

(SUCCESSOR TO HSB 727)

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

**A BILL FOR**

1 An Act relating to the technical administration of the tax and  
2 related laws by the department of revenue, including  
3 administration of state individual income, corporate income,  
4 insurance premiums, sales, use, property, motor fuel, special  
5 fuel, cigarette, and tobacco taxes, and making penalties  
6 applicable and including effective date and retroactive  
7 applicability date provisions.

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

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HF 2574

1 Section 1. Section 422.9, subsection 1, Code Supplement  
2 2003, is amended to read as follows:

3 1. An optional standard deduction, after deduction of  
4 federal income tax, equal to one thousand two hundred thirty  
5 dollars for a married person who files separately or a single  
6 person or equal to three thousand thirty dollars for a husband  
7 and wife who file a joint return, a surviving spouse, or an  
8 unmarried head of household. The optional standard deduction  
9 shall not exceed the amount remaining after deduction of the  
10 federal income tax. The amount of federal income tax deducted  
11 shall be computed as provided in subsection 2, paragraph "b".

12 Sec. 2. Section 422.9, subsection 2, paragraph b, Code  
13 Supplement 2003, is amended to read as follows:

14 b. Add the amount of federal income taxes paid or accrued  
15 as the case may be, during the tax year, ~~adjusted-by and~~  
16 subtract any federal income tax refunds received during the  
17 tax year. ~~Provided,-however,-that-where~~ Where married  
18 persons, who have filed a joint federal income tax return,  
19 file separately, such total shall be divided between them  
20 according to the portion ~~thereof~~ of the total paid or accrued,  
21 as the case may be, by each. Federal income taxes paid for a  
22 tax year in which an Iowa return was not required to be filed  
23 shall not be added, and federal income tax refunds received  
24 from a tax year in which an Iowa return was not required to be  
25 filed shall not be subtracted.

26 Sec. 3. Section 422.35, Code Supplement 2003, is amended  
27 by adding the following new subsection:

28 NEW SUBSECTION. 20. Subtract the amount of foreign  
29 dividend income, including Subpart F income as defined in  
30 section 952 of the Internal Revenue Code, based upon the  
31 percentage of ownership as set forth in section 243 of the  
32 Internal Revenue Code.

33 Sec. 4. Section 422A.1, unnumbered paragraph 3, Code  
34 Supplement 2003, is amended to read as follows:

35 A local hotel and motel tax shall be imposed on January 17

1 ~~April-17~~ or July 1, or ~~October-17~~ following the notification  
2 of the director of revenue. Once imposed, the tax shall  
3 remain in effect at the rate imposed for a minimum of one  
4 year. A local hotel and motel tax shall terminate only on  
5 ~~March-317~~, June 307-~~September-307~~ or December 31. At least  
6 forty-five days prior to the tax being effective or prior to a  
7 revision in the tax rate, or prior to the repeal of the tax, a  
8 city or county shall provide notice by mail of such action to  
9 the director of revenue.

10 Sec. 5. Section 422E.3A, subsection 3, paragraph a, Code  
11 Supplement 2003, is amended to read as follows:

12 a. The director of revenue by ~~June-1-preceding~~ August 15  
13 of each fiscal year shall compute the guaranteed school  
14 infrastructure amount for each school district, each school  
15 district's sales tax capacity per student for each county, and  
16 the supplemental school infrastructure amount for the coming  
17 fiscal year.

18 Sec. 6. Section 423.1, subsection 50, as enacted by 2003  
19 Iowa Acts, First Extraordinary Session, chapter 2, section 94,  
20 is amended to read as follows:

21 50. "Services" means all acts or services rendered,  
22 furnished, or performed, other than services used in  
23 processing of tangible personal property for use in retail  
24 sales or services, for an employer~~7-as-defined-in-section~~  
25 ~~422-47-subsection-3~~ who pays the wages of an employee, for a  
26 valuable consideration by any person engaged in any business  
27 or occupation specifically enumerated in section 423.2. The  
28 tax shall be due and collectible when the service is rendered,  
29 furnished, or performed for the ultimate user of the service.

30 Sec. 7. Section 425.1, subsection 4, Code Supplement 2003,  
31 is amended to read as follows:

32 4. Annually the department of revenue shall ~~estimate-the~~  
33 ~~credit-not-to-exceed-the-actual-levy-on-the-first-four~~  
34 ~~thousand-eight-hundred-fifty-dollars-of-actual-value-of-each~~  
35 ~~eligible-homestead7-and-shall~~ certify to the county auditor of

1 each county the credit and its amount in dollars. Each county  
2 auditor shall then enter the credit against the tax levied on  
3 each eligible homestead in each county payable during the  
4 ensuing year, designating on the tax lists the credit as being  
5 from the homestead credit fund, and credit shall then be given  
6 to the several taxing districts in which eligible homesteads  
7 are located in an amount equal to the credits allowed on the  
8 taxes of the homesteads. The amount of credits shall be  
9 apportioned by each county treasurer to the several taxing  
10 districts as provided by law, in the same manner as though the  
11 amount of the credit had been paid by the owners of the  
12 homesteads. However, the several taxing districts shall not  
13 draw the funds so credited until after the semiannual  
14 allocations have been received by the county treasurer, as  
15 provided in this chapter. Each county treasurer shall show on  
16 each tax receipt the amount of credit received from the  
17 homestead credit fund.

18 Sec. 8. Section 432.1, subsection 6, paragraph b,  
19 unnumbered paragraph 1, Code Supplement 2003, is amended to  
20 read as follows:

21 In addition to the prepayment amount in paragraph "a", each  
22 life insurance company or association which is subject to tax  
23 under subsection 1 of this section and each mutual health  
24 service corporation which is subject to tax under section  
25 432.2 shall remit on or before ~~June-30~~ August 15, on a  
26 prepayment basis, an additional amount equal to the following  
27 percent of the premium tax liability for the preceding  
28 calendar year as follows:

29 Sec. 9. Section 432.1, subsection 6, paragraph c,  
30 unnumbered paragraph 1, Code Supplement 2003, is amended to  
31 read as follows:

32 In addition to the prepayment amount in paragraph "a", each  
33 insurance company or association, other than a life insurance  
34 company or association, which is subject to tax under  
35 subsection 3 shall remit on or before ~~June-30~~ August 15, on a

1 prepayment basis, an additional amount equal to the following  
2 percent of the premium tax liability for the preceding  
3 calendar year as follows:

4 Sec. 10. Section 441.6, unnumbered paragraph 2, Code  
5 Supplement 2003, is amended to read as follows:

6 Upon receipt of the report of the examining board, the  
7 chairperson of the conference board shall by written notice  
8 call a meeting of the conference board to appoint an assessor.  
9 The meeting shall be held not later than seven days after the  
10 receipt of the report of the examining board by the conference  
11 board. ~~The physical condition, general reputation of the~~  
12 ~~applicants, and their fitness for the position as determined~~  
13 ~~by the examining board shall be taken into consideration in~~  
14 ~~making the appointment.~~ At the meeting, the conference board  
15 shall appoint an assessor from the register of eligible  
16 candidates. However, if a special examination has not been  
17 conducted previously for the same vacancy, the conference  
18 board may request the director of revenue to hold a special  
19 examination pursuant to section 441.7. The chairperson of the  
20 conference board shall give written notice to the director of  
21 revenue of the appointment and its effective date within ten  
22 days of the decision of the board.

23 Sec. 11. Section 441.8, unnumbered paragraph 1, Code  
24 Supplement 2003, is amended to read as follows:

25 The term of office of an assessor appointed under this  
26 chapter shall be for six years. Appointments for each  
27 succeeding term shall be made in the same manner as the  
28 original appointment except that not less than ninety days  
29 before the expiration of the term of the assessor the  
30 conference board shall hold a meeting to determine whether or  
31 not it desires to reappoint the incumbent assessor to a new  
32 term. If the decision is made not to reappoint the assessor,  
33 the assessor shall be notified, in writing, of such decision  
34 not less than ninety days prior to the expiration of the  
35 assessor's term of office. Failure of the conference board to

1 provide timely notification of the decision not to reappoint  
2 the assessor shall result in the assessor being reappointed.

3 Sec. 12. Section 441.8, unnumbered paragraphs 6 and 7,  
4 Code Supplement 2003, are amended to read as follows:

5 Upon receiving credit equal to one hundred fifty hours of  
6 classroom instruction during the assessor's current term of  
7 office of which at least ninety of the one hundred fifty hours  
8 are from courses requiring an examination upon conclusion of  
9 the course, the director of revenue shall certify to the  
10 assessor's conference board that the assessor is eligible to  
11 be reappointed to the position. For persons appointed to  
12 complete an unexpired term, the number of credits required to  
13 be certified as eligible for reappointment shall be prorated  
14 according to the amount of time remaining in the present term  
15 of the assessor. If the person was an assessor in another  
16 jurisdiction, the assessor may carry forward any credit hours  
17 received in the previous position in excess of the number that  
18 would be necessary to be considered current in that position.  
19 Upon written request by the person seeking a waiver of the  
20 continuing education requirements, the director may waive the  
21 continuing education requirements if the director determines  
22 good cause exists for the waiver.

23 Within each six-year period following the appointment of a  
24 deputy assessor, the deputy assessor shall comply with this  
25 section except that upon the successful completion of ninety  
26 hours of classroom instruction of which at least sixty of the  
27 ninety hours are from courses requiring an examination upon  
28 conclusion of the course, the deputy assessor shall be  
29 certified by the director of revenue as being eligible to  
30 remain in the position. If a deputy assessor fails to comply  
31 with this section, the deputy assessor shall be removed from  
32 the position until successful completion of the required hours  
33 of credit. If a deputy is appointed to the office of  
34 assessor, the hours of credit obtained as deputy pursuant to  
35 this section shall be credited to that individual as assessor

1 and for the individual to be reappointed at the expiration of  
2 the term as assessor, that individual must obtain the credits  
3 which are necessary to total the number of hours for  
4 reappointment. Upon written request by the person seeking a  
5 waiver of the continuing education requirements, the director  
6 may waive the continuing education requirements if the  
7 director determines good cause exists for the waiver.

8 Sec. 13. Section 441.21, subsection 2, Code Supplement  
9 2003, is amended to read as follows:

10 2. In the event market value of the property being  
11 assessed cannot be readily established in the foregoing  
12 manner, then the assessor may determine the value of the  
13 property using the other uniform and recognized appraisal  
14 methods including its productive and earning capacity, if any,  
15 industrial conditions, its cost, physical and functional  
16 depreciation and obsolescence and replacement cost, and all  
17 other factors which would assist in determining the fair and  
18 reasonable market value of the property but the actual value  
19 shall not be determined by use of only one such factor. The  
20 following shall not be taken into consideration: Special  
21 value or use value of the property to its present owner, and  
22 the good will or value of a business which uses the property  
23 as distinguished from the value of the property as property.  
24 However, in assessing property that is rented or leased to  
25 low-income individuals and families as authorized by section  
26 42 of the Internal Revenue Code, as amended, and which section  
27 ~~limits-the-amount-that~~ establishes annually the rent the  
28 individual or family pays for the rental or lease of units in  
29 the property, the assessor shall use the ~~productive-and~~  
30 ~~earning-capacity-from-the-actual-rents-received-as-a-method-of~~  
31 ~~appraisal-and-shall-take-into-account-the-extent-to-which-that~~  
32 ~~use-and-limitation-reduces-the-market-value-of-the-property~~  
33 section 42 rents in conjunction with the income method of  
34 appraisal in compliance with the uniform standards of  
35 professional appraisal practice to arrive at the assessed

1 value for the property. In no case shall the value of the  
2 property exceed the assessed value if it had been valued  
3 without consideration to the special procedures established  
4 herein for section 42 properties. In arriving at the actual  
5 value of the property, the impact of applicable rent  
6 restrictions, affordability requirements, or any other related  
7 restrictions prescribed by any federal or state programs shall  
8 be considered. The assessor shall not directly or indirectly  
9 consider any tax credit equity or other subsidized financing  
10 as income provided to the property in determining the assessed  
11 value. An owner of section 42 property may elect to not have  
12 such property assessed using the section 42 valuation process  
13 by notifying the assessor in writing prior to March 1 of each  
14 assessment year. Upon adoption of uniform rules by the  
15 revenue department or succeeding authority covering  
16 assessments and valuations of such properties, said valuation  
17 on such properties shall be determined in accordance therewith  
18 for assessment purposes to assure uniformity, but such rules  
19 shall not be inconsistent with or change the foregoing means  
20 of determining the actual, market, taxable and assessed  
21 values.

22 Sec. 14. Section 441.38, subsection 2, Code 2003, is  
23 amended to read as follows:

24 2. Notice of appeal shall be served as an original notice  
25 on the chairperson, presiding officer, or clerk of the board  
26 of review ~~after the filing of notice under subsection 1 with~~  
27 ~~the clerk of district court~~ within twenty days after its  
28 adjournment or May 31, whichever is later.

29 Sec. 15. NEW SECTION. 441.40A REIMBURSEMENT OF APPELLANT  
30 COSTS.

31 Where the board of review or court, as applicable,  
32 determines the appellant's property was originally assessed  
33 for more than one hundred ten percent of its post-appeal  
34 value, the assessor shall pay all costs of the taxpayer's  
35 appeal, including but not limited to, reasonable attorney

1 fees, appraisal reports, expert testimony, court recorders,  
2 depositions, travel and lodging, and any other reasonably  
3 related costs incurred by the appellant.

4 Sec. 16. Section 452A.2, subsection 19, unnumbered  
5 paragraph 2, Code Supplement 2003, is amended to read as  
6 follows:

7 "Motor fuel" does not include special fuel, and does not  
8 include liquefied gases which would not exist as liquids at a  
9 temperature of sixty degrees Fahrenheit and a pressure of  
10 fourteen and seven-tenths pounds per square inch absolute, or  
11 naphthas and solvents unless the liquefied gases or naphthas  
12 and solvents are used as a component in the manufacture,  
13 compounding, or blending of a liquid within paragraph "b", in  
14 which event the resulting product shall be deemed to be motor  
15 fuel. "Motor fuel" does not include methanol unless blended  
16 with other motor fuels for use in an aircraft or for  
17 propelling motor vehicles.

18 Sec. 17. Section 452A.2, subsection 25, Code Supplement  
19 2003, is amended to read as follows:

20 25. "Special fuel" means fuel oils and all combustible  
21 gases and liquids suitable for the generation of power for  
22 propulsion of motor vehicles or turbine-powered aircraft, and  
23 includes any substance used for that purpose, except that it  
24 does not include motor fuel. Kerosene shall not be considered  
25 to be a special fuel, unless blended with other special fuels  
26 for use in a motor vehicle with a diesel engine. Methanol  
27 shall not be considered to be a special fuel, unless blended  
28 with other special fuels for use in a motor vehicle with a  
29 diesel engine.

