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SENATE FILE 345  
BY JENSEN and BORLAUG

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the foundation property tax levy and increase  
2 in and the funding of the foundation base for purposes of the  
3 state school foundation program, the increase in the state  
4 sales, services, use, and the automobile rental excise taxes,  
5 making appropriations, and providing effective date and  
6 applicability provisions.

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

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S.F. 345

1 Section 1. Section 257.3, subsection 1, Code 1995, is  
2 amended to read as follows:

3 1. AMOUNT OF TAX. Except as provided in subsections 1A,  
4 2, and 3, a school district shall cause to be levied each  
5 year, for the school general fund, a foundation property tax  
6 equal to five dollars and forty cents per thousand dollars of  
7 assessed valuation on all taxable property in the district.  
8 The county auditor shall spread the foundation levy over all  
9 taxable property in the district.

10 Sec. 2. Section 257.3, Code 1995, is amended by adding the  
11 following new subsection:

12 NEW SUBSECTION. 1A.

13 a. For the budget year commencing July 1, 1995, and each  
14 succeeding budget year, there is appropriated from the general  
15 fund of the state to the department of management the amount  
16 determined in paragraph "b" for the purpose of providing  
17 additional state aid during the budget year as provided in  
18 this section.

19 b. The amount to be appropriated shall be the estimated  
20 state general fund revenues to be collected during the budget  
21 year from two cents of the state sales, services, and use  
22 taxes. The department shall determine this amount by March 25  
23 of the base year based upon the latest revenue estimates of  
24 the revenue estimating conference. The moneys appropriated  
25 shall be used as provided in paragraph "c".

26 c. The appropriation in this section shall be used to  
27 reduce uniformly the foundation property tax rate to be levied  
28 under this section so that the amount raised by this new  
29 foundation property tax rate plus the amount appropriated in  
30 paragraph "a" equals the amount that would have been raised by  
31 the foundation property tax rate specified in subsection 1.  
32 The department of management shall make the calculation and  
33 notify each school district of the new rate by April 1 of the  
34 base year. The department shall pay one-half of this  
35 additional state aid to each school district in September and

1 one-half in March of the budget year.

2 For purposes of this chapter and other statutes that refer  
3 to the foundation property tax or revenues raised by the  
4 foundation property tax, the amount of state aid provided in  
5 this paragraph shall be considered as foundation property tax.

6 d. If the amount of the appropriation is in excess of the  
7 amount needed to reduce the foundation property tax rate under  
8 paragraph "c" to zero, the excess shall be paid to school  
9 districts as additional state aid by increasing by equal  
10 percentage points the regular program and special education  
11 support services foundation bases so that any excess amounts  
12 are eliminated.

13 e. All state aid payments and calculations are based upon  
14 estimates and are not designed to be exact.

15 Sec. 3. Section 327I.26, Code 1995, is amended to read as  
16 follows:

17 327I.26 APPROPRIATION TO AUTHORITY.

18 Notwithstanding section 423.24 and prior to the application  
19 of section 423.24, subsection 1, paragraph "d", there shall be  
20 deposited into the general fund of the state and is  
21 appropriated to the authority from ~~eighty-percent~~ four-  
22 sevenths of the revenues derived from the operation of section  
23 423.7 the amounts certified by the authority under section  
24 327I.25. However, the total amount deposited into the general  
25 fund and appropriated to the Iowa railway finance authority  
26 under this section shall not exceed two million dollars  
27 annually. Moneys appropriated to the Iowa railway finance  
28 authority under this section are appropriated only for the  
29 payment of principal and interest on obligations or the  
30 payment of leases guaranteed by the authority as provided  
31 under section 327I.25.

32 Sec. 4. Section 422.43, subsections 1, 2, 4, 5, 6, 7, and  
33 10, Code 1995, are amended to read as follows:

34 1. There is imposed a tax of ~~five~~ seven percent upon the  
35 gross receipts from all sales of tangible personal property,

1 consisting of goods, wares, or merchandise, except as  
2 otherwise provided in this division, sold at retail in the  
3 state to consumers or users; a like rate of tax upon the gross  
4 receipts from the sales, furnishing, or service of gas,  
5 electricity, water, heat, pay television service, and  
6 communication service, including the gross receipts from such  
7 sales by any municipal corporation or joint water utility  
8 furnishing gas, electricity, water, heat, pay television  
9 service, and communication service to the public in its  
10 proprietary capacity, except as otherwise provided in this  
11 division, when sold at retail in the state to consumers or  
12 users; a like rate of tax upon the gross receipts from all  
13 sales of tickets or admissions to places of amusement, fairs,  
14 and athletic events except those of elementary and secondary  
15 educational institutions; a like rate of tax on the gross  
16 receipts from an entry fee or like charge imposed solely for  
17 the privilege of participating in an activity at a place of  
18 amusement, fair, or athletic event unless the gross receipts  
19 from the sales of tickets or admissions charges for observing  
20 the same activity are taxable under this division; and a like  
21 rate of tax upon that part of private club membership fees or  
22 charges paid for the privilege of participating in any  
23 athletic sports provided club members.

