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WAYS & MEANS CALENDAR

HOUSE FILE 692
BY COMMITTEE ON WAYS AND
MEANS

(SUCCESSOR TO HSB 312)

Passed House, Date 4/24/03 Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to taxation of property and income and including
2 effective date and applicability date provisions.

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

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HF 692

1 Section 1. Section 441.19, subsections 1 and 2, Code 2003,
2 are amended to read as follows:

3 1. Supplemental and optional to the procedure for the
4 assessment of property by the assessor as provided in this
5 chapter, the assessor may require from all persons required to
6 list their property for taxation as provided by sections 428.1
7 and 428.2, a supplemental return to be prescribed by the
8 director of revenue and finance upon which the person shall
9 list the person's property and any additions or modifications
10 completed in the prior year to a structure located on the
11 property. The supplemental return shall be in substantially
12 the same form as now prescribed by law for the assessment
13 rolls used in the listing of property by the assessors. Every
14 person required to list property for taxation shall make a
15 complete listing of the property upon supplemental forms and
16 return the listing to the assessor as promptly as possible.
17 The return shall be verified over the signature of the person
18 making the return and section 441.25 applies to any person
19 making such a return. The assessor shall make supplemental
20 return forms available as soon as practicable after the first
21 day of January of each year. The assessor shall make
22 supplemental return forms available to the taxpayer by mail,
23 or at a designated place within the taxing district.

24 2. Upon receipt of such supplemental return from any
25 person the assessor shall prepare a roll assessing such person
26 as hereinafter provided. In the preparation of such
27 assessment roll the assessor shall be guided not only by the
28 information contained in such supplemental roll, but by any
29 other information the assessor may have or which may be
30 obtained by the assessor as prescribed by the law relating to
31 the assessment of property. The assessor shall not be bound
32 by any values or square footage determinations or purchase
33 prices as listed in such supplemental return, and may include
34 in the assessment roll any property omitted from the
35 supplemental return which in the knowledge and belief of the

1 assessor should be listed as required by law by the person
2 making the supplemental return. Upon completion of such roll
3 the assessor shall deliver to the person submitting such
4 supplemental return a copy of the assessment roll, either
5 personally or by mail.

6 Sec. 2. Section 441.21, Code 2003, is amended by striking
7 the section and inserting in lieu thereof the following:

8 441.21 ASSESSMENT OF STRUCTURES.

9 1. All real property, except land, subject to taxation
10 shall be assessed on a value per square foot basis according
11 to the provisions of this section.

12 2. The terms "per thousand dollars of assessed valuation",
13 "per thousand dollars of assessed value", "per thousand
14 dollars of taxable valuation", and "per thousand dollars of
15 taxable value" as used in other sections of the Code in
16 relation to taxes levied against agricultural, residential,
17 commercial, and industrial property shall mean the valuations
18 as determined pursuant to section 441.21, Code 2005, for such
19 property for the assessment year beginning January 1, 2005.

20 3. a. Subject to paragraph "b", for valuations
21 established as of January 1, 2006, and for subsequent
22 assessment years, the assessed value per square foot of a
23 residential structure shall be an amount equal to the
24 valuation of the structure as determined for the assessment
25 year beginning January 1, 2005, prior to application of the
26 assessment limitation for that year, divided by the total
27 number of square feet of the structure as of January 1, 2005.

28 b. (1) The assessed value per square foot of an existing
29 residential structure purchased after January 1, 2005, shall
30 be the purchase price of the structure divided by the
31 cumulative inflation factor established for the assessment
32 year following the year of purchase, divided by the total
33 number of square feet of the structure as of January 1 of the
34 assessment year. The assessed value per square foot of a
35 residential structure newly constructed after January 1, 2005,

1 shall be the market value of the structure, as determined by
2 the assessor, divided by the cumulative inflation factor
3 established for the assessment year following the year
4 construction was completed, divided by the total number of
5 square feet of the structure as of January 1 of the assessment
6 year. However, when valuing an addition that substantially
7 increases the square footage of a structure, only that portion
8 of the structure comprising the addition shall be valued by
9 the assessor under this subparagraph.

10 (2) If additions or modifications to an existing structure
11 do not constitute a newly constructed structure, the valuation
12 of the structure shall only increase if the square footage of
13 the structure increases. The increased valuation, if any,
14 equals the amount of increased square feet times the value per
15 square foot of the structure prior to the additions or
16 modifications.

17 4. a. Subject to paragraph "b" for valuations established
18 as of January 1, 2006, and for subsequent assessment years,
19 the assessed value per square foot of a commercial or
20 industrial structure shall be an amount equal to the valuation
21 of the structure as determined for the assessment year
22 beginning January 1, 2005, prior to application of the
23 assessment limitation for that year, divided by the total
24 number of square feet of the structure as of January 1, 2005.

25 b. (1) The assessed value per square foot of an existing
26 commercial or industrial structure purchased after January 1,
27 2005, shall be the purchase price of the structure divided by
28 the cumulative inflation factor established for the assessment
29 year following the year of purchase, divided by the total
30 number of square feet of the structure as of January 1 of the
31 assessment year. The assessed value per square foot of a
32 commercial or industrial structure newly constructed after
33 January 1, 2005, shall be the market value of the structure,
34 as determined by the assessor, divided by the cumulative
35 inflation factor established for the assessment year following

1 the year construction was completed, divided by the total
2 number of square feet of the structure as of January 1 of the
3 assessment year. However, when valuing an addition that
4 substantially increases the square footage of a structure,
5 only that portion of the structure comprising the addition
6 shall be valued by the assessor under this subparagraph.

7 (2) If additions or modifications to an existing structure
8 do not constitute a newly constructed structure, the valuation
9 of the structure shall only increase if the square footage of
10 the structure increases. The increased valuation, if any,
11 equals the amount of increased square feet times the value per
12 square foot of the structure prior to the additions or
13 modifications.

14 5. a. Subject to paragraph "b" for valuations established
15 as of January 1, 2006, and for subsequent assessment years,
16 the assessed value per square foot of an agricultural
17 structure that is not an agricultural dwelling shall be an
18 amount equal to the valuation of the structure as determined
19 for the assessment year beginning January 1, 2005, prior to
20 application of the assessment limitation for that year,
21 divided by the total number of square feet of the structure as
22 of January 1, 2005.

23 b. (1) The assessed value per square foot of an existing
24 agricultural structure purchased after January 1, 2005, shall
25 be the productivity value of the structure divided by the
26 cumulative inflation factor established for the assessment
27 year following the year of purchase, divided by the total
28 number of square feet of the structure as of January 1 of the
29 assessment year. The assessed value per square foot of an
30 agricultural structure newly constructed after January 1,
31 2005, shall be the productivity value of the structure for the
32 assessment year following the year construction was completed,
33 as determined by the assessor, divided by the cumulative
34 inflation factor established for the assessment year following
35 the year construction was completed, divided by the total

1 number of square feet of the structure as of January 1 of the
2 assessment year. However, when valuing an addition that
3 substantially increases the square footage of a structure,
4 only that portion of the structure comprising the addition
5 shall be valued by the assessor under this subparagraph.

6 (2) If additions or modifications to an existing structure
7 do not constitute a newly constructed structure, the valuation
8 of the structure shall only increase if the square footage of
9 the structure increases. The increased valuation, if any,
10 equals the amount of increased square feet times the value per
11 square foot of the structure prior to the additions or
12 modifications.

13 6. a. In determining the market value of newly
14 constructed property, except agricultural structures, the
15 assessor may determine the value of the property using uniform
16 and recognized appraisal methods including its productive and
17 earning capacity, if any, industrial conditions, its cost,
18 physical and functional depreciation and obsolescence and
19 replacement cost, and all other factors which would assist in
20 determining the fair and reasonable market value of the
21 property but the actual value shall not be determined by use
22 of only one such factor. The following shall not be taken
23 into consideration: special value or use value of the
24 property to its present owner, and the goodwill or value of a
25 business that uses the property as distinguished from the
26 value of the property as property. However, in assessing
27 property that is rented or leased to low-income individuals
28 and families as authorized by section 42 of the Internal
29 Revenue Code, as amended, and which section limits the amount
30 that the individual or family pays for the rental or lease of
31 units in the property, the assessor shall use the productive
32 and earning capacity from the actual rents received as a
33 method of appraisal and shall take into account the extent to
34 which that use and limitation reduces the market value of the
35 property. The assessor shall not consider any tax credit

1 equity or other subsidized financing as income provided to the
2 property in determining the market value. Upon adoption of
3 uniform rules by the department of revenue and finance or
4 covering assessments and valuations of such properties, the
5 valuation on such properties shall be determined in accordance
6 with such values for assessment purposes to assure uniformity,
7 but such rules shall not be inconsistent with or change the
8 foregoing means of determining the market value.

9 b. The actual value of special purpose tooling, which is
10 subject to assessment and taxation as real property under
11 section 427A.1, subsection 1, paragraph "e", but which can be
12 used only to manufacture property which is protected by one or
13 more United States or foreign patents, shall not exceed the
14 fair and reasonable exchange value between a willing buyer and
15 a willing seller, assuming that the willing buyer is
16 purchasing only the special purpose tooling and not the patent
17 covering the property which the special purpose tooling is
18 designed to manufacture nor the rights to manufacture the
19 patented property. For purposes of this paragraph, special
20 purpose tooling includes dies, jigs, fixtures, molds,
21 patterns, and similar property. The assessor shall not take
22 into consideration the special value or use value to the
23 present owner of the special purpose tooling which is designed
24 and intended solely for the manufacture of property protected
25 by a patent in arriving at the actual value of the special
26 purpose tooling.

27 c. In determining the purchase price of a structure, the
28 assessor shall consider whether the sale was a fair and
29 reasonable exchange in the year in which the property was
30 listed and valued between a willing buyer and a willing
31 seller, neither being under any compulsion to buy or sell and
32 each being familiar with all the facts relating to the
33 particular property. Sale prices of the property or
34 comparable property in normal transactions reflecting market
35 value, and the probable availability or unavailability of

1 persons interested in purchasing the property, shall be taken
2 into consideration in determining purchase price. In
3 determining purchase price, sale prices of property in
4 abnormal transactions not reflecting market value shall not be
5 taken into account, or shall be adjusted to eliminate the
6 effect of factors which distort market value, including but
7 not limited to sales to immediate family of the seller,
8 foreclosure or other forced sales, contract sales, or
9 discounted purchase transactions.

10 7. For purposes of this section:

11 a. "Annual inflation factor" means an index, expressed as
12 a percentage, determined by the department by January 15 of
13 the assessment year for which the factor is determined, which
14 reflects the purchasing power of the dollar as a result of
15 inflation during the twelve-month period ending September 30
16 of the calendar year preceding the assessment year for which
17 the factor is determined. In determining the annual inflation
18 factor, the department shall use the annual percent change,
19 but not less than zero percent, in the gross domestic product
20 price deflator computed for the calendar year by the bureau of
21 economic analysis of the United States department of commerce
22 and shall add all of that percent change to one hundred
23 percent. The annual inflation factor and the cumulative
24 inflation factor shall each be expressed as a percentage
25 rounded to the nearest one-tenth of one percent. The annual
26 inflation factor shall not be less than one hundred percent.
27 The annual inflation factor for the 2005 calendar year is one
28 hundred percent.

29 b. "Cumulative inflation factor" means the product of the
30 annual inflation factor for the 2005 calendar year and all
31 annual inflation factors for subsequent calendar years as
32 determined pursuant to this subsection. The cumulative
33 inflation factor applies to the assessment year beginning on
34 January 1 of the calendar year for which the latest annual
35 inflation factor has been determined.

1 c. "Newly constructed" includes, but is not limited to,
2 structural replacement, additions that substantially increase
3 the square footage, conversion into another class of property,
4 and conversion from exempt property under section 427.1 to
5 taxable property. For commercial and industrial property,
6 "newly constructed" also includes an addition or removal to a
7 structure of personal property taxed as real estate under
8 chapter 427A.

9 d. "Structure" means any part of that which is built or
10 constructed, an edifice or building of any kind, or any piece
11 of work artificially built up or composed of parts joined
12 together in some definite manner. For residential structures,
13 structure includes only those parts of the structure,
14 including basements and attics, that are or could be used as
15 living space. "Structure" does not include the land beneath,
16 or horizontal improvements relating to the structure, such as
17 sidewalks, sewers, or retaining walls.

18 8. For the purpose of computing the debt limitations for
19 municipalities, political subdivisions, and school districts,
20 the term "actual value" means the "actual value" as determined
21 under this section without application of any percentage
22 reduction and entered opposite each item, and as listed on the
23 tax list as provided in section 443.2, as "actual value".

24 Whenever any board of review or other tribunal changes the
25 assessed value of property, all applicable records of
26 assessment shall be adjusted to reflect such change in both
27 assessed value and actual value of such property.

28 9. The provisions of this chapter and chapters 443, 443A,
29 and 444 shall be subject to legislative review at least once
30 every five years. The review shall be based upon a property
31 tax status report containing the recommendations of a property
32 tax implementation committee appointed to conduct a review of
33 the land tax, square footage tax, the baseline assessment for
34 the square footage tax, and other related provisions, to be
35 prepared with the assistance of the departments of management

1 and revenue and finance. The report shall include
2 recommendations for changes or revisions based upon
3 demographic changes and property tax valuation fluctuations
4 observed during the preceding five-year interval, and a
5 summary of issues that have arisen since the previous review
6 and potential approaches for their resolution. The first such
7 report shall be submitted to the general assembly no later
8 than January 1, 2010, with subsequent reports developed and
9 submitted by January 1 at least every fifth year thereafter.

10 Sec. 3. NEW SECTION. 441.21A PROPERTY CLASSIFICATIONS.

11 1. a. Agricultural land shall be valued at its
12 productivity value. The productivity value of agricultural
13 land shall be determined on the basis of productivity and net
14 earning capacity of the land determined on the basis of its
15 use for agricultural purposes capitalized at a rate of seven
16 percent and applied uniformly among counties and among classes
17 of property. Any formula or method employed to determine
18 productivity and net earning capacity of land shall be adopted
19 in full by rule.

20 b. In counties or townships in which field work on a
21 modern soil survey has been completed since January 1, 1949,
22 the assessor shall place emphasis upon the results of the
23 survey in spreading the valuation among individual parcels of
24 such agricultural land.

25 c. "Agricultural land" includes the land of a vineyard.

26 2. a. "Residential property" includes all lands and
27 buildings which are primarily used or intended for human
28 habitation, including those buildings located on agricultural
29 land. Buildings used primarily or intended for human
30 habitation shall include the dwelling as well as structures
31 and improvements used primarily as a part of, or in
32 conjunction with, the dwelling. This includes but is not
33 limited to garages, whether attached or detached, tennis
34 courts, swimming pools, guest cottages, and storage sheds for
35 household goods. Residential property located on agricultural

1 land shall include only buildings.

2 b. "Residential property" includes all land and buildings
3 of multiple housing cooperatives organized under chapter 499A
4 and includes land and buildings used primarily for human
5 habitation which land and buildings are owned and operated by
6 organizations that have received tax-exempt status under
7 section 501(c)(3) of the Internal Revenue Code and rental
8 income from the property is not taxed as unrelated business
9 income under section 422.33, subsection 1A.

10 Sec. 4. Section 441.23, Code 2003, is amended to read as
11 follows:

12 441.23 NOTICE OF VALUATION.

13 If there has been an increase or decrease in the valuation
14 of the property, or upon the written request of the person
15 assessed, the assessor shall, at the time of making the
16 assessment, inform the person assessed, in writing, of the
17 valuation put upon the taxpayer's property, and notify the
18 person, if the person feels aggrieved, to appear before the
19 board of review and show why the assessment should be changed.
20 However, if the valuation of ~~a class of~~ agricultural property
21 is uniformly decreased, the assessor may notify the affected
22 property owners by publication in the official newspapers of
23 the county. The owners of real property shall be notified not
24 later than April 15 of any adjustment of the real property
25 assessment.

26 Sec. 5. Section 441.24, Code 2003, is amended to read as
27 follows:

28 441.24 REFUSAL TO FURNISH STATEMENT.

29 1. If a person refuses to furnish the verified statements
30 required in connection with the assessment of property by the
31 assessor, or to list the corporation's or person's property,
32 the director of revenue and finance, or assessor, as the case
33 may be, shall proceed to list and assess the property
34 according to the best information obtainable, and shall add to
35 the ~~taxable~~ agricultural land and square footage valuation one

1 hundred percent thereof, which valuation and penalty shall be
2 separately shown, and shall constitute the assessment; and if
3 the agricultural land or square footage valuation of the
4 property is changed by a board of review, or on appeal from a
5 board of review, a like penalty shall be added to the
6 valuation thus fixed.

7 2. However, all or part of the penalty imposed under this
8 section may be waived by the board of review upon application
9 to the board by the assessor or the property owner. The
10 waiver or reduction in the penalty shall be allowed only on
11 the agricultural land or the square footage valuation of ~~real~~
12 property the structure against which the penalty has been
13 imposed.

14 Sec. 6. Section 441.26, unnumbered paragraph 3, Code 2003,
15 is amended to read as follows:

16 The notice in ~~1981~~ 2007 and each odd-numbered year
17 thereafter shall contain a statement that ~~the~~ agricultural
18 property assessments are subject to equalization pursuant to
19 an order issued by the director of revenue and finance, that
20 the county auditor shall give notice on or before October 15
21 by publication in an official newspaper of general circulation
22 to any ~~class-of~~ agricultural property affected by the
23 equalization order, and that the board of review shall be in
24 session from October 15 to November 15 to hear protests of
25 affected property owners or taxpayers whose valuations have
26 been adjusted by the equalization order.

27 Sec. 7. Section 441.26, unnumbered paragraphs 4 and 5,
28 Code 2003, are amended to read as follows:

29 The assessment rolls shall be used in listing the property,
30 the structures, and the square footage of the structures, and
31 showing the values affixed to agricultural land and the square
32 footage values affixed to ~~the-property~~ each structure of all
33 persons assessed. The rolls shall be made in duplicate. The
34 duplicate roll shall be signed by the assessor, detached from
35 the original and delivered to the person assessed if there has

1 been an increase or decrease in the valuation of the property.
2 If there has been no change in the evaluation, the information
3 on the roll may be printed on computer stock paper and
4 preserved as required by this chapter. If the person assessed
5 requests in writing a copy of the roll, the copy shall be
6 provided to the person. The pages of the assessor's
7 assessment book shall contain columns ruled and headed for the
8 information required by this chapter and that which the
9 director of revenue and finance deems essential in the
10 equalization work of the director. The assessor shall return
11 all assessment rolls and schedules to the county auditor,
12 along with the completed assessment book, as provided in this
13 chapter, and the county auditor shall carefully keep and
14 preserve the rolls, schedules and book for a period of five
15 years from the time of its filing in the county auditor's
16 office.

17 Beginning with valuations for January 1, ~~1977~~ 2006, and
18 each succeeding year, for each parcel of agricultural property
19 and for each structure entered in the assessment book, the
20 assessor shall list the classification of the property.

21 Sec. 8. Section 441.35, subsection 1, Code 2003, is
22 amended by striking the subsection.

23 Sec. 9. Section 441.35, unnumbered paragraph 2, Code 2003,
24 is amended by striking the unnumbered paragraph.

25 Sec. 10. Section 441.36, Code 2003, is amended to read as
26 follows:

27 441.36 CHANGE OF ASSESSMENT -- NOTICE.

28 All changes in assessments authorized by the board of
29 review, and reasons therefor, shall be entered in the minute
30 book kept by ~~said~~ the board and on the assessment roll. ~~Said~~
31 The minute book shall be filed with the assessor after the
32 adjournment of the board of review and shall at all times be
33 open to public inspection. In case the value of any specific
34 property or structure or the entire assessment of any person,
35 partnership, or association is increased, or new property or a

1 new structure is added by the board, the clerk shall give
2 immediate notice thereof by mail to each at the post-office
3 address shown on the assessment rolls, and at the conclusion
4 of the action of the board therein the clerk shall post an
5 alphabetical list of those whose assessments are thus raised
6 and added, in a conspicuous place in the office or place of
7 meeting of the board, and enter upon the records a statement
8 that such posting has been made, which entry shall be
9 conclusive evidence of the giving of the notice required. The
10 board shall hold an adjourned meeting, with at least five days
11 intervening after the posting of said the notices, before
12 final action with reference to the raising of assessments or
13 the adding of property or structures to the rolls is taken,
14 and the posted notices shall state the time and place of
15 holding such adjourned meeting, which time and place shall
16 also be stated in the proceedings of the board.

17 Sec. 11. Section 441.37, subsection 1, paragraphs a and b,
18 Code 2003, are amended to read as follows:

19 a. That said the assessment is not equitable as compared
20 with assessments of other like property or structures in the
21 taxing district. When this ground is relied upon as the basis
22 of a protest the legal description and assessments of a
23 representative number of comparable properties structures, as
24 described by the aggrieved taxpayer shall be listed on the
25 protest, otherwise said the protest shall not be considered on
26 this ground.

27 b. That the property or structure is assessed for more
28 than the value authorized by law, stating the specific amount
29 which the protesting party believes the property or structure
30 to be overassessed, and the amount which the party considers
31 to be its actual value and the amount the party considers a
32 fair assessment.

33 Sec. 12. Section 441.39, Code 2003, is amended to read as
34 follows:

35 441.39 TRIAL ON APPEAL.

1 The court shall hear the appeal in equity and determine
2 anew all questions arising before the board which relate to
3 the liability of the property or structure to assessment or
4 the amount thereof. The court shall consider all of the
5 evidence and there shall be no presumption as to the
6 correctness of the ~~valuation-of~~ assessment appealed from. Its
7 decision shall be certified by the clerk of the court to the
8 county auditor, and the assessor, who shall correct the
9 assessment books accordingly.

10 Sec. 13. Section 441.42, Code 2003, is amended to read as
11 follows:

12 441.42 APPEAL ON BEHALF OF PUBLIC.

13 Any officer of a county, city, township, drainage district,
14 levee district, or school district interested or a taxpayer
15 thereof may in like manner make complaint before ~~said the~~
16 board of review in respect to the assessment of any property
17 or structure in the township, drainage district, levee
18 district or city and an appeal from the action of the board of
19 review in fixing the amount of assessment on any property or
20 structure concerning which such complaint is made, may be
21 taken by any of such aforementioned officers.

22 Such appeal is in addition to the appeal allowed to the
23 person whose property or structure is assessed and shall be
24 taken in the name of the county, city, township, drainage
25 district, levee district, or school district interested, and
26 tried in the same manner, except that the notice of appeal
27 shall also be served upon the owner of the property or
28 structure concerning which the complaint is made and affected
29 thereby or person required to return said property or
30 structure for assessment.

31 Sec. 14. Section 441.43, Code 2003, is amended to read as
32 follows:

33 441.43 POWER OF COURT.

34 Upon trial of any appeal from the action of the board of
35 review fixing the amount of assessment upon any property or

1 structure concerning which complaint is made, the court may
2 increase, decrease, or affirm the amount of the assessment
3 appealed from.

4 Sec. 15. Section 441.45, subsections 1 and 2, Code 2003,
5 are amended to read as follows:

6 1. The number of acres of land and the aggregate taxable
7 values of the agricultural land, ~~exclusive-of-city-lots~~,
8 returned by the assessors, as corrected by the board of
9 review.

10 2. The aggregate values of structures and the taxable
11 square footage values of ~~real-estate~~ structures by class in
12 each township and city in the county and the aggregate value
13 of agricultural land in each township and city in the county,
14 returned as corrected by the board of review.

15 Sec. 16. Section 441.47, Code 2003, is amended by adding
16 the following new unnumbered paragraph:

17 NEW UNNUMBERED PARAGRAPH. For the assessment year
18 beginning January 1, 2007, and for all subsequent assessment
19 years, only property classified as agricultural property shall
20 be subject to equalization by the director of revenue and
21 finance under this section and sections 441.48 and 441.49.

22 Sec. 17. Section 441.50, Code 2003, is amended to read as
23 follows:

24 441.50 APPRAISERS EMPLOYED.

25 The conference board shall have power to employ appraisers
26 or other technical or expert help to assist in the ~~valuation~~
27 assessment of property as provided in section 441.21, the cost
28 thereof to be paid in the same manner as other expenses of the
29 assessor's office. The conference board may certify for levy
30 annually an amount not to exceed forty and one-half cents per
31 thousand dollars of assessed value of taxable property for the
32 purpose of establishing a special appraiser's fund, to be used
33 only for such purposes. From time to time the conference
34 board may direct the transfer of any unexpended balance in the
35 special appraiser's fund to the assessment expense fund.

1 Sec. 18. Section 443.1, Code 2003, is amended to read as
2 follows:

3 443.1 CONSOLIDATED TAX.

4 All square footage taxes which are uniform throughout any
5 township or school district shall be formed into a single tax
6 and entered upon the tax list in a single column, to be known
7 as a consolidated tax, and each receipt shall show the
8 percentage levied for each separate fund. The land tax shall
9 be separately stated and each receipt shall show the
10 percentage levied for each separate fund.

11 Sec. 19. Section 443.2, Code 2003, is amended to read as
12 follows:

13 443.2 TAX LIST.

14 Before the first day of July in each year, the county
15 auditor shall transcribe the assessments of the townships and
16 cities into a book or record, to be known as the tax list,
17 properly ruled and headed, with separate columns, in which
18 shall be entered the names of the taxpayers, descriptions of
19 lands, number of acres and value, numbers of city lots, their
20 size in acres, and value, and each description of the square
21 footage tax and the land tax, with a column for polls and one
22 for payments, and shall complete it by entering the amount due
23 on each installment, separately, and carrying out the total of
24 both installments. The total of all columns of each page of
25 each book or other record shall balance with the tax totals.
26 After computing the amount of land tax and square footage tax
27 due and payable on each property, the county auditor shall
28 round the total amount of tax taxes due and payable on the
29 property to the nearest even whole dollar.

30 The county auditor shall list the aggregate actual value
31 and the aggregate taxable value of all taxable property within
32 the county and each political subdivision including property
33 subject to the statewide property tax imposed under section
34 437A.18 on the tax list in order that the actual value of the
35 taxable property within the county or a political subdivision

1 may be ascertained and shown by the tax list for the purpose
2 of computing the debt-incurring capacity of the county or
3 political subdivision. As used in this section, "actual
4 value" is the value determined under section 441.21,
5 subsections 1 to 3, Code 2005, prior to the reduction to a
6 percentage of actual value as otherwise provided in section
7 441.21, Code 2005. "Actual value" of property subject to
8 statewide property tax is the assessed value under section
9 437A.18.

10 Sec. 20. Section 443.3, Code 2003, is amended to read as
11 follows:

12 443.3 CORRECTION -- TAX APPORTIONED.

13 At the time of transcribing ~~said~~ the assessments into the
14 tax list, the county auditor shall correct all transfers up to
15 date and place the legal descriptions of all real estate in
16 the name of the owner at ~~said~~ that date as shown by the
17 transfer book in the auditor's office. At the end of the list
18 for each township or city the auditor shall make an abstract
19 thereof, and apportion the consolidated tax among the
20 respective funds to which it belongs, according to the amounts
21 levied for each. The auditor shall apportion the land tax as
22 prescribed in section 443A.2.

23 Sec. 21. Section 443.6, Code 2003, is amended to read as
24 follows:

25 443.6 CORRECTIONS BY AUDITOR.

26 The auditor may correct any error in the assessment or tax
27 list, and the assessor or auditor may list for taxation any
28 omitted land and may assess and list for taxation any omitted
29 property structure.

30 Sec. 22. Section 443.7, Code 2003, is amended to read as
31 follows:

32 443.7 NOTICE.

33 Before listing for taxation any omitted land and before
34 assessing and listing for taxation any omitted property
35 structure, the assessor or auditor shall notify by mail the

1 person in whose name the property land or structure is taxed,
2 to appear before the assessor or auditor at the assessor's or
3 auditor's office within ten days from the date of the notice
4 and show cause, if any, why the correction or assessment
5 should not be made.

6 Sec. 23. Section 443.9, Code 2003, is amended to read as
7 follows:

8 443.9 ADJUSTMENT OF ACCOUNTS.

9 If such correction or assessment is made after the books or
10 other records approved by the state auditor of state have
11 passed into the hands of the treasurer, the treasurer shall be
12 charged or credited therefor as the case may be. In the event
13 such listing of omitted land or listing and assessment of
14 omitted property structure is made by the assessor after the
15 tax records have passed into the hands of the auditor or
16 treasurer, such correction or assessment shall be entered on
17 the records by the auditor or treasurer.

