devices, providing a new jobs tax credit for computing the individual and corporate tax liabilities of certain businesses that create new jobs within the state, providing that for purposes of property taxation the term "computer" does not include point of sales equipment

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and providing penalties and appropriations."

63. By renumbering, relettering, or redesignating and correcting internal references as necessary.

ON THE PART OF THE SENATE:

WILLIAM D. PALMER, Chairperson
LOWELL E. JUNKINS
JOE J. WELLS
CARLTON C. FULTON
RICHARD L. DRAKE

ON THE PART OF THE HOUSE

DONALD D. AVENSON, Chairperson
KAY CHAPMAN
JAMES D. O'KANE
DELMAN STROMER
HUGO SCHNEKLOTH

FILED APRIL 10, 1985

Referred to German 4/10/85 (p. 1291)

SCR adopted

Senate adopted 4/11/85 (p. 1310)

House adopted 4/11/85 (p. 1489)

SENATE FILE 395

AN ACT

RELATING TO STATE AND LOCAL REVENUES BY PROVIDING FOR THE PRIVATE SALE OF WINE CONTAINING MORE THAN FIVE PERCENT BUT NOT MORE THAN SEVENTEEN PERCENT ALCOHOL BY WEIGHT, IMPOSING A TAX ON WINE TO BE SOLD, ALLOWING CITIES AND COUNTIES TO IMPOSE CERTAIN LOCAL OPTION TAXES, EXEMPTING AND PROVIDING REFUNDS UNTIL THE EXEMPTION BEGINS OF THE SALE OR LEASE OF CERTAIN FARM MACHINERY AND EQUIPMENT, INCLUDING CERTAIN REPLACEMENT PARTS, AND CERTAIN INDUSTRIAL MACHINERY, EQUIPMENT AND COMPUTERS, INCLUDING CERTAIN REPLACEMENT PARTS, FROM THE STATE SALES, SERVICES AND USE TAX, PROVIDING FOR SETTING ASIDE OF REVENUES TO PAY SUCH REFUNDS AND NOT INCLUDING CERTAIN INCREASES IN REVENUES IN COMPUTING THE STATE PERCENT OF GROWTH FOR PURPOSES OF CHAPTER 442, AMENDING THE STATE SALES, SERVICES AND USE TAX TO IMPOSE THE TAX ON THE RENDERING OR FURNISHING OF ADDITIONAL SERVICES, AND ON SALES OF CERTAIN TANGIBLE PERSONAL PROPERTY, TO ALTER CERTAIN DEFINITIONS, AND TO PROVIDE EXEMPTIONS AND LIMIT OTHERS, INCREASING THE TAX ON TOBACCO PRODUCTS AND ON CIGARETTES AND LITTLE CIGARS, IMPOSING AN INVENTORY TAX ON CIGARETTES AND LITTLE CIGARS, UNUSED TAX STAMPS AND METERED IMPRINTS AND GRANTING ONE-TIME CREDIT PURCHASE ON CIGARETTE TAX STAMPS, PROVIDING FOR THE PHASE OUT AND REPEAL OF ALL PROPERTY TAXES ON PERSONAL PROPERTY, AND PROVIDING PENALTIES, APPROPRIATIONS AND EFFECTIVE DATES, MAKING PERMANENT THE EXEMPTION FROM PROPERTY TAXATION OF CERTAIN POLLUTION CON-

SF 395 Sec. 88 amended by SF 434 Sec. 13

SF 395, Sec. 49, 74, 84, 99 amended by SF 583 Sec. 1, 4, 6, 7

TROL PROPERTY, PROVIDING FOR THE SPECIAL VALUATION OF CERTAIN MACHINERY, EQUIPMENT AND COMPUTERS ACQUIRED AFTER A CERTAIN DATE AND LIMITING THE APPLICABILITY OF THE PRESENT SPECIAL VALUATION TO THAT PROPERTY ACQUIRED BEFORE A CERTAIN DATE, AMENDING THE LOTTERY LAW TO PROVIDE FOR FIFTY PERCENT OF THE PROJECTED ANNUAL REVENUE FROM THE SALES OF LOTTERY TICKETS OR SHARES BE USED FOR PAYMENT OF PRIZES, AND IMPOSING THE STATE SALES, SERVICES AND USE TAX ON THE SALES OF LOTTERY TICKETS AND SHARES, ELIMINATING THE PROHIBITION ON THE MANUFACTURE OF ELECTRONIC AND COMPUTERIZED GAMBLING DEVICES, PROVIDING A NEW JOBS TAX CREDIT FOR COMPUTING THE INDIVIDUAL AND CORPORATE TAX LIABILITIES OF CERTAIN BUSINESSES THAT CREATE NEW JOBS WITHIN THE STATE, PROVIDING THAT FOR PURPOSES OF PROPERTY TAXATION THE TERM "COMPUTER" DOES NOT INCLUDE POINT OF SALES EQUIPMENT AND PROVIDING PENALTIES AND APPROPRIATIONS.

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

Section 1. Section 98.6, subsection 2, Code 1985, is amended to read as follows:

2. Notwithstanding subsection 1, there is imposed ~~beginning July 17, 1981~~ and shall be collected and paid to the department a tax on all cigarettes used or otherwise disposed of in this state for any purpose at the rate of nine mills on each cigarette for the period beginning July 1, 1981 and ending September 30, 1985 and at the rate of thirteen mills on each cigarette beginning October 1, 1985.

Sec. 2. Section 98.43, subsections 1 and 2, Code 1985, are amended to read as follows:

1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of ~~ten~~ fifteen percent of the wholesale sales price of ~~such~~ the tobacco products, except little cigars as defined in section 98.42. Little cigars shall be subject to the same rate of tax imposed upon

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cigarettes in section 98.6, payable at the time and in the manner provided in section 98.6; and stamps shall be affixed as provided in division I of this chapter. The tax on tobacco products, excluding little cigars, shall be imposed at the time the distributor does any of the following:

- a. Brings, or causes to be brought, into this state from without the state tobacco products for sale;
- b. Makes, manufactures, or fabricates tobacco products in this state for sale in this state; ~~or.~~
- c. Ships or transports tobacco products to retailers in this state, to be sold by those retailers.

2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon such the consumers, at the rate of ~~ten~~ fifteen percent of the cost of such the tobacco products.

The tax imposed by this subsection shall not apply if the tax imposed by subsection 1 on such the tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

- a. Less than 25 cigars;
- b. Less than 10 oz. snuff or snuff powder;
- c. Less than 1 lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 3. Section 123.1, Code 1985, is amended to read as follows:

123.1 PUBLIC POLICY DECLARED.

This chapter shall be cited as the "Iowa Beer, Wine, and Liquor Control Act", and shall be deemed an exercise of the police power of the state, for the protection of the welfare, health, peace, morals, and safety of the people of the state, and all its provisions shall be liberally construed for the accomplishment of that purpose; ~~and it.~~ It is declared to be public policy that the traffic in alcoholic liquors is so affected with a public interest that it should be regulated to

the extent of prohibiting all traffic in them, except as provided in this chapter.

Sec. 4. Section 123.2, Code 1985, is amended to read as follows:

123.2 GENERAL PROHIBITION.

~~It shall be~~ is unlawful to manufacture for sale, sell, offer or keep for sale, possess, or transport alcoholic liquor, wine, or beer except upon the terms, conditions, limitations, and restrictions enumerated in this chapter.

Sec. 5. Section 123.3, subsections 4, 7, 8, and 10, Code 1985, are amended to read as follows:

4. "Local authority" means the city council of any incorporated city in this state, or the county board of supervisors of any county in this state, which is empowered by this chapter to approve or deny applications for retail beer or wine permits and liquor control licenses; empowered to recommend that such permits or licenses be granted and issued by the department; and empowered to take such other actions as ~~are~~ reserved to them by this chapter.

7. "Wine" means any beverage containing more than five percent but not more than seventeen percent of alcohol by weight obtained by the fermentation of the natural sugar contents of fruits or other agricultural products but excluding any product containing alcohol derived from malt or by the distillation process from grain, cereal, molasses or cactus.

8. "Alcoholic liquor", "alcoholic beverage" or "intoxicating liquor" means ~~and includes~~ the varieties of liquor defined in subsections 5, and 6; ~~and 7~~, beverages made as described in subsection 9 which beverages contain more than five percent of alcohol by weight but which are not wine as defined in subsection 7, and every other liquid or solid, patented or not, containing spirits ~~or wine~~ and every beverage obtained by the process described in subsection 7 containing more than seventeen percent alcohol by weight, and susceptible of being consumed by a human being, for beverage purposes.

Alcohol manufactured in this state for use as fuel pursuant to an experimental distilled spirits plant permit or its equivalent issued by the federal bureau of alcohol, tobacco and firearms is not an "alcoholic liquor".

10. "Person" means any individual, association, partnership, corporation, club, hotel or motel, or municipal corporation owning or operating a bona fide airport, marina, park, coliseum, auditorium, or recreational facility in or at which the sale of alcoholic liquor, wine, or beer is only an incidental part of such the ownership or operation.

Sec. 6. Section 123.3, subsection 11, paragraph c, Code 1985, is amended to read as follows:

c. The person is not prohibited by the ~~provisions of~~ section 123.40 from obtaining a liquor control license or a wine or beer permit.

Sec. 7. Section 123.3, subsections 13, 17, 19, 20, 25, 26, 27, and 31, Code 1985, are amended to read as follows:

13. "Permit" or "license" means an express written authorization issued by the department for the manufacture or sale, or both, of alcoholic liquor, wine, or beer.

17. "Distillery", "winery", and "brewery" means mean not only the premises wherein where alcohol or spirits is are distilled, ~~or-rectified~~ wine is fermented, or beer is brewed, but in addition mean a person owning, representing, or in charge of such premises and the operations conducted thereon there, including the blending and bottling or other handling and preparation of alcoholic liquor, wine, or beer in any form.

19. "Importer" means the person ~~transporting-or-ordering, authorizing, or arranging who transports or orders, authorizes, or arranges~~ the transportation of alcoholic liquor, wine, or beer into this state whether such the person is a resident of this state or not.

20. "Import" means the transporting or ordering or arranging the transportation of alcoholic liquor, wine, or beer into this state whether by a resident of this state or not.

25. The prohibited "sale" of alcoholic liquor, wine, or beer under this chapter includes soliciting for sales, taking orders for sales, keeping or exposing for sale, delivery or other trafficking for a valuable consideration promised or obtained, and procuring or allowing procurement for any other person.

26. "Wholesaler" means any person, other than a vintner, brewer or bottler of beer or wine, who shall sell, barter, exchange, offer for sale, have in possession with intent to sell, deal or traffic in alcoholic liquor, wine, or beer. No A wholesaler shall ~~be-permitted-to not~~ sell for consumption upon the premises.

27. "Retailer" means any person who shall sell, barter, exchange, offer for sale, or have in possession with intent to sell any alcoholic liquor for consumption on the premises where sold, or beer or wine for consumption either on or off the premises where sold.

31. "Licensed premises" or "premises" means all rooms, enclosures, contiguous areas, or places susceptible of precise description satisfactory to the director where alcoholic beverages, wine, or beer is sold or consumed under authority of a liquor control license, wine permit, or beer permit. A single licensed premise may consist of multiple rooms, enclosures, areas or places if they are wholly within the confines of a single building or contiguous grounds.

Sec. 8. Section 123.3, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. "Retail wine permit" means a class "B" wine permit issued under this chapter.

Sec. 9. Section 123.4, Code 1985, is amended to read as follows:

123.4 DEPARTMENT CREATED -- PLACE OF BUSINESS.

~~There-is-hereby-created-an~~ An Iowa beer and liquor control department is created to administer and enforce the laws of this state concerning beer, wine, and alcoholic liquor. The principal place of business of the department shall be

provided the department by the authority designated by law to provide such quarters or offices to state departments or agencies.

Sec. 10. Section 123.6, Code 1985, is amended to read as follows:

123.6 APPOINTMENT -- TERM -- QUALIFICATIONS -- COMPENSATION.

Appointments shall be for five-year staggered terms beginning and ending as provided by section 69.19 and shall be made by the governor, subject to confirmation by the senate. Members of the council shall be chosen on the basis of managerial ability and experience as business executives. One member of the council may be the holder of or have an interest in a permit or license to manufacture alcoholic liquor, wine, or beer or sell alcoholic liquor, wine, or beer at wholesale or retail. Members may be reappointed for one additional term. Each member appointed shall receive compensation for the member's services of forty dollars per diem in addition to reasonable and necessary expenses while attending meetings.

Sec. 11. Section 123.14, subsections 1 and 3, Code 1985, are amended to read as follows:

1. The division of beer and liquor law enforcement of the department of public safety, created pursuant to section 80.25, ~~shall be~~ is the primary beer, wine, and liquor law enforcement authority for this state.

3. The division of beer and liquor law enforcement shall ~~be allowed~~ have full access to all records, reports, audits, tax reports and all other documents and papers in the department pertaining to liquor licensees and wine and beer permittees and their business.