30 Sec. 18. Section 452A.10, unnumbered paragraphs 1, 2, and  
31 4, Code 2003, are amended to read as follows:

32 A motor fuel or special fuel supplier, restrictive  
33 supplier, importer, exporter, blender, dealer, user, common  
34 carrier, contract carrier, ~~or~~ terminal, or nonterminal storage  
35 facility shall maintain, for a period of three years, records

1 of all transactions by which the supplier, restrictive  
2 supplier, or importer withdraws from a terminal or nonterminal  
3 storage facility within this state or imports into this state  
4 motor fuel or undyed special fuel together with invoices,  
5 bills of lading, and other pertinent records and papers as  
6 required by the department.

7 If in the normal conduct of a supplier's, restrictive  
8 supplier's, importer's, exporter's, blender's, dealer's,  
9 user's, common carrier's, contract carrier's, ~~or~~ terminal's,  
10 or nonterminal storage facility's business the records are  
11 maintained and kept at an office outside this state, the  
12 records shall be made available for audit and examination by  
13 the department at the office outside this state, but the audit  
14 and examination shall be without expense to this state.

15 The department, after an audit and examination of records  
16 required to be maintained under this section, may authorize  
17 their disposal upon the written request of the supplier,  
18 restrictive supplier, importer, exporter, blender, dealer,  
19 user, carrier, terminal, nonterminal storage facility, or  
20 distributor.

21 Sec. 19. Section 452A.62, subsection 1, paragraph a, Code  
22 Supplement 2003, is amended to read as follows:

23 a. A distributor, supplier, restrictive supplier,  
24 importer, exporter, blender, terminal operator, nonterminal  
25 storage facility, common carrier, or contract carrier,  
26 pertaining to motor fuel or undyed special fuel withdrawn from  
27 a terminal or nonterminal storage facility, or brought into  
28 this state.

29 Sec. 20. Section 452A.62, subsection 2, unnumbered  
30 paragraph 1, Code Supplement 2003, is amended to read as  
31 follows:

32 To examine the records, books, papers, receipts, and  
33 invoices of any distributor, supplier, restrictive supplier,  
34 importer, blender, exporter, terminal operator, nonterminal  
35 storage facility, licensed compressed natural gas or liquefied

1 petroleum gas dealer or user, or any other person who  
2 possesses fuel upon which the tax has not been paid to  
3 determine financial responsibility for the payment of the  
4 taxes imposed by this chapter.

5 Sec. 21. Section 452A.85, Code Supplement 2003, is amended  
6 by adding the following new subsection:

7 NEW SUBSECTION. 4. This section does not apply to an  
8 increase in the tax rate of a specified fuel, except for  
9 compressed natural gas, unless the increase in the tax rate of  
10 that fuel is in excess of one-half cent per gallon.

11 Sec. 22. Section 453A.1, Code Supplement 2003, is amended  
12 by adding the following new subsection:

13 NEW SUBSECTION. 5A. "Counterfeit cigarettes" means  
14 cigarettes, packages of cigarettes, cartons of cigarettes, or  
15 other containers of cigarettes with a label, trademark,  
16 service mark, trade name, device, design, or word adopted or  
17 used by a cigarette manufacturer to identify its product that  
18 is false or used without authority of the cigarette  
19 manufacturer.

20 Sec. 23. Section 453A.13, subsection 5, Code 2003, is  
21 amended to read as follows:

22 5. APPLICATION -- BOND. ~~Said-permits~~ Permits shall be  
23 issued only upon applications accompanied by the fee indicated  
24 above, and by an adequate bond as provided in section 453A.14,  
25 and upon forms furnished by the department upon written  
26 request. The failure to furnish such forms shall be no excuse  
27 for the failure to file the ~~same~~ forms unless absolute refusal  
28 is shown. ~~Said~~ The forms shall set forth:

29 a. The manner under which ~~such~~ the distributor,  
30 wholesaler, or retailer, transacts or intends to transact such  
31 business as a distributor, wholesaler, or retailer.

32 b. The principal office, residence, and place of business,  
33 ~~for-which~~ where the permit is to apply.

34 c. If the applicant is not an individual, the principal  
35 officers or members ~~thereof, not-to-exceed-three,~~ and their

1 addresses.

2 d. Such Any other information as the director shall by  
3 rules prescribe.

4 Sec. 24. Section 453A.15, Code 2003, is amended by adding  
5 the following new subsection:

6 NEW SUBSECTION. 7. The director may require by rule that  
7 reports required to be made under this division be filed by  
8 electronic transmission.

9 Sec. 25. Section 453A.18, Code 2003, is amended to read as  
10 follows:

11 453A.18 FORMS FOR RECORDS AND REPORTS.

12 The department shall furnish or make available in  
13 electronic form, without charge, to holders of the various  
14 permits, forms in sufficient quantities to enable permit  
15 holders to make the reports required to be made under this  
16 division. The permit holders shall furnish at their own  
17 expense the books, records, and invoices, required to be used  
18 and kept, but the books, records, and invoices shall be in  
19 exact conformity to the forms prescribed for that purpose by  
20 the director, and shall be kept and used in the manner  
21 prescribed by the director. However, the director may, by  
22 express order in certain cases, authorize permit holders to  
23 keep their records in a manner and upon forms other than those  
24 so prescribed. The authorization may be revoked at any time.

25 Sec. 26. Section 453A.25, subsection 3, Code 2003, is  
26 amended to read as follows:

27 3. The director ~~is-hereby-authorized-to-appoint-an~~  
28 ~~assistant,-whose-sole-duty-it-shall-be~~ may designate employees  
29 to administer and enforce the provisions of this chapter,  
30 including the collection of all taxes provided for herein in  
31 this chapter. In such enforcement the director may request  
32 aid from the attorney general, the special agents of the  
33 state, any county attorney or any peace officer. The director  
34 ~~is-authorized-to~~ may appoint such clerks and additional help  
35 as may be needed to ~~carry-out-the-provisions-of~~ administer

1 this chapter.

2 Sec. 27. Section 453A.32, subsections 1, 4, and 5, Code  
3 2003, are amended to read as follows:

4 1. All cigarettes on which taxes are imposed or required  
5 to be imposed by this division, which are found in the  
6 possession or custody, or within the control of any person,  
7 for the purpose of being sold, distributed, or removed by the  
8 person in violation of this division, and all cigarettes which  
9 are removed ~~or are~~, stored, transported, deposited, or  
10 concealed in any place with intent to avoid payment of taxes  
11 without the proper taxes paid, and any automobile, truck,  
12 boat, conveyance, or other vehicle whatsoever, used in the  
13 removal, storage, deposit, concealment, or transportation of  
14 cigarettes for ~~such~~ the purpose of avoiding the payment of the  
15 proper tax, and all equipment or other tangible personal  
16 property incident to and used for ~~such~~ the purpose of avoiding  
17 the payment of the proper tax, found in the place, building,  
18 or vehicle where cigarettes are found, and all counterfeit  
19 cigarettes, may be seized by the department, with or without  
20 process and shall be from the time of the seizure forfeited to  
21 the state of Iowa. A proceeding in the nature of a proceeding  
22 in rem shall be filed in a court of competent jurisdiction in  
23 the county of seizure to maintain the seizure and declare and  
24 perfect the forfeiture. All cigarettes, counterfeit  
25 cigarettes, vehicles, and property seized, remaining in the  
26 possession or custody of the department, sheriff or other  
27 officer for forfeiture or other disposition as provided by  
28 law, are not subject to replevin.

29 4. In the event final judgment is rendered in the  
30 forfeiture proceedings ~~aforsaid~~, maintaining the seizure, and  
31 declaring and perfecting the forfeiture of ~~said~~ the seized  
32 property, the court shall order and decree the sale ~~thereof~~ of  
33 the seized property, other than the counterfeit cigarettes, to  
34 the highest bidder, by the sheriff at public auction in the  
35 county of seizure after notice is given in the manner provided

1 in the case of the sale of personal property under execution,  
2 and the proceeds of such sale, less expense of seizure and  
3 court costs, shall be paid into the state treasury.

4 Counterfeit cigarettes shall be destroyed or disposed of in a  
5 manner determined by the director.

6 5. In the event the cigarettes seized ~~hereunder~~ and sought  
7 to be sold upon forfeiture ~~shall-be~~ are unstamped, the  
8 cigarettes shall be sold by the director or the director's  
9 designee to the highest bidder among the ~~licensed~~ distributors  
10 holding a permit in this state after written notice has been  
11 mailed to all such distributors. If there is no bidder, or in  
12 the opinion of the director the quantity of cigarettes to be  
13 sold is insufficient, or for any other reason such disposition  
14 of the cigarettes is impractical, the cigarettes shall be  
15 destroyed or disposed of in a manner as determined by the  
16 director. The proceeds ~~of-such~~ from the sales shall be paid  
17 into the state treasury.

18 Sec. 28. Section 453A.36, subsection 6, Code 2003, is  
19 amended to read as follows:

20 6. Any sales of cigarettes or tobacco products made  
21 through a cigarette vending machine are subject to rules and  
22 penalties relative to retail sales of cigarettes and tobacco  
23 products provided for in this chapter. ~~No-cigarettes-shall~~  
24 Cigarettes shall not be sold through any cigarette vending  
25 machine unless the cigarettes have been properly stamped or  
26 metered as provided by this division, and in case of violation  
27 of this provision, the permit of the dealer authorizing retail  
28 sales of cigarettes shall be ~~cancelled~~ revoked. Payment of the  
29 ~~license permit~~ fee as provided in section 453A.13 authorizes a  
30 cigarette vendor to sell cigarettes or tobacco products  
31 through vending machines. However, cigarettes or tobacco  
32 products shall not be sold through a vending machine unless  
33 the vending machine is located in a place where the retailer  
34 ensures that no person younger than eighteen years of age is  
35 present or permitted to enter at any time. This section does

1 not require a retail ~~licensee~~ permit holder to buy a cigarette  
2 vendor's permit if the retail ~~licensee~~ permit holder is in  
3 fact the owner of the cigarette vending machines and the  
4 machines are operated in the location described in the retail  
5 permit.

6 Sec. 29. Section 453A.36, Code 2003, is amended by adding  
7 the following new subsection:

8 NEW SUBSECTION. 9. It is unlawful for a person to ship or  
9 import into this state or to offer for sale, sell, distribute,  
10 transport, or possess counterfeit cigarettes, knowing such  
11 cigarettes are counterfeit cigarettes or having reasonable  
12 cause to believe that such cigarettes are counterfeit  
13 cigarettes.

14 Sec. 30. Section 453A.38, Code 2003, is amended to read as  
15 follows:

16 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

17 Any person who shall print, engrave, make, issue, sell, or  
18 circulate, or shall possess or have in the person's possession  
19 with intent to use, sell, circulate, or pass, any counterfeit  
20 stamp or previously used stamp, or who shall use, or consent  
21 to the use of, any counterfeit stamp or previously used stamp  
22 in connection with the sale, or offering for sale, of any  
23 cigarettes, or who shall place, or cause to be placed, on any  
24 individual package of cigarettes, any counterfeit stamp or  
25 previously used stamp, ~~shall-be~~ is guilty of an aggravated  
26 misdemeanor. A person in violation of this section is also  
27 subject to the penalty provided in section 453A.31, subsection  
28 1.

29 Sec. 31. Section 453A.40, subsection 1, Code Supplement  
30 2003, is amended to read as follows:

31 1. All persons required to ~~be-licensed~~ hold a  
32 distributor's permit under section 453A.13 ~~as-distributors~~  
33 having in their possession and held for resale on the  
34 effective date of an increase in the tax rate cigarettes or  
35 little cigars upon which the tax under section 453A.6 or

1 453A.43 has been paid, unused cigarette tax stamps which have  
2 been paid for under section 453A.8, or unused metered imprints  
3 which have been paid for under section 453A.12 shall be  
4 subject to an inventory tax on the items as provided in this  
5 section.

6 Sec. 32. Section 453A.45, subsection 5, unnumbered  
7 paragraph 2, Code 2003, is amended to read as follows:

8 Such report shall be made on forms provided by the director  
9 or the director may require by rule that the report be filed  
10 by electronic transmission.

11 Sec. 33. Section 453A.46, Code 2003, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 7. The director may require by rule that  
14 reports be filed by electronic transmission.

15 Sec. 34. Section 518.18, subsection 3, paragraph b,  
16 unnumbered paragraph 1, Code Supplement 2003, is amended to  
17 read as follows:

18 In addition to the prepayment amount in paragraph "a", each  
19 association shall remit on or before ~~June-30~~ August 15, on a  
20 prepayment basis, an additional amount equal to the following  
21 percent of the premium tax liability for the preceding  
22 calendar year as follows:

23 Sec. 35. Section 518A.35, subsection 3, paragraph b,  
24 unnumbered paragraph 1, Code Supplement 2003, is amended to  
25 read as follows:

26 In addition to the prepayment amount in paragraph "a", each  
27 association shall remit on or before ~~June-30~~ August 15, on a  
28 prepayment basis, an additional amount equal to the following  
29 percent of the premium tax liability for the preceding  
30 calendar year as follows:

31 Sec. 36. EFFECTIVE DATE. The sections of this Act  
32 amending sections 422.35, 432.1, 518.18, and 518A.35, being  
33 deemed of immediate importance, take effect upon enactment.

34 Sec. 37. RETROACTIVE APPLICABILITY. Sections 1 and 2 of  
35 this Act, amending Code section 422.9, apply retroactively to

1 January 1, 2004, for tax years beginning on or after that  
2 date.

3 EXPLANATION

4 This bill relates to the technical administration of the  
5 tax and related laws by the department of revenue.

6 Code sections 422.9(1) and 422.9(2)(b) are amended to  
7 provide that no adjustment for federal income tax is allowed  
8 for a tax year in which an Iowa return was not required to be  
9 filed. This change is applicable beginning with the 2004 tax  
10 year.

11 Code section 422.35 is amended to provide for an exclusion  
12 for foreign dividend income. This codifies current practice  
13 and administrative rules of the Iowa department of revenue  
14 based on the United States Supreme Court decision in Kraft  
15 General Foods, Inc. v. Iowa Department of Revenue and Finance,  
16 505 U.S. 71 (1992). This section of the bill takes effect  
17 upon enactment.

18 Code section 422A.1 is amended to provide that local hotel  
19 and motel tax shall be imposed beginning on January 1 and July  
20 1 only and terminated as of June 30 and December 31 only.

21 Code section 422E.3A(3)(a) is amended to change the date  
22 for the department of revenue to estimate the school  
23 infrastructure local option tax from June 1 to August 15.  
24 Currently, all other local option estimates are required to be  
25 made by August 15.

26 Code section 423.1(50) is amended to define "employer" for  
27 purposes of the state sales tax on services as the person who  
28 actually pays the wages of an employee.

29 Code section 425.1(4) is amended to rescind the requirement  
30 that the department estimate the amount of homestead tax  
31 credits payable to the counties each year.

32 Code section 432.1 is amended to change from June 30 to  
33 August 15 the date that insurance premium prepayments payable  
34 by insurance companies are due. Code sections 518.18 and  
35 518.18A are amended to change from June 30 to August 15 the

1 date that insurance premium prepayments payable by county and  
2 state mutual insurance associations are due. These sections  
3 of the bill are effective upon enactment.

4 Code section 441.6 is amended to strike the physical  
5 condition and reputation of a person as criteria used by the  
6 examining board in determining the person's qualifications for  
7 appointment to the position of county or city assessor.

