

APR 20 1995

WAYS & MEANS CALENDAR

HOUSE FILE 569

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 71)

Passed House, ^(P. 1981) Date 4/27/95

Passed Senate, ^(P. 1307) Date 4-10-96

Vote: Ayes 95 Nays 4

Vote: Ayes 47 Nays 1

Approved April 17, 1996

A BILL FOR

1 An Act relating to the motor vehicle leasing tax and providing an
2 applicability provision.

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

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HF 569

1 Section 1. Section 331.557, subsection 3, Code 1995, is
2 amended to read as follows:

3 3. Collect the use tax on vehicles subject to registration
4 as provided in sections 423.6, and 423.7, and 423.7A.

5 Sec. 2. Section 423.4, Code 1995, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 16. Vehicles subject to registration
8 under chapter 321, with a gross vehicle weight rating of less
9 than sixteen thousand pounds, excluding motorcycles and
10 motorized bicycles, when purchased for lease and titled by the
11 lessor licensed pursuant to chapter 321F and actually leased
12 for a period of twelve months or more if the lease of the
13 vehicle is subject to taxation under section 423.7A.

14 Sec. 3. Section 423.6, subsection 1, Code 1995, is amended
15 to read as follows:

16 1. The tax upon the use of all vehicles subject to
17 registration or subject only to the issuance of a certificate
18 of title shall be collected by the county treasurer or the
19 state department of transportation pursuant to ~~section~~
20 sections 423.7 and 423.7A. The county treasurer shall retain
21 one dollar from each tax payment collected, to be credited to
22 the county general fund.

23 Sec. 4. NEW SECTION. 423.7A MOTOR VEHICLE LEASE TAX.

24 1. The tax imposed upon the use of leased vehicles subject
25 to registration under chapter 321, with gross vehicle weight
26 ratings of less than sixteen thousand pounds, excluding
27 motorcycles and motorized bicycles, which are leased by a
28 lessor licensed pursuant to chapter 321F for a period of
29 twelve months or more shall be paid by the owner of the
30 vehicle to the county treasurer or state department of
31 transportation from whom the registration receipt or
32 certificate of title is obtained. A registration receipt for
33 a vehicle subject to registration or issuance of a certificate
34 of title shall not be issued until the tax is paid in the
35 initial instance.

1 2. The amount subject to tax shall be computed on each
2 separate lease transaction by multiplying the number of months
3 of the lease by the monthly lease payments, plus the
4 downpayment, less any manufacturer's rebate. The county
5 treasurer or the state department of transportation shall
6 require every applicant for a registration receipt for a
7 vehicle subject to tax under this section to supply informa-
8 tion as the county treasurer or director deems necessary as to
9 the date of the lease transaction, the lease price, and other
10 information relative to the lease of the vehicle.

11 3. On or before the tenth day of each month the county
12 treasurer or the state department of transportation shall
13 remit to the department the amount of the taxes collected
14 during the preceding month.

15 4. If the lease is terminated prior to the termination
16 date contained in the lease agreement, no refund shall be
17 allowed for tax previously paid on the monthly rental
18 payments.

19 Sec. 5. Section 423.24, subsection 1, unnumbered paragraph
20 1, Code 1995, is amended to read as follows:

21 Eighty percent of all revenues derived from the use tax on
22 motor vehicles, trailers, and motor vehicle accessories and
23 equipment as collected pursuant to section 423.7 and section
24 423.7A shall be deposited and credited as follows:

25 Sec. 6. APPLICABILITY. This Act applies to leases entered
26 into on or after July 1, 1995.

27 EXPLANATION

28 This bill imposes a tax upon the use of a leased vehicle.
29 The tax is based upon the number of months of the lease
30 multiplied by the monthly lease payments, plus the downpayment
31 minus any manufacturer's rebate.

32 Currently, the amount of tax is based upon the value of the
33 vehicle leased rather than that portion attributable to the
34 lease. The bill applies to leases entered into on or after
35 July 1, 1995.

**HOUSE FILE 569
FISCAL NOTE**

A fiscal note for **House File 569** 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 569 addresses the tax on leased vehicles. Under the Bill, the tax is based on the total lease price of the vehicle, including all monthly lease payments and the downpayment. Under current law, the tax is based on the value of the vehicle leased rather than that portion attributable to the lease. The bill applies to leases entered into on or after July 1, 1995.

ASSUMPTIONS:

The assumptions for the estimate of HF 569 are based on a study completed by the Barents Group, LLC. A copy of the report is available through the Legislative Fiscal Bureau. The estimates take into account:

- * Real growth in the leasing market.
- * Price Inflation
- * Behavioral responses of consumers
- * Timing effects of alternative cash flows.

