

Reprinted

APR 10 1991

HOUSE FILE 695

WAYS & MEANS CALENDAR

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 203.1)

Passed House, Date 5/7/91 (p. 2158) Passed Senate, Date 2/14/92 (P. 332)

Vote: Ayes 99 Nays 0 Vote: Ayes 40 Nays 8

Approved March 5, 1992

A BILL FOR

1 An Act relating to the imposition of an excise tax on certain
2 rentals of motor vehicles and providing a use tax exemption
3 for certain motor vehicles used for rental purposes and
4 providing retroactive applicability and effective dates.

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

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HF 695

1 Section 1. Section 312.1, Code 1991, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 2A. Revenue derived from the excise tax
4 imposed upon the rental of automobiles, under chapter 422C, as
5 provided by section 422C.5.

6 Sec. 2. NEW SECTION. 422C.1 SHORT TITLE.

7 This chapter may be cited as the "Automobile Rental Excise
8 Tax Act".

9 Sec. 3. NEW SECTION. 422C.2 DEFINITIONS.

10 For purposes of this chapter, unless the context otherwise
11 requires:

12 1. "Automobile" means a motor vehicle subject to
13 registration in any state designed primarily for carrying nine
14 passengers or less, excluding motorcycles and motorized
15 bicycles.

16 2. "Department" means the department of revenue and
17 finance.

18 3. "Lessor" means a person engaged in the business of
19 renting automobiles to users. "Lessor" includes a motor
20 vehicle dealer licensed pursuant to chapter 322 who rents
21 automobiles to users. For this purpose, the objective of
22 making a profit is not necessary to make the renting activity
23 a business.

24 4. "Person" means person as defined in section 422.42.

25 5. "Rental" means a transfer of the possession or right to
26 possession of an automobile to a user for a valuable
27 consideration for a period of sixty days or less.

28 6. "Rental price" means the consideration for renting an
29 automobile valued in money, and means the same as "gross
30 taxable services" as defined in section 422.42.

31 7. "User" means a person to whom the possession or the
32 right to possession of an automobile is transferred for a
33 period of sixty days or less for a valuable consideration
34 which is paid by the user or by another person.

35 Sec. 4. NEW SECTION. 422C.3 TAX ON RENTAL OF

1 AUTOMOBILES.

2 1. A tax of four percent is imposed upon the rental price
3 of an automobile if the rental transaction is subject to the
4 sales and services tax under chapter 422, division IV, or the
5 use tax under chapter 423. The tax shall not be imposed on
6 any rental transaction not taxable under the state sales and
7 services tax, as provided in section 422.45, or the state use
8 tax, as provided in section 423.4, on automobile rental
9 receipts.

10 2. The lessor shall collect the tax by adding the tax to
11 the rental price of the automobile.

12 3. The tax, when collected, shall be stated as a distinct
13 item separate and apart from the rental price of the
14 automobile and the sales and services tax imposed under
15 chapter 422, division IV, or the use tax imposed under chapter
16 423.

17 Sec. 5. NEW SECTION. 422C.4 ADMINISTRATION AND
18 ENFORCEMENT.

19 All powers and requirements of the director of revenue and
20 finance to administer the state gross receipts tax law under
21 chapter 422, division IV, are applicable to the administration
22 of the tax imposed under section 422C.3, including but not
23 limited to sections 422.25, subsection 4, 422.30, 422.48
24 through 422.52, 422.54 through 422.58, 422.67, 422.68, 422.69,
25 subsection 1, and 422.70 through 422.75. However, as an
26 exception to the powers specified in section 422.52,
27 subsection 1, the director shall only require the filing of
28 quarterly reports.

311/29 Sec. 6. NEW SECTION. 422C.5 DEPOSIT OF REVENUE.

30 1. For each fiscal year the department shall estimate the
31 amount of use tax revenues which would not be collected during
32 the fiscal year as a result of the exemption provided in
33 section 423.4, subsection 14. From revenues arising from the
34 operation of this chapter, an amount equal to the estimated
35 use tax revenue loss shall be credited to the road use tax

1 fund.