Sec. 12. Section 123.15, Code 1985, is amended to read as follows:

123.15 HEARING BOARD ESTABLISHED.

~~There is hereby created a~~ A three-member hearing board is created for the purpose of conducting departmental hearings relating to controversies concerning the issuance, suspension,

or revocation of special liquor permits, liquor control licenses, wine permits, and beer permits authorized under this chapter. One member shall be appointed by the council from its membership, which member may be periodically replaced by appointment of another council member; one member shall be the attorney general or the attorney general's designee; and one member shall be the commissioner of public safety or the commissioner's designee. The hearing board shall establish and adopt rules and procedures for conducting departmental hearings under this chapter.

Sec. 13. Section 123.16, subsection 2, paragraph b, Code 1985, is amended to read as follows:

b. The granting or refusing of liquor licenses and permits, wine permits, and beer permits, and the suspension or revocation of such the licenses and permits.

Sec. 14. Section 123.18, Code 1985, is amended to read as follows:

123.18 FAVORS FROM LICENSEE OR PERMITTEE.

No A person responsible for the administration or enforcement of this chapter shall not accept or solicit donations, gratuities, political advertising, gifts, or other favors, directly or indirectly, from any liquor control licensee, wine permittee, or beer permittee. ~~A violation of this section shall subject the violator to the general penalties provided by this chapter.~~

Sec. 15. Section 123.19, subsection 1, Code 1985, is amended to read as follows:

1. Any manufacturer, distiller, ~~vintner~~, or importer of alcoholic beverages shipping, selling, or having alcoholic beverages brought into this state for resale by the state shall, as a condition precedent to the privilege of so trafficking in alcoholic liquors in this state, annually make application for and ~~shall~~ hold a distiller's certificate of compliance which shall be issued by the director for such that purpose. No brand of alcoholic liquor shall be sold by the department in this state unless the manufacturer, distiller,

vintner, importer, and all other persons participating in the distribution of such that brand in this state have obtained such a certificate. Such The certificate of compliance shall expire at the end of one year from the date of issuance and shall be renewed for a like period upon application to the director unless otherwise suspended or revoked for cause. Each application for a certificate of compliance or renewal thereof shall be made in such a manner and upon such forms as shall be prescribed by the director and shall be accompanied by a fee of fifty dollars payable to the department. However, the provisions of this subsection need not apply to a manufacturer, distiller, vintner, or importer who ships or sells in this state no more than eleven gallons or its case equivalent during any fiscal year as a result of "special orders" which might be placed, as defined and allowed by departmental rules adopted under this chapter.

Sec. 16. Section 123.21, subsections 6 and 10, Code 1985, are amended to read as follows:

6. Providing for the issuing issuance and distributing distribution of price lists showing which show the price to be paid by purchasers for each brand, class, or variety of liquor kept for sale under this chapter, ~~---Provide, providing~~ for the filing or posting of prices charged in sales between class "A" beer and class "A" wine permit holders and retailers, as provided in this chapter, and ~~establish~~ establishing or control-such controlling the prices as may be based on minimum standards of fill, quantity, or alcoholic content for each individual sale of intoxicating liquor or beer as deemed necessary for retail or consumer protection. However, the department does not have the authority to regulate markups, prices, discounts, allowances, or other terms of sale at which wine may be purchased and sold by class "A" and retail wine permittees, or change, nullify, or vary the terms of any agreement between a holder of a vintner certificate of compliance and a class "A" wine permittee.

10. Prescribing the time, manner, means, and method by which distillers, vintners, vendors, or others authorized under this chapter may deliver or transport alcoholic liquors and prescribing the time, manner, means, and methods by which alcoholic liquor may be lawfully conveyed, carried, or transported.

Sec. 17. Section 123.21, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 12. Providing for the issuance of combination licenses and permits with fees consistent with individual license and permit fees as may be necessary for the efficient administration of this chapter.

Sec. 18. Section 123.22, unnumbered paragraph 1, Code 1985, is amended to read as follows:

The department ~~shall have~~ has the ~~sole and~~ exclusive right of importation into the state of all forms of alcoholic liquor, except as otherwise provided in this chapter, and ~~no~~ a person shall ~~so not~~ import any-such alcoholic liquor, except that an individual of legal age may import and have in the individual's possession an amount of alcoholic liquor not exceeding one quart or, in the case of alcoholic liquor personally obtained outside the United States, one gallon for personal consumption only in a private home or other private accommodation. No distillery shall sell any alcoholic liquor within the state to any person but only to the department, except as otherwise provided in this chapter. It is the intent of this section to vest in the department exclusive control within the state both as purchaser and vendor of all alcoholic liquor sold by distilleries within the state or imported therein, except beer and wine, and except as otherwise provided in this chapter. The department may continue to purchase wine from persons holding a vintner's certificate of compliance or a class "A" wine permit for resale in state liquor stores.

Sec. 19. Section 123.23, Code 1985, is amended to read as follows:

123.23 STATE LIQUOR STORES.

The department shall establish and maintain in any city which the director deems advisable, a state liquor store or stores for storage and sale of alcoholic liquor and wine in accordance with this chapter. The department may, from time to time, as determined by the director, fix the prices of the different classes, varieties, or brands of alcoholic liquor and wine to be sold. Prior to a decision to establish, relocate or discontinue a state liquor store, the director shall appoint a designee to conduct a public hearing on the decision within the city affected.

Sec. 20. Section 123.27, subsection 2, Code 1985, is amended by striking the subsection.

Sec. 21. Section 123.29, subsection 4, paragraph c, Code 1985, is amended to read as follows:

c. That neither the applicant, if the applicant is an individual, nor any members of the firm or officers of the corporation, if the applicant is not an individual, has been convicted of any violation of the laws of this state with reference to the sale of alcoholic liquors, wine, or beer within the three years preceding the date of the affidavit.

Sec. 22. Section 123.30, subsection 3, paragraphs a, b, c, and d, Code 1985, are amended to read as follows:

a. CLASS "A". A class "A" liquor control license may be issued to a club and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell such liquors, wine, and beer, to bona fide members and their guests by the individual drink for consumption on the premises only.

b. CLASS "B". A class "B" liquor control license may be issued to a hotel or motel and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell such liquors, wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be

sold for consumption off the premises. Each license shall be effective throughout the premises described in the application.

c. CLASS "C". A class "C" liquor control license may be issued to a commercial establishment but must be issued in the name of the individuals who actually own the entire business and shall authorize the holder to purchase alcoholic liquors from only the department, wine from the department or class "A" wine permittees, and native wines from native wine manufacturers, and to sell such liquors, wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be sold for consumption off the premises.

A special class "C" liquor control license may be issued and shall authorize the holder ~~or-holders~~ to purchase wine ~~containing-not-more-than-seventeen-percent-alcohol-by-weight~~ from the department or class "A" wine permittees only, and to sell such wine, and beer, to patrons by the individual drink for consumption on the premises only, however, beer may also be sold for consumption off the premises. The license issued to holders of a special class "C" license shall clearly state on its face ~~"alcoholic-liquor, that the license is limited to wine-only-".~~

d. CLASS "D". A class "D" liquor control license may be issued to a railway corporation, to an air common carrier, and to passenger-carrying boats or ships for hire with a capacity of twenty-five persons or more operating in inland or boundary waters, and shall authorize the holder to sell or furnish alcoholic beverages, wine, and beer to passengers for consumption only on trains, watercraft as described herein in this section, or aircraft, respectively. Each such license ~~shall-be is~~ valid throughout the state ~~as-a-state-license~~. Only one such license ~~shall-be is~~ required for all trains, watercraft, or aircraft operated in the state by the licensee.

Sec. 23. Section 123.32, subsections 1, 2, and 4, Code 1985, are amended to read as follows:

1. FILING OF APPLICATION. An application for a class "A", class "B", or class "C" liquor control license, and for a retail beer permit as provided in sections 123.128 and 123.129, or for a class "B" retail wine permit as provided in section 123.176, accompanied by the required fee and bond, shall be filed with the appropriate city council if the premises for which the license or permit is sought are located within the corporate limits of a city, or with the board of supervisors if the premises for which the license or permit is sought are located outside the corporate limits of a city. An application for a class "D" liquor control license and for a class "A" beer or class "A" wine permit, accompanied by the required fee and bond, shall be filed with the department, which shall proceed in the same manner as in the case of an application approved by local authorities.

2. ACTION BY LOCAL AUTHORITIES. The local authority shall either approve or disapprove the issuance of a liquor control license, retail wine permit, or retail beer permit, and shall endorse such its approval or disapproval on the application and shall forward same the application along with the required fee and bond to the department. Upon the initial issuance-of application for a liquor control license, retail wine permit, or retail beer permit, the fact that the local authority determines that no liquor control license, retail wine permit, or retail beer permit shall be issued shall not be held to be arbitrary, capricious, or without reasonable cause. There ~~shall be~~ is no limit upon the number of liquor control licenses, retail wine permits, or retail beer permits which may be approved for issuance by local authorities.

4. APPEAL TO HEARING BOARD. Any applicant for a liquor control license, wine permit, or beer permit may appeal from the director's disapproval of an application for a license or permit to the department hearing board, established pursuant to section 123.15-~~from the director's disapproval of an application for a license or permit.~~ If, upon such appeal the hearing board ~~shall determine~~ determines that the local

authority acted arbitrarily, capriciously, or without reasonable cause in disapproving the application, or that, where the local authority approved the application, the director's own disapproval should be reversed, it shall order issuance of a license or permit. The same right of appeal to the hearing board shall be afforded a liquor control licensee, wine permittee, or beer permittee, whose license or permit has been suspended or revoked under this chapter, and the hearing board shall reduce the period of suspension or order reinstatement of such the license or permit for good cause shown.

Sec. 24. Section 123.34, Code 1985, is amended to read as follows:

1. Liquor control licenses, wine permits, and beer permits, unless sooner suspended or revoked, expire one year from date of issuance. The director shall give sixty days' written notice of the expiration to each licensee or permittee. However, the director may issue six-month or eight-month seasonal licenses, class "B" wine permits, or class "B" beer permits for a proportionate part of the license or permit fee or may issue fourteen-day liquor licenses, wine permits, or beer permits as provided in subsection 2. No refund shall be made for seasonal licenses or permits or for fourteen-day liquor licenses, wine permits, or beer permits. No seasonal license or permit shall be renewed except after a period of two months.

2. The director may issue fourteen-day class "A", class "B", class "C", and class "D" liquor control licenses, fourteen-day class "B" wine permits, and fourteen-day class "B" beer permits. A fourteen-day license or permit, if granted, is valid for fourteen consecutive days, but the holder shall not sell on the two Sundays in the fourteen-day period unless the holder qualifies for and obtains the privilege to sell on Sundays contained in sections 123.36, subsection 6 and 123.134, subsection 5.

3. The fee for a fourteen-day liquor license, wine permit, or beer permit is one-quarter of the annual fee for that class of liquor license or beer permit. The fee for the privilege to sell on the two Sundays in the fourteen-day period is twenty percent of the price of the fourteen-day liquor license, wine permit, or beer permit.

Sec. 25. Section 123.35, unnumbered paragraph 1, Code 1985, is amended to read as follows:

The director shall prescribe simplified application forms for the renewal of liquor control licenses, wine permits, and beer permits ~~issued under the provisions of this chapter~~, which may be filed by licensees and permittees in lieu of a detailed renewal application form when qualifications and qualification information have not changed since the original issuance of the license or permit. ~~Such~~ The simplified form shall require the licensee or permittee to verify under oath that the information contained in the original application remains current, and that no reason exists for the department's refusal to renew the license or permit as originally issued.

Sec. 26. Section 123.36, subsection 2, Code 1985, is amended to read as follows:

2. Class "A" liquor control licenses, the sum of six hundred dollars, except that for class "A" licenses in cities of less than two thousand population, and for clubs of less than two hundred fifty members, the license fee shall be four hundred dollars; however, the fee shall be two hundred dollars for any club which is a post, branch, or chapter of a veterans organization chartered by the Congress of the United States, if ~~such the~~ club does not sell or permit the consumption of alcoholic beverages, wine, or beer on the premises more than one day in any week, and if the application for a license states that ~~such the~~ club does not and will not sell or permit the consumption of alcoholic beverages, wine, or beer on the premises more than one day in any week.

Sec. 27. Section 123.36, subsection 5, paragraph c, Code 1985, is amended to read as follows:

c. For air common carriers, each company shall pay a base annual fee of five hundred dollars and, in addition, shall quarterly remit to the department an amount equal to seven dollars for each gallon of alcoholic liquor sold, given away, or dispensed in or over this state during the preceding calendar quarter. The class "D" license fee and tax for air common carriers ~~shall be~~ is in lieu of any other fee or tax collected from ~~such the~~ carriers in this state for the possession and sale of alcoholic liquor, wine, and beer.

Sec. 28. Section 123.36, subsection 6, Code 1985, is amended to read as follows:

6. Any club, hotel, motel, or commercial establishment holding a liquor control license for whom the sale of goods and services other than alcoholic liquor, wine, or beer constitutes fifty percent or more of the gross receipts from the licensed premises, subject to ~~the provisions of~~ section 123.49, subsection 2, paragraph "b", may sell and dispense alcoholic liquor and wine to patrons on Sunday for consumption on the premises only, and beer for consumption on or off the premises between the hours of ten a.m. and twelve midnight on Sunday. For the privilege of selling beer, wine, and alcoholic liquor on the premises on Sunday the liquor control license fee of the applicant shall be increased by twenty percent of the regular fee prescribed for the license pursuant to this section, and the privilege shall be noted on the liquor control license. The department shall prescribe the nature and the character of the evidence ~~which shall be~~ required of the applicant under this subsection.

