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WAYS AND MEANS

HOUSE FILE 571  
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HF 262)

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

**A BILL FOR**

1 An Act relating to the establishment of a school infrastructure  
2 financing program by providing for a local option school  
3 infrastructure sales tax and providing for the use of the  
4 revenues from the local option tax for school infrastructure  
5 or property tax relief purposes and including an effective  
6 date.

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

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HF 571

1 Section 1. Section 422E.1, subsection 3, Code 2003, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 3. Local sales and services tax moneys received by a  
5 county for school infrastructure purposes pursuant to this  
6 chapter shall be utilized for school infrastructure needs.  
7 For purposes of this chapter, "school infrastructure purposes"  
8 means those purposes for which a school district is authorized  
9 to contract indebtedness and issue general obligation bonds  
10 under chapter 296 or to expend tax revenues under section  
11 298.3, the payment of principal and interest on general  
12 obligation bonds issued under chapter 296 or section 298.20 or  
13 loan agreements under section 297.36, for carrying on public  
14 educational and recreational activities pursuant to chapter  
15 300, payments made pursuant to a lease or lease-purchase  
16 agreement, or the payment of principal and interest on and the  
17 retirement of bonds issued under section 422E.4.

18 Sec. 2. Section 422E.1, Code 2003, is amended by adding  
19 the following new subsection:

20 NEW SUBSECTION. 4. a. This chapter does not apply to any  
21 county on or after April 1, 2003, except to the extent  
22 provided in paragraph "b".

23 b. A county that has voted on and approved prior to April  
24 1, 2003, a local sales and services tax for school  
25 infrastructure purposes shall impose the tax until the end of  
26 the ten-year period or the date for repeal specified on the  
27 ballot. A county that has published notice of the ballot  
28 proposition prior to April 1, 2003, may hold the election and  
29 if a majority of those voting on the question favor the  
30 imposition, the county shall impose the local sales and  
31 services tax for school infrastructure purposes until the end  
32 of the ten-year period or the date for repeal specified on the  
33 ballot.

34 Sec. 3. NEW SECTION. 422F.1 AUTHORIZATION -- RATE OF TAX  
35 -- USE OF REVENUES.

1 1. A local option school infrastructure sales tax may be  
2 imposed by a county on behalf of school districts as provided  
3 in this chapter.

4 If a local option school infrastructure sales tax is  
5 imposed by a county pursuant to this chapter, a local excise  
6 tax for school infrastructure at the same rate shall be  
7 imposed by the county on the purchase price of natural gas,  
8 natural gas service, electricity, or electric service subject  
9 to tax under chapter 423 and not exempted from tax by any  
10 provision of chapter 423. The local excise tax for school  
11 infrastructure is applicable only to the use of natural gas,  
12 natural gas service, electricity, or electric service within  
13 the incorporated and unincorporated areas of the county where  
14 it is imposed and, except as otherwise provided in this  
15 chapter, shall be collected and administered in the same  
16 manner as the local option school infrastructure sales tax.  
17 For purposes of this chapter, "local option school  
18 infrastructure sales tax" shall also include the local excise  
19 tax for school infrastructure.

20 2. The maximum rate of tax shall be one percent. The tax  
21 shall be imposed without regard to any other local sales and  
22 services tax authorized in chapter 422B, and is repealed at  
23 the expiration of a period of ten years of imposition or a  
24 shorter period as provided in the ballot proposition.  
25 However, all local option school infrastructure sales taxes  
26 are repealed December 31, 2022. The tax is in lieu of the  
27 local sales and services tax for school infrastructure  
28 authorized in chapter 422E.

29 3. Local option school infrastructure sales tax moneys  
30 received by a county pursuant to this chapter shall be  
31 utilized for school infrastructure purposes or property tax  
32 relief. For purposes of this chapter, "school infrastructure  
33 purposes" means those purposes for which a school district is  
34 authorized to contract indebtedness and issue general  
35 obligation bonds under chapter 296 or to expend tax revenues

1 under section 298.3, the payment of principal and interest on  
2 general obligation bonds issued under chapter 296 or section  
3 298.20 or loan agreements under section 297.36, for carrying  
4 on public educational and recreational activities pursuant to  
5 chapter 300, payments made pursuant to a lease or lease-  
6 purchase agreement, or the payment of principal and interest  
7 on bonds issued under section 422F.5.