2 2. After deducting the amount credited to the road use tax
3 fund under subsection 1, any remaining revenues derived from
4 the operation of this chapter shall be credited to the general
5 fund of the state.

6 Sec. 7. Section 423.4, Code 1991, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 14. Vehicles subject to registration in
9 any state when purchased for rental and actually rented for
10 periods of sixty days or less by a person regularly engaged in
11 the business of renting vehicles including, but not limited
12 to, motor vehicle dealers licensed pursuant to chapter 322 who
13 rent automobiles to users, if the rental of the vehicles is
14 subject to taxation under chapter 422C or prior to September
15 1, 1991, was subject to taxation under chapter 422, division
16 IV, or this chapter.

17 Sec. 8. Section 7 of this Act is retroactive to July 1,
18 1982, for motor vehicles subject to registration which were
19 registered and titled to a motor vehicle dealer licensed under
20 chapter 322 and which were rented to a user as defined in
21 section 3 of this Act if the following occurred:

22 1. The dealer kept the vehicle on the inventory of
23 vehicles for sale at all times.

24 2. The vehicle was to be immediately taken from the user
25 of the vehicle when a buyer was found.

26 3. The user was aware of this situation.

27 4. For the period beginning July 1, 1982, and ending June
28 30, 1985, the rental of an automobile to a user need not be
29 taxable under chapter 422 or 423 for the retroactive exemption
30 allowed by this section to prevail.

31 No claims for refund of use tax paid shall be allowed as a
32 result of this section, notwithstanding any other provision of
33 law.

34 Sec. 9. This Act takes effect September 1, 1991.

35

EXPLANATION

1 The bill imposes a four percent excise tax on the rental of
2 automobiles for 60 days or less if such rental is also subject
3 to the state sales and use taxes. In addition, the bill
4 exempts from the use tax the purchase of automobiles subject
5 to registration if the automobiles are to be used by a
6 business that rents these automobiles for 60 days or less and
7 the rental is subject to the excise tax. Moneys collected
8 from this excise tax will be credited to the road use tax fund
9 and the general fund of the state. The amount credited to the
10 road use tax fund is an amount equal to the estimated use tax
11 revenues lost as a result of the use tax exemption in the
12 bill. The remainder of the moneys collected will go to the
13 state general fund. The use tax exemption applies
14 retroactively to July 1, 1982, for motor vehicles rented by
15 motor vehicle dealers under certain conditions. However, no
16 refund claims will be allowed.

17 This bill becomes effective September 1, 1991.

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HOUSE FILE 695

H-4018

- 1 Amend House File 695 as follows:
2 1. Page 3, line 7, by striking the word
3 "subsection" and inserting the following:
4 "subsections".
5 2. Page 3, line 9, by inserting after the word
6 "rental" the following: "or registered and titled by
7 a motor vehicle dealer licensed pursuant to chapter
8 322 for rental use, and held for rental for a period
9 of one hundred twenty days or more".
10 3. Page 3, by striking lines 14 through 21 and
11 inserting the following: "subject to taxation under
12 chapter 422C.
13 NEW SUBSECTION. 15. Motor vehicles subject to
14 registration which were registered and titled between
15 July 1, 1982, and October 1, 1991, to a motor vehicle
16 dealer licensed under chapter 322 and which were
17 rented to a user as defined in section 422C.2 if the
18 following occurred":
19 4. Page 3, by striking lines 27 through 33.
20 5. Page 3, line 34, by striking the word
21 "September" and inserting the following: "October".

By MURPHY of Dubuque
BENNETT of Ida
GRONINGA of Cerro Gordo

H-4018 FILED MAY 2, 1991

Adopted 5/7/91 (p. 2158)

HOUSE FILE 695

H-3771

- 1 Amend House File 695 as follows:
2 1. By striking page 2, line 30 through page 3,
3 line 5 and inserting the following:
4 "The revenue arising from the operation of this
5 chapter shall be credited to the road use tax fund."