8 Code section 441.8 is amended to permit the director of  
9 revenue to waive the assessor and deputy assessor continuing  
10 education requirements for good cause. Code section 441.8 is  
11 also amended to require the conference board to notify the  
12 assessor at least 90 days prior to the expiration of the  
13 assessor's term of office if the assessor is not to be  
14 reappointed.

15 Code section 441.21 is amended to provide that Internal  
16 Revenue Code section 42 low-income housing may be assessed  
17 using the income method of appraisal in conjunction with the  
18 section 42 rental amounts on the property. The bill provides  
19 that in no case shall the assessment arrived at based on this  
20 method exceed the assessed value of the property. The section  
21 is also amended to allow the owner of section 42 property to  
22 elect not to have the property assessed based on the income  
23 method of appraisal in conjunction with the section 42 rental  
24 amounts.

25 Code section 441.38(2) is amended to require the property  
26 owner to file notice of appeal to district court with the  
27 local board of review within 20 days after the board's  
28 adjournment or May 31, whichever is later.

29 Code section 441.40A is enacted to provide that in a  
30 property assessment appeal if the local board of review or  
31 court, as applicable, determines that the property in question  
32 was assessed at more than 110 percent of its post-appeal  
33 value, the assessor shall pay all reasonable costs of the  
34 taxpayer's appeal.

35 Code section 452A.2(19) and (25) is amended to state that,

1 for fuel tax purposes, methanol is not a special fuel unless  
2 blended for use in a motor vehicle with a diesel engine and is  
3 not a motor fuel unless blended for use in aircraft or a motor  
4 vehicle.

5 Code sections 452A.10, 452A.62(1)(a), and 452A.62(2) are  
6 amended to require nonterminal storage facilities to maintain  
7 the same records as terminals for withdrawals and importation  
8 of certain motor and special fuels.

9 Code section 452A.85 is amended to provide that the  
10 inventory tax does not apply unless the increase in the fuel  
11 tax rate is more than one-half cent per gallon.

12 Code section 453A.1 is amended to define "counterfeit  
13 cigarettes".

14 Code section 453A.13(5) is amended to require furnishing of  
15 the names and addresses of all officers of the business  
16 applying for a bond to obtain a cigarette permit.

17 Code section 453A.15 is amended to give the director the  
18 authority to require that cigarette reports be filed by  
19 electronic transmission.

20 Code section 453A.18 authorizes the department to furnish  
21 permit holders with electronic forms in lieu of paper forms.

22 Code section 453A.25(3) is amended to delete the  
23 requirement that the director appoint a person whose only  
24 responsibility is to administer cigarette and tobacco taxes.

25 Code section 453A.32, subsections (1), (4), and (5), are  
26 amended to strengthen the language relating to the seizure and  
27 forfeiture of unstamped cigarettes and to reflect that  
28 cigarette distributors receive a permit, not a license, to do  
29 business in Iowa. The section is also amended to include  
30 counterfeit cigarettes in these provisions.

31 Code section 453A.36(6) is amended to clarify that  
32 cigarette retailers receive a permit, not a license, to do  
33 business in Iowa.

34 Code section 453A.36 is amended to make it unlawful to ship  
35 or import into Iowa or sell, distribute, transport, or possess

1 counterfeit cigarettes and allows for the confiscation and  
2 destruction of those cigarettes.

3 Code section 453A.38 is amended to subject cigarette  
4 counterfeiters to a civil penalty in addition to the current  
5 criminal penalty.

6 Code section 453A.40(1) is amended to reflect that  
7 cigarette distributors receive a permit rather than a license  
8 to do business in Iowa.

9 Code section 453A.45(5) is amended to give the director the  
10 authority to require by rule that tobacco transportation  
11 reports be filed electronically.

12 Code section 453A.46 is amended to give the director the  
13 authority to require by rule that distributors file tobacco  
14 reports electronically.

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## HOUSE FILE 2574

H-8466

1 Amend House File 2574 as follows:

2 1. Page 2, by inserting after line 29 the  
3 following:

4 "Sec. \_\_\_\_\_. Section 423.3, as enacted by 2003 Iowa  
5 Acts, First Extraordinary Session, chapter 2, section  
6 96, is amended by adding the following new subsection:  
7 NEW SUBSECTION. 84. The sales price from the sale  
8 of building materials, supplies, goods, wares, or  
9 merchandise sold to a nonprofit Iowa affiliate of a  
10 nonprofit international organization whose primary  
11 activity is the promotion of the construction,  
12 remodeling, or rehabilitation of one or two-family  
13 dwellings for use by low-income families and where the  
14 building materials, supplies, goods, wares, or  
15 merchandise are used in the construction, remodeling,  
16 or rehabilitation of such dwellings.

17 Sec. \_\_\_\_\_. Section 423.4, subsection 1, as enacted  
18 by 2003 Iowa Acts, First Extraordinary Session,  
19 chapter 2, section 97, is amended to read as follows:

20 1. A private nonprofit educational institution in  
21 this state, nonprofit Iowa affiliate of a nonprofit  
22 international organization whose primary activity is  
23 the promotion of the construction, remodeling, or  
24 rehabilitation of one or two-family dwellings for low-  
25 income families, nonprofit private museum in this  
26 state, tax-certifying or tax-levying body or  
27 governmental subdivision of the state, including the  
28 state board of regents, state department of human  
29 services, state department of transportation, a  
30 municipally owned solid waste facility which sells all  
31 or part of its processed waste as fuel to a  
32 municipally owned public utility, and all divisions,  
33 boards, commissions, agencies, or instrumentalities of  
34 state, federal, county, or municipal government which  
35 do not have earnings going to the benefit of an equity  
36 investor or stockholder, may make application to the  
37 department for the refund of the sales or use tax upon  
38 the sales price of all sales of goods, wares, or  
39 merchandise, or from services furnished to a  
40 contractor, used in the fulfillment of a written  
41 contract with the state of Iowa, any political  
42 subdivision of the state, or a division, board,  
43 commission, agency, or instrumentality of the state or  
44 a political subdivision, a private nonprofit  
45 educational institution in this state, such nonprofit  
46 Iowa affiliate, or a nonprofit private museum in this  
47 state if the property becomes an integral part of the  
48 project under contract and at the completion of the  
49 project becomes public property, is devoted to  
50 educational uses, becomes part of a low-income one or

H-8466

H-8466

Page 2

1 two-family dwelling in the state, or becomes a  
2 nonprofit private museum; except goods, wares, or  
3 merchandise, or services furnished which are used in  
4 the performance of any contract in connection with the  
5 operation of any municipal utility engaged in selling  
6 gas, electricity, or heat to the general public or in  
7 connection with the operation of a municipal pay  
8 television system; and except goods, wares, and  
9 merchandise used in the performance of a contract for  
10 a "project" under chapter 419 as defined in that  
11 chapter other than goods, wares, or merchandise used  
12 in the performance of a contract for a "project" under  
13 chapter 419 for which a bond issue was approved by a  
14 municipality prior to July 1, 1968, or for which the  
15 goods, wares, or merchandise becomes an integral part  
16 of the project under contract and at the completion of  
17 the project becomes public property or is devoted to  
18 educational uses.

19 a. Such contractor shall state under oath, on  
20 forms provided by the department, the amount of such  
21 sales of goods, wares, or merchandise, or services  
22 furnished and used in the performance of such  
23 contract, and upon which sales or use tax has been  
24 paid, and shall file such forms with the governmental  
25 unit, private nonprofit educational institution, such  
26 nonprofit Iowa affiliate, or nonprofit private museum  
27 which has made any written contract for performance by  
28 the contractor. The forms shall be filed by the  
29 contractor with the governmental unit, educational  
30 institution, such nonprofit Iowa affiliate, or  
31 nonprofit private museum before final settlement is  
32 made.

33 b. Such governmental unit, educational  
34 institution, nonprofit Iowa affiliate, or nonprofit  
35 private museum shall, not more than one year after the  
36 final settlement has been made, make application to  
37 the department for any refund of the amount of the  
38 sales or use tax which shall have been paid upon any  
39 goods, wares, or merchandise, or services furnished,  
40 the application to be made in the manner and upon  
41 forms to be provided by the department, and the  
42 department shall forthwith audit the claim and, if  
43 approved, issue a warrant to the governmental unit,  
44 educational institution, or nonprofit private museum  
45 in the amount of the sales or use tax which has been  
46 paid to the state of Iowa under the contract.

47 Refunds authorized under this subsection shall  
48 accrue interest at the rate in effect under section  
49 421.7 from the first day of the second calendar month  
50 following the date the refund claim is received by the

H-8466

-2-

**H-8466**

Page 3

1 department.

2 c. Any contractor who willfully makes a false  
3 report of tax paid under the provisions of this  
4 subsection is guilty of a simple misdemeanor and in  
5 addition shall be liable for the payment of the tax  
6 and any applicable penalty and interest."

By KURTENBACH of Story

H-8466 FILED APRIL 12, 2004

**HOUSE FILE 2574**

**H-8480**

1 Amend House File 2574 as follows:

2 1. Page 7, line 34, by striking the word "all"  
3 and inserting the following: "fifty percent of the".

By OSTERHAUS of Jackson

H-8480 FILED APRIL 12, 2004

## HOUSE FILE 2574

## H-8512

- 1 Amend House File 2574 as follows:  
2 1. Page 1, by inserting before line 1, the  
3 following:  
4 "Section 1. Section 331.907, subsection 2, Code  
5 2003, is amended to read as follows:  
6 2. At the public hearing held on the county budget  
7 as provided in section 331.434, the county  
8 compensation board shall submit its recommended  
9 compensation schedule for the next fiscal year to the  
10 board of supervisors for inclusion in the county  
11 budget. The board of supervisors shall review the  
12 recommended compensation schedule for the elected  
13 county officers and determine the final compensation  
14 schedule which shall not exceed the compensation  
15 schedule recommended by the county compensation board.  
16 In determining the final compensation schedule, ~~if~~ the  
17 board of supervisors ~~wishes to~~ may reduce the amount  
18 of the recommended compensation schedule, but the  
19 amount of salary increase ~~proposed~~ recommended for  
20 each elected county officer shall be reduced an equal  
21 percentage, except that the board of supervisors may  
22 reduce the amount of salary increase recommended for  
23 the office of county supervisor only. A copy of the  
24 final compensation schedule shall be filed with the  
25 county budget at the office of the director of the  
26 department of management. The final compensation  
27 schedule takes effect on July 1 following its adoption  
28 by the board of supervisors."  
29 2. Title page, by striking lines 1 and 2, and  
30 inserting the following: "An Act relating to".  
31 3. By renumbering as necessary.

By STRUYK of Pottawattamie

H-8512 FILED APRIL 14, 2004

WITHDRAWN

## HOUSE FILE 2574

## H-8510

- 1 Amend House File 2574 as follows:  
2 1. By striking page 7, line 29 through page 8,  
3 line 3.  
4 2. By renumbering as necessary.

By SHOULTZ of Black Hawk

H-8510 FILED APRIL 14, 2004

LOST

**HOUSE FILE 2574****H-8513**

1 Amend House File 2574 as follows:

2 1. Page 2, by inserting after line 29 the  
3 following:

4 "Sec. \_\_\_\_ . Section 423.3, subsections 2 and 37, as  
5 enacted by 2003 Iowa Acts, First Extraordinary  
6 Session, chapter 2, section 96, are amended to read as  
7 follows:

8 2. The sales price of sales for resale of tangible  
9 personal property or taxable services, or for resale  
10 of tangible personal property in connection with the  
11 furnishing of taxable services except for sales, other  
12 than leases or rentals, which are sales, of machinery,  
13 equipment, attachments, and replacement parts  
14 specifically enumerated in subsection 37 and used in  
15 the manner described in subsection 37.

16 37. The sales price of services on or connected  
17 with new construction, reconstruction, alteration,  
18 expansion, remodeling, or the services of a general  
19 building contractor, architect, or engineer. The  
20 exemption in this subsection also applies to the sales  
21 price on the lease or rental of self-propelled  
22 building equipment, self-constructed cranes, pile  
23 drivers, structural concrete forms, regular and  
24 motorized scaffolding, generators, or attachments  
25 customarily drawn or attached to self-propelled  
26 building equipment, self-constructed cranes, pile  
27 drivers, structural concrete forms, regular and  
28 motorized scaffolding, and generators, including  
29 auxiliary attachments which improve the performance,  
30 safety, operation, or efficiency of the equipment and  
31 replacement parts and are directly and primarily used  
32 by contractors, subcontractors, and builders for new  
33 construction, reconstruction, alterations, expansion,  
34 or remodeling of real property or structures."

**By** KRAMER of Polk

MURPHY of Dubuque

J. K. VAN FOSSEN of Scott

HUSER of Polk

GIPP of Winneshiek

**H-8513** FILED APRIL 14, 2004

ADOPTED

**HOUSE FILE 2574****H-8517**

1 Amend House File 2574 as follows:

2 1. Page 7, by striking line 31 and inserting the  
3 following:

4 "Notwithstanding section 441.40, where the court".

5 2. Page 7, line 34, by striking the word

6 "taxpayer's" and inserting the following:

7 "appellant's".

**By** KRAMER of Polk

**H-8517** FILED APRIL 14, 2004

ADOPTED

**HOUSE FILE 2574****H-8520**

1 Amend the amendment, H-8517, to House File 2574 as  
2 follows:

3 1. Page 1, by striking lines 5 through 7, and  
4 inserting the following:

5 "\_\_\_\_. By striking page 7, line 34 through page 8,  
6 line 3, and inserting the following: "value, the  
7 assessor shall pay all reasonable attorney fees and  
8 costs of the appellant's appeal.""

By HOGG of Linn

**H-8520** FILED APRIL 13, 2004

LOST

**HOUSE FILE 2574****H-8521**

1 Amend the amendment, H-8517, to House File 2574, as  
2 follows:

3 1. Page 1, by striking lines 2 through 7, and  
4 inserting the following:

5 "\_\_\_\_. By striking page 7, line 31, through page  
6 8, line 3, and inserting the following:

7 "Notwithstanding section 441.40, where the court  
8 finds that the assessor's position in regard to  
9 assessment of the property was not substantially  
10 justified, the assessor shall pay all reasonable  
11 attorney fees and costs of the appellant's appeal.""

12 2. By renumbering as necessary.

By HOGG of Linn

**H-8521** FILED APRIL 13, 2004

LOST

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2574 - Revenue Department's Technical Corrections II (LSB 6925 HV.2)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version – Amendment H-8517 to HF 2574

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**Description**

Section 15 of House File 2574 requires local assessors to pay attorney, appraisal, and other costs of the property owner when the Board of Review or a court determines the value of a property to be below the value determined by the assessor by at least 10.0%. Amendment H-8517 restricts the application to only court decisions.

**Fiscal Impact**

The original Fiscal Note projected Section 15 will require counties and cities to pay more than \$1.5 million per year in legal and other costs of property owner's that prevail on appeal to the Board of Review or the court. The number of impacted properties was assumed to exceed 5,000.

