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WAYS AND MEANS

HOUSE FILE
BY DRAKE

2347

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

A BILL FOR

1 An Act relating to the local option sales and services tax and
2 its repeal, change in use of the tax revenues, and the method
3 of providing property tax relief from those tax revenues and
4 including an effective date.

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

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HF 2347

1 Section 1. Section 422B.1, subsections 3 and 5, Code
2 Supplement 1999, are amended to read as follows:

3 3. A local option tax shall be imposed only after an
4 election at which a majority of those voting on the question
5 favors imposition and shall then be imposed until repealed as
6 provided in subsection ~~67-paragraph-"a"~~ 8A or 9, as
7 applicable. If the tax is a local vehicle tax imposed by a
8 county, it shall apply to all incorporated and unincorporated
9 areas of the county. If the tax is a local sales and services
10 tax imposed by a county, it shall only apply to those
11 incorporated areas and the unincorporated area of that county
12 in which a majority of those voting in the area on the tax
13 favors its imposition. For purposes of the local sales and
14 services tax, all cities contiguous to each other shall be
15 treated as part of one incorporated area and the tax would be
16 imposed in each of those contiguous cities only if the
17 majority of those voting in the total area covered by the
18 contiguous cities favors its imposition. For purposes of the
19 local sales and services tax, a city is not contiguous to
20 another city if the only road access between the two cities is
21 through another state.

22 5. The county commissioner of elections shall submit the
23 question of imposition of a local option tax at a state
24 general election or at a special election held at any time
25 other than the time of a city regular election. The election
26 shall not be held sooner than sixty days after publication of
27 notice of the ballot proposition. The ballot proposition
28 shall specify the type and rate of tax and in the case of a
29 vehicle tax the classes that will be exempt and in the case of
30 a local sales and services tax the date it will be imposed.
31 The ballot proposition shall also specify the approximate
32 amount of local option tax revenues that will be used for
33 property tax relief and shall contain a statement as to the
34 specific purpose-or-purposes use or uses for which the
35 revenues shall otherwise be expended. If the county board of

1 supervisors ~~decides under subsection 6 to specify~~ or the
2 petition specifies a date on which the local option sales and
3 services tax shall automatically be repealed, the date of the
4 repeal shall also be specified on the ballot. The rate of the
5 vehicle tax shall be in increments of one dollar per vehicle
6 as set by the petition seeking to impose the tax. The rate of
7 a local sales and services tax shall not be more than one
8 percent as set by the governing body. The state commissioner
9 of elections shall establish by rule the form for the ballot
10 proposition which form shall be uniform throughout the state.

11 If a conflict exists between the content of the petition
12 containing the appropriate number of signatures, including
13 revenue allocation and repeal date, and the directions
14 provided to the commissioner of elections by the board of
15 supervisors, the content of the ballot shall be substantially
16 similar to the content of the petition.

17 Sec. 2. Section 422B.1, subsection 6, paragraph a, Code
18 1999, as amended by 1999 Iowa Acts, chapter 156, section 9, is
19 amended to read as follows:

20 a. If a majority of those voting on the question of
21 imposition of a local option tax ~~favor~~ favours imposition of a
22 local option tax, the governing body of that county shall
23 impose the tax at the rate specified for an unlimited period
24 unless a date of repeal is specified on the ballot. The
25 revenues from the local option tax shall be expended in the
26 use and in the manner specified on the most recent ballot
27 receiving approval of the incorporated or unincorporated area,
28 as appropriate. However, in the case of a local sales and
29 services tax, the county shall not impose the tax in any
30 incorporated area or the unincorporated area if the majority
31 of those voting on the tax in that area did not favor its
32 imposition. For purposes of the local sales and services tax,
33 all cities contiguous to each other shall be treated as part
34 of one incorporated area and the tax shall be imposed in each
35 of those contiguous cities only if the majority of those

1 voting on the tax in the total area covered by the contiguous
2 cities favored its imposition. The local option tax may be
3 repealed or the rate increased or decreased or the use thereof
4 changed after an election at which a majority of those voting
5 on the question of repeal or rate or use change favored the
6 repeal or rate or use change. The date on which the repeal,
7 rate, or use change is to take effect shall not be earlier
8 than ninety days following the election. The election at
9 which the question of repeal or rate or use change is offered
10 shall be called and held in the same manner and under the same
11 conditions as provided in subsections 4 and 5 for the election
12 on the imposition of the local option tax. However, in the
13 case of a local sales and services tax where the tax has not
14 been imposed countywide, the question of repeal or imposition
15 or rate or use change shall be voted on only by the registered
16 voters of the areas of the county where the tax has been
17 imposed or has not been imposed, as appropriate. However, the
18 governing body of the incorporated area or unincorporated area
19 where the local sales and services tax is imposed may, upon
20 its own motion, request the county commissioner of elections
21 to hold an election in the incorporated or unincorporated
22 area, as appropriate, on the question of the change in use of
23 local sales and services tax revenues. The election may be
24 held at any time but not sooner than sixty days following
25 publication of the ballot proposition. If a majority of those
26 voting in the incorporated or unincorporated area on the
27 change in use favor the change, the governing body of that
28 area shall change the use to which the revenues shall be used.
29 The ballot proposition shall list the present use of the
30 revenues, the proposed use, and the date after which revenues
31 received will be used for the new use.