By KOENIGS of Mitchell
DE GROOT of Lyon

H-3771 FILED APRIL 22, 1991

Adopted 5/7/91 (p. 2157)

HOUSE FILE 695
BY COMMITTEE ON WAYS AND MEANS
Substituted for S.F. 540 5/9/91
(SUCCESSOR TO HSB 203.1)

(As Amended and Passed by the House May 7, 1991)

Re Passed House, Date 2/24/92 (p. 313) Passed Senate, Date 2/14/92 (p. 312)
Vote: Ayes 91 Nays 0 Vote: Ayes 40 Nays 8
Approved March 5, 1992 (p. 461)

A BILL FOR

1 An Act relating to the imposition of an excise tax on certain
2 rentals of motor vehicles and providing a use tax exemption
3 for certain motor vehicles used for rental purposes and
4 providing retroactive applicability and effective dates.

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

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House Amendments _____
Deleted Language *

HOUSE FILE 695

S-5032

1 Amend House File 695, as amended, passed, and re-
2 printed by the House, as follows:
3 1. Page 3, line 11, by striking the word and
4 figures "October 1, 1991" and inserting the following:
5 "July 1, 1992".
6 2. Page 3, line 19, by striking the word and
7 figures "October 1, 1991" and inserting the following:
8 "July 1, 1992".

By WILLIAM W. DIELEMAN

S-5032 FILED FEBRUARY 7, 1992
ADOPTED (p. 54)

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1 Section 1. Section 312.1, Code 1991, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 2A. Revenue derived from the excise tax
4 imposed upon the rental of automobiles, under chapter 422C, as
5 provided by section 422C.5.

6 Sec. 2. NEW SECTION. 422C.1 SHORT TITLE.

7 This chapter may be cited as the "Automobile Rental Excise
8 Tax Act".

9 Sec. 3. NEW SECTION. 422C.2 DEFINITIONS.

10 For purposes of this chapter, unless the context otherwise
11 requires:

12 1. "Automobile" means a motor vehicle subject to
13 registration in any state designed primarily for carrying nine
14 passengers or less, excluding motorcycles and motorized
15 bicycles.

16 2. "Department" means the department of revenue and
17 finance.

18 3. "Lessor" means a person engaged in the business of
19 renting automobiles to users. "Lessor" includes a motor
20 vehicle dealer licensed pursuant to chapter 322 who rents
21 automobiles to users. For this purpose, the objective of
22 making a profit is not necessary to make the renting activity
23 a business.

24 4. "Person" means person as defined in section 422.42.

25 5. "Rental" means a transfer of the possession or right to
26 possession of an automobile to a user for a valuable
27 consideration for a period of sixty days or less.

28 6. "Rental price" means the consideration for renting an
29 automobile valued in money, and means the same as "gross
30 taxable services" as defined in section 422.42.

31 7. "User" means a person to whom the possession or the
32 right to possession of an automobile is transferred for a
33 period of sixty days or less for a valuable consideration
34 which is paid by the user or by another person.

35 Sec. 4. NEW SECTION. 422C.3 TAX ON RENTAL OF

1 AUTOMOBILES.

2 1. A tax of four percent is imposed upon the rental price
3 of an automobile if the rental transaction is subject to the
4 sales and services tax under chapter 422, division IV, or the
5 use tax under chapter 423. The tax shall not be imposed on
6 any rental transaction not taxable under the state sales and
7 services tax, as provided in section 422.45, or the state use
8 tax, as provided in section 423.4, on automobile rental
9 receipts.

10 2. The lessor shall collect the tax by adding the tax to
11 the rental price of the automobile.

12 3. The tax, when collected, shall be stated as a distinct
13 item separate and apart from the rental price of the
14 automobile and the sales and services tax imposed under
15 chapter 422, division IV, or the use tax imposed under chapter
16 423.

17 Sec. 5. NEW SECTION. 422C.4 ADMINISTRATION AND
18 ENFORCEMENT.

19 All powers and requirements of the director of revenue and
20 finance to administer the state gross receipts tax law under
21 chapter 422, division IV, are applicable to the administration
22 of the tax imposed under section 422C.3, including but not
23 limited to sections 422.25, subsection 4, 422.30, 422.48
24 through 422.52, 422.54 through 422.58, 422.67, 422.68, 422.69,
25 subsection 1, and 422.70 through 422.75. However, as an
26 exception to the powers specified in section 422.52,
27 subsection 1, the director shall only require the filing of
28 quarterly reports.

