

FEB 17 2003
EDUCATION

HOUSE FILE 212
BY TYMESON and HOFFMAN

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

A BILL FOR

1 An Act relating to property tax relief and school infrastructure
2 purposes by increasing the state sales tax and distributing
3 certain state sales tax revenues to school districts for
4 property tax relief or school infrastructure purposes if
5 approved by a vote of the electorate, providing a penalty, and
6 including an effective date.

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

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HF 212

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

3 1. A school district sales tax fund is created as a
4 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, appropriations made to the fund,
8 and other moneys deposited into the fund. The moneys credited
9 in a fiscal year to the fund shall be distributed as follows:

10 a. (1) A school district located in whole or in part in a
11 county that voted on and approved prior to March 31, 2003, the
12 local sales and services tax for school infrastructure
13 purposes under chapter 422E shall receive an amount equal to
14 its guaranteed school infrastructure amount as calculated
15 under subsection 2 if the board of directors notifies the
16 director of revenue and finance that the school district wants
17 to receive its guaranteed school infrastructure amount. The
18 notification shall be provided by July 1, 2003. If
19 notification is not received by July 1, 2003, the school
20 district shall receive moneys pursuant to paragraph "b".
21 Nothing in this chapter shall prevent a school district from
22 using its guaranteed school infrastructure amount to pay
23 principal and interest on obligations issued pursuant to
24 section 422E.4.

25 (2) A school district receiving moneys pursuant to
26 subparagraph (1) 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 of repeal listed on the
31 original ballot proposition, whichever is the earlier, as
32 provided in chapter 422E. However, a school district
33 receiving moneys pursuant to subparagraph (1) may elect at
34 anytime to receive moneys pursuant to paragraph "b" by
35 providing notification to receive moneys pursuant to paragraph

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

5 b. (1) Moneys remaining after computations made pursuant
6 to paragraph "a" shall be distributed to school districts not
7 receiving moneys under paragraph "a" on a per student basis
8 calculated by the director of revenue and finance by dividing
9 the moneys available during the fiscal year by the combined
10 actual enrollment for all school districts receiving
11 distributions under this paragraph.

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

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

28 The district's guaranteed school infrastructure amount
29 equals the product of the county guaranteed school
30 infrastructure amount and the district's county actual
31 enrollment divided by the county combined actual enrollment.

32 b. For purposes of the formula in paragraph "a":

33 (1) "Base year" means the fiscal year beginning July 1,
34 2002.

35 (2) "Base year county taxable sales percentage" means the

1 percentage that the taxable sales in the county during the
2 base year is of the total state taxable sales during the base
3 year.

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

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

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

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

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

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

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

33 3. a. The director of revenue and finance by August 15 of
34 each fiscal year shall send to each school district an
35 estimate of the amount of tax moneys each school district will

1 receive for the year and for each quarter of the year. At the
2 end of each quarter, the director may revise the estimates for
3 the year and remaining quarters.

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

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

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

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

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

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

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

10 b. If the board adopts the plan, the board shall direct
11 the county commissioner of elections to submit the question of
12 the approval or disapproval of the infrastructure plan to the
13 registered voters of the school district at the next following
14 regular school election or a special election. If at least
15 sixty percent of those voting on the question favor the plan
16 of the board, the moneys received shall be used according to
17 the plan beginning with the first fiscal year following that
18 election until a change in the plan is approved at a
19 subsequent election by at least sixty percent of those voting
20 on the question. If at least sixty percent of those voting on
21 the question at the election does not favor the plan of the
22 board, the district shall use the moneys received as provided
23 in paragraph "c" for the fiscal year.

24 A plan approved at an election shall only be valid for up
25 to ten years at which time the board must approve another plan
26 or the same one and submit this plan at an election in the
27 same manner and under the same conditions as provided for the
28 original plan.

29 c. If the infrastructure plan is not approved at an
30 election as provided in paragraph "b", or if a plan is not
31 approved by the board, moneys received by a school district or
32 moneys in excess of those needed for infrastructure purposes
33 according to an approved plan shall be used for the fiscal
34 year to reduce the following levies in the following order:

35 (1) Bond levies under sections 298.18 and 298.18A and all

1 other debt levies until the moneys received or the levies are
2 reduced to zero.

3 (2) The nonvoter-approved instructional support levy under
4 section 257.18, until the moneys received or the levy is
5 reduced to zero.

6 (3) The voter-approved physical plant and equipment levy
7 under section 298.2, until the moneys received or the levy is
8 reduced to zero.

