

MAR 20 2001  
WAYS AND MEANS

HOUSE FILE 660  
BY COMMITTEE ON LOCAL GOVERNMENT

(SUCCESSOR TO HF 197)

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

**A BILL FOR**

1 An Act relating to school infrastructure purposes and property  
2 tax relief by increasing state sales and use taxes,  
3 distributing the increased state sales and use tax revenues to  
4 school districts for school infrastructure purposes and  
5 property tax relief and including an effective date.

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

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HF 660

1 Section 1. NEW SECTION. 293.1 SCHOOL DISTRICT SALES AND  
2 USE TAX FUND.

3 1. A school district sales and use tax fund is created as  
4 a separate and distinct fund in the state treasury under the  
5 control of the department of revenue and finance. Moneys in  
6 the fund include revenues credited to the fund pursuant to  
7 section 422.69, subsection 2, and section 423.24,  
8 appropriations made to the fund and other moneys deposited  
9 into the fund. The moneys credited in a fiscal year to the  
10 fund shall be distributed as follows:

11 a. A school district located in whole or in part in a  
12 county that had in effect on March 31, 2001, the local sales  
13 and services tax for school infrastructure purposes under  
14 chapter 422E shall receive an amount equal to its guaranteed  
15 school infrastructure amount as calculated under subsection 2  
16 if the board of directors notifies the director of revenue and  
17 finance that the school district wants to receive its  
18 guaranteed school infrastructure amount. The notification  
19 shall be provided by July 1, 2001. If notification is not  
20 received by July 1, 2001, the school district shall receive  
21 moneys pursuant to paragraph "b". Nothing in this chapter  
22 shall prevent a school district from using its guaranteed  
23 school infrastructure amount to pay principle and interest on  
24 obligations issued pursuant to section 422E.4.

25 A school district receiving moneys pursuant to this  
26 paragraph shall cease to receive its guaranteed school  
27 infrastructure amount and shall receive moneys pursuant to  
28 paragraph "b" starting with the fiscal year immediately  
29 following the fiscal year in which occurs the end of the  
30 original ten-year period or the date listed on the original  
31 ballot proposition, whichever is the earlier, as provided in  
32 chapter 422E. A school district may adopt a plan, as provided  
33 in section 293.2, subsection 2, to anticipate moneys it will  
34 receive pursuant to paragraph "b". A school district  
35 receiving moneys pursuant to this paragraph may elect to

1 receive moneys pursuant to paragraph "b" by providing  
2 notification to receive moneys pursuant to paragraph "b" to  
3 the director of revenue and finance and the director of the  
4 department of management by February 15 preceding the fiscal  
5 year for which the election will apply. Once a school  
6 district makes this election it is irrevocable.

7     b. Moneys remaining after computations made pursuant to  
8 paragraph "a" shall be distributed to school districts not  
9 receiving moneys under paragraph "a" on a per student basis  
10 calculated by the director of revenue and finance by dividing  
11 the moneys available during the fiscal year by the combined  
12 actual enrollment for all school districts receiving  
13 distributions under this paragraph.

14     The combined actual enrollment for school districts, for  
15 purposes of this paragraph, shall be calculated by adding  
16 together the actual enrollment for each school district  
17 receiving distributions under this paragraph as determined by  
18 the department of management based on the actual enrollment  
19 figures reported by October 1 to the department of management  
20 by the department of education pursuant to section 257.6,  
21 subsection 1. The combined actual enrollment count shall be  
22 forwarded to the director of revenue and finance by March 1,  
23 annually, for purposes of supplying estimated tax payment  
24 figures and making estimated tax payments pursuant to  
25 subsection 3 for the following fiscal year.

26     2. a. For purposes of distributions under subsection 1,  
27 paragraph "a", the school district's guaranteed school  
28 infrastructure amount shall be calculated according to the  
29 following formula:

30     The district's guaranteed school infrastructure amount  
31 equals the product of the county guaranteed school  
32 infrastructure amount times the district's county actual  
33 enrollment divided by the county combined actual enrollment.