18 Sec. 24. Section 443.12, Code 2003, is amended to read as
19 follows:

20 443.12 CORRECTIONS BY TREASURER.

21 When property land or a structure subject to taxation is
22 withheld, overlooked, or from any other cause is not listed,
23 or is not listed and assessed, the county treasurer shall,
24 when apprised thereof, at any time within two years from the
25 date at which such listing and assessment should have been
26 made, demand of the person, firm, corporation, or other party
27 by whom the same should have been listed, or to whom it should
28 have been listed and assessed, or of the administrator
29 thereof, the amount the property land or structure should have
30 been taxed in each year the same was so withheld or overlooked
31 and not listed or not listed and assessed, together with six
32 percent interest thereon from the time the taxes would have
33 become due and payable had such property land been listed or
34 such structure been listed and assessed.

35 Sec. 25. Section 443.13, Code 2003, is amended to read as

1 follows:

2 443.13 ACTION BY TREASURER -- APPORTIONMENT.

3 Upon failure to pay such sum within thirty days, with all
4 accrued interest, the treasurer shall cause an action to be
5 brought in the name of the treasurer for the use of the proper
6 county, to be prosecuted by the county attorney, or such other
7 person as the board of supervisors may appoint, and when such
8 property land has been fraudulently withheld from listing or
9 such structure fraudulently withheld from listing and
10 assessment, there shall be added to the sum found to be due a
11 penalty of fifty percent upon the amount, which shall be
12 included in the judgment. The amount thus recovered shall be
13 by the treasurer apportioned ratably as the taxes would have
14 been if they had been paid according to law.

15 Sec. 26. Section 443.14, Code 2003, is amended to read as
16 follows:

17 443.14 DUTY OF TREASURER.

18 The treasurer shall assess any real-property structure and
19 shall list the acreage of any land subject to taxation which
20 may have been omitted by the assessor, board of review, or
21 county auditor, and collect taxes thereon, and in such cases
22 shall note, opposite the tract or lot assessed, the words "by
23 treasurer".

24 Sec. 27. Section 443.15, Code 2003, is amended to read as
25 follows:

26 443.15 TIME LIMIT.

27 The assessment shall be made within two years after the tax
28 list shall have been delivered to the treasurer for
29 collection, and not afterwards, if the property land or
30 structure is then owned by the person who should have paid the
31 tax.

32 Sec. 28. Section 443.17, Code 2003, is amended to read as
33 follows:

34 443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

35 In any action or proceeding, now pending or hereafter

1 brought, to recover taxes upon property land not listed or
2 agricultural land or a structure not listed and assessed for
3 taxation during the lifetime of any decedent, it shall be
4 presumed that any property, any evidence of ownership of
5 property, and any evidence of a promise to pay, owned by a
6 decedent at the date of the decedent's death, had been
7 acquired and owned by such decedent more than two years before
8 the date of the decedent's death; and the burden of proving
9 that any such property had been acquired by such decedent less
10 than two years before the date of the decedent's death shall
11 be upon the heirs, legatees, and legal representatives of any
12 such decedent.

13 Sec. 29. Section 443.18, Code 2003, is amended to read as
14 follows:

15 443.18 REAL ESTATE -- DUTY OF OWNER.

16 In all cases where ~~real-estate~~ land subject to taxation has
17 not been listed or agricultural land or a structure subject to
18 taxation has not been listed and assessed, the owner, or an
19 agent of the owner, shall have the same done by the treasurer,
20 and pay the taxes thereon; and if the owner fails to do so the
21 treasurer shall list or list and assess the same and collect
22 the tax assessed as the treasurer does other taxes.

23 Sec. 30. Section 443.19, Code 2003, is amended to read as
24 follows:

25 443.19 IRREGULARITIES, ERRORS AND OMISSIONS -- EFFECT.

26 ~~No~~ A failure of the owner to have such property land listed
27 or agricultural land or structure listed and assessed or to
28 have the errors in the listing or assessment corrected, and ~~no~~
29 an irregularity, error or omission in the listing of such land
30 or listing and assessment of such property agricultural land
31 or structure, shall not affect in any manner the legality of
32 the taxes levied thereon, or affect any right or title to such
33 ~~real-estate~~ property which would have accrued to any party
34 claiming or holding under and by virtue of a deed executed by
35 the treasurer as provided by this title, had the listing and

1 assessment of such property been in all respects regular and
2 valid.

3 Sec. 31. Section 443.21, Code 2003, is amended to read as
4 follows:

5 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

6 All assessors and assessing bodies, including the
7 department of revenue and finance having authority over the
8 listing of land or listing and assessment of property
9 agricultural land and structures for tax purposes shall
10 certify to the county auditor of each county the number of
11 acres of land and the assessed values of agricultural land and
12 structures for all the taxable property in such county as
13 finally ~~equalized~~ and determined, and the same shall be
14 transcribed onto the tax lists as required by section 443.2.

15 Sec. 32. Section 443.22, Code 2003, is amended to read as
16 follows:

17 443.22 UNIFORM ASSESSMENTS MANDATORY.

18 All assessors and assessing bodies, including the
19 department of revenue and finance having authority over the
20 listing of land and listing and assessment of property
21 agricultural land and structures for tax purposes, shall
22 comply with sections 428.4, 428.29, 434.15, 438.13, 441.21,
23 and 441.45. The department of revenue and finance, having
24 authority over the listing and assessments, shall exercise its
25 powers and perform its duties under section 421.17 and other
26 applicable laws so as to require the uniform and consistent
27 application of ~~said~~ that section.

28 Sec. 33. NEW SECTION. 443A.1 LAND TAX.

29 Effective for the fiscal year beginning July 1, 2007, and
30 all subsequent fiscal years, a land tax shall be imposed
31 against each acre or portion of an acre of land in a county.

32 Sec. 34. NEW SECTION. 443A.2 APPORTIONMENT OF LAND TAX.

33 1. The land tax for each county shall be apportioned as
34 follows:

35 In the unincorporated area of the county, the land tax

1 shall be distributed to the county, the school district
2 located in the unincorporated area of the county, and other
3 taxing entities located in the unincorporated area of the
4 county in the same proportion that property taxes levied in
5 the unincorporated area of the county for the fiscal year
6 beginning July 1, 2006, were allocated to those entities.

7 In the incorporated areas of the county, the land tax shall
8 be distributed to the city, the county, each school district
9 located within the city, and other taxing entities located
10 within the city in the same proportion that property taxes
11 levied in the city for the fiscal year beginning July 1, 2006,
12 were allocated to those entities.

13 2. The city finance committee and the county finance
14 committee shall jointly determine the adjustments to be made
15 to the allocation of the land tax in the case of boundary
16 adjustments made to a taxing district on or after January 1,
17 2006.

18 3. After the auditor has computed the amount of land tax
19 to be distributed to each taxing district, the auditor shall
20 compute the rate of tax to be levied upon the square footage
21 valuation of structures pursuant to chapter 444.

22 Sec. 35. Section 444.1, Code 2003, is amended to read as
23 follows:

24 444.1 BASIS FOR AMOUNT OF TAX.

25 In all taxing districts in the state, including townships,
26 school districts, cities and counties, when by law then
27 existing the people are authorized to determine by vote, or
28 officers are authorized to estimate or determine, a rate of
29 taxation required for any public purpose, such rate shall in
30 all cases be estimated and based upon the amount of land tax
31 available to the district and the adjusted taxable square
32 footage valuation of such taxing district for the preceding
33 calendar year.

34 Sec. 36. Section 444.2, Code 2003, is amended to read as
35 follows:

1 444.2 AMOUNTS CERTIFIED IN DOLLARS.

2 When an authorized square footage tax rate within a taxing
3 district, including townships, school districts, cities and
4 counties, has been thus determined as provided by law, the
5 officer or officers charged with the duty of certifying the
6 authorized rate to the county auditor or board of supervisors
7 shall, before certifying the rate, compute upon the adjusted
8 taxable square footage valuation of the taxing district for
9 the preceding fiscal year, the amount of tax the rate will
10 raise, stated in dollars, and shall certify the computed
11 amount in dollars and not by rate, to the county auditor and
12 board of supervisors and shall further certify the percentage
13 of such amount to be levied against each class of property.

14 Sec. 37. Section 444.3, Code 2003, is amended to read as
15 follows:

16 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

17 When the square footage valuations for the several taxing
18 districts shall have been adjusted by the several boards for
19 the current year, and the amount of land tax to be distributed
20 to each taxing district has been deducted from the dollar
21 amounts certified in section 444.2 for each taxing district,
22 the county auditor shall thereupon apply such a rate, ~~not~~
23 ~~exceeding the rate authorized by law,~~ or rates as will raise
24 the amount required for such taxing district, and when
25 combined with the land tax amount will raise an amount not
26 exceeding the dollar amount authorized by law for the taxing
27 district, and no will not raise a larger amount. For purposes
28 of computing the square footage rate under this section, the
29 adjusted taxable square footage valuation of the property of a
30 taxing district does not include the valuation of property of
31 a railway corporation or its trustee which corporation has
32 been declared bankrupt or is in bankruptcy proceedings.
33 Nothing in the preceding sentence exempts the property of such
34 railway corporation or its trustee from taxation and the rate
35 computed under this section shall be levied on the taxable

1 property of such railway corporation or its trustee.

2 The square footage tax rate shall be expressed in dollars
3 and cents per one hundred dollars of valuation per square
4 foot.

5 Sec. 38. NEW SECTION. 444.9 COMPUTATION OF TAX.

6 The amount of tax imposed on any taxable property is the
7 sum of the amounts computed in subsections 1 and 2.

8 1. LAND TAX. The product of the land tax rate times the
9 number of acres or portion of an acre of the taxable property.

10 2. SQUARE FOOTAGE TAX. The product of the square footage
11 tax rate times the valuation per square foot of the taxable
12 structure times the number of square feet of the taxable
13 structure. The square footage tax shall be computed
14 separately for each structure located on the land.

15 Sec. 39. Section 441.72, Code 2003, is repealed.

16 Sec. 40. Sections 422.4 through 422.31, Code 2003, are
17 repealed.

18 Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

19 1. On or before July 1, 2003, the department of revenue
20 and finance, in consultation with the department of
21 management, shall initiate and coordinate the establishment of
22 a property tax implementation committee and provide staffing
23 assistance to the committee. The property tax implementation
24 committee shall include representatives of the general
25 assembly, the department of revenue and finance, the
26 department of management, counties, cities, school districts,
27 local assessors, commercial property taxpayers, residential
28 property taxpayers, and agricultural property taxpayers, and
29 other appropriate stakeholders. The department may consider
30 participation on the committee of former state officials with
31 expertise in budget and tax policy.

32 2. The committee shall study and make recommendations
33 relating to the land tax, square footage tax, the baseline
34 assessment for the square footage tax, and other related
35 provisions. The committee shall also study and make

1 recommendations on issues relating to implementation of a land
2 tax and square footage tax, including, but not limited to,
3 maximum square footage rates and land tax rates to be imposed
4 that have a revenue neutral impact on classes of property, the
5 property tax financing portion of the school funding formula,
6 treatment of current property tax credits and exemptions under
7 a land tax and square footage tax and continued state
8 reimbursement of any credits or exemptions, implementation of
9 urban revitalization and urban renewal programs under the land
10 tax and square footage tax, implementation of a payment in
11 lieu of taxes program for local government services, and
12 maintenance of equity among classes of taxpayers and among
13 taxpayers within the same class.

14 3. The property tax implementation committee shall direct
15 three counties and cities within those counties to submit data
16 as prescribed by the committee. The department of revenue and
17 finance, in consultation with the department of management,
18 shall select the three counties and the cities within those
19 counties that will be required to provide data to the
20 committee. The committee shall devise a system for testing
21 the data, including the necessary computer hardware and
22 software to allow the selected counties and cities to prepare
23 projected budgets, to determine the rates for the land tax and
24 the square footage tax for those projected budgets, and to
25 provide a sampling of the effect on the various classes of
26 property in those jurisdictions. The committee shall use the
27 data and the results of the projections to resolve the issues
28 described in subsection 2, and related issues, in a revenue
29 neutral manner that will not result in a shift of property tax
30 burden between classes of property. The committee shall
31 submit to the general assembly by October 31, 2003, October
32 31, 2004, and October 31, 2005, a report for each of those
33 years resolving the issues in subsection 2 and other related
34 issues for implementation of this Act. The reports shall
35 include detailed estimates of the cost to the counties and

1 cities of providing the data and an estimate of the cost of
2 statewide implementation of this Act.

3 Sec. 42. EFFECTIVE AND APPLICABILITY DATES.

4 1. Section 40 of this Act, relating to the personal net
5 income tax, is contingent upon the passage by the general
6 assembly and signature of the governor of a replacement tax
7 system by March 1, 2005. If such a replacement tax system is
8 enacted, section 40 of this Act takes effect March 1, 2005,
9 and applies to tax years beginning on or after January 1,
10 2007.

11 2. The remainder of this Act takes effect July 1, 2005,
12 and applies to assessment years beginning on or after January
13 1, 2006, and applies to tax collections for fiscal years
14 beginning on or after July 1, 2007.

15 EXPLANATION

16 This bill changes the method by which certain property is
17 assessed and taxed for property tax purposes and provides for
18 the future repeal of current Code provisions relating to the
19 personal net income tax.

20 The bill provides that, for assessment years beginning on
21 or after January 1, 2006, all taxable structures shall be
22 assessed for taxation on a square-footage basis. The assessed
23 value per square foot is equal to the valuation of the
24 structure as determined for the assessment year beginning
25 January 1, 2005, prior to application of the assessment
26 limitation (i.e., rollback) for that year divided by the total
27 number of square feet of the structure as of January 1, 2005.
28 The bill provides that if an existing structure classified as
29 residential, commercial, or industrial is purchased after
30 January 1, 2005, the assessed value per square foot shall be
31 the purchase price divided by a cumulative inflation factor,
32 divided by the total number of square feet of the structure as
33 of January 1 of the assessment year. The bill allows the
34 assessor to adjust the purchase price to reflect arm's-length
35 transactions and market value. The bill further provides that

1 if a structure classified as residential, commercial, or
2 industrial is newly constructed after January 1, 2005, the
3 assessed value per square foot of the structure shall be the
4 value of the structure, or of the addition to the structure,
5 as determined by the assessor divided by the cumulative
6 inflation factor, divided by the total number of square feet
7 of the newly constructed structure.

8 The bill defines "annual inflation factor", "cumulative
9 inflation factor", "newly constructed", and "structure".

10 The bill provides that agricultural property, including
11 agricultural structures, will continue to be assessed based on
12 productivity. The productivity value of an agricultural
13 structure is divided by the total square feet of the structure
14 to arrive at a square footage value.

15 The bill strikes provisions relating to percentage
16 assessment limitations. The bill provides that equalization
17 of values by the department of revenue and finance shall
18 continue for agricultural property only.

19 The bill creates a land tax to be imposed on each taxable
20 acre or portion of acre in each county. The land tax is
21 allocated to the taxing districts in the county in the same
22 proportion that property taxes levied for the fiscal year
23 beginning July 1, 2006, were allocated to the taxing
24 districts.

25 The bill provides that the amount of land tax allocated to
26 a taxing district shall be deducted from the property tax
27 dollars certified by a taxing district before the county
28 auditor computes the tax rate per square foot for taxable
29 structures.

30 The bill provides that statutory provisions relating to
31 assessment and listing of property for property tax purposes,
32 the land tax, and computation of the square footage tax are
33 subject to legislative review every five years with the first
34 report to be submitted to the general assembly by January 1,
35 2010.

1 The bill creates a property tax implementation committee to
2 study the provisions of this bill and to devise a system for
3 testing data to be provided by three counties and cities
4 within those counties chosen by the department of revenue and
5 finance in consultation with the department of management.
6 The committee is to develop computer hardware and software
7 necessary to enable the three counties and the cities to
8 develop projected budgets and square footage rates and land
9 tax rates based on the provisions of the bill. The committee
10 is to study and resolve property tax issues relevant to
11 implementation of the bill and is to make recommendations to
12 the general assembly in reports submitted by October 31, 2003,
13 October 31, 2004, and October 31, 2005.

14 The bill repeals Code provisions relating to the personal
15 net income tax on March 1, 2005, applicable to tax years
16 beginning on or after January 1, 2007, contingent upon the
17 enactment of a replacement tax system by March 1, 2005.

18 With respect to the property tax, the bill takes effect
19 July 1, 2005, and applies to assessment years beginning on or
20 after January 1, 2006, and applies to tax collections for
21 fiscal years beginning on or after July 1, 2007.

22 Additional conforming amendments to the Code of Iowa will
23 be necessary to fully implement the provisions of the bill.

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H-1455

1 Amend House File 692 as follows:

2 1. Page 1, line 16, by striking the words "as
3 promptly as possible" and inserting the following:
4 "~~as promptly as possible~~ within thirty days of
5 receiving the assessment notice in section 441.23".

6 2. Page 2, by inserting after line 5, the
7 following:

8 "Sec. ____ . NEW SECTION. 441.20 LEGISLATIVE
9 INTENT.

10 It is the intent of the general assembly that there
11 be transparency in the property tax system. It is
12 further the intent of the general assembly that
13 property assessments for purposes of property taxation
14 be equal and uniform within classes of property. It
15 is further the intent of the general assembly to
16 minimize the impact that maintenance and upkeep by the
17 owner of property has on the assessment of that
18 property and that there be predictability in increases
19 of property assessments and that such predictability
20 be based primarily on the actions of the property
21 owner. It is further the intent of the general
22 assembly to minimize the impact that increases in
23 assessed value of property will have on property taxes
24 paid and that any increases will be primarily the
25 result of direct action taken by the local taxing
26 authority in setting budget amounts rather than by
27 increases in market value of property."

28 3. Page 2, by striking lines 12 through 19.

29 4. Page 7, by inserting after line 9, the
30 following:

31 "d. If a county enters into a contract before May
32 1, 2003, for a comprehensive revaluation by a private
33 appraiser and such revaluation is for the assessment
34 year beginning January 1, 2006, the valuations
35 determined under the comprehensive revaluation for
36 that assessment year shall be divided by the
37 cumulative inflation factor for the assessment year
38 beginning January 1, 2006, and that quotient shall be
39 considered the valuation of the property for the
40 assessment year beginning January 1, 2005."

41 5. Page 7, by inserting after line 9, the
42 following:

43 "6A. Notwithstanding any other provision of this
44 section, the assessed value per square foot of a
45 structure times the total number of square feet of the
46 structure shall not exceed its fair and reasonable
47 market value for the assessment year, except for
48 agricultural structures which shall be valued
49 exclusively as provided in subsection 5."

50 6. Page 10, by inserting after line 9, the

1 following:

2 "c. Buildings for human habitation that are used
3 as commercial ventures, including but not limited to
4 hotels, motels, rest homes, and structures containing
5 three or more separate living quarters shall not be
6 considered residential property."

7 7. Page 10, line 25, by inserting after the word
8 "assessment." the following: "The notification shall
9 include a supplemental return form for the person to
10 list the person's property and any additions or
11 modifications completed in the prior year to a
12 structure located on the property, as required in
13 section 441.19."

14 8. Page 11, by striking lines 30 through 32, and
15 inserting the following: "the number of structures,
16 and the total square footage of the structures by
17 class of property, and showing the values affixed to
18 agricultural land and the assessed value per square
19 foot affixed to the property the structures by class
20 of property of all".

21 9. Page 15, by inserting after line 21, the
22 following:

23 "Sec. ____ . NEW SECTION. 441.47A EQUALIZATION OF
24 INFLATION FACTORS.

25 The director of revenue and finance on or about
26 August 15, 2007, and every two years thereafter, shall
27 order the equalization of the assessed value per
28 square foot resulting from the application of the
29 cumulative inflation factor in the several assessing
30 jurisdictions in each case as may be necessary to
31 bring such values as fixed by the assessor in cases of
32 purchases of property and newly constructed property
33 to the values determined for the assessment year
34 beginning January 1, 2005. In equalizing the effects
35 of the application of the cumulative inflation factor,
36 the department shall make use of reports issued by
37 Iowa state university of science and technology which
38 reports shall more precisely indicate, on a county-by-
39 county basis, annual and cumulative inflation factors
40 for each county. If the cumulative inflation factor
41 for an assessing jurisdiction as reported by Iowa
42 state university of science and technology is five
43 percent above or below the cumulative inflation factor
44 as defined in section 441.21, subsection 7, the
45 director shall notify the assessor by mail of the
46 equalization of the effects of the cumulative
47 inflation factor for the assessing jurisdiction. The
48 assessor shall recompute the assessments made pursuant
49 to section 441.21, subsection 3, paragraph "b",
50 subparagraph (1), subsection 4, paragraph "b",

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Page 3

1 subparagraph (1), and subsection 5, paragraph "b",
2 subparagraph (1), by applying the equalized inflation
3 factor. The assessor shall send notice of the
4 equalized assessments to all affected property
5 owners."

6 10. Page 25, by striking line 3, and inserting
7 the following: "whether or not maximum square footage
8 rates and land tax rates should be imposed and, if
9 such rates are recommended, the imposition of rates".
10 11. By renumbering as necessary.

By CARROLL of Poweshiek

H-1455 FILED APRIL 24, 2003
ADOPTED

Description

House File 692 makes changes to the method of property assessment and taxation. For the assessment year beginning January 1, 2006, taxable structures are taxed on a square footage basis. Land is assessed separately and taxed on a per acre basis. The assessment process corrects for inflation using the consumer price index with the January 2005 assessment serving as the base. Residential, commercial, and industrial purchases made after January 1, 2005, use the purchase price in calculating the square footage value. The Bill permits the assessor to adjust purchase prices to reflect arm's-length transactions and market value. Adjustments are made to the taxable square foot value only when additions are made to the structure that change the number of taxable square feet of the structure.

Agricultural land continues to be taxed with the current productivity value method. Agricultural structures are to be taxed on an agricultural productivity basis using a value per square foot. Farm residences are to be treated as other residential property.

The Bill establishes an Implementation Committee to devise a system for testing and implementing the property taxation system. The Department of Management (DOM) and the Department of Revenue and Finance (DRF) are to initiate and coordinate the Committee, which includes representatives of DOM; DRF; counties; cities; school districts; local assessors; commercial, residential, and agricultural taxpayers; and other appropriate stakeholders. The Committee will oversee the design phase, testing in three counties during the second year, and statewide testing during the third year, with tax collections beginning under the new system in FY 2008. The Committee is to make recommendations relating to the land tax, square footage tax, tax rate limitations, computer hardware and software, data collection and system testing, implementation budgets, and related issues. The implementation of the new system is to be revenue neutral in its impact on classes of property and maintain equity among classes of taxpayers and among taxpayers in the same class.

The Bill provides that the property assessment and taxing process is subject to legislative review with the first report due by January 1, 2010.

The Bill also repeals personal income tax, contingent upon a replacement tax being enacted.

Assumptions

1. It is assumed that the Implementation Committee will comply with the requirements to implement a property tax system that is revenue neutral. Cities, counties, and schools will receive comparable funding under the new property tax system, and the tax burden will not immediately shift among classes of taxpayers.
 2. Major costs for the Committee will be staffing, member expenses, software development, data collection, and testing.
 - a. The Vision Iowa Program budgeted approximately \$200,000 for staffing and support expenses for FY 2002. The Utility Tax Replacement Task Force held 13 meetings over four-years requiring an estimated expenditure of \$110,000 in staffing, programming, and related expenses.
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- b. The programming costs to create the new taxing system will be affected by how readily the counties' and the State's present data systems can be adapted to the requirements of the new taxing system. To the extent that a generic program can be written and applied by all affected agencies with minimal modification, costs will be reduced. The converse should hold, and programming costs are likely to increase if each entity must develop an independent system. Current programming costs for private contractors range from approximately \$60 per hour for small companies to \$175 per hour for larger nationwide companies. Over the past few years, the Department of Corrections has completely replaced the information management system for prisons and Community-Based Corrections at a cost of just under \$2.0 million for programming and consultant. The Justice Data Warehouse System, managed by the Criminal and Juvenile Justice Planning Division, has developed a data storage system integrating information from the Courts and Corrections; their consultant and programming costs have totaled approximately \$813,000.

Fiscal Impact

The fiscal impact of the Bill will be determined by the implementation design to be prepared by the Implementation Committee. The three Committee reports, due by October 31 over the next three years, are to include cost estimates.

Sources

Department of Revenue and Finance
Department of Management
Department of Corrections
Criminal and Juvenile Justice Planning Division, Department of Human Rights
Story County Assessor

/s/ Dennis C Prouty

April 24, 2003

HOUSE FILE 692
BY COMMITTEE ON WAYS AND
MEANS

(SUCCESSOR TO HSB 312)

(As Amended and Passed by the House April 24, 2003)

Passed House, Date 6/3/03 4/24/03 Passed Senate, Date 6/4/03 5/29/03
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to taxation of property and income and including
2 effective date and applicability date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____
Deleted Language *

1 Section 1. Section 441.19, subsections 1 and 2, Code 2003,
2 are amended to read as follows:

3 1. Supplemental and optional to the procedure for the
4 assessment of property by the assessor as provided in this
5 chapter, the assessor may require from all persons required to
6 list their property for taxation as provided by sections 428.1
7 and 428.2, a supplemental return to be prescribed by the
8 director of revenue and finance upon which the person shall
9 list the person's property and any additions or modifications
10 completed in the prior year to a structure located on the
11 property. The supplemental return shall be in substantially
12 the same form as now prescribed by law for the assessment
13 rolls used in the listing of property by the assessors. Every
14 person required to list property for taxation shall make a
15 complete listing of the property upon supplemental forms and
16 return the listing to the assessor as-promptly-as-possible
17 within thirty days of receiving the assessment notice in
18 section 441.23. The return shall be verified over the
19 signature of the person making the return and section 441.25
20 applies to any person making such a return. The assessor
21 shall make supplemental return forms available as soon as
22 practicable after the first day of January of each year. The
23 assessor shall make supplemental return forms available to the
24 taxpayer by mail, or at a designated place within the taxing
25 district.

26 2. Upon receipt of such supplemental return from any
27 person the assessor shall prepare a roll assessing such person
28 as hereinafter provided. In the preparation of such
29 assessment roll the assessor shall be guided not only by the
30 information contained in such supplemental roll, but by any
31 other information the assessor may have or which may be
32 obtained by the assessor as prescribed by the law relating to
33 the assessment of property. The assessor shall not be bound
34 by any values or square footage determinations or purchase
35 prices as listed in such supplemental return, and may include

1 in the assessment roll any property omitted from the
2 supplemental return which in the knowledge and belief of the
3 assessor should be listed as required by law by the person
4 making the supplemental return. Upon completion of such roll
5 the assessor shall deliver to the person submitting such
6 supplemental return a copy of the assessment roll, either
7 personally or by mail.

8 Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.

9 It is the intent of the general assembly that there be
10 transparency in the property tax system. It is further the
11 intent of the general assembly that property assessments for
12 purposes of property taxation be equal and uniform within
13 classes of property. It is further the intent of the general
14 assembly to minimize the impact that maintenance and upkeep by
15 the owner of property has on the assessment of that property
16 and that there be predictability in increases of property
17 assessments and that such predictability be based primarily on
18 the actions of the property owner. It is further the intent
19 of the general assembly to minimize the impact that increases
20 in assessed value of property will have on property taxes paid
21 and that any increases will be primarily the result of direct
22 action taken by the local taxing authority in setting budget
23 amounts rather than by increases in market value of property.

24 Sec. 3. Section 441.21, Code 2003, is amended by striking
25 the section and inserting in lieu thereof the following:

26 441.21 ASSESSMENT OF STRUCTURES.

27 1. All real property, except land, subject to taxation
28 shall be assessed on a value per square foot basis according
29 to the provisions of this section.

* 30 2. a. Subject to paragraph "b", for valuations
31 established as of January 1, 2006, and for subsequent
32 assessment years, the assessed value per square foot of a
33 residential structure shall be an amount equal to the
34 valuation of the structure as determined for the assessment
35 year beginning January 1, 2005, prior to application of the

1 assessment limitation for that year, divided by the total
2 number of square feet of the structure as of January 1, 2005.