8 Sec. 4. NEW SECTION. 422F.2 SCHOOL DISTRICT  
9 INFRASTRUCTURE SALES TAX FUND.

10 1. a. A school district infrastructure sales tax fund is  
11 created as a separate and distinct fund in the state treasury  
12 under the control of the department of revenue and finance.  
13 Moneys in the fund include revenues credited to the fund  
14 pursuant to section 422F.3, subsection 6, from all counties  
15 that impose the tax, appropriations made to the fund, and  
16 other moneys deposited into the fund. The moneys credited in  
17 a fiscal year to the fund shall be distributed as provided in  
18 paragraph "b".

19 b. (1) Each school district located in whole or in part  
20 in a county that has imposed the local option school  
21 infrastructure sales tax pursuant to this chapter shall  
22 receive distributions for each student attending school in the  
23 county on a per student basis calculated by the director of  
24 revenue and finance by dividing the moneys available during  
25 the previous calendar quarter by the combined actual  
26 enrollment for all school districts receiving distributions  
27 under this paragraph "b".

28 (2) The combined actual enrollment for school districts,  
29 for purposes of subparagraph (1), shall be calculated by  
30 adding together the actual enrollment which attend school in  
31 the county for each school district receiving distributions  
32 under subparagraph (1) as determined by the department of  
33 management based on the actual enrollment figures reported by  
34 October 1 to the department of management by the department of  
35 education pursuant to section 257.6, subsection 1. The

1 combined actual enrollment count shall be forwarded to the  
2 director of revenue and finance by March 1, annually, for  
3 purposes of supplying estimated tax payment figures and making  
4 tax payments pursuant to subsection 2 for the following four  
5 calendar quarters.

6 (3) If a county imposes the tax at a rate of less than one  
7 percent or for less than a full fiscal year, the amount  
8 available to the school districts within the county equals a  
9 ratio of the tax rate divided by one percent multiplied by the  
10 quotient of the number of quarters the tax is imposed divided  
11 by four.

12 2. a. The director of revenue and finance by April 10  
13 preceding each fiscal year shall send to each school district  
14 an estimate of the amount of tax moneys each school district  
15 will receive for the year and for each quarter of the year.  
16 At the end of each quarter, the director may revise the  
17 estimates for the year and remaining quarters.

18 b. The director shall remit ninety-five percent of the  
19 estimated tax receipts collected during the previous calendar  
20 quarter for the school district to the school district at or  
21 before the end of the following calendar quarter.

22 c. The director shall remit a final payment of the  
23 remainder of tax moneys due for the fiscal year before  
24 November 10 of the next fiscal year. If an overpayment has  
25 resulted during the previous fiscal year, the November payment  
26 shall be adjusted to reflect any overpayment.

27 Sec. 5. NEW SECTION. 422F.3 IMPOSITION BY COUNTY --  
28 REPEAL.

29 1. a. A local option school infrastructure sales tax  
30 shall be imposed by a county only after an election at which a  
31 majority of those voting on the question favors imposition. A  
32 local option school infrastructure sales tax approved by a  
33 majority vote shall apply to all incorporated and  
34 unincorporated areas of the county.

35 b. Every county that has not voted on and approved prior

1 to April 1, 2003, a local sales and services tax for school  
2 infrastructure purposes under chapter 422E or that has not  
3 published notice of the ballot proposition prior to April 1,  
4 2003, and subsequently approved such tax shall submit the  
5 question of the imposition of a local option school  
6 infrastructure sales tax at the time of the city regular  
7 election on November 4, 2003. The ballot proposition in each  
8 school district shall contain a statement as to the specific  
9 purpose or purposes for which the revenues shall be expended  
10 by that school district. If the question of imposition is not  
11 approved by a majority vote, subsequent elections on the same  
12 question may be held as provided in subsection 2. Upon  
13 approval of the tax by a majority vote, the tax shall be  
14 imposed January 1, 2004, in the case of an election held on  
15 November 4, 2003, or imposed January 1 or July 1 but not  
16 sooner than ninety days following the favorable election, in  
17 the case of an election held after November 4, 2003, but  
18 before September 15, 2021. However, in the case of a county  
19 that has voted on and approved a local sales and services tax  
20 for school infrastructure purposes under chapter 422E prior to  
21 April 1, 2003, or that has published notice of the ballot  
22 proposition prior to April 1, 2003, and subsequently approved  
23 such tax, the question of imposition of the tax under this  
24 section shall specify the date when the tax under this section  
25 shall become effective. The date shall only be on the date  
26 specified for the repeal of the tax under chapter 422E, as  
27 provided in that chapter. Upon the imposition of the tax  
28 under this section the county's tax imposed under chapter 422E  
29 is repealed.