34     b. For purposes of the formula in paragraph "a":  
35     (1) "Base year" means the fiscal year beginning July 1,

1 2000.

2 (2) "Base year county taxable sales percentage" means the  
3 percentage that the taxable sales in the county during the  
4 base year is of the total state taxable sales during the base  
5 year.

6 (3) "County combined actual enrollment" means the actual  
7 enrollment figures determined by the department of management  
8 for the county based on the actual enrollment figures reported  
9 by October 1 to the department of management by the department  
10 of education pursuant to section 257.6, subsection 1.

11 (4) "County guaranteed school infrastructure amount" means  
12 an amount equal to the product of the county's chapter 422E  
13 proportionate share times the amount deposited in the school  
14 district sales and use tax fund for the current year times the  
15 current year county taxable sales percentage divided by the  
16 base year county taxable sales percentage.

17 (5) "County's chapter 422E proportionate share" means the  
18 percentage that the annualized revenues received in the county  
19 under chapter 422E for the base year is of one-fifth of the  
20 total state sales and use tax revenues collected for deposit  
21 into the general fund of the state for the base year.

22 (6) "Current year" means the fiscal year for which  
23 distributions under this section are being made.

24 (7) "Current year county taxable sales percentage" means  
25 the percentage that the taxable sales in the county during the  
26 current fiscal year is of the total state taxable sales during  
27 the current fiscal year.

28 (8) "District's county actual enrollment" means the actual  
29 enrollment of the school district that attends school in the  
30 county for which the county combined actual enrollment is  
31 determined.

32 (9) "Taxable sales" means sales subject to the state sales  
33 and services tax under chapter 422, division IV.

34 3. a. The director of revenue and finance within fifteen  
35 days of the beginning of each fiscal year shall send to each

1 school district an estimate of the amount of tax moneys each  
2 school district will receive for the year and for each quarter  
3 of the year. At the end of each quarter, the director may  
4 revise the estimates for the year and remaining quarters.

5 b. The director shall remit ninety-five percent of the  
6 estimated tax receipts for the school district to the school  
7 district on or before September 30 of the fiscal year and on  
8 or before the last day of each following quarter.

9 c. The director shall remit a final payment of the  
10 remainder of tax moneys due for the fiscal year before  
11 November 10 of the next fiscal year. If an overpayment has  
12 resulted during the previous fiscal year, the November payment  
13 shall be adjusted to reflect any overpayment.

14 d. If the distributions are to school districts described  
15 in subsection 1, paragraph "a", the payments to these school  
16 districts shall be done on a monthly basis beginning with the  
17 month of August.

18 Sec. 2. NEW SECTION. 293.2 USE OF SCHOOL DISTRICT SALES  
19 AND USE TAX FUND MONEYS.

20 1. A school district receiving moneys from the school  
21 district sales and use tax fund under section 293.1,  
22 subsection 1, paragraph "a", shall use the moneys as provided  
23 on the original ballot proposition pursuant to chapter 422E,  
24 for the payment of principal and interest on general  
25 obligation bonds issued pursuant to chapter 296, or section  
26 298.20 or loan agreements under section 297.36, for payments  
27 made pursuant to lease or lease-purchase agreements, or for  
28 payment of principal and interest on bonds issued under  
29 sections 293.3 and 422E.4.

30 2. a. Moneys received by a school district from the  
31 school district sales and use tax fund under section 293.1,  
32 subsection 1, paragraph "b", shall be spent for infrastructure  
33 purposes only according to a plan developed by the board of  
34 directors. The plan may apply to more than one fiscal year.  
35 Prior to adoption of the plan, the board of directors shall

1 hold a public hearing on the question of approval of the  
2 proposed plan. The board shall set forth its proposal and  
3 shall publish the notice of the time and place of a public  
4 hearing on the proposed plan. Notice of the time and place of  
5 the public hearing shall be published not less than ten nor  
6 more than twenty days before the public hearing in a newspaper  
7 which is a newspaper of general circulation in the school  
8 district. At the hearing, or no later than thirty days after  
9 the date of the hearing, the board shall take action to adopt  
10 the proposed plan.