3 b. (1) The assessed value per square foot of an existing
4 residential structure purchased after January 1, 2005, shall
5 be the purchase price of the structure divided by the
6 cumulative inflation factor established for the assessment
7 year following the year of purchase, divided by the total
8 number of square feet of the structure as of January 1 of the
9 assessment year. The assessed value per square foot of a
10 residential structure newly constructed after January 1, 2005,
11 shall be the market value of the structure, as determined by
12 the assessor, divided by the cumulative inflation factor
13 established for the assessment year following the year
14 construction was completed, divided by the total number of
15 square feet of the structure as of January 1 of the assessment
16 year. However, when valuing an addition that substantially
17 increases the square footage of a structure, only that portion
18 of the structure comprising the addition shall be valued by
19 the assessor under this subparagraph.

20 (2) If additions or modifications to an existing structure
21 do not constitute a newly constructed structure, the valuation
22 of the structure shall only increase if the square footage of
23 the structure increases. The increased valuation, if any,
24 equals the amount of increased square feet times the value per
25 square foot of the structure prior to the additions or
26 modifications.

27 3. a. Subject to paragraph "b" for valuations established
28 as of January 1, 2006, and for subsequent assessment years,
29 the assessed value per square foot of a commercial or
30 industrial structure shall be an amount equal to the valuation
31 of the structure as determined for the assessment year
32 beginning January 1, 2005, prior to application of the
33 assessment limitation for that year, divided by the total
34 number of square feet of the structure as of January 1, 2005.

35 b. (1) The assessed value per square foot of an existing

1 commercial or industrial structure purchased after January 1,
2 2005, shall be the purchase price of the structure divided by
3 the cumulative inflation factor established for the assessment
4 year following the year of purchase, divided by the total
5 number of square feet of the structure as of January 1 of the
6 assessment year. The assessed value per square foot of a
7 commercial or industrial structure newly constructed after
8 January 1, 2005, shall be the market value of the structure,
9 as determined by the assessor, divided by the cumulative
10 inflation factor established for the assessment year following
11 the year construction was completed, divided by the total
12 number of square feet of the structure as of January 1 of the
13 assessment year. However, when valuing an addition that
14 substantially increases the square footage of a structure,
15 only that portion of the structure comprising the addition
16 shall be valued by the assessor under this subparagraph.

17 (2) If additions or modifications to an existing structure
18 do not constitute a newly constructed structure, the valuation
19 of the structure shall only increase if the square footage of
20 the structure increases. The increased valuation, if any,
21 equals the amount of increased square feet times the value per
22 square foot of the structure prior to the additions or
23 modifications.

24 4. a. Subject to paragraph "b" for valuations established
25 as of January 1, 2006, and for subsequent assessment years,
26 the assessed value per square foot of an agricultural
27 structure that is not an agricultural dwelling shall be an
28 amount equal to the valuation of the structure as determined
29 for the assessment year beginning January 1, 2005, prior to
30 application of the assessment limitation for that year,
31 divided by the total number of square feet of the structure as
32 of January 1, 2005.

33 b. (1) The assessed value per square foot of an existing
34 agricultural structure purchased after January 1, 2005, shall
35 be the productivity value of the structure divided by the

1 cumulative inflation factor established for the assessment
2 year following the year of purchase, divided by the total
3 number of square feet of the structure as of January 1 of the
4 assessment year. The assessed value per square foot of an
5 agricultural structure newly constructed after January 1,
6 2005, shall be the productivity value of the structure for the
7 assessment year following the year construction was completed,
8 as determined by the assessor, divided by the cumulative
9 inflation factor established for the assessment year following
10 the year construction was completed, divided by the total
11 number of square feet of the structure as of January 1 of the
12 assessment year. However, when valuing an addition that
13 substantially increases the square footage of a structure,
14 only that portion of the structure comprising the addition
15 shall be valued by the assessor under this subparagraph.

16 (2) If additions or modifications to an existing structure
17 do not constitute a newly constructed structure, the valuation
18 of the structure shall only increase if the square footage of
19 the structure increases. The increased valuation, if any,
20 equals the amount of increased square feet times the value per
21 square foot of the structure prior to the additions or
22 modifications.

23 5. a. In determining the market value of newly
24 constructed property, except agricultural structures, the
25 assessor may determine the value of the property using uniform
26 and recognized appraisal methods including its productive and
27 earning capacity, if any, industrial conditions, its cost,
28 physical and functional depreciation and obsolescence and
29 replacement cost, and all other factors which would assist in
30 determining the fair and reasonable market value of the
31 property but the actual value shall not be determined by use
32 of only one such factor. The following shall not be taken
33 into consideration: special value or use value of the
34 property to its present owner, and the goodwill or value of a
35 business that uses the property as distinguished from the

1 value of the property as property. However, in assessing
2 property that is rented or leased to low-income individuals
3 and families as authorized by section 42 of the Internal
4 Revenue Code, as amended, and which section limits the amount
5 that the individual or family pays for the rental or lease of
6 units in the property, the assessor shall use the productive
7 and earning capacity from the actual rents received as a
8 method of appraisal and shall take into account the extent to
9 which that use and limitation reduces the market value of the
10 property. The assessor shall not consider any tax credit
11 equity or other subsidized financing as income provided to the
12 property in determining the market value. Upon adoption of
13 uniform rules by the department of revenue and finance or
14 covering assessments and valuations of such properties, the
15 valuation on such properties shall be determined in accordance
16 with such values for assessment purposes to assure uniformity,
17 but such rules shall not be inconsistent with or change the
18 foregoing means of determining the market value.

19 b. The actual value of special purpose tooling, which is
20 subject to assessment and taxation as real property under
21 section 427A.1, subsection 1, paragraph "e", but which can be
22 used only to manufacture property which is protected by one or
23 more United States or foreign patents, shall not exceed the
24 fair and reasonable exchange value between a willing buyer and
25 a willing seller, assuming that the willing buyer is
26 purchasing only the special purpose tooling and not the patent
27 covering the property which the special purpose tooling is
28 designed to manufacture nor the rights to manufacture the
29 patented property. For purposes of this paragraph, special
30 purpose tooling includes dies, jigs, fixtures, molds,
31 patterns, and similar property. The assessor shall not take
32 into consideration the special value or use value to the
33 present owner of the special purpose tooling which is designed
34 and intended solely for the manufacture of property protected
35 by a patent in arriving at the actual value of the special

1 purpose tooling.

2 c. In determining the purchase price of a structure, the
3 assessor shall consider whether the sale was a fair and
4 reasonable exchange in the year in which the property was
5 listed and valued between a willing buyer and a willing
6 seller, neither being under any compulsion to buy or sell and
7 each being familiar with all the facts relating to the
8 particular property. Sale prices of the property or
9 comparable property in normal transactions reflecting market
10 value, and the probable availability or unavailability of
11 persons interested in purchasing the property, shall be taken
12 into consideration in determining purchase price. In
13 determining purchase price, sale prices of property in
14 abnormal transactions not reflecting market value shall not be
15 taken into account, or shall be adjusted to eliminate the
16 effect of factors which distort market value, including but
17 not limited to sales to immediate family of the seller,
18 foreclosure or other forced sales, contract sales, or
19 discounted purchase transactions.

20 d. If a county enters into a contract before May 1, 2003,
21 for a comprehensive revaluation by a private appraiser and
22 such revaluation is for the assessment year beginning January
23 1, 2006, the valuations determined under the comprehensive
24 revaluation for that assessment year shall be divided by the
25 cumulative inflation factor for the assessment year beginning
26 January 1, 2006, and that quotient shall be considered the
27 valuation of the property for the assessment year beginning
28 January 1, 2005.

29 6. Notwithstanding any other provision of this section,
30 the assessed value per square foot of a structure times the
31 total number of square feet of the structure shall not exceed
32 its fair and reasonable market value for the assessment year,
33 except for agricultural structures which shall be valued
34 exclusively as provided in subsection 4.

35 7. For purposes of this section:

1 a. "Annual inflation factor" means an index, expressed as
2 a percentage, determined by the department by January 15 of
3 the assessment year for which the factor is determined, which
4 reflects the purchasing power of the dollar as a result of
5 inflation during the twelve-month period ending September 30
6 of the calendar year preceding the assessment year for which
7 the factor is determined. In determining the annual inflation
8 factor, the department shall use the annual percent change,
9 but not less than zero percent, in the gross domestic product
10 price deflator computed for the calendar year by the bureau of
11 economic analysis of the United States department of commerce
12 and shall add all of that percent change to one hundred
13 percent. The annual inflation factor and the cumulative
14 inflation factor shall each be expressed as a percentage
15 rounded to the nearest one-tenth of one percent. The annual
16 inflation factor shall not be less than one hundred percent.
17 The annual inflation factor for the 2005 calendar year is one
18 hundred percent.

19 b. "Cumulative inflation factor" means the product of the
20 annual inflation factor for the 2005 calendar year and all
21 annual inflation factors for subsequent calendar years as
22 determined pursuant to this subsection. The cumulative
23 inflation factor applies to the assessment year beginning on
24 January 1 of the calendar year for which the latest annual
25 inflation factor has been determined.

26 c. "Newly constructed" includes, but is not limited to,
27 structural replacement, additions that substantially increase
28 the square footage, conversion into another class of property,
29 and conversion from exempt property under section 427.1 to
30 taxable property. For commercial and industrial property,
31 "newly constructed" also includes an addition or removal to a
32 structure of personal property taxed as real estate under
33 chapter 427A.

34 d. "Structure" means any part of that which is built or
35 constructed, an edifice or building of any kind, or any piece

1 of work artificially built up or composed of parts joined
2 together in some definite manner. For residential structures,
3 structure includes only those parts of the structure,
4 including basements and attics, that are or could be used as
5 living space. "Structure" does not include the land beneath,
6 or horizontal improvements relating to the structure, such as
7 sidewalks, sewers, or retaining walls.

8 8. For the purpose of computing the debt limitations for
9 municipalities, political subdivisions, and school districts,
10 the term "actual value" means the "actual value" as determined
11 under this section without application of any percentage
12 reduction and entered opposite each item, and as listed on the
13 tax list as provided in section 443.2, as "actual value".

14 Whenever any board of review or other tribunal changes the
15 assessed value of property, all applicable records of
16 assessment shall be adjusted to reflect such change in both
17 assessed value and actual value of such property.

18 9. The provisions of this chapter and chapters 443, 443A,
19 and 444 shall be subject to legislative review at least once
20 every five years. The review shall be based upon a property
21 tax status report containing the recommendations of a property
22 tax implementation committee appointed to conduct a review of
23 the land tax, square footage tax, the baseline assessment for
24 the square footage tax, and other related provisions, to be
25 prepared with the assistance of the departments of management
26 and revenue and finance. The report shall include
27 recommendations for changes or revisions based upon
28 demographic changes and property tax valuation fluctuations
29 observed during the preceding five-year interval, and a
30 summary of issues that have arisen since the previous review
31 and potential approaches for their resolution. The first such
32 report shall be submitted to the general assembly no later
33 than January 1, 2010, with subsequent reports developed and
34 submitted by January 1 at least every fifth year thereafter.

35 Sec. 4. NEW SECTION. 441.21A PROPERTY CLASSIFICATIONS.

1 1. a. Agricultural land shall be valued at its
2 productivity value. The productivity value of agricultural
3 land shall be determined on the basis of productivity and net
4 earning capacity of the land determined on the basis of its
5 use for agricultural purposes capitalized at a rate of seven
6 percent and applied uniformly among counties and among classes
7 of property. Any formula or method employed to determine
8 productivity and net earning capacity of land shall be adopted
9 in full by rule.

10 b. In counties or townships in which field work on a
11 modern soil survey has been completed since January 1, 1949,
12 the assessor shall place emphasis upon the results of the
13 survey in spreading the valuation among individual parcels of
14 such agricultural land.

15 c. "Agricultural land" includes the land of a vineyard.

16 2. a. "Residential property" includes all lands and
17 buildings which are primarily used or intended for human
18 habitation, including those buildings located on agricultural
19 land. Buildings used primarily or intended for human
20 habitation shall include the dwelling as well as structures
21 and improvements used primarily as a part of, or in
22 conjunction with, the dwelling. This includes but is not
23 limited to garages, whether attached or detached, tennis
24 courts, swimming pools, guest cottages, and storage sheds for
25 household goods. Residential property located on agricultural
26 land shall include only buildings.

27 b. "Residential property" includes all land and buildings
28 of multiple housing cooperatives organized under chapter 499A
29 and includes land and buildings used primarily for human
30 habitation which land and buildings are owned and operated by
31 organizations that have received tax-exempt status under
32 section 501(c)(3) of the Internal Revenue Code and rental
33 income from the property is not taxed as unrelated business
34 income under section 422.33, subsection 1A.

35 c. Buildings for human habitation that are used as

1 commercial ventures, including but not limited to hotels,
2 motels, rest homes, and structures containing three or more
3 separate living quarters shall not be considered residential
4 property.

5 Sec. 5. Section 441.23, Code 2003, is amended to read as
6 follows:

7 441.23 NOTICE OF VALUATION.

8 If there has been an increase or decrease in the valuation
9 of the property, or upon the written request of the person
10 assessed, the assessor shall, at the time of making the
11 assessment, inform the person assessed, in writing, of the
12 valuation put upon the taxpayer's property, and notify the
13 person, if the person feels aggrieved, to appear before the
14 board of review and show why the assessment should be changed.
15 However, if the valuation of ~~a class of~~ agricultural property
16 is uniformly decreased, the assessor may notify the affected
17 property owners by publication in the official newspapers of
18 the county. The owners of real property shall be notified not
19 later than April 15 of any adjustment of the real property
20 assessment. The notification shall include a supplemental
21 return form for the person to list the person's property and
22 any additions or modifications completed in the prior year to
23 a structure located on the property, as required in section
24 441.19.

25 Sec. 6. Section 441.24, Code 2003, is amended to read as
26 follows:

27 441.24 REFUSAL TO FURNISH STATEMENT.

28 1. If a person refuses to furnish the verified statements
29 required in connection with the assessment of property by the
30 assessor, or to list the corporation's or person's property,
31 the director of revenue and finance, or assessor, as the case
32 may be, shall proceed to list and assess the property
33 according to the best information obtainable, and shall add to
34 the taxable agricultural land and square footage valuation one
35 hundred percent thereof, which valuation and penalty shall be

1 separately shown, and shall constitute the assessment; and if
2 the agricultural land or square footage valuation of the
3 property is changed by a board of review, or on appeal from a
4 board of review, a like penalty shall be added to the
5 valuation thus fixed.

6 2. However, all or part of the penalty imposed under this
7 section may be waived by the board of review upon application
8 to the board by the assessor or the property owner. The
9 waiver or reduction in the penalty shall be allowed only on
10 the agricultural land or the square footage valuation of ~~real~~
11 property the structure against which the penalty has been
12 imposed.

13 Sec. 7. Section 441.26, unnumbered paragraph 3, Code 2003,
14 is amended to read as follows:

15 The notice in ~~1981~~ 2007 and each odd-numbered year
16 thereafter shall contain a statement that the agricultural
17 property assessments are subject to equalization pursuant to
18 an order issued by the director of revenue and finance, that
19 the county auditor shall give notice on or before October 15
20 by publication in an official newspaper of general circulation
21 to any ~~class-of~~ agricultural property affected by the
22 equalization order, and that the board of review shall be in
23 session from October 15 to November 15 to hear protests of
24 affected property owners or taxpayers whose valuations have
25 been adjusted by the equalization order.

26 Sec. 8. Section 441.26, unnumbered paragraphs 4 and 5,
27 Code 2003, are amended to read as follows:

28 The assessment rolls shall be used in listing the property,
29 the number of structures, and the total square footage of the
30 structures by class of property, and showing the values
31 affixed to agricultural land and the assessed value per square
32 foot affixed to the-property the structures by class of
33 property of all persons assessed. The rolls shall be made in
34 duplicate. The duplicate roll shall be signed by the
35 assessor, detached from the original and delivered to the

1 person assessed if there has been an increase or decrease in
2 the valuation of the property. If there has been no change in
3 the evaluation, the information on the roll may be printed on
4 computer stock paper and preserved as required by this
5 chapter. If the person assessed requests in writing a copy of
6 the roll, the copy shall be provided to the person. The pages
7 of the assessor's assessment book shall contain columns ruled
8 and headed for the information required by this chapter and
9 that which the director of revenue and finance deems essential
10 in the equalization work of the director. The assessor shall
11 return all assessment rolls and schedules to the county
12 auditor, along with the completed assessment book, as provided
13 in this chapter, and the county auditor shall carefully keep
14 and preserve the rolls, schedules and book for a period of
15 five years from the time of its filing in the county auditor's
16 office.

17 Beginning with valuations for January 1, ~~1977~~ 2006, and
18 each succeeding year, for each parcel of agricultural property
19 and for each structure entered in the assessment book, the
20 assessor shall list the classification of the property.

21 Sec. 9. Section 441.35, subsection 1, Code 2003, is
22 amended by striking the subsection.

23 Sec. 10. Section 441.35, unnumbered paragraph 2, Code
24 2003, is amended by striking the unnumbered paragraph.

25 Sec. 11. Section 441.36, Code 2003, is amended to read as
26 follows:

27 441.36 CHANGE OF ASSESSMENT -- NOTICE.

28 All changes in assessments authorized by the board of
29 review, and reasons therefor, shall be entered in the minute
30 book kept by ~~said~~ the board and on the assessment roll. ~~Said~~
31 The minute book shall be filed with the assessor after the
32 adjournment of the board of review and shall at all times be
33 open to public inspection. In case the value of any specific
34 property or structure or the entire assessment of any person,
35 partnership, or association is increased, or new property or a

1 new structure is added by the board, the clerk shall give
2 immediate notice thereof by mail to each at the post-office
3 address shown on the assessment rolls, and at the conclusion
4 of the action of the board therein the clerk shall post an
5 alphabetical list of those whose assessments are thus raised
6 and added, in a conspicuous place in the office or place of
7 meeting of the board, and enter upon the records a statement
8 that such posting has been made, which entry shall be
9 conclusive evidence of the giving of the notice required. The
10 board shall hold an adjourned meeting, with at least five days
11 intervening after the posting of said the notices, before
12 final action with reference to the raising of assessments or
13 the adding of property or structures to the rolls is taken,
14 and the posted notices shall state the time and place of
15 holding such adjourned meeting, which time and place shall
16 also be stated in the proceedings of the board.

17 Sec. 12. Section 441.37, subsection 1, paragraphs a and b,
18 Code 2003, are amended to read as follows:

19 a. That said the assessment is not equitable as compared
20 with assessments of other like property or structures in the
21 taxing district. When this ground is relied upon as the basis
22 of a protest the legal description and assessments of a
23 representative number of comparable properties structures, as
24 described by the aggrieved taxpayer shall be listed on the
25 protest, otherwise said the protest shall not be considered on
26 this ground.

27 b. That the property or structure is assessed for more
28 than the value authorized by law, stating the specific amount
29 which the protesting party believes the property or structure
30 to be overassessed, and the amount which the party considers
31 to be its actual value and the amount the party considers a
32 fair assessment.

33 Sec. 13. Section 441.39, Code 2003, is amended to read as
34 follows:

35 441.39 TRIAL ON APPEAL.

1 The court shall hear the appeal in equity and determine
2 anew all questions arising before the board which relate to
3 the liability of the property or structure to assessment or
4 the amount thereof. The court shall consider all of the
5 evidence and there shall be no presumption as to the
6 correctness of the ~~valuation-of~~ assessment appealed from. Its
7 decision shall be certified by the clerk of the court to the
8 county auditor, and the assessor, who shall correct the
9 assessment books accordingly.

10 Sec. 14. Section 441.42, Code 2003, is amended to read as
11 follows:

12 441.42 APPEAL ON BEHALF OF PUBLIC.

13 Any officer of a county, city, township, drainage district,
14 levee district, or school district interested or a taxpayer
15 thereof may in like manner make complaint before ~~said the~~
16 board of review in respect to the assessment of any property
17 or structure in the township, drainage district, levee
18 district or city and an appeal from the action of the board of
19 review in fixing the amount of assessment on any property or
20 structure concerning which such complaint is made, may be
21 taken by any of such aforementioned officers.

22 Such appeal is in addition to the appeal allowed to the
23 person whose property or structure is assessed and shall be
24 taken in the name of the county, city, township, drainage
25 district, levee district, or school district interested, and
26 tried in the same manner, except that the notice of appeal
27 shall also be served upon the owner of the property or
28 structure concerning which the complaint is made and affected
29 thereby or person required to return said property or
30 structure for assessment.

31 Sec. 15. Section 441.43, Code 2003, is amended to read as
32 follows:

33 441.43 POWER OF COURT.

34 Upon trial of any appeal from the action of the board of
35 review fixing the amount of assessment upon any property or

1 structure concerning which complaint is made, the court may
2 increase, decrease, or affirm the amount of the assessment
3 appealed from.

4 Sec. 16. Section 441.45, subsections 1 and 2, Code 2003,
5 are amended to read as follows:

6 1. The number of acres of land and the aggregate taxable
7 values of the agricultural land, exclusive-of-city-lots,
8 returned by the assessors, as corrected by the board of
9 review.

10 2. The aggregate values of structures and the taxable
11 square footage values of real-estate structures by class in
12 each township and city in the county and the aggregate value
13 of agricultural land in each township and city in the county,
14 returned as corrected by the board of review.

15 Sec. 17. Section 441.47, Code 2003, is amended by adding
16 the following new unnumbered paragraph:

17 NEW UNNUMBERED PARAGRAPH. For the assessment year
18 beginning January 1, 2007, and for all subsequent assessment
19 years, only property classified as agricultural property shall
20 be subject to equalization by the director of revenue and
21 finance under this section and sections 441.48 and 441.49.

22 Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF INFLATION
23 FACTORS.

24 The director of revenue and finance on or about August 15,
25 2007, and every two years thereafter, shall order the
26 equalization of the assessed value per square foot resulting
27 from the application of the cumulative inflation factor in the
28 several assessing jurisdictions in each case as may be
29 necessary to bring such values as fixed by the assessor in
30 cases of purchases of property and newly constructed property
31 to the values determined for the assessment year beginning
32 January 1, 2005. In equalizing the effects of the application
33 of the cumulative inflation factor, the department shall make
34 use of reports issued by Iowa state university of science and
35 technology which reports shall more precisely indicate, on a

1 county-by-county basis, annual and cumulative inflation
2 factors for each county. If the cumulative inflation factor
3 for an assessing jurisdiction as reported by Iowa state
4 university of science and technology is five percent above or
5 below the cumulative inflation factor as defined in section
6 441.21, subsection 7, the director shall notify the assessor
7 by mail of the equalization of the effects of the cumulative
8 inflation factor for the assessing jurisdiction. The assessor
9 shall recompute the assessments made pursuant to section
10 441.21, subsection 3, paragraph "b", subparagraph (1),
11 subsection 4, paragraph "b", subparagraph (1), and subsection
12 5, paragraph "b", subparagraph (1), by applying the equalized
13 inflation factor. The assessor shall send notice of the
14 equalized assessments to all affected property owners.

15 Sec. 19. Section 441.50, Code 2003, is amended to read as
16 follows:

17 441.50 APPRAISERS EMPLOYED.

18 The conference board shall have power to employ appraisers
19 or other technical or expert help to assist in the ~~valuation~~
20 assessment of property as provided in section 441.21, the cost
21 thereof to be paid in the same manner as other expenses of the
22 assessor's office. The conference board may certify for levy
23 annually an amount not to exceed forty and one-half cents per
24 thousand dollars of assessed value of taxable property for the
25 purpose of establishing a special appraiser's fund, to be used
26 only for such purposes. From time to time the conference
27 board may direct the transfer of any unexpended balance in the
28 special appraiser's fund to the assessment expense fund.

29 Sec. 20. Section 443.1, Code 2003, is amended to read as
30 follows:

31 443.1 CONSOLIDATED TAX.

32 All square footage taxes which are uniform throughout any
33 township or school district shall be formed into a single tax
34 and entered upon the tax list in a single column, to be known
35 as a consolidated tax, and each receipt shall show the

1 percentage levied for each separate fund. The land tax shall
2 be separately stated and each receipt shall show the
3 percentage levied for each separate fund.

4 Sec. 21. Section 443.2, Code 2003, is amended to read as
5 follows:

6 443.2 TAX LIST.

7 Before the first day of July in each year, the county
8 auditor shall transcribe the assessments of the townships and
9 cities into a book or record, to be known as the tax list,
10 properly ruled and headed, with separate columns, in which
11 shall be entered the names of the taxpayers, descriptions of
12 lands, number of acres and value, numbers of city lots, their
13 size in acres, and value, and each description of the square
14 footage tax and the land tax, with a column for polls and one
15 for payments, and shall complete it by entering the amount due
16 on each installment, separately, and carrying out the total of
17 both installments. The total of all columns of each page of
18 each book or other record shall balance with the tax totals.
19 After computing the amount of land tax and square footage tax
20 due and payable on each property, the county auditor shall
21 round the total amount of ~~tax~~ taxes due and payable on the
22 property to the nearest even whole dollar.

23 The county auditor shall list the aggregate actual value
24 and the aggregate taxable value of all taxable property within
25 the county and each political subdivision including property
26 subject to the statewide property tax imposed under section
27 437A.18 on the tax list in order that the actual value of the
28 taxable property within the county or a political subdivision
29 may be ascertained and shown by the tax list for the purpose
30 of computing the debt-incurring capacity of the county or
31 political subdivision. As used in this section, "actual
32 value" is the value determined under section 441.21,
33 subsections 1 to 3, Code 2005, prior to the reduction to a
34 percentage of actual value as otherwise provided in section
35 441.21, Code 2005. "Actual value" of property subject to

1 statewide property tax is the assessed value under section
2 437A.18.

3 Sec. 22. Section 443.3, Code 2003, is amended to read as
4 follows:

5 443.3 CORRECTION -- TAX APPORTIONED.

6 At the time of transcribing ~~said~~ the assessments into the
7 tax list, the county auditor shall correct all transfers up to
8 date and place the legal descriptions of all real estate in
9 the name of the owner at ~~said~~ that date as shown by the
10 transfer book in the auditor's office. At the end of the list
11 for each township or city the auditor shall make an abstract
12 thereof, and apportion the consolidated tax among the
13 respective funds to which it belongs, according to the amounts
14 levied for each. The auditor shall apportion the land tax as
15 prescribed in section 443A.2.

16 Sec. 23. Section 443.6, Code 2003, is amended to read as
17 follows:

18 443.6 CORRECTIONS BY AUDITOR.

19 The auditor may correct any error in the assessment or tax
20 list, and the assessor or auditor may list for taxation any
21 omitted land and may assess and list for taxation any omitted
22 property structure.

23 Sec. 24. Section 443.7, Code 2003, is amended to read as
24 follows:

25 443.7 NOTICE.

26 Before listing for taxation any omitted land and before
27 assessing and listing for taxation any omitted property
28 structure, the assessor or auditor shall notify by mail the
29 person in whose name the property land or structure is taxed,
30 to appear before the assessor or auditor at the assessor's or
31 auditor's office within ten days from the date of the notice
32 and show cause, if any, why the correction or assessment
33 should not be made.

34 Sec. 25. Section 443.9, Code 2003, is amended to read as
35 follows:

1 443.9 ADJUSTMENT OF ACCOUNTS.

2 If such correction or assessment is made after the books or
3 other records approved by the state auditor of state have
4 passed into the hands of the treasurer, the treasurer shall be
5 charged or credited therefor as the case may be. In the event
6 such listing of omitted land or listing and assessment of
7 omitted property structure is made by the assessor after the
8 tax records have passed into the hands of the auditor or
9 treasurer, such correction or assessment shall be entered on
10 the records by the auditor or treasurer.

11 Sec. 26. Section 443.12, Code 2003, is amended to read as
12 follows:

13 443.12 CORRECTIONS BY TREASURER.

14 When property land or a structure subject to taxation is
15 withheld, overlooked, or from any other cause is not listed,
16 or is not listed and assessed, the county treasurer shall,
17 when apprised thereof, at any time within two years from the
18 date at which such listing and assessment should have been
19 made, demand of the person, firm, corporation, or other party
20 by whom the same should have been listed, or to whom it should
21 have been listed and assessed, or of the administrator
22 thereof, the amount the property land or structure should have
23 been taxed in each year the same was so withheld or overlooked
24 and not listed or not listed and assessed, together with six
25 percent interest thereon from the time the taxes would have
26 become due and payable had such property land been listed or
27 such structure been listed and assessed.

28 Sec. 27. Section 443.13, Code 2003, is amended to read as
29 follows:

30 443.13 ACTION BY TREASURER -- APPORTIONMENT.