30 2. After the original election required under subsection  
31 1, at which the question of the imposition of the tax is not  
32 approved by a majority, subsequent elections may be held prior  
33 to September 15, 2021, as follows:

34 a. Upon receipt by a county board of supervisors of a  
35 petition requesting imposition of a local option school

1 infrastructure sales tax, signed by eligible electors of the  
2 whole county equal in number to five percent of the persons in  
3 the whole county who voted at the last preceding state general  
4 election, the board shall within thirty days direct the county  
5 commissioner of elections to submit the question of imposition  
6 of the tax to the registered voters of the whole county.

7     b. Alternatively, the question of imposition of a local  
8 option school infrastructure sales tax may be proposed by  
9 motion or motions, requesting such submission, adopted by the  
10 governing body of a school district or school districts  
11 located within the county containing a total, or a combined  
12 total in the case of more than one school district, of at  
13 least one-half of the population of the county, or by the  
14 county board of supervisors. Upon adoption of such motion,  
15 the governing body of a school district shall notify the board  
16 of supervisors of the adoption of the motion. The county  
17 board of supervisors shall submit the school districts' motion  
18 or its own motion to the county commissioner of elections, who  
19 shall publish notice of the ballot proposition concerning the  
20 imposition of the local option school infrastructure sales  
21 tax. A school district motion ceases to be valid at the time  
22 of the holding of the regular election for the election of  
23 members of the governing body which adopted the motion.

24     c. The method for holding an election as specified in  
25 paragraphs "a" and "b" also apply to a county that has voted  
26 on and approved a local sales and services tax for school  
27 infrastructure purposes under chapter 422E prior to April 1,  
28 2003, a county that has published notice of the ballot  
29 proposition to impose the tax under chapter 422E prior to  
30 April 1, 2003, and subsequently approved such tax, and a  
31 county that has imposed a local option school infrastructure  
32 tax under this chapter.

33     3. The county commissioner of elections shall submit the  
34 question of imposition of a local option school infrastructure  
35 sales tax at a state general election or at a special election

1 held at any time other than the time of a city regular  
2 election. The election shall not be held sooner than sixty  
3 days after publication of notice of the ballot proposition.  
4 The state commissioner of elections shall establish by rule  
5 the form for the ballot proposition which form shall be  
6 uniform throughout the state. However, the ballot proposition  
7 in each school district shall contain a statement as to the  
8 specific purpose or purposes for which the revenues shall be  
9 expended by that school district.

10 4. a. The tax may be repealed or the rate increased, but  
11 not above one percent, or decreased after an election at which  
12 a majority of those voting on the question of repeal or rate  
13 change favored the repeal or rate change. The election at  
14 which the question of repeal or rate change is offered shall  
15 be called and held in the same manner and under the same  
16 conditions as provided in this section for the election on the  
17 imposition of the tax. The election may be held at any time  
18 but not sooner than sixty days following publication of the  
19 ballot proposition. However, the tax shall not be repealed  
20 before it has been in effect for one year.

21 b. (1) Within ten days of the election at which a  
22 majority of those voting on the question favors the  
23 imposition, repeal, or change in the rate of the tax, the  
24 county commissioner of elections shall give written notice of  
25 the result of the election by sending a copy of the abstract  
26 of the votes from the favorable election to the director of  
27 revenue and finance.

28 (2) A local option school infrastructure sales tax shall  
29 not be repealed or reduced in rate if obligations are  
30 outstanding which are payable as provided in section 422F.6,  
31 unless funds sufficient to pay the principal, interest, and  
32 premium, if any, on the outstanding obligations at and prior  
33 to maturity have been properly set aside and pledged for that  
34 purpose. However, this subparagraph does not apply to the  
35 repeal of the tax on December 31, 2022, as specified in



1 subsection 5, paragraph "a".

2 5. a. Each local option school infrastructure sales tax  
3 imposed as a result of a favorable election held before  
4 September 15, 2021, is repealed on December 31, 2022, or on an  
5 earlier date as provided on the ballot proposition.

6 b. A local option school infrastructure sales tax shall be  
7 repealed June 30 or December 31, but not sooner than ninety  
8 days, following the favorable election.

9 6. The director of revenue and finance shall credit tax  
10 receipts and interest and penalties from the local option  
11 school infrastructure sales tax to the school district  
12 infrastructure sales tax fund created in section 422F.2,  
13 subsection 1.

14 7. Costs of elections held pursuant to this section shall  
15 be apportioned among school districts within the county on a  
16 pro rata basis in proportion to the number of registered  
17 voters in each school district who reside within the county  
18 and the total number of registered voters within the county.