11 b. If the board adopts the plan, moneys received shall be  
12 used according to the plan unless within twenty-eight days  
13 following the action of the board, the secretary of the board  
14 receives a petition containing signatures of registered voters  
15 equal in number to five percent of the voters in the school  
16 district who voted at the last general election, asking that  
17 an election be called to approve or disapprove the action of  
18 the board. The board shall either rescind its action or  
19 direct the county commissioner of elections to submit the  
20 question to the registered voters of the school district at  
21 the next following regular school election or a special  
22 election. If a majority of those voting on the question at  
23 the election favors disapproval of the action of the board,  
24 the district shall use the moneys received as provided in  
25 paragraph "c" for the fiscal year.

26 At the expiration of the twenty-eight day period, if no  
27 petition is filed, the board shall use the moneys received  
28 according to the plan for the duration of the plan. However,  
29 the board may, at anytime, expend a greater share of moneys  
30 received for property tax relief than otherwise specified in  
31 the plan.

32 c. If an election is held and the plan is disapproved, as  
33 provided in paragraph "b", or if a plan is not approved by the  
34 board, moneys received by a school district shall be used for  
35 the fiscal year to reduce the following levies in the

1 following order:

2 (1) Bond levies under sections 298.18 and 298.18A and  
3 other debt levies until the moneys received or the levies are  
4 reduced to zero.

5 (2) The physical plant and equipment levy under section  
6 298.2, until the moneys received or the levy is reduced to  
7 zero.

8 (3) The schoolhouse tax levy under section 278.1,  
9 subsection 7, Code 1989, until the moneys received or the levy  
10 is reduced to zero.

11 Any money remaining after the reduction of the levies  
12 specified in this paragraph may be used for any lawful  
13 infrastructure purpose of the school district.

14 d. For purposes of this subsection, "infrastructure  
15 purposes" means those purposes for which a school district is  
16 authorized to contract indebtedness and issue general  
17 obligation bonds under chapter 296 or to expend tax revenues  
18 under section 298.3, the payment of principal and interest on  
19 general obligation bonds issued under chapter 296 or section  
20 298.20 or loan agreements under section 297.36, payments made  
21 pursuant to a lease or lease-purchase agreement, or the  
22 payment of principal and interest on bonds issued under  
23 section 293.3 or 422E.4.

24 Sec. 3. NEW SECTION. 293.3 BONDING.

25 A school district may anticipate the amount of moneys to be  
26 received pursuant to section 293.1 as provided in this  
27 section.

28 The board of directors of a school district is authorized  
29 to issue negotiable, interest-bearing school bonds, without  
30 election, and utilize tax receipts derived from the school  
31 district sales and use tax fund for principal and interest  
32 repayment. Proceeds of the bonds issued pursuant to this  
33 section shall be utilized solely for school infrastructure  
34 needs as school infrastructure is defined in section 293.2,  
35 subsection 2.

1 Bonds issued under this section may be sold at public sale  
2 as provided in chapter 75. Notice shall be given and a  
3 hearing shall be held as provided in section 73A.12. Bonds  
4 may bear dates, bear interest at rates not exceeding that  
5 permitted by chapter 74A, mature in one or more installments,  
6 be in either coupon or registered form, carry registration and  
7 conversion privileges, be payable as to principal and interest  
8 at times and places, be subject to terms of redemption prior  
9 to maturity with or without premium, and be in one or more  
10 denominations, all as provided by the resolution of the board  
11 of directors authorizing their issuance. The resolution may  
12 also prescribe additional provisions, terms, conditions, and  
13 covenants which the board of directors deems advisable,  
14 including provisions for creating and maintaining reserve  
15 funds, the issuance of additional bonds ranking on a parity  
16 with such bonds and additional bonds junior and subordinate to  
17 such bonds, and that such bonds shall rank on a parity with or  
18 be junior and subordinate to any bonds which may be then  
19 outstanding. Bonds may be issued to refund outstanding and  
20 previously issued bonds under this section. Bonds are a  
21 contract between the school district and holders, and the  
22 resolution issuing the bonds and pledging tax revenues to be  
23 received from the school district sales and use tax fund to  
24 the payment of principal and interest on the bonds is a part  
25 of the contract. Bonds issued pursuant to this section shall  
26 not constitute indebtedness within the meaning of any  
27 constitutional or statutory debt limitation or restriction,  
28 and shall not be subject to any other law relating to the  
29 authorization, issuance, or sale of bonds.