Sec. 29. Section 123.36, subsection 7, unnumbered paragraph 1, Code 1985, is amended to read as follows:

Class Special class "C" liquor control licenses ~~which limit sales of alcoholic liquor to wine containing not more than seventeen percent alcohol by weight~~, a sum as follows:

Sec. 30. Section 123.37, Code 1985, is amended to read as follows:

123.37 POWER TO LICENSE AND LEVY TAXES.

The power to establish licenses and permits and levy taxes as imposed in title VI of the Code is vested exclusively with the state. Unless specifically provided, no local authority shall levy a local tax on the sale of alcoholic beverages, wine, or beer, require the obtaining of a special license or permit for such sale on at any establishment, or require the obtaining of a license by any person as a condition precedent to the person's employment in the sale, serving, or handling of alcoholic beverages, wine, or beer, within an establishment operating under a license or permit.

Sec. 31. Section 123.38, unnumbered paragraphs 1 and 2, Code 1985, are amended to read as follows:

A special liquor permit, liquor control license, wine permit, or beer permit ~~shall be~~ is a purely personal privilege and be is revocable for cause. It ~~shall is~~ not constitute property nor be is it subject to attachment and execution nor be alienable nor assignable, and ~~in any case~~ it shall cease upon the death of the permittee or licensee. However, the director may in the director's discretion allow the executor or administrator of a permittee or licensee to operate the business of the decedent for a reasonable time not to exceed the expiration date of the permit or license. Every permit or license shall be issued in the name of the applicant and no person holding a permit or license shall allow any other person to use ~~same it~~.

Any such licensee or permittee, or the licensee's or permittee's executor, or administrator, or any person duly appointed by the court to take charge of and administer the property or assets of the licensee or permittee for the benefit of the licensee's or permittee's creditors, may voluntarily surrender such a license or permit to the department ~~and when so~~. When a license or permit is surrendered the department shall notify the local authority,

and the department ~~and such or the local authority or the local authority by itself in the case of a retail beer permit~~ shall refund to the person ~~so~~ surrendering the license or permit, a proportionate amount of the fee paid received by the department or the local authority for such the license or permit as follows: If a license or permit is surrendered during the first three months of the period for which ~~said license or permit it~~ was issued, the refund shall be three-fourths of the amount of the fee; if surrendered more than three months but not more than six months after issuance, the refund shall be one-half of the amount of the fee; if surrendered more than six months but not more than nine months after issuance, the refund shall be one-fourth of the amount of the fee. No refund shall be made, however, for any special liquor permit, nor for a liquor control license, wine permit, or beer permit surrendered more than nine months after issuance. For purposes of this paragraph, any portion of license or permit fees used for the purposes authorized in section 331.424, subsection 1, paragraphs "a", "b", "c", "d", "e", "f", "g", and "h", shall not be deemed received either by the department or by a local authority. No refund shall be made to any licensee or permittee, upon the surrender of the license or permit, if there is at the time of ~~said~~ surrender, a complaint filed with the department or local authority, charging the licensee or permittee with a violation of the ~~provisions of~~ this chapter. If upon a hearing on ~~any such a~~ complaint the license or permit is not revoked or suspended, then the licensee or permittee ~~shall be~~ is eligible, upon surrender of the license or permit, to receive a refund as ~~herein provided---~~ But in this section; but if the license or permit is revoked or suspended upon such hearing the licensee or permittee ~~shall is~~ not be eligible for the refund of any portion of the license or permit fee.

Sec. 32. Section 123.39, Code 1985, is amended to read as follows:

123.39 SUSPENSION OR REVOCATION OF LIQUOR LICENSE OR BEER PERMIT.

Any liquor control license, wine permit, or beer permit issued under this chapter may, after notice in writing to the license or permit holder and reasonable opportunity for hearing, and subject to section 123.50 where applicable, be suspended for a period not to exceed one year or revoked by the local authority or the director for any of the following causes:

1. Misrepresentation of any material fact in the application for such the license or permit.
2. Violation of any of the provisions of this chapter.
3. Any change in the ownership or interest in the business operated under a class "A", class "B", or class "C" liquor control license, or any wine or beer permit, which change was not previously reported to and approved by the local authority and the department.
4. An event which would have resulted in disqualification from receiving such the license or permit when originally issued.
5. Any sale, hypothecation, or transfer of such the license or permit.
6. The failure or refusal on the part of any licensee or permittee to render any report or remit any taxes to the department under this chapter when due.

Local authorities ~~shall have the power to~~ may suspend any retail wine or beer permit or liquor control license for a violation of any ordinance or regulation adopted by such the local authority. Local authorities ~~are empowered to~~ may adopt ordinances or regulations for the location of the premises of retail wine or beer and liquor control licensed establishments and ~~are empowered to~~ local authorities may adopt ordinances, not in conflict with the provisions of this chapter and that do not diminish the hours during which beer, wine, or alcoholic beverages may be sold or consumed at retail, governing any other activities or matters which may affect the

retail sale and consumption of beer, wine, and alcoholic liquor and the health, welfare and morals of the community involved.

When a liquor license or wine or beer permit is suspended after a hearing as a result of violations of ~~the provisions of~~ this chapter by the licensee, permittee or the licensee's or permittee's agents or employees, the premises which were licensed by such the license or permit shall not be relicensed for a new applicant until the suspension has terminated or time of suspension has elapsed, or ninety days have elapsed since the commencement of the suspension, whichever occurs first. However, ~~nothing in~~ this section ~~shall~~ does not prohibit the premises from being relicensed to a new applicant before the suspension has terminated or before the time of suspension has elapsed or before ninety days have elapsed from the commencement of the suspension, if the premises prior to the time of the suspension had been purchased under contract, and the vendor under that contract had exercised the person's rights under chapter 656 and sold the property to a different person who is not related to the previous licensee or permittee by marriage or within the third degree of consanguinity or affinity and if the previous licensee or permittee does not have a financial interest in the business of the new applicant.

Sec. 33. Section 123.40, Code 1985, is amended to read as follows:

123.40 EFFECT OF REVOCATION.

Any liquor control licensee, wine permittee, or beer permittee whose license or permit is revoked under this chapter shall not thereafter be permitted to hold a liquor control license, wine permit, or beer permit in the state of Iowa for a period of two years from the date of such revocation. The A spouse and or business associates associate holding ten percent or more of the capital stock or ownership interest in the business of a person whose license or permit has been revoked shall not be issued a liquor control license,

wine permit, or beer permit, and no liquor control license, wine permit, or beer permit shall be issued which covers any business in which such person has a financial interest for a period of two years from the date of such revocation. ~~in the event~~ If a license or permit is revoked, the premises which had been covered by such the license or permit shall not be relicensed for one year.

Sec. 34. Section 123.44, Code 1985, is amended to read as follows:

123.44 GIFT OF LIQUORS PROHIBITED.

No A manufacturer or wholesaler shall not give away any alcoholic liquor of any kind or description at any time in connection with the manufacturer's or wholesaler's business except for testing or sampling purposes only. No A manufacturer, vintner, wholesaler, or importer, organized as a corporation pursuant to the laws of this state or any other state, and who deals in alcoholic liquor, wine, or beer subject to this chapter shall not offer or give anything of value to any council member, official or employee of the department, or directly or indirectly contribute in any manner any money or thing of value to any person seeking a public or appointive office or any recognized political party or a group of persons seeking to become a recognized political party.

Sec. 35. Section 123.45, Code 1985, is amended to read as follows:

123.45 INTEREST IN LIQUOR BUSINESS.

Except as provided in section 123.6, a council member or department employee shall not, directly or indirectly, individually, or as a member of a partnership or shareholder in a corporation, have any interest in dealing in or in the manufacture of alcoholic liquor, wine, or beer, and shall not receive any kind of profit nor have any interest in the purchase or sale of alcoholic liquor, wine, or beer by persons so authorized under this chapter. However, this provision shall does not prohibit any such member or employee from lawfully purchasing and keeping alcoholic liquor, wine, or

beer in the member's or employee's possession for personal use.

No A person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages, wine, or beer, ~~nor or~~ any jobber or agent of such person, shall not directly or indirectly supply, furnish, give, or pay for any furnishings, fixtures, or equipment used in the storage, handling, serving, or dispensing of alcoholic beverages, wine, beer, or food within the place of business of a licensee or permittee authorized under ~~the provisions of~~ this chapter, to sell at retail; nor shall the person directly or indirectly extend any credit for alcoholic beverages or beer or pay for any such license or permit, nor directly or indirectly be interested in the ownership, conduct, or operation of the business of another licensee or permittee authorized under ~~the provisions of~~ this chapter to sell at retail, except that a person engaged in the business of manufacturing beer may sell beer at retail for consumption on or off the premises of the manufacturing facility and, notwithstanding any other provision of this chapter or the fact that such a person may be the holder of a class "A" beer permit, may be granted not more than one class "B" permit as defined in section 123.124 for such purpose. Any licensee or permittee who ~~shall permit permits or assent or be assents to or is~~ a party in any way to any such violation or infringement of ~~the provisions of~~ this chapter ~~shall be deemed~~ section is guilty of a violation of ~~the provisions of this chapter~~ section.

Sec. 36. Section 123.46, Code 1985, is amended to read as follows:

123.46 CONSUMPTION IN PUBLIC PLACES -- INTOXICATION.

It is unlawful for any person to use or consume alcoholic liquors, wine, or beer upon the public streets or highways, or alcoholic liquors in any public place, except premises covered by a liquor control license, or to possess or consume alcoholic liquors, wine, or beer on any public school property or while attending any public or private school related

functions, and no a person shall not be intoxicated nor simulate intoxication in a public place. As used in this section, "school" means a school or that portion thereof of a school, which provides teaching for any grade from kindergarten through grade twelve. Any person violating any provisions provision of this section ~~shall be~~ is guilty of a simple misdemeanor.

Sec. 37. Section 123.47, Code 1985, is amended to read as follows:

123.47 PERSONS UNDER LEGAL AGE.

No A person shall not sell, give, or otherwise supply alcoholic liquor, wine, or beer to any person knowing or having reasonable cause to believe that person to be under legal age, and no a person or persons under legal age shall not individually or jointly have alcoholic liquor, wine, or beer in their possession or control; except in the case of liquor, wine, or beer given or dispensed to a person under legal age within a private home and with the knowledge and consent of the parent or guardian for beverage or medicinal purposes or as administered to the person by either a physician or dentist for medicinal purposes and except to the extent that a person under legal age may handle alcoholic beverages, wine, and beer during the regular course of the person's employment by a liquor control licensee, or wine or beer permittee under this chapter.

Sec. 38. Section 123.49, subsection 1, Code 1985, is amended to read as follows:

1. No A person shall not sell, dispense, or give to any intoxicated person, or one simulating intoxication, any alcoholic liquor, wine, or beer.

Sec. 39. Section 123.49, subsection 2, unnumbered paragraph 1, Code 1985, is amended to read as follows:

No A person or club holding a liquor control license or retail wine or beer permit under this chapter, nor and the person's or club's agents or employees, shall not do any of the following:

Sec. 40. Section 123.49, subsection 2, paragraphs c through i, Code 1985, are amended to read as follows:

c. Sell alcoholic beverages, wine, or beer to any person on credit, except with a bona fide credit card. This provision ~~shall~~ does not apply to sales by a club to its members nor to sales by a hotel or motel to bona fide registered guests.

d. Keep on premises covered by a liquor control license any alcoholic liquor in any container except the original package purchased from the department ~~or from a native wine manufacturer, except still wines placed in dispensing or serving containers for temporary storage~~, and except mixed drinks or cocktails mixed on the premises for immediate consumption. This prohibition does not apply to common carriers holding a class "D" liquor control license.

e. Reuse for packaging alcoholic liquor or wine any container or receptacle used originally for packaging alcoholic liquor or wine; or adulterate, by the addition of any substance, the contents or remaining contents of an original package of an alcoholic liquor or wine; or knowingly possess any original package which has been so reused or adulterated.

f. Any Employ a person under eighteen years of age ~~shall not be employed~~ in the sale or serving of alcoholic liquor, wine, or beer for consumption on the premises where sold.

g. Allow any person other than the licensee, permittee, or employees of such the licensee or permittee, to use or keep on the licensed premises any alcoholic liquor in any bottle or other container which is designed for the transporting of such beverages, except as permitted in section 123.95. This paragraph ~~shall~~ does not apply to the lodging quarters of a class "B" liquor control licensee or wine or beer permittee, or to common carriers holding a class "D" liquor control license.

h. Sell, give, or otherwise supply any alcoholic beverage, wine, or beer to any person, knowing or having reasonable

cause to believe the person to be under legal age, or permit any person, knowing or having reasonable cause to believe the person to be under legal age, to consume any alcoholic beverage, wine, or beer.

i. In the case of a retail beer or wine permittee, knowingly allow the mixing or adding of alcohol or any alcoholic beverage to beer, wine, or any other beverage in or about the permittee's place of business.