29 Sec. 6. NEW SECTION. 422C.5 DEPOSIT OF REVENUE.

30 The revenue arising from the operation of this chapter
31 shall be credited to the road use tax fund.

32 Sec. 7. Section 423.4, Code 1991, is amended by adding the
33 following new subsections:

34 NEW SUBSECTION. 14. Vehicles subject to registration in
35 any state when purchased for rental or registered and titled

1 by a motor vehicle dealer licensed pursuant to chapter 322 for
2 rental use, and held for rental for a period of one hundred
3 twenty days or more and actually rented for periods of sixty
4 days or less by a person regularly engaged in the business of
5 renting vehicles including, but not limited to, motor vehicle
6 dealers licensed pursuant to chapter 322 who rent automobiles
7 to users, if the rental of the vehicles is subject to taxation
8 under chapter 422C.

9 NEW SUBSECTION. 15. Motor vehicles subject to
10 registration which were registered and titled between July 1,
11 1982, and October 1, 1991, to a motor vehicle dealer licensed
12 under chapter 322 and which were rented to a user as defined
13 in section 422C.2 if the following occurred:

- 14 1. The dealer kept the vehicle on the inventory of
- 15 vehicles for sale at all times.
- 16 2. The vehicle was to be immediately taken from the user
- 17 of the vehicle when a buyer was found.
- 18 3. The user was aware of this situation.

19 Sec. 8. This Act takes effect October 1, 1991.

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SENATE AMENDMENT TO HOUSE FILE 695

H-5078

- 26 1 Amend House File 695, as amended, passed, and re-
- 27 2 printed by the House, as follows:
- 28 3 1. Page 3, line 11, by striking the word and
- 29 4 figures "October 1, 1991" and inserting the following:
- 30 5 "July 1, 1992".
- 31 6 2. Page 3, line 19, by striking the word and
- 32 7 figures "October 1, 1991" and inserting the following:
- 33 8 "July 1, 1992".

RECEIVED FROM THE SENATE

H-5078 FILED FEBRUARY 18, 1992

House Committee 2/14 (p 313)

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HOUSE FILE 695

S-3792

1 Amend House File 695 as amended, passed, and
2 reprinted by the House as follows:
3 1. Page 2, line 31, by inserting after the word
4 "fund" the following: ", except for fifty thousand
5 dollars, which shall be credited to the department of
6 revenue and finance to cover the cost of
7 administration of this chapter".

By MIKE CONNOLLY

S-3792 FILED MAY 12, 1991

Sub 2/7/92 (p 254)

HOUSE FILE 695

S-3793

1 Amend House File 695 as amended, passed, and
2 reprinted by the House as follows:
3 1. Page 1, line 35 through page 2, line 1 by
4 striking the words "TAX ON RENTAL OF AUTOMOBILES." and
5 inserting the following: "TAX TO GOUGE THE CONSUMER
6 IN ORDER TO FORGIVE THE USE TAX FOR THE RENTAL CAR
7 INDUSTRY."

By MIKE CONNOLLY

S-3793 FILED MAY 12, 1991

Sub o/c 2/7 (p 254)

HOUSE FILE 695

S-3794

1 Amend House File 695 as amended, passed, and
2 reprinted by the House as follows:
3 1. Page 2, line 2, by striking the word "four"
4 and inserting the following: "two".

By MIKE CONNOLLY

S-3794 FILED MAY 12, 1991

w/c 2/7 (p 254)

HOUSE FILE 695

S-5001

1 Amend House File 695, as amended, passed, and re-
2 printed by the House, as follows:
3 1. Page 3, line 11, by striking the figure "1991"
4 and inserting the following: "1992".
5 2. Page 3, line 19, by striking the figure "1991"
6 and inserting the following: "1992".

By WILLIAM W. DIELEMAN

S-5001 FILED JANUARY 21, 1992

HOUSE FILE 695

S-3734

- 1 Amend House File 695, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 3, by striking lines 9 through 18.
- 4 2. Title page, line 4, by striking the words
- 5 "retroactive applicability and effective dates" and
- 6 inserting the following: "an effective date".