Amendment H-8517 will reduce the number of appeals subject to assessor payment to less than 10.0% of the original estimate. However, the legal, appraisal, and other costs associated with court appeals will represent the majority of the reimbursable costs assumed in the original \$1.5 million estimate. Therefore, the cost of Section 15, as amended, will still exceed \$0.8 million per year across all cities and counties.

**Source**

Iowa County and City Assessors

Dennis C Prouty

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April 13, 2004

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2574 - Revenue Department's Technical Corrections II (LSB 6925 HV)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version - New

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**Description**

House File 2574 (Section 15) requires local assessors to pay attorney, appraisal, and other costs of the property owner when the Board of Review or court determines the value of a property to be below the value determined by the assessor by at least 10.0%.

**Assumptions**

1. On average, property owners prevailing in property tax appeals expend \$300 on legal fees, appraisal costs, and other expenses.
2. There are more than 5,000 property tax appeals per year that are decided in favor of the property owner and the original assessment was ruled to be at least 10.0% too high.

**Fiscal Impact**

Section 15 will require counties and cities to pay more than \$1.5 million per year in legal and other costs of property owner's that prevail on appeal to the Board of Review or the court. Local governments may attempt to mitigate the loss by adopting a more thorough and expensive assessment procedure.

If Section 15 is determined to be a State mandate under Chapter 25B, Code of Iowa, the counties and cities will not be obligated to pay the prevailing property owner's costs (see Section 25B.2(3), Code of Iowa).

**Source**

Iowa County and City Assessors

Dennis C Prouty

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April 13, 2004

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 2574 - Revenue Department's Technical Corrections II (LSB 6925 HV.1)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version – Amendment H-8466 to HF 2574

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**Description**

Amendment H-8466 to HF 2574 provides a sales/use tax exemption for materials that become part of a low-income one or two family dwelling when the materials are purchased by qualified nonprofit organizations.

**Assumptions**

1. Qualified nonprofit organizations will construct or rehabilitate 45 one and two family homes in Iowa each year.
2. The average home will require \$60,000 in materials currently subject to sales/use tax.
3. The State sales/use tax rate is 5.0% and the average local option tax rate is 1.0%.

**Fiscal Impact**

The sales/use tax exemption for building materials will reduce General Fund receipts by \$135,000 per year starting FY 2005. The exemption will also reduce local option sales tax revenue by \$27,000 per year.

**Source**

Habitat for Humanity

Dennis C Prouty

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April 13, 2004

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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HOUSE FILE 2574  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 727)

(As Amended and Passed by the House April 13, 2004)

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

**A BILL FOR**

1 An Act relating to the technical administration of the tax and  
2 related laws by the department of revenue, including  
3 administration of state individual income, corporate income,  
4 insurance premiums, sales, use, property, motor fuel, special  
5 fuel, cigarette, and tobacco taxes, and making penalties  
6 applicable and including effective date and retroactive  
7 applicability date provisions.

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

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House Amendments \_\_\_\_\_

HF 2574

1 Section 1. Section 422.9, subsection 1, Code Supplement  
2 2003, is amended to read as follows:

3 1. An optional standard deduction, after deduction of  
4 federal income tax, equal to one thousand two hundred thirty  
5 dollars for a married person who files separately or a single  
6 person or equal to three thousand thirty dollars for a husband  
7 and wife who file a joint return, a surviving spouse, or an  
8 unmarried head of household. The optional standard deduction  
9 shall not exceed the amount remaining after deduction of the  
10 federal income tax. The amount of federal income tax deducted  
11 shall be computed as provided in subsection 2, paragraph "b".

12 Sec. 2. Section 422.9, subsection 2, paragraph b, Code  
13 Supplement 2003, is amended to read as follows:

14 b. Add the amount of federal income taxes paid or accrued  
15 as the case may be, during the tax year, adjusted-by and  
16 subtract any federal income tax refunds received during the  
17 tax year. ~~Provided, however, that where~~ Where married  
18 persons, who have filed a joint federal income tax return,  
19 file separately, such total shall be divided between them  
20 according to the portion ~~thereof~~ of the total paid or accrued,  
21 as the case may be, by each. Federal income taxes paid for a  
22 tax year in which an Iowa return was not required to be filed  
23 shall not be added, and federal income tax refunds received  
24 from a tax year in which an Iowa return was not required to be  
25 filed shall not be subtracted.

26 Sec. 3. Section 422.35, Code Supplement 2003, is amended  
27 by adding the following new subsection:

28 NEW SUBSECTION. 20. Subtract the amount of foreign  
29 dividend income, including Subpart F income as defined in  
30 section 952 of the Internal Revenue Code, based upon the  
31 percentage of ownership as set forth in section 243 of the  
32 Internal Revenue Code.

33 Sec. 4. Section 422A.1, unnumbered paragraph 3, Code  
34 Supplement 2003, is amended to read as follows:

35 A local hotel and motel tax shall be imposed on January 17

1 ~~April-17~~ or July 1, ~~or-October-17~~ following the notification  
2 of the director of revenue. Once imposed, the tax shall  
3 remain in effect at the rate imposed for a minimum of one  
4 year. A local hotel and motel tax shall terminate only on  
5 ~~March-317~~ June 307-~~September-307~~, or December 31. At least  
6 forty-five days prior to the tax being effective or prior to a  
7 revision in the tax rate, or prior to the repeal of the tax, a  
8 city or county shall provide notice by mail of such action to  
9 the director of revenue.

10 Sec. 5. Section 422E.3A, subsection 3, paragraph a, Code  
11 Supplement 2003, is amended to read as follows:

12 a. The director of revenue by ~~June-1-preceding~~ August 15  
13 of each fiscal year shall compute the guaranteed school  
14 infrastructure amount for each school district, each school  
15 district's sales tax capacity per student for each county, and  
16 the supplemental school infrastructure amount for the coming  
17 fiscal year.

18 Sec. 6. Section 423.1, subsection 50, as enacted by 2003  
19 Iowa Acts, First Extraordinary Session, chapter 2, section 94,  
20 is amended to read as follows:

21 50. "Services" means all acts or services rendered,  
22 furnished, or performed, other than services used in  
23 processing of tangible personal property for use in retail  
24 sales or services, for an employer~~7-as-defined-in-section~~  
25 ~~422-47-subsection-3~~ who pays the wages of an employee, for a  
26 valuable consideration by any person engaged in any business  
27 or occupation specifically enumerated in section 423.2. The  
28 tax shall be due and collectible when the service is rendered,  
29 furnished, or performed for the ultimate user of the service.

30 Sec. 7. Section 423.3, subsections 2 and 37, as enacted by  
31 2003 Iowa Acts, First Extraordinary Session, chapter 2,  
32 section 96, are amended to read as follows:

33 2. The sales price of sales for resale of tangible  
34 personal property or taxable services, or for resale of  
35 tangible personal property in connection with the furnishing

1 of taxable services except for sales, other than leases or  
2 rentals, which are sales, of machinery, equipment,  
3 attachments, and replacement parts specifically enumerated in  
4 subsection 37 and used in the manner described in subsection  
5 37.

6 37. The sales price of services on or connected with new  
7 construction, reconstruction, alteration, expansion,  
8 remodeling, or the services of a general building contractor,  
9 architect, or engineer. The exemption in this subsection also  
10 applies to the sales price on the lease or rental of self-  
11 propelled building equipment, self-constructed cranes, pile  
12 drivers, structural concrete forms, regular and motorized  
13 scaffolding, generators, or attachments customarily drawn or  
14 attached to self-propelled building equipment, self-  
15 constructed cranes, pile drivers, structural concrete forms,  
16 regular and motorized scaffolding, and generators, including  
17 auxiliary attachments which improve the performance, safety,  
18 operation, or efficiency of the equipment and replacement  
19 parts and are directly and primarily used by contractors,  
20 subcontractors, and builders for new construction,  
21 reconstruction, alterations, expansion, or remodeling of real  
22 property or structures.

23 Sec. 8. Section 423.3, as enacted by 2003 Iowa Acts, First  
24 Extraordinary Session, chapter 2, section 96, is amended by  
25 adding the following new subsection:

26 NEW SUBSECTION. 84. The sales price from the sale of  
27 building materials, supplies, goods, wares, or merchandise  
28 sold to a nonprofit Iowa affiliate of a nonprofit  
29 international organization whose primary activity is the  
30 promotion of the construction, remodeling, or rehabilitation  
31 of one or two-family dwellings for use by low-income families  
32 and where the building materials, supplies, goods, wares, or  
33 merchandise are used in the construction, remodeling, or  
34 rehabilitation of such dwellings.

35 Sec. 9. Section 423.4, subsection 1, as enacted by 2003

1 Iowa Acts, First Extraordinary Session, chapter 2, section 97,  
2 is amended to read as follows:

3 1. A private nonprofit educational institution in this  
4 state, nonprofit Iowa affiliate of a nonprofit international  
5 organization whose primary activity is the promotion of the  
6 construction, remodeling, or rehabilitation of one or two-  
7 family dwellings for low-income families, nonprofit private  
8 museum in this state, tax-certifying or tax-levying body or  
9 governmental subdivision of the state, including the state  
10 board of regents, state department of human services, state  
11 department of transportation, a municipally owned solid waste  
12 facility which sells all or part of its processed waste as  
13 fuel to a municipally owned public utility, and all divisions,  
14 boards, commissions, agencies, or instrumentalities of state,  
15 federal, county, or municipal government which do not have  
16 earnings going to the benefit of an equity investor or  
17 stockholder, may make application to the department for the  
18 refund of the sales or use tax upon the sales price of all  
19 sales of goods, wares, or merchandise, or from services  
20 furnished to a contractor, used in the fulfillment of a  
21 written contract with the state of Iowa, any political  
22 subdivision of the state, or a division, board, commission,  
23 agency, or instrumentality of the state or a political  
24 subdivision, a private nonprofit educational institution in  
25 this state, such nonprofit Iowa affiliate, or a nonprofit  
26 private museum in this state if the property becomes an  
27 integral part of the project under contract and at the  
28 completion of the project becomes public property, is devoted  
29 to educational uses, becomes part of a low-income one or two-  
30 family dwelling in the state, or becomes a nonprofit private  
31 museum; except goods, wares, or merchandise, or services  
32 furnished which are used in the performance of any contract in  
33 connection with the operation of any municipal utility engaged  
34 in selling gas, electricity, or heat to the general public or  
35 in connection with the operation of a municipal pay television

1 system; and except goods, wares, and merchandise used in the  
2 performance of a contract for a "project" under chapter 419 as  
3 defined in that chapter other than goods, wares, or  
4 merchandise used in the performance of a contract for a  
5 "project" under chapter 419 for which a bond issue was  
6 approved by a municipality prior to July 1, 1968, or for which  
7 the goods, wares, or merchandise becomes an integral part of  
8 the project under contract and at the completion of the  
9 project becomes public property or is devoted to educational  
10 uses.

11 a. Such contractor shall state under oath, on forms  
12 provided by the department, the amount of such sales of goods,  
13 wares, or merchandise, or services furnished and used in the  
14 performance of such contract, and upon which sales or use tax  
15 has been paid, and shall file such forms with the governmental  
16 unit, private nonprofit educational institution, such  
17 nonprofit Iowa affiliate, or nonprofit private museum which  
18 has made any written contract for performance by the  
19 contractor. The forms shall be filed by the contractor with  
20 the governmental unit, educational institution, such nonprofit  
21 Iowa affiliate, or nonprofit private museum before final  
22 settlement is made.

23 b. Such governmental unit, educational institution,  
24 nonprofit Iowa affiliate, or nonprofit private museum shall,  
25 not more than one year after the final settlement has been  
26 made, make application to the department for any refund of the  
27 amount of the sales or use tax which shall have been paid upon  
28 any goods, wares, or merchandise, or services furnished, the  
29 application to be made in the manner and upon forms to be  
30 provided by the department, and the department shall forthwith  
31 audit the claim and, if approved, issue a warrant to the  
32 governmental unit, educational institution, or nonprofit  
33 private museum in the amount of the sales or use tax which has  
34 been paid to the state of Iowa under the contract.

35 Refunds authorized under this subsection shall accrue

1 interest at the rate in effect under section 421.7 from the  
2 first day of the second calendar month following the date the  
3 refund claim is received by the department.

4 c. Any contractor who willfully makes a false report of  
5 tax paid under the provisions of this subsection is guilty of  
6 a simple misdemeanor and in addition shall be liable for the  
7 payment of the tax and any applicable penalty and interest.

8 Sec. 10. Section 425.1, subsection 4, Code Supplement  
9 2003, is amended to read as follows:

10 4. Annually the department of revenue shall ~~estimate the~~  
11 ~~credit not to exceed the actual levy on the first four~~  
12 ~~thousand eight hundred fifty dollars of actual value of each~~  
13 ~~eligible homestead, and shall~~ certify to the county auditor of  
14 each county the credit and its amount in dollars. Each county  
15 auditor shall then enter the credit against the tax levied on  
16 each eligible homestead in each county payable during the  
17 ensuing year, designating on the tax lists the credit as being  
18 from the homestead credit fund, and credit shall then be given  
19 to the several taxing districts in which eligible homesteads  
20 are located in an amount equal to the credits allowed on the  
21 taxes of the homesteads. The amount of credits shall be  
22 apportioned by each county treasurer to the several taxing  
23 districts as provided by law, in the same manner as though the  
24 amount of the credit had been paid by the owners of the  
25 homesteads. However, the several taxing districts shall not  
26 draw the funds so credited until after the semiannual  
27 allocations have been received by the county treasurer, as  
28 provided in this chapter. Each county treasurer shall show on  
29 each tax receipt the amount of credit received from the  
30 homestead credit fund.

31 Sec. 11. Section 432.1, subsection 6, paragraph b,  
32 unnumbered paragraph 1, Code Supplement 2003, is amended to  
33 read as follows:

34 In addition to the prepayment amount in paragraph "a", each  
35 life insurance company or association which is subject to tax

1 under subsection 1 of this section and each mutual health  
2 service corporation which is subject to tax under section  
3 432.2 shall remit on or before ~~June-30~~ August 15, on a  
4 prepayment basis, an additional amount equal to the following  
5 percent of the premium tax liability for the preceding  
6 calendar year as follows:

7 Sec. 12. Section 432.1, subsection 6, paragraph c,  
8 unnumbered paragraph 1, Code Supplement 2003, is amended to  
9 read as follows:

10 In addition to the prepayment amount in paragraph "a", each  
11 insurance company or association, other than a life insurance  
12 company or association, which is subject to tax under  
13 subsection 3 shall remit on or before ~~June-30~~ August 15, on a  
14 prepayment basis, an additional amount equal to the following  
15 percent of the premium tax liability for the preceding  
16 calendar year as follows:

17 Sec. 13. Section 441.6, unnumbered paragraph 2, Code  
18 Supplement 2003, is amended to read as follows:

19 Upon receipt of the report of the examining board, the  
20 chairperson of the conference board shall by written notice  
21 call a meeting of the conference board to appoint an assessor.  
22 The meeting shall be held not later than seven days after the  
23 receipt of the report of the examining board by the conference  
24 board. ~~The-physical-condition, general-reputation-of-the~~  
25 ~~applicants, and-their-fitness-for-the-position-as-determined~~  
26 ~~by-the-examining-board-shall-be-taken-into-consideration-in~~  
27 ~~making-the-appointment.~~ At the meeting, the conference board  
28 shall appoint an assessor from the register of eligible  
29 candidates. However, if a special examination has not been  
30 conducted previously for the same vacancy, the conference  
31 board may request the director of revenue to hold a special  
32 examination pursuant to section 441.7. The chairperson of the  
33 conference board shall give written notice to the director of  
34 revenue of the appointment and its effective date within ten  
35 days of the decision of the board.