Sec. 41. Section 123.49, subsection 2, Code 1985, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. k. Sell or dispense any wine on the premises covered by the permit or permit the consumption on the premises between the hours of two a.m. and six a.m. on a weekday, and between the hours of two a.m. on Sunday and six a.m. on the following Monday, however, a holder of a wine permit authorized to sell wine on Sunday may sell or dispense wine between the hours of ten a.m. and twelve midnight on Sunday.

Sec. 42. Section 123.49, subsections 3 and 4, Code 1985, are amended to read as follows:

3. No person under legal age shall misrepresent the person's age for the purpose of purchasing or attempting to purchase any alcoholic beverage, wine, or beer from any licensee or permittee. If any person under legal age ~~shall~~ misrepresent misrepresents the person's age, and the licensee or permittee establishes that the licensee or permittee made reasonable inquiry to determine whether such the prospective purchaser was over legal age, such the licensee or permittee ~~shall~~ is not be guilty of selling alcoholic liquor, wine, or beer to minors.

4. No privilege of selling alcoholic liquor, wine, or beer on Sunday as provided in sections 123.36, subsection 6, and 123.134, subsection 5, shall be granted to a club or other organization which places restrictions on admission or membership in the club or organization on the basis of sex, race, religion, or national origin. However, the privilege

may be granted to a club or organization which places restrictions on membership on the basis of sex, if the club or organization has an auxiliary organization open to persons of the other sex.

Sec. 43. Section 123.50, subsections 2 and 3, Code 1985, are amended to read as follows:

2. The conviction of any liquor control licensee, wine permittee, or beer permittee for a violation of any of the provisions of section 123.49 ~~shall~~, subject to subsection 3 of this section, be is grounds for the suspension or revocation of the license or permit by the department or the local authority. However, if any liquor control licensee is convicted of any violation of subsection 2, paragraphs "a", "d" or "e", of such that section, or any wine or beer permittee is convicted of a violation of paragraph "a" or "e" of that section, the liquor control license, wine permit, or beer permit shall be revoked and shall immediately be surrendered by the holder, and the bond of the license or permit holder shall be forfeited to the department.

3. If any licensee, wine permittee, beer permittee, or employee of such a licensee or permittee ~~shall-be~~ is convicted of a violation of section 123.49, subsection 2, paragraph "h", or if a retail wine or beer permittee shall-be is convicted of a violation of paragraph "i" of such that subsection, the director or local authority shall, in addition to the other penalties fixed for such violations by this section, assess a penalty as follows:

a. Upon a first conviction, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of fourteen days.

b. Upon a second conviction within a period of two years, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of thirty days.

c. Upon a third conviction within a period of five years, the violator's liquor control license, wine permit, or beer permit shall be suspended for a period of sixty days.

d. Upon a fourth conviction within a period of five years, the violator's liquor control license, wine permit, or beer permit shall be revoked.

Sec. 44. Section 123.51, subsection 3, Code 1985, is amended to read as follows:

3. No signs or other matter advertising any brand of beer or wine shall be erected or placed upon the outside of any premises occupied by a licensee or permittee authorized to sell beer or wine at retail. This subsection ~~shall~~ does not prohibit the use of signs or other matter inside a fence or similar enclosure which wholly or partially surrounds the licensed premises.

Sec. 45. Section 123.53, subsection 2, Code 1985, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. All moneys received by the department from the issuance of vintner's certificates of compliance and wine permits shall be transferred by the state comptroller to the general fund of the state.

Sec. 46. Section 123.53, subsections 3 and 7, Code 1985, are amended to read as follows:

3. The treasurer of state shall semiannually distribute a sum of money equal to at least ten percent of the gross sales made by the state liquor stores but not less than six million four hundred thousand dollars to the cities of the state. Such amount shall be distributed to the cities of the state in proportion to the population that each incorporated city bears to the total population of all incorporated cities of the state as computed by the latest federal census. A city may have one special federal census taken each decade, and the population figure thus obtained shall be used in apportioning amounts under this subsection beginning the calendar year following the year in which the special census is certified by the secretary of state. Such apportionment shall be made semiannually as of July 1 and January 1 of each year. Warrants for the same shall be issued by the state comptroller upon certification of the treasurer of state and mailed to the

city clerk of each incorporated city of the state and shall be made payable to such incorporated city and shall be subject to expenditure under the direction of the city council or other governing bodies of such incorporated city for any lawful municipal purpose. It shall be a lawful municipal purpose for cities to allocate a portion of the above funds for the purpose of financing the activities of a city commission or committee on alcoholism, such commission or committee to be appointed by the mayor or by the council or both. The commission or committee may use any funds so allocated for the treatment, rehabilitation, and education of alcoholics in Iowa.

7. The treasurer of state shall credit to the military service tax fund described in chapter 426A, a sum of money equal to at least five percent of the gross amount of sales made by the state liquor stores in the cities of the state but not less than six million four hundred thousand dollars. Any amount thus credited shall be allocated to the various taxing districts of the state as reimbursement for losses of revenue due to exemption or remission of property taxes which would be imposed upon property upon which soldiers' exemptions or soldiers' tax credits are provided under such terms as the general assembly may provide.

Sec. 47. Section 123.53, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The treasurer of state shall transfer into a special revenue account in the general fund of the state, a sum of money at least equal to seven percent of the gross amount of sales made by the state liquor stores in the cities of the state from the beer and liquor control fund on a monthly basis but not less than nine million dollars annually, and any amounts so transferred shall be used by the department of substance abuse for substance abuse treatment and prevention programs in an amount determined by the general assembly and any amounts received in excess of the amounts appropriated to the department of substance abuse shall be

considered part of the general fund balance. This section is repealed June 30, 1987.

Sec. 48. Section 123.55, subsections 8 and 9, Code 1985, are amended to read as follows:

8. The number of liquor control licenses, wine permits, and beer permits issued, by class, the number in effect on the last day included in the report, and the number which have been suspended or revoked during the period covered by the report.

9. Amount of fees paid to the department from liquor control licenses, wine permits, and beer permits, in gross, and the amount of liquor control license fees returned to local subdivisions of government as provided under this chapter.

Sec. 49. Section 123.56, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

123.56 NATIVE WINES.

1. Subject to rules of the department, manufacturers of native wines from grapes, cherries, other fruits or other fruit juices, vegetables, vegetable juices, dandelions, clover, honey, or any combination of these ingredients, holding a class "A" wine permit as required by this chapter, may sell, keep, or offer for sale and deliver the wine. Sales may be made at retail for off-premises consumption when sold on the premises of the manufacturer, or in a retail establishment operated by the manufacturer which is no closer than five miles from an existing native winery. Sales may also be made to class "A" or retail wine permittees or liquor control licensees as authorized by the class "A" wine permit. Sales of native wines by the manufacturer of the native wines are exempt from the wine gallonage tax imposed under section 123.183.

2. A manufacturer of native wines shall not sell the wines other than as permitted in this chapter and shall not allow wine sold to be consumed upon the premises of the manufacturer. However, prior to sale native wines may be

sampled on the premises where made, when no charge is made for the sampling. A person may manufacture native wine for consumption on the manufacturer's premises, when the wine or any part of it is not manufactured for sale.

3. A manufacturer of native wines may ship wine in closed containers to individual purchasers inside and outside this state. The manufacturer shall label the package containing the wine with the words "deliver to adults only".

4. Notwithstanding section 123.179, subsection 1, a class "A" wine permit for a native wine manufacturer shall be issued and renewed annually upon payment of a fee of twenty-five dollars which shall be in lieu of any other license fee required by this chapter. The class "A" permit shall only allow the native wine manufacturer to sell, keep, or offer for sale and deliver the manufacturer's native wines as provided under this section.

5. For the purposes of this section, "manufacturer" includes only those persons who process in Iowa the fruit, vegetables, dandelions, clover, honey, or any combination of these ingredients, by fermentation into wines.

Sec. 50. Section 123.59, Code 1985, is amended to read as follows:

123.59 BOOTLEGGING.

Any person who, acting individually, or through another acting for the person, shall keep or carry on his the person, or in a vehicle, or leave in a place for another to secure, any alcoholic liquor, wine, or beer, with intent to sell or dispense ~~of such~~ the liquor, wine, or beer, by gift or otherwise in violation of law, or who shall, within this state, in any manner, directly or indirectly, solicit, take, or accept any order for the purchase, sale, shipment, or delivery of such alcoholic liquor, wine, or beer in violation of law, or aid in the delivery and distribution of any alcoholic liquor, wine, or beer so ordered or shipped, or who shall in any manner procure for, sell, or give any alcoholic liquor, wine, or beer to any person under legal age, for any purpose except

as authorized and permitted in this chapter, ~~shall-be~~ is a bootlegger and ~~be~~ subject to the general penalties provided by this chapter.

Sec. 51. Section 123.60, Code 1985, is amended to read as follows:

123.60 NUISANCES.

The premises where the unlawful manufacture or sale, or keeping with intent to sell, use or give away, of alcoholic liquors, wine, or beer is carried on, and any vehicle or other means of conveyance used in transporting such liquor, wine, or beer in violation of law, and the furniture, fixtures, vessels and contents, kept or used in connection with such activities are nuisances and shall be abated as provided in this chapter.

Sec. 52. Section 123.71, Code 1985, is amended to read as follows:

123.71 CONDITIONS.

~~In no case shall a~~ A bootlegger injunction proceeding, as provided in this chapter, shall not be maintained unless it be is shown to the court that efforts in good faith have been made to discover the base of supplies or place where the defendant charged as a bootlegger conducts an unlawful business or receives or manufactures the alcoholic liquor, wine, or beer, ~~of~~ which the defendant is charged with bootlegging.

Sec. 53. Section 123.72, Code 1985, is amended to read as follows:

123.72 ORDER OF ABATEMENT.

If the existence of a nuisance is established in a civil or criminal action, an order of abatement shall be entered as a part of the judgment in the case. Such The order shall direct the confiscation of all alcoholic liquor, wine, or beer by the state; the removal from the premises involved of all fixtures, furniture, vessels, or movable property used in any way in conducting the unlawful business; the sale of all such removed property as well as any vehicle or other means of conveyance which has been abated, such the sale to be conducted in the

manner provided for the sale of chattels under execution; and the effective closing of the premises against use for the purpose of manufacture, sale, or consumption of alcoholic liquor, wine, or beer for a period of one year, unless sooner released by the court.

Sec. 54. Section 123.81, Code 1985, is amended to read as follows:

123.81 FORFEITURE OF BOND.

If the owner of a property who has filed an abatement bond as provided in this chapter fails to abate the liquor, wine, or beer nuisance on the premises covered by the bond, or fails to prevent the maintenance of any liquor, wine, or beer nuisance on ~~said~~ the premises at any time within a period of one year after entry of the abatement order, the court shall, after a hearing in which such fact is established, direct an entry of such the violation of the terms of the owner's bond, to be made on the record and the undertaking of the owner's bond thereupon shall be forfeited.

Sec. 55. Section 123.84, Code 1985, is amended to read as follows:

123.84 JUDGMENT.

If the court after a hearing finds a liquor, wine, or beer nuisance has been maintained on the premises covered by the abatement bond and that liquor, wine, or beer has been sold or kept for sale on the premises contrary to law within one year from the date of the giving of such the bond, then the court shall order the forfeiture of the bond and enter judgment for the full amount of such the bond against the principal and sureties thereof on the bond, and the lien on the real estate created pursuant to section 123.79 shall be decreed foreclosed and the court shall provide for a special and general execution for the enforcement of such the decree and judgment.

Sec. 56. Section 123.91, Code 1985, is amended to read as follows:

123.91 SECOND AND SUBSEQUENT CONVICTION.

Any person who has been convicted, in a criminal action, in any court of record, of a violation of ~~any of the following:~~

- 1--~~Any~~ a provision of this chapter;
- 2--~~Any~~, a provision of the prior laws of this state relating to intoxicating liquors, wine, or beer which were was in force prior to the enactment of this chapter;
- 3--~~Any~~, or a provision of the laws of the United States or of any other state relating to intoxicating liquors, wine, or beer, and who is thereafter convicted of a subsequent criminal offense against any provision of this chapter is guilty of the following offenses:

- a 1. For the second conviction, a serious misdemeanor.
- b 2. For the third and each subsequent conviction, an aggravated misdemeanor.

Sec. 57. Section 123.92, unnumbered paragraph 1, Code 1985, is amended to read as follows:

Every husband, wife, child, parent, guardian, employer or other person who ~~shall be~~ is injured in person or property or means of support by any intoxicated person or resulting from the intoxication of any such person, ~~shall have~~ has a right of action for all damages actually sustained, severally or jointly, against any licensee or permittee, who ~~shall sell~~ sells or ~~give~~ gives any beer, wine, or intoxicating liquor to ~~any such a~~ a person while the person is intoxicated, or ~~serve~~ serves a person to a point where ~~such the~~ the person is intoxicated, ~~for all damages actually sustained~~. If the injury was caused by an intoxicated person, a permittee or licensee may establish as an affirmative defense that the intoxication did not contribute to the injurious action of the person.