By MIKE CONNOLLY

S-3734 FILED MAY 8, 1991

Out of order 5/9/91 (p. 1735)

HOUSE FILE 695

S-3745

- 1 Amend House File 695, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 3, line 19, by striking the word and
- 4 figures "October 1, 1991" and inserting the following:
- 5 "January 1, 1992".

By MIKE CONNOLLY

S-3745 FILED MAY 9, 1991

RULED OUT OF ORDER (p. 1735)

HOUSE FILE 695

S-3750

- 1 Amend House File 695, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. By striking page 1, line 1 through page 2,
- 4 line 31.
- 5 2. Page 3, line 8, by striking the figure "422C"
- 6 and inserting the following: "422, division IV or
- 7 this chapter".
- 8 3. Page 3, lines 12 and 13, by striking the words
- 9 and figure "as defined in section 422C.2".
- 10 4. Title page, by striking lines 1 and 2 and
- 11 inserting the following: "An Act providing a use tax
- 12 exemption".

By MIKE CONNOLLY

S-3750 FILED MAY 9, 1991

Done 5/12/91 (p. 1841)

HOUSE FILE 695
FISCAL NOTE

A fiscal note for House File 695 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 695 imposes a 4% excise tax on the rental of automobiles for 60 days or less if such rental is also subject to the state sales and use taxes. Additionally, the bill exempts from the use tax the purchase of automobiles subject to registration if the automobiles are to be used by a business that rents these automobiles for 60 days or less and the rental is subject to the excise tax. Moneys collected from this excise tax will be credited to the road use tax fund. The use tax exemption applies retroactively to July 1, 1982, for motor vehicles rented by motor vehicle dealers under certain conditions. However, no refund claims will be allowed.

This bill becomes effective September 1, 1991.

Fiscal Effect

The 4% excise tax on rental of vehicles is estimated to generate about \$0.8 to 1.0 million annually to the Road Use Tax Fund. This increase would be offset by an unknown amount as a result of exempting these vehicles from the use tax.

If the disallowance of refund claims under Section 8 is ruled unconstitutional, refunds issued to motor vehicle dealers retroactive to July 1, 1982 may result in an expenditure for the State. However, the Department of Revenue and Finance indicated they could not estimate the amount of refunds which would be requested nor could they estimate the number of requests which would not be approved as a result of not meeting qualification requirements.

Source: Department of Revenue and Finance
Department of Transportation
Iowa Auto Dealers Association

(LSB 2285hv, DLR)

FILED APRIL 26, 1991

BY DENNIS PROUTY, FISCAL DIRECTOR

Murphy, ch.
Haverland
Iversen

Revised
HSB 203.1

WAYS AND MEANS

HOUSE FILE 695
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL
BY CHAIRPERSON GRONINGA)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 ~~An Act relating~~ to the imposition of an excise tax on certain
2 rentals of motor vehicles and providing a use tax exemption
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S.F. _____ H.F. _____

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2 the following new subsection:

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4 imposed upon the rental of automobiles, under chapter 422C, as
5 provided by section 422C.5.

6 Sec. 2. NEW SECTION. 422C.1 SHORT TITLE.

7 This chapter may be cited as the "Automobile Rental Excise
8 Tax Act".

9 Sec. 3. NEW SECTION. 422C.2 DEFINITIONS.

10 For purposes of this chapter, unless the context otherwise
11 requires:

12 1. "Automobile" means a motor vehicle subject to
13 registration in any state designed primarily for carrying nine
14 passengers or less, excluding motorcycles and motorized
15 bicycles.

16 2. "Department" means the department of revenue and
17 finance.

18 3. "Lessor" means a person engaged in the business of
19 renting automobiles to users. "Lessor" includes a motor
20 vehicle dealer licensed pursuant to chapter 322 who rents
21 automobiles to users. For this purpose, the objective of
22 making a profit is not necessary to make the renting activity
23 a business.

24 4. "Person" means person as defined in section 422.42.

25 5. "Rental" means a transfer of the possession or right to
26 possession of an automobile to a user for a valuable
27 consideration for a period of sixty days or less.