31 Upon failure to pay such sum within thirty days, with all
32 accrued interest, the treasurer shall cause an action to be
33 brought in the name of the treasurer for the use of the proper
34 county, to be prosecuted by the county attorney, or such other
35 person as the board of supervisors may appoint, and when such

1 property land has been fraudulently withheld from listing or
2 such structure fraudulently withheld from listing and
3 assessment, there shall be added to the sum found to be due a
4 penalty of fifty percent upon the amount, which shall be
5 included in the judgment. The amount thus recovered shall be
6 by the treasurer apportioned ratably as the taxes would have
7 been if they had been paid according to law.

8 Sec. 28. Section 443.14, Code 2003, is amended to read as
9 follows:

10 443.14 DUTY OF TREASURER.

11 The treasurer shall assess any ~~real-property~~ structure and
12 shall list the acreage of any land subject to taxation which
13 may have been omitted by the assessor, board of review, or
14 county auditor, and collect taxes thereon, and in such cases
15 shall note, opposite the tract or lot assessed, the words "by
16 treasurer".

17 Sec. 29. Section 443.15, Code 2003, is amended to read as
18 follows:

19 443.15 TIME LIMIT.

20 The assessment shall be made within two years after the tax
21 list shall have been delivered to the treasurer for
22 collection, and not afterwards, if the property land or
23 structure is then owned by the person who should have paid the
24 tax.

25 Sec. 30. Section 443.17, Code 2003, is amended to read as
26 follows:

27 443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

28 In any action or proceeding, now pending or hereafter
29 brought, to recover taxes upon property land not listed or
30 agricultural land or a structure not listed and assessed for
31 taxation during the lifetime of any decedent, it shall be
32 presumed that any property, any evidence of ownership of
33 property, and any evidence of a promise to pay, owned by a
34 decedent at the date of the decedent's death, had been
35 acquired and owned by such decedent more than two years before

1 the date of the decedent's death; and the burden of proving
2 that any such property had been acquired by such decedent less
3 than two years before the date of the decedent's death shall
4 be upon the heirs, legatees, and legal representatives of any
5 such decedent.

6 Sec. 31. Section 443.18, Code 2003, is amended to read as
7 follows:

8 443.18 REAL ESTATE -- DUTY OF OWNER.

9 In all cases where ~~real-estate~~ land subject to taxation has
10 not been listed or agricultural land or a structure subject to
11 taxation has not been listed and assessed, the owner, or an
12 agent of the owner, shall have the same done by the treasurer,
13 and pay the taxes thereon; and if the owner fails to do so the
14 treasurer shall list or list and assess the same and collect
15 the tax assessed as the treasurer does other taxes.

16 Sec. 32. Section 443.19, Code 2003, is amended to read as
17 follows:

18 443.19 IRREGULARITIES, ERRORS AND OMISSIONS -- EFFECT.

19 No A failure of the owner to have such property land listed
20 or agricultural land or structure listed and assessed or to
21 have the errors in the listing or assessment corrected, and ~~no~~
22 an irregularity, error or omission in the listing of such land
23 or listing and assessment of such property agricultural land
24 or structure, shall not affect in any manner the legality of
25 the taxes levied thereon, or affect any right or title to such
26 ~~real-estate~~ property which would have accrued to any party
27 claiming or holding under and by virtue of a deed executed by
28 the treasurer as provided by this title, had the listing and
29 assessment of such property been in all respects regular and
30 valid.

31 Sec. 33. Section 443.21, Code 2003, is amended to read as
32 follows:

33 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

34 All assessors and assessing bodies, including the
35 department of revenue and finance having authority over the

1 listing of land or listing and assessment of property
2 agricultural land and structures for tax purposes shall
3 certify to the county auditor of each county the number of
4 acres of land and the assessed values of agricultural land and
5 structures for all the taxable property in such county as
6 finally ~~equalized-and~~ determined, and the same shall be
7 transcribed onto the tax lists as required by section 443.2.

8 Sec. 34. Section 443.22, Code 2003, is amended to read as
9 follows:

10 443.22 UNIFORM ASSESSMENTS MANDATORY.

11 All assessors and assessing bodies, including the
12 department of revenue and finance having authority over the
13 listing of land and listing and assessment of property
14 agricultural land and structures for tax purposes, shall
15 comply with sections 428.4, 428.29, 434.15, 438.13, 441.21,
16 and 441.45. The department of revenue and finance, having
17 authority over the listing and assessments, shall exercise its
18 powers and perform its duties under section 421.17 and other
19 applicable laws so as to require the uniform and consistent
20 application of ~~said~~ that section.

21 Sec. 35. NEW SECTION. 443A.1 LAND TAX.

22 Effective for the fiscal year beginning July 1, 2007, and
23 all subsequent fiscal years, a land tax shall be imposed
24 against each acre or portion of an acre of land in a county.

25 Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF LAND TAX.

26 1. The land tax for each county shall be apportioned as
27 follows:

28 In the unincorporated area of the county, the land tax
29 shall be distributed to the county, the school district
30 located in the unincorporated area of the county, and other
31 taxing entities located in the unincorporated area of the
32 county in the same proportion that property taxes levied in
33 the unincorporated area of the county for the fiscal year
34 beginning July 1, 2006, were allocated to those entities.

35 In the incorporated areas of the county, the land tax shall

1 be distributed to the city, the county, each school district
2 located within the city, and other taxing entities located
3 within the city in the same proportion that property taxes
4 levied in the city for the fiscal year beginning July 1, 2006,
5 were allocated to those entities.

6 2. The city finance committee and the county finance
7 committee shall jointly determine the adjustments to be made
8 to the allocation of the land tax in the case of boundary
9 adjustments made to a taxing district on or after January 1,
10 2006.

11 3. After the auditor has computed the amount of land tax
12 to be distributed to each taxing district, the auditor shall
13 compute the rate of tax to be levied upon the square footage
14 valuation of structures pursuant to chapter 444.

15 Sec. 37. Section 444.1, Code 2003, is amended to read as
16 follows:

17 444.1 BASIS FOR AMOUNT OF TAX.

18 In all taxing districts in the state, including townships,
19 school districts, cities and counties, when by law then
20 existing the people are authorized to determine by vote, or
21 officers are authorized to estimate or determine, a rate of
22 taxation required for any public purpose, such rate shall in
23 all cases be estimated and based upon the amount of land tax
24 available to the district and the adjusted taxable square
25 footage valuation of such taxing district for the preceding
26 calendar year.

27 Sec. 38. Section 444.2, Code 2003, is amended to read as
28 follows:

29 444.2 AMOUNTS CERTIFIED IN DOLLARS.

30 When an authorized square footage tax rate within a taxing
31 district, including townships, school districts, cities and
32 counties, has been thus determined as provided by law, the
33 officer or officers charged with the duty of certifying the
34 authorized rate to the county auditor or board of supervisors
35 shall, before certifying the rate, compute upon the adjusted

1 taxable square footage valuation of the taxing district for
2 the preceding fiscal year, the amount of tax the rate will
3 raise, stated in dollars, and shall certify the computed
4 amount in dollars and not by rate, to the county auditor and
5 board of supervisors and shall further certify the percentage
6 of such amount to be levied against each class of property.

7 Sec. 39. Section 444.3, Code 2003, is amended to read as
8 follows:

9 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

10 When the square footage valuations for the several taxing
11 districts shall have been adjusted by the several boards for
12 the current year, and the amount of land tax to be distributed
13 to each taxing district has been deducted from the dollar
14 amounts certified in section 444.2 for each taxing district,
15 the county auditor shall thereupon apply such a rate, ~~not~~
16 ~~exceeding the rate authorized by law,~~ or rates as will raise
17 the amount required for such taxing district, and when
18 combined with the land tax amount will raise an amount not
19 exceeding the dollar amount authorized by law for the taxing
20 district, and no will not raise a larger amount. For purposes
21 of computing the square footage rate under this section, the
22 adjusted taxable square footage valuation of the property of a
23 taxing district does not include the valuation of property of
24 a railway corporation or its trustee which corporation has
25 been declared bankrupt or is in bankruptcy proceedings.
26 Nothing in the preceding sentence exempts the property of such
27 railway corporation or its trustee from taxation and the rate
28 computed under this section shall be levied on the taxable
29 property of such railway corporation or its trustee.

30 The square footage tax rate shall be expressed in dollars
31 and cents per one hundred dollars of valuation per square
32 foot.

33 Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

34 The amount of tax imposed on any taxable property is the
35 sum of the amounts computed in subsections 1 and 2.

1 1. LAND TAX. The product of the land tax rate times the
2 number of acres or portion of an acre of the taxable property.

3 2. SQUARE FOOTAGE TAX. The product of the square footage
4 tax rate times the valuation per square foot of the taxable
5 structure times the number of square feet of the taxable
6 structure. The square footage tax shall be computed
7 separately for each structure located on the land.

8 Sec. 41. Section 441.72, Code 2003, is repealed.

9 Sec. 42. Sections 422.4 through 422.31, Code 2003, are
10 repealed.

11 Sec. 43. PROPERTY TAX IMPLEMENTATION COMMITTEE.

12 1. On or before July 1, 2003, the department of revenue
13 and finance, in consultation with the department of
14 management, shall initiate and coordinate the establishment of
15 a property tax implementation committee and provide staffing
16 assistance to the committee. The property tax implementation
17 committee shall include representatives of the general
18 assembly, the department of revenue and finance, the
19 department of management, counties, cities, school districts,
20 local assessors, commercial property taxpayers, residential
21 property taxpayers, and agricultural property taxpayers, and
22 other appropriate stakeholders. The department may consider
23 participation on the committee of former state officials with
24 expertise in budget and tax policy.

25 2. The committee shall study and make recommendations
26 relating to the land tax, square footage tax, the baseline
27 assessment for the square footage tax, and other related
28 provisions. The committee shall also study and make
29 recommendations on issues relating to implementation of a land
30 tax and square footage tax, including, but not limited to,
31 whether or not maximum square footage rates and land tax rates
32 should be imposed and, if such rates are recommended, the
33 imposition of rates that have a revenue neutral impact on
34 classes of property, the property tax financing portion of the
35 school funding formula, treatment of current property tax

1 credits and exemptions under a land tax and square footage tax
2 and continued state reimbursement of any credits or
3 exemptions, implementation of urban revitalization and urban
4 renewal programs under the land tax and square footage tax,
5 implementation of a payment in lieu of taxes program for local
6 government services, and maintenance of equity among classes
7 of taxpayers and among taxpayers within the same class.

8 3. The property tax implementation committee shall direct
9 three counties and cities within those counties to submit data
10 as prescribed by the committee. The department of revenue and
11 finance, in consultation with the department of management,
12 shall select the three counties and the cities within those
13 counties that will be required to provide data to the
14 committee. The committee shall devise a system for testing
15 the data, including the necessary computer hardware and
16 software to allow the selected counties and cities to prepare
17 projected budgets, to determine the rates for the land tax and
18 the square footage tax for those projected budgets, and to
19 provide a sampling of the effect on the various classes of
20 property in those jurisdictions. The committee shall use the
21 data and the results of the projections to resolve the issues
22 described in subsection 2, and related issues, in a revenue
23 neutral manner that will not result in a shift of property tax
24 burden between classes of property. The committee shall
25 submit to the general assembly by October 31, 2003, October
26 31, 2004, and October 31, 2005, a report for each of those
27 years resolving the issues in subsection 2 and other related
28 issues for implementation of this Act. The reports shall
29 include detailed estimates of the cost to the counties and
30 cities of providing the data and an estimate of the cost of
31 statewide implementation of this Act.

32 Sec. 44. EFFECTIVE AND APPLICABILITY DATES.

33 1. Section 42 of this Act, relating to the personal net
34 income tax, is contingent upon the passage by the general
35 assembly and signature of the governor of a replacement tax

1 system by March 1, 2005. If such a replacement tax system is
2 enacted, section 42 of this Act takes effect March 1, 2005,
3 and applies to tax years beginning on or after January 1,
4 2007.

5 2. The remainder of this Act takes effect July 1, 2005,
6 and applies to assessment years beginning on or after January
7 1, 2006, and applies to tax collections for fiscal years
8 beginning on or after July 1, 2007.

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EIGHTIETH GENERAL ASSEMBLY
2003 REGULAR SESSION
DAILY
SENATE CLIP SHEET

JUNE 3, 2003

HOUSE FILE 692

S-3391

1 Amend House File 692, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking everything after the enacting
4 clause and inserting the following:

5 "DIVISION I
6 PROPERTY TAXATION

7 Section 1. Section 441.19, subsections 1 and 2,
8 Code 2003, are amended to read as follows:

9 1. Supplemental and optional to the procedure for
10 the assessment of property by the assessor as provided
11 in this chapter, the assessor may require from all
12 persons required to list their property for taxation
13 as provided by sections 428.1 and 428.2, a
14 supplemental return to be prescribed by the director
15 of revenue and finance upon which the person shall
16 list the person's property and any additions or
17 modifications completed in the prior year to a
18 structure located on the property. The supplemental
19 return shall be in substantially the same form as now
20 prescribed by law for the assessment rolls used in the
21 listing of property by the assessors. Every person
22 required to list property for taxation shall make a
23 complete listing of the property upon supplemental
24 forms and return the listing to the assessor ~~as~~
25 ~~promptly as possible~~ within thirty days of receiving
26 the assessment notice in section 441.23. The return
27 shall be verified over the signature of the person
28 making the return and section 441.25 applies to any
29 person making such a return. The assessor shall make
30 supplemental return forms available as soon as
31 practicable after the first day of January of each
32 year. The assessor shall make supplemental return
33 forms available to the taxpayer by mail, or at a
34 designated place within the taxing district.

35 2. Upon receipt of such supplemental return from
36 any person the assessor shall prepare a roll assessing
37 such person as hereinafter provided. In the
38 preparation of such assessment roll the assessor shall
39 be guided not only by the information contained in
40 such supplemental roll, but by any other information
41 the assessor may have or which may be obtained by the
42 assessor as prescribed by the law relating to the
43 assessment of property. The assessor shall not be
44 bound by any values or square footage determinations
45 or purchase prices as listed in such supplemental
46 return, and may include in the assessment roll any
47 property omitted from the supplemental return which in
48 the knowledge and belief of the assessor should be
49 listed as required by law by the person making the
50 supplemental return. Upon completion of such roll the

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1 assessor shall deliver to the person submitting such
2 supplemental return a copy of the assessment roll,
3 either personally or by mail.

4 Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.

5 It is the intent of the general assembly that there
6 be transparency in the property tax system. It is
7 further the intent of the general assembly that
8 property assessments for purposes of property taxation
9 be equal and uniform within classes of property. It
10 is further the intent of the general assembly to
11 minimize the impact that maintenance and upkeep by the
12 owner of property has on the assessment of that
13 property and that there be predictability in increases
14 of property assessments and that such predictability
15 be based primarily on the actions of the property
16 owner. It is further the intent of the general
17 assembly to minimize the impact that increases in
18 assessed value of property will have on property taxes
19 paid and that any increases will be primarily the
20 result of direct action taken by the local taxing
21 authority in setting budget amounts rather than by
22 increases in market value of property.

23 Sec. 3. Section 441.21, Code 2003, is amended by
24 striking the section and inserting in lieu thereof the
25 following:

26 441.21 ASSESSMENT OF STRUCTURES.

27 1. All real property, except land, subject to
28 taxation shall be assessed on a value per square foot
29 basis according to the provisions of this section.

30 2. a. Subject to paragraph "b", for valuations
31 established as of January 1, 2006, and for subsequent
32 assessment years, the assessed value per square foot
33 of a residential structure shall be an amount equal to
34 the valuation of the structure as determined for the
35 assessment year beginning January 1, 2005, prior to
36 application of the assessment limitation for that
37 year, divided by the total number of square feet of
38 the structure as of January 1, 2005.

39 b. (1) The assessed value per square foot of an
40 existing residential structure purchased after January
41 1, 2005, shall be the purchase price of the structure
42 divided by the cumulative inflation factor established
43 for the assessment year following the year of
44 purchase, divided by the total number of square feet
45 of the structure as of January 1 of the assessment
46 year. The assessed value per square foot of a
47 residential structure newly constructed after January
48 1, 2005, shall be the market value of the structure,
49 as determined by the assessor, divided by the
50 cumulative inflation factor established for the

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1 assessment year following the year construction was
2 completed, divided by the total number of square feet
3 of the structure as of January 1 of the assessment
4 year. However, when valuing an addition that
5 substantially increases the square footage of a
6 structure, only that portion of the structure
7 comprising the addition shall be valued by the
8 assessor under this subparagraph.

9 (2) If additions or modifications to an existing
10 structure do not constitute a newly constructed
11 structure, the valuation of the structure shall only
12 increase if the square footage of the structure
13 increases. The increased valuation, if any, equals
14 the amount of increased square feet times the value
15 per square foot of the structure prior to the
16 additions or modifications.

17 3. a. Subject to paragraph "b" for valuations
18 established as of January 1, 2006, and for subsequent
19 assessment years, the assessed value per square foot
20 of a commercial or industrial structure shall be an
21 amount equal to the valuation of the structure as
22 determined for the assessment year beginning January
23 1, 2005, prior to application of the assessment
24 limitation for that year, divided by the total number
25 of square feet of the structure as of January 1, 2005.

26 b. (1) The assessed value per square foot of an
27 existing commercial or industrial structure purchased
28 after January 1, 2005, shall be the purchase price of
29 the structure divided by the cumulative inflation
30 factor established for the assessment year following
31 the year of purchase, divided by the total number of
32 square feet of the structure as of January 1 of the
33 assessment year. The assessed value per square foot
34 of a commercial or industrial structure newly
35 constructed after January 1, 2005, shall be the market
36 value of the structure, as determined by the assessor,
37 divided by the cumulative inflation factor established
38 for the assessment year following the year
39 construction was completed, divided by the total
40 number of square feet of the structure as of January 1
41 of the assessment year. However, when valuing an
42 addition that substantially increases the square
43 footage of a structure, only that portion of the
44 structure comprising the addition shall be valued by
45 the assessor under this subparagraph.

46 (2) If additions or modifications to an existing
47 structure do not constitute a newly constructed
48 structure, the valuation of the structure shall only
49 increase if the square footage of the structure
50 increases. The increased valuation, if any, equals

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1 the amount of increased square feet times the value
2 per square foot of the structure prior to the
3 additions or modifications.

4 4. a. Subject to paragraph "b" for valuations
5 established as of January 1, 2006, and for subsequent
6 assessment years, the assessed value per square foot
7 of an agricultural structure that is not an
8 agricultural dwelling shall be an amount equal to the
9 valuation of the structure as determined for the
10 assessment year beginning January 1, 2005, prior to
11 application of the assessment limitation for that
12 year, divided by the total number of square feet of
13 the structure as of January 1, 2005.

14 b. (1) The assessed value per square foot of an
15 existing agricultural structure purchased after
16 January 1, 2005, shall be the productivity value of
17 the structure divided by the cumulative inflation
18 factor established for the assessment year following
19 the year of purchase, divided by the total number of
20 square feet of the structure as of January 1 of the
21 assessment year. The assessed value per square foot
22 of an agricultural structure newly constructed after
23 January 1, 2005, shall be the productivity value of
24 the structure for the assessment year following the
25 year construction was completed, as determined by the
26 assessor, divided by the cumulative inflation factor
27 established for the assessment year following the year
28 construction was completed, divided by the total
29 number of square feet of the structure as of January 1
30 of the assessment year. However, when valuing an
31 addition that substantially increases the square
32 footage of a structure, only that portion of the
33 structure comprising the addition shall be valued by
34 the assessor under this subparagraph.

35 (2) If additions or modifications to an existing
36 structure do not constitute a newly constructed
37 structure, the valuation of the structure shall only
38 increase if the square footage of the structure
39 increases. The increased valuation, if any, equals
40 the amount of increased square feet times the value
41 per square foot of the structure prior to the
42 additions or modifications.

43 5. a. In determining the market value of newly
44 constructed property, except agricultural structures,
45 the assessor may determine the value of the property
46 using uniform and recognized appraisal methods
47 including its productive and earning capacity, if any,
48 industrial conditions, its cost, physical and
49 functional depreciation and obsolescence and
50 replacement cost, and all other factors which would

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1 assist in determining the fair and reasonable market
2 value of the property but the actual value shall not
3 be determined by use of only one such factor. The
4 following shall not be taken into consideration:
5 special value or use value of the property to its
6 present owner, and the goodwill or value of a business
7 that uses the property as distinguished from the value
8 of the property as property. However, in assessing
9 property that is rented or leased to low-income
10 individuals and families as authorized by section 42
11 of the Internal Revenue Code, as amended, and which
12 section limits the amount that the individual or
13 family pays for the rental or lease of units in the
14 property, the assessor shall use the productive and
15 earning capacity from the actual rents received as a
16 method of appraisal and shall take into account the
17 extent to which that use and limitation reduces the
18 market value of the property. The assessor shall not
19 consider any tax credit equity or other subsidized
20 financing as income provided to the property in
21 determining the market value. Upon adoption of
22 uniform rules by the department of revenue and finance
23 or covering assessments and valuations of such
24 properties, the valuation on such properties shall be
25 determined in accordance with such values for
26 assessment purposes to assure uniformity, but such
27 rules shall not be inconsistent with or change the
28 foregoing means of determining the market value.

29 b. The actual value of special purpose tooling,
30 which is subject to assessment and taxation as real
31 property under section 427A.1, subsection 1, paragraph
32 "e", but which can be used only to manufacture
33 property which is protected by one or more United
34 States or foreign patents, shall not exceed the fair
35 and reasonable exchange value between a willing buyer
36 and a willing seller, assuming that the willing buyer
37 is purchasing only the special purpose tooling and not
38 the patent covering the property which the special
39 purpose tooling is designed to manufacture nor the
40 rights to manufacture the patented property. For
41 purposes of this paragraph, special purpose tooling
42 includes dies, jigs, fixtures, molds, patterns, and
43 similar property. The assessor shall not take into
44 consideration the special value or use value to the
45 present owner of the special purpose tooling which is
46 designed and intended solely for the manufacture of
47 property protected by a patent in arriving at the
48 actual value of the special purpose tooling.

49 c. In determining the purchase price of a
50 structure, the assessor shall consider whether the

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1 sale was a fair and reasonable exchange in the year in
2 which the property was listed and valued between a
3 willing buyer and a willing seller, neither being
4 under any compulsion to buy or sell and each being
5 familiar with all the facts relating to the particular
6 property. Sale prices of the property or comparable
7 property in normal transactions reflecting market
8 value, and the probable availability or unavailability
9 of persons interested in purchasing the property,
10 shall be taken into consideration in determining
11 purchase price. In determining purchase price, sale
12 prices of property in abnormal transactions not
13 reflecting market value shall not be taken into
14 account, or shall be adjusted to eliminate the effect
15 of factors which distort market value, including but
16 not limited to sales to immediate family of the
17 seller, foreclosure or other forced sales, contract
18 sales, or discounted purchase transactions.

19 d. If a county enters into a contract before May
20 1, 2003, for a comprehensive revaluation by a private
21 appraiser and such revaluation is for the assessment
22 year beginning January 1, 2006, the valuations
23 determined under the comprehensive revaluation for
24 that assessment year shall be divided by the
25 cumulative inflation factor for the assessment year
26 beginning January 1, 2006, and that quotient shall be
27 considered the valuation of the property for the
28 assessment year beginning January 1, 2005.

29 6. Notwithstanding any other provision of this
30 section, the assessed value per square foot of a
31 structure times the total number of square feet of the
32 structure shall not exceed its fair and reasonable
33 market value for the assessment year, except for
34 agricultural structures which shall be valued
35 exclusively as provided in subsection 4.

36 7. For purposes of this section:

37 a. "Annual inflation factor" means an index,
38 expressed as a percentage, determined by the
39 department by January 15 of the assessment year for
40 which the factor is determined, which reflects the
41 purchasing power of the dollar as a result of
42 inflation during the twelve-month period ending
43 September 30 of the calendar year preceding the
44 assessment year for which the factor is determined.
45 In determining the annual inflation factor, the
46 department shall use the annual percent change, but
47 not less than zero percent, in the gross domestic
48 product price deflator computed for the calendar year
49 by the bureau of economic analysis of the United
50 States department of commerce and shall add all of

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1 that percent change to one hundred percent. The
2 annual inflation factor and the cumulative inflation
3 factor shall each be expressed as a percentage rounded
4 to the nearest one-tenth of one percent. The annual
5 inflation factor shall not be less than one hundred
6 percent. The annual inflation factor for the 2005
7 calendar year is one hundred percent.

8 b. "Cumulative inflation factor" means the product
9 of the annual inflation factor for the 2005 calendar
10 year and all annual inflation factors for subsequent
11 calendar years as determined pursuant to this
12 subsection. The cumulative inflation factor applies
13 to the assessment year beginning on January 1 of the
14 calendar year for which the latest annual inflation
15 factor has been determined.

16 c. "Newly constructed" includes, but is not
17 limited to, structural replacement, additions that
18 substantially increase the square footage, conversion
19 into another class of property, and conversion from
20 exempt property under section 427.1 to taxable
21 property. For commercial and industrial property,
22 "newly constructed" also includes an addition or
23 removal to a structure of personal property taxed as
24 real estate under chapter 427A.

25 d. "Structure" means any part of that which is
26 built or constructed, an edifice or building of any
27 kind, or any piece of work artificially built up or
28 composed of parts joined together in some definite
29 manner. For residential structures, structure
30 includes only those parts of the structure, including
31 basements and attics, that are or could be used as
32 living space. "Structure" does not include the land
33 beneath, or horizontal improvements relating to the
34 structure, such as sidewalks, sewers, or retaining
35 walls.

36 8. For the purpose of computing the debt
37 limitations for municipalities, political
38 subdivisions, and school districts, the term "actual
39 value" means the "actual value" as determined under
40 this section without application of any percentage
41 reduction and entered opposite each item, and as
42 listed on the tax list as provided in section 443.2,
43 as "actual value".

44 Whenever any board of review or other tribunal
45 changes the assessed value of property, all applicable
46 records of assessment shall be adjusted to reflect
47 such change in both assessed value and actual value of
48 such property.

49 9. The provisions of this chapter and chapters
50 443, 443A, and 444 shall be subject to legislative

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1 review at least once every five years. The review
2 shall be based upon a property tax status report
3 containing the recommendations of a property tax
4 implementation committee appointed to conduct a review
5 of the land tax, square footage tax, the baseline
6 assessment for the square footage tax, and other
7 related provisions, to be prepared with the assistance
8 of the departments of management and revenue and
9 finance. The report shall include recommendations for
10 changes or revisions based upon demographic changes
11 and property tax valuation fluctuations observed
12 during the preceding five-year interval, and a summary
13 of issues that have arisen since the previous review
14 and potential approaches for their resolution. The
15 first such report shall be submitted to the general
16 assembly no later than January 1, 2010, with
17 subsequent reports developed and submitted by January
18 1 at least every fifth year thereafter.

19 Sec. 4. NEW SECTION. 441.21A PROPERTY
20 CLASSIFICATIONS.

21 1. a. Agricultural land shall be valued at its
22 productivity value. The productivity value of
23 agricultural land shall be determined on the basis of
24 productivity and net earning capacity of the land
25 determined on the basis of its use for agricultural
26 purposes capitalized at a rate of seven percent and
27 applied uniformly among counties and among classes of
28 property. Any formula or method employed to determine
29 productivity and net earning capacity of land shall be
30 adopted in full by rule.

31 b. In counties or townships in which field work on
32 a modern soil survey has been completed since January
33 1, 1949, the assessor shall place emphasis upon the
34 results of the survey in spreading the valuation among
35 individual parcels of such agricultural land.

36 c. "Agricultural land" includes the land of a
37 vineyard.

38 2. a. "Residential property" includes all lands
39 and buildings which are primarily used or intended for
40 human habitation, including those buildings located on
41 agricultural land. Buildings used primarily or
42 intended for human habitation shall include the
43 dwelling as well as structures and improvements used
44 primarily as a part of, or in conjunction with, the
45 dwelling. This includes but is not limited to
46 garages, whether attached or detached, tennis courts,
47 swimming pools, guest cottages, and storage sheds for
48 household goods. Residential property located on
49 agricultural land shall include only buildings.

50 b. "Residential property" includes all land and

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1 buildings of multiple housing cooperatives organized
2 under chapter 499A and includes land and buildings
3 used primarily for human habitation which land and
4 buildings are owned and operated by organizations that
5 have received tax-exempt status under section
6 501(c)(3) of the Internal Revenue Code and rental
7 income from the property is not taxed as unrelated
8 business income under section 422.33, subsection 1A.