FISCAL IMPACT

The following table shows the expected fiscal impact to the Road Use Tax Fund of HF 569 (in millions of dollars).

Fiscal Year	1996	1997	1998	1999	2000
Impact	-\$6.7	-\$7.7	-\$7.6	-\$8.0	-\$8.5

SOURCES

The Effect of Alternate Methods of Taxation of Leased Vehicles on Iowa Use Tax Revenues, Barents Group, LLC of KPMG Peat Marwick, LLP, January 31, 1995.

Iowa Department of Transportation

Iowa Automobile Dealers Association

Associated General Contractors of Iowa

(LSB 1509hv, JAM)

FILED APRIL 20, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 569

H-4042

1 Amend House File 569 as follows:

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

4 "Sec. _____. Section 423.2, Code 1995, is amended to
5 read as follows:

6 423.2 IMPOSITION OF TAX.

7 An excise tax is imposed on the use in this state
8 of tangible personal property purchased for use in
9 this state, at the rate of five percent of the
10 purchase price of the property. An excise tax is
11 imposed on the use of leased vehicles at the rate of
12 five percent of the amount otherwise subject to tax as
13 calculated pursuant to section 423.7A, subsection 2.
14 The excise tax is imposed upon every person using the
15 property within this state until the tax has been paid
16 directly to the county treasurer or the state
17 department of transportation, to a retailer, or to the
18 department. An excise tax is imposed on the use in
19 this state of services enumerated in section 422.43 at
20 the rate of five percent. This tax is applicable
21 where services are rendered, furnished, or performed
22 in this state or where the product or result of the
23 service is used in this state. This tax is imposed on
24 every person using the services or the product of the
25 services in this state until the user has paid the tax
26 either to an Iowa use tax permit holder or to the
27 department."

28 2. By renumbering as necessary.

By HALVORSON of Clayton

H-4042 FILED APRIL 24, 1995

Adopted
4-27-95
(R.1981)

H-4117

- 1 Amend House File 569 as follows:
 2 1. By striking everything after the enacting
 3 clause and inserting the following:
 4 "Section 1. Section 423.4, Code 1995, is amended
 5 by adding the following new subsection:
 6 NEW SUBSECTION. 16. Vehicles subject to
 7 registration under chapter 321, with a gross vehicle
 8 weight rating of less than sixteen thousand pounds,
 9 excluding motorcycles and motorized bicycles, under
 10 the following conditions:
 11 a. The present purchaser of the vehicle was the
 12 prior lessee of the vehicle.
 13 b. The lease of the vehicle was entered into on or
 14 after July 1, 1995, and was for a period of twelve
 15 months or more.
 16 c. The use tax on the vehicle was paid by the
 17 lessor as provided in section 423.6, subsection 1."
 18 2. Title page, by striking lines 1 and 2 and
 19 inserting the following: "An Act relating to the
 20 taxation of leased motor vehicles."

By RANTS of Woodbury
 GIPP of Winneshiek
 LAMBERTI of Polk

H-4117 FILED APRIL 27, 1995

*Lost 4-27-95**(P. 1980)*

HOUSE FILE 569

H-4118

- 1 Amend the amendment, H-4042, to House File 569, as
 2 follows:
 3 1. Page 1, line 13, by striking the word and
 4 figure ", subsection 2".

By HALVORSON of Clayton

H-4118 FILED APRIL 27, 1995

*Adopted**4-27-95 (P. 1981)*

S-4/27/95
S-4/9/96 Amended/Do Pass
w/s-5699

HOUSE FILE 569
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 71)

(As Amended and Passed by the House April 27, 1995)

Re- Passed House, Date 4/11/96 (p.1576) Passed Senate, Date 4-10-96
Vote: Ayes 88 Nays 0 Vote: Ayes 47 Nays 1
Approved April 17, 1996

A BILL FOR

1 An Act relating to the motor vehicle leasing tax and providing an
2 applicability provision.

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

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House Amendments _____

1 Section 1. Section 331.557, subsection 3, Code 1995, is
2 amended to read as follows:

3 3. Collect the use tax on vehicles subject to registration
4 as provided in sections 423.6, and 423.7, and 423.7A.

5 Sec. 2. Section 423.2, Code 1995, is amended to read as
6 follows:

7 423.2 IMPOSITION OF TAX.

