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SENATE FILE 2128

BY MURPHY, GRONSTAL, DRAKE,  
and BENNETT

Passed Senate, Date 3/5/96

Passed House, Date \_\_\_\_\_

Vote: Ayes 47 Nays 2

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the road use tax fund by allocating fines and  
2 fees for commercial vehicle violations to the road use tax  
3 fund, appropriating moneys to the road use tax fund from sales  
4 tax revenues, and appropriating moneys for funding  
5 recreational trails from the general fund of the state.

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

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S.F. 2128

1 Section 1. Section 312.2, subsection 18, Code 1995, is  
2 amended by striking the subsection.

3 Sec. 2. Section 602.8108, subsection 2, Code 1995, is  
4 amended to read as follows:

5 2. Except as otherwise provided, the clerk of the district  
6 court shall report and submit to the state court  
7 administrator, not later than the fifteenth day of each month,  
8 the fines and fees received during the preceding calendar  
9 month. Except as provided in subsection subsections 4 and 5,  
10 the state court administrator shall deposit the amounts  
11 received with the treasurer of state for deposit in the  
12 general fund of the state. The state court administrator  
13 shall report to the legislative fiscal bureau within thirty  
14 days of the beginning of each fiscal quarter the amount  
15 received during the previous quarter in the account  
16 established under this section.

17 Sec. 3. Section 602.8108, Code 1995, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 5. The state court administrator shall  
20 allocate all of the fines and fees attributable to commercial  
21 vehicle violation citations issued by motor vehicle division  
22 personnel of the state department of transportation to the  
23 treasurer of state for deposit in the road use tax fund.

24 Sec. 4. ROAD USE TAX FUND ALLOCATION -- SALES TAX  
25 REVENUES. Notwithstanding section 422.43, subsection 8,  
26 beginning July 1, 1996, and ending June 30, 2001, the  
27 treasurer of state shall credit annually to the road use tax  
28 fund created under section 312.1, the first seven million  
29 dollars received from sales tax imposed under section 422.43  
30 on motor vehicle parts, accessories, and equipment and motor  
31 vehicle service, maintenance, and repair.

32 Sec. 5. APPROPRIATION -- RECREATIONAL TRAILS. There is  
33 appropriated from the general fund of the state, to the state  
34 department of transportation, for the fiscal year beginning  
35 July 1, 1996, and ending June 30, 1997, two million dollars,

1 to be used for acquiring, constructing, and improving  
2 recreational trails in accordance with chapter 465B.

3 Sec. 6. REPEAL. Section 312.2A, Code 1995, is repealed.

4 EXPLANATION

5 This bill appropriates moneys to the road use tax fund from  
6 several different sources. First, the bill allocates all  
7 moneys attributable to commercial vehicle violation citations  
8 issued by motor vehicle division personnel of the state  
9 department of transportation to the road use tax fund.  
10 Second, beginning July 1, 1996, and ending June 30, 2001, it  
11 allocates \$7 million annually from the sales tax imposed on  
12 motor vehicle parts, accessories, and equipment and motor  
13 vehicle service, maintenance, and repair to the road use tax  
14 fund. Third, the bill strikes section 312.2, subsection 18,  
15 which appropriates \$1,000,000 in road use tax fund moneys for  
16 recreational trails and repeals an outdated section requiring  
17 transfer of certain moneys in 1989. The bill appropriates  
18 \$2,000,000 for fiscal year 1996-1997 from the general fund of  
19 the state to the state department of transportation for  
20 recreational trails.

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**SENATE FILE 2128  
FISCAL NOTE**

A fiscal note for **Amendment S-5124 to Senate File 2128** 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.

Senate File 2128 relates to various aspects of the Road Use Tax Fund. Amendment S-5124 addresses the tax on leased vehicles. Under Amendment S-5124, the tax is based on the total lease price of the vehicle, including all monthly lease payments and the downpayment. Current law provides for taxation based on the value of the vehicle leased rather than that portion attributable to the lease. (This fiscal note applies only to the Amendment. A Notes on Bills and Amendments (NOBA) document is available on SF 2128.)