Sec. 58. Section 123.95, unnumbered paragraph 1, Code 1985, is amended to read as follows:

It is unlawful for any person to allow the dispensing or consumption of intoxicating liquor, except ~~sacramental~~ wines and beer, in any establishment unless ~~such the~~ the establishment is licensed under this chapter.

Sec. 59. Section 123.96, subsections 1 and 2, Code 1985, are amended to read as follows:

1. ~~Except as provided by section 123.567, subsection 4,~~ there There is imposed on every person licensed to sell alcoholic beverages for consumption on the premises where sold, a special tax equivalent to fifteen percent of the price established by the department on all alcoholic beverages for general sale to the public. The tax shall be paid by all licensees at the point of purchase from the state on all alcoholic beverages intended or used for resale for consumption on the premises of retail establishments. The tax is in lieu of any other sales tax applied at the state store and shall be shown as a separate item on special sales slips provided by the department for purchases by licensees.

2. Except as allowed under section 123.95 ~~and~~ except as allowed under section 123.567, subsection 4, a licensee shall not knowingly keep on the licensed premises nor use for resale purposes any alcoholic liquor on which the special tax has not been paid to the state. The conviction of a violation of this section shall cause the license held to automatically be revoked and the license shall immediately be surrendered by the holder, and the bond of the license holder shall be forfeited to the department.

Sec. 60. Section 123.121, unnumbered paragraph 1, Code 1985, is amended to read as follows:

In any prosecution under this chapter for the unlawful sale of alcoholic liquor, wine, or beer, a sale of alcoholic liquor, wine, or beer which requires a shipment or delivery of such the liquor, wine, or beer, shall be deemed to be made in the county in which such the delivery is made by the carrier to the consignee, or the consignee's agent, or employee.

Sec. 61. Chapter 123, Code 1985, is amended by adding sections 56 through 71 of this Act as a new division.

Sec. 62. NEW SECTION. 123.171 WINE PERMIT OR LICENSE REQUIRED.

A person shall not cause the manufacture, importation, or sale of wine in this state unless a certificate or permit as provided in this division, or a liquor control license as provided in division I of this chapter, is first obtained which authorizes that manufacture, importation, or sale.

Sec. 63. NEW SECTION. 123.172 EFFECT ON LIQUOR CONTROL LICENSEES.

All applicable provisions of this division relating to class "B" wine permits apply to liquor control licensees in the purchasing, storage, handling, serving and sale of wine.

Sec. 64. NEW SECTION. 123.173 WINE PERMITS -- CLASSES.

Permits exclusively for the sale or manufacture and sale of wine shall be divided into two classes, and shall be known as class "A" or "B" wine permits.

A class "A" wine permit allows the holder to manufacture and sell, or sell at wholesale, in this state, wine as defined in section 123.3, subsection 7. The holder of a class "A" wine permit may manufacture in this state wine having an alcoholic content greater than seventeen percent by weight for shipment outside this state or for sale to the department. A class "B" wine permit allows the holder to sell wine at retail for consumption off the premises.

A class "A" wine permittee shall be required to deliver wine to a class "B" wine permittee, and a class "B" wine permittee shall be required to accept delivery of wine from a class "A" wine permittee, only at the licensed premise of the class "B" wine permittee. Except as specifically permitted by the department upon good cause shown, delivery or transfer of wine from an unlicensed premise to a licensed "B" wine permittee's premise, or from one licensed "B" wine permittee's premise to another licensed "B" wine permittee's premise, even where there is common ownership of all of the premises by one class "B" wine permittee, is prohibited.

Sec. 65. NEW SECTION. 123.174 ISSUANCE OF WINE PERMITS.

The director shall issue class "A" and "B" wine permits as provided in this chapter, and may suspend or revoke a wine permit for cause as provided in this chapter.

Sec. 66. NEW SECTION. 123.175 CLASS "A" APPLICATION.

Except as otherwise provided in this chapter, a class "A" wine permit shall be issued to a person who complies with all of the following:

1. Submits a written application for the permit and states on the application under oath:

a. The name and place of residence of the applicant and the length of time the applicant has lived at the place of residence.

b. That the applicant is a citizen of the state of Iowa, or if a corporation, that the applicant is authorized to do business in Iowa.

c. The place of birth of the applicant, and if the applicant is a naturalized citizen, the time and place of naturalization, or if a corporation, the state of incorporation.

d. The location of the premises where the applicant intends to use the permit.

e. The name of the owner of the premises, and if that owner is not the applicant, that the applicant is the actual lessee of the premises.

2. Establishes all of the following:

a. That the applicant meets the test of good moral character as provided in section 123.3, subsection 11.

b. That the premises where the applicant intends to use the permit conform to all applicable laws, health regulations, and fire regulations, and constitute a safe and proper place or building.

3. Submits a bond in the amount of five thousand dollars in the form prescribed and furnished by the department with good and sufficient sureties to be approved by the department conditioned upon compliance with this chapter.

Sec. 67. NEW SECTION. 123.176 CLASS "B" APPLICATION.

Except as otherwise provided in this chapter, a class "B" wine permit shall be issued to a person who complies with all of the following:

1. Submits a written application for the permit and states on the application under oath:

a. The name and place of residence of the applicant, and the length of time the applicant has lived at the place of residence.

b. That the applicant is a citizen of the state of Iowa, or if a corporation, that the applicant is authorized to do business in Iowa.

c. The place of birth of the applicant, and if the applicant is a naturalized citizen, the time and place of naturalization, or if a corporation, the place of incorporation.

d. The location of the premises where the applicant intends to use the permit.

e. The name of the owner of the premises, and if that owner is not the applicant, that the applicant is the actual lessee of the premises.

2. Establishes all of the following:

a. That the applicant is a person of good moral character as provided in section 123.3, subsection 11.

b. That the premises where the applicant intends to use the permit conform to all applicable laws, health regulations, and fire regulations, and constitute a safe and proper place or building.

3. Submits a bond in the amount of one thousand dollars in the form prescribed and furnished by the department with good and sufficient sureties to be approved by the department conditioned upon compliance with this chapter. The bond shall be further conditioned as a part of the permit granted to the effect that the permittee and each surety shall consent to forfeiture of the principal sum of the bond in event of suspension or revocation of the permit pursuant to this chapter.

Sec. 68. NEW SECTION. 123.177 AUTHORITY UNDER CLASS "A" PERMIT.

1. A person holding a class "A" wine permit may manufacture and sell, or sell at wholesale, wine for consumption off the premises. Sales within the state may be made only to the department or to persons holding a class "A" or "B" wine permit and to persons holding a class "A", "B", "C" or "D" liquor control license. A class "A" wine permittee having more than one place of business shall obtain a separate permit for each place of business where wine is to be stored, warehoused, or sold.

2. A class "A" wine permit holder may purchase and resell only those brands of wine which are manufactured, fermented, bottled, shipped, or imported by a person holding a certificate of compliance issued pursuant to section 123.175.

Sec. 69. NEW SECTION. 123.178 AUTHORITY UNDER CLASS "B" PERMIT.

1. A person holding a class "B" wine permit may sell wine at retail for consumption off the premises. Wine shall be sold for consumption off the premises in original containers only.

2. A class "B" wine permittee having more than one place of business where wine is sold shall obtain a separate permit for each place of business.

3. A person holding a class "B" wine permit may purchase wine for resale only from the department or from a person holding a class "A" wine permit.

Sec. 70. NEW SECTION. 123.179 PERMIT FEES.

1. The annual permit fee for a class "A" wine permit is seven hundred fifty dollars.

2. The annual permit fee for a class "B" wine permit is five hundred dollars.

Sec. 71. NEW SECTION. 123.180 VINTNER'S CERTIFICATE OF COMPLIANCE -- WHOLESALE AND RETAIL RESTRICTIONS.

1. A manufacturer, vintner, bottler, importer, or vendor of wine or an agent thereof desiring to ship, sell, or have wine brought into this state for resale by the department or for sale at wholesale by a class "A" permittee shall first

make application for and shall be issued a vintner's certificate of compliance by the director for that purpose. The vintner's certificate of compliance shall expire at the end of one year from the date of issuance and shall be renewed for a like period upon application to the director unless otherwise revoked for cause. Each application for a vintner's certificate of compliance or renewal of a certificate shall be accompanied by a fee of one hundred dollars payable to the department. Each holder of a vintner's certificate of compliance shall furnish the information required by the director in the form the director requires. A vintner or wine bottler whose plant is located in Iowa and who otherwise holds a class "A" wine permit to sell wine at wholesale is exempt from the fee, but not the other terms and conditions. The holder of a vintner's certificate of compliance may also hold a class "A" wine permit.

2. At the time of applying for a vintner's certificate of compliance, each applicant shall file with the department a list of all class "A" wine permittees with whom it intends to do business and shall designate the geographic area in which its products are to be distributed by the permittees. Vintner's certificate holders may appoint more than one class "A" wine permittee to service the same geographic territory. The listing of class "A" wine permittees and geographic area as filed with the department may be amended from time to time by the holder of the certificate of compliance.

3. All class "A" wine permit holders shall sell only those brands of wine which are manufactured, bottled, fermented, shipped, or imported by a person holding a current vintner's certificate of compliance. An employee or agent working for or representing the holder of a vintner's certificate of compliance within this state shall register the employee's or agent's name and address with the department. These names and addresses shall be filed with the department's copy of the certificate of compliance issued except that this provision does not require the listing of those persons who are employed

on the premises of a bottling plant, or winery where wine is manufactured, fermented, or bottled in Iowa or to the listing of those persons who are thereafter engaged in the transporting of the wine.

4. It is unlawful for a holder of a vintner's certificate of compliance or the holder's agent, or any class "A" wine permittee or the permittee's agent, to discriminate between class "B" wine permittees authorized to sell wine at retail.

5. It is unlawful for a holder of a vintner's certificate of compliance or the vintner's agent who is engaged in the business of selling wine to class "A" wine permittees to discriminate between class "A" wine permittees authorized to sell wine at wholesale.

6. Regardless of any other penalties provided by this chapter, any holder of a certificate of compliance relating to wine, class "A" or retail wine permittee or retail liquor licensee, who violates any of the provisions of this section is subject to a civil fine not to exceed one thousand dollars or subject to suspension of the certificate of compliance, license, or permit for a period not to exceed thirty days or to both civil fine and suspension.

Sec. 72. NEW SECTION. 123.181 PROHIBITED ACTS.

1. A holder of any class "B" wine permit shall not sell wine except wine which is purchased from a person holding a class "A" wine permit and on which the tax imposed by section 123.183 has been paid or wine purchased from a manufacturer of native wines.

2. A class "A" wine permittee shall not sell wine on credit to a retail liquor licensee or wine permittee for a period exceeding thirty days from date of delivery.

3. A holder of a vintner's certificate of compliance or class "A" wine permit shall not offer to any purchaser of wine at retail any rebate or coupon as an incentive to purchase wine.

Sec. 73. NEW SECTION. 123.182 LABELS -- POINT OF ORIGIN -- CONCLUSIVE EVIDENCE.

All imported bulk wines to be bottled and distributed in the state shall have the point of origin stated on the label. The print size for the point of origin shall be at least half the print size of the brand name on the label.

The label on a bottle or other container in which wine is offered for sale in this state, which label represents the alcoholic content of the wine as being in excess of seventeen per cent by weight, is conclusive evidence of the alcoholic content of that wine.

Sec. 74. NEW SECTION. 123.183 WINE GALLONAGE TAX.

In addition to the annual permit fee to be paid by each class "A" wine permittee, there shall be levied and collected from each class "A" wine permittee on all wine imported into this state for sale at wholesale and sold in this state at wholesale, a tax of one dollar and fifty cents for every wine gallon and a like rate for the fractional parts of a wine gallon. A tax shall not be levied or collected on wine manufactured in this state, or on wine sold by one class "A" wine permittee to another class "A" wine permittee. All revenue derived from the wine tax shall be deposited in the liquor control fund established by section 123.53 and shall be transferred by the state comptroller to the general fund of the state. The price of wine sold or offered for sale in state liquor stores which was not purchased by the department from a class "A" wine permittee shall include a markup over the wholesale price at least equal to the tax levied under this section.

Sec. 75. NEW SECTION. 123.184 REPORT OF GALLONAGE SALES -- PENALTY.

Each class "A" wine permit holder on or before the tenth day of each calendar month commencing on the tenth day of the calendar month following the month in which the person is issued a permit, shall make a report under oath to the department upon forms to be furnished by the department showing the exact number of gallons of wine and fractional parts of gallons, sold by that permit holder during the

preceding calendar month. The report also shall state whatever reasonable additional information the director requires. The permit holder at the time of filing this report shall pay to the department the amount of tax due at the rate fixed in section 123.183. A penalty of ten percent of the amount of the tax shall be assessed and collected if the report is not filed and the tax paid within the time required by this section.

Sec. 76. NEW SECTION. 123.185 RECORDS REQUIRED.

Each class "A" wine permittee shall keep books of account and records showing each sale of wine, which shall be at all times open to inspection by the director and agents of the department. Each class "B" wine permittee shall keep proper books of account and records showing each purchase of wine and the date and the amount of each purchase and the name of the person from whom each purchase was made, which shall be open to inspection by the director and agents of the department during normal business hours of the permittee.