24 2. There is imposed a tax of five seven percent upon the  
25 gross receipts derived from the operation of all forms of  
26 amusement devices and games of skill, games of chance,  
27 raffles, and bingo games as defined in chapter 99B, operated  
28 or conducted within the state, the tax to be collected from  
29 the operator in the same manner as for the collection of taxes  
30 upon the gross receipts of tickets or admission as provided in  
31 this section. The tax shall also be imposed upon the gross  
32 receipts derived from the sale of lottery tickets or shares  
33 pursuant to chapter 99E. The tax on the lottery tickets or  
34 shares shall be included in the sales price and distributed to  
35 the general fund as provided in section 99E.10.

1 4. There is imposed a tax of five seven percent upon the  
2 gross receipts from the sales of engraving, photography,  
3 retouching, printing, and binding services. For the purpose  
4 of this division, the sales of engraving, photography,  
5 retouching, printing, and binding services are sales of  
6 tangible property.

7 5. There is imposed a tax of five seven percent upon the  
8 gross receipts from the sales of vulcanizing, recapping, and  
9 retreading services. For the purpose of this division, the  
10 sales of vulcanizing, recapping, and retreading services are  
11 sales of tangible property.

12 6. There is imposed a tax of five seven percent upon the  
13 gross receipts from the sales of optional service or warranty  
14 contracts which provide for the furnishing of labor and  
15 materials and require the furnishing of any taxable service  
16 enumerated under this section. The gross receipts are subject  
17 to tax even if some of the services furnished are not  
18 enumerated under this section. For the purpose of this  
19 division, the sale of an optional service or warranty contract  
20 is a sale of tangible personal property. Additional sales,  
21 services, or use taxes shall not be levied on services, parts,  
22 or labor provided under optional service or warranty contracts  
23 which are subject to tax under this section.

24 7. There is imposed a tax of five seven percent upon the  
25 gross receipts from the renting of rooms, apartments, or  
26 sleeping quarters in a hotel, motel, inn, public lodging  
27 house, rooming house, mobile home which is tangible personal  
28 property, or tourist court, or in any place where sleeping  
29 accommodations are furnished to transient guests for rent,  
30 whether with or without meals. "Renting" and "rent" include  
31 any kind of direct or indirect charge for such rooms,  
32 apartments, or sleeping quarters, or their use. For the  
33 purposes of this division, such renting is regarded as a sale  
34 of tangible personal property at retail. However, this tax  
35 does not apply to the gross receipts from the renting of a

1 room, apartment, or sleeping quarters while rented by the same  
2 person for a period of more than thirty-one consecutive days.

3 10. There is imposed a tax of five seven percent upon the  
4 gross receipts from the rendering, furnishing, or performing  
5 of services as defined in section 422.42.

6 Sec. 5. Section 422.43, subsection 12, unnumbered  
7 paragraph 1, Code 1995, is amended to read as follows:

8 A tax of five seven percent is imposed upon the gross  
9 receipts from all sales of tangible personal property,  
10 consisting of goods, wares, or merchandise, except as  
11 otherwise provided in this division, sold at retail in the  
12 state to consumers or users within the state by retailers that  
13 meet any of the following criteria:

14 Sec. 6. Section 422.43, subsection 13, paragraph a,  
15 unnumbered paragraph 1, Code 1995, is amended to read as  
16 follows:

17 A tax of five seven percent is imposed upon the gross  
18 receipts from the sales, furnishing, or service of solid waste  
19 collection and disposal service.

20 Sec. 7. Section 422.47, subsection 2, Code 1995, is  
21 amended to read as follows:

22 2. Construction contractors may make application to the  
23 department for a refund of the additional one two percent tax  
24 paid under this division or the additional one two percent tax  
25 paid under chapter 423 by reason of the increase in the tax  
26 from ~~four-to~~ five to seven percent for taxes paid on goods,  
27 wares, or merchandise under the following conditions:

28 a. The goods, wares, or merchandise are incorporated into  
29 an improvement to real estate in fulfillment of a written  
30 contract fully executed prior to July 1, ~~1992~~ 1995. The  
31 refund shall not apply to equipment transferred in fulfillment  
32 of a mixed construction contract.

33 b. The contractor has paid to the department or to a  
34 retailer the full five seven percent tax.

35 c. The claim is filed on forms provided by the department

1 and is filed within one year of the date the tax is paid.

2 A contractor who makes an erroneous application for refund  
3 shall be liable for payment of the excess refund paid plus  
4 interest at the rate in effect under section 421.7. In  
5 addition, a contractor who willfully makes a false application  
6 for refund is guilty of a simple misdemeanor and is liable for  
7 a penalty equal to fifty percent of the excess refund claimed.  
8 Excess refunds, penalties, and interest due under this  
9 subsection may be enforced and collected in the same manner as  
10 the tax imposed by this division.