9 c. "Residential property" includes an apartment in
10 a horizontal property regime referred to in chapter
11 499B which is used or intended for use for human
12 habitation regardless of who occupies the apartment.
13 Existing structures shall not be converted to a
14 horizontal property regime unless applicable building
15 code requirements have been met.

16 d. Buildings for human habitation that are used as
17 commercial ventures, including but not limited to
18 hotels, motels, rest homes, and structures containing
19 three or more separate living quarters shall not be
20 considered residential property.

21 Sec. 5. Section 441.23, Code 2003, is amended to
22 read as follows:

23 441.23 NOTICE OF VALUATION.

24 If there has been an increase or decrease in the
25 valuation of the property, or upon the written request
26 of the person assessed, the assessor shall, at the
27 time of making the assessment, inform the person
28 assessed, in writing, of the valuation put upon the
29 taxpayer's property, and notify the person, if the
30 person feels aggrieved, to appear before the board of
31 review and show why the assessment should be changed.
32 However, if the valuation of ~~a class of~~ agricultural
33 property is uniformly decreased, the assessor may
34 notify the affected property owners by publication in
35 the official newspapers of the county. The owners of
36 real property shall be notified not later than April
37 15 of any adjustment of the real property assessment.
38 The notification shall include a supplemental return
39 form for the person to list the person's property and
40 any additions or modifications completed in the prior
41 year to a structure located on the property, as
42 required in section 441.19.

43 Sec. 6. Section 441.24, Code 2003, is amended to
44 read as follows:

45 441.24 REFUSAL TO FURNISH STATEMENT.

46 1. If a person refuses to furnish the verified
47 statements required in connection with the assessment
48 of property by the assessor, or to list the
49 corporation's or person's property, the director of
50 revenue and finance, or assessor, as the case may be,

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1 shall proceed to list and assess the property
2 according to the best information obtainable, and
3 shall add to the ~~taxable~~ agricultural land and square
4 footage valuation one hundred percent thereof, which
5 valuation and penalty shall be separately shown, and
6 shall constitute the assessment; and if the
7 agricultural land or square footage valuation of the
8 property is changed by a board of review, or on appeal
9 from a board of review, a like penalty shall be added
10 to the valuation thus fixed.

11 2. However, all or part of the penalty imposed
12 under this section may be waived by the board of
13 review upon application to the board by the assessor
14 or the property owner. The waiver or reduction in the
15 penalty shall be allowed only on the agricultural land
16 or the square footage valuation of ~~real property~~ the
17 structure against which the penalty has been imposed.

18 Sec. 7. Section 441.26, unnumbered paragraph 3,
19 Code 2003, is amended to read as follows:

20 The notice in ~~1981~~ 2007 and each odd-numbered year
21 thereafter shall contain a statement that ~~the~~
22 agricultural property assessments and property
23 assessed pursuant to section 441.21, subsection 2,
24 paragraph "b", subparagraph (1), and subsection 3,
25 paragraph "b", subparagraph (1), are subject to
26 equalization pursuant to an order issued by the
27 director of revenue and finance, that the county
28 auditor shall give notice on or before October 15 by
29 publication in an official newspaper of general
30 circulation to any ~~class of~~ agricultural property
31 affected by the equalization order, and that the board
32 of review shall be in session from October 15 to
33 November 15 to hear protests of affected property
34 owners or taxpayers whose valuations have been
35 adjusted by the equalization order.

36 Sec. 8. Section 441.26, unnumbered paragraphs 4
37 and 5, Code 2003, are amended to read as follows:

38 The assessment rolls shall be used in listing the
39 property, the number of structures, and the total
40 square footage of the structures by class of property,
41 and showing the values affixed to agricultural land
42 and the assessed value per square foot affixed to the
43 property the structures by class of property of all
44 persons assessed. The rolls shall be made in
45 duplicate. The duplicate roll shall be signed by the
46 assessor, detached from the original and delivered to
47 the person assessed if there has been an increase or
48 decrease in the valuation of the property. If there
49 has been no change in the evaluation, the information
50 on the roll may be printed on computer stock paper and

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1 preserved as required by this chapter. If the person
2 assessed requests in writing a copy of the roll, the
3 copy shall be provided to the person. The pages of
4 the assessor's assessment book shall contain columns
5 ruled and headed for the information required by this
6 chapter and that which the director of revenue and
7 finance deems essential in the equalization work of
8 the director. The assessor shall return all
9 assessment rolls and schedules to the county auditor,
10 along with the completed assessment book, as provided
11 in this chapter, and the county auditor shall
12 carefully keep and preserve the rolls, schedules and
13 book for a period of five years from the time of its
14 filing in the county auditor's office.

15 Beginning with valuations for January 1, ~~1977~~ 2006,
16 and each succeeding year, for each parcel of
17 agricultural property and for each structure entered
18 in the assessment book, the assessor shall list the
19 classification of the property.

20 Sec. 9. Section 441.35, subsection 1, Code 2003,
21 is amended by striking the subsection.

22 Sec. 10. Section 441.35, unnumbered paragraph 2,
23 Code 2003, is amended by striking the unnumbered
24 paragraph.

25 Sec. 11. Section 441.36, Code 2003, is amended to
26 read as follows:

27 441.36 CHANGE OF ASSESSMENT -- NOTICE.

28 All changes in assessments authorized by the board
29 of review, and reasons therefor, shall be entered in
30 the minute book kept by ~~said~~ the board and on the
31 assessment roll. ~~Said~~ The minute book shall be filed
32 with the assessor after the adjournment of the board
33 of review and shall at all times be open to public
34 inspection. In case the value of any specific
35 property or structure or the entire assessment of any
36 person, partnership, or association is increased, or
37 new property or a new structure is added by the board,
38 the clerk shall give immediate notice thereof by mail
39 to each at the post-office address shown on the
40 assessment rolls, and at the conclusion of the action
41 of the board therein the clerk shall post an
42 alphabetical list of those whose assessments are thus
43 raised and added, in a conspicuous place in the office
44 or place of meeting of the board, and enter upon the
45 records a statement that such posting has been made,
46 which entry shall be conclusive evidence of the giving
47 of the notice required. The board shall hold an
48 adjourned meeting, with at least five days intervening
49 after the posting of ~~said~~ the notices, before final
50 action with reference to the raising of assessments or

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1 the adding of property or structures to the rolls is
2 taken, and the posted notices shall state the time and
3 place of holding such adjourned meeting, which time
4 and place shall also be stated in the proceedings of
5 the board.

6 Sec. 12. Section 441.37, subsection 1, paragraphs
7 a and b, Code 2003, are amended to read as follows:

8 a. That ~~said~~ the assessment is not equitable as
9 compared with assessments of other like property or
10 structures in the taxing district. When this ground
11 is relied upon as the basis of a protest the legal
12 description and assessments of a representative number
13 of comparable ~~properties~~ structures, as described by
14 the aggrieved taxpayer shall be listed on the protest,
15 otherwise ~~said~~ the protest shall not be considered on
16 this ground.

17 b. That the property or structure is assessed for
18 more than the value authorized by law, stating the
19 specific amount which the protesting party believes
20 the property or structure to be overassessed, and the
21 amount which the party considers to be its actual
22 value and the amount the party considers a fair
23 assessment.

24 Sec. 13. Section 441.39, Code 2003, is amended to
25 read as follows:

26 441.39 TRIAL ON APPEAL.

27 The court shall hear the appeal in equity and
28 determine anew all questions arising before the board
29 which relate to the liability of the property or
30 structure to assessment or the amount thereof. The
31 court shall consider all of the evidence and there
32 shall be no presumption as to the correctness of the
33 ~~valuation of~~ assessment appealed from. Its decision
34 shall be certified by the clerk of the court to the
35 county auditor, and the assessor, who shall correct
36 the assessment books accordingly.

37 Sec. 14. Section 441.42, Code 2003, is amended to
38 read as follows:

39 441.42 APPEAL ON BEHALF OF PUBLIC.

40 Any officer of a county, city, township, drainage
41 district, levee district, or school district
42 interested or a taxpayer thereof may in like manner
43 make complaint before ~~said~~ the board of review in
44 respect to the assessment of any property or structure
45 in the township, drainage district, levee district or
46 city and an appeal from the action of the board of
47 review in fixing the amount of assessment on any
48 property or structure concerning which such complaint
49 is made, may be taken by any of such aforementioned
50 officers.

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1 Such appeal is in addition to the appeal allowed to
2 the person whose property or structure is assessed and
3 shall be taken in the name of the county, city,
4 township, drainage district, levee district, or school
5 district interested, and tried in the same manner,
6 except that the notice of appeal shall also be served
7 upon the owner of the property or structure concerning
8 which the complaint is made and affected thereby or
9 person required to return said property or structure
10 for assessment.

11 Sec. 15. Section 441.43, Code 2003, is amended to
12 read as follows:

13 441.43 POWER OF COURT.

14 Upon trial of any appeal from the action of the
15 board of review fixing the amount of assessment upon
16 any property or structure concerning which complaint
17 is made, the court may increase, decrease, or affirm
18 the amount of the assessment appealed from.

19 Sec. 16. Section 441.45, subsections 1 and 2, Code
20 2003, are amended to read as follows:

21 1. The number of acres of land and the aggregate
22 taxable values of the agricultural land, exclusive of
23 city lots, returned by the assessors, as corrected by
24 the board of review.

25 2. The aggregate values of structures and the
26 taxable square footage values of real estate
27 structures by class in each township and city in the
28 county and the aggregate value of agricultural land in
29 each township and city in the county, returned as
30 corrected by the board of review.

31 Sec. 17. Section 441.47, Code 2003, is amended by
32 adding the following new unnumbered paragraph:

33 NEW UNNUMBERED PARAGRAPH. For the assessment year
34 beginning January 1, 2007, and for all subsequent
35 assessment years, only property classified as
36 agricultural property and property assessed pursuant
37 to section 441.21, subsection 2, paragraph "b",
38 subparagraph (1), and subsection 3, paragraph "b",
39 subparagraph (1), shall be subject to equalization by
40 the director of revenue and finance under this section
41 and sections 441.48 and 441.49.

42 Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF
43 INFLATION FACTORS.

44 The director of revenue and finance on or about
45 August 15, 2007, and every two years thereafter, shall
46 order the equalization of the assessed value per
47 square foot resulting from the application of the
48 cumulative inflation factor in the several assessing
49 jurisdictions in each case as may be necessary to
50 bring such values as fixed by the assessor in cases of

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1 purchases of property and newly constructed property
2 to the values determined for the assessment year
3 beginning January 1, 2005. In equalizing the effects
4 of the application of the cumulative inflation factor,
5 the department shall make use of reports issued by
6 Iowa state university of science and technology which
7 reports shall more precisely indicate, on a county-by-
8 county basis, annual and cumulative inflation factors
9 for each county. If the cumulative inflation factor
10 for an assessing jurisdiction as reported by Iowa
11 state university of science and technology is five
12 percent above or below the cumulative inflation factor
13 as defined in section 441.21, subsection 7, the
14 director shall notify the assessor by mail of the
15 equalization of the effects of the cumulative
16 inflation factor for the assessing jurisdiction. The
17 assessor shall recompute the assessments made pursuant
18 to section 441.21, subsection 2, paragraph "b",
19 subparagraph (1), subsection 3, paragraph "b",
20 subparagraph (1), and subsection 4, paragraph "b",
21 subparagraph (1), by applying the equalized inflation
22 factor. The assessor shall send notice of the
23 equalized assessments to all affected property owners.

24 Sec. 19. Section 441.50, Code 2003, is amended to
25 read as follows:

26 441.50 APPRAISERS EMPLOYED.

27 The conference board shall have power to employ
28 appraisers or other technical or expert help to assist
29 in the valuation assessment of property as provided in
30 section 441.21, the cost thereof to be paid in the
31 same manner as other expenses of the assessor's
32 office. The conference board may certify for levy
33 annually an amount not to exceed forty and one-half
34 cents per thousand dollars of assessed value of
35 taxable property for the purpose of establishing a
36 special appraiser's fund, to be used only for such
37 purposes. From time to time the conference board may
38 direct the transfer of any unexpended balance in the
39 special appraiser's fund to the assessment expense
40 fund.

41 Sec. 20. Section 443.1, Code 2003, is amended to
42 read as follows:

43 443.1 CONSOLIDATED TAX.

44 All square footage taxes which are uniform
45 throughout any township or school district shall be
46 formed into a single tax and entered upon the tax list
47 in a single column, to be known as a consolidated tax,
48 and each receipt shall show the percentage levied for
49 each separate fund. The land tax shall be separately
50 stated and each receipt shall show the percentage

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1 levied for each separate fund.

2 Sec. 21. Section 443.2, Code 2003, is amended to
3 read as follows:

4 443.2 TAX LIST.

5 Before the first day of July in each year, the
6 county auditor shall transcribe the assessments of the
7 townships and cities into a book or record, to be
8 known as the tax list, properly ruled and headed, with
9 separate columns, in which shall be entered the names
10 of the taxpayers, descriptions of lands, number of
11 acres and value, numbers of city lots, their size in
12 acres, and value, and each description of the square
13 footage tax and the land tax, with a column for polls
14 and one for payments, and shall complete it by
15 entering the amount due on each installment,
16 separately, and carrying out the total of both
17 installments. The total of all columns of each page
18 of each book or other record shall balance with the
19 tax totals. After computing the amount of land tax
20 and square footage tax due and payable on each
21 property, the county auditor shall round the total
22 amount of ~~tax~~ taxes due and payable on the property to
23 the nearest even whole dollar.

24 The county auditor shall list the aggregate actual
25 value and the aggregate taxable value of all taxable
26 property within the county and each political
27 subdivision including property subject to the
28 statewide property tax imposed under section 437A.18
29 on the tax list in order that the actual value of the
30 taxable property within the county or a political
31 subdivision may be ascertained and shown by the tax
32 list for the purpose of computing the debt-incurring
33 capacity of the county or political subdivision. As
34 used in this section, "actual value" is the value
35 determined under section 441.21, subsections 1 to 3,
36 Code 2005, prior to the reduction to a percentage of
37 actual value as otherwise provided in section 441.21,
38 Code 2005. "Actual value" of property subject to
39 statewide property tax is the assessed value under
40 section 437A.18.

41 Sec. 22. Section 443.3, Code 2003, is amended to
42 read as follows:

43 443.3 CORRECTION -- TAX APPORTIONED.

44 At the time of transcribing ~~said~~ the assessments
45 into the tax list, the county auditor shall correct
46 all transfers up to date and place the legal
47 descriptions of all real estate in the name of the
48 owner at ~~said~~ that date as shown by the transfer book
49 in the auditor's office. At the end of the list for
50 each township or city the auditor shall make an

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1 abstract thereof, and apportion the consolidated tax
2 among the respective funds to which it belongs,
3 according to the amounts levied for each. The auditor
4 shall apportion the land tax as prescribed in section
5 443A.2.

6 Sec. 23. Section 443.6, Code 2003, is amended to
7 read as follows:

8 443.6 CORRECTIONS BY AUDITOR.

9 The auditor may correct any error in the assessment
10 or tax list, and the assessor or auditor may list for
11 taxation any omitted land and may assess and list for
12 taxation any omitted property structure.

13 Sec. 24. Section 443.7, Code 2003, is amended to
14 read as follows:

15 443.7 NOTICE.

16 Before listing for taxation any omitted land and
17 before assessing and listing for taxation any omitted
18 property structure, the assessor or auditor shall
19 notify by mail the person in whose name the ~~property~~
20 land or structure is taxed, to appear before the
21 assessor or auditor at the assessor's or auditor's
22 office within ten days from the date of the notice and
23 show cause, if any, why the correction or assessment
24 should not be made.

25 Sec. 25. Section 443.9, Code 2003, is amended to
26 read as follows:

27 443.9 ADJUSTMENT OF ACCOUNTS.

28 If such correction or assessment is made after the
29 books or other records approved by the ~~state~~ auditor
30 of state have passed into the hands of the treasurer,
31 the treasurer shall be charged or credited therefor as
32 the case may be. In the event such listing of omitted
33 land or listing and assessment of omitted property
34 structure is made by the assessor after the tax
35 records have passed into the hands of the auditor or
36 treasurer, such correction or assessment shall be
37 entered on the records by the auditor or treasurer.

38 Sec. 26. Section 443.12, Code 2003, is amended to
39 read as follows:

40 443.12 CORRECTIONS BY TREASURER.

41 When ~~property~~ land or a structure subject to
42 taxation is withheld, overlooked, or from any other
43 cause is not listed, or is not listed and assessed,
44 the county treasurer shall, when apprised thereof, at
45 any time within two years from the date at which such
46 listing and assessment should have been made, demand
47 of the person, firm, corporation, or other party by
48 whom the same should have been listed, or to whom it
49 should have been listed and assessed, or of the
50 administrator thereof, the amount the ~~property~~ land or

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1 structure should have been taxed in each year the same
2 was so withheld or overlooked and not listed or not
3 listed and assessed, together with six percent
4 interest thereon from the time the taxes would have
5 become due and payable had such ~~property~~ land been
6 listed or such structure been listed and assessed.

7 Sec. 27. Section 443.13, Code 2003, is amended to
8 read as follows:

9 443.13 ACTION BY TREASURER -- APPORTIONMENT.

10 Upon failure to pay such sum within thirty days,
11 with all accrued interest, the treasurer shall cause
12 an action to be brought in the name of the treasurer
13 for the use of the proper county, to be prosecuted by
14 the county attorney, or such other person as the board
15 of supervisors may appoint, and when such ~~property~~
16 land has been fraudulently withheld from listing or
17 such structure fraudulently withheld from listing and
18 assessment, there shall be added to the sum found to
19 be due a penalty of fifty percent upon the amount,
20 which shall be included in the judgment. The amount
21 thus recovered shall be by the treasurer apportioned
22 ratably as the taxes would have been if they had been
23 paid according to law.

24 Sec. 28. Section 443.14, Code 2003, is amended to
25 read as follows:

26 443.14 DUTY OF TREASURER.

27 The treasurer shall assess any ~~real property~~
28 structure and shall list the acreage of any land
29 subject to taxation which may have been omitted by the
30 assessor, board of review, or county auditor, and
31 collect taxes thereon, and in such cases shall note,
32 opposite the tract or lot assessed, the words "by
33 treasurer".

34 Sec. 29. Section 443.15, Code 2003, is amended to
35 read as follows:

36 443.15 TIME LIMIT.

37 The assessment shall be made within two years after
38 the tax list shall have been delivered to the
39 treasurer for collection, and not afterwards, if the
40 ~~property~~ land or structure is then owned by the person
41 who should have paid the tax.

42 Sec. 30. Section 443.17, Code 2003, is amended to
43 read as follows:

44 443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

45 In any action or proceeding, now pending or
46 hereafter brought, to recover taxes upon ~~property~~ land
47 not listed or agricultural land or a structure not
48 listed and assessed for taxation during the lifetime
49 of any decedent, it shall be presumed that any
50 property, any evidence of ownership of property, and

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1 any evidence of a promise to pay, owned by a decedent
2 at the date of the decedent's death, had been acquired
3 and owned by such decedent more than two years before
4 the date of the decedent's death; and the burden of
5 proving that any such property had been acquired by
6 such decedent less than two years before the date of
7 the decedent's death shall be upon the heirs,
8 legatees, and legal representatives of any such
9 decedent.

10 Sec. 31. Section 443.18, Code 2003, is amended to
11 read as follows:

12 443.18 REAL ESTATE -- DUTY OF OWNER.

13 In all cases where ~~real-estate~~ land subject to
14 taxation has not been listed or agricultural land or a
15 structure subject to taxation has not been listed and
16 assessed, the owner, or an agent of the owner, shall
17 have the same done by the treasurer, and pay the taxes
18 thereon; and if the owner fails to do so the treasurer
19 shall list or list and assess the same and collect the
20 tax assessed as the treasurer does other taxes.

21 Sec. 32. Section 443.19, Code 2003, is amended to
22 read as follows:

23 443.19 IRREGULARITIES, ERRORS AND OMISSIONS --
24 EFFECT.

25 ~~No~~ A failure of the owner to have such ~~property~~
26 land listed or agricultural land or structure listed
27 and assessed or to have the errors in the listing or
28 assessment corrected, and ~~no~~ an irregularity, error or
29 omission in the listing of such land or listing and
30 assessment of such ~~property~~ agricultural land or
31 structure, shall not affect in any manner the legality
32 of the taxes levied thereon, or affect any right or
33 title to such ~~real-estate~~ property which would have
34 accrued to any party claiming or holding under and by
35 virtue of a deed executed by the treasurer as provided
36 by this title, had the listing and assessment of such
37 property been in all respects regular and valid.

38 Sec. 33. Section 443.21, Code 2003, is amended to
39 read as follows:

40 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

41 All assessors and assessing bodies, including the
42 department of revenue and finance having authority
43 over the listing of land or listing and assessment of
44 ~~property~~ agricultural land and structures for tax
45 purposes shall certify to the county auditor of each
46 county the number of acres of land and the assessed
47 values of agricultural land and structures for all the
48 taxable property in such county as finally equalized
49 ~~and~~ determined, and the same shall be transcribed onto
50 the tax lists as required by section 443.2.

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1 Sec. 34. Section 443.22, Code 2003, is amended to
2 read as follows:

3 443.22 UNIFORM ASSESSMENTS MANDATORY.

4 All assessors and assessing bodies, including the
5 department of revenue and finance having authority
6 over the listing of land and listing and assessment of
7 property agricultural land and structures for tax
8 purposes, shall comply with sections 428.4, 428.29,
9 434.15, 438.13, 441.21, and 441.45. The department of
10 revenue and finance, having authority over the listing
11 and assessments, shall exercise its powers and perform
12 its duties under section 421.17 and other applicable
13 laws so as to require the uniform and consistent
14 application of ~~said~~ that section.

15 Sec. 35. NEW SECTION. 443A.1 LAND TAX.

16 Effective for the fiscal year beginning July 1,
17 2007, and all subsequent fiscal years, a land tax
18 shall be imposed against each acre or portion of an
19 acre of land in a county.

20 Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF
21 LAND TAX.

22 1. The land tax for each county shall be
23 apportioned as follows:

24 In the unincorporated area of the county, the land
25 tax shall be distributed to the county, the school
26 district located in the unincorporated area of the
27 county, and other taxing entities located in the
28 unincorporated area of the county in the same
29 proportion that property taxes levied in the
30 unincorporated area of the county for the fiscal year
31 beginning July 1, 2006, were allocated to those
32 entities.

33 In the incorporated areas of the county, the land
34 tax shall be distributed to the city, the county, each
35 school district located within the city, and other
36 taxing entities located within the city in the same
37 proportion that property taxes levied in the city for
38 the fiscal year beginning July 1, 2006, were allocated
39 to those entities.

40 2. The city finance committee and the county
41 finance committee shall jointly determine the
42 adjustments to be made to the allocation of the land
43 tax in the case of boundary adjustments made to a
44 taxing district on or after January 1, 2006.

45 3. After the auditor has computed the amount of
46 land tax to be distributed to each taxing district,
47 the auditor shall compute the rate of tax to be levied
48 upon the square footage valuation of structures
49 pursuant to chapter 444.

50 Sec. 37. Section 444.1, Code 2003, is amended to

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1 read as follows:

2 444.1 BASIS FOR AMOUNT OF TAX.

3 In all taxing districts in the state, including
4 townships, school districts, cities and counties, when
5 by law then existing the people are authorized to
6 determine by vote, or officers are authorized to
7 estimate or determine, a rate of taxation required for
8 any public purpose, such rate shall in all cases be
9 estimated and based upon the amount of land tax
10 available to the district and the adjusted taxable
11 square footage valuation of such taxing district for
12 the preceding calendar year.

13 Sec. 38. Section 444.2, Code 2003, is amended to
14 read as follows:

15 444.2 AMOUNTS CERTIFIED IN DOLLARS.

16 When an authorized square footage tax rate within a
17 taxing district, including townships, school
18 districts, cities and counties, has been thus
19 determined as provided by law, the officer or officers
20 charged with the duty of certifying the authorized
21 rate to the county auditor or board of supervisors
22 shall, before certifying the rate, compute upon the
23 adjusted taxable square footage valuation of the
24 taxing district for the preceding fiscal year, the
25 amount of tax the rate will raise, stated in dollars,
26 and shall certify the computed amount in dollars and
27 not by rate, to the county auditor and board of
28 supervisors and shall further certify the percentage
29 of such amount to be levied against each class of
30 property.

31 Sec. 39. Section 444.3, Code 2003, is amended to
32 read as follows:

33 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

34 When the square footage valuations for the several
35 taxing districts shall have been adjusted by the
36 several boards for the current year, and the amount of
37 land tax to be distributed to each taxing district has
38 been deducted from the dollar amounts certified in
39 section 444.2 for each taxing district, the county
40 auditor shall thereupon apply such a rate, ~~not~~
41 ~~exceeding the rate authorized by law, or rates as will~~
42 raise the amount required for such taxing district,
43 and when combined with the land tax amount will raise
44 an amount not exceeding the dollar amount authorized
45 by law for the taxing district, and ~~ne~~ will not raise
46 a larger amount. For purposes of computing the square
47 footage rate under this section, the adjusted taxable
48 square footage valuation of the property of a taxing
49 district does not include the valuation of property of
50 a railway corporation or its trustee which corporation

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1 has been declared bankrupt or is in bankruptcy
2 proceedings. Nothing in the preceding sentence
3 exempts the property of such railway corporation or
4 its trustee from taxation and the rate computed under
5 this section shall be levied on the taxable property
6 of such railway corporation or its trustee.

7 The square footage tax rate shall be expressed in
8 dollars and cents per one hundred dollars of valuation
9 per square foot.

10 Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

11 The amount of tax imposed on any taxable property
12 is the sum of the amounts computed in subsections 1
13 and 2.

14 1. LAND TAX. The product of the land tax rate
15 times the number of acres or portion of an acre of the
16 taxable property.

17 2. SQUARE FOOTAGE TAX. The product of the square
18 footage tax rate times the valuation per square foot
19 of the taxable structure times the number of square
20 feet of the taxable structure. The square footage tax
21 shall be computed separately for each structure
22 located on the land.

23 Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

24 1. On or before July 1, 2003, the department of
25 revenue and finance, in consultation with the
26 department of management, shall initiate and
27 coordinate the establishment of a property tax
28 implementation committee and provide staffing
29 assistance to the committee. The property tax
30 implementation committee shall include four members of
31 the general assembly, one each appointed by the
32 majority leader of the senate, the speaker of the
33 house of representatives, the minority leader of the
34 senate, and the minority leader of the house of
35 representatives. The committee shall also include
36 members appointed by the department of revenue and
37 finance representing the department of revenue and
38 finance, the department of management, counties,
39 cities, school districts, local assessors, commercial
40 property taxpayers, residential property taxpayers,
41 and agricultural property taxpayers, and other
42 appropriate stakeholders. The department may consider
43 participation on the committee of former state
44 officials with expertise in budget and tax policy.
45 The chairpersons of the committee shall be those
46 members of the general assembly appointed by the
47 majority leader of the senate and the speaker of the
48 house of representatives.

49 2. The committee shall study and make
50 recommendations relating to the land tax, square

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1 footage tax, the baseline assessment for the square
2 footage tax, and other related provisions. The
3 committee shall also study and make recommendations on
4 issues relating to implementation of a land tax and
5 square footage tax, including, but not limited to,
6 whether or not maximum square footage rates and land
7 tax rates should be imposed and, if such rates are
8 recommended, the imposition of rates that have a
9 revenue neutral impact on classes of property, the
10 property tax financing portion of the school funding
11 formula, treatment of current property tax credits and
12 exemptions under a land tax and square footage tax and
13 continued state reimbursement of any credits or
14 exemptions, implementation of urban revitalization and
15 urban renewal programs under the land tax and square
16 footage tax, implementation of a payment in lieu of
17 taxes program for local government services, and
18 maintenance of equity among classes of taxpayers and
19 among taxpayers within the same class. The property
20 tax implementation committee shall also study the role
21 of property taxes in funding local government services
22 and the types of services currently funded by property
23 taxes.