19 Sec. 6. NEW SECTION. 422F.4 COLLECTION AND  
20 ADMINISTRATION OF TAX.

21 1. If a majority of those voting on the question of  
22 imposition of a local option school infrastructure sales tax  
23 favors imposition of the tax, the tax shall be imposed by the  
24 county board of supervisors within the county pursuant to  
25 section 422F.3, at the rate specified for not more than ten  
26 years on the gross receipts taxed by the state under chapter  
27 422, division IV.

28 2. The tax shall be imposed on the same basis as the state  
29 sales and services tax or in the case of the use of natural  
30 gas, natural gas service, electricity, or electric service on  
31 the same basis as the state use tax and shall not be imposed  
32 on the sale of any property or on any service not taxed by the  
33 state, except the tax shall not be imposed on the gross  
34 receipts from the sale of motor fuel or special fuel as  
35 defined in chapter 452A which is consumed for highway use or

1 in watercraft or aircraft if the fuel tax is paid on the  
2 transaction and a refund has not been or will not be allowed,  
3 on the gross receipts from the rental of rooms, apartments, or  
4 sleeping quarters which are taxed under chapter 422A during  
5 the period the hotel and motel tax is imposed, on the gross  
6 receipts taxed pursuant to chapter 422E during the period the  
7 tax under chapter 422E is imposed, on the gross receipts from  
8 the sale of equipment by the state department of  
9 transportation, on the gross receipts from the sale of self-  
10 propelled building equipment, pile drivers, motorized  
11 scaffolding, or attachments customarily drawn or attached to  
12 self-propelled building equipment, pile drivers, and motorized  
13 scaffolding, including auxiliary attachments which improve the  
14 performance, safety, operation, or efficiency of the  
15 equipment, and replacement parts and are directly and  
16 primarily used by contractors, subcontractors, and builders  
17 for new construction, reconstruction, alterations, expansion,  
18 or remodeling of real property or structures, and on the gross  
19 receipts from the sale of a lottery ticket or share in a  
20 lottery game conducted pursuant to chapter 99E and except the  
21 tax shall not be imposed on the gross receipts from the sale  
22 or use of natural gas, natural gas service, electricity, or  
23 electric service in a city or county where the gross receipts  
24 from the sale of natural gas or electric energy are subject to  
25 a franchise fee or user fee during the period the franchise or  
26 user fee is imposed.

27 3. The tax is applicable to transactions within the county  
28 where it is imposed and shall be collected by all persons  
29 required to collect state gross receipts or local excise  
30 taxes. However, a person required to collect state retail  
31 sales tax under chapter 422, division IV, is not required to  
32 collect the local sales tax on transactions delivered within  
33 the area where the local sales tax is imposed unless the  
34 person has physical presence in that taxing area. The amount  
35 of the sale, for purposes of determining the amount of the

1 tax, does not include the amount of any state gross receipts  
2 or excise taxes or other local option sales or excise taxes.  
3 A tax permit other than the state tax permit required under  
4 section 422.53 or 423.10 shall not be required by local  
5 authorities.

6 4. The local option school infrastructure sales tax shall  
7 be administered as provided in section 422B.9.

8 5. Construction contractors may make application to the  
9 department for a refund of the additional local option school  
10 infrastructure sales tax paid under this chapter by reason of  
11 taxes paid on goods, wares, or merchandise under the  
12 conditions specified in section 422B.11. The refund shall be  
13 paid by the department from the school district infrastructure  
14 sales tax fund. The penalty provisions contained in section  
15 422B.11, subsection 3, shall apply regarding an erroneous  
16 application for refund of local option school infrastructure  
17 sales tax paid under this chapter.

18 Sec. 7. NEW SECTION. 422F.5 USE OF SCHOOL DISTRICT SALES  
19 TAX MONEYS.

20 1. Moneys received by a school district from the school  
21 district infrastructure sales tax fund under section 422F.2,  
22 subsection 1, paragraph "b", shall be spent for the purpose or  
23 purposes specified on the ballot proposition.

24 2. For purposes of this section, "infrastructure purposes"  
25 means those purposes for which a school district is authorized  
26 to contract indebtedness and issue general obligation bonds  
27 under chapter 296 or to expend tax revenues under section  
28 298.3, the payment of principal and interest on general  
29 obligation bonds issued under chapter 296 or section 298.20 or  
30 loan agreements under section 297.36, for carrying on public  
31 educational and recreational activities pursuant to chapter  
32 300, payments made pursuant to a real property lease or lease-  
33 purchase agreement, or the payment of principal and interest  
34 on bonds issued under 422F.6.