8 An excise tax is imposed on the use in this state of
9 tangible personal property purchased for use in this state, at
10 the rate of five percent of the purchase price of the
11 property. An excise tax is imposed on the use of leased
12 vehicles at the rate of five percent of the amount otherwise
13 subject to tax as calculated pursuant to section 423.7A. The
14 excise tax is imposed upon every person using the property
15 within this state until the tax has been paid directly to the
16 county treasurer or the state department of transportation, to
17 a retailer, or to the department. An excise tax is imposed on
18 the use in this state of services enumerated in section 422.43
19 at the rate of five percent. This tax is applicable where
20 services are rendered, furnished, or performed in this state
21 or where the product or result of the service is used in this
22 state. This tax is imposed on every person using the services
23 or the product of the services in this state until the user
24 has paid the tax either to an Iowa use tax permit holder or to
25 the department.

26 Sec. 3. Section 423.4, Code 1995, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 16. Vehicles subject to registration
29 under chapter 321, with a gross vehicle weight rating of less
30 than sixteen thousand pounds, excluding motorcycles and
31 motorized bicycles, when purchased for lease and titled by the
32 lessor licensed pursuant to chapter 321F and actually leased
33 for a period of twelve months or more if the lease of the
34 vehicle is subject to taxation under section 423.7A.

35 Sec. 4. Section 423.6, subsection 1, Code 1995, is amended

1 to read as follows:

2 1. The tax upon the use of all vehicles subject to
3 registration or subject only to the issuance of a certificate
4 of title shall be collected by the county treasurer or the
5 state department of transportation pursuant to ~~section~~
6 sections 423.7 and 423.7A. The county treasurer shall retain
7 one dollar from each tax payment collected, to be credited to
8 the county general fund.

9 Sec. 5. NEW SECTION. 423.7A MOTOR VEHICLE LEASE TAX.

10 1. The tax imposed upon the use of leased vehicles subject
11 to registration under chapter 321, with gross vehicle weight
12 ratings of less than sixteen thousand pounds, excluding
13 motorcycles and motorized bicycles, which are leased by a
14 lessor licensed pursuant to chapter 321F for a period of
15 twelve months or more shall be paid by the owner of the
16 vehicle to the county treasurer or state department of
17 transportation from whom the registration receipt or
18 certificate of title is obtained. A registration receipt for
19 a vehicle subject to registration or issuance of a certificate
20 of title shall not be issued until the tax is paid in the
21 initial instance.

22 2. The amount subject to tax shall be computed on each
23 separate lease transaction by multiplying the number of months
24 of the lease by the monthly lease payments, plus the
25 downpayment, less any manufacturer's rebate. The county
26 treasurer or the state department of transportation shall
27 require every applicant for a registration receipt for a
28 vehicle subject to tax under this section to supply informa-
29 tion as the county treasurer or director deems necessary as to
30 the date of the lease transaction, the lease price, and other
31 information relative to the lease of the vehicle.

32 3. On or before the tenth day of each month the county
33 treasurer or the state department of transportation shall
34 remit to the department the amount of the taxes collected
35 during the preceding month.

1 4. If the lease is terminated prior to the termination
2 date contained in the lease agreement, no refund shall be
3 allowed for tax previously paid on the monthly rental
4 payments.

5 Sec. 6. Section 423.24, subsection 1, unnumbered paragraph
6 1, Code 1995, is amended to read as follows:

7 Eighty percent of all revenues derived from the use tax on
8 motor vehicles, trailers, and motor vehicle accessories and
9 equipment as collected pursuant to section 423.7 and section
10 423.7A shall be deposited and credited as follows:

11 Sec. 7. APPLICABILITY. This Act applies to leases entered
12 into on or after July 1, 1995.

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HOUSE FILE 569

S-5699

- 1 Amend House File 569, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 3, line 6, by inserting after the word
- 4 "Code" the following: "Supplement".
- 5 2. Page 3, by striking line 12 and inserting the
- 6 following: "into on or after January 1, 1997."

By COMMITTEE ON WAYS AND MEANS
WILLIAM D. PALMER, Chairperson

S-5699 FILED APRIL 9, 1996

Adopted

4-10-96

(P. 1307)

SENATE AMENDMENT TO HOUSE FILE 569

H-5921

- 1 Amend House File 569, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 3, line 6, by inserting after the word
- 4 "Code" the following: "Supplement".
- 5 2. Page 3, by striking line 12 and inserting the
- 6 following: "into on or after January 1, 1997."