11 Sec. 8. Section 422C.3, subsection 1, Code 1995, is  
12 amended to read as follows:

13 1. A tax of ~~five~~ seven percent is imposed upon the rental  
14 price of an automobile if the rental transaction is subject to  
15 the sales and services tax under chapter 422, division IV, or  
16 the use tax under chapter 423. The tax shall not be imposed  
17 on any rental transaction not taxable under the state sales  
18 and services tax, as provided in section 422.45, or the state  
19 use tax, as provided in section 423.4, on automobile rental  
20 receipts.

21 Sec. 9. Section 423.2, Code 1995, is amended to read as  
22 follows:

23 423.2 IMPOSITION OF TAX.

24 An excise tax is imposed on the use in this state of  
25 tangible personal property purchased for use in this state, at  
26 the rate of ~~five~~ seven percent of the purchase price of the  
27 property. The excise tax is imposed upon every person using  
28 the property within this state until the tax has been paid  
29 directly to the county treasurer or the state department of  
30 transportation, to a retailer, or to the department. An  
31 excise tax is imposed on the use in this state of services  
32 enumerated in section 422.43 at the rate of ~~five~~ seven  
33 percent. This tax is applicable where services are rendered,  
34 furnished, or performed in this state or where the product or  
35 result of the service is used in this state. This tax is

1 imposed on every person using the services or the product of  
2 the services in this state until the user has paid the tax  
3 either to an Iowa use tax permit holder or to the department.

4 Sec. 10. Section 423.24, subsection 1, unnumbered  
5 paragraph 1, Code 1995, is amended to read as follows:

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

10 Sec. 11. Section 423.24, subsection 2, Code 1995, is  
11 amended to read as follows:

12 2. Twenty-percent One-seventh of all revenue derived from  
13 the use tax on motor vehicles, trailers, and motor vehicle  
14 accessories and equipment as collected pursuant to section  
15 423.7 shall be deposited in the GAAP deficit reduction account  
16 established in the department of management pursuant to  
17 section 8.57, subsection 2, and shall be used in accordance  
18 with the provisions of that section.

19 Sec. 12. APPLICABILITY. This section applies in regard to  
20 the increase in the state sales, services, and use taxes from  
21 five to seven percent. The seven percent rate applies to all  
22 sales of taxable personal property, consisting of goods,  
23 wares, or merchandise if delivery occurs on or after July 1,  
24 1995. The use tax rate of seven percent applies to motor  
25 vehicles subject to registration which are registered on or  
26 after July 1, 1995. The seven percent use tax rate applies to  
27 the use of property when the first taxable use in this state  
28 occurs on or after July 1, 1995. The seven percent rate  
29 applies to the gross receipts from the sale, furnishing, or  
30 service of gas, electricity, water, heat, pay television  
31 service, and communication service if the date of billing the  
32 customer is on or after July 1, 1995. In the case of a  
33 service contract entered into prior to July 1, 1995, which  
34 contract calls for periodic payments, the seven percent rate  
35 applies to those payments made or due on or after July 1,

1 1995. This periodic payment applies, but is not limited to,  
2 tickets or admissions, private club membership fees, sources  
3 of amusement, equipment rental, dry cleaning, reducing salons,  
4 dance schools, and all other services subject to tax, except  
5 the aforementioned utility services which are subject to a  
6 special transitional rule. Unlike periodic payments under  
7 service contracts, installment sales of goods, wares, and  
8 merchandise are subject to the full amount of sales or use tax  
9 when the sales contract is entered into or the property is  
10 first used in Iowa.

11 Sec. 13. Sections 3, 10, and 11 of this Act apply to the  
12 revenues derived from the seven percent use tax on motor  
13 vehicles, trailers, and motor vehicle accessories and  
14 equipment that are collected on and after July 1, 1995,  
15 pursuant to section 423.7.

16 Sec. 14. Sections 1 and 2 of this Act, being deemed of  
17 immediate importance, take effect upon enactment and apply to  
18 school budget years commencing on or after July 1, 1995.

19 EXPLANATION

20 The bill reduces the rate of the foundation property tax  
21 which each school district must levy under the state school  
22 foundation aid program. The amount of the reduction is based  
23 upon the revenues from the two cent sales and use tax increase  
24 and these revenues are appropriated to pay each school  
25 district for the reduction in its foundation property tax  
26 revenues. If the state appropriation is in excess of the  
27 amount to totally reduce the foundation property tax rate to  
28 zero, the excess shall be used to fund an increase in the  
29 foundation base level of the regular program state cost per  
30 pupil and the special education support services state cost  
31 per pupil. This will result in an increase in state aid and a  
32 reduction in property taxes. The bill also increases from 5  
33 to 7 percent the state sales and use tax rates to provide  
34 funding for the increased state aid payments.

35 The sales and use tax increases are effective July 1, 1995,

1 and the changes in the foundation property tax and foundation  
2 base are effective immediately and apply to budget years  
3 commencing July 1, 1995.

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