35 Sec. 8. NEW SECTION. 422F.6 BONDING.

1 The board of directors of a school district shall be  
2 authorized to issue negotiable, interest-bearing school bonds,  
3 without election, and utilize tax receipts derived from the  
4 local option school infrastructure sales tax for principal and  
5 interest repayment. Proceeds of the bonds issued pursuant to  
6 this section shall be utilized solely for school  
7 infrastructure purposes as defined in section 422F.1,  
8 subsection 3. Issuance of bonds pursuant to this section  
9 shall be permitted only in a district which has imposed a  
10 local option school infrastructure sales tax pursuant to  
11 section 422F.3. The provisions of sections 298.22 through  
12 298.24 shall apply regarding the form, rate of interest,  
13 registration, redemption, and recording of bond issues  
14 pursuant to this section, with the exception that the maximum  
15 period during which principal on the bonds is payable shall  
16 not exceed a ten-year period, or the date of repeal stated on  
17 the ballot proposition.

18 A school district in which a local option school  
19 infrastructure sales tax has been imposed shall be authorized  
20 to enter into a chapter 28E agreement with one or more cities  
21 or a county whose boundaries encompass all or a part of the  
22 area of the school district. A city or cities entering into a  
23 chapter 28E agreement shall be authorized to expend its  
24 designated portion of the local option school infrastructure  
25 sales tax revenues for any valid purpose permitted in this  
26 chapter or authorized by the governing body of the city. A  
27 county entering into a chapter 28E agreement with a school  
28 district in which a local option school infrastructure sales  
29 tax has been imposed shall be authorized to expend its  
30 designated portion of the local option school infrastructure  
31 sales tax revenues to provide property tax relief within the  
32 boundaries of the school district located in the county. A  
33 school district where a local option school infrastructure  
34 sales tax is imposed is also authorized to enter into a  
35 chapter 28E agreement with another school district, a

1 community college, or an area education agency which is  
2 located partially or entirely in or is contiguous to the  
3 county where the tax is imposed. The school district or  
4 community college shall only expend its designated portion of  
5 the local option school infrastructure sales tax for  
6 infrastructure purposes. The area education agency shall only  
7 expend its designated portion of the local option school  
8 infrastructure sales tax for infrastructure and maintenance  
9 purposes.

10 The governing body of a city may authorize the issuance of  
11 bonds which are payable from its designated portion of the  
12 revenues of the local option school infrastructure sales tax,  
13 and not from property tax, by following the authorization  
14 procedures set forth for cities in section 384.83. A city may  
15 pledge irrevocably any amount derived from its designated  
16 portions of the revenues of the local option school  
17 infrastructure sales tax to the support or payment of such  
18 bonds.

19 Sec. 9. NEW SECTION. 422F.7 REPEAL.

20 This chapter is repealed June 30, 2023, for fiscal years  
21 beginning after that date.

22 Sec. 10. EFFECTIVE DATE. This Act, being deemed of  
23 immediate importance, takes effect April 1, 2003.

24 EXPLANATION

25 Present law provides for counties to impose a local sales  
26 and services tax for school infrastructure purposes under Code  
27 chapter 422E. This bill sets a moratorium on imposition by a  
28 county of such tax. However, those counties that have voted  
29 on and approved the tax prior to April 1, 2003, may continue  
30 to impose the tax. In addition, a county that has published  
31 notice of the ballot proposition prior to April 1, 2003, and  
32 subsequently approved the tax may impose and continue the tax.

33 The bill provides for a new local option school  
34 infrastructure sales tax under new Code chapter 422F which tax  
35 is very similar to the present one. Each county that does not

1 have a chapter 422E tax in place on April 1, 2003, or has not  
2 published the ballot proposition by April 1, 2003, and  
3 approved the chapter 422E tax must hold an election on the  
4 question of imposing the new tax at the time of the regular  
5 city election on November 4, 2003. The ballot proposition  
6 shall contain a statement as to the specific purpose or  
7 purposes for which the revenues are to be spent. If the  
8 question of imposition is not approved by a majority of the  
9 voters, subsequent elections may be held. The imposition of  
10 the new tax must be on January 1 or July 1. However, for  
11 those counties that have voted on and approved the tax under  
12 Code chapter 422E, the new tax cannot take effect until the  
13 Code chapter 422E tax is repealed. The new local option tax  
14 may be imposed for a period of up to 10 years. However, all  
15 local option taxes are repealed December 31, 2022, and the  
16 chapter is repealed on June 30, 2023.

17 Moneys collected from the tax shall be deposited into a  
18 single statewide fund. School districts located in whole or  
19 in part in a county that has imposed the new tax will receive  
20 distributions from the single fund on a per pupil basis.  
21 Moneys received are to be used for the purposes specified on  
22 the ballot proposition.

23 The bill takes effect April 1, 2003.

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