30 A school district shall be authorized to enter into a  
31 chapter 28E agreement with one or more cities or a county  
32 whose boundaries encompass all or a part of the area of the  
33 school district. A city or cities entering into a chapter 28E  
34 agreement shall be authorized to expend its designated portion  
35 of the tax revenues to be received from the school district

1 sales and use tax fund for any valid purpose permitted in this  
2 chapter or authorized by the governing body of the city. A  
3 county entering into a chapter 28E agreement with a school  
4 district shall be authorized to expend its designated portion  
5 of the tax revenues to be received from the school district  
6 sales and use tax fund to provide property tax relief within  
7 the boundaries of the school district located in the county.  
8 A school district is also authorized to enter into a chapter  
9 28E agreement with another school district which is located  
10 partially or entirely in or is contiguous to the county. The  
11 school district shall only expend its designated portion of  
12 tax revenues to be received from the school district sales and  
13 use tax fund.

14 The governing body of a city may authorize the issuance of  
15 bonds which are payable from its designated portion of the tax  
16 revenues to be received from the school district sales and use  
17 tax fund, and not from property tax, by following the  
18 authorization procedures set forth for cities in section  
19 384.83. A city may pledge irrevocably any amount derived from  
20 its designated portions of the tax revenues to be received  
21 from the school district sales and use tax fund to the support  
22 or payment of such bonds.

23 Sec. 4. Section 298.18, unnumbered paragraph 4, Code 2001,  
24 is amended to read as follows:

25 The amount estimated and certified to apply on principal  
26 and interest for any one year may exceed two dollars and  
27 seventy cents per thousand dollars of assessed value by the  
28 amount approved by the voters of the school corporation, but  
29 not exceeding four dollars and five cents per thousand of the  
30 assessed value of the taxable property within any school  
31 corporation, provided that the qualified voters of such school  
32 corporation have first approved such increased amount at a  
33 special election, which ~~may-be~~ was held ~~at-the-same-time-as~~  
34 ~~the-regular-school-election~~ prior to July 1, 2001. The  
35 ~~proposition-submitted-to-the-voters-at-such-special-election~~

1 ~~shall be in substantially the following form:~~

2 Sec. 5. Section 298.18, unnumbered paragraphs 5 and 6,  
3 Code 2001, are amended by striking the unnumbered paragraphs.

4 Sec. 6. Section 298.18, unnumbered paragraph 8, Code 2001,  
5 is amended to read as follows:

6 The ability of a school corporation to exceed two dollars  
7 and seventy cents per thousand dollars of assessed value to  
8 service principal and interest payments on bonded indebtedness  
9 is limited and conferred only to those school corporations  
10 engaged in the administration of elementary and secondary  
11 education and which have voted to exceed that levy limitation  
12 prior to July 1, 2001.

13 Sec. 7. Section 422.43, subsections 1, 2, 4, 5, 6, 7, 10,  
14 and 12, Code 2001, are amended to read as follows:

15 1. There is imposed a tax of ~~five~~ six percent upon the  
16 gross receipts from all sales of tangible personal property,  
17 consisting of goods, wares, or merchandise, except as  
18 otherwise provided in this division, sold at retail in the  
19 state to consumers or users; a like rate of tax upon the gross  
20 receipts from the sales, furnishing, or service of gas,  
21 electricity, water, heat, pay television service, and  
22 communication service, including the gross receipts from such  
23 sales by any municipal corporation or joint water utility  
24 furnishing gas, electricity, water, heat, pay television  
25 service, and communication service to the public in its  
26 proprietary capacity, except as otherwise provided in this  
27 division, when sold at retail in the state to consumers or  
28 users; a like rate of tax upon the gross receipts from all  
29 sales of tickets or admissions to places of amusement, fairs,  
30 and athletic events except those of elementary and secondary  
31 educational institutions; a like rate of tax on the gross  
32 receipts from an entry fee or like charge imposed solely for  
33 the privilege of participating in an activity at a place of  
34 amusement, fair, or athletic event unless the gross receipts  
35 from the sales of tickets or admissions charges for observing