RECEIVED FROM THE SENATE

H-5921 FILED APRIL 10, 1996

House concurred 4/11/96 (p. 1576)

HOUSE FILE 569
FISCAL NOTE

A fiscal note for House File 569 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 569 addresses the tax on leased vehicles. Under the Bill, the tax is based on the total lease price of the vehicle, including all monthly lease payments and the downpayment. Under current law, the tax is based on the value of the vehicle leased rather than that portion attributable to the lease. The bill applies to leases entered into on or after July 1, 1995.

ASSUMPTIONS:

The assumptions for the estimate of HF 569 are based on a study completed by the Barents Group, LLC. A copy of the report is available through the Legislative Fiscal Bureau. The estimates take into account:

- * Real growth in the leasing market.
- * Price Inflation
- * Behavioral responses of consumers
- * Timing effects of alternative cash flows.

FISCAL IMPACT

The following table shows the expected fiscal impact to the Road Use Tax Fund of HF 569 (in millions of dollars).

Fiscal Year	1996	1997	1998	1999	2000
Impact	-\$6.7	-\$7.7	-\$7.6	-\$8.0	-\$8.5

Under current law, leasing companies are able to utilize trade-in credits. The estimates provided above will occur under current law to the extent that leasing companies (and their respective dealers) utilize these credits.

SOURCES

The Effect of Alternate Methods of Taxation of Leased Vehicles on Iowa Use Tax Revenues, Barents Group, LLC of KPMG Peat Marwick, LLP, January 31, 1995.

Iowa Department of Transportation

Iowa Automobile Dealers Association

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Associated General Contractors of Iowa

(LSB 1509HV.2, JAM)

*Linkla, Chair
Frig
Brammer*

HSB 71

Succeeds WAYS AND MEANS
SF/HF 561

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL
BY CHAIRPERSON HALVORSON)

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

A BILL FOR

1 An Act creating the motor vehicle lease tax Act and providing
2 applicability and effective dates.

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

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2008/07/17
Succeeded By

1 ~~Section I.~~ Section 312.1, Code 1995, is amended by adding
2 the following new subsection and renumbering the remaining
3 subsection:

4 NEW SUBSECTION. 5. Revenue derived from the excise tax
5 imposed upon the leasing of motor vehicles as provided by
6 section 423B.5.

7 Sec. 2. NEW SECTION. 423B.1 SHORT TITLE.

8 This chapter may be cited as the "Motor Vehicle Lease Tax
9 Act".

10 Sec. 3. NEW SECTION. 423B.2 DEFINITIONS.

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

13 1. "Department" means the department of revenue and
14 finance.

15 2. "Lease" means a written agreement providing for the
16 transfer of the possession or right to possession of a motor
17 vehicle to a lessee for a valuable consideration for a period
18 of twelve months or more.

19 3. "Lease price" means the total amount for which a motor
20 vehicle is leased, valued in money, whether paid in money or
21 otherwise, provided that a cash discount taken on a lease is
22 not included, and a cash rebate which is provided by a motor
23 vehicle manufacturer to the lessee of the motor vehicle is not
24 included if the rebate is applied to the lease price of the
25 vehicle.

26 4. "Lessee" means a person to whom the possession or the
27 right to possession of a motor vehicle is transferred for a
28 period of twelve months or more for a valuable consideration
29 which is paid by the lessee or by another person.

30 5. "Lessor" means a person who is engaged in the business
31 of leasing motor vehicles to lessees and who is licensed
32 pursuant to chapter 321F.

33 6. "Motor vehicle" means a self-propelled vehicle subject
34 to registration under chapter 321, with a gross vehicle weight
35 rating of less than sixteen thousand pounds, excluding

1 motorcycles and motorized bicycles.

2 7. "Person" means a person as defined in section 423.1.

3 Sec. 4. NEW SECTION. 423B.3 TAX ON RENTAL OF
4 AUTOMOBILES.

5 1. A tax of five percent is imposed upon the lease price
6 of a motor vehicle. The tax shall not be imposed on any lease
7 transaction taxable under the sales and services tax, as
8 provided in section 422.45, or upon any lease transaction if
9 the lessor has paid the state use tax on the motor vehicle
10 under chapter 423.

11 2. The lease price of the motor vehicle and the tax shall
12 be stated in the lease as distinct items.

13 3. The tax shall be collected by the lessor throughout the
14 term of the lease in the same manner as the lease price is
15 paid.

16 Sec. 5. NEW SECTION. 423B.4 ADMINISTRATION AND
17 ENFORCEMENT.

18 All powers and requirements of the director of revenue and
19 finance to administer the state use tax law under chapter 423
20 are applicable to the administration of the tax imposed under
21 this chapter.