1       Sec. 14. Section 441.8, unnumbered paragraph 1, Code  
2 Supplement 2003, is amended to read as follows:

3       The term of office of an assessor appointed under this  
4 chapter shall be for six years. Appointments for each  
5 succeeding term shall be made in the same manner as the  
6 original appointment except that not less than ninety days  
7 before the expiration of the term of the assessor the  
8 conference board shall hold a meeting to determine whether or  
9 not it desires to reappoint the incumbent assessor to a new  
10 term. If the decision is made not to reappoint the assessor,  
11 the assessor shall be notified, in writing, of such decision  
12 not less than ninety days prior to the expiration of the  
13 assessor's term of office. Failure of the conference board to  
14 provide timely notification of the decision not to reappoint  
15 the assessor shall result in the assessor being reappointed.

16       Sec. 15. Section 441.8, unnumbered paragraphs 6 and 7,  
17 Code Supplement 2003, are amended to read as follows:

18       Upon receiving credit equal to one hundred fifty hours of  
19 classroom instruction during the assessor's current term of  
20 office of which at least ninety of the one hundred fifty hours  
21 are from courses requiring an examination upon conclusion of  
22 the course, the director of revenue shall certify to the  
23 assessor's conference board that the assessor is eligible to  
24 be reappointed to the position. For persons appointed to  
25 complete an unexpired term, the number of credits required to  
26 be certified as eligible for reappointment shall be prorated  
27 according to the amount of time remaining in the present term  
28 of the assessor. If the person was an assessor in another  
29 jurisdiction, the assessor may carry forward any credit hours  
30 received in the previous position in excess of the number that  
31 would be necessary to be considered current in that position.  
32 Upon written request by the person seeking a waiver of the  
33 continuing education requirements, the director may waive the  
34 continuing education requirements if the director determines  
35 good cause exists for the waiver.

1 Within each six-year period following the appointment of a  
2 deputy assessor, the deputy assessor shall comply with this  
3 section except that upon the successful completion of ninety  
4 hours of classroom instruction of which at least sixty of the  
5 ninety hours are from courses requiring an examination upon  
6 conclusion of the course, the deputy assessor shall be  
7 certified by the director of revenue as being eligible to  
8 remain in the position. If a deputy assessor fails to comply  
9 with this section, the deputy assessor shall be removed from  
10 the position until successful completion of the required hours  
11 of credit. If a deputy is appointed to the office of  
12 assessor, the hours of credit obtained as deputy pursuant to  
13 this section shall be credited to that individual as assessor  
14 and for the individual to be reappointed at the expiration of  
15 the term as assessor, that individual must obtain the credits  
16 which are necessary to total the number of hours for  
17 reappointment. Upon written request by the person seeking a  
18 waiver of the continuing education requirements, the director  
19 may waive the continuing education requirements if the  
20 director determines good cause exists for the waiver.

21 Sec. 16. Section 441.21, subsection 2, Code Supplement  
22 2003, is amended to read as follows:

23 2. In the event market value of the property being  
24 assessed cannot be readily established in the foregoing  
25 manner, then the assessor may determine the value of the  
26 property using the other uniform and recognized appraisal  
27 methods including its productive and earning capacity, if any,  
28 industrial conditions, its cost, physical and functional  
29 depreciation and obsolescence and replacement cost, and all  
30 other factors which would assist in determining the fair and  
31 reasonable market value of the property but the actual value  
32 shall not be determined by use of only one such factor. The  
33 following shall not be taken into consideration: Special  
34 value or use value of the property to its present owner, and  
35 the good will or value of a business which uses the property

1 as distinguished from the value of the property as property.  
2 However, in assessing property that is rented or leased to  
3 low-income individuals and families as authorized by section  
4 42 of the Internal Revenue Code, as amended, and which section  
5 ~~limits-the-amount-that~~ establishes annually the rent the  
6 individual or family pays for the rental or lease of units in  
7 the property, the assessor shall use the ~~productive-and~~  
8 ~~earning-capacity-from-the-actual-rents-received-as-a-method-of~~  
9 ~~appraisal-and-shall-take-into-account-the-extent-to-which-that~~  
10 ~~use-and-limitation-reduces-the-market-value-of-the-property~~  
11 section 42 rents in conjunction with the income method of  
12 appraisal in compliance with the uniform standards of  
13 professional appraisal practice to arrive at the assessed  
14 value for the property. In no case shall the value of the  
15 property exceed the assessed value if it had been valued  
16 without consideration to the special procedures established  
17 herein for section 42 properties. In arriving at the actual  
18 value of the property, the impact of applicable rent  
19 restrictions, affordability requirements, or any other related  
20 restrictions prescribed by any federal or state programs shall  
21 be considered. The assessor shall not directly or indirectly  
22 consider any tax credit equity or other subsidized financing  
23 as income provided to the property in determining the assessed  
24 value. An owner of section 42 property may elect to not have  
25 such property assessed using the section 42 valuation process  
26 by notifying the assessor in writing prior to March 1 of each  
27 assessment year. Upon adoption of uniform rules by the  
28 revenue department or succeeding authority covering  
29 assessments and valuations of such properties, said valuation  
30 on such properties shall be determined in accordance therewith  
31 for assessment purposes to assure uniformity, but such rules  
32 shall not be inconsistent with or change the foregoing means  
33 of determining the actual, market, taxable and assessed  
34 values.

35 Sec. 17. Section 441.38, subsection 2, Code 2003, is

1 amended to read as follows:

2 2. Notice of appeal shall be served as an original notice  
3 on the chairperson, presiding officer, or clerk of the board  
4 of review ~~after the filing of notice under subsection 1 with~~  
5 ~~the clerk of district court~~ within twenty days after its  
6 adjournment or May 31, whichever is later.

7 Sec. 18. NEW SECTION. 441.40A REIMBURSEMENT OF APPELLANT  
8 COSTS.

9 Notwithstanding section 441.40, where the court determines  
10 the appellant's property was originally assessed for more than  
11 one hundred ten percent of its post-appeal value, the assessor  
12 shall pay all costs of the appellant's appeal, including but  
13 not limited to, reasonable attorney fees, appraisal reports,  
14 expert testimony, court recorders, depositions, travel and  
15 lodging, and any other reasonably related costs incurred by  
16 the appellant.

17 Sec. 19. Section 452A.2, subsection 19, unnumbered  
18 paragraph 2, Code Supplement 2003, is amended to read as  
19 follows:

20 "Motor fuel" does not include special fuel, and does not  
21 include liquefied gases which would not exist as liquids at a  
22 temperature of sixty degrees Fahrenheit and a pressure of  
23 fourteen and seven-tenths pounds per square inch absolute, or  
24 naphthas and solvents unless the liquefied gases or naphthas  
25 and solvents are used as a component in the manufacture,  
26 compounding, or blending of a liquid within paragraph "b", in  
27 which event the resulting product shall be deemed to be motor  
28 fuel. "Motor fuel" does not include methanol unless blended  
29 with other motor fuels for use in an aircraft or for  
30 propelling motor vehicles.

31 Sec. 20. Section 452A.2, subsection 25, Code Supplement  
32 2003, is amended to read as follows:

33 25. "Special fuel" means fuel oils and all combustible  
34 gases and liquids suitable for the generation of power for  
35 propulsion of motor vehicles or turbine-powered aircraft, and

1 includes any substance used for that purpose, except that it  
2 does not include motor fuel. Kerosene shall not be considered  
3 to be a special fuel, unless blended with other special fuels  
4 for use in a motor vehicle with a diesel engine. Methanol  
5 shall not be considered to be a special fuel, unless blended  
6 with other special fuels for use in a motor vehicle with a  
7 diesel engine.

8 Sec. 21. Section 452A.10, unnumbered paragraphs 1, 2, and  
9 4, Code 2003, are amended to read as follows:

10 A motor fuel or special fuel supplier, restrictive  
11 supplier, importer, exporter, blender, dealer, user, common  
12 carrier, contract carrier, ~~or~~ terminal, or nonterminal storage  
13 facility shall maintain, for a period of three years, records  
14 of all transactions by which the supplier, restrictive  
15 supplier, or importer withdraws from a terminal or nonterminal  
16 storage facility within this state or imports into this state  
17 motor fuel or undyed special fuel together with invoices,  
18 bills of lading, and other pertinent records and papers as  
19 required by the department.

20 If in the normal conduct of a supplier's, restrictive  
21 supplier's, importer's, exporter's, blender's, dealer's,  
22 user's, common carrier's, contract carrier's, ~~or~~ terminal's,  
23 or nonterminal storage facility's business the records are  
24 maintained and kept at an office outside this state, the  
25 records shall be made available for audit and examination by  
26 the department at the office outside this state, but the audit  
27 and examination shall be without expense to this state.

28 The department, after an audit and examination of records  
29 required to be maintained under this section, may authorize  
30 their disposal upon the written request of the supplier,  
31 restrictive supplier, importer, exporter, blender, dealer,  
32 user, carrier, terminal, nonterminal storage facility, or  
33 distributor.

34 Sec. 22. Section 452A.62, subsection 1, paragraph a, Code  
35 Supplement 2003, is amended to read as follows:

1 a. A distributor, supplier, restrictive supplier,  
2 importer, exporter, blender, terminal operator, nonterminal  
3 storage facility, common carrier, or contract carrier,  
4 pertaining to motor fuel or undyed special fuel withdrawn from  
5 a terminal or nonterminal storage facility, or brought into  
6 this state.

7 Sec. 23. Section 452A.62, subsection 2, unnumbered  
8 paragraph 1, Code Supplement 2003, is amended to read as  
9 follows:

10 To examine the records, books, papers, receipts, and  
11 invoices of any distributor, supplier, restrictive supplier,  
12 importer, blender, exporter, terminal operator, nonterminal  
13 storage facility, licensed compressed natural gas or liquefied  
14 petroleum gas dealer or user, or any other person who  
15 possesses fuel upon which the tax has not been paid to  
16 determine financial responsibility for the payment of the  
17 taxes imposed by this chapter.

18 Sec. 24. Section 452A.85, Code Supplement 2003, is amended  
19 by adding the following new subsection:

20 NEW SUBSECTION. 4. This section does not apply to an  
21 increase in the tax rate of a specified fuel, except for  
22 compressed natural gas, unless the increase in the tax rate of  
23 that fuel is in excess of one-half cent per gallon.

24 Sec. 25. Section 453A.1, Code Supplement 2003, is amended  
25 by adding the following new subsection:

26 NEW SUBSECTION. 5A. "Counterfeit cigarettes" means  
27 cigarettes, packages of cigarettes, cartons of cigarettes, or  
28 other containers of cigarettes with a label, trademark,  
29 service mark, trade name, device, design, or word adopted or  
30 used by a cigarette manufacturer to identify its product that  
31 is false or used without authority of the cigarette  
32 manufacturer.

33 Sec. 26. Section 453A.13, subsection 5, Code 2003, is  
34 amended to read as follows:

35 5. APPLICATION -- BOND. ~~Said-permits~~ Permits shall be

1 issued only upon applications accompanied by the fee indicated  
2 above, and by an adequate bond as provided in section 453A.14,  
3 and upon forms furnished by the department upon written  
4 request. The failure to furnish such forms shall be no excuse  
5 for the failure to file the ~~same~~ forms unless absolute refusal  
6 is shown. Said The forms shall set forth:

7 a. The manner under which ~~such~~ the distributor,  
8 wholesaler, or retailer, transacts or intends to transact such  
9 business as a distributor, wholesaler, or retailer.

10 b. The principal office, residence, and place of business,  
11 ~~for-which~~ where the permit is to apply.

12 c. If the applicant is not an individual, the principal  
13 officers or members ~~thereof, not-to-exceed-three,~~ and their  
14 addresses.

15 d. ~~Such~~ Any other information as the director shall by  
16 rules prescribe.

17 Sec. 27. Section 453A.15, Code 2003, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 7. The director may require by rule that  
20 reports required to be made under this division be filed by  
21 electronic transmission.

22 Sec. 28. Section 453A.18, Code 2003, is amended to read as  
23 follows:

24 453A.18 FORMS FOR RECORDS AND REPORTS.

25 The department shall furnish or make available in  
26 electronic form, without charge, to holders of the various  
27 permits, forms in sufficient quantities to enable permit  
28 holders to make the reports required to be made under this  
29 division. The permit holders shall furnish at their own  
30 expense the books, records, and invoices, required to be used  
31 and kept, but the books, records, and invoices shall be in  
32 exact conformity to the forms prescribed for that purpose by  
33 the director, and shall be kept and used in the manner  
34 prescribed by the director. However, the director may, by  
35 express order in certain cases, authorize permit holders to

1 keep their records in a manner and upon forms other than those  
2 so prescribed. The authorization may be revoked at any time.

3 Sec. 29. Section 453A.25, subsection 3, Code 2003, is  
4 amended to read as follows:

5 3. The director ~~is hereby authorized to appoint an~~  
6 ~~assistant, whose sole duty it shall be~~ may designate employees  
7 to administer and enforce the provisions of this chapter,  
8 including the collection of all taxes provided for herein in  
9 this chapter. In such enforcement the director may request  
10 aid from the attorney general, the special agents of the  
11 state, any county attorney or any peace officer. The director  
12 ~~is authorized to~~ may appoint such clerks and additional help  
13 as may be needed to ~~carry out the provisions of~~ administer  
14 this chapter.

15 Sec. 30. Section 453A.32, subsections 1, 4, and 5, Code  
16 2003, are amended to read as follows:

17 1. All cigarettes on which taxes are imposed or required  
18 to be imposed by this division, which are found in the  
19 possession or custody, or within the control of any person,  
20 for the purpose of being sold, distributed, or removed by the  
21 person in violation of this division, and all cigarettes which  
22 are removed ~~or are~~, stored, transported, deposited, or  
23 concealed in any place with intent to avoid payment of taxes  
24 without the proper taxes paid, and any automobile, truck,  
25 boat, conveyance, or other vehicle whatsoever, used in the  
26 removal, storage, deposit, concealment, or transportation of  
27 cigarettes for ~~such~~ the purpose of avoiding the payment of the  
28 proper tax, and all equipment or other tangible personal  
29 property incident to and used for ~~such~~ the purpose of avoiding  
30 the payment of the proper tax, found in the place, building,  
31 or vehicle where cigarettes are found, and all counterfeit  
32 cigarettes, may be seized by the department, with or without  
33 process and shall be from the time of the seizure forfeited to  
34 the state of Iowa. A proceeding in the nature of a proceeding  
35 in rem shall be filed in a court of competent jurisdiction in

1 the county of seizure to maintain the seizure and declare and  
2 perfect the forfeiture. All cigarettes, counterfeit  
3 cigarettes, vehicles, and property seized, remaining in the  
4 possession or custody of the department, sheriff or other  
5 officer for forfeiture or other disposition as provided by  
6 law, are not subject to replevin.