1 the same activity are taxable under this division; and a like  
2 rate of tax upon that part of private club membership fees or  
3 charges paid for the privilege of participating in any  
4 athletic sports provided club members.

5 2. There is imposed a tax of ~~five~~ six percent upon the  
6 gross receipts derived from the operation of all forms of  
7 amusement devices and games of skill, games of chance,  
8 raffles, and bingo games as defined in chapter 99B, operated  
9 or conducted within the state, the tax to be collected from  
10 the operator in the same manner as for the collection of taxes  
11 upon the gross receipts of tickets or admission as provided in  
12 this section. The tax shall also be imposed upon the gross  
13 receipts derived from the sale of lottery tickets or shares  
14 pursuant to chapter 99E. The tax on the lottery tickets or  
15 shares shall be included in the sales price and distributed to  
16 the general fund as provided in section 99E.10.

17 4. There is imposed a tax of ~~five~~ six percent upon the  
18 gross receipts from the sales of engraving, photography,  
19 retouching, printing, and binding services. For the purpose  
20 of this division, the sales of engraving, photography,  
21 retouching, printing, and binding services are sales of  
22 tangible property.

23 5. There is imposed a tax of ~~five~~ six percent upon the  
24 gross receipts from the sales of vulcanizing, recapping, and  
25 retreading services. For the purpose of this division, the  
26 sales of vulcanizing, recapping, and retreading services are  
27 sales of tangible property.

28 6. There is imposed a tax of ~~five~~ six percent upon the  
29 gross receipts from the sales of optional service or warranty  
30 contracts, except residential service contracts regulated  
31 under chapter 523C, which provide for the furnishing of labor  
32 and materials and require the furnishing of any taxable  
33 service enumerated under this section. The gross receipts are  
34 subject to tax even if some of the services furnished are not  
35 enumerated under this section. For the purpose of this

1 division, the sale of an optional service or warranty  
2 contract, other than a residential service contract regulated  
3 under chapter 523C, is a sale of tangible personal property.  
4 Additional sales, services, or use taxes shall not be levied  
5 on services, parts, or labor provided under optional service  
6 or warranty contracts which are subject to tax under this  
7 section.

8 If the optional service or warranty contract is a computer  
9 software maintenance or support service contract and there is  
10 no separately stated fee for the taxable personal property or  
11 for the nontaxable service, the tax of five six percent  
12 imposed by this subsection shall be imposed on fifty percent  
13 of the gross receipts from the sale of such contract. If the  
14 contract provides for technical support services only, no tax  
15 shall be imposed under this subsection. The provisions of  
16 this subsection also apply to the tax imposed by chapter 423.

17 7. There is imposed a tax of five six percent upon the  
18 gross receipts from the renting of rooms, apartments, or  
19 sleeping quarters in a hotel, motel, inn, public lodging  
20 house, rooming house, mobile home which is tangible personal  
21 property, or tourist court, or in any place where sleeping  
22 accommodations are furnished to transient guests for rent,  
23 whether with or without meals. "Renting" and "rent" include  
24 any kind of direct or indirect charge for such rooms,  
25 apartments, or sleeping quarters, or their use. For the  
26 purposes of this division, such renting is regarded as a sale  
27 of tangible personal property at retail. However, this tax  
28 does not apply to the gross receipts from the renting of a  
29 room, apartment, or sleeping quarters while rented by the same  
30 person for a period of more than thirty-one consecutive days.

