WAYS & MEANS
FILED FEB 2 1999

SENATE FILE 82
BY REDWINE

Passed Senate, Date ____________ Passed House, Date ____________
Vote: Ayes ______ Nays ______ Vote: Ayes ______ Nays ______
Approved ____________________________

A BILL FOR

An Act relating to the repeal of local option sales and services taxes.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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Section 1. Section 422B.1, subsections 3, 5, 6, and 10, Code 1999, are amended to read as follows:

3. A local option tax shall be imposed only after an election at which a majority of those voting on the question favors imposition and shall then be imposed until repealed as provided in subsection 6~~, paragraph "a"~~. If the tax is a local vehicle tax imposed by a county, it shall apply to all incorporated and unincorporated areas of the county. If the tax is a local sales and services tax imposed by a county, it shall only apply to those incorporated areas and the unincorporated area of that county in which a majority of those voting in the area on the tax favors its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favors its imposition. For purposes of the local sales and services tax, a city is not contiguous to another city if the only road access between the two cities is through another state.

5. The county commissioner of elections shall submit the question of imposition of a local option tax at a state general election or at a special election held at any time other than the time of a city regular election. The election shall not be held sooner than sixty days after publication of notice of the ballot proposition. The ballot proposition shall specify the type and rate of tax and in the case of a vehicle tax the classes that will be exempt and in the case of a local sales and services tax the date it will be imposed. The ballot proposition shall also specify the approximate amount of local option tax revenues that will be used for property tax relief and shall contain a statement as to the specific purpose or purposes for which the revenues shall otherwise be expended. ~~If~~ The ballot proposition shall also specify that the local sales and services tax shall

automatically be repealed after ten years. However, if the county board of supervisors decides under subsection 6 to specify ~~a~~ an earlier date on which the local option sales and services tax shall automatically be repealed, ~~the~~ that date of ~~the~~ repeal shall ~~also~~ be specified on the ballot. The rate of the vehicle tax shall be in increments of one dollar per vehicle as set by the petition seeking to impose the tax. The rate of a local sales and services tax shall not be more than one percent as set by the governing body. The state commissioner of elections shall establish by rule the form for the ballot proposition which form shall be uniform throughout the state.

6. a. If a majority of those voting on the question of imposition of a local option tax favor imposition of a local option tax, the governing body of that county shall impose the tax at the rate specified for an unlimited period, in the case of a local vehicle tax, and for a period of no more than ten years, in the case of a local sales and services tax. However, in the case of a local sales and services tax, the county shall not impose the tax in any incorporated area or the unincorporated area if the majority of those voting on the tax in that area did not favor its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax shall be imposed in each of those contiguous cities only if the majority of those voting on the tax in the total area covered by the contiguous cities favored its imposition. The local option tax may be repealed or the rate increased or decreased or the use thereof changed after an election at which a majority of those voting on the question of repeal or rate or use change favored the repeal or rate or use change. The election at which the question of repeal or rate or use change is offered shall be called and held in the same manner and under the same conditions as provided in subsections 4 and 5 for the election on the imposition of the

local option tax. However, in the case of a local sales and services tax where the tax has not been imposed countywide, the question of repeal or imposition or rate or use change shall be voted on only by the registered voters of the areas of the county where the tax has been imposed or has not been imposed, as appropriate. However, the governing body of the incorporated area or unincorporated area where the local sales and services tax is imposed may, upon its own motion, request the county commissioner of elections to hold an election in the incorporated or unincorporated area, as appropriate, on the question of the change in use of local sales and services tax revenues. The election may be held at any time but not sooner than sixty days following publication of the ballot proposition. If a majority of those voting in the incorporated or unincorporated area on the change in use favor the change, the governing body of that area shall change the use to which the revenues shall be used. The ballot proposition shall list the present use of the revenues, the proposed use, and the date after which revenues received will be used for the new use.

When submitting the question of the imposition of a local sales and services tax, the county board of supervisors may direct that the question contain a provision for the repeal, without election, of the local sales and services tax on a specific date, which date is earlier than the ten years specified in paragraph "c" and which date shall be the end of a calendar quarter.

b. Within ten days of the election at which a majority of those voting on the question favors the imposition, repeal, or change in the rate of a local option tax, the governing body shall give written notice to the director of revenue and finance or, in the case of a local vehicle tax, to the director of the department of transportation, of the result of the election.

c. Unless earlier repealed as provided in paragraph "a" of this subsection or subsection 9, a local sales and services tax is repealed as follows:

(1) If the tax is initially imposed on or after July 1, 1999, the tax is repealed ten years following imposition.

(2) If the tax was initially imposed prior to July 1, 1999, the tax is repealed as follows:

(a) In those areas where obligations payable as provided in section 422B.12 are not outstanding on July 1, 1999, the tax is repealed June 30, 2009.

(b) In those areas where obligations payable as provided in section 422B.12 are outstanding on July 1, 1999, the tax is repealed on June 30, 2009, or at the end of the first calendar quarter following the date the obligations are paid, whichever is later.

d. A tax may be extended beyond the applicable repeal date in paragraph "c", if an election is held and the voters approve the extension. The extended tax shall be automatically repealed in ten years unless earlier repealed. Any number of extensions are allowed.

10. Notwithstanding subsection 9 or any other contrary provision of this chapter, a local option sales and services tax shall not be repealed or reduced in rate if obligations are outstanding which are payable as provided in section 422B.12, unless funds sufficient to pay the principal, interest, and premium, if any, on the outstanding obligations at and prior to maturity have been properly set aside and pledged for that purpose. The restriction on repeals in this subsection does not apply to the repeal provisions in subsection 6, paragraph "c".

EXPLANATION

The bill provides for an automatic repeal of a local option sales and services tax in 10 years if the tax is initially imposed or extended on or after July 1, 1999. If a tax is already imposed on July 1, 1999, then the tax is repealed 10 years after July 1, 1999, in those areas with no obligations

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outstanding which are payable from the tax revenues. For those areas with such obligations outstanding, the tax is repealed 10 years after July 1, 1999, or when the obligations are paid, whichever is later. Taxes may be successively extended beyond the repeal for up to another 10 years upon election at which the voters approve the extension.

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