Sec. 77. NEW SECTION. 123.186 FEDERAL REGULATIONS ADOPTED AS RULES.

The department shall adopt as rules the substance of the federal regulations 27 CFR pt. 6, 27 CFR pt. 8, 27 CFR pt. 10, and 27 CFR pt. 11 as they relate to transactions between wholesalers and retailers.

Sec. 78. Section 321.40, Code 1985, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The county treasurer shall refuse to renew the registration of a vehicle registered to the applicant for renewal of registration if the applicant has failed to pay any local vehicle taxes due in that county on that vehicle or any other vehicle owned or previously owned by the applicant until such local vehicle taxes are paid.

Sec. 79. Section 321.130, Code 1985, is amended to read as follows:

321.130 FEES IN LIEU OF TAXES.

The registration fees imposed by this chapter upon private passenger motor vehicles or semitrailers ~~shall be~~ are in lieu of all state and local taxes, except local vehicle taxes, general or local, to which motor vehicles or semitrailers ~~may be~~ are subject, and if a motor vehicle or semitrailer ~~shall have~~ has been registered at any time under this chapter it shall not thereafter be subject to a personal property tax unless ~~such the~~ the motor vehicle or semitrailer ~~shall have~~ has been in storage continuously as an unregistered motor vehicle or semitrailer during the preceding registration year.

Sec. 80. Chapter 422, division II, Code 1985, is amended by adding the following new section:

NEW SECTION. 422.11A

The taxes imposed under this division, less credits allowed under sections 422.10, 422.11 and 422.12, shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. An individual may

claim the new jobs tax credit allowed a partnership, subchapter S corporation, or estate or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of a partnership, subchapter S corporation, or estate or trust. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted, whichever is the earlier. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. 81. Section 422.33, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 7. The taxes imposed under this division shall be reduced by a new jobs tax credit. An industry which has entered into an agreement under chapter 280B and which has increased its base employment level by at least ten percent within the time set in the agreement or, in the case of an industry without a base employment level, adds new jobs within the time set in the agreement is entitled to this new jobs tax credit for the tax year selected by the industry. In determining if the industry has increased its base employment level by ten percent or added new jobs, only those new jobs directly resulting from the project covered by the agreement and those directly related to those new jobs shall be counted. The amount of this credit is equal to the product of six percent of the taxable wages upon which an employer is required to contribute to the state unemployment compensation fund, as defined in section 96.19, subsection 20, times the number of new jobs existing in the tax year that directly result from the project covered by the agreement or new jobs that directly result from those new jobs. The tax year chosen by the industry shall either begin or end during the period

beginning with the date of the agreement and ending with the date by which the project is to be completed under the agreement. Any credit in excess of the tax liability for the tax year may be credited to the tax liability for the following ten tax years or until depleted in less than the ten years. For purposes of this section, "agreement", "industry", "new job" and "project" mean the same as defined in section 280B.2 and "base employment level" means the number of full-time jobs an industry employs at the plant site which is covered by an agreement under chapter 280B on the date of that agreement.

Sec. 82. Section 422.42, subsections 3 and 12, Code 1985, are amended to read as follows:

3. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, or for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services, and includes the sale of gas, electricity, water, and communication service to retail consumers or users, but does not include agricultural breeding livestock and domesticated fowl, or commercial fertilizer, or agricultural limestone, or materials, but not tools or equipment, herbicide, pesticide, insecticide, food and medication and agricultural drain tile and installation thereof which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market, or and does not include electricity, or steam or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that such the property ~~shall will~~, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail, or ~~shall will~~ be consumed as fuel in creating heat,

power, or steam for processing including grain drying, for providing heat or cooling for livestock buildings or for generating electric current, or consumed in self-propelled implements of husbandry engaged in agricultural production, or such the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides ~~shall-be-deemed is~~ a retail sale for purposes of the processing exemption.

~~Notwithstanding the foregoing provisions of this subsection, the sale of newsprint and ink delivered after April 1, 1970 to any person, firm or corporation to be incorporated in or used in the printing of any newspaper, free newspaper or shoppers guide for publication in this state shall be considered as a sale at retail and such person, firm or corporation shall be deemed to be the consumer of such newsprint and ink and subject to the payment of sales tax.~~

12. "Casual sales" means:

a. Sales or the rendering, furnishing or performing of a nonrecurring nature of tangible personal property or services by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property or services taxed under section 422.43.

b. The sale of all or substantially all of the tangible personal property or services held or used by a retailer in the course of the retailer's trade or business for which the retailer is required to hold a sales tax permit when the retailer sells or otherwise transfers the trade or business to another person who shall engage in a similar trade or business.

Sec. 83. Section 422.43, subsections 2 and 11, Code 1985, are amended to read as follows:

2. There is imposed a tax of four percent upon the gross receipts derived from the operation of all forms of amusement devices and games of skill, games of chance, raffles and bingo games as defined in chapter 99B, operated or conducted within the state of Iowa, the tax to be collected from the operator in the same manner as is provided for the collection of taxes upon the gross receipts of tickets or admission as provided in this section. The tax shall also be imposed upon the gross receipts derived from the sale of lottery tickets or shares pursuant to chapter 99E. The tax on the lottery tickets or shares shall be included in the sales price and distributed to the general fund as provided in section 99E.10.

11. The following enumerated services are subject to the tax imposed on gross taxable services: Alteration and garment repair; armored car; automobile repair; battery, tire and allied; investment counseling, excluding investment services of trust departments; bank service charges; barber and beauty; boat repair; car wash and wax; carpentry; roof, shingle, and glass repair; dance schools and dance studios; dry cleaning, pressing, dyeing, and laundering; electrical and electronic repair and installation; rental of tangible personal property; excavating and grading; farm implement repair of all kinds; flying service, except agricultural aerial application services and aerial commercial and charter transportation services; furniture, rug, upholstery repair and cleaning; fur storage and repair; golf and country clubs and all commercial recreation; house and building moving; household appliance, television, and radio repair; jewelry and watch repair; machine operator; machine repair of all kinds; motor repair; motorcycle, scooter, and bicycle repair; oilers and lubricators; office and business machine repair; painting, papering, and interior decorating; parking facilities; pipe fitting and plumbing; wood preparation; licensed executive search agencies; private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located

outside of the state; sewing and stitching; shoe repair and shoeshine; storage warehousing of raw agricultural products; telephone answering service; test laboratories, except tests on humans; termite, bug, roach, and pest eradicators; tin and sheet metal repair; turkish baths, massage, and reducing salons; weighing; welding; well drilling; wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl and vegetables; wrecking service; wrecker and towing; cable television; campgrounds; carpet and upholstery cleaning; gun and camera repair; janitorial and building maintenance or cleaning; lawn care, landscaping and tree trimming and removal; lobbying service; pet grooming; reflexology; security and detective services; tanning beds or salons; and water conditioning and softening. For purposes of this subsection, gross taxable services from rental includes rents, royalties, and copyright and license fees. For purposes of this subsection, "lobbying service" means the rendering, furnishing or performing, for a fee, salary or other compensation, activities which are intended or used for the purpose of encouraging the passage, defeat, or modification of legislation or for influencing the decision of the members of a legislative committee or subcommittee or the representing, for a fee, salary or other compensation, on a regular basis an organization which has as one of its purposes the encouragement of the passage, defeat or modification of legislation or the influencing of the decision of the members of a legislative committee or a subcommittee. "Lobbying service" does not include the activities of a federal, state, or local government official or employee acting within the course of the official's or employee's duties or a representative of the news media engaged only in the reporting and dissemination of news and editorials.

Sec. 84. Section 422.45, subsections 2, 12 and 20, Code 1985, are amended to read as follows:

2. The gross receipts from the sales, furnishing or service of transportation service except the rental of

recreational vehicles, recreational boats, or motor vehicles subject to registration which are registered for a gross weight of thirteen tons or less.

12. Gross receipts from the sale of all foods for human consumption which are eligible for purchase with food coupons issued by the United States department of agriculture pursuant to regulations in effect on July 1, 1974, regardless of whether the retailer from which the foods are purchased is participating in the food stamp program. However, as used in this subsection, "foods" does not include meals-prepared-for immediate-consumption-on-or-off-the-premises-of-the-retailer, and does not include foods sold through vending machines, candy, candy-coated items, and other candy products; beverages, excluding tea and coffee, and all mixes and ingredients used to produce such beverages, which do not contain a primary dairy product or dairy ingredient base or which contain less than fifteen percent natural fruit or vegetable juice; foods prepared on or off the premises of the retailer which are consumed on the premises of the retailer; foods sold by caterers and hot or cold foods prepared for immediate consumption off the premises of the retailer. "Foods prepared for immediate consumption" include any food product upon which an act of preparation, including but not limited to, cooking, mixing, sandwich making, blending, heating or pouring, has been performed by the retailer so the food product may be immediately consumed by the purchaser.

20. The gross receipts from sales or services rendered, furnished or performed by a county or city. This exemption does not apply to the tax specifically imposed under section 422.43 on the gross receipts from the sales, furnishing or service of gas, electricity, water, heat and communication service to the public by a municipal corporation in its proprietary capacity and does not apply to fees paid to cities and counties for the privilege of participating in any athletic sports.

Sec. 85. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987, of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

- a. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.
- b. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for this exemption.

NEW SUBSECTION. The gross receipts from the sale or rental, on or after July 1, 1987 or on or after July 1, 1985, in the case of an industry which has entered into an agreement under chapter 280B prior to the sale or lease, of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, if the following conditions are met:

- a. The industrial machinery, equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(2) "Financial institutions" means as defined in section 527.2, subsection 4.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

b. The industrial machinery, equipment and computers must be real property within the scope of section 427A.1, subsection 1, paragraphs "e" or "j", and must be subject to taxation as real property.

However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes do not preclude the property from receiving this exemption if the property otherwise qualifies.

The gross receipts from the sale or rental of hand tools are not exempt. The gross receipts from the sale or rental of pollution control equipment qualifying under paragraph "a" shall be exempt.

The gross receipts from the sale or rental of industrial machinery, equipment, and computers, including pollution control equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be exempt.

Sec. 86. Section 422.45, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of the following service: design and installation of new industrial machinery or equipment, including electrical and electronic installation.

NEW SUBSECTION. The gross receipts from the sale of wood chips or sawdust used in the production of agricultural livestock or fowl.

NEW SUBSECTION. The gross receipts from the rendering, furnishing or performing of additional services taxed by this Act pursuant to a written services contract in effect on April 1, 1985. This exemption is repealed June 30, 1986.

Sec. 87. Chapter 422, division IV, Code 1985, is amended by adding the following new sections:

NEW SECTION. 422.47A

1. Sales, services, and use taxes paid on the purchase or rental of industrial machinery, equipment and computers, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The industrial machinery and equipment and computers shall be directly and primarily used in the manner described in section 428.20 in processing tangible personal property or in research and development of new products or processes of manufacturing, refining, purifying, combining of different materials or packing of meats to be used for the purpose of adding value to products, or in processing or storage of data or information by an insurance company, financial institution or commercial enterprise. As used in this paragraph:

(1) "Insurance company" means an insurer organized under chapters 508, 515, 518, 519, 520 or authorized to do business in Iowa as an insurer and having fifty or more persons employed in this state excluding licensed insurance agents.

(2) "Financial institutions" means as defined in section 527.2, subsection 4.

(3) "Commercial enterprise" includes businesses and manufacturers conducted for profit and includes centers for data processing services to insurance companies, financial institutions, businesses and manufacturers but excludes professions and occupations and nonprofit organizations.

e. The industrial machinery, equipment or any computer must be real property within the scope of section 427A.1, subsection one, paragraph "e" or "j", and must be subject to taxation as real property.

However, the provisions of chapters 404 and 427B which result in the exemption from taxation of property for property tax purposes shall not preclude the property from receiving this refund if the property otherwise qualifies.

Any tax paid on hand tools shall not be eligible for a refund. Any tax paid on pollution control equipment qualifying under paragraphs "a" through "d" of this subsection shall be eligible for a refund. Any tax paid on industrial machinery, equipment or computers, including pollution control equipment, within the scope of section 427A.1, subsection 1, paragraphs "h" and "i", shall not be eligible for refund.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

NEW SECTION. 422.47B

1. Sales, services, and use taxes paid on the purchase or rental of farm machinery and equipment, including replacement parts which are depreciable for state and federal income tax purposes, shall be refunded to the purchaser or renter provided all of the following conditions are met:

a. The purchase or rental was made during the period beginning July 1, 1985 and ending June 30, 1987.

b. The tax was paid to the retailer or timely paid to the department by the user if section 423.14, is applicable.

c. The claim is filed on forms provided by the department and is filed during the three months following the fiscal year in which the purchase or rental was made.

d. The farm machinery and equipment shall be directly and primarily used in production of agricultural products.

e. The farm machinery and equipment shall constitute self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.

Vehicles subject to registration, as defined in section 423.1, or replacement parts for such vehicles, shall not be eligible for the refund for farm machinery and equipment.