28 6. "Rental price" means the consideration for renting an
29 automobile valued in money, and means the same as "gross
30 taxable services" as defined in section 422.42.

31 7. "User" means a person to whom the possession or the
32 right to possession of an automobile is transferred for a
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34 which is paid by the user or by another person.

35 Sec. 4. NEW SECTION. 422C.3 TAX ON RENTAL OF

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2 1. A tax of four percent is imposed upon the rental price
3 of an automobile if the rental transaction is subject to the
4 sales and services tax under chapter 422, division IV, or the
5 use tax under chapter 423. The tax shall not be imposed on
6 any rental transaction not taxable under the state sales and
7 services tax, as provided in section 422.45, or the state use
8 tax, as provided in section 423.4, on automobile rental
9 receipts.

10 2. The lessor shall collect the tax by adding the tax to
11 the rental price of the automobile.

12 3. The tax, when collected, shall be stated as a distinct
13 item separate and apart from the rental price of the
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15 chapter 422, division IV, or the use tax imposed under chapter
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20 finance to administer the state gross receipts tax law under
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23 limited to sections 422.25, subsection 4, 422.30, 422.48
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25 subsection 1, and 422.70 through 422.75. However, as an
26 exception to the powers specified in section 422.52,
27 subsection 1, the director shall only require the filing of
28 quarterly reports.

29 Sec. 6. NEW SECTION. 422C.5 DEPOSIT OF REVENUE.

30 The revenue arising from the operation of this chapter
31 shall be credited to the road use tax fund.

32 Sec. 7. Section 423.4, Code 1991, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 14. Vehicles subject to registration in
35 any state when purchased for rental and actually rented for

S.F. _____ H.F. _____

1 periods of sixty days or less by a person regularly engaged in
2 the business of renting vehicles including, but not limited
3 to, motor vehicle dealers licensed pursuant to chapter 322 who
4 rent automobiles to users, if the rental of the vehicles is
5 subject to taxation under chapter 422C or prior to September
6 1, 1991, was subject to taxation under chapter 422, division
7 IV, or this chapter.

8 Sec. 8. Section 7 of this Act is retroactive to July 1,
9 1982, for motor vehicles subject to registration which were
10 registered and titled to a motor vehicle dealer licensed under
11 chapter 322 and which were rented to a user as defined in
12 section 3 of this Act if the following occurred:

13 1. The dealer kept the vehicle on the inventory of
14 vehicles for sale at all times.

15 2. The vehicle was to be immediately taken from the user
16 of the vehicle when a buyer was found.

17 3. The user was aware of this situation.

18 4. For the period beginning July 1, 1982, and ending June
19 30, 1985, the rental of an automobile to a user need not be
20 taxable under chapter 422 or 423 for the retroactive exemption
21 allowed by this section to prevail.

22 No claims for refund of use tax paid shall be allowed as a
23 result of this section, notwithstanding any other provision of
24 law.

25 Sec. 9. This Act takes effect September 1, 1991.

26 EXPLANATION

27 The bill imposes a four percent excise tax on the rental of
28 automobiles for 60 days or less if such rental is also subject
29 to the state sales and use taxes. In addition, the bill
30 exempts from the use tax the purchase of automobiles subject
31 to registration if the automobiles are to be used by a
32 business that rents these automobiles for 60 days or less and
33 the rental is subject to the excise tax. Moneys collected
34 from this excise tax will be credited to the road use tax
35 fund. The use tax exemption applies retroactively to July 1,

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2 certain conditions. However, no refund claims will be
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Murphy, ch.
Haverland
Jverson

WAYS AND MEANS

HOUSE FILE 695
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL
BY CHAIRPERSON GRONINGA)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the imposition of an excise tax on certain
2 rentals of motor vehicles and providing a use tax exemption
3 for certain motor vehicles used for rental purposes.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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3 NEW SUBSECTION. 2A. Revenue derived from the excise tax
4 imposed upon the rental of automobiles, under chapter 422C, as
5 provided by section 422C.5.