7 4. In the event final judgment is rendered in the  
8 forfeiture proceedings ~~aforsaid~~, maintaining the seizure, and  
9 declaring and perfecting the forfeiture of ~~said~~ the seized  
10 property, the court shall order and decree the sale ~~thereof~~ of  
11 the seized property, other than the counterfeit cigarettes, to  
12 the highest bidder, by the sheriff at public auction in the  
13 county of seizure after notice is given in the manner provided  
14 in the case of the sale of personal property under execution,  
15 and the proceeds of such sale, less expense of seizure and  
16 court costs, shall be paid into the state treasury.

17 Counterfeit cigarettes shall be destroyed or disposed of in a  
18 manner determined by the director.

19 5. In the event the cigarettes seized ~~hereunder~~ and sought  
20 to be sold upon forfeiture ~~shall-be~~ are unstamped, the  
21 cigarettes shall be sold by the director or the director's  
22 designee to the highest bidder among the ~~licensed~~ distributors  
23 holding a permit in this state after written notice has been  
24 mailed to all such distributors. If there is no bidder, or in  
25 the opinion of the director the quantity of cigarettes to be  
26 sold is insufficient, or for any other reason such disposition  
27 of the cigarettes is impractical, the cigarettes shall be  
28 destroyed or disposed of in a manner as determined by the  
29 director. The proceeds ~~of-such~~ from the sales shall be paid  
30 into the state treasury.

31 Sec. 31. Section 453A.36, subsection 6, Code 2003, is  
32 amended to read as follows:

33 6. Any sales of cigarettes or tobacco products made  
34 through a cigarette vending machine are subject to rules and  
35 penalties relative to retail sales of cigarettes and tobacco

1 products provided for in this chapter. ~~No-cigarettes-shall~~  
2 Cigarettes shall not be sold through any cigarette vending  
3 machine unless the cigarettes have been properly stamped or  
4 metered as provided by this division, and in case of violation  
5 of this provision, the permit of the dealer authorizing retail  
6 sales of cigarettes shall be ~~canceled~~ revoked. Payment of the  
7 ~~license~~ permit fee as provided in section 453A.13 authorizes a  
8 cigarette vendor to sell cigarettes or tobacco products  
9 through vending machines. However, cigarettes or tobacco  
10 products shall not be sold through a vending machine unless  
11 the vending machine is located in a place where the retailer  
12 ensures that no person younger than eighteen years of age is  
13 present or permitted to enter at any time. This section does  
14 not require a retail ~~licensee~~ permit holder to buy a cigarette  
15 vendor's permit if the retail ~~licensee~~ permit holder is in  
16 fact the owner of the cigarette vending machines and the  
17 machines are operated in the location described in the retail  
18 permit.

19 . Sec. 32. Section 453A.36, Code 2003, is amended by adding  
20 the following new subsection:

21 NEW SUBSECTION. 9. It is unlawful for a person to ship or  
22 import into this state or to offer for sale, sell, distribute,  
23 transport, or possess counterfeit cigarettes, knowing such  
24 cigarettes are counterfeit cigarettes or having reasonable  
25 cause to believe that such cigarettes are counterfeit  
26 cigarettes.

27 Sec. 33. Section 453A.38, Code 2003, is amended to read as  
28 follows:

29 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

30 Any person who shall print, engrave, make, issue, sell, or  
31 circulate, or shall possess or have in the person's possession  
32 with intent to use, sell, circulate, or pass, any counterfeit  
33 stamp or previously used stamp, or who shall use, or consent  
34 to the use of, any counterfeit stamp or previously used stamp  
35 in connection with the sale, or offering for sale, of any

1 cigarettes, or who shall place, or cause to be placed, on any  
2 individual package of cigarettes, any counterfeit stamp or  
3 previously used stamp, ~~shall-be~~ is guilty of an aggravated  
4 misdemeanor. A person in violation of this section is also  
5 subject to the penalty provided in section 453A.31, subsection  
6 1.

7 Sec. 34. Section 453A.40, subsection 1, Code Supplement  
8 2003, is amended to read as follows:

9 1. All persons required to ~~be-licensed~~ hold a  
10 distributor's permit under section 453A.13 ~~as-distributors~~  
11 having in their possession and held for resale on the  
12 effective date of an increase in the tax rate cigarettes or  
13 little cigars upon which the tax under section 453A.6 or  
14 453A.43 has been paid, unused cigarette tax stamps which have  
15 been paid for under section 453A.8, or unused metered imprints  
16 which have been paid for under section 453A.12 shall be  
17 subject to an inventory tax on the items as provided in this  
18 section.

19 Sec. 35. Section 453A.45, subsection 5, unnumbered  
20 paragraph 2, Code 2003, is amended to read as follows:

21 Such report shall be made on forms provided by the director  
22 or the director may require by rule that the report be filed  
23 by electronic transmission.

24 Sec. 36. Section 453A.46, Code 2003, is amended by adding  
25 the following new subsection:

26 NEW SUBSECTION. 7. The director may require by rule that  
27 reports be filed by electronic transmission.

28 Sec. 37. Section 518.18, subsection 3, paragraph b,  
29 unnumbered paragraph 1, Code Supplement 2003, is amended to  
30 read as follows:

31 In addition to the prepayment amount in paragraph "a", each  
32 association shall remit on or before ~~June-30~~ August 15, on a  
33 prepayment basis, an additional amount equal to the following  
34 percent of the premium tax liability for the preceding  
35 calendar year as follows:



**HOUSE FILE 2574****S-5371**

1 Amend House File 2574, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. By striking page 9, line 21, through page 10,  
4 line 34.

5 2. Page 11, by striking lines 7 through 16.

6 3. Page 19, by inserting after line 8, the  
7 following:

8 "Sec. \_\_\_\_ . STUDY OF CERTAIN PROPERTY ASSESSMENT  
9 ISSUES.

10 1. The property tax implementation committee  
11 created in 2003 Iowa Acts, First Extraordinary  
12 Session, chapter 1, House File 692, shall study the  
13 method by which property that is rented or leased to  
14 low-income individuals and families, as authorized by  
15 section 42 of the Internal Revenue Code, is assessed  
16 for property tax purposes. The committee shall  
17 consider the feasibility of allowing more than one  
18 method of assessment with such method being chosen by  
19 the taxpayer or property owner.

20 2. The committee shall conduct a separate study of  
21 current statutory provisions on apportionment of costs  
22 relating to a protest of property assessment to the  
23 local board of review and relating to appeals of  
24 decisions of the board of review to district court.

25 3. The committee shall report to the general  
26 assembly by December 31, 2004. A separate report  
27 shall be prepared for the study required under  
28 subsection 1 and for the study required under  
29 subsection 2. Each report shall contain  
30 recommendations for legislative action."

31 4. By renumbering as necessary.

**By PAUL MCKINLEY**

**S-5371** FILED APRIL 14, 2004  
ADOPTED

**HOUSE FILE 2574****S-5373**

1 Amend House File 2574, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 3, lines 28 and 29, by striking the words  
4 "of a nonprofit international" and inserting the  
5 following: "or".

6 2. Page 3, line 30, by striking the words  
7 "promotion of the".

8 3. Page 4, line 4, by striking the words "of a  
9 nonprofit international" and inserting the following:  
10 "or".

11 4. Page 4, line 5, by striking the words  
12 "promotion of the".

13 5. Page 4, line 25, by inserting after the word  
14 "affiliate" the following: "or organization".

15 6. Page 5, line 17, by inserting after the word  
16 "affiliate" the following: "or organization".

17 7. Page 5, line 21, by inserting after the word  
18 "affiliate" the following: "or organization".

19 8. Page 5, line 24, by inserting after the word  
20 "affiliate" the following: "or organization".

21 9. Page 5, line 32, by inserting after the word  
22 "institution," the following: "nonprofit Iowa  
23 affiliate or organization,".

**By** BRYAN J. SIEVERS

**S-5373** FILED APRIL 14, 2004

ADOPTED

**SENATE AMENDMENT TO  
HOUSE FILE 2574****H-8566**

- 1 Amend House File 2574, as amended, passed, and  
2 reprinted by the House, as follows:
- 3 1. Page 3, lines 28 and 29, by striking the words  
4 "of a nonprofit international" and inserting the  
5 following: "or".
- 6 2. Page 3, line 30, by striking the words  
7 "promotion of the".
- 8 3. Page 4, line 4, by striking the words "of a  
9 nonprofit international" and inserting the following:  
10 "or".
- 11 4. Page 4, line 5, by striking the words  
12 "promotion of the".
- 13 5. Page 4, line 25, by inserting after the word  
14 "affiliate" the following: "or organization".
- 15 6. Page 5, line 17, by inserting after the word  
16 "affiliate" the following: "or organization".
- 17 7. Page 5, line 21, by inserting after the word  
18 "affiliate" the following: "or organization".
- 19 8. Page 5, line 24, by inserting after the word  
20 "affiliate" the following: "or organization".
- 21 9. Page 5, line 32, by inserting after the word  
22 "institution," the following: "nonprofit Iowa  
23 affiliate or organization,".
- 24 10. By striking page 9, line 21, through page 10,  
25 line 34.
- 26 11. Page 11, by striking lines 7 through 16.
- 27 12. Page 19, by inserting after line 8, the  
28 following:
- 29 "Sec. \_\_\_\_ . STUDY OF CERTAIN PROPERTY ASSESSMENT  
30 ISSUES.
- 31 1. The property tax implementation committee  
32 created in 2003 Iowa Acts, First Extraordinary  
33 Session, chapter 1, House File 692, shall study the  
34 method by which property that is rented or leased to  
35 low-income individuals and families, as authorized by  
36 section 42 of the Internal Revenue Code, is assessed  
37 for property tax purposes. The committee shall  
38 consider the feasibility of allowing more than one  
39 method of assessment with such method being chosen by  
40 the taxpayer or property owner.
- 41 2. The committee shall conduct a separate study of  
42 current statutory provisions on apportionment of costs  
43 relating to a protest of property assessment to the  
44 local board of review and relating to appeals of  
45 decisions of the board of review to district court.
- 46 3. The committee shall report to the general  
47 assembly by December 31, 2004. A separate report  
48 shall be prepared for the study required under  
49 subsection 1 and for the study required under  
50 subsection 2. Each report shall contain

**H-8566**

**H-8566**

Page 2

1 recommendations for legislative action."

2 13. By renumbering, relettering, or redesignating

3 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

**H-8566** FILED APRIL 14, 2004

**HOUSE FILE 2574****H-8581**

1 Amend the Senate amendment, H-8566, to House File  
2 2574, as amended, passed, and reprinted by the House,  
3 as follows:

4 1. Page 1, by striking lines 24 and 25.

5 2. By striking page 1, line 26, through page 2,  
6 line 1, and inserting the following:

7 "\_\_\_\_. Page 11, by striking lines 9 through 16,  
8 and inserting the following:

9 "1. Notwithstanding section 441.40, where the  
10 court determines the appellant's property was  
11 originally assessed for more than one hundred ten  
12 percent of its post-appeal value, the assessor shall  
13 pay all reasonable attorney fees and any other  
14 reasonably related costs incurred by the appellant.  
15 This subsection applies only to appeals relating to  
16 assessments on property assessed as residential or  
17 agricultural property.

18 2. Notwithstanding section 441.40, where the court  
19 determines the appellant's property was originally  
20 assessed for more than one hundred twenty percent of  
21 its post-appeal value and the court finds that the  
22 assessor's position in regard to assessment of the  
23 property was not substantially justified, the assessor  
24 shall pay all reasonable attorney fees and any other  
25 reasonably related costs incurred by the appellant.  
26 This subsection applies only to appeals relating to  
27 assessments on property assessed as commercial or  
28 industrial property."

29 \_\_\_\_\_. Page 19, by inserting after line 11, the  
30 following:

31 "Sec. \_\_\_\_\_. APPLICABILITY DATE. The section of  
32 this Act enacting section 441.40A applies to  
33 assessments made in the assessment year beginning  
34 January 1, 2005, and in all subsequent assessment  
35 years.""

36 3. By renumbering as necessary.

**By** KRAMER of Polk

**H-8581** FILED APRIL 15, 2004

A/B ADOPTED

**HOUSE AMENDMENT TO SENATE AMENDMENT TO  
HOUSE FILE 2574**

**S-5377**

1 Amend the Senate amendment, H-8566, to House File  
2 2574, as amended, passed, and reprinted by the House,  
3 as follows:

4 1. Page 1, by striking lines 24 and 25.

5 2. By striking page 1, line 26, through page 2,  
6 line 1, and inserting the following:

7 "\_\_\_\_. Page 11, by striking lines 9 through 16,  
8 and inserting the following:

9 "1. Notwithstanding section 441.40, where the  
10 court determines the appellant's property was  
11 originally assessed for more than one hundred ten  
12 percent of its post-appeal value, the assessor shall  
13 pay all reasonable attorney fees and any other  
14 reasonably related costs incurred by the appellant.  
15 This subsection applies only to appeals relating to  
16 assessments on property assessed as residential or  
17 agricultural property.

18 2. Notwithstanding section 441.40, where the court  
19 determines the appellant's property was originally  
20 assessed for more than one hundred twenty percent of  
21 its post-appeal value and the court finds that the  
22 assessor's position in regard to assessment of the  
23 property was not substantially justified, the assessor  
24 shall pay all reasonable attorney fees and any other  
25 reasonably related costs incurred by the appellant.  
26 This subsection applies only to appeals relating to  
27 assessments on property assessed as commercial or  
28 industrial property."

29 \_\_\_\_\_. Page 19, by inserting after line 11, the  
30 following:

31 "Sec. \_\_\_\_\_. APPLICABILITY DATE. The section of  
32 this Act enacting section 441.40A applies to  
33 assessments made in the assessment year beginning  
34 January 1, 2005, and in all subsequent assessment  
35 years.""

36 3. By renumbering as necessary.

RECEIVED FROM THE HOUSE

**S-5377 FILED APRIL 15, 2004**

Kramer, ch  
Carroll  
Shamshor

Suc ed By  
ST 02574

HSB 727  
WAYS AND MEANS

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON VAN FOSSEN)

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

**A BILL FOR**

1 An Act relating to the technical administration of the tax and  
2 related laws by the department of revenue, including  
3 administration of state individual income, corporate income,  
4 insurance premiums, sales, use, property, motor fuel, special  
5 fuel, cigarette, and tobacco taxes, and making penalties  
6 applicable and providing a retroactive applicability date  
7 provision.

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

9  
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23

1 Section 1. Section 422.9, subsection 1, Code Supplement  
2 2003, is amended to read as follows:

3 1. An optional standard deduction, after deduction of  
4 federal income tax, equal to one thousand two hundred thirty  
5 dollars for a married person who files separately or a single  
6 person or equal to three thousand thirty dollars for a husband  
7 and wife who file a joint return, a surviving spouse, or an  
8 unmarried head of household. The optional standard deduction  
9 shall not exceed the amount remaining after deduction of the  
10 federal income tax. The amount of federal income tax deducted  
11 shall be computed as provided in subsection 2, paragraph "b".