2. A claim for refund timely filed under subsection 1 shall be paid by the department within ninety days after receipt of the claim. A claimant who makes an erroneous application for refund shall be liable for payment of any refund paid plus interest at the rate in effect under section 421.7. In addition, a claimant who willfully makes a false application for refund is guilty of a simple misdemeanor and is liable for a penalty equal to fifty percent of the refund claimed. Refunds, penalties, and interest due under this section may be enforced and collected in the same manner as the tax imposed by this division.

Sec. 88. Section 422.69, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Of the taxes, interests and penalties collected under division IV which are credited to the general fund, an amount equal to the amount estimated by the department, adjusted as the department deems necessary, shall be set aside into a separate "machinery and equipment refund account" to be used to pay the refunds entitled to under sections 422.47A and 422.47B. The moneys in this separate account shall not be considered part of the state general fund for purposes of the Iowa economic emergency fund under section 8.55. This subsection is repealed April 1, 1988.

Sec. 89. NEW SECTION. 422B.1 AUTHORIZATION -- ELECTION -
- IMPOSITION AND REPEAL.

1. A city or a county may impose by ordinance of the city council or the board of supervisors local option taxes authorized by sections 422B.1 through 422B.11, 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.

3. Upon its own motion or upon receipt of a petition signed by eligible electors of the city equal in number to five percent of the persons of the city who voted in the last preceding state general election requesting imposition of a local earnings tax, the city council shall direct within thirty days of its motion or receipt of the petition the county commissioner of elections to submit the question of the imposition to the qualified electors of the city.

4. Upon its own motion or upon receipt of a petition signed by eligible electors of the unincorporated area of the county equal in number to five percent of the persons of the

unincorporated area of the county who voted at the last preceding state general election requesting imposition of a local earnings tax, the county board of supervisors shall direct within thirty days of its motion or receipt of the petition the county commissioner of elections to submit the question of the imposition to the qualified electors of the unincorporated area of the county.

5. a. A county board of supervisors shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local vehicle tax or a local sales and services tax to the qualified electors of the incorporated and unincorporated areas of the county upon receipt of a petition, requesting imposition of a local vehicle tax or a local sales and services tax, signed by eligible electors of the whole county equal in number to five percent of the persons in the whole county who voted at the last preceding state general election. In the case of a local vehicle tax, the petition requesting imposition shall specify the rate of tax and the classes, if any, that are to be exempt. If more than one valid petition is received, the earliest received petition shall be used.

b. The question of the imposition of a local sales and services tax shall be submitted to the qualified electors of the incorporated and unincorporated areas of the county upon receipt by the county commissioner of elections of the motion or motions, requesting such submission, adopted by the governing body or bodies of the city or cities located within the county or of the county, for the unincorporated areas of the county, representing at least one half of the population of the county. Upon adoption of such motion, the governing body of the city or county, for the unincorporated areas, shall submit the motion to the county commissioner of elections and in the case of the governing body of the city shall notify the board of supervisors of the adoption of the motion. The county commissioner of elections shall keep a file on all the motions received and, upon reaching the

population requirements, shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. A motion ceases to be valid at the time of the holding of the regular election for the election of members of the governing body which adopted the motion. The county commissioner of elections shall eliminate from the file any motion that ceases to be valid. The manner provided under this paragraph for the submission of the question of imposition of a local sales and services tax is an alternative to the manner provided in paragraph "a".

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 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.

7. 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 3, 4, 5, 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.

b. Within ten days of the election at which a majority of those voting on the question favors the imposition, repeal, or change in the rate of a local option tax, the governing body shall give written notice to the director of revenue or, in the case of a local vehicle tax, to the director of the department of transportation, of the result of the election.

8. More than one of the authorized local option taxes may be submitted at a single election and the different taxes shall be separately implemented as provided in this section.

9. Local option taxes authorized to be imposed as provided in sections 422B.1 through 422B.11 are a local earnings tax, a local sales and services tax, and a local vehicle tax. The rate of the taxes 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. 90. NEW SECTION. 422B.2 LOCAL VEHICLE TAX.

An annual local vehicle tax at the rate per vehicle specified on the ballot proposition may be imposed by a county on every vehicle which is required to be registered by the state and is registered with the county treasurer to a person residing within the county where the tax is imposed at the time of the renewal of the registration of the vehicle. The local vehicle tax shall be imposed only on the renewals of registrations and shall be payable during the registration renewal periods provided under section 321.40.

The county imposing the tax shall provide for the exemption of each class, if any, of vehicles for which an exemption was listed on the ballot proposition.

For the purpose of the tax authorized by this section, "person" and "registration year" mean the same as defined in section 321.1, "vehicle" means motor vehicle as defined in section 321.1 which is subject to registration under section 321.18, and which is registered with the county treasurer.

Sec. 91. NEW SECTION. 422B.3 ADMINISTRATION.

A local vehicle tax or change in the rate shall be imposed January 1 immediately following a favorable election for registration years beginning on or after that date and the repeal of the tax shall be as of December 31 following a favorable election for registration years beginning after that date.

Local officials shall confer with the director of the department of transportation for assistance in drafting the ordinance imposing a local vehicle tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage. The director shall inform the appropriate county treasurers and provide assistance to them for the collection of all local vehicle taxes and any penalties, crediting local vehicle tax receipts excluding penalties to a "local vehicle tax fund" established in the office of the county treasurer. From the local vehicle tax fund, the treasurer shall remit monthly, by direct deposit in the same manner as provided in section 384.11, to each city in the county the amount collected from residents of the city during the preceding calendar month and to the county the amount collected from the residents of the unincorporated area during the preceding calendar month. Moneys received by a city or county from this fund shall be credited to the general fund of the city or county to be used solely for public transit or shall be credited to the street construction fund of that city or the secondary road fund of that county to be used for the purposes specified in section 312.6. Any penalties collected shall be credited to the county general fund to be used to defray the cost to the county of administering the local vehicle tax.

Sec. 92. NEW SECTION. 422B.4 PAYMENT.

Taxpayers shall pay a local vehicle tax to the county treasurer at the time of application for the renewal of the registration of the vehicle under chapter 321 for the registration year. The county treasurer shall require a person applying for the renewal of the registration of a vehicle to state the person's residence and shall not renew a registration certificate of a vehicle on which a local vehicle tax is due until the local vehicle tax is paid.

Payment of a local vehicle tax shall be evidenced by a notation on the state registration certificate. The director of the department of transportation shall prescribe by rule

the type of notation. A local vehicle tax shall not be refunded even when state registration fees are refunded.

Penalties for late payment which are comparable to the penalties for late payment of state registration fees shall be imposed by the ordinance imposing a local vehicle tax. Willful violation of a local vehicle tax ordinance is a simple misdemeanor.

Sec. 93. NEW SECTION. 422B.5 LOCAL EARNINGS TAX.

1. A city or county may impose an annual earnings tax at the rate on the ballot proposition on the adjusted gross income from wages, salaries, commissions, and other compensation specified in paragraph "a" received or earned by resident and nonresident individuals, except individuals who are state or county employees:

a. Adjusted gross income from wages, salaries, commissions, and other compensation of resident and nonresident individuals, except individuals who are state or county employees, derived from work performed or services rendered within the city or unincorporated area of the county imposing the tax.

2. For purposes of the local earnings tax "resident individual" means an individual taxpayer whose principal place of residence at the end of the taxpayer's tax year is located in the city or unincorporated area of the county where the tax is imposed, "nonresident individual" means an individual who is not a resident individual and "adjusted gross income from wages, salaries, commissions, and other compensation" means the gross income from such compensation less those deductions allowable for state and federal tax purposes which are attributable to the earning of such compensation. The department of revenue shall adopt rules for determining the adjusted gross income of such compensation. If the compensation received for work performed or services rendered is for work performed or services rendered both within and without the area where the tax is imposed, the amount of compensation of an individual derived from work performed or

services rendered that is subject to the local earnings tax shall be reasonably apportioned to the city or unincorporated area of the county, as applicable, by means of rules adopted by the department of revenue. The department shall also provide rules for allocation of other types of income on which the earnings tax is imposed.

3. Returns for the local earnings tax shall be in the form as the director of revenue may prescribe, and shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year. All local earnings tax returns shall cover a calendar year. Each taxpayer required to file a return shall show on the return the city of residence on the last day of the tax year, if applicable, and shall show the county of residence on the last day of the tax year.

4. a. Every withholding agent and every employer as defined in chapter 422 and further defined in the Internal Revenue Code of 1954 as defined in chapter 422, with respect to income tax collected at source, making payment of wages to either a resident employee or employees, or a nonresident employee or employees, working in the city or unincorporated area of the county, shall deduct and withhold from the wages an amount which will approximate the employees' annual tax liability on a calendar year basis, calculated on tables provided by the department of revenue.

b. A withholding agent required to deduct and withhold tax under paragraph "a" shall deposit for each calendar quarterly period, on or before the last day of the month following the close of the quarterly period, on forms prescribed by the director, the tax required to be withheld under paragraph "a".

5. Every resident and nonresident of the city or county imposing a local earnings tax shall make and sign a return if the individual has income of five hundred dollars or more which is subject to the earnings tax.

Sec. 94. NEW SECTION. 422B.6 ADMINISTRATION.

A local earnings tax or change in the rate shall be imposed January 1 following the favorable election for tax years beginning on or after January 1 and repeal of the tax shall be as of December 31 following the favorable election for tax years beginning after December 31.

The director of revenue shall administer the provisions of a local earnings tax as nearly as possible in conjunction with the administration of state income tax laws. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting local earnings tax.

An ordinance imposing a local earnings tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 422, division II. All powers and requirements of the director in administering the state income tax law apply to the administration of a local earnings tax, including but not limited to, the provisions of sections 422.4, 422.16, 422.20, 422.21, 422.22 to 422.31, 422.68, and 422.72 to 422.75. Local officials shall confer with the director of revenue and obtain the director's assistance in drafting the ordinance imposing a local earnings tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

The director, in consultation with local officials, shall collect and account for a local earnings tax and any interest and penalties. The director shall credit local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the calendar year following the tax year for which the local earnings tax is imposed to a "local earnings tax fund" established in the office of the treasurer of state. All local earnings tax receipts and any interest and penalties received or refunded from returns filed after November 1 of the calendar year following the tax year for which the local earnings tax is imposed shall be deposited in or withdrawn from the state general fund and shall be considered part of the cost of administering the local earnings tax.

Sec. 95. NEW SECTION. 422B.7 PAYMENT TO LOCAL GOVERNMENT -- USE OF RECEIPTS.

1. On or before January 15, the director of revenue shall make an accounting of the local earnings tax receipts and any interest and penalties collected from returns filed on or before November 1 of the preceding year and shall certify to the treasurer of state this amount collected. The treasurer of state shall remit within fifteen days of the certification by the director of revenue to each city and county which has imposed a local earnings tax the amount in the local earnings tax fund collected as a result of its tax.

2. Local earnings tax moneys received by a city or county may be expended for any lawful purpose of the city or county which imposed the tax.

Sec. 96. NEW SECTION. 422B.8 LOCAL SALES AND SERVICES TAX.

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. However, notwithstanding that the gross receipts from the sale or rental of the tangible personal property described in section 85 of this Act 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.

The amount of the sale, for purposes of determining the amount of the local sales and services tax, does not include the amount of any state gross receipts taxes.

A tax permit other than the state tax permit required under section 422.53 shall not be required by local authorities.

Sec. 97. NEW SECTION. 422B.9 ADMINISTRATION.

A local sales and services tax shall be imposed either January 1, April 1, July 1 or October 1 following the notification of the director of revenue.

A local sales and services tax shall be repealed only on March 31, June 30, September 30, or December 31. At least forty days before the imposition or repeal of the tax, a county shall provide notice of the action by certified mail to the director of revenue.

The director of revenue shall administer a local sales and services tax as nearly as possible in conjunction with the administration of state gross receipts tax laws. The director shall provide appropriate forms or provide on the regular state tax forms for reporting local sales and services tax liability.

The ordinance of a county board of supervisors imposing a local sales and services tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 422, division IV. All powers and requirements of the director to administer the state gross receipts tax law are applicable to the administration of a local sales and services tax law, including but not limited to, the provisions of sections 422.25, subsection 4, 422.30, 422.48 to 422.52, 422.54 to 422.58, 422.67, 422.68, 422.69, subsection 1, and 422.70 to 422.75. Local officials shall confer with the director of revenue for assistance in drafting the ordinance imposing a local sales and services tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

The director, in consultation with local officials, shall collect and account for a local sales and services tax. The

director shall certify each quarter the amount of local sales and services tax receipts and any interest and penalties to be credited to the "local sales and services tax fund" established in the office of the treasurer of state.

All local tax moneys and interest and penalties received or refunded one hundred eighty days or more after the date on which the county repeals its local sales and services tax shall be deposited in or withdrawn from the state general fund.

Sec. 98. NEW SECTION. 422B.10 PAYMENT TO LOCAL GOVERNMENTS.

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.

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

3. Seventy-five percent of each county's account shall be remitted on the basis of the county's population residing in the unincorporated area where the tax was imposed and those incorporated areas where the tax was imposed as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the above population of the county residing in the unincorporated area of the county where the tax was imposed according to the most recent certified federal census.

b. To each city in the county where the tax was imposed a pro rata share based upon the percentage of the city's population residing in the county to the above population of the county according to the most recent certified federal census.