9 (4) The voter-approved instructional support levy under
10 section 257.18, until the moneys received or the levy is
11 reduced to zero.

12 (5) The additional property tax levy under section 257.4,
13 until the moneys received or the levy is reduced to zero.

14 Any money remaining after the reduction of the levies
15 specified in this paragraph "c" may be used for any property
16 tax levy reduction purpose of the school district.

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

27 e. Notwithstanding any other provision in this subsection,
28 moneys received by a school district from the school district
29 sales tax fund under section 293.1, subsection 1, paragraph
30 "b", during the fiscal year beginning July 1, 2003, shall be
31 dedicated for property tax relief by reducing the levies
32 specified in paragraph "c" for taxes payable in the fiscal
33 year beginning July 1, 2004. However, if an infrastructure
34 plan is approved at an election by the required sixty percent
35 of those voting prior to March 1, 2004, any amount of such

1 dedicated moneys may be used for the purposes specified under
2 the plan.

3 Sec. 3. NEW SECTION. 293.3 BONDING.

4 A school district receiving moneys pursuant to section
5 293.1, subsection 1, paragraph "a", or a school district
6 receiving moneys pursuant to section 293.1, subsection 1,
7 paragraph "b", which has approved by election the use of the
8 moneys for infrastructure purposes, may anticipate the amount
9 of moneys to be received pursuant to section 293.1 as provided
10 in this section.

11 The board of directors of a school district may issue
12 negotiable, interest-bearing school bonds, without election,
13 and utilize tax receipts derived from the school district
14 sales tax fund for principal and interest repayment. Proceeds
15 of the bonds issued pursuant to this section shall be utilized
16 solely for infrastructure purposes as defined in section
17 293.2, subsection 2.

18 Bonds issued under this section may be sold at public sale
19 as provided in chapter 75. Notice shall be given and a
20 hearing shall be held as provided in section 73A.12. Bonds
21 may bear dates, bear interest at rates not exceeding that
22 permitted by chapter 74A, mature in one or more installments,
23 be in either coupon or registered form, carry registration and
24 conversion privileges, be payable as to principal and interest
25 at times and places, be subject to terms of redemption prior
26 to maturity with or without premium, and be in one or more
27 denominations, all as provided by the resolution of the board
28 of directors authorizing their issuance. However, the maximum
29 period during which principal on the bonds is payable shall
30 not exceed a ten-year period or the length of time the
31 infrastructure plan is valid. The resolution may also
32 prescribe additional provisions, terms, conditions, and
33 covenants which the board of directors deems advisable,
34 including provisions for creating and maintaining reserve
35 funds, the issuance of additional bonds ranking on a parity

1 with such bonds and additional bonds junior and subordinate to
2 such bonds, and that such bonds shall rank on a parity with or
3 be junior and subordinate to any bonds which may be then
4 outstanding. Bonds may be issued to refund outstanding and
5 previously issued bonds under this section. Bonds are a
6 contract between the school district and holders, and the
7 resolution issuing the bonds and pledging tax revenues to be
8 received from the school district sales tax fund to the
9 payment of principal and interest on the bonds is a part of
10 the contract. Bonds issued pursuant to this section shall not
11 constitute indebtedness within the meaning of any
12 constitutional or statutory debt limitation or restriction,
13 and shall not be subject to any other law relating to the
14 authorization, issuance, or sale of bonds.

15 A school district may enter into a chapter 28E agreement
16 with another school district which is located partially or
17 entirely in or is contiguous to the county. The school
18 district shall only expend its designated portion of tax
19 revenues to be received from the school district sales tax
20 fund for infrastructure purposs.

21 Sec. 4. NEW SECTION. 293.4 REPEAL.

22 This chapter is repealed July 1, 2023, for fiscal years
23 beginning on or after that date.

24 Sec. 5. Section 298.2, Code 2003, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 7. The regular physical plant and
27 equipment levy shall not be certified for levy after the
28 effective date of this section of this Act. A voter-approved
29 physical plant and equipment levy may continue to be approved
30 and certified for levy after the effective date of this
31 section of this Act.