32 When submitting the question of the imposition of a local
33 sales and services tax, the county board of supervisors may
34 direct that the question contain a provision for the repeal,
35 without election, of the local sales and services tax on a

~~1 specific date, which date shall be as provided in section~~
~~2 422B.9, subsection 1.~~

3 Sec. 3. Section 422B.1, Code Supplement 1999, is amended
4 by adding the following new subsection:

5 NEW SUBSECTION. 8A. A local vehicle tax may be repealed,
6 the rate increased or decreased, or the use changed after an
7 election at which a majority of those voting on the question
8 of the repeal or rate or use change favors the repeal or rate
9 or use change. The date on which the repeal, rate, or use
10 change is to take effect shall not be earlier than ninety days
11 following the election. The election shall be called and held
12 in the same manner and under the same conditions as provided
13 in subsections 4 and 5 for the election on the imposition of
14 the local vehicle tax. If the ballot proposition on the
15 question of imposing the tax specified the date of repeal of
16 the local vehicle tax, a subsequent election on its repeal is
17 not required and the tax is repealed as specified in the
18 ballot proposition.

19 Sec. 4. Section 422B.1, subsection 9, Code 1999, as
20 amended by 1999 Iowa Acts, chapter 156, section 11, is amended
21 by striking the subsection and inserting in lieu thereof the
22 following:

23 9. a. A local sales and services tax is repealed on the
24 date specified on the ballot which imposed the tax. If the
25 ballot proposition did not specify a date for the repeal, a
26 local sales and services tax shall be repealed as provided in
27 this subsection. The use of the revenues from a local sales
28 and services tax may be changed as provided in this
29 subsection.

30 b. The board of supervisors shall repeal the local sales
31 and services tax in the unincorporated areas or in an
32 incorporated area in which the tax has been imposed, thirty
33 days after adoption by the board of supervisors of its own
34 motion for repeal in the unincorporated areas or thirty days
35 after receipt by the board of supervisors of a motion adopted

1 by the governing body of that incorporated area requesting
2 repeal, unless a petition containing the required number of
3 signatures is received by the board of supervisors, within
4 thirty days of the adoption or receipt of the motion for
5 repeal, seeking an election on the approval or disapproval of
6 the repeal of the local sales and services tax. The petition
7 shall be signed by eligible electors of the unincorporated or
8 incorporated area of the county where the tax is to be
9 repealed equal in number to five percent of the persons in the
10 unincorporated or incorporated area of the county where the
11 tax is to be repealed who voted at the last preceding state
12 general election. Upon receipt of a petition seeking an
13 election on the question of repeal, the board of supervisors
14 or governing body of the incorporated area shall, within
15 thirty days following receipt of the petition, either rescind
16 its action to repeal or direct the county commissioner of
17 elections to submit the question of approval or disapproval of
18 the repeal of the tax to the registered voters of the area
19 where the tax is to be repealed. The board of supervisors
20 shall repeal the local sales and services tax effective as
21 provided in section 422B.9, subsection 1, following the
22 expiration of the thirty days allowed for submission of a
23 petition after the board of supervisors adopted the repeal
24 motion or the motion for repeal was received. If the question
25 of repeal is submitted to the registered voters, the board of
26 supervisors shall repeal the local sales and services tax as
27 provided in section 422B.9, subsection 1, following a
28 favorable election. For purposes of this subsection,
29 incorporated area includes an incorporated city which is
30 contiguous to another incorporated city.

31 c. The use of the local sales and services tax revenues
32 may be changed as follows:

33 (1) The governing body of the incorporated area or the
34 board of supervisors for the unincorporated area where the
35 local sales and services tax is imposed may, upon its own

1 motion, request the county commissioner of elections to hold
2 an election in the incorporated or unincorporated area, as
3 applicable, on the question of the change in use of local
4 sales and services tax revenues. The county commissioner of
5 elections shall submit the question on the approval or
6 disapproval of change of use, as provided in this subsection
7 and subsections 4 and 5 for the election on the imposition of
8 the local sales and services tax, to the registered voters of
9 the incorporated or unincorporated area, as applicable, where
10 the use of local sales and services tax revenues may be
11 changed.

12 (2) A county board of supervisors shall direct the county
13 commissioner of elections to submit the question of approval
14 or disapproval of the change of use of local sales and
15 services tax revenues to the registered voters of the
16 incorporated or unincorporated areas, as applicable, of the
17 county, within thirty days of the receipt of a petition
18 requesting the change in use of local sales and services tax
19 revenues, signed by eligible electors of the incorporated or
20 unincorporated area of the county where the change in use is
21 to occur equal in number to five percent of the persons in the
22 incorporated or unincorporated area of the county where the
23 change in use is to occur who voted at the last preceding
24 state general election. The election shall be held as
25 provided in this subsection and subsection 5 for the
26 imposition of a local sales and services tax.