4. Twenty-five percent of each county's account shall be remitted based on the sum of property tax dollars levied by

the board of supervisors if the tax was imposed in the unincorporated areas and each city in the county where the tax was imposed during the three-year period beginning July 1, 1982 and ending June 30, 1985 as follows:

a. To the board of supervisors a pro rata share based upon the percentage of the total property tax dollars levied by the board of supervisors during the above three-year period.

b. To each city council where the tax was imposed a pro rata share based upon the percentage of property tax dollars levied by the city during the above three-year period of the above total property tax dollars levied by the board of supervisors and each city where the tax was imposed during the above three-year period.

5. Local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

Sec. 99. NEW SECTION. 422B.11 ADDITIONAL REAL PROPERTY TAX.

An additional real property tax may be imposed by a city or county on all taxable property located within the incorporated area of the city or the unincorporated area of the county, as applicable. The additional real property tax shall be imposed for the tax year in which the favorable election was held to be paid during the fiscal year beginning July 1 following the favorable election and the tax shall be continued for each subsequent tax year until repealed. The rate of the tax shall be the rate specified on the ballot proposition.

Sec. 100. Section 7B.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The state shall retrain for a job of comparable value, without effecting further layoffs, any state employee displaced as a result of either the private wholesale or retail sale of wine.

Sec. 101. Section 423.1, subsection 1, unnumbered paragraph 2, Code 1985, is amended by striking the paragraph.

Sec. 102. Section 427.1, subsection 32, unnumbered paragraphs 1 and 2, Code 1985, are amended to read as follows:

Pollution-control property as defined in this subsection shall be exempt from taxation ~~for the periods and~~ to the extent provided in this subsection, upon compliance with the provisions of this subsection.

This exemption shall apply to new installations of pollution-control property ~~for a period of ten years~~ beginning on January 1 after the construction or installation of the property is completed. This exemption shall apply ~~for a period of ten years~~ beginning on January 1, 1975, to existing pollution-control property if its construction or installation was completed after September 23, 1970. ~~This exemption shall apply with respect to each of the ten annual assessments within the ten-year exemption period and the property taxes payable on the basis of each of such ten annual assessments. This exemption for existing pollution-control property shall begin with respect to the assessment as of January 1, 1975, and the taxes payable on the basis of this assessment during the fiscal year beginning July 1, 1976.~~

Sec. 103. Section 427A.1, subsection 1, paragraph j, subparagraph (1), Code 1985, is amended to read as follows:

(1) COMPUTERS. As used in this paragraph, "computer" means stored program processing equipment and all devices fastened to the computer by means of signal cables or communication media that serve the function of signal cables, but does not include point of sales equipment.

Sec. 104. Section 427A.9, unnumbered paragraphs 2 and 3, Code 1985, are amended to read as follows:

The amount of the additional personal property tax credit shall be a fixed amount for each tax year. The amount of the additional personal property tax credit shall be increased for the extended tax year beginning January 1, 1974, and ending June 30, 1975, and shall be increased for each tax year immediately following a tax year in which the growth of state general fund revenues, adjusted for changes in rate or basis,

exceeds five and one-half percent, except that the amount of the additional personal property tax credit for taxes payable in each year of the fiscal period beginning July 1, 1977 and ending June 30, 1979 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1976 and ending June 30, 1977, and the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1980 and ending June 30, 1981 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1979 and ending June 30, 1980, and the amount of the additional personal property tax credit for taxes payable in the fiscal year beginning July 1, 1986 and ending June 30, 1987 shall not exceed the amount of the additional personal property tax credit allowed for taxes payable in the fiscal year beginning July 1, 1985 and ending June 30, 1986. An increase in the additional personal property tax credit, once granted, shall continue for each succeeding tax year. For the purposes of this chapter the state comptroller may estimate the state percent of growth if necessary to avoid delay in the collection of taxes. ~~After nine such increases have been made, all~~ All taxes on personal property shall be repealed as provided in the following section. The director of revenue and the state comptroller, jointly, shall determine the amount of the credit for each such tax year. Such amount shall be the maximum amount, rounded to the nearest ten dollars, which will permit complete funding of the replacement obligation under this division, including the replacement obligation for the tax credit granted pursuant to sections 427A.1 to 427A.5, out of the appropriation provided in this chapter.

Notwithstanding the provisions of this section which require an increase in general fund revenues in excess of five and one-half percent, adjusted for changes in rate or basis, to increase the personal property tax credit, the amount of the personal property tax credit, to be allowed for taxes

payable in the fiscal year beginning July 1, 1982 and ending June 30, 1983 and in the fiscal year beginning July 1, 1985 and ending June 30, 1986 shall be increased as provided in this section.

Sec. 105. Section 427A.10, Code 1985, is amended to read as follows:

427A.10 PHASE OUT OF TAX.

Effective on July 1 ~~after the tax year in which the ninth increase in the additional personal property tax credit becomes effective, 1987,~~ all taxes on personal property as defined in section 427A.1 are repealed. For assessment years beginning on or after January 1, 1986 personal property shall not thereafter be listed or assessed. This section shall prevail over all inconsistent statutes.

Sec. 106. Section 427A.12, subsection 6, Code 1985, is amended to read as follows:

6. For each state fiscal year beginning on or after the year in which the ninth increase in the additional personal property tax credit under this division becomes effective July 1, 1987, each taxing district shall be reimbursed from the personal property tax replacement fund in an amount equal to its personal property tax replacement base.

Sec. 107. Section 427A.13, Code 1985, is amended to read as follows:

427A.13 APPROPRIATION.

There is hereby appropriated from the general fund of the state ~~of Iowa~~ to the personal property tax replacement fund the following sums, or so much thereof as may be necessary, to carry out the provisions of this chapter as amended by this division. For the fiscal year beginning July 1, 1973, and ending June 30, 1974, there is appropriated the sum of thirty-one million nine hundred thousand dollars. For the fiscal year beginning July 1, 1974, and ending June 30, 1975, and each succeeding fiscal year, there is appropriated the sum of thirty-five million seven hundred thousand dollars. For each year of the fiscal period beginning July 1, 1977 and ending

June 30, 1979 the total appropriation shall be thirty-eight million six hundred thousand dollars. For the fiscal year beginning July 1, 1983 and ending June 30, 1984, the total appropriation shall be forty-six million two hundred thousand dollars. For the fiscal year beginning July 1, 1984 and ending June 30, 1985, the total appropriation shall be twenty-three million one hundred thousand dollars. For the fiscal year beginning July 1, 1985 and ending June 30, 1986, and each succeeding fiscal year, the total appropriation shall be an amount equal to the amount paid on May 15 of the preceding fiscal year plus one-half of the amount needed to fund the additional personal property tax credit payable in that fiscal year. In each fiscal year for which an increase in the additional personal property tax credit becomes effective as provided in this division, the appropriation under this section shall be increased by three million eight hundred thousand dollars, and such this increased appropriation shall continue for each succeeding fiscal year. For the fiscal year for which the ninth increase in the additional personal property tax credit becomes effective as provided in this division beginning July 1, 1987 the total appropriation shall be fifty-nine million dollars. For the fiscal year beginning July 1, 1988, and for each succeeding fiscal year, the total appropriation shall be sixty-eight million dollars per year.

Sec. 108. Section 427B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after December 31, 1981 and on or before January 1, 1985, the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

Sec. 109. Chapter 427B, Code 1985, is amended by adding as a new division the following new section:

NEW SECTION. PROPERTY SUBJECT TO SPECIAL VALUATION.

For property defined in section 427A.1, subsection 1, paragraphs "e" and "j" acquired or initially leased after January 1, 1985 the taxpayer's valuation shall be limited to thirty percent of the net acquisition cost of the property. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

For purposes of this section:

1. Property assessed by the department of revenue pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of this section.

2. Property acquired on or before January 1, 1985 which was owned or used on or before January 1, 1985 by a related person shall not receive the benefits of this section.

3. Property acquired after January 1, 1985 which was owned and used by a related person shall not receive any additional benefits under this section.

4. Property which was owned or used on or before January 1, 1985 and subsequently acquired by an exchange of like property shall not receive the benefits of this section.

5. Property which was acquired after January 1, 1985 and subsequently exchanged for like property shall not receive any additional benefits under this section.

6. Property acquired on or before January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of this section.

7. Property acquired after January 1, 1985 which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under this section.

For purposes of this section, "related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the

same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

Sec. 110. Section 442.7, subsection 1, paragraph a, Code 1985, is amended by adding the following unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, for computing the state percent of growth to be used for the school year beginning July 1, 1987, the revenues received as a result of the increase in taxes in this Act or as a result of the inclusion of additional items subject to tax in this Act shall not be considered revenues received for the state general fund for purposes of determining the percentages under subparagraph (1) or (2).

Sec. 111. Section 455C.1, subsection 1, Code 1985, is amended to read as follows:

1. "Beverage" means wine as defined in section 123.3, subsection 7, alcoholic liquor as defined in section 123.3, subsection 8, beer as defined in section 123.3, subsection 9, mineral water, soda water and similar carbonated soft drinks in liquid form and intended for human consumption.

Sec. 112. Section 455C.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A dealer, other than a state liquor store, or a distributor may refuse to accept and to pay the refund value of an empty wine container which is marked to indicate that it was sold by a state liquor store. A state liquor store may refuse to accept and to pay the refund value of an empty wine container which is not marked to indicate that it was sold by a state liquor store.

Sec. 113. Section 455C.5, subsection 1, Code 1985, is amended to read as follows:

1. Each beverage container sold or offered for sale in this state by a dealer shall clearly indicate by embossing or by a stamp, label or other method securely affixed to the container, the refund value of the container. The department shall specify, by rule, the minimum size of the refund value indication on the beverage containers. Each beverage container containing wine which is sold or offered for sale in a state liquor store shall also be marked by embossing or by stamp, label, or other method securely affixed to the container to indicate that it was sold in a state liquor store.

Sec. 114. Section 99E.10, subsection 1, unnumbered paragraph 1, 1985 Acts, House File 225, section 110, if division I of House File 225 becomes law is amended to read as follows:

1. Upon receipt of any revenue, the commissioner shall deposit the moneys in the lottery fund created pursuant to section 99E.20. As nearly as is practicable, forty-five fifty percent of the projected annual revenue, after deduction of the amount of the sales tax, computed on a year-round average basis for each type of lottery game accruing from the sale of tickets or shares is appropriated for payment of prizes to the holders of winning tickets. After the payment of prizes, all of the following shall be deducted from lottery revenue prior to disbursement:

Sec. 115. Section 99E.10, subsection 1, 1985 Acts, House File 225, section 110, if division I of House File 225 becomes law is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. An amount equal to four percent of the gross sales price of each ticket or share sold shall be deducted as the sales tax on the sale of that ticket or share, remitted to the treasurer of state and deposited into the state general fund.

Sec. 116. Section 422.45, subsection 22, 1985 Acts, House File 225, section 122, if division I of House File 225 becomes law is amended by striking the subsection.

Sec. 117. NEW SECTION. 99A.10 MANUFACTURE OF ELECTRONIC GAMBLING DEVICES PERMITTED.

A person may manufacture electronic or computerized gambling devices. This chapter does not prohibit such manufacturing activities.

Sec. 118. Section 725.9, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This chapter does not prohibit the manufacture of electronic or computerized gambling devices.

Sec. 119.

1. All persons required to be licensed under section 98.13 as distributors having in their possession prior to delivery for resale as of the close of business on September 30, 1985 cigarettes or little cigars upon which the tax under section 98.6 or 98.43 has been paid, unused cigarette tax stamps which have been paid for under section 98.8, or unused metered imprints which have been paid for under section 98.12 shall be subject to an inventory tax on such items as provided in this section.

2. Persons subject to the inventory tax imposed under this section shall take an inventory as of the close of business on September 30, 1985 of those items subject to the inventory tax for the purpose of determining the tax due. These persons shall report the tax on forms provided by the department of revenue and remit the tax due with the forms by October 31, 1985. The department of revenue shall adopt rules as are necessary to carry out this section.

3. The rate of the inventory tax on each item subject to the tax as specified in subsection 1 is equal to the difference between the amount paid on each item under section 98.6, 98.8, 98.12, or 98.43 prior to October 1, 1985 and the amount that is to be paid on each similar item under section 98.6, 98.8, 98.12, or 98.43 on or after October 1, 1985 except that in computing the rate of the inventory tax any discount allowed or allowable under section 98.8 shall not be considered.

Sec. 120. Notwithstanding any provision of section 98.8 or of other provisions of chapter 98, during the period beginning October 1, 1985 and ending November 15, 1985, a holder of a state distributor's permit issued under chapter 98 may at the permit holder's option purchase cigarette tax stamps on credit for a period of forty-five days following such purchase. At the end of the forty-five day period the permit holder shall remit the amount due. As a condition for this credit-purchase, the purchase must be made from the department of revenue office in Des Moines, and the permit holder shall provide, at the time of such purchase, a bond to the department of revenue to insure the payment of the face value of the tax stamps at the end of the forty-five day period. A permit holder is entitled to make only one credit purchase under this section.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 395, Seventy-first General Assembly.

Approved April 18, 1985
K. MARIE THAYER
Secretary of the Senate

TERRY E. BRANSTAD
Governor