6 Sec. 2. NEW SECTION. 422C.1 SHORT TITLE.

7 This chapter may be cited as the "Automobile Rental Excise
8 Tax Act".

9 Sec. 3. NEW SECTION. 422C.2 DEFINITIONS.

10 For purposes of this chapter, unless the context otherwise
11 requires:

12 1. "Automobile" means a motor vehicle subject to
13 registration in any state designed primarily for carrying
14 fifteen passengers or less, excluding motorcycles and
15 motorized bicycles.

16 2. "Department" means the department of revenue and
17 finance.

18 3. "Lessor" means a person engaged in the business of
19 renting automobiles to users. "Lessor" includes a motor
20 vehicle dealer licensed pursuant to chapter 322 who rents
21 automobiles to users. For this purpose, the objective of
22 making a profit is not necessary to make the renting activity
23 a business.

24 4. "Person" means person as defined in section 422.42.

25 5. "Rental" means a transfer of the possession or right to
26 possession of an automobile to a user for a valuable
27 consideration for a period of sixty days or less.

28 6. "Rental price" means the consideration for renting an
29 automobile valued in money, and means the same as "gross
30 taxable services" as defined in section 422.42.

31 7. "User" means a person to whom the possession or the
32 right to possession of an automobile is transferred for a
33 period of sixty days or less for a valuable consideration
34 which is paid by the user or by another person.

35 Sec. 4. NEW SECTION. 422C.3 TAX ON RENTAL OF

1 AUTOMOBILES.

2 1. A tax of four percent is imposed upon the rental price
3 of an automobile if the rental transaction is subject to the
4 sales and services tax under chapter 422, division IV, or the
5 use tax under chapter 423. However, the tax shall not be
6 imposed if the user is a governmental body, or a corporation,
7 society, association, foundation, or institution organized and
8 operated exclusively for charitable, religious, or educational
9 purposes.

10 2. The lessor shall collect the tax by adding the tax to
11 the rental price of the automobile.

12 3. The tax, when collected, shall be stated as a distinct
13 item separate and apart from the rental price of the
14 automobile and the sales and services tax imposed under
15 chapter 422, division IV, or the use tax imposed under chapter
16 423.

17 Sec. 5. NEW SECTION. 422C.4 ADMINISTRATION AND
18 ENFORCEMENT.

19 All powers and requirements of the director of revenue and
20 finance to administer the state gross receipts tax law under
21 chapter 422, division IV, are applicable to the administration
22 of the tax imposed under section 422C.3, including but not
23 limited to sections 422.25, subsection 4, 422.30, 422.48
24 through 422.52, 422.54 through 422.58, 422.67, 422.68, 422.69,
25 subsection 1, and 422.70 through 422.75.

26 Sec. 6. NEW SECTION. 422C.5 DEPOSIT OF REVENUE.

27 The revenue arising from the operation of this chapter
28 shall be credited to the road use tax fund.

29 Sec. 7. Section 423.4, Code 1991, is amended by adding the
30 following new subsection:

31 NEW SUBSECTION. 14. Vehicles subject to registration in
32 any state when purchased for rental and actually rented for
33 periods of sixty days or less by a person regularly engaged in
34 the business of renting vehicles including, but not limited
35 to, motor vehicle dealers licensed pursuant to chapter 322 who

1 rent automobiles to users, if the rental of the vehicles is
2 subject to taxation under chapter 422C.

3 EXPLANATION

4 The bill imposes a four percent excise tax on the rental of
5 automobiles for 60 days or less if such rental is also subject
6 to the state sales and use taxes. In addition, the bill
7 exempts from the use tax the purchase of automobiles subject
8 to registration if the automobiles are to be used by a
9 business that rents these automobiles for 60 days or less and
10 the rental is subject to the excise tax. Moneys collected
11 from this excise tax will be credited to the road use tax
12 fund.

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HOUSE FILE 695

AN ACT

RELATING TO THE IMPOSITION OF AN EXCISE TAX ON CERTAIN RENTALS OF MOTOR VEHICLES AND PROVIDING A USE TAX EXEMPTION FOR CERTAIN MOTOR VEHICLES USED FOR RENTAL PURPOSES AND PROVIDING RETROACTIVE APPLICABILITY AND EFFECTIVE DATES.