22 Sec. 6. NEW SECTION. 423B.5 DEPOSIT OF REVENUE.

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

25 Sec. 7. Section 423.4, Code 1995, is amended by adding the
26 following new subsection:

27 NEW SUBSECTION. 16. Motor vehicles subject to regis-
28 tration under chapter 321, with a gross vehicle weight rating
29 of less than sixteen thousand pounds, excluding motorcycles
30 and motorized bicycles, when purchased for lease, or
31 registered and titled by a motor vehicle dealer licensed
32 pursuant to chapter 322 for lease, and actually leased for a
33 period of twelve months or more by a lessor as defined in
34 section 423B.2, if the lease of the vehicle is subject to
35 taxation under chapter 423B.

HOUSE FILE 569

AN ACT

RELATING TO THE MOTOR VEHICLE LEASING TAX AND PROVIDING AN
APPLICABILITY PROVISION.

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

Section 1. Section 331.557, subsection 3, Code 1995, is amended to read as follows:

3. Collect the use tax on vehicles subject to registration as provided in sections 423.6, and 423.7, and 423.7A.

Sec. 2. Section 423.2, Code 1995, is amended to read as follows:

423.2 IMPOSITION OF TAX.

An excise tax is imposed on the use in this state of tangible personal property purchased for use in this state, at

the rate of five percent of the purchase price of the property. An excise tax is imposed on the use of leased vehicles at the rate of five percent of the amount otherwise subject to tax as calculated pursuant to section 423.7A. The excise tax is imposed upon every person using the property within this state until the tax has been paid directly to the county treasurer or the state department of transportation, to a retailer, or to the department. An excise tax is imposed on the use in this state of services enumerated in section 422.43 at the rate of five percent. This tax is applicable where services are rendered, furnished, or performed in this state or where the product or result of the service is used in this state. This tax is imposed on every person using the services or the product of the services in this state until the user has paid the tax either to an Iowa use tax permit holder or to the department.

Sec. 3. Section 423.4, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 16. Vehicles subject to registration under chapter 321, with a gross vehicle weight rating of less than sixteen thousand pounds, excluding motorcycles and motorized bicycles, when purchased for lease and titled by the lessor licensed pursuant to chapter 321F and actually leased for a period of twelve months or more if the lease of the vehicle is subject to taxation under section 423.7A.

Sec. 4. Section 423.6, subsection 1, Code 1995, is amended to read as follows:

1. The tax upon the use of all vehicles subject to registration or subject only to the issuance of a certificate of title shall be collected by the county treasurer or the state department of transportation pursuant to section sections 423.7 and 423.7A. The county treasurer shall retain one dollar from each tax payment collected, to be credited to the county general fund.

Sec. 5. NEW SECTION. 423.7A MOTOR VEHICLE LEASE TAX.

1. The tax imposed upon the use of leased vehicles subject to registration under chapter 321, with gross vehicle weight ratings of less than sixteen thousand pounds, excluding motorcycles and motorized bicycles, which are leased by a lessor licensed pursuant to chapter 321F for a period of twelve months or more shall be paid by the owner of the vehicle to the county treasurer or state department of transportation from whom the registration receipt or certificate of title is obtained. A registration receipt for a vehicle subject to registration or issuance of a certificate of title shall not be issued until the tax is paid in the initial instance.

2. The amount subject to tax shall be computed on each separate lease transaction by multiplying the number of months of the lease by the monthly lease payments, plus the downpayment, less any manufacturer's rebate. The county treasurer or the state department of transportation shall require every applicant for a registration receipt for a vehicle subject to tax under this section to supply information as the county treasurer or director deems necessary as to the date of the lease transaction, the lease price, and other information relative to the lease of the vehicle.

3. On or before the tenth day of each month the county treasurer or the state department of transportation shall remit to the department the amount of the taxes collected during the preceding month.

4. If the lease is terminated prior to the termination date contained in the lease agreement, no refund shall be allowed for tax previously paid on the monthly rental payments.

Sec. 6. Section 423.24, subsection 1, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

Eighty percent of all revenues derived from the use tax on motor vehicles, trailers, and motor vehicle accessories and equipment as collected pursuant to section 423.7 and section 423.7A shall be deposited and credited as follows:

Sec. 7. APPLICABILITY. This Act applies to leases entered into on or after January 1, 1997.

RON J. CORBETT
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 569, Seventy-sixth General Assembly.

Approved *April 17*, 1996

ELIZABETH ISAACSON
Chief Clerk of the House

TERRY E. BRANSTAD
Governor