

JAN 15 1997
WAYS AND MEANS

HOUSE FILE 26
BY DODERER

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

A BILL FOR

1 An Act relating to the reduction in the sales, services, and use
2 and rental and lease excise tax rates from five percent to
3 four percent and providing applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 26

1 Section 1. Section 422.43, subsections 1, 2, 4, 5, 6, 7,
2 and 10, Code 1997, are amended to read as follows:

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

28 2. There is imposed a tax of ~~five~~ four percent upon the
29 gross receipts derived from the operation of all forms of
30 amusement devices and games of skill, games of chance,
31 raffles, and bingo games as defined in chapter 99B, operated
32 or conducted within the state, the tax to be collected from
33 the operator in the same manner as for the collection of taxes
34 upon the gross receipts of tickets or admission as provided in
35 this section. The tax shall also be imposed upon the gross

1 receipts derived from the sale of lottery tickets or shares
2 pursuant to chapter 99E. The tax on the lottery tickets or
3 shares shall be included in the sales price and distributed to
4 the general fund as provided in section 99E.10.

5 4. There is imposed a tax of ~~five~~ four percent upon the
6 gross receipts from the sales of engraving, photography,
7 retouching, printing, and binding services. For the purpose
8 of this division, the sales of engraving, photography,
9 retouching, printing, and binding services are sales of
10 tangible property.

11 5. There is imposed a tax of ~~five~~ four percent upon the
12 gross receipts from the sales of vulcanizing, recapping, and
13 retreading services. For the purpose of this division, the
14 sales of vulcanizing, recapping, and retreading services are
15 sales of tangible property.

16 6. There is imposed a tax of ~~five~~ four percent upon the
17 gross receipts from the sales of optional service or warranty
18 contracts, except residential service contracts regulated
19 under chapter 523C, which provide for the furnishing of labor
20 and materials and require the furnishing of any taxable
21 service enumerated under this section. The gross receipts are
22 subject to tax even if some of the services furnished are not
23 enumerated under this section. For the purpose of this
24 division, the sale of an optional service or warranty
25 contract, other than a residential service contract regulated
26 under chapter 523C, is a sale of tangible personal property.
27 Additional sales, services, or use taxes shall not be levied
28 on services, parts, or labor provided under optional service
29 or warranty contracts which are subject to tax under this
30 section.

31 7. There is imposed a tax of ~~five~~ four percent upon the
32 gross receipts from the renting of rooms, apartments, or
33 sleeping quarters in a hotel, motel, inn, public lodging
34 house, rooming house, mobile home which is tangible personal
35 property, or tourist court, or in any place where sleeping

1 accommodations are furnished to transient guests for rent,
2 whether with or without meals. "Renting" and "rent" include
3 any kind of direct or indirect charge for such rooms,
4 apartments, or sleeping quarters, or their use. For the
5 purposes of this division, such renting is regarded as a sale
6 of tangible personal property at retail. However, this tax
7 does not apply to the gross receipts from the renting of a
8 room, apartment, or sleeping quarters while rented by the same
9 person for a period of more than thirty-one consecutive days.

10 10. There is imposed a tax of ~~five~~ four percent upon the
11 gross receipts from the rendering, furnishing, or performing
12 of services as defined in section 422.42.

13 Sec. 2. Section 422.43, subsection 13, paragraph a,
14 unnumbered paragraph 1, Code 1997, is amended to read as
15 follows:

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

19 Sec. 3. Section 422C.3, subsection 1, Code 1997, is
20 amended to read as follows:

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

29 Sec. 4. Section 423.2, Code 1997, is amended to read as
30 follows:

31 423.2 IMPOSITION OF TAX.

32 An excise tax is imposed on the use in this state of
33 tangible personal property purchased for use in this state, at
34 the rate of ~~five~~ four percent of the purchase price of the
35 property. An excise tax is imposed on the use of leased

1 vehicles at the rate of ~~five~~ four percent of the amount.
2 otherwise subject to tax as calculated pursuant to section
3 423.7A. The excise tax is imposed upon every person using the
4 property within this state until the tax has been paid
5 directly to the county treasurer or the state department of
6 transportation, to a retailer, or to the department. An
7 excise tax is imposed on the use in this state of services
8 enumerated in section 422.43 at the rate of ~~five~~ four percent.
9 This tax is applicable where services are rendered, furnished,
10 or performed in this state or where the product or result of
11 the service is used in this state. This tax is imposed on
12 every person using the services or the product of the services
13 in this state until the user has paid the tax either to an
14 Iowa use tax permit holder or to the department.

15 Sec. 5. APPLICABILITY. This section applies in regard to
16 the decrease in the state sales, services, and use taxes from
17 five to four percent. The four percent rate applies to all
18 sales of taxable personal property, consisting of goods,
19 wares, or merchandise if delivery occurs on or after July 1,
20 1997. The use tax rate of four percent applies to motor
21 vehicles subject to registration which are registered on or
22 after July 1, 1997. The four percent use tax rate applies to
23 the use of property when the first taxable use in this state
24 occurs on or after July 1, 1997. The four percent rate
25 applies to the gross receipts from the sale, furnishing, or
26 service of gas, electricity, water, heat, pay television
27 service, and communication service if the date of billing the
28 customer is on or after July 1, 1997. In the case of a
29 service contract entered into prior to July 1, 1997, which
30 contract calls for periodic payments, the four percent rate
31 applies to those payments made or due on or after July 1,
32 1997. This periodic payment applies, but is not limited to,
33 tickets or admissions, private club membership fees, sources
34 of amusement, equipment rental, dry cleaning, reducing salons,
35 dance schools, and all other services subject to tax, except

1 the aforementioned utility services which are subject to a
 2 special transitional rule. Unlike periodic payments under
 3 service contracts, installment sales of goods, wares, and
 4 merchandise are subject to the full amount of sales or use tax
 5 when the sales contract is entered into or the property is
 6 first used in Iowa.

EXPLANATION

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 8 The bill reduces the state sales and use tax rate from five
 9 to four percent and makes corresponding changes in the rates
 10 for certain rentals and leases of motor vehicles.

11 The bill specifies that the four percent rate applies to
 12 sales of property delivered on or after July 1, 1997. The
 13 four percent rate applies to utilities where billings occur on
 14 or after July 1, 1997, applies to motor vehicles registered on
 15 or after July 1, 1997, and applies to periodic payments made
 16 on or after July 1, 1997, under contracts calling for periodic
 17 payments.

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