12 Sec. 2. Section 422.9, subsection 2, paragraph b, Code  
13 Supplement 2003, is amended to read as follows:

14 b. Add the amount of federal income taxes paid or accrued  
15 as the case may be, during the tax year, ~~adjusted-by and~~  
16 subtract any federal income tax refunds received during the  
17 tax year. ~~Provided, however, that where~~ Where married  
18 persons, who have filed a joint federal income tax return,  
19 file separately, such total shall be divided between them  
20 according to the portion ~~thereof~~ of the total paid or accrued,  
21 as the case may be, by each. Federal income taxes paid for a  
22 tax year in which an Iowa return was not required to be filed  
23 shall not be added, and federal income tax refunds received  
24 from a tax year in which an Iowa return was not required to be  
25 filed shall not be subtracted.

26 Sec. 3. Section 422.35, Code Supplement 2003, is amended  
27 by adding the following new subsection:

28 NEW SUBSECTION. 20. Subtract the amount of foreign  
29 dividend income, including Subpart F income as defined in  
30 section 952 of the Internal Revenue Code, based upon the  
31 percentage of ownership as set forth in section 243 of the  
32 Internal Revenue Code.

33 Sec. 4. Section 422A.1, unnumbered paragraph 3, Code  
34 Supplement 2003, is amended to read as follows:

35 A local hotel and motel tax shall be imposed on January 1,

1 ~~April-17~~ or July 1, or-October-17 following the notification  
 2 of the director of revenue. Once imposed, the tax shall  
 3 remain in effect at the rate imposed for a minimum of one  
 4 year. A local hotel and motel tax shall terminate only on  
 5 ~~March-317~~ June 307-~~September-307~~, or December 31. At least  
 6 forty-five days prior to the tax being effective or prior to a  
 7 revision in the tax rate, or prior to the repeal of the tax, a  
 8 city or county shall provide notice by mail of such action to  
 9 the director of revenue.

10 Sec. 5. Section 422E.3A, subsection 3, paragraph a, Code  
 11 Supplement 2003, is amended to read as follows:

12 a. The director of revenue by ~~June-1~~ August 15 preceding  
 13 each fiscal year shall compute the guaranteed school  
 14 infrastructure amount for each school district, each school  
 15 district's sales tax capacity per student for each county, and  
 16 the supplemental school infrastructure amount for the coming  
 17 fiscal year.

18 Sec. 6. Section 423.1, subsection 50, as enacted by 2003  
 19 Iowa Acts, First Extraordinary Session, chapter 2, section 94,  
 20 is amended to read as follows:

21 50. "Services" means all acts or services rendered,  
 22 furnished, or performed, other than services used in  
 23 processing of tangible personal property for use in retail  
 24 sales or services, for an employer~~7-as-defined-in-section~~  
 25 ~~422-47-subsection-3~~ who pays the wages of an employee, for a  
 26 valuable consideration by any person engaged in any business  
 27 or occupation specifically enumerated in section 423.2. The  
 28 tax shall be due and collectible when the service is rendered,  
 29 furnished, or performed for the ultimate user of the service.

30 Sec. 7. Section 425.1, subsection 4, Code Supplement 2003,  
 31 is amended to read as follows:

32 4. Annually the department of revenue shall ~~estimate-the~~  
 33 ~~credit-not-to-exceed-the-actual-levy-on-the-first-four~~  
 34 ~~thousand-eight-hundred-fifty-dollars-of-actual-value-of-each~~  
 35 ~~eligible-homestead7-and-shall~~ certify to the county auditor of

1 each county the credit and its amount in dollars. Each county  
2 auditor shall then enter the credit against the tax levied on  
3 each eligible homestead in each county payable during the  
4 ensuing year, designating on the tax lists the credit as being  
5 from the homestead credit fund, and credit shall then be given  
6 to the several taxing districts in which eligible homesteads  
7 are located in an amount equal to the credits allowed on the  
8 taxes of the homesteads. The amount of credits shall be  
9 apportioned by each county treasurer to the several taxing  
10 districts as provided by law, in the same manner as though the  
11 amount of the credit had been paid by the owners of the  
12 homesteads. However, the several taxing districts shall not  
13 draw the funds so credited until after the semiannual  
14 allocations have been received by the county treasurer, as  
15 provided in this chapter. Each county treasurer shall show on  
16 each tax receipt the amount of credit received from the  
17 homestead credit fund.

18 Sec. 8. Section 432.1, subsection 6, paragraph b,  
19 unnumbered paragraph 1, Code Supplement 2003, is amended to  
20 read as follows:

21 In addition to the prepayment amount in paragraph "a", each  
22 life insurance company or association which is subject to tax  
23 under subsection 1 of this section and each mutual health  
24 service corporation which is subject to tax under section  
25 432.2 shall remit on or before ~~June-30~~ August 15, on a  
26 prepayment basis, an additional amount equal to the following  
27 percent of the premium tax liability for the preceding  
28 calendar year as follows:

29 Sec. 9. Section 432.1, subsection 6, paragraph c,  
30 unnumbered paragraph 1, Code Supplement 2003, is amended to  
31 read as follows:

32 In addition to the prepayment amount in paragraph "a", each  
33 insurance company or association, other than a life insurance  
34 company or association, which is subject to tax under  
35 subsection 3 shall remit on or before ~~June-30~~ August 15, on a

1 prepayment basis, an additional amount equal to the following  
2 percent of the premium tax liability for the preceding  
3 calendar year as follows:

4 Sec. 10. Section 441.6, unnumbered paragraph 2, Code  
5 Supplement 2003, is amended to read as follows:

6 Upon receipt of the report of the examining board, the  
7 chairperson of the conference board shall by written notice  
8 call a meeting of the conference board to appoint an assessor.  
9 The meeting shall be held not later than seven days after the  
10 receipt of the report of the examining board by the conference  
11 board. ~~The physical condition, general reputation of the~~  
12 ~~applicants, and their fitness for the position as determined~~  
13 ~~by the examining board shall be taken into consideration in~~  
14 ~~making the appointment.~~ At the meeting, the conference board  
15 shall appoint an assessor from the register of eligible  
16 candidates. However, if a special examination has not been  
17 conducted previously for the same vacancy, the conference  
18 board may request the director of revenue to hold a special  
19 examination pursuant to section 441.7. The chairperson of the  
20 conference board shall give written notice to the director of  
21 revenue of the appointment and its effective date within ten  
22 days of the decision of the board.

23 Sec. 11. Section 441.8, unnumbered paragraph 1, Code  
24 Supplement 2003, is amended to read as follows:

25 The term of office of an assessor appointed under this  
26 chapter shall be for six years. Appointments for each  
27 succeeding term shall be made in the same manner as the  
28 original appointment except that not less than ninety days  
29 before the expiration of the term of the assessor the  
30 conference board shall hold a meeting to determine whether or  
31 not it desires to reappoint the incumbent assessor to a new  
32 term. If the decision is made not to reappoint the assessor,  
33 the assessor shall be notified, in writing, of such decision  
34 not less than ninety days prior to the expiration of the  
35 assessor's term of office. Failure of the conference board to

1 provide timely notification of the decision not to reappoint  
2 the assessor shall result in the assessor being reappointed.

3 Sec. 12. Section 441.8, unnumbered paragraphs 6 and 7,  
4 Code Supplement 2003, are amended to read as follows:

5 Upon receiving credit equal to one hundred fifty hours of  
6 classroom instruction during the assessor's current term of  
7 office of which at least ninety of the one hundred fifty hours  
8 are from courses requiring an examination upon conclusion of  
9 the course, the director of revenue shall certify to the  
10 assessor's conference board that the assessor is eligible to  
11 be reappointed to the position. For persons appointed to  
12 complete an unexpired term, the number of credits required to  
13 be certified as eligible for reappointment shall be prorated  
14 according to the amount of time remaining in the present term  
15 of the assessor. If the person was an assessor in another  
16 jurisdiction, the assessor may carry forward any credit hours  
17 received in the previous position in excess of the number that  
18 would be necessary to be considered current in that position.  
19 Upon written request by the person seeking a waiver of the  
20 continuing education requirements, the director may waive the  
21 continuing education requirements if the director determines  
22 good cause exists for the waiver.

23 Within each six-year period following the appointment of a  
24 deputy assessor, the deputy assessor shall comply with this  
25 section except that upon the successful completion of ninety  
26 hours of classroom instruction of which at least sixty of the  
27 ninety hours are from courses requiring an examination upon  
28 conclusion of the course, the deputy assessor shall be  
29 certified by the director of revenue as being eligible to  
30 remain in the position. If a deputy assessor fails to comply  
31 with this section, the deputy assessor shall be removed from  
32 the position until successful completion of the required hours  
33 of credit. If a deputy is appointed to the office of  
34 assessor, the hours of credit obtained as deputy pursuant to  
35 this section shall be credited to that individual as assessor

1 and for the individual to be reappointed at the expiration of  
 2 the term as assessor, that individual must obtain the credits  
 3 which are necessary to total the number of hours for  
 4 reappointment. Upon written request by the person seeking a  
 5 waiver of the continuing education requirements, the director  
 6 may waive the continuing education requirements if the  
 7 director determines good cause exists for the waiver.

8 Sec. 13. Section 441.38, subsection 2, Code 2003, is  
 9 amended to read as follows:

10 2. Notice of appeal shall be served as an original notice  
 11 on the chairperson, presiding officer, or clerk of the board  
 12 of review ~~after the filing of notice under subsection 1 with~~  
 13 ~~the clerk of district court~~ within twenty days after its  
 14 adjournment or May 31, whichever is later.

15 Sec. 14. Section 452A.2, subsection 19, unnumbered  
 16 paragraph 2, Code Supplement 2003, is amended to read as  
 17 follows:

18 "Motor fuel" does not include special fuel, and does not  
 19 include liquefied gases which would not exist as liquids at a  
 20 temperature of sixty degrees Fahrenheit and a pressure of  
 21 fourteen and seven-tenths pounds per square inch absolute, or  
 22 naphthas and solvents unless the liquefied gases or naphthas  
 23 and solvents are used as a component in the manufacture,  
 24 compounding, or blending of a liquid within paragraph "b", in  
 25 which event the resulting product shall be deemed to be motor  
 26 fuel. "Motor fuel" does not include methanol unless blended  
 27 with other motor fuels for use in an aircraft or for  
 28 propelling motor vehicles.

29 Sec. 15. Section 452A.2, subsection 25, Code Supplement  
 30 2003, is amended to read as follows:

31 25. "Special fuel" means fuel oils and all combustibile  
 32 gases and liquids suitable for the generation of power for  
 33 propulsion of motor vehicles or turbine-powered aircraft, and  
 34 includes any substance used for that purpose, except that it  
 35 does not include motor fuel. Kerosene shall not be considered

1 to be a special fuel, unless blended with other special fuels  
2 for use in a motor vehicle with a diesel engine. Methanol  
3 shall not be considered to be a special fuel, unless blended  
4 with other special fuels for use in a motor vehicle with a  
5 diesel engine.

6 Sec. 16. Section 452A.10, unnumbered paragraphs 1, 2, and  
7 4, Code 2003, are amended to read as follows:

8 A motor fuel or special fuel supplier, restrictive  
9 supplier, importer, exporter, blender, dealer, user, common  
10 carrier, contract carrier, ~~or terminal~~, or nonterminal storage  
11 facility shall maintain, for a period of three years, records  
12 of all transactions by which the supplier, restrictive  
13 supplier, or importer withdraws from a terminal or nonterminal  
14 storage facility within this state or imports into this state  
15 motor fuel or undyed special fuel together with invoices,  
16 bills of lading, and other pertinent records and papers as  
17 required by the department.

18 If in the normal conduct of a supplier's, restrictive  
19 supplier's, importer's, exporter's, blender's, dealer's,  
20 user's, common carrier's, contract carrier's, ~~or terminal's,~~  
21 or nonterminal storage facility's business the records are  
22 maintained and kept at an office outside this state, the  
23 records shall be made available for audit and examination by  
24 the department at the office outside this state, but the audit  
25 and examination shall be without expense to this state.

26 The department, after an audit and examination of records  
27 required to be maintained under this section, may authorize  
28 their disposal upon the written request of the supplier,  
29 restrictive supplier, importer, exporter, blender, dealer,  
30 user, carrier, terminal, nonterminal storage facility, or  
31 distributor.

32 Sec. 17. Section 452A.62, subsection 1, paragraph a, Code  
33 Supplement 2003, is amended to read as follows:

34 a. A distributor, supplier, restrictive supplier,  
35 importer, exporter, blender, terminal operator, nonterminal

1 storage facility, common carrier, or contract carrier,  
2 pertaining to motor fuel or undyed special fuel withdrawn from  
3 a terminal or nonterminal storage facility, or brought into  
4 this state.

5 Sec. 18. Section 452A.62, subsection 2, unnumbered  
6 paragraph 1, Code Supplement 2003, is amended to read as  
7 follows:

8 To examine the records, books, papers, receipts, and  
9 invoices of any distributor, supplier, restrictive supplier,  
10 importer, blender, exporter, terminal operator, nonterminal  
11 storage facility, licensed compressed natural gas or liquefied  
12 petroleum gas dealer or user, or any other person who  
13 possesses fuel upon which the tax has not been paid to  
14 determine financial responsibility for the payment of the  
15 taxes imposed by this chapter.

16 Sec. 19. Section 452A.85, Code Supplement 2003, is amended  
17 by adding the following new subsection:

18 NEW SUBSECTION. 4. This section does not apply to an  
19 increase in the tax rate of a specified fuel, except for  
20 compressed natural gas, unless the increase in the tax rate of  
21 that fuel is in excess of one-half cent per gallon.

22 Sec. 20. Section 453A.1, Code Supplement 2003, is amended  
23 by adding the following new subsection:

24 NEW SUBSECTION. 5A. "Counterfeit cigarettes" means  
25 cigarettes, packages of cigarettes, cartons of cigarettes, or  
26 other containers of cigarettes with a label, trademark,  
27 service mark, trade name, device, design, or word adopted or  
28 used by a cigarette manufacturer to identify its product that  
29 is false or used without authority of the cigarette  
30 manufacturer.

31 Sec. 21. Section 453A.13, subsection 5, Code 2003, is  
32 amended to read as follows:

33 5. APPLICATION -- BOND. ~~Said-permits~~ Permits shall be  
34 issued only upon applications accompanied by the fee indicated  
35 above, and by an adequate bond as provided in section 453A.14,

1 and upon forms furnished by the department upon written  
2 request. The failure to furnish such forms shall be no excuse  
3 for the failure to file the same forms unless absolute refusal  
4 is shown. ~~Said~~ The forms shall set forth:

5 a. The manner under which such the distributor,  
6 wholesaler, or retailer, transacts or intends to transact such  
7 business as a distributor, wholesaler, or retailer.

8 b. The principal office, residence, and place of business,  
9 ~~for-which~~ where the permit is to apply.

10 c. If the applicant is not an individual, the principal  
11 officers or members ~~thereof, -not-to-exceed-three,~~ and their  
12 addresses.

13 d. Such Any other information as the director shall by  
14 rules prescribe.