31 10. There is imposed a tax of five six percent upon the  
32 gross receipts from the rendering, furnishing, or performing  
33 of services as defined in section 422.42.

34 12. A tax of five six percent is imposed upon the gross  
35 receipts from the sales of prepaid telephone calling cards and

1 prepaid authorization numbers. For the purpose of this  
2 division, the sales of prepaid telephone calling cards and  
3 prepaid authorization numbers are sales of tangible personal  
4 property.

5 Sec. 8. Section 422.43, subsection 13, paragraph a,  
6 unnumbered paragraph 1, Code 2001, is amended to read as  
7 follows:

8 A tax of ~~five~~ six percent is imposed upon the gross  
9 receipts from the sales, furnishing, or service of solid waste  
10 collection and disposal service.

11 Sec. 9. Section 422.47, subsection 2, Code 2001, is  
12 amended to read as follows:

13 2. Construction contractors may make application to the  
14 department for a refund of the additional one percent tax paid  
15 under this division or the additional one percent tax paid  
16 under chapter 423 by reason of the increase in the tax from  
17 ~~four-to~~ five to six percent for taxes paid on goods, wares, or  
18 merchandise under the following conditions:

19 a. The goods, wares, or merchandise are incorporated into  
20 an improvement to real estate in fulfillment of a written  
21 contract fully executed prior to July 1, ~~1992~~ 2001. The  
22 refund shall not apply to equipment transferred in fulfillment  
23 of a mixed construction contract.

24 b. The contractor has paid to the department or to a  
25 retailer the full ~~five~~ six percent tax.

26 c. The claim is filed on forms provided by the department  
27 and is filed within one year of the date the tax is paid.

28 A contractor who makes an erroneous application for refund  
29 shall be liable for payment of the excess refund paid plus  
30 interest at the rate in effect under section 421.7. In  
31 addition, a contractor who willfully makes a false application  
32 for refund is guilty of a simple misdemeanor and is liable for  
33 a penalty equal to fifty percent of the excess refund claimed.

34 Excess refunds, penalties, and interest due under this  
35 subsection may be enforced and collected in the same manner as

1 the tax imposed by this division.

2 Sec. 10. Section 422.69, subsection 2, Code 2001, is  
3 amended to read as follows:

4 2. a. Unless Except as provided in paragraph "b", or as  
5 otherwise provided, the fees, taxes, interest and penalties  
6 collected under this chapter shall be credited to the general  
7 fund.

8 b. One-sixth of the fees, taxes, interest, and penalties  
9 collected pursuant to division IV shall be credited to the  
10 school district sales and use tax fund created in section  
11 293.1.

12 Sec. 11. Section 422E.1, Code 2001, is amended by adding  
13 the following new subsection:

14 NEW SUBSECTION. 4. a. This chapter does not apply to any  
15 county after the effective date of this Act.

16 b. In the case of a county that has in effect on March 31,  
17 2001, a local sales and services tax for school infrastructure  
18 purposes, the increase in the state sales and services tax  
19 under chapter 422, division IV, from five percent to six  
20 percent shall replace the county's local sales and services  
21 tax for school infrastructure purposes and to this extent the  
22 local sales and services tax for school infrastructure  
23 purposes is repealed.

24 Sec. 12. Section 423.2, Code 2001, is amended to read as  
25 follows:

26 423.2 IMPOSITION OF TAX.

27 An excise tax is imposed on the use in this state of  
28 tangible personal property, including aircraft subject to  
29 registration under section 328.20, purchased for use in this  
30 state, at the rate of five six percent of the purchase price  
31 of the property. An excise tax is imposed on the use of  
32 manufactured housing in this state at the rate of five six  
33 percent of the purchase price if the manufactured housing is  
34 sold in the form of tangible personal property and at the rate  
35 of five six percent of the installed purchase price if the

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

20 Sec. 13. Section 423.24, Code 2001, is amended by adding  
21 the following new subsection:

22 NEW SUBSECTION. 2A. One-sixth of all other revenue  
23 arising under the operation of this chapter shall be credited  
24 to the school district sales and use tax fund created in  
25 section 293.1.