24 3. The property tax implementation committee shall
25 direct three counties and cities within those counties
26 to submit data as prescribed by the committee. The
27 department of revenue and finance, in consultation
28 with the department of management, shall select the
29 three counties and the cities within those counties
30 that will be required to provide data to the
31 committee. The committee shall devise a system for
32 testing the data, including the necessary computer
33 hardware and software to allow the selected counties
34 and cities to prepare projected budgets, to determine
35 the rates for the land tax and the square footage tax
36 for those projected budgets, and to provide a sampling
37 of the effect on the various classes of property in
38 those jurisdictions. The committee shall use the data
39 and the results of the projections to resolve, and
40 make recommendations relating to, the issues described
41 in subsection 2, and related issues, in a revenue
42 neutral manner that will not result in a shift of
43 property tax burden between classes of property. The
44 committee shall submit to the general assembly by
45 October 31, 2003, October 31, 2004, and October 31,
46 2005, a report for each of those years resolving the
47 issues in subsection 2 and other related issues for
48 implementation of this Act. The reports shall include
49 detailed estimates of the cost to the counties and
50 cities of providing the data and an estimate of the

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1 cost of statewide implementation of this Act.
 2 Sec. 42. EFFECTIVE AND APPLICABILITY DATES.
 3 1. The section of this division of this Act
 4 establishing the property tax implementation
 5 committee, being deemed of immediate importance, takes
 6 effect upon enactment.

7 2. The remainder of this division of this Act
 8 takes effect July 1, 2005, and applies to assessment
 9 years beginning on or after January 1, 2006, and
 10 applies to tax collections for fiscal years beginning
 11 on or after July 1, 2007.

12 Sec. 43. FUTURE REPEAL. This division of this Act
 13 is repealed effective June 30, 2005.

DIVISION II

15 INDIVIDUAL INCOME TAX
 16 2004-2006 TAX YEARS

17 Sec. 44. Section 422.5, subsection 1, paragraphs a
 18 through i, Code 2003, are amended to read as follows:

19 For tax years beginning
 20 in the calendar year:
 21 2004 2005 2006

22 a. On all taxable income from
 23 zero through one thousand dollars,
 24 ~~thirty-six hundredths of one~~
 25 ~~percent.~~:35% .34% .33%

26 b. On all taxable income exceeding
 27 one thousand dollars but not
 28 exceeding two thousand dollars,
 29 ~~seventy-two hundredths of one~~
 30 ~~percent.~~:71% .68% .65%

31 c. On all taxable income exceeding
 32 two thousand dollars but not
 33 exceeding four thousand dollars,
 34 ~~two and forty-three hundredths~~
 35 ~~percent.~~: 2.39% 2.30% 2.21%

36 d. On all taxable income exceeding
 37 four thousand dollars but not
 38 exceeding nine thousand dollars,
 39 ~~four and one-half percent.~~: 4.42% 4.25% 4.09%

40 e. On all taxable income exceeding
 41 nine thousand dollars but not
 42 exceeding fifteen thousand
 43 dollars, ~~six and twelve hundredths~~
 44 ~~percent.~~: 6.01% 5.78% 5.56%

45 f. On all taxable income exceeding
 46 fifteen thousand dollars but not
 47 exceeding twenty thousand
 48 dollars, ~~six and forty-eight hundredths~~
 49 ~~percent.~~: 6.36% 6.12% 5.88%

50 g. On all taxable income exceeding

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1 twenty thousand dollars but not
 2 exceeding thirty thousand
 3 dollars, ~~six and eight tenths~~
 4 percent.: 6.68% 6.42% 6.17%

5 h. On all taxable income exceeding
 6 thirty thousand dollars but not
 7 exceeding forty-five thousand
 8 dollars, ~~seven and ninety two hundredths~~
 9 percent.: 7.78% 7.48% 7.19%

10 i. On all taxable income exceeding
 11 forty-five thousand dollars, ~~eight~~
 12 ~~and ninety eight hundredths~~
 13 percent.: 8.82% 8.48% 8.15%

14 Sec. 45. EFFECTIVE AND APPLICABILITY DATE
 15 PROVISIONS. This division of this Act takes effect
 16 January 1, 2004, for tax years beginning on or after
 17 January 1, 2004, but before January 1, 2007.

DIVISION III

INDIVIDUAL INCOME TAX

2007 AND SUBSEQUENT TAX YEARS

21 Sec. 46. Section 422.5, subsection 1, paragraphs a
 22 through i, Code 2003, are amended to read as follows:

23 For tax years beginning
 24 in the calendar year:
 25 2007 and subsequent
 26 calendar years

27 a. On all taxable income from
 28 zero through one thousand dollars, ~~7~~
 29 ~~thirty six hundredths of one~~
 30 percent.:31%

31 b. On all taxable income exceeding
 32 one thousand dollars but not
 33 exceeding two thousand dollars, ~~7~~
 34 ~~seventy two hundredths of one~~
 35 percent.:61%

36 c. On all taxable income exceeding
 37 two thousand dollars but not
 38 exceeding four thousand dollars, ~~7~~
 39 ~~two and forty three hundredths~~
 40 percent.: 2.06%

41 d. On all taxable income exceeding
 42 four thousand dollars but not
 43 exceeding nine thousand dollars, ~~7~~
 44 ~~four and one half percent.~~: 3.81%

45 e. On all taxable income exceeding
 46 nine thousand dollars but not
 47 exceeding fifteen thousand
 48 dollars, ~~six and twelve hundredths~~
 49 percent.: 5.19%

50 f. On all taxable income exceeding

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1 fifteen thousand dollars but not
 2 exceeding twenty thousand
 3 dollars, ~~six and forty-eight hundredths~~
 4 percent.: 5.49%

5 g. On all taxable income exceeding
 6 twenty thousand dollars but not
 7 exceeding thirty thousand
 8 dollars, ~~six and eight tenths~~
 9 percent.: 5.76%

10 h. On all taxable income exceeding
 11 thirty thousand dollars but not
 12 exceeding forty-five thousand
 13 dollars, ~~seven and ninety-two hundredths~~
 14 percent.: 6.71%

15 i. On all taxable income exceeding
 16 forty-five thousand dollars, ~~eight~~
 17 ~~and ninety-eight hundredths~~
 18 percent.: 7.61%

19 Sec. 47. EFFECTIVE AND APPLICABILITY DATE
 20 PROVISIONS. This division of this Act takes effect
 21 January 1, 2007, for tax years beginning on or after
 22 January 1, 2007.

23 DIVISION IV
 24 INDIVIDUAL INCOME TAX
 25 2007 AND SUBSEQUENT TAX YEARS

26 Sec. 48. Section 422.4, subsection 1, paragraphs b
 27 and c, Code 2003, are amended to read as follows:

28 b. "Cumulative inflation factor" means the product
 29 of the annual inflation factor for the ~~1988~~ 2007
 30 calendar year and all annual inflation factors for
 31 subsequent calendar years as determined pursuant to
 32 this subsection. The cumulative inflation factor
 33 applies to all tax years beginning on or after January
 34 1 of the calendar year for which the latest annual
 35 inflation factor has been determined.

36 c. The annual inflation factor for the ~~1988~~ 2007
 37 calendar year is one hundred percent.

38 Sec. 49. Section 422.4, subsection 2, paragraph b,
 39 Code 2003, is amended to read as follows:

40 b. "Cumulative standard deduction factor" means
 41 the product of the annual standard deduction factor
 42 for the ~~1989~~ 2007 calendar year and all annual
 43 standard deduction factors for subsequent calendar
 44 years as determined pursuant to this subsection. The
 45 cumulative standard deduction factor applies to all
 46 tax years beginning on or after January 1 of the
 47 calendar year for which the latest annual standard
 48 deduction factor has been determined.

49 Sec. 50. Section 422.4, subsection 16, Code 2003,
 50 is amended to read as follows:

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1 16. ~~The words "taxable~~ "Taxable income" mean means
2 the net income as defined in section 422.7 minus the
3 deductions allowed by section 422.9, in the case of
4 individuals; ~~in.~~ In the case of estates or trusts,
5 ~~the words "taxable income" mean means~~ the taxable
6 income, ~~—(without a deduction for personal exemption),~~
7 as computed for federal income tax purposes under the
8 Internal Revenue Code, but with the adjustments
9 specified in section 422.7 ~~plus the Iowa income tax~~
10 ~~deducted in computing the federal taxable income and~~
11 ~~minus federal income taxes as provided in section~~
12 ~~422.9.~~

13 Sec. 51. Section 422.5, subsection 1, Code 2003,
14 as amended by 2003 Iowa Acts, Senate File 442, section
15 4, is amended by striking the subsection and inserting
16 in lieu thereof the following:

17 1. a. A tax is imposed upon every resident and
18 nonresident of the state which tax shall be levied,
19 collected, and paid annually upon and with respect to
20 the entire taxable income at rates as follows:

21 (1) On all taxable income from zero through eight
22 thousand dollars, two and five hundredths percent.

23 (2) On all taxable income exceeding eight thousand
24 dollars but not exceeding one hundred thousand
25 dollars, four and sixty-five hundredths percent.

26 (3) On all taxable income exceeding one hundred
27 thousand dollars, four and nine-tenths percent.

28 b. (1) The tax imposed upon the taxable income of
29 a nonresident shall be computed by reducing the amount
30 determined pursuant to paragraph "a" by the amounts of
31 nonrefundable credits under this division and by
32 multiplying this resulting amount by a fraction of
33 which the nonresident's net income allocated to Iowa,
34 as determined in section 422.8, subsection 2,
35 paragraph "a", is the numerator and the nonresident's
36 total net income computed under section 422.7 is the
37 denominator. This provision also applies to
38 individuals who are residents of Iowa for less than
39 the entire tax year.

40 (2) The tax imposed upon the taxable income of a
41 resident shareholder in an S corporation which has in
42 effect for the tax year an election under subchapter S
43 of the Internal Revenue Code and carries on business
44 within and without the state may be computed by
45 reducing the amount determined pursuant to paragraph
46 "a" by the amounts of nonrefundable credits under this
47 division and by multiplying this resulting amount by a
48 fraction of which the resident's net income allocated
49 to Iowa, as determined in section 422.8, subsection 2,
50 paragraph "b", is the numerator and the resident's

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1 total net income computed under section 422.7 is the
2 denominator. If a resident shareholder has elected to
3 take advantage of this subparagraph, and for the next
4 tax year elects not to take advantage of this
5 subparagraph, the resident shareholder shall not
6 reelect to take advantage of this subparagraph for the
7 three tax years immediately following the first tax
8 year for which the shareholder elected not to take
9 advantage of this subparagraph, unless the director
10 consents to the reelection. This subparagraph also
11 applies to individuals who are residents of Iowa for
12 less than the entire tax year.

13 Sec. 52. Section 422.5, subsection 2, Code 2003,
14 is amended by striking the subsection and inserting in
15 lieu thereof the following:

16 2. a. However, if the married persons' filing
17 jointly or separately on a combined return, unmarried
18 head of household's, or surviving spouse's net income
19 exceeds thirteen thousand five hundred dollars or nine
20 thousand dollars in the case of all other persons, the
21 regular tax imposed under this division shall be the
22 lesser of the product of eight percent times the
23 portion of the net income in excess of thirteen
24 thousand five hundred dollars or nine thousand
25 dollars, as applicable, or the regular tax liability
26 computed without regard to this paragraph.

27 b. Paragraph "a" does not apply to estates and
28 trusts. Married taxpayers electing to file separately
29 shall compute the alternate tax described in paragraph
30 "a" using the total net income of the husband and
31 wife. The alternate tax described in paragraph "a"
32 does not apply if one spouse elects to carry back or
33 carry forward the loss as provided in section 422.9,
34 subsection 3. A person who is claimed as a dependent
35 by another person as defined in section 422.12 shall
36 not receive the benefit of paragraph "a" if the person
37 claiming the dependent has net income exceeding
38 thirteen thousand five hundred dollars or nine
39 thousand dollars as applicable or the person claiming
40 the dependent and the person's spouse have combined
41 net income exceeding thirteen thousand five hundred
42 dollars or nine thousand dollars as applicable.

43 Sec. 53. Section 422.5, subsection 5, Code 2003,
44 is amended to read as follows:

45 5. Upon determination of the latest cumulative
46 inflation factor, the director shall multiply each
47 dollar amount set forth in subsection 1, ~~paragraphs~~
48 ~~"a" through "i" of this section~~ paragraph "a", by this
49 cumulative inflation factor, shall round off the
50 resulting product to the nearest one dollar, and shall

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1 incorporate the result into the income tax forms and
2 instructions for each tax year.

3 Sec. 54. Section 422.5, subsection 7, Code 2003,
4 is amended by striking the subsection.

5 Sec. 55. Section 422.7, Code 2003, as amended by
6 2003 Iowa Acts, Senate File 442, section 5, and House
7 File 674, sections 5 and 6, is amended by striking the
8 section and inserting in lieu thereof the following:

9 422.7 "NET INCOME" -- HOW COMPUTED.

10 The term "net income" means the adjusted gross
11 income before the net operating loss deduction as
12 properly computed for federal income tax purposes
13 under the Internal Revenue Code, with the following
14 adjustments:

15 1. The adjusted gross income is adjusted by adding
16 the sum of the following:

17 a. Add the amount of federal income tax refunds
18 received in a tax year beginning on or after January
19 1, 2007, but before January 1, 2010, to the extent
20 that the federal income tax was deducted on an Iowa
21 individual income tax return for a tax year beginning
22 prior to January 1, 2007.

23 b. Add interest and dividends from foreign
24 securities and from securities of state and other
25 political subdivisions exempt from federal income tax
26 under the Internal Revenue Code.

27 c. Add interest and dividends from regulated
28 investment companies exempt from federal income tax
29 under the Internal Revenue Code.

30 d. Add, to the extent not already included, income
31 from the sale of obligations of the state and its
32 political subdivisions. Income from the sale of these
33 obligations is exempt from the taxes imposed by this
34 division only if the law authorizing these obligations
35 specifically exempts the income from the sale from the
36 state individual income tax.

37 e. Add the amount resulting from the cancellation
38 of a participation agreement refunded to the taxpayer
39 as a participant in the Iowa educational savings plan
40 trust under chapter 12D to the extent previously
41 deducted as a contribution to the trust.

42 2. The adjusted gross income is adjusted by
43 subtracting the sum of the following:

44 a. Subtract the amount of federal income taxes
45 paid or accrued, as the case may be, in a tax year
46 beginning on or after January 1, 2007, but before
47 January 1, 2010, to the extent the federal tax payment
48 is for a tax year beginning prior to January 1, 2007.

49 b. Subtract interest and dividends from federal
50 securities.

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1 c. Subtract the loss on the sale or exchange of a
2 share of a regulated investment company held for six
3 months or less to the extent the loss was disallowed
4 under section 852(b)(4)(B) of the Internal Revenue
5 Code.

6 d. (1) Subtract, to the extent included, the
7 amount of additional social security benefits taxable
8 under the Internal Revenue Code for tax years
9 beginning on or after January 1, 1994. The amount of
10 social security benefits taxable as provided in
11 section 86 of the Internal Revenue Code, as amended up
12 to and including January 1, 1993, continues to apply
13 for state income tax purposes for tax years beginning
14 on or after January 1, 1994.

15 (2) Married taxpayers, who file a joint federal
16 income tax return and who elect to file separate
17 returns or who elect separate filing on a combined
18 return for state income tax purposes, shall allocate
19 between the spouses the amount of benefits subtracted
20 under subparagraph (1) from net income in the ratio of
21 the social security benefits received by each spouse
22 to the total of these benefits received by both
23 spouses.

24 e. (1) For a person who is disabled, or is fifty-
25 five years of age or older, or is the surviving spouse
26 of an individual or a survivor having an insurable
27 interest in an individual who would have qualified for
28 the exemption under this paragraph for the tax year,
29 subtract, to the extent included, the total amount of
30 a governmental or other pension or retirement pay,
31 including, but not limited to, defined benefit or
32 defined contribution plans, annuities, individual
33 retirement accounts, plans maintained or contributed
34 to by an employer, or maintained or contributed to by
35 a self-employed person as an employer, and deferred
36 compensation plans or any earnings attributable to the
37 deferred compensation plans, up to a maximum of six
38 thousand dollars for a person, other than a husband or
39 wife, who files a separate state income tax return and
40 up to a maximum of twelve thousand dollars for a
41 husband and wife who file a joint state income tax
42 return.

43 (2) However, a surviving spouse who is not
44 disabled or fifty-five years of age or older can only
45 exclude the amount of pension or retirement pay
46 received as a result of the death of the other spouse.
47 A husband and wife filing separate state income tax
48 returns or separately on a combined return are allowed
49 a combined maximum exclusion under this paragraph "e"
50 of up to the amount allowed for a husband and wife who

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1 file a joint state income tax return. The exclusion
2 shall be allocated to the husband or wife in the
3 proportion that each spouse's respective pension and
4 retirement pay received bears to total combined
5 pension and retirement pay received.

6 f. Notwithstanding the method for computing income
7 from an installment sale under section 453 of the
8 Internal Revenue Code, as defined in section 422.3,
9 the method to be used in computing income from an
10 installment sale shall be the method under section 453
11 of the Internal Revenue Code, as amended up to and
12 including January 1, 2000. A taxpayer affected by
13 this paragraph shall make adjustments in the adjusted
14 gross income pursuant to rules adopted by the
15 director.

16 The adjustment to net income provided in this
17 paragraph "f" is repealed for tax years beginning on
18 or after January 1, 2002. However, to the extent that
19 a taxpayer using the accrual method of accounting
20 reported the entire capital gain from the sale or
21 exchange of property on the Iowa return for the tax
22 year beginning in the 2001 calendar year and the
23 capital gain was reported on the installment method on
24 the federal income tax return, any additional
25 installment from the capital gain reported for federal
26 income tax purposes is not to be included in net
27 income in tax years beginning on or after January 1,
28 2002.

29 g. Subtract, if the taxpayer is the owner of an
30 individual development account certified under chapter
31 541A at any time during the tax year, all of the
32 following:

33 (1) Contributions made to the account by persons
34 and entities, other than the taxpayer, as authorized
35 in chapter 541A.

36 (2) The amount of any savings refund authorized
37 under section 541A.3, subsection 1.

38 (3) Earnings from the account.

39 h. (1) Subtract the maximum contribution that may
40 be deducted for income tax purposes as a participant
41 in the Iowa educational savings plan trust pursuant to
42 section 12D.3, subsection 1, paragraph "a".

43 (2) Subtract, to the extent included, income from
44 interest and earnings received from the Iowa
45 educational savings plan trust created in chapter 12D.

46 (3) Subtract, to the extent not deducted for
47 federal income tax purposes, the amount of any gift,
48 grant, or donation made to the Iowa educational
49 savings plan trust for deposit in the endowment fund
50 of that trust.

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1 i. Subtract, to the extent included, active duty
2 pay received by a person in the national guard or
3 armed forces military reserve for services performed
4 on or after August 2, 1990, pursuant to military
5 orders related to the Persian Gulf Conflict.

6 j. Subtract, to the extent included, active duty
7 pay received by a person in the national guard or
8 armed forces military reserve for service performed on
9 or after November 21, 1995, pursuant to military
10 orders related to peacekeeping in Bosnia-Herzegovina.

11 k. Subtract, to the extent included, the
12 following:

13 (1) Payments made to the taxpayer because of the
14 taxpayer's status as a victim of persecution for
15 racial, ethnic, or religious reasons by Nazi Germany
16 or any other Axis regime or as an heir of such victim.

17 (2) Items of income attributable to, derived from,
18 or in any way related to assets stolen from, hidden
19 from, or otherwise lost to a victim of persecution for
20 racial, ethnic, or religious reasons by Nazi Germany
21 or any other Axis regime immediately prior to, during,
22 and immediately after World War II, including, but not
23 limited to, interest on the proceeds receivable as
24 insurance under policies issued to a victim of
25 persecution for racial, ethnic, or religious reasons
26 by Nazi Germany or any other Axis regime by European
27 insurance companies immediately prior to and during
28 World War II. However, income from assets acquired
29 with such assets or with the proceeds from the sale of
30 such assets shall not be subtracted. This

31 subparagraph shall only apply to a taxpayer who was
32 the first recipient of such assets after recovery of
33 the assets and who is a victim of persecution for
34 racial, ethnic, or religious reasons by Nazi Germany
35 or any other Axis regime or is an heir of such victim.

36 l. Subtract, to the extent included, active duty
37 pay received by a person in the national guard or
38 armed forces military reserve for service performed on
39 or after January 1, 2003, pursuant to military orders
40 related to Operation Iraqi Freedom, Operation Noble
41 Eagle, and Operation Enduring Freedom.

42 m. Subtract, not to exceed one thousand five
43 hundred dollars, the overnight transportation, meals,
44 and lodging expenses, to the extent not reimbursed,
45 incurred by the taxpayer for travel away from home of
46 more than one hundred miles for the performance of
47 services by the taxpayer as a member of the national
48 guard or armed forces military reserve.

49 n. Subtract, to the extent included, military
50 student loan repayments received by the taxpayer

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1 serving on active duty in the national guard or armed
2 forces military reserve or on active duty status in
3 the armed forces.

4 o. Subtract, to the extent not otherwise excluded,
5 the amount of the death gratuity payable under 10
6 U.S.C. § 1475-1491 for deaths occurring after
7 September 10, 2001.

8 3. a. In determining the amount of federal income
9 tax refunds or taxes paid or accrued under subsection
10 1 or 2, for tax years beginning in the 2001 calendar
11 year, the amount shall not be adjusted by the amount
12 received during the tax year of the advanced refund of
13 the rate reduction tax credit provided pursuant to the
14 federal Economic Growth and Tax Relief Reconciliation
15 Act of 2001, Pub. L. No. 107-16, and the advanced
16 refund of such credit shall not be subject to taxation
17 under this division.

18 b. In determining the amount of federal income tax
19 refunds or taxes paid or accrued under subsection 1 or
20 2, for tax years beginning in the 2002 calendar year,
21 the amount shall not be adjusted by the amount of the
22 rate reduction credit received during the tax year to
23 the extent that the credit is attributable to the rate
24 reduction credit provided pursuant to the federal
25 Economic Growth and Tax Relief Reconciliation Act of
26 2001, Pub. L. No. 107-16, and the amount of such
27 credit shall not be taxable under this division.

28 4. The additional first-year depreciation allowance
29 authorized in section 168(k) of the Internal Revenue
30 Code, as enacted by Pub. L. No. 107-147, section 101,
31 does not apply in computing net income for state tax
32 purposes. If the taxpayer has taken such deduction in
33 computing federal adjusted gross income, the following
34 adjustments shall be made:

35 a. Add the total amount of depreciation taken on
36 all property for which the election under section
37 168(k) of the Internal Revenue Code was made for the
38 tax year.

39 b. Subtract an amount equal to depreciation taken
40 on such property for the tax year using the modified
41 accelerated cost recovery system depreciation method
42 applicable under section 168 of the Internal Revenue
43 Code without regard to section 168(k).

44 c. Any other adjustments to gains or losses to
45 reflect the adjustments made in paragraphs "a" and "b"
46 pursuant to rules adopted by the director.

47 Sec. 56. Section 422.8, subsection 2, paragraph a,
48 Code 2003, is amended to read as follows:

49 a. Nonresident's net income allocated to Iowa is
50 the net income, or portion of net income, which is

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1 derived from a business, trade, profession, or
2 occupation carried on within this state or income from
3 any property, trust, estate, or other source within
4 Iowa. However, income derived from a business, trade,
5 profession, or occupation carried on within this state
6 and income from any property, trust, estate, or other
7 source within Iowa shall not include distributions
8 from pensions, including defined benefit or defined
9 contribution plans, annuities, individual retirement
10 accounts, and deferred compensation plans or any
11 earnings attributable thereto so long as the
12 distribution is directly related to an individual's
13 documented retirement and received while the
14 individual is a nonresident of this state. If a
15 business, trade, profession, or occupation is carried
16 on partly within and partly without the state, only
17 the portion of the net income which is fairly and
18 equitably attributable to that part of the business,
19 trade, profession, or occupation carried on within the
20 state is allocated to Iowa for purposes of section
21 422.5, subsection 1, paragraph ~~"j"~~ "b", and section
22 422.13 and income from any property, trust, estate, or
23 other source partly within and partly without the
24 state is allocated to Iowa in the same manner, except
25 that annuities, interest on bank deposits and
26 interest-bearing obligations, and dividends are
27 allocated to Iowa only to the extent to which they are
28 derived from a business, trade, profession, or
29 occupation carried on within the state.

30 Sec. 57. Section 422.8, subsection 4, Code 2003,
31 is amended by striking the subsection.

32 Sec. 58. Section 422.9, subsection 1, Code 2003,
33 is amended to read as follows:

34 1. An optional standard deduction, ~~after deduction~~
35 ~~of federal income tax~~, equal to one thousand two
36 hundred thirty dollars for a married person who files
37 separately or a single person or equal to three
38 thousand thirty dollars for a husband and wife who
39 file a joint return, a surviving spouse, or an
40 unmarried head of household. ~~The optional standard~~
41 ~~deduction shall not exceed the amount remaining after~~
42 ~~deduction of the federal income tax.~~

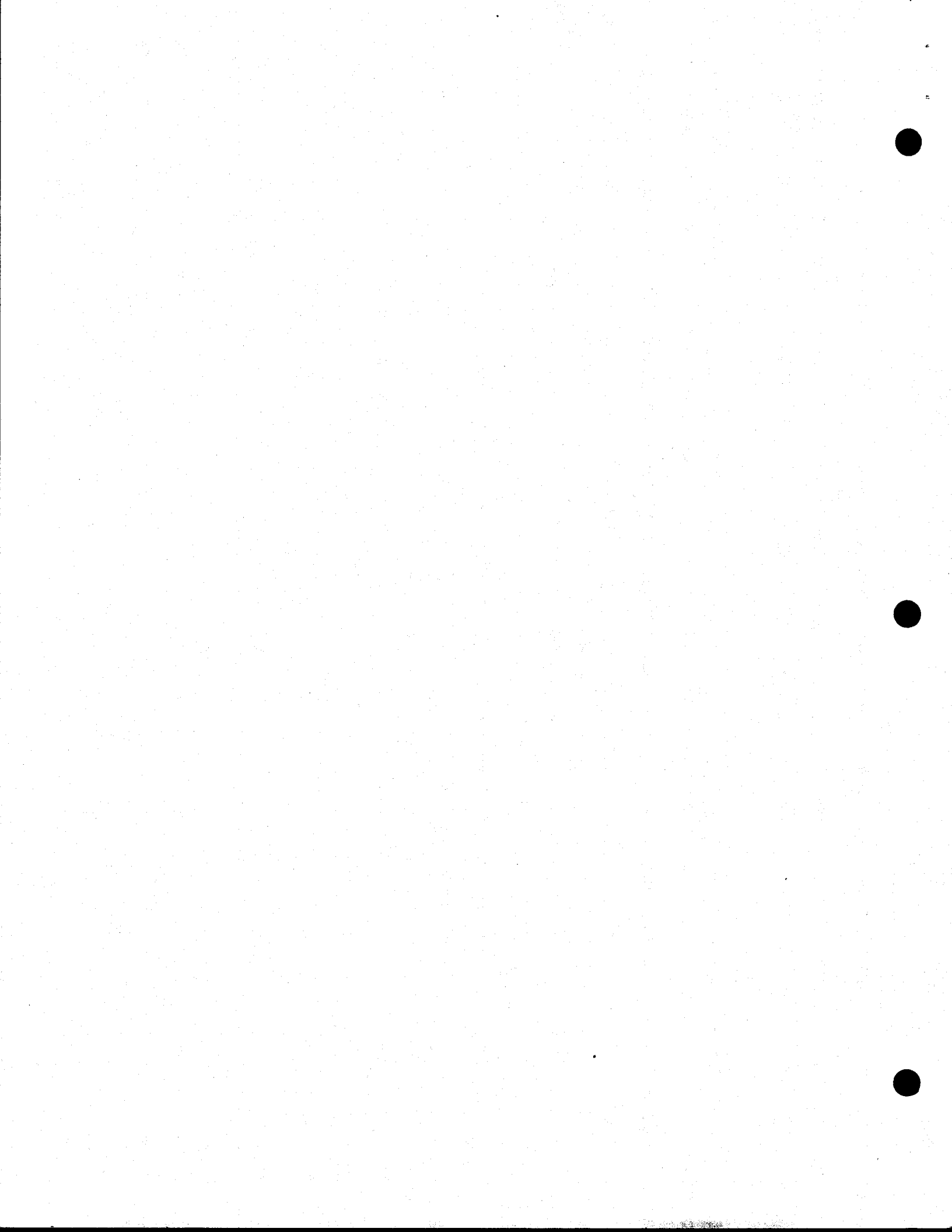
43 Sec. 59. Section 422.9, subsection 2, paragraph b,
44 Code 2003, is amended by striking the paragraph.