15 Sec. 22. Section 453A.15, Code 2003, is amended by adding  
16 the following new subsection:

17 NEW SUBSECTION. 7. The director may require by rule that  
18 reports required to be made under this division be filed by  
19 electronic transmission.

20 Sec. 23. Section 453A.18, Code 2003, is amended to read as  
21 follows:

22 453A.18 FORMS FOR RECORDS AND REPORTS.

23 The department shall furnish or make available in  
24 electronic form, without charge, to holders of the various  
25 permits, forms in sufficient quantities to enable permit  
26 holders to make the reports required to be made under this  
27 division. The permit holders shall furnish at their own  
28 expense the books, records, and invoices, required to be used  
29 and kept, but the books, records, and invoices shall be in  
30 exact conformity to the forms prescribed for that purpose by  
31 the director, and shall be kept and used in the manner  
32 prescribed by the director. However, the director may, by  
33 express order in certain cases, authorize permit holders to  
34 keep their records in a manner and upon forms other than those  
35 so prescribed. The authorization may be revoked at any time.

1 Sec. 24. Section 453A.25, subsection 3, Code 2003, is  
2 amended to read as follows:

3 3. The director ~~is hereby authorized to appoint an~~  
4 ~~assistant, whose sole duty it shall be~~ may designate employees  
5 to administer and enforce the provisions of this chapter,  
6 including the collection of all taxes provided for ~~herein in~~  
7 this chapter. In such enforcement the director may request  
8 aid from the attorney general, the special agents of the  
9 state, any county attorney or any peace officer. The director  
10 ~~is authorized to~~ may appoint such clerks and additional help  
11 as may be needed to ~~carry out the provisions of~~ administer  
12 this chapter.

13 Sec. 25. Section 453A.32, subsections 1, 4, and 5, Code  
14 2003, are amended to read as follows:

15 1. All cigarettes on which taxes are imposed or required  
16 to be imposed by this division, which are found in the  
17 possession or custody, or within the control of any person,  
18 for the purpose of being sold, distributed, or removed by the  
19 person in violation of this division, and all cigarettes which  
20 are removed ~~or are~~, stored, transported, deposited, or  
21 concealed in any place ~~with intent to avoid payment of taxes~~  
22 without the proper taxes paid, and any automobile, truck,  
23 boat, conveyance, or other vehicle whatsoever, used in the  
24 removal, storage, deposit, concealment, or transportation of  
25 cigarettes for such the purpose of avoiding the payment of the  
26 proper tax, and all equipment or other tangible personal  
27 property incident to and used for such the purpose of avoiding  
28 the payment of the proper tax, found in the place, building,  
29 or vehicle where cigarettes are found, and all counterfeit  
30 cigarettes, may be seized by the department, with or without  
31 process and shall be from the time of the seizure forfeited to  
32 the state of Iowa. A proceeding in the nature of a proceeding  
33 in rem shall be filed in a court of competent jurisdiction in  
34 the county of seizure to maintain the seizure and declare and  
35 perfect the forfeiture. All cigarettes, counterfeit

1 cigarettes, vehicles, and property seized, remaining in the  
2 possession or custody of the department, sheriff or other  
3 officer for forfeiture or other disposition as provided by  
4 law, are not subject to replevin.

5 4. In the event final judgment is rendered in the  
6 forfeiture proceedings ~~aforsaid~~, maintaining the seizure, and  
7 declaring and perfecting the forfeiture of ~~said the~~ seized  
8 property, the court shall order and decree the sale ~~thereof of~~  
9 the seized property, other than the counterfeit cigarettes, to  
10 the highest bidder, by the sheriff at public auction in the  
11 county of seizure after notice is given in the manner provided  
12 in the case of the sale of personal property under execution,  
13 and the proceeds of such sale, less expense of seizure and  
14 court costs, shall be paid into the state treasury.  
15 Counterfeit cigarettes shall be destroyed or disposed of in a  
16 manner determined by the director.

17 5. In the event the cigarettes seized ~~hereunder~~ and sought  
18 to be sold upon forfeiture ~~shall-be~~ are unstamped, the  
19 cigarettes shall be sold by the director or the director's  
20 designee to the highest bidder among the ~~licensed~~ distributors  
21 holding a permit in this state after written notice has been  
22 mailed to all such distributors. If there is no bidder, or in  
23 the opinion of the director the quantity of cigarettes to be  
24 sold is insufficient, or for any other reason such disposition  
25 of the cigarettes is impractical, the cigarettes shall be  
26 destroyed or disposed of in a manner as determined by the  
27 director. The proceeds ~~of-such~~ from the sales shall be paid  
28 into the state treasury.

29 Sec. 26. Section 453A.36, subsection 6, Code 2003, is  
30 amended to read as follows:

31 6. Any sales of cigarettes or tobacco products made  
32 through a cigarette vending machine are subject to rules and  
33 penalties relative to retail sales of cigarettes and tobacco  
34 products provided for in this chapter. ~~No-cigarettes-shall~~  
35 Cigarettes shall not be sold through any cigarette vending

1 machine unless the cigarettes have been properly stamped or  
 2 metered as provided by this division, and in case of violation  
 3 of this provision, the permit of the dealer authorizing retail  
 4 sales of cigarettes shall be ~~canceled~~ revoked. Payment of the  
 5 ~~license~~ permit fee as provided in section 453A.13 authorizes a  
 6 cigarette vendor to sell cigarettes or tobacco products  
 7 through vending machines. However, cigarettes or tobacco  
 8 products shall not be sold through a vending machine unless  
 9 the vending machine is located in a place where the retailer  
 10 ensures that no person younger than eighteen years of age is  
 11 present or permitted to enter at any time. This section does  
 12 not require a retail ~~licensee~~ permit holder to buy a cigarette  
 13 vendor's permit if the retail ~~licensee~~ permit holder is in  
 14 fact the owner of the cigarette vending machines and the  
 15 machines are operated in the location described in the retail  
 16 permit.

17 Sec. 27. Section 453A.36, Code 2003, is amended by adding  
 18 the following new subsection:

19 NEW SUBSECTION. 9. It is unlawful for a person to ship or  
 20 import into this state or to offer for sale, sell, distribute,  
 21 transport, or possess counterfeit cigarettes, knowing such  
 22 cigarettes are counterfeit cigarettes or having reasonable  
 23 cause to believe that such cigarettes are counterfeit  
 24 cigarettes.

25 Sec. 28. Section 453A.38, Code 2003, is amended to read as  
 26 follows:

27 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

28 Any person who shall print, engrave, make, issue, sell, or  
 29 circulate, or shall possess or have in the person's possession  
 30 with intent to use, sell, circulate, or pass, any counterfeit  
 31 stamp or previously used stamp, or who shall use, or consent  
 32 to the use of, any counterfeit stamp or previously used stamp  
 33 in connection with the sale, or offering for sale, of any  
 34 cigarettes, or who shall place, or cause to be placed, on any  
 35 individual package of cigarettes, any counterfeit stamp or

1 previously used stamp, ~~shall-be~~ is guilty of an aggravated  
2 misdemeanor. A person in violation of this section is also  
3 subject to the penalty provided in section 453A.31, subsection  
4 1.

5 Sec. 29. Section 453A.40, subsection 1, Code Supplement  
6 2003, is amended to read as follows:

7 1. All persons required to ~~be-licensed~~ hold a  
8 distributor's permit under section 453A.13 ~~as-distributors~~  
9 having in their possession and held for resale on the  
10 effective date of an increase in the tax rate cigarettes or  
11 little cigars upon which the tax under section 453A.6 or  
12 453A.43 has been paid, unused cigarette tax stamps which have  
13 been paid for under section 453A.8, or unused metered imprints  
14 which have been paid for under section 453A.12 shall be  
15 subject to an inventory tax on the items as provided in this  
16 section.

17 Sec. 30. Section 453A.45, subsection 5, unnumbered  
18 paragraph 2, Code 2003, is amended to read as follows:

19 Such report shall be made on forms provided by the director  
20 or the director may require by rule that the report be filed  
21 by electronic transmission.

22 Sec. 31. Section 453A.46, Code 2003, is amended by adding  
23 the following new subsection:

24 NEW SUBSECTION. 7. The director may require by rule that  
25 reports be filed by electronic transmission.

26 Sec. 32. Section 518.18, subsection 3, paragraph b,  
27 unnumbered paragraph 1, Code Supplement 2003, is amended to  
28 read as follows:

29 In addition to the prepayment amount in paragraph "a", each  
30 association shall remit on or before ~~June-30~~ August 15, on a  
31 prepayment basis, an additional amount equal to the following  
32 percent of the premium tax liability for the preceding  
33 calendar year as follows:

34 Sec. 33. Section 518A.35, subsection 3, paragraph b,  
35 unnumbered 1, Code Supplement 2003, is amended to read as

1 follows:

2 In addition to the prepayment amount in paragraph "a", each  
3 association shall remit on or before ~~June-30~~ August 15, on a  
4 prepayment basis, an additional amount equal to the following  
5 percent of the premium tax liability for the preceding  
6 calendar year as follows:

7 Sec. 34. Section 25B.7, Code Supplement 2003, is repealed.

8 Sec. 35. EFFECTIVE DATE. The sections of this Act  
9 amending sections 422.35, 432.1, 518.18, 518A.35, and  
10 repealing section 25B.7, being deemed of immediate importance,  
11 take effect upon enactment.

12 Sec. 36. RETROACTIVE APPLICABILITY. Sections 1 and 2 of  
13 this Act, amending Code section 422.9, apply retroactively to  
14 January 1, 2004, for tax years beginning on or after that  
15 date.

16 EXPLANATION

17 This bill relates to the technical administration of the  
18 tax and related laws by the department of revenue.

19 Code sections 422.9(1) and 422.9(2)(b) are amended to  
20 provide that no adjustment for federal income tax is allowed  
21 for a tax year in which an Iowa return was not required to be  
22 filed. This change is applicable beginning with the 2004 tax  
23 year.

24 Code section 422.35 is amended to provide for an exclusion  
25 for foreign dividend income. This codifies current practice  
26 and administrative rules of the Iowa department of revenue  
27 based on the United States Supreme Court decision in Kraft  
28 General Foods, Inc. v. Iowa Department of Revenue and Finance,  
29 505 U.S. 71 (1992). This section of the bill takes effect  
30 upon enactment.

31 Code section 422A.1 is amended to provide that local hotel  
32 and motel tax shall be imposed beginning on January 1 and July  
33 1 only and terminated as of June 30 and December 31 only.

34 Code section 422E.3A(3)(a) is amended to change the date  
35 for the department of revenue to estimate the school

1 infrastructure local option tax from June 1 to August 15.  
2 Currently, all other local option estimates are required to be  
3 made by August 15.

4 Code section 423.1(50) is amended to define "employer" for  
5 purposes of the state sales tax on services as the person who  
6 actually pays the wages of an employee.

7 Code section 425.1(4) is amended to rescind the requirement  
8 that the department estimate the amount of homestead tax  
9 credits payable to the counties each year.

10 Code section 432.1 is amended to change from June 30 to  
11 August 15 the date that insurance premium prepayments payable  
12 by insurance companies are due. Code sections 518.18 and  
13 518.18A are amended to change from June 30 to August 15 the  
14 date that insurance premium prepayments payable by county and  
15 state mutual insurance associations are due. These sections  
16 of the bill are effective upon enactment.

17 Code section 441.6 is amended to strike the physical  
18 condition and reputation of a person as criteria used by the  
19 examining board in determining the person's qualifications for  
20 appointment to the position of county or city assessor.

21 Code section 441.8 is amended to permit the director of  
22 revenue to waive the assessor and deputy assessor continuing  
23 education requirements for good cause. Code section 441.8 is  
24 also amended to require the conference board to notify the  
25 assessor at least 90 days prior to the expiration of the  
26 assessor's term of office if the assessor is not to be  
27 reappointed.

28 Code section 441.38(2) is amended to require the property  
29 owner to file notice of appeal to district court with the  
30 local board of review within 20 days after the board's  
31 adjournment or May 31, whichever is later.

32 Code section 452A.2(19) and (25) is amended to state that,  
33 for fuel tax purposes, methanol is not a special fuel unless  
34 blended for use in a motor vehicle with a diesel engine and is  
35 not a motor fuel unless blended for use in aircraft or a motor

1 vehicle.

2 Code sections 452A.10, 452A.62(1)(a), and 452A.62(2) are  
3 amended to require nonterminal storage facilities to maintain  
4 the same records as terminals for withdrawals and importation  
5 of certain motor and special fuels.

6 Code section 452A.85 is amended to provide that the  
7 inventory tax does not apply unless the increase in the fuel  
8 tax rate is more than one-half cent per gallon.

9 Code section 453A.1 is amended to define "counterfeit  
10 cigarettes".

11 Code section 453A.13(5) is amended to require furnishing of  
12 the names and addresses of all officers of the business  
13 applying for a bond to obtain a cigarette permit.

14 Code section 453A.15 is amended to give the director the  
15 authority to require that cigarette reports be filed by  
16 electronic transmission.

17 Code section 453A.18 authorizes the department to furnish  
18 permit holders with electronic forms in lieu of paper forms.

19 Code section 453A.25(3) is amended to delete the  
20 requirement that the director appoint a person whose only  
21 responsibility is to administer cigarette and tobacco taxes.

22 Code section 453A.32, subsections (1), (4), and (5), are  
23 amended to strengthen the language relating to the seizure and  
24 forfeiture of unstamped cigarettes and to reflect that  
25 cigarette distributors receive a permit, not a license, to do  
26 business in Iowa. The section is also amended to include  
27 counterfeit cigarettes in these provisions.

28 Code section 453A.36(6) is amended to clarify that  
29 cigarette retailers receive a permit, not a license, to do  
30 business in Iowa.

31 Code section 453A.36 is amended to make it unlawful to ship  
32 or import into Iowa or sell, distribute, transport, or possess  
33 counterfeit cigarettes and allows for the confiscation and  
34 destruction of those cigarettes.

35 Code section 453A.38 is amended to subject cigarette

HSB 727

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1 counterfeiters to a civil penalty in addition to the current  
2 criminal penalty.

3 Code section 453A.40(1) is amended to reflect that  
4 cigarette distributors receive a permit rather than a license  
5 to do business in Iowa.

6 Code section 453A.45(5) is amended to give the director the  
7 authority to require by rule that tobacco transportation  
8 reports be filed electronically.

9 Code section 453A.46 is amended to give the director the  
10 authority to require by rule that distributors file tobacco  
11 reports electronically.

12 Code section 25B.7 is repealed. Code section 25B.7  
13 provides that the cost of providing a property tax credit or  
14 exemption enacted by the state on or after January 1, 1997,  
15 shall be fully funded by the state. The section also provides  
16 that if the state appropriation made to fund a property tax  
17 credit or exemption is not sufficient to fully fund the credit  
18 or exemption, the amount of the credit or exemption extended  
19 to the taxpayer shall be prorated. The proration provision  
20 also applies to the currently existing homestead property tax  
21 credit, the low-income and elderly and disabled property tax  
22 credit, and the military service property tax credit. This  
23 section of the bill takes effect upon enactment.

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