32 Sec. 6. Section 298.18, unnumbered paragraph 4, Code 2003,
33 is amended to read as follows:

34 The amount estimated and certified to apply on principal
35 and interest for any one year may exceed two dollars and

1 seventy cents per thousand dollars of assessed value by the
2 amount approved by the voters of the school corporation, but
3 not exceeding four dollars and five cents per thousand of the
4 assessed value of the taxable property within any school
5 corporation, provided that the registered voters of such
6 school corporation have first approved such increased amount
7 at a special election, which ~~may-be~~ was ~~held at-the-same-time~~
8 ~~as-the-regular-school-election~~ prior to July 1, 2003, or
9 subsequent to January 1, 2023. The proposition submitted to
10 the voters at such special election shall be in substantially
11 the following form:

12 Sec. 7. Section 298.18, unnumbered paragraph 8, Code 2003,
13 is amended to read as follows:

14 The ability of a school corporation to exceed two dollars
15 and seventy cents per thousand dollars of assessed value to
16 service principal and interest payments on bonded indebtedness
17 is limited and conferred only to those school corporations
18 engaged in the administration of elementary and secondary
19 education and whose registered voters have voted to exceed
20 that levy limitation prior to July 1, 2003, or subsequent to
21 January 1, 2023.

22 Sec. 8. Section 422.43, subsections 1, 2, 4, 5, 6, 7, 10,
23 and 12, Code 2003, are amended to read as follows:

24 1. There is imposed a tax of ~~five~~ six percent upon the
25 gross receipts from all sales of tangible personal property,
26 consisting of goods, wares, or merchandise, except as
27 otherwise provided in this division, sold at retail in the
28 state to consumers or users; a like rate of tax upon the gross
29 receipts from the sales, furnishing, or service of gas,
30 electricity, water, heat, pay television service, and
31 communication service, including the gross receipts from such
32 sales by any municipal corporation or joint water utility
33 furnishing gas, electricity, water, heat, pay television
34 service, and communication service to the public in its
35 proprietary capacity, except as otherwise provided in this

1 division, when sold at retail in the state to consumers or
2 users; a like rate of tax upon the gross receipts from all
3 sales of tickets or admissions to places of amusement, fairs,
4 and athletic events except those of elementary and secondary
5 educational institutions; a like rate of tax on the gross
6 receipts from an entry fee or like charge imposed solely for
7 the privilege of participating in an activity at a place of
8 amusement, fair, or athletic event unless the gross receipts
9 from the sales of tickets or admissions charges for observing
10 the same activity are taxable under this division; and a like
11 rate of tax upon that part of private club membership fees or
12 charges paid for the privilege of participating in any
13 athletic sports provided club members.

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

26 4. There is imposed a tax of ~~five~~ six percent upon the
27 gross receipts from the sales of engraving, photography,
28 retouching, printing, and binding services. For the purpose
29 of this division, the sales of engraving, photography,
30 retouching, printing, and binding services are sales of
31 tangible property.

32 5. There is imposed a tax of ~~five~~ six percent upon the
33 gross receipts from the sales of vulcanizing, recapping, and
34 retreading services. For the purpose of this division, the
35 sales of vulcanizing, recapping, and retreading services are

1 sales of tangible property.

2 6. There is imposed a tax of five six percent upon the
3 gross receipts from the sales of optional service or warranty
4 contracts, except residential service contracts regulated
5 under chapter 523C, which provide for the furnishing of labor
6 and materials and require the furnishing of any taxable
7 service enumerated under this section. The gross receipts are
8 subject to tax even if some of the services furnished are not
9 enumerated under this section. For the purpose of this
10 division, the sale of an optional service or warranty
11 contract, other than a residential service contract regulated
12 under chapter 523C, is a sale of tangible personal property.
13 Additional sales, services, or use taxes shall not be levied
14 on services, parts, or labor provided under optional service
15 or warranty contracts which are subject to tax under this
16 section.

17 If the optional service or warranty contract is a computer
18 software maintenance or support service contract and there is
19 no separately stated fee for the taxable personal property or
20 for the nontaxable service, the tax of five six percent
21 imposed by this subsection shall be imposed on fifty percent
22 of the gross receipts from the sale of such contract. If the
23 contract provides for technical support services only, no tax
24 shall be imposed under this subsection. The provisions of
25 this subsection also apply to the tax imposed by chapter 423.

26 7. There is imposed a tax of five six percent upon the
27 gross receipts from the renting of rooms, apartments, or
28 sleeping quarters in a hotel, motel, inn, public lodging
29 house, rooming house, manufactured or mobile home which is
30 tangible personal property, or tourist court, or in any place
31 where sleeping accommodations are furnished to transient
32 guests for rent, whether with or without meals. "Renting" and
33 "rent" include any kind of direct or indirect charge for such
34 rooms, apartments, or sleeping quarters, or their use. For
35 the purposes of this division, such renting is regarded as a

1 sale of tangible personal property at retail. However, this
2 tax does not apply to the gross receipts from the renting of a
3 room, apartment, or sleeping quarters while rented by the same
4 person for a period of more than thirty-one consecutive days.

