

# House Study Bill 71

## Conference Committee Text

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1 1 Section 1. Section [312.1](#), Code 1995, is amended by adding  
1 2 the following new subsection and renumbering the remaining  
1 3 subsection:

1 4 NEW SUBSECTION. 5. Revenue derived from the excise tax  
1 5 imposed upon the leasing of motor vehicles as provided by  
1 6 section 423B.5.

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

1 8 This chapter may be cited as the "Motor Vehicle Lease Tax  
1 9 Act".

1 10 Sec. 3. NEW SECTION. 423B.2 DEFINITIONS.

1 11 For purposes of this chapter, unless the context otherwise  
1 12 requires:

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

1 15 2. "Lease" means a written agreement providing for the  
1 16 transfer of the possession or right to possession of a motor  
1 17 vehicle to a lessee for a valuable consideration for a period  
1 18 of twelve months or more.

1 19 3. "Lease price" means the total amount for which a motor  
1 20 vehicle is leased, valued in money, whether paid in money or  
1 21 otherwise, provided that a cash discount taken on a lease is  
1 22 not included, and a cash rebate which is provided by a motor  
1 23 vehicle manufacturer to the lessee of the motor vehicle is not  
1 24 included if the rebate is applied to the lease price of the  
1 25 vehicle.

1 26 4. "Lessee" means a person to whom the possession or the  
1 27 right to possession of a motor vehicle is transferred for a  
1 28 period of twelve months or more for a valuable consideration  
1 29 which is paid by the lessee or by another person.

1 30 5. "Lessor" means a person who is engaged in the business  
1 31 of leasing motor vehicles to lessees and who is licensed  
1 32 pursuant to chapter 321F.

1 33 6. "Motor vehicle" means a self-propelled vehicle subject  
1 34 to registration under chapter 321, with a gross vehicle weight  
1 35 rating of less than sixteen thousand pounds, excluding  
2 1 motorcycles and motorized bicycles.

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

2 3 Sec. 4. NEW SECTION. 423B.3 TAX ON RENTAL OF  
2 4 AUTOMOBILES.

2 5 1. A tax of five percent is imposed upon the lease price  
2 6 of a motor vehicle. The tax shall not be imposed on any lease  
2 7 transaction taxable under the sales and services tax, as  
2 8 provided in section 422.45, or upon any lease transaction if  
2 9 the lessor has paid the state use tax on the motor vehicle  
2 10 under chapter 423.

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

2 13 3. The tax shall be collected by the lessor throughout the  
2 14 term of the lease in the same manner as the lease price is  
2 15 paid.

2 16 Sec. 5. NEW SECTION. 423B.4 ADMINISTRATION AND  
2 17 ENFORCEMENT.

2 18 All powers and requirements of the director of revenue and  
2 19 finance to administer the state use tax law under chapter 423  
2 20 are applicable to the administration of the tax imposed under  
2 21 this chapter.

2 22 Sec. 6. NEW SECTION. 423B.5 DEPOSIT OF REVENUE.

2 23 The revenue arising from the operation of this chapter  
2 24 shall be credited to the road use tax fund.

2 25 Sec. 7. Section 423.4, Code 1995, is amended by adding the  
2 26 following new subsection:

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

3 1 Sec. 8. APPLICABILITY PROVISIONS. This Act applies to  
3 2 leases entered into on or after the effective date of this  
3 3 Act.

3 4 Sec. 9. EFFECTIVE DATE. This Act, being deemed of  
3 5 immediate importance, takes effect upon enactment.

3 6 EXPLANATION

3 7 This bill creates a new chapter 423B which is entitled the  
3 8 "Motor Vehicle Lease Tax Act". Chapter 423B provides that a  
3 9 lessee who enters into a lease for use of a motor vehicle for  
3 10 a period of 12 months or longer shall pay a 5 percent lease  
3 11 tax which is based upon the lease price of the motor vehicle.  
3 12 The "lease price" of the motor vehicle is defined as the total  
3 13 amount for which the motor vehicle is leased. Current law  
3 14 requires payment of use tax for the entire value of the motor  
3 15 vehicle at the inception of the lease. This bill requires  
3 16 payment of lease tax only upon the leased value of the car for  
3 17 the period of time in which the vehicle is leased. The bill  
3 18 provides that the tax is collected in the same manner as lease  
3 19 payments are collected throughout the term of the lease. It  
3 20 exempts leased vehicles from paying the use tax under section  
3 21 423.4 and provides that all moneys collected from the lease  
3 22 tax be credited to the road use tax fund. Lease is defined in  
3 23 the bill to include only a written agreement for 12 months or  
3 24 longer.

3 25 For purposes of chapter 423B, "motor vehicle" is defined to  
3 26 mean a vehicle subject to registration with a gross vehicle  
3 27 weight rating of less than 16,000 pounds, excluding  
3 28 motorcycles and motorized bicycles.

3 29 This bill is only applicable to leases entered into on or  
3 30 after the effective date of this Act and is effective upon  
3 31 enactment.

3 32 LSB 1509YC 76

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