26 Sec. 14. Section 423.24, subsection 3, Code 2001, is  
27 amended to read as follows:

28 3. All other revenue arising under the operation of this  
29 chapter not credited as specified in subsections 1, 2, and 2A  
30 shall be credited to the general fund of the state.

31 Sec. 15. APPLICABILITY. This section applies in regard to  
32 the increase in the state sales and use taxes from five to six  
33 percent. The six percent rate applies to all sales of taxable  
34 personal property, consisting of goods, wares, or merchandise  
35 if delivery occurs on or after July 1, 2001. The six percent

1 use tax rate applies to the use of property when the first  
2 taxable use in this state occurs on or after July 1, 2001.  
3 The six percent rate applies to the gross receipts from the  
4 sale, furnishing, or service of gas, electricity, water, heat,  
5 pay television service, and communication service if the date  
6 of billing the customer is on or after July 1, 2001. In the  
7 case of a service contract entered into prior to July 1, 2001,  
8 which contract calls for periodic payments, the six percent  
9 rate applies to those payments made or due on or after July 1,  
10 2001. This periodic payment applies, but is not limited to,  
11 tickets or admissions, private club membership fees, sources  
12 of amusement, equipment rental, dry cleaning, reducing salons,  
13 dance schools, and all other services subject to tax, except  
14 the aforementioned utility services which are subject to a  
15 special transitional rule. Unlike periodic payments under  
16 service contracts, installment sales of goods, wares, and  
17 merchandise are subject to the full amount of sales or use tax  
18 when the sales contract is entered into or the property is  
19 first used in Iowa.

20 Sec. 16. Sections 1 and 2 of this Act, being deemed of  
21 immediate importance, take effect upon enactment.

22 EXPLANATION

23 This bill increases state sales and use tax rates from 5  
24 percent to 6 percent, except for motor vehicles where the rate  
25 remains at 5 percent. The increased revenues are deposited  
26 into a school district sales and use tax fund to be  
27 distributed to school districts throughout the state to be  
28 used for infrastructure or property tax relief purposes.  
29 Because the increase in the state sales tax rate replaces the  
30 local option sales and services tax for school infrastructure  
31 purposes, those school districts that were receiving revenues  
32 from the local option tax may continue to receive, according  
33 to a formula, revenues from the school district sales and use  
34 tax fund in an amount that approximates what those districts  
35 would have received under the local option tax. These

1 districts will receive their distributions first. The  
2 remaining moneys will be distributed to the other school  
3 districts on a per pupil basis. School districts that were  
4 receiving the local option tax may elect to receive the  
5 distributions on a per pupil basis rather than pursuant to the  
6 formula.

7 Revenues received by the school districts according to the  
8 formula must be used for the purposes specified in the ballot  
9 when the local option tax was first passed or to pay principal  
10 and interest on general obligation bonds, lease-purchase  
11 agreements, or other loan agreements. Other districts will  
12 spend the revenues according to an infrastructure plan  
13 developed by the board of directors of the school district.  
14 If a plan is not developed by the board or the plan is not  
15 developed at a reverse referendum, then the revenues will be  
16 used for property tax relief by lowering the debt service  
17 levies, the physical plant and equipment levy, the schoolhouse  
18 tax levy or for infrastructure purposes, in that order. Bonds  
19 may be issued by a school district, without an election, in  
20 anticipation of the distributions the district will receive  
21 from the school district sales and use tax fund.

22 The school district debt service levy is also reduced from  
23 a maximum \$4.05 per \$1,000 of taxable value to \$2.70 per  
24 \$1,000 of taxable value. However, if the voters in the  
25 district have voted to exceed the \$2.70 per \$1,000 of taxable  
26 value levy amount prior to July 1, 2001, then the maximum levy  
27 may remain at \$4.05 per \$1,000 of taxable value until the  
28 bonds are retired.

29 The bill has some effective date provisions. However, the  
30 sales and use tax rates are increased as of July 1, 2001.

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