5 10. There is imposed a tax of ~~five~~ six percent upon the
6 gross receipts from the rendering, furnishing, or performing
7 of services as defined in section 422.42.

8 12. A tax of ~~five~~ six percent is imposed upon the gross
9 receipts from the sales of prepaid telephone calling cards and
10 prepaid authorization numbers. For the purpose of this
11 division, the sales of prepaid telephone calling cards and
12 prepaid authorization numbers are sales of tangible personal
13 property.

14 Sec. 9. Section 422.43, subsection 13, paragraph a,
15 unnumbered paragraph 1, Code 2003, is amended to read as
16 follows:

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

20 Sec. 10. Section 422.43, subsections 16 and 17, Code 2003,
21 are amended to read as follows:

22 16. a. A tax of ~~five~~ six percent is imposed upon the
23 gross receipts from sales of bundled services contracts. For
24 purposes of this subsection, a "bundled services contract"
25 means an agreement providing for a retailer's performance of
26 services, one or more of which is a taxable service enumerated
27 in this section and one or more of which is not, in return for
28 a consumer's or user's single payment for the performance of
29 the services, with no separate statement to the consumer or
30 user of what portion of that payment is attributable to any
31 one service which is a part of the contract.

32 b. For purposes of the administration of the tax on
33 bundled services contracts, the director may enter into
34 agreements of limited duration with individual retailers,
35 groups of retailers, or organizations representing retailers

1 of bundled services contracts. Such an agreement shall impose
2 the tax rate only upon that portion of the gross receipts from
3 a bundled services contract which is attributable to taxable
4 services provided under the contract.

5 17. A tax of ~~five~~ six percent is imposed upon the gross
6 receipts from any mobile telecommunication service which this
7 state is allowed to tax by the provisions of the federal
8 Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4
9 U.S.C. § 116 et seq. For purposes of this subsection, taxes
10 on mobile telecommunications service, as defined under the
11 federal Mobile Telecommunications Sourcing Act, that are
12 deemed to be provided by the customer's home service provider
13 shall be paid to the taxing jurisdiction whose territorial
14 limits encompass the customer's place of primary use,
15 regardless of where the mobile telecommunication service
16 originates, terminates, or passes through and shall in all
17 other respects be taxed in conformity with the federal Mobile
18 Telecommunications Sourcing Act. All other provisions of the
19 federal Mobile Telecommunications Sourcing Act are adopted by
20 the state of Iowa and incorporated into this subsection by
21 reference. With respect to mobile telecommunications service
22 under the federal Mobile Telecommunications Sourcing Act the
23 director shall, if requested, enter into agreements consistent
24 with the provisions of the federal Act.

25 Sec. 11. Section 422.43, Code 2003, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 18. The sales tax rate of six percent is
28 reduced to five percent on July 1, 2023.

29 Sec. 12. Section 422.47, Code 2003, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 2. Construction contractors may make
32 application to the department for a refund of the additional
33 one percent tax paid under this division by reason of the
34 increase in the tax from five to six percent for taxes paid on
35 goods, wares, or merchandise under the following conditions:

1 a. The goods, wares, or merchandise are incorporated into
2 an improvement to real estate in fulfillment of a written
3 contract fully executed prior to July 1, 2003. The refund
4 shall not apply to equipment transferred in fulfillment of a
5 mixed construction contract.

6 b. The contractor has paid to the department or to a
7 retailer the full six percent tax.

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

10 A contractor who makes an erroneous application for refund
11 shall be liable for payment of the excess refund paid plus
12 interest at the rate in effect under section 421.7. In
13 addition, a contractor who willfully makes a false application
14 for refund is guilty of a simple misdemeanor and is liable for
15 a penalty equal to fifty percent of the excess refund claimed.
16 Excess refunds, penalties, and interest due under this
17 subsection may be enforced and collected in the same manner as
18 the tax imposed by this division.

19 Sec. 13. Section 422.69, subsection 2, Code 2003, is
20 amended to read as follows:

21 2. a. Unless Except as provided in paragraph "b", or as
22 otherwise provided, the fees, taxes, interest, and penalties
23 collected under this chapter shall be credited to the general
24 fund.