45 Sec. 60. Section 422.9, subsections 6 and 7, Code
46 2003, are amended by striking the subsections.

47 Sec. 61. Section 422.11B, subsection 1, Code 2003,
48 is amended to read as follows:

49 1. There is allowed as a credit against the tax
50 determined in section 422.5, subsection 1, paragraphs

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1 "a" through "j" for a tax year an amount equal to the
2 minimum tax credit for that tax year.

3 The minimum tax credit for a tax year is the
4 excess, if any, of the adjusted net minimum tax
5 imposed for all prior tax years beginning on or after
6 January 1, 1987, but before January 1, 2007, over the
7 amount allowable as a credit under this section for
8 those prior tax years.

9 If a minimum tax credit is available to a tax
10 period beginning on or after January 1, 2007, the
11 credit can be carried over to tax years beginning on
12 or after January 1, 2007, but before January 1, 2010.
13 The minimum tax credit is limited to the tax
14 determined in section 422.5, subsection 1, paragraphs
15 "a" and "b".

16 Sec. 62. Section 422.13, subsection 1, paragraph
17 c, and subsection 1A, Code 2003, are amended to read
18 as follows:

19 c. However, if that part of the net income of a
20 nonresident which is allocated to Iowa pursuant to
21 section 422.8, subsection 2, is less than one thousand
22 dollars the nonresident is not required to make and
23 sign a return ~~except when the nonresident is subject~~
24 ~~to the state alternative minimum tax imposed pursuant~~
25 ~~to section 422.5, subsection 1, paragraph "k".~~

26 1A. Notwithstanding any other provision in this
27 section, a resident of this state is not required to
28 make and file a return if the person's net income is
29 equal to or less than the appropriate dollar amount
30 listed in section 422.5, subsection 2, upon which tax
31 is not imposed. A nonresident of this state is not
32 required to make and file a return if the person's
33 total net income in section 422.5, subsection 1,
34 paragraph ~~"j"~~, "b", is equal to or less than the
35 appropriate dollar amount provided in section 422.5,
36 subsection 2, upon which tax is not imposed. For
37 purposes of this subsection, the amount of a lump sum
38 distribution subject to separate federal tax shall be
39 included in net income for purposes of determining if
40 a resident is required to file a return and the
41 portion of the lump sum distribution that is allocable
42 to Iowa is included in total net income for purposes
43 of determining if a nonresident is required to make
44 and file a return.

45 Sec. 63. Section 422.21, unnumbered paragraph 5,
46 Code 2003, is amended to read as follows:

47 The director shall determine for the ~~1989~~ 2008 and
48 each subsequent calendar year the annual and
49 cumulative inflation factors for each calendar year to
50 be applied to tax years beginning on or after January

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1 1 of that calendar year. The director shall compute
2 the new dollar amounts as specified to be adjusted in
3 section 422.5 by the latest cumulative inflation
4 factor and round off the result to the nearest one
5 dollar. The annual and cumulative inflation factors
6 determined by the director are not rules as defined in
7 section 17A.2, subsection 11. The director shall
8 determine for the ~~1990~~ 2008 calendar year and each
9 subsequent calendar year the annual and cumulative
10 standard deduction factors to be applied to tax years
11 beginning on or after January 1 of that calendar year.
12 The director shall compute the new dollar amounts of
13 the standard deductions specified in section 422.9,
14 subsection 1, by the latest cumulative standard
15 deduction factor and round off the result to the
16 nearest ten dollars. The annual and cumulative
17 standard deduction factors determined by the director
18 are not rules as defined in section 17A.2, subsection
19 11.

20 Sec. 64. Section 422.11B, Code 2003, is repealed.

21 COORDINATING AMENDMENTS

22 Sec. 65. Section 12D.9, subsection 2, Code 2003,
23 is amended to read as follows:

24 2. State income tax treatment of the Iowa
25 educational savings plan trust shall be as provided in
26 section 422.7, ~~subsections 32, 33, and 34~~ subsection
27 1, paragraph "e", and subsection 2, paragraph "h", and
28 section 422.35, subsection 14.

29 Sec. 66. Section 217.39, Code 2003, is amended to
30 read as follows:

31 217.39 PERSECUTED VICTIMS OF WORLD WAR II --
32 REPARATIONS -- HEIRS.

33 Notwithstanding any other law of this state,
34 payments paid to and income from lost property of a
35 victim of persecution for racial, ethnic, or religious
36 reasons by Nazi Germany or any other Axis regime or as
37 an heir of such victim which is exempt from state
38 income tax as provided in section 422.7, subsection ~~35~~
39 2, paragraph "k", shall not be considered as income or
40 an asset for determining the eligibility for state or
41 local government benefit or entitlement programs. The
42 proceeds are not subject to recoupment for the receipt
43 of governmental benefits or entitlements, and liens,
44 except liens for child support, are not enforceable
45 against these sums for any reason.

46 Sec. 67. Section 422.120, subsection 1, paragraph
47 b, subparagraph (3), Code 2003, is amended to read as
48 follows:

49 (3) The annual index factor for the 1997 calendar
50 year is one hundred percent. For ~~each subsequent~~ the

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1 1998 through 2006 calendar year years, the annual
2 index factor equals the annual inflation factor for
3 that calendar year as computed in section 422.4 for
4 purposes of the individual income tax. For the 2007
5 calendar year and each subsequent calendar year the
6 annual index factor shall be determined by the
7 department by October 15 of the calendar year
8 preceding the calendar year for which the factor is
9 determined, which reflects the purchasing power of the
10 dollar as a result of inflation during the fiscal year
11 ending in the calendar year preceding the calendar
12 year for which the factor is determined. In
13 determining the annual index factor, the department
14 shall use the annual percent change, but not less than
15 zero percent, in the gross domestic product price
16 deflator computed for the second quarter of the
17 calendar year by the bureau of economic analysis of
18 the United States department of commerce and shall add
19 all of that percent change to one hundred percent.
20 The annual index factor and the cumulative index
21 factor shall each be expressed as a percentage rounded
22 to the nearest one-tenth of one percent. The annual
23 index factor shall not be less than one hundred
24 percent.

25 Sec. 68. Section 425.23, subsection 4, paragraph
26 b, Code 2003, is amended to read as follows:

27 b. The annual adjustment factor for the 1998 base
28 year is one hundred percent. For ~~each subsequent the~~
29 1999 through 2006 base year years, the annual
30 adjustment factor equals the annual inflation factor
31 for the calendar year, in which the base year begins,
32 as computed in section 422.4 for purposes of the
33 individual income tax. For the 2007 base year and
34 each subsequent base year, the annual adjustment
35 factor equals the annual index factor, in which the
36 base year begins, as computed in section 422.120,
37 subsection 1, for purposes of the livestock production
38 tax credit.

39 Sec. 69. Section 450.4, subsection 8, Code 2003,
40 is amended to read as follows:

41 8. On the value of that portion of any lump sum or
42 installment payments which are received by a
43 beneficiary under an annuity which was purchased under
44 an employee's pension or retirement plan which was
45 excluded from net income ~~as set forth in~~ under section
46 ~~422.7, subsection 31.~~

47 Sec. 70. Section 541A.2, subsection 7, unnumbered
48 paragraph 1, Code 2003, is amended to read as follows:

49 An individual development account closed in
50 accordance with this subsection is not subject to the

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1 limitations and benefits provided by this chapter but
2 is subject to state tax in accordance with the
3 provisions of section 422.7, subsection ~~2~~ 2,
4 paragraph "g", and section 450.4, subsection 6. An
5 individual development account may be closed for any
6 of the following reasons:

7 Sec. 71. Section 541A.3, subsection 2, Code 2003,
8 is amended to read as follows:

9 2. Income earned by an individual development
10 account is not subject to state tax, in accordance
11 with the provisions of section 422.7, subsection ~~2~~ 2,
12 paragraph "g".

13 Sec. 72. Division III of this Act is repealed.
14 CONTINGENT EFFECTIVE AND APPLICABILITY DATE PROVISION

15 Sec. 73.

16 1. This division of this Act takes effect upon
17 ratification prior to January 1, 2007, of an amendment
18 to the Constitution of the State of Iowa requiring a
19 three-fifths majority vote of each house of the
20 general assembly in order to pass a bill that amends
21 the state individual income tax by raising the rate or
22 rates of the individual income tax or of an amendment
23 to the Constitution of the State of Iowa requiring a
24 statewide referendum in order to approve a bill that
25 amends the state individual income tax by raising the
26 rate or rates of the individual income tax.

27 2. If this division of this Act takes effect as
28 provided in subsection 1, this division of this Act,
29 except as provided in subsection 3, applies to tax
30 years beginning on or after January 1, 2007.

31 3. The section of this division of this Act
32 repealing section 422.11B applies to tax years
33 beginning on or after January 1, 2010.

34 DIVISION V

35 SALES AND USE TAX STUDIES

36 Sec. 74. INDUSTRIAL PROCESSING EXEMPTION STUDY
37 COMMITTEE. On or before July 1, 2003, the department
38 of revenue and finance shall initiate and coordinate
39 the establishment of an industrial processing
40 exemption study committee and provide staffing
41 assistance to the committee. It is the intent of the
42 general assembly that the committee shall include
43 representatives of the department of revenue and
44 finance, department of management, industrial
45 producers including manufacturers, fabricators,
46 printers and publishers, and an association that
47 specifically represents business tax issues, and other
48 stakeholders.

49 The industrial processing exemption under the sales
50 and use tax is a significant exemption for business.

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1 The committee shall study and make legislative and
2 administrative recommendations relating to Iowa's
3 processing exemption to ensure maximum utilization by
4 Iowa's industries.

5 The committee shall study and make recommendations
6 regarding all of the following:

7 1. The current sales and use tax industrial
8 processing exemption.

9 2. The corresponding administrative rules,
10 including a review and recommendation of an
11 administrative rules process relating to the
12 industrial processing exemption prior to filing with
13 the administrative rules review committee.

14 3. Other states' industrial processing exemptions.

15 4. Recommendations for change for issues including
16 effectiveness and competitiveness.

17 5. Development of additional publications to
18 improve compliance.

19 The committee shall annually report to the general
20 assembly by January 1 of each year through January 1,
21 2013.

22 Sec. 75. IOWA SALES, SERVICES, AND USE TAX STUDY
23 COMMITTEE. On or before July 1, 2003, the department
24 of revenue and finance shall initiate and coordinate
25 the establishment of a state sales, services, and use
26 tax study committee and provide staffing assistance to
27 the committee. It is the intent of the general
28 assembly that the committee shall include
29 representatives of the department of revenue and
30 finance, department of management, an association of
31 Iowa farmers and other agricultural interests, retail
32 associations, contractors, taxpayers, an association
33 that specifically represents business tax issues, and
34 other stakeholders, two members of the general
35 assembly, and a representative of the governor's
36 office.

37 The committee shall study the current sales,
38 services, and use tax law. Programs funded through
39 special features of the tax code often escape regular
40 review. It is intended that the study committee shall
41 review the current sales, services, and use tax
42 exemptions to improve government accountability.

43 The committee shall study and make recommendations
44 regarding all of the following:

45 1. Retaining or eliminating current sales,
46 services, and use tax exemptions or providing new
47 exemptions. Such decisions shall be based at least
48 partially on the issues of effectiveness and
49 competitiveness and their impact on economic behavior.

50 2. Tax simplification and consistency issues in

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1 applying the tax, including recordkeeping burdens on
2 retailers and application by the department of revenue
3 and finance.

4 3. Streamline sales tax implementation in Iowa.

5 4. The tax rate.

6 5. Comparison of Iowa sales, services, and use tax
7 structure with other states.

8 The committee shall report to the general assembly
9 by January 1, 2004. The report shall provide
10 rationale for each decision made by the study
11 committee.

12 Sec. 76. EFFECTIVE DATE. This division of this
13 Act, being deemed of immediate importance, takes
14 effect July 1, 2003.

DIVISION VI

GROW IOWA BOARD AND FUND

17 Sec. 77. Section 15.108, subsection 9, Code 2003,
18 is amended by adding the following new paragraph:

19 NEW PARAGRAPH. g. Administer the marketing
20 strategy selected pursuant to section 15G.108.

21 Sec. 78. NEW SECTION. 15G.101 DEFINITIONS.

22 As used in this chapter, unless the context
23 otherwise requires:

24 1. "Board" means the grow Iowa board established
25 in section 15G.102.

26 2. "Department" means the Iowa department of
27 economic development created in section 15.105.

28 3. "Director" means the director of the department
29 of economic development.

30 4. "Fund" means the grow Iowa fund created in
31 section 15G.107.

32 5. "Grow Iowa geographic regions" means the
33 geographic regions defined in section 15G.105.

34 Sec. 79. NEW SECTION. 15G.102 GROW IOWA BOARD.

35 1. The grow Iowa board is established consisting
36 of nine voting members. The grow Iowa board shall be
37 located for administrative purposes within the
38 department and the director shall provide office
39 space, staff assistance, and necessary supplies and
40 equipment for the board. The director shall budget
41 moneys to pay the compensation and expenses of the
42 board. In performing its functions, the board is
43 performing a public function on behalf of the state
44 and is a public instrumentality of the state.

45 2. a. The members of the board shall be appointed
46 as follows:

47 (1) Five individuals appointed by the governor,
48 subject to confirmation by the senate.

49 (2) Four individuals appointed by the legislative
50 council.

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- 1 b. All appointments shall comply with sections
2 69.16 and 69.16A.
- 3 c. At least one member of the board shall be from
4 each grow Iowa geographic region.
- 5 d. Each of the following areas of expertise shall
6 be represented by at least one member of the board who
7 has professional experience in that area of expertise:
8 (1) Accounting and finance.
9 (2) Business development for employers with less
10 than two hundred employees and sales of less than ten
11 million dollars per year.
12 (3) Insurance.
13 (4) Economics.
14 (5) Personnel.
- 15 e. All members of the board shall be actively
16 employed in the private, for-profit sector of the
17 economy.
- 18 f. The board membership shall be balanced between
19 representation by employers with less than two hundred
20 employees and employers with two hundred or more
21 employees.
- 22 3. The chairperson and vice chairperson shall be
23 elected by the members of the board from the
24 membership of the board. In the case of the absence
25 or disability of the chairperson and vice chairperson,
26 the members of the board shall elect a temporary
27 chairperson by a majority vote of those members who
28 are present and voting, provided a quorum is present.
- 29 4. The members of the board shall be appointed to
30 three-year staggered terms and the terms shall
31 commence and end as provided in section 69.19. If a
32 vacancy occurs, a successor shall be appointed in the
33 same manner and subject to the same qualifications as
34 the original appointment to serve the unexpired term.
- 35 5. A majority of the board constitutes a quorum.
- 36 6. A member of the board shall abstain from voting
37 on the provision of financial assistance to a project
38 which is located in the county in which the member of
39 the board resides.
- 40 7. The members of the board are entitled to
41 receive reimbursement for actual expenses incurred
42 while engaged in the performance of official duties.
43 A board member may also be eligible to receive
44 compensation as provided in section 7E.6.
- 45 Sec. 80. NEW SECTION. 15G.103 BOARD DUTIES.
46 The board shall do all of the following:
47 1. Organize.
48 2. Receive advice and recommendations from the
49 grow Iowa investment board, the economic development
50 marketing board, and the grow Iowa review commission.

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1 3. Provide advice and recommendations to the
2 department and the Iowa economic development board for
3 making appropriations from and administering the grow
4 Iowa fund. A recommendation made by the grow Iowa
5 board to the department or the Iowa economic
6 development board shall be either approved or denied
7 by the department or the Iowa economic development
8 board.

9 4. Assist the department in implementing programs
10 and activities in a manner designed to achieve the
11 goals set out in section 15G.106.

12 5. By December 15 of each year, submit a written
13 report to the general assembly reviewing the
14 activities of the board during the calendar year. The
15 report shall include information necessary for the
16 review of the goals and performance measures set out
17 in section 15G.106. State agencies and other entities
18 receiving moneys from the fund shall cooperate with
19 and assist the board in compilation of the report.

20 6. Adopt administrative rules pursuant to chapter
21 17A necessary to administer this chapter.

22 Sec. 81. NEW SECTION. 15G.104 GROW IOWA
23 INVESTMENT BOARD.

24 1. A grow Iowa investment board is established
25 consisting of three members and is located for
26 administrative purposes within the department. The
27 director of the department shall provide office space,
28 staff assistance, and necessary supplies and equipment
29 for the board. The director shall budget moneys to
30 pay the compensation and expenses of the board. In
31 performing its functions, the board is performing a
32 public function on behalf of the state and is a public
33 instrumentality of the state.

34 2. a. Membership of the grow Iowa investment
35 board shall include all of the following:

36 (1) One member appointed by the governor from a
37 list of three banking representatives provided by the
38 superintendent of banking. This member shall serve a
39 three-year term.

40 (2) One member appointed by the governor from a
41 list of entrepreneurs provided jointly by the Iowa
42 association of business and industry and the national
43 federation of independent business. This member shall
44 serve a three-year term.

45 (3) The entrepreneur of the year as selected by
46 the Iowa small business development centers shall be
47 offered a one-year membership on the investment board.
48 If the entrepreneur of the year declines to serve on
49 the investment board, a member shall be appointed by
50 the governor from the list provided pursuant to

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1 subparagraph (2) for the one-year term.

2 b. The chairperson and vice chairperson of the
3 grow Iowa investment board shall be elected by and
4 from the investment board members. The terms of the
5 members shall commence and end as provided by section
6 69.19. If a vacancy occurs, a successor shall be
7 appointed in the same manner and subject to the same
8 qualifications as the original appointment to serve
9 the unexpired term. A majority of the investment
10 board constitutes a quorum.

11 3. The grow Iowa investment board shall provide
12 recommendations to the grow Iowa board regarding any
13 moneys proposed to be expended from the grow Iowa
14 fund, with the exception of moneys appropriated for
15 purposes of the loan and credit guarantee program.
16 The recommendations shall be based on whether the
17 expenditure would make the achievement of the goals in
18 accordance with the performance measures set out in
19 section 15G.106 more likely. The grow Iowa board
20 shall consider the recommendations of the grow Iowa
21 investment board and shall make an independent
22 recommendation to the department and the Iowa economic
23 development board regarding the expenditure. The
24 recommendations of the grow Iowa board shall include
25 the recommendations made by the grow Iowa investment
26 board.

27 4. The members of the board are entitled to
28 receive reimbursement for actual expenses incurred
29 while engaged in the performance of official duties.
30 A board member may also be eligible to receive
31 compensation as provided in section 7E.6.

32 Sec. 82. NEW SECTION. 15G.104A GROW IOWA REVIEW
33 COMMISSION.

34 1. A grow Iowa review commission is established
35 consisting of three members and is located for
36 administrative purposes within the department. The
37 director of the department shall provide office space,
38 staff assistance, and necessary supplies and equipment
39 for the review commission. The director shall budget
40 moneys to pay the compensation and expenses of the
41 commission. In performing its functions, the review
42 commission is performing a public function on behalf
43 of the state and is a public instrumentality of the
44 state.

45 2. Membership of the review commission shall
46 include the auditor of state, an economist for the
47 Iowa state university cooperative extension service in
48 agriculture and home economics appointed by the
49 president of the senate after consultation with the
50 minority leader of the senate, and a private sector

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1 economist with broad experience reviewing and
2 analyzing the Iowa economy and the economy of the
3 upper midwest appointed by the speaker of the house of
4 representatives after consultation with the minority
5 leader of the house of representatives. The
6 appointments shall comply with sections 69.16 and
7 69.16A. The chairperson of the review commission
8 shall be the auditor of state. The members shall be
9 appointed to three-year staggered terms and the terms
10 shall commence and end as provided by section 69.19.
11 If a vacancy occurs, a successor shall be appointed in
12 the same manner and subject to the same qualifications
13 as the original appointment to serve the unexpired
14 term. A majority of the review commission constitutes
15 a quorum. For purposes of this subsection, "upper
16 midwest" includes the states of Iowa, Kansas,
17 Minnesota, Missouri, Nebraska, North Dakota, and South
18 Dakota.

19 3. The review commission shall analyze all annual
20 reports of the grow Iowa board for purposes of
21 determining if the goals and performance measures set
22 out in section 15G.106 have been met. By January 1,
23 2007, the review commission shall submit a report to
24 the grow Iowa board, the department, and the general
25 assembly. The report shall include findings, itemized
26 by grow Iowa geographic regions, regarding whether the
27 goals and performance measures were met. The report
28 shall also include recommendations regarding the
29 continuation, elimination, or modification of any
30 programs receiving moneys from the grow Iowa fund and
31 whether moneys should continue to be appropriated to
32 and from the grow Iowa fund. The recommendations
33 shall be based on whether the goals in accordance with
34 the performance measures are being achieved.

35 4. The members of the commission are entitled to
36 receive reimbursement for actual expenses incurred
37 while engaged in the performance of official duties.
38 A commission member may also be eligible to receive
39 compensation as provided in section 7E.6.

40 Sec. 83. NEW SECTION. 15G.105 GROW IOWA
41 GEOGRAPHIC REGIONS.

42 For purposes of applying the goals and performance
43 measurements, the state shall be divided into five
44 grow Iowa geographic regions. The regions shall be
45 the following:

46 1. The northwest region shall include the counties
47 of Lyon, Osceola, Dickinson, Emmet, Kossuth,
48 Winnebago, Sioux, O'Brien, Clay, Palo Alto, Hancock,
49 Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt,
50 Wright, Woodbury, Ida, Sac, Calhoun, Webster, and

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1 Hamilton.

2 2. The northeast region shall include the counties
3 of Worth, Mitchell, Howard, Winneshiek, Allamakee,
4 Cerro Gordo, Floyd, Chickasaw, Fayette, Clayton,
5 Franklin, Butler, Bremer, Hardin, Grundy, Black Hawk,
6 Buchanan, Delaware, Dubuque, Tama, Benton, Linn,
7 Jones, and Jackson.

8 3. The southeast region shall include the counties
9 of Poweshiek, Iowa, Johnson, Cedar, Clinton, Scott,
10 Muscatine, Mahaska, Keokuk, Washington, Louisa,
11 Monroe, Wapello, Jefferson, Henry, Des Moines,
12 Appanoose, Davis, Van Buren, and Lee.

13 4. The southwest region shall include the counties
14 of Monona, Crawford, Carroll, Greene, Harrison,
15 Shelby, Audubon, Guthrie, Pottawattamie, Cass, Adair,
16 Mills, Montgomery, Adams, Union, Clarke, Lucas,
17 Fremont, Page, Taylor, Ringgold, Decatur, and Wayne.

18 5. The central region shall include the counties
19 of Boone, Story, Marshall, Dallas, Polk, Jasper,
20 Madison, Warren, and Marion.

21 Sec. 84. NEW SECTION. 15G.106 GOALS --
22 PERFORMANCE MEASURES.

23 1. In performing the duties provided in this
24 chapter, chapter 15, and chapter 15E, the grow Iowa
25 board, the grow Iowa investment board, the economic
26 development marketing board, the grow Iowa review
27 commission, and the department shall achieve the goals
28 of expanding and stimulating the state economy,
29 increasing the wealth of Iowans, and increasing the
30 population of the state. For purposes of this
31 section, "upper midwest region" includes the states of
32 Iowa, Kansas, Minnesota, Missouri, Nebraska, North
33 Dakota, and South Dakota.

34 2. Goal achievement shall be examined on a
35 regional basis using the grow Iowa geographic regions
36 and not on a statewide basis. The performance of the
37 grow Iowa geographic regions shall be compared to the
38 performance of the state, the upper midwest region,
39 and the United States. The baseline year shall be the
40 calendar year 2000. In each grow Iowa geographic
41 region, the goal shall be to increase the baseline
42 performance measures listed in subsections 3 and 4,
43 with the exception of subsection 3, paragraph "c", by
44 thirty percent.

45 3. a. In determining whether the goal of
46 expanding and stimulating the state economy has been
47 met, the following performance measures shall be
48 considered:

- 49 (1) An increase in Iowa's gross domestic product.
50 (2) A net increase in business start-ups.

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1 (3) A net increase in business expansion.
2 (4) A net increase in business modernization.
3 (5) A net increase in attracting new businesses to
4 the state.
5 (6) A net increase in business retention.
6 (7) A net increase in job creation and retention.
7 (8) A decrease in Iowa of the ratio of the
8 government wage earnings as a percentage share of the
9 earnings of private industry in Iowa at a rate at
10 least equal to the ratio of the upper midwest region.
11 b. By December 15 of each year the department
12 shall submit a report to the grow Iowa review
13 commission and the grow Iowa board that identifies
14 information pertinent to the performance measures in
15 paragraph "a", subparagraphs (3), (4), and (6), that
16 the department gains through interviews with
17 businesses in the state that close all or a portion of
18 operations in the state.
19 c. By December 15 of each year the department
20 shall submit a report to the grow Iowa review
21 commission and the grow Iowa board that identifies
22 lost sale reports information pertinent to the
23 performance measures in paragraph "a", subparagraphs
24 (2) and (5), which indicate that the state has not
25 been successful in the performance measures in
26 paragraph "a", subparagraphs (2) and (5).
27 d. For purposes of the performance measure in
28 paragraph "a", subparagraph (7), the department of
29 economic development, in consultation with the
30 department of workforce development and the auditor of
31 state, shall determine an average annual job creation
32 and retention rate based on the ten years prior to
33 2003. During the fiscal years beginning July 1, 2003,
34 July 1, 2004, and July 1, 2005, the department of
35 economic development shall report the job creation and
36 retention rate of those businesses that receive moneys
37 originating from the grow Iowa fund and the job
38 creation and retention rate of those businesses that
39 do not receive moneys originating from the grow Iowa
40 fund. The ten-year average annual job creation and
41 retention rate shall be compared to the job creation
42 and retention rates determined under this paragraph
43 for the fiscal years beginning July 1, 2003, July 1,
44 2004, and July 1, 2005. The department of economic
45 development shall assist the department of workforce
46 development in maintaining detailed employment
47 statistics on businesses that receive moneys
48 originating from the grow Iowa fund, on businesses
49 that do not receive moneys originating from the grow
50 Iowa fund, and on industries in Iowa that those

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1 businesses represent. The auditor of state shall
2 audit the accuracy of the statistics compiled pursuant
3 to this paragraph.

4 4. In determining whether the goal of increasing
5 the wealth of Iowans has been met, the following
6 performance measures shall be considered:

7 a. The per capita personal income in Iowa shall
8 equal or exceed the average per capita personal income
9 for the upper midwest region.

10 b. The average earnings per job in Iowa shall
11 equal or exceed the average earnings per job in the
12 upper midwest region.

13 c. The average manufacturing earnings per employee
14 in Iowa shall equal or exceed the average
15 manufacturing earnings per employee in the upper
16 midwest region.

17 d. The average service earnings per employee in
18 Iowa shall equal or exceed the average service
19 earnings per employee in the upper midwest region.

20 e. The average earnings per employee in the
21 financial, insurance, and real estate industries in
22 Iowa shall equal or exceed the average earnings per
23 employee in the financial, insurance, and real estate
24 industries in the upper midwest region.

25 5. In determining whether the goal of increasing
26 the population of the state has been met, the
27 following performance measures shall be considered:

28 a. The net increase in new residents in the state
29 gained through attracting new businesses to the state.

30 b. The increase in the retention of high school
31 graduates and college graduates from private and
32 public colleges and universities in the state after
33 graduation.

34 c. The ability to retain fifty percent of all
35 undergraduate graduates of universities under the
36 control of the state board of regents in the state
37 after graduation.

38 Sec. 85. NEW SECTION. 15G.107 GROW IOWA FUND.

39 A grow Iowa fund is created in the state treasury
40 under the control of the grow Iowa board consisting of
41 moneys appropriated to the grow Iowa board. Moneys in
42 the fund are not subject to section 8.33.

43 Notwithstanding section 12C.7, interest or earnings on
44 moneys in the fund shall be credited to the fund. The
45 fund shall be administered by the grow Iowa board,
46 which shall make expenditures from the fund consistent
47 with this chapter and pertinent Acts of the general
48 assembly.

49 Sec. 86. NEW SECTION. 15G.108 ECONOMIC
50 DEVELOPMENT MARKETING BOARD -- MARKETING STRATEGIES --

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1 APPROPRIATIONS.

2 1. a. An economic development marketing board is
3 established consisting of seven members and is located
4 for administrative purposes within the department.
5 The director of the department shall provide office
6 space, staff assistance, and necessary supplies and
7 equipment for the board. The director shall budget
8 moneys to pay the compensation and expenses of the
9 board. In performing its functions, the board is
10 performing a public function on behalf of the state
11 and is a public instrumentality of the state.