**ASSUMPTIONS**

The assumptions for the estimate of Amendment S-5124 are based on a study completed by the Barents Group, LLC of KPMG Peat Marwick, LLP. 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.

The estimate does not take into account automobile price inflation since 1995, or any offsets in other State and local government revenues.

**FISCAL IMPACT**

The following table shows the expected fiscal impact to the Road Use Tax Fund of Amendment S-5124 (in millions of dollars).

Fiscal Year	1997	1998	1999	2000	2001
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

PAGE 2 , FISCAL NOTE, SENATE FILE 2128

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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 3317xs, JAM)

FILED FEBRUARY 29, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

SEVENTY-SIXTH GENERAL ASSEMBLY  
1996 REGULAR SESSION  
DAILY  
SENATE CLIP SHEET

FEBRUARY 27, 1996

SENATE FILE 2128

S-5124

1 Amend Senate File 2128 as follows:

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

4 "Sec. \_\_\_\_\_. Section 331.557, subsection 3, Code  
5 1995, is amended to read as follows:

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

9 Sec. \_\_\_\_\_. Section 423.2, Code 1995, 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 five percent of the  
15 purchase price of the property. An excise tax is  
16 imposed on the use of leased vehicles at the rate of  
17 five percent of the amount otherwise subject to tax as  
18 calculated pursuant to section 423.7A. The excise tax  
19 is imposed upon every person using the property within  
20 this state until the tax has been paid directly to the  
21 county treasurer or the state department of  
22 transportation, to a retailer, or to the department.

23 An excise tax is imposed on the use in this state of  
24 services enumerated in section 422.43 at the rate of  
25 five percent. This tax is applicable where services  
26 are rendered, furnished, or performed in this state or  
27 where the product or result of the service is used in  
28 this state. This tax is imposed on every person using  
29 the services or the product of the services in this  
30 state until the user has paid the tax either to an  
31 Iowa use tax permit holder or to the department.

32 Sec. \_\_\_\_\_. Section 423.4, Code 1995, is amended by  
33 adding the following new subsection:

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

42 Sec. \_\_\_\_\_. Section 423.6, subsection 1, Code 1995,  
43 is amended to read as follows:

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

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Page 2

1 general fund.

2 Sec. \_\_\_\_ . NEW SECTION. 423.7A MOTOR VEHICLE

3 LEASE TAX.

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

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

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

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

38 Sec. \_\_\_\_ . Section 423.24, subsection 1, unnumbered  
39 paragraph 1, Code Supplement 1995, is amended to read  
40 as follows:

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

46 2. Page 2, by inserting after line 3 the  
47 following:

48 "Sec. \_\_\_\_ . APPLICABILITY. The section of this Act  
49 which enacts section 423.7A applies to leases entered  
50 into on or after July 1, 1996."

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Page 3

- 1 3. Title page, line 4, by inserting after the
- 2 word "revenues," the following: "providing for use
- 3 tax payments for leased vehicles,".
- 4 4. Title page, line 5, by inserting after the
- 5 word "state" the following: ", and providing an
- 6 applicability provision".
- 7 5. By renumbering as necessary.

By MICHAEL E. GRONSTAL

S-5124 FILED FEBRUARY 26, 1996

*Adopted 3-5-96*  
*(p. 639)*

## SENATE FILE 2128

S-5148

- 1 Amend Senate File 2128 as follows:
- 2 1. Page 1, line 29, by striking the figure
- 3 "422.43" and inserting the following: "422.43. This
- 4 seven million dollar allocation to the road use tax
- 5 fund is based upon the estimated revenue received from
- 6 sales tax imposed".

By MICHAEL E. GRONSTAL

S-5148 FILED FEBRUARY 29, 1996

*Adopted 3-5-96*  
*(p. 639)*

## SENATE FILE 2128

S-5212

- 1 Amend Senate File 2128 as follows:
- 2 1. Page 2, line 2, by inserting after the figure
- 3 "465B." the following: "A minimum of fifty percent of
- 4 the appropriation shall be used for acquisition and
- 5 construction of new recreational trails and the
- 6 remainder shall be used for maintenance of existing
- 7 recreational trails."