25 b. One-sixth of the fees, taxes, interest, and penalties
26 collected pursuant to division IV shall be credited to the
27 school district sales tax fund created in section 293.1. This
28 paragraph is repealed July 1, 2023.

29 Sec. 14. Section 422E.1, Code 2003, is amended by adding
30 the following new subsection:

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

33 b. In the case of a county that has voted on and approved
34 prior to March 31, 2003, a local sales and services tax for
35 school infrastructure purposes, the increase in the state

1 sales and services tax under chapter 422, division IV, from
2 five percent to six percent shall replace the county's local
3 sales and services tax for school infrastructure purposes and
4 to this extent the local sales and services tax for school
5 infrastructure purposes is repealed.

6 Sec. 15. APPLICABILITY. This section applies in regard to
7 the increase in the state sales tax from five to six percent.
8 The six percent rate applies to all sales of taxable personal
9 property, consisting of goods, wares, or merchandise if
10 delivery occurs on or after July 1, 2003. The six percent
11 rate applies to the gross receipts from the sale, furnishing,
12 or service of gas, electricity, water, heat, pay television
13 service, and communication service if the date of billing the
14 customer is on or after July 1, 2003. In the case of a
15 service contract entered into prior to July 1, 2003, which
16 contract calls for periodic payments, the six percent rate
17 applies to those payments made or due on or after July 1,
18 2003. This periodic payment applies, but is not limited to,
19 tickets or admissions, private club membership fees, sources
20 of amusement, equipment rental, dry cleaning, reducing salons,
21 dance schools, and all other services subject to tax, except
22 the aforementioned utility services which are subject to a
23 special transitional rule. Unlike periodic payments under
24 service contracts, installment sales of goods, wares, and
25 merchandise are subject to the full amount of sales or use tax
26 when the sales contract is entered into.

27 Sec. 16. EFFECTIVE DATE. Sections 1, 2, and 5 of this
28 Act, enacting sections 293.1 and 293.2, and section 298.2,
29 subsection 7, being deemed of immediate importance, take
30 effect upon enactment.

31 EXPLANATION

32 This bill increases the state sales tax rate from 5 percent
33 to 6 percent. The increased revenues are deposited into a
34 school district sales tax fund to be distributed to school
35 districts throughout the state to be used for infrastructure

1 or property tax relief purposes. Because the increase in the
2 state sales tax rate replaces the local option sales and
3 services tax for school infrastructure purposes, those school
4 districts that were or would be receiving revenues from the
5 local option tax may continue to receive, according to a
6 formula, revenues from the school district sales tax fund in
7 an amount that approximates what those districts would have
8 received under the local option tax. These districts will
9 receive their distributions first. The remaining moneys will
10 be distributed to the other school districts on a per pupil
11 basis. School districts that were receiving or voted to
12 receive the local option tax may elect to receive the
13 distributions on a per pupil basis rather than pursuant to the
14 formula.

15 Revenues received by the school districts according to the
16 formula must be used for the purposes specified in the ballot
17 when the local option tax was first passed or to pay principal
18 and interest on general obligation bonds, real property lease-
19 purchase agreements, or other loan agreements. Other
20 districts will be required to spend the revenues for property
21 tax relief by lowering the debt service levies, the voter-
22 approved physical plant and equipment levy, the instructional
23 support levy or the additional property tax levy under the
24 school aid formula unless the school board adopts an
25 infrastructure plan which is approved at an election by 60
26 percent of those voting. Bonds may be issued by a school
27 district, without an election, in anticipation of the
28 distributions the district will receive from the school
29 district sales tax fund.

30 The regular physical plant and equipment levy is
31 eliminated. However, any voter-approved physical plant and
32 equipment levy may continue to be voted on and imposed.

33 The school district debt service levy is also reduced from
34 a maximum \$4.05 per \$1,000 of taxable value to \$2.70 per
35 \$1,000 of taxable value. However, if the voters in the

1 district have voted to exceed the \$2.70 per \$1,000 of taxable
2 value levy amount prior to July 1, 2003, then the maximum levy
3 may remain at \$4.05 per \$1,000 of taxable value until the
4 bonds are retired.

5 The bill has some effective date provisions. However, the
6 sales tax rate is increased as of July 1, 2003, if the bill is
7 enacted before that date. The sales tax rate is reduced from
8 6 percent to 5 percent on July 1, 2023. In addition the local
9 sales and services tax for school infrastructure purposes is
10 repealed.

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