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

Section 1. Section 312.1, Code 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. Revenue derived from the excise tax imposed upon the rental of automobiles, under chapter 422C, as provided by section 422C.5.

Sec. 2. NEW SECTION. 422C.1 SHORT TITLE.

This chapter may be cited as the "Automobile Rental Excise Tax Act".

Sec. 3. NEW SECTION. 422C.2 DEFINITIONS.

For purposes of this chapter, unless the context otherwise requires:

1. "Automobile" means a motor vehicle subject to registration in any state designed primarily for carrying nine passengers or less, excluding motorcycles and motorized bicycles.

2. "Department" means the department of revenue and finance.

3. "Lessor" means a person engaged in the business of renting automobiles to users. "Lessor" includes a motor vehicle dealer licensed pursuant to chapter 322 who rents

automobiles to users. For this purpose, the objective of making a profit is not necessary to make the renting activity a business.

4. "Person" means person as defined in section 422.42.

5. "Rental" means a transfer of the possession or right to possession of an automobile to a user for a valuable consideration for a period of sixty days or less.

6. "Rental price" means the consideration for renting an automobile valued in money, and means the same as "gross taxable services" as defined in section 422.42.

7. "User" means a person to whom the possession or the right to possession of an automobile is transferred for a period of sixty days or less for a valuable consideration which is paid by the user or by another person.

Sec. 4. NEW SECTION. 422C.3 TAX ON RENTAL OF AUTOMOBILES.

1. A tax of four percent is imposed upon the rental price of an automobile if the rental transaction is subject to the sales and services tax under chapter 422, division IV, or the use tax under chapter 423. The tax shall not be imposed on any rental transaction not taxable under the state sales and services tax, as provided in section 422.45, or the state use tax, as provided in section 423.4, on automobile rental receipts.

2. The lessor shall collect the tax by adding the tax to the rental price of the automobile.

3. The tax, when collected, shall be stated as a distinct item separate and apart from the rental price of the automobile and the sales and services tax imposed under chapter 422, division IV, or the use tax imposed under chapter 423.

Sec. 5. NEW SECTION. 422C.4 ADMINISTRATION AND ENFORCEMENT.

All powers and requirements of the director of revenue and finance to administer the state gross receipts tax law under chapter 422, division IV, are applicable to the administration of the tax imposed under section 422C.1, including but not limited to sections 422.25, subsection 4, 422.30, 422.48 through 422.52, 422.54 through 422.58, 422.67, 422.68, 422.69, subsection 1, and 422.70 through 422.75. However, as an exception to the powers specified in section 422.52, subsection 1, the director shall only require the filing of quarterly reports.

Sec. 6. NEW SECTION. 422C.5 DEPOSIT OF REVENUE.

The revenue arising from the operation of this chapter shall be credited to the road use tax fund.

Sec. 7. Section 423.4, Code 1991, is amended by adding the following new subsections:

NEW SUBSECTION. 14. Vehicles subject to registration in any state when purchased for rental or registered and titled by a motor vehicle dealer licensed pursuant to chapter 322 for rental use, and held for rental for a period of one hundred twenty days or more and actually rented for periods of sixty days or less by a person regularly engaged in the business of renting vehicles including, but not limited to, motor vehicle dealers licensed pursuant to chapter 322 who rent automobiles to users, if the rental of the vehicles is subject to taxation under chapter 422C.

NEW SUBSECTION. 15. Motor vehicles subject to registration which were registered and titled between July 1, 1982, and July 1, 1992, to a motor vehicle dealer licensed under chapter 322 and which were rented to a user as defined in section 422C.2 if the following occurred:

1. The dealer kept the vehicle on the inventory of vehicles for sale at all times.
2. The vehicle was to be immediately taken from the user of the vehicle when a buyer was found.
3. The user was aware of this situation.

Sec. 8. This Act takes effect July 1, 1992.

ROBERT C. ARNOULD
Speaker of the House

MICHAEL E. GRONSTAL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 695, Seventy-fourth General Assembly.

JOSEPH O'HERN
Chief Clerk of the House
Approved March 5, 1992

TERRY E. BRANSTAD
Governor