By DERRYL McLAREN  
 LARRY MURPHY  
 MICHAEL E. GRONSTAL

S-5212 FILED MARCH 5, 1996

ADOPTED

*(p. 639)*



1 Section 1. Section 312.2, subsection 18, Code 1995, is  
2 amended by striking the subsection.

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

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

7 Sec. 3. Section 423.2, Code 1995, is amended to read as  
8 follows:

9 423.2 IMPOSITION OF TAX.

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

28 Sec. 4. Section 423.4, Code 1995, is amended by adding the  
29 following new subsection:

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

1 vehicle is subject to taxation under section 423.7A.

2 Sec. 5. Section 423.6, subsection 1, Code 1995, is amended  
3 to read as follows:

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

11 Sec. 6. NEW SECTION. 423.7A MOTOR VEHICLE LEASE TAX.

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

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

34 3. On or before the tenth day of each month the county  
35 treasurer or the state department of transportation shall

1 remit to the department the amount of the taxes collected  
2 during the preceding month.

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

7 Sec. 7. Section 423.24, subsection 1, unnumbered paragraph  
8 1, Code Supplement 1995, is amended to read as follows:

9 Eighty percent of all revenues derived from the use tax on  
10 motor vehicles, trailers, and motor vehicle accessories and  
11 equipment as collected pursuant to section 423.7 and section  
12 423.7A shall be deposited and credited as follows:

13 Sec. 8. Section 602.8108, subsection 2, Code 1995, is  
14 amended to read as follows:

15 2. Except as otherwise provided, the clerk of the district  
16 court shall report and submit to the state court  
17 administrator, not later than the fifteenth day of each month,  
18 the fines and fees received during the preceding calendar  
19 month. Except as provided in subsections 4 and 5,  
20 the state court administrator shall deposit the amounts  
21 received with the treasurer of state for deposit in the  
22 general fund of the state. The state court administrator  
23 shall report to the legislative fiscal bureau within thirty  
24 days of the beginning of each fiscal quarter the amount  
25 received during the previous quarter in the account  
26 established under this section.

27 Sec. 9. Section 602.8108, Code 1995, is amended by adding  
28 the following new subsection:

29 NEW SUBSECTION. 5. The state court administrator shall  
30 allocate all of the fines and fees attributable to commercial  
31 vehicle violation citations issued by motor vehicle division  
32 personnel of the state department of transportation to the  
33 treasurer of state for deposit in the road use tax fund.

34 Sec. 10. ROAD USE TAX FUND ALLOCATION -- SALES TAX  
35 REVENUES. Notwithstanding section 422.43, subsection 8,

1 beginning July 1, 1996, and ending June 30, 2001, the  
2 treasurer of state shall credit annually to the road use tax  
3 fund created under section 312.1, the first seven million  
4 dollars received from sales tax imposed under section 422.43.  
5 This seven million dollar allocation to the road use tax fund  
6 is based upon the estimated revenue received from sales tax  
7 imposed on motor vehicle parts, accessories, and equipment and  
8 motor vehicle service, maintenance, and repair.

9     Sec. 11. APPROPRIATION -- RECREATIONAL TRAILS. There is  
10 appropriated from the general fund of the state, to the state  
11 department of transportation, for the fiscal year beginning  
12 July 1, 1996, and ending June 30, 1997, two million dollars,  
13 to be used for acquiring, constructing, and improving  
14 recreational trails in accordance with chapter 465B. A  
15 minimum of fifty percent of the appropriation shall be used  
16 for acquisition and construction of new recreational trails  
17 and the remainder shall be used for maintenance of existing  
18 recreational trails.

19     Sec. 12. REPEAL. Section 312.2A, Code 1995, is repealed.

20     Sec. 13. APPLICABILITY. The section of this Act which  
21 enacts section 423.7A applies to leases entered into on or  
22 after July 1, 1996.

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