27 (3) The ballot proposition for a change in use shall list
28 the present use of the revenues, the proposed use, and the
29 date after which revenues received will be used for the new
30 use. If a majority of those voting in the incorporated or
31 unincorporated area on the change in use favors the change,
32 the governing body of the incorporated or unincorporated area
33 shall change the use of the local sales and services tax on or
34 before the end of the calendar quarter in which the election
35 approving the change in use occurred.

1 Sec. 5. Section 422B.1, subsection 10, Code Supplement
2 1999, is amended to read as follows:

3 10. Notwithstanding subsection 9 or any other contrary
4 provision of this chapter, a local ~~option~~ sales and services
5 tax shall not be repealed or reduced in rate if obligations
6 are outstanding which are payable as provided in section
7 422B.12, unless funds sufficient to pay the principal,
8 interest, and premium, if any, on the outstanding obligations
9 at and prior to maturity have been properly set aside and
10 pledged for that purpose. Notwithstanding subsection 9, or
11 any other contrary provision of this chapter, the question of
12 repeal or change in use of a local sales and services tax
13 shall not be submitted to the registered voters of the
14 unincorporated or incorporated area of the county if
15 obligations are outstanding which are payable by the county or
16 city, as applicable, as provided in section 422B.12, unless
17 funds sufficient to pay the principal, interest, and premium,
18 if any, on the outstanding obligations at and prior to
19 maturity have been properly set aside and pledged for that
20 purpose. A governing body shall not incur obligations of its
21 allocation under section 422B.10 or section 422B.12 or
22 obligate local sales and services tax revenues in any other
23 manner before the imposition of the local sales and services
24 tax has been approved.

25 Sec. 6. NEW SECTION. 422B.10A COUNTY BUDGET ADJUSTMENT
26 CREDIT FUND.

27 1. a. Each county that has imposed a local sales and
28 services tax in the unincorporated area of the county shall
29 establish a budget adjustment credit fund. The county shall
30 deposit into the credit fund from revenues received from the
31 local sales and services tax imposed in the unincorporated
32 area an amount equal to the excess of the estimate calculated
33 in paragraph "b" over the amount calculated in paragraph "c".
34 If the amount calculated in paragraph "c" exceeds the estimate
35 calculated in paragraph "b", no revenues need be deposited

1 into the credit fund. The county may deposit more than the
2 amount required in this paragraph into the credit fund.

3 Moneys in the credit fund shall only be withdrawn
4 semiannually, one-half in September and one-half in March, to
5 reimburse the county for the credit provided in subsection 2.

6 b. Calculate the sum of the following:

7 (1) The estimated amount of revenues to be received in the
8 next fiscal year from the local sales and services tax imposed
9 in the unincorporated area which were designated on the ballot
10 proposition to be used for property tax relief.

11 (2) The amount of property taxes to be collected in the
12 next fiscal year from the levy certified for rural county
13 services pursuant to section 331.423, subsection 2.

14 c. Calculate the amount of property taxes that would have
15 been collected in the next fiscal year if the levy certified
16 for rural county services was the maximum levy authorized
17 under section 331.423, subsection 2.

18 2. Based upon the estimated amount of moneys that will be
19 in the budget adjustment credit fund during the next fiscal
20 year, the board of supervisors shall compute a credit for each
21 parcel located in the unincorporated areas of the county as
22 follows:

23 a. Compute a credit rate by dividing the estimated amount
24 of moneys that will be in the credit fund during the next
25 fiscal year by the total taxable valuation in the
26 unincorporated areas of the county.

27 b. Multiply the credit rate computed in paragraph "a" by
28 the taxable valuation of each parcel. The resulting product
29 is the amount of credit against the rural county services levy
30 that the parcel shall receive for taxes payable in the next
31 fiscal year.

32 3. Computations to be made under this section shall be
33 completed by May 1 preceding the fiscal year during which a
34 county will receive revenues from the local sales and services
35 tax.

1 services tax is to be accomplished by means of an election.
2 The election may be called by the board of supervisors for the
3 unincorporated area or by the governing body of an
4 incorporated area requesting the change in use. The board of
5 supervisors shall call an election to submit the question of
6 the change in use in the unincorporated area or incorporated
7 area upon receipt of a petition requesting an election be held
8 on the change in use for the area. The ballot for the change
9 in use shall list the present use, the proposed use, and the
10 date after which the revenues received will be used for the
11 new use.

12 Any election held for the repeal or change in use requires
13 a simple majority in favor to pass.

14 Section 5 provides that the question of the repeal or the
15 change in use of the revenues of the local sales and services
16 tax shall not be submitted at an election if obligations
17 payable from those tax revenues are outstanding unless funds
18 sufficient to pay principal, interest, and premium, if any,
19 have been set aside and pledged for that purpose.

20 Section 6 provides that the board of supervisors grant
21 property tax credits to taxable property in the unincorporated
22 areas if the estimated amount of local sales and services tax
23 revenue to be received which is to be used for property tax
24 relief plus the amount of property taxes to be collected in
25 the unincorporated area from the levy for rural county
26 services exceed the amount of property taxes that could have
27 been collected if the maximum levy for rural county services
28 was imposed.

29 The bill takes effect upon enactment.

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