12 b. The membership of the board shall be as
13 follows:

14 (1) Three members with significant demonstrated
15 experience in marketing or advertising appointed by
16 the governor.

17 (2) Four members with significant demonstrated
18 experience in marketing or advertising appointed by
19 the legislative council.

20 c. The appointments made by the governor shall
21 comply with sections 69.16 and 69.16A and shall be
22 subject to confirmation by the senate.

23 d. The chairperson and vice chairperson of the
24 board shall be elected by and from the board members
25 listed in paragraph "b". In case of the absence or
26 disability of the chairperson and vice chairperson,
27 the members of the board shall elect a temporary
28 chairperson by a majority vote of those members who
29 are present and voting.

30 e. The members shall be appointed to three-year
31 staggered terms and the terms shall commence and end
32 as provided by section 69.19. If a vacancy occurs, a
33 successor shall be appointed to serve the unexpired
34 term. A successor shall be appointed in the same
35 manner and subject to the same qualifications as the
36 original appointment to serve the unexpired term.

37 f. A majority of the board constitutes a quorum.

38 2. The board shall administer the approval process
39 provided in subsection 3.

40 3. The economic development marketing board shall
41 accept proposals for marketing strategies for purposes
42 of selecting a strategy for the department to
43 administer. The marketing strategies shall be
44 designed to market Iowa as a lifestyle, increase the
45 population of the state, increase the wealth of
46 Iowans, and expand and stimulate the state economy.
47 The economic development marketing board shall submit
48 a recommendation regarding the proposal to the grow
49 Iowa board. In selecting a marketing strategy for
50 recommendation, the economic development marketing

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1 board shall base the selection on the goals and
2 performance measures provided in section 15G.106. The
3 grow Iowa board shall either approve or deny the
4 recommendation.

5 4. The department shall implement and administer
6 the marketing strategy approved by the grow Iowa board
7 as provided in subsection 3. The department shall
8 provide the economic development marketing board with
9 assistance in implementing administrative functions of
10 the board and provide technical assistance to the
11 board.

12 5. The members of the board are entitled to
13 receive reimbursement for actual expenses incurred
14 while engaged in the performance of official duties.
15 A board member may also be eligible to receive
16 compensation as provided in section 7E.6.

17 Sec. 87. NEW SECTION. 15G.109 FUTURE
18 CONSIDERATION.

19 Not later than February 1, 2007, the legislative
20 services agency shall prepare and deliver to the
21 secretary of the senate and the chief clerk of the
22 house of representatives identical bills that repeal
23 the provisions of this chapter. It is the intent of
24 this section that the general assembly shall bring the
25 bill to a vote in either the senate or the house of
26 representatives expeditiously. It is further the
27 intent of this chapter that if the bill is approved by
28 the first house in which it is considered, it shall
29 expeditiously be brought to a vote in the second
30 house.

31 DIVISION VII

32 VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES
33 FINANCIAL ASSISTANCE PROGRAM

34 Sec. 88. Section 15E.111, subsection 1, Code 2003,
35 is amended to read as follows:

36 1. a. The department shall establish a value-
37 added agricultural products and processes financial
38 assistance program. The department shall consult with
39 ~~the Iowa corn growers association and the Iowa soybean~~
40 ~~association~~ Iowa commodity groups. The purpose of the
41 program is to encourage the increased utilization of
42 agricultural commodities produced in this state. The
43 program shall assist in efforts to revitalize rural
44 regions of this state, by committing resources to
45 provide financial assistance to new or existing value-
46 added production facilities. The department of
47 economic development may consult with other state
48 agencies regarding any possible future environmental,
49 health, or safety issues linked to technology related
50 to the biotechnology industry. In awarding financial

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1 assistance, the department shall prefer producer-
2 owned, value-added businesses and commit resources to
3 assist the following:

4 a. (1) Facilities which are involved in the
5 development of new innovative products and processes
6 related to agriculture. The facility must do either
7 of the following: produce a good derived from an
8 agricultural commodity, if the good is not commonly
9 produced from an agricultural commodity; or use a
10 process to produce a good derived from an agricultural
11 process, if the process is not commonly used to
12 produce the good.

13 b. (2) Renewable fuel production facilities. As
14 used in this section, "renewable fuel" means an energy
15 source which is derived from an organic compound
16 capable of powering machinery, including an engine or
17 power plant.

18 (3) Agricultural business facilities in the
19 agricultural biotechnology industry, agricultural
20 biomass industry, and alternative energy industry.
21 For purposes of this subsection:

22 (a) "Agricultural biomass industry" means
23 businesses that utilize agricultural commodity crops,
24 agricultural by-products, or animal feedstock in the
25 production of chemicals, protein products, or other
26 high-value products.

27 (b) "Agricultural biotechnology industry" means
28 businesses that utilize scientifically enhanced plants
29 or animals that can be raised by producers and used in
30 the production of high-value products.

31 (c) "Alternative energy industry" includes
32 businesses involved in the production of ethanol,
33 biodiesel, biomass, or in the production of wind
34 energy.

35 (4) Facilities that add value to Iowa agricultural
36 commodities through further processing and development
37 of organic products and emerging markets.

38 (5) Producer-owned, value-added businesses,
39 education of producers and management boards in value-
40 added businesses, and other activities that would
41 support the infrastructure in the development of
42 value-added agriculture. For purposes of this
43 subsection, "producer-owned, valued-added business"
44 means a person who holds an equity interest in the
45 agricultural business and is personally involved in
46 the production of crops or livestock on a regular,
47 continuous, and substantial basis.

48 b. Financial assistance awarded under this section
49 may be in the form of a loan, loan guarantee, grant,
50 production incentive payment, or a combination of

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1 financial assistance. The department shall not award
2 more than twenty-five percent of the amount allocated
3 to the value-added agricultural products and processes
4 financial assistance fund during any fiscal year to
5 support a single person. The department may finance
6 any size of facility. However, the department ~~shall~~
7 may reserve up to fifty percent of the total amount
8 allocated to the fund, for purposes of assisting
9 persons requiring ~~one~~ five hundred thousand dollars or
10 less in financial assistance. The amount shall be
11 reserved until the end of the third quarter of the
12 fiscal year. The department shall not provide
13 financial assistance to support a value-added
14 production facility if the facility or a person owning
15 a controlling interest in the facility has
16 demonstrated a continuous and flagrant disregard for
17 the health and safety of its employees or the quality
18 of the environment. Evidence of such disregard shall
19 include a history of serious or uncorrected violations
20 of state or federal law protecting occupational health
21 and safety or the environment, including but not
22 limited to serious or uncorrected violations of
23 occupational safety and health standards enforced by
24 the division of labor services of the department of
25 workforce development pursuant to chapter 84A, or
26 rules enforced by the department of natural resources
27 pursuant to chapter 455B or 459, subchapters II and
28 III.

DIVISION VIII

ENDOW IOWA GRANTS

31 Sec. 89. NEW SECTION: 15E.301 SHORT TITLE.

32 This division shall be known as and may be cited as
33 the "Endow Iowa Program Act".

34 Sec. 90. NEW SECTION. 15E.302 PURPOSE.

35 The purpose of this division is to enhance the
36 quality of life for citizens of this state through
37 increased philanthropic activity by providing capital
38 to new and existing citizen groups of this state
39 organized to establish endowment funds that will
40 address community needs. The purpose of this division
41 is also to encourage individuals, businesses, and
42 organizations to invest in community foundations.

43 Sec. 91. NEW SECTION. 15E.303 DEFINITIONS.

44 As used in this division, unless the context
45 otherwise requires:

46 1. "Board" means the governing board of the lead
47 philanthropic entity identified by the department
48 pursuant to section 15E.304.

49 2. "Business" means a business operating within
50 the state and includes individuals operating a sole

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1 proprietorship or having rental, royalty, or farm
2 income in this state and includes a consortium of
3 businesses.

4 3. "Community affiliate organization" means a
5 group of five or more community leaders or advocates
6 organized for the purpose of increasing philanthropic
7 activity in an identified community or geographic area
8 in this state with the intention of establishing a
9 community affiliate endowment fund.

10 4. "Endowment gift" means an irrevocable
11 contribution to a permanent endowment held by a
12 qualified community foundation.

13 5. "Lead philanthropic entity" means the entity
14 identified by the department pursuant to section
15 15E.304.

16 6. "Qualified community foundation" means a
17 community foundation organized or operating in this
18 state that meets or exceeds the national standards
19 established by the national council on foundations.

20 Sec. 92. NEW SECTION. 15E.304 ENDOW IOWA GRANTS.

21 1. The department shall identify a lead
22 philanthropic entity for purposes of encouraging the
23 development of qualified community foundations in this
24 state. A lead philanthropic entity shall meet all of
25 the following qualifications:

26 a. The entity shall be a nonprofit entity which is
27 exempt from federal income taxation pursuant to
28 section 501(c)(3) of the Internal Revenue Code.

29 b. The entity shall be a statewide organization
30 with membership consisting of organizations, such as
31 community, corporate, and private foundations, whose
32 principal function is the making of grants within the
33 state of Iowa.

34 c. The entity shall have a minimum of forty
35 members and that membership shall include qualified
36 community foundations.

37 2. A lead philanthropic entity may receive a grant
38 from the department. The board shall use the grant
39 moneys to award endow Iowa grants to new and existing
40 qualified community foundations and to community
41 affiliate organizations that do all of the following:

42 a. Provide the board with all information required
43 by the board.

44 b. Demonstrate a dollar-for-dollar funding match
45 in a form approved by the board.

46 c. Identify a qualified community foundation to
47 hold all funds. A qualified community foundation
48 shall not be required to meet this requirement.

49 d. Provide a plan to the board demonstrating the
50 method for distributing grant moneys received from the

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1 board to organizations within the community or
2 geographic area as defined by the qualified community
3 foundation or the community affiliate organization.
4 3. Endow Iowa grants awarded to new and existing
5 qualified community foundations and to community
6 affiliate organizations shall not exceed twenty-five
7 thousand dollars per foundation or organization unless
8 a foundation or organization demonstrates a multiple
9 county or regional approach. Endow Iowa grants may be
10 awarded on an annual basis with not more than three
11 grants going to one county in a fiscal year.

12 4. In ranking applications for grants, the board
13 shall consider a variety of factors including the
14 following:

15 a. The demonstrated need for financial assistance.

16 b. The potential for future philanthropic activity
17 in the area represented by or being considered for
18 assistance.

19 c. The proportion of the funding match being
20 provided.

21 d. For community affiliate organizations, the
22 demonstrated need for the creation of a community
23 affiliate endowment fund in the applicant's geographic
24 area.

25 e. The identification of community needs and the
26 manner in which additional funding will address those
27 needs.

28 f. The geographic diversity of awards.

29 5. Of any moneys received by a lead philanthropic
30 entity from the state, not more than five percent of
31 such moneys shall be used by the entity for
32 administrative purposes.

33 Sec. 93. NEW SECTION. 15E.306 REPORTS -- AUDITS.

34 By January 31 of each year, the lead philanthropic
35 entity, in cooperation with the department, shall
36 publish an annual report of the activities conducted
37 pursuant to this division during the previous calendar
38 year and shall submit the report to the governor and
39 the general assembly. The annual report shall include
40 a listing of endowment funds and the amount of tax
41 credits authorized by the department.

42 Sec. 94. EFFECTIVE AND RETROACTIVE APPLICABILITY
43 DATES. This division of this Act, being deemed of
44 immediate importance, takes effect upon enactment and
45 is retroactively applicable to January 1, 2003, for
46 tax years beginning on or after that date.

47 DIVISION IX

48 TECHNOLOGY TRANSFER ADVISORS

49 Sec. 95. NEW SECTION. 7.23 TECHNOLOGY TRANSFER
50 ADVISOR.

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1 Two technology transfer advisors shall be appointed
2 by the governor, serve at the pleasure of the
3 governor, and be located at offices at the university
4 of Iowa and Iowa state university of science and
5 technology. A technology transfer advisor is not a
6 state agency and is not subject to chapter 17A. A
7 technology transfer advisor shall do all of the
8 following:

9 1. Facilitate the transfer of technology developed
10 at the university of Iowa, the university of northern
11 Iowa, Iowa state university of science and technology,
12 community colleges, and private colleges and
13 universities.

14 2. Coordinate the technology transfer activities
15 at each of the public and private universities to
16 encourage the implementation of best practices in
17 technology transfer, establish measures of
18 performance, and design programs of continuous quality
19 improvement for each technology transfer office.

20 3. Establish technology transfer goals for the
21 state.

22 4. Provide technical assistance to Iowa-based
23 entrepreneurs associated with or unrelated to the
24 universities under the control of the state board of
25 regents regarding technology transfer-related issues.
26 The technical assistance shall include assistance in
27 the areas of patents and licensing, business
28 development and management, finance, production,
29 sales, and marketing.

30 5. Receive the technology transfer-related report
31 submitted by the state board of regents pursuant to
32 section 262.9, subsection 31.

33 6. To ensure economic growth, serve as a
34 coordinator between Iowa-based businesses and
35 businesses intending to locate in Iowa.

36 Sec. 96. Section 15.108, Code 2003, is amended by
37 adding the following new subsection:

38 NEW SUBSECTION. 12. TECHNOLOGY TRANSFER ADVISORS.
39 The department shall cooperate with and provide
40 staffing support to the technology transfer advisors
41 appointed pursuant to section 7.23.

42 Sec. 97. Section 262.9, Code 2003, is amended by
43 adding the following new subsections:

44 NEW SUBSECTION. 29. Actively encourage and
45 promote the transfer of technology and research at
46 universities under the control of the board to
47 commercial application, including the start-up of
48 business entities.

49 NEW SUBSECTION. 30. Give preference and technical
50 support to those faculty members and staff members

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1 desiring to obtain licenses for intellectual property
2 rights created in whole or in part by the faculty
3 member or staff member. However, such preference
4 shall not be construed to be a right accruing to that
5 faculty member or staff member.

6 NEW SUBSECTION. 31. By January 15 of each year,
7 submit a report to the governor, through the
8 technology transfer advisors, and the general assembly
9 containing information from the previous calendar year
10 regarding all of the following:

11 a. Patents secured or applied for by each
12 university under the control of the board delineated
13 by university and by faculty member and staff member
14 responsible for the research or activity that resulted
15 in the patent. In the initial report filed by January
16 15, 2004, the board shall include an inventory of
17 patent portfolios with details concerning which
18 patents are creating financial benefit and the amount
19 of financial benefit and which patents are not
20 creating financial benefit and the amount invested in
21 those patents.

22 b. Research grants secured by each university
23 under the control of the board from both public and
24 private sources delineated by university and by
25 faculty member and staff member. The board shall also
26 include the same information for grant applications
27 that are denied.

28 c. The number of faculty members and staff members
29 at each university under the control of the board
30 involved in a start-up company.

31 d. The number of grant applications for research
32 received by each university under the control of the
33 board for start-up companies, the number of
34 applications approved, and the number of applications
35 denied.

36 e. The number of agreements entered into by
37 faculty members and staff members at each university
38 under the control of the board with foundations
39 affiliated with the universities relating to business
40 start-ups.

41 f. An accounting of the financial gain received by
42 each university under the control of the board
43 relating to patents sold, royalties received,
44 licensing fees, and any other remuneration received by
45 the university related to technology transfer.

46 g. The number of professional employees at each
47 university under the control of the board who assist
48 in the transfer of technology and research to
49 commercial application.

50 Sec. 98. This division of this Act is repealed

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1 July 1, 2008.

2

DIVISION X

3

IOWA ECONOMIC DEVELOPMENT

4

LOAN AND CREDIT GUARANTEE FUND

5

Sec. 99. NEW SECTION. 15E.221 SHORT TITLE.

6

7 This division shall be known and may be cited as
8 the "Iowa Economic Development Loan and Credit
9 Guarantee Fund Act".

9

Sec. 100. NEW SECTION. 15E.222 LEGISLATIVE

10 FINDING -- PURPOSES.

11

1. The general assembly finds all of the

12 following:

13

14 a. That small and medium-sized businesses, in
15 general, and certain targeted industry businesses and
16 other qualified businesses, in particular, may not
17 qualify for conventional financing.

17

18 b. That the limited availability of credit for
19 export transactions limits the ability of small and
20 medium-sized businesses in this state to compete in
21 international markets.

21

22 c. That, to enhance competitiveness and foster
23 economic development, this state must focus on growth
24 in certain specific targeted industry businesses and
25 other qualified businesses, especially during a time
26 of war.

26

27 d. That the challenge for the public economic
28 sector is to create an atmosphere conducive to
29 economic growth, in conjunction with financial
30 institutions in the private sector, which fill the
31 gaps in credit availability and export finance, and
32 that allow the private sector to identify the lending
33 opportunities and foster decision making at the local
34 level.

34

2. The general assembly declares the purposes of
35 this division to be all of the following:

36

37 a. To create incentives and assistance to increase
38 the flow of private capital to targeted industry
39 businesses and other qualified businesses.

39

40 b. To promote industrial modernization and
41 technology adoption.

41

42 c. To encourage the retention and creation of
43 jobs.

43

44 d. To encourage the export of goods and services
45 sold by Iowa businesses in national and international
46 markets.

46

Sec. 101. NEW SECTION. 15E.223 DEFINITIONS.

47

48 As used in this division, unless the context
49 otherwise requires:

49

50 1. "Financial institution" means an institution
51 listed in section 422.61, subsection 1, or such other

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1 financial institution as defined by the department for
2 purposes of this division.

3 2. "Program" means the loan and credit guarantee
4 program established in this division.

5 3. "Qualified business" means an existing or
6 proposed business entity with an annual average number
7 of employees not exceeding two hundred employees.

8 "Qualified business" does not include businesses
9 engaged primarily in retail sales, real estate, or the
10 provision of health care or other professional
11 services. "Qualified business" includes professional
12 services businesses that provide services to targeted
13 industry businesses or other entities within and
14 outside of this state.

15 4. "Targeted industry business" means an existing
16 or proposed business entity, including an emerging
17 small business or qualified business which is operated
18 for profit and which has a primary business purpose of
19 doing business in at least one of the targeted
20 industries designated by the department which include
21 life sciences, software and information technology,
22 advanced manufacturing, value-added agriculture, and
23 any other industry designated as a targeted industry
24 by the loan and credit guarantee advisory board.

25 Sec. 102. NEW SECTION. 15E.224 LOAN AND CREDIT
26 GUARANTEE PROGRAM.

27 1. The department shall, with the advice of the
28 loan and credit guarantee advisory board, establish
29 and administer a loan and credit guarantee program.
30 The department, pursuant to agreements with financial
31 institutions, shall provide loan and credit
32 guarantees, or other forms of credit guarantees for
33 qualified businesses and targeted industry businesses
34 for eligible project costs. A loan or credit
35 guarantee provided under the program may stand alone
36 or may be used in conjunction with or to enhance other
37 loans or credit guarantees, offered by private, state,
38 or federal entities. However, the department shall
39 not in any manner directly or indirectly pledge the
40 credit of the state. Eligible project costs include
41 expenditures for productive equipment and machinery,
42 working capital for operations and export
43 transactions, research and development, marketing, and
44 such other costs as the department may so designate.

45 2. A loan or credit guarantee or other form of
46 credit guarantee provided under the program to a
47 participating financial institution for a single
48 qualified business or targeted industry business shall
49 not exceed one million dollars in value. Loan or
50 credit guarantees or other forms of credit guarantees

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1 provided under the program to more than one
2 participating financial institution for a single
3 qualified business or targeted industry business shall
4 not exceed ten million dollars in value.

5 3. In administering the program, the department
6 shall consult and cooperate with financial
7 institutions in this state and with the loan and
8 credit guarantee advisory board. Administrative
9 procedures and application procedures, as practicable,
10 shall be responsive to the needs of qualified
11 businesses, targeted industry businesses, and
12 financial institutions, and shall be consistent with
13 prudent investment and lending practices and criteria.

14 4. Each participating financial institution shall
15 identify and underwrite potential lending
16 opportunities with qualified businesses and targeted
17 industry businesses. Upon a determination by a
18 participating financial institution that a qualified
19 business or targeted industry business meets the
20 underwriting standards of the financial institution,
21 subject to the approval of a loan or credit guarantee,
22 the financial institution shall submit the
23 underwriting information and a loan or credit
24 guarantee application to the department.

25 5. The department, with the advice of the loan and
26 credit guarantee advisory board, shall adopt a loan or
27 credit guarantee application procedure for a financial
28 institution on behalf of a qualified business or
29 targeted industry business.

30 6. Upon approval of a loan or credit guarantee,
31 the department shall enter into a loan or credit
32 guarantee agreement with the participating financial
33 institution. The agreement shall specify all of the
34 following:

35 a. The fee to be charged to the financial
36 institution.

37 b. The evidence of debt assurance of, and security
38 for, the loan or credit guarantee.

39 c. A loan or credit guarantee that does not exceed
40 fifteen years.

41 d. Any other terms and conditions considered
42 necessary or desirable by the department.

43 7. The department, with the advice of the loan and
44 credit guarantee advisory board, may adopt loan and
45 credit guarantee application procedures that allow a
46 qualified business or targeted industry business to
47 apply directly to the department for a preliminary
48 guarantee commitment. A preliminary guarantee
49 commitment may be issued by the department subject to
50 the qualified business or targeted industry business

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1 securing a commitment for financing from a financial
2 institution. The application procedures shall specify
3 the process by which a financial institution may
4 obtain a final loan and credit guarantee.

5 Sec. 103. NEW SECTION. 15E.225 TERMS -- FEES.

6 1. When entering into a loan or credit guarantee
7 agreement, the department, with the advice of the loan
8 and credit guarantee advisory board, shall establish
9 fees and other terms for participation in the program
10 by qualified businesses and targeted industry
11 businesses.

12 2. The department, with due regard for the
13 possibility of losses and administrative costs and
14 with the advice of the loan and credit guarantee
15 advisory board, shall set fees and other terms at
16 levels sufficient to assure that the program is self-
17 financing.

18 3. For a preliminary guarantee commitment, the
19 department may charge a qualified business or targeted
20 industry business a preliminary guarantee commitment
21 fee. The application fee shall be in addition to any
22 other fees charged by the department under this
23 section and shall not exceed one thousand dollars for
24 an application.

25 Sec. 104. NEW SECTION. 15E.226 LOAN AND CREDIT
26 GUARANTEE ADVISORY BOARD.

27 The department, in consultation with the
28 superintendent of banking, shall establish a loan and
29 credit guarantee advisory board. The advisory board
30 shall provide the department with technical advice
31 regarding the administration of the program, including
32 the adoption of administrative rules pursuant to
33 chapter 17A. The advisory board shall review and
34 provide recommendations regarding all applications
35 under the program. Members of the advisory board are
36 entitled to receive reimbursement for actual expenses
37 incurred while engaged in the performance of official
38 duties. Advisory board members may also be eligible
39 to receive compensation as provided in section 7E.6.
40 The director of the department shall budget moneys to
41 pay the compensation and expenses of the advisory
42 board.

43 Sec. 105. This division of this Act is repealed
44 July 1, 2008.

45 DIVISION XI

46 ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

47 Sec. 106. NEW SECTION. 15E.118 BUSINESS START-UP
48 INFORMATION -- INTERNET WEB SITE.

49 The department shall provide information through an
50 internet web site and a toll-free telephone service to

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1 assist persons interested in establishing a commercial
2 facility or engaging in a commercial activity. The
3 information shall include all of the following:

4 1. Assistance, information, and guidance for
5 start-up businesses.

6 2. Information gathered by the department pursuant
7 to section 15E.17, subsection 2.

8 3. Personal and corporate income tax information.

9 4. Information regarding financial assistance and
10 incentives available to businesses.

11 5. Workforce availability in the state presented
12 in a regional format.

13 Sec. 107. NEW SECTION. 15E.119 ECONOMIC
14 DEVELOPMENT-RELATED DATA COLLECTION.

15 1. The department shall interview any business
16 that considered locating in Iowa but decided to locate
17 elsewhere. The department shall attempt to determine
18 factors that affected the location decision of the
19 business.

20 2. The department shall interview any business
21 that closes major operations in the state or dissolves
22 the business's corporate status in an effort to
23 identify factors that led to the closure or
24 dissolution.

25 3. By January 15 of each year, the department
26 shall submit a written report to the general assembly
27 that summarizes the information collected pursuant to
28 this section.

29 Sec. 108. INTERNET WEB SITE DEVELOPMENT. In
30 developing the internet web site required in section
31 15E.118, the department of economic development shall
32 examine similar efforts in other states and
33 incorporate the best practices.

34 DIVISION XII

35 CULTURAL AND ENTERTAINMENT DISTRICTS

36 Sec. 109. NEW SECTION. 303.3B CULTURAL AND
37 ENTERTAINMENT DISTRICTS.

38 1. The department of cultural affairs shall
39 establish and administer a cultural and entertainment
40 district certification program. The program shall
41 encourage the growth of communities through the
42 development of areas within a city or county for
43 public and private uses related to cultural and
44 entertainment purposes.

45 2. A city or county may create and designate a
46 cultural and entertainment district subject to
47 certification by the department of cultural affairs,
48 in consultation with the department of economic
49 development. A cultural and entertainment district
50 shall consist of a geographic area not exceeding one

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1 square mile in size. A cultural and entertainment
2 district certification shall remain in effect for ten
3 years following the date of certification. Two or
4 more cities or counties may apply jointly for
5 certification of a district that extends across a
6 common boundary. Through the adoption of
7 administrative rules, the department of cultural
8 affairs shall develop a certification application for
9 use in the certification process.

10 3. The department of cultural affairs shall
11 encourage development projects and activities located
12 in certified cultural and entertainment districts
13 through incentives under cultural grant programs
14 pursuant to section 303.3, chapter 303A, and any other
15 grant programs.

16 DIVISION XIII
17 WORKFORCE ISSUES

18 Sec. 110. NEW SECTION. 15A.10 JOB RETENTION --
19 INCENTIVES.

20 1. In order to assure the retention of existing
21 jobs that would otherwise be lost, the director of the
22 department of economic development may authorize
23 incentives and assistance provided to a business under
24 this section for a period not to exceed ten years upon
25 finding the following:

26 a. The business currently employing, at one place
27 of business, at least one thousand employees is likely
28 to close or substantially reduce employment.

29 b. The business agrees to remain in the state for
30 at least ten years and invest at least fifteen million
31 dollars to retool or upgrade facilities.

32 2. Incentives and assistance that may be
33 authorized by the director include any of the
34 following:

35 a. New jobs credit from withholding, as provided
36 in section 15.331.

37 b. Sales, services, and use tax refund, as
38 provided in section 15.331A.

39 c. Investment tax credit, as provided in section
40 15.333.

41 d. Research activities tax credit, as provided in
42 section 15.335.

43 3. A business shall enter into an agreement with
44 the department and the city or county specifying the
45 terms and conditions that must be met in exchange for
46 the incentives and assistance authorized in this
47 section. The agreement shall specify how the
48 incentives will be repaid in the event the business
49 fails to meet or maintain the terms and conditions of
50 the agreement.

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DIVISION XIV

UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM

3 Sec. 111. NEW SECTION. 262B.11 UNIVERSITY-BASED
4 RESEARCH UTILIZATION PROGRAM.

5 1. The department of economic development shall
6 establish and administer a university-based research
7 utilization program for purposes of encouraging the
8 utilization of university-based research, primarily in
9 the area of high technology, in new or existing
10 businesses. The program shall include the three
11 universities under the control of the state board of
12 regents and all accredited private universities
13 located in the state.

14 2. A new or existing business that utilizes a
15 technology developed by an employee at a university
16 under the control of the state board of regents may
17 apply to the department of economic development for
18 approval to participate in the university-based
19 research utilization program. The department shall
20 approve an applicant if the applicant meets all of the
21 following criteria:

22 a. The applicant utilizes a technology developed
23 by an employee at a university under the control of
24 the state board of regents, provided that the
25 technology has received a patent after the effective
26 date of this Act. If the applicant has been in
27 existence more than one year prior to applying, the
28 applicant shall organize a separate company to utilize
29 the technology. For purposes of this section, the
30 separate company shall be considered the applicant
31 and, if approved, the approved business.

32 b. The applicant develops a five-year business
33 plan approved by the department. The plan shall
34 include information concerning the applicant's Iowa
35 employment goals and projected impact on the Iowa
36 economy. The department shall only approve plans
37 showing sufficient potential impact on Iowa employment
38 and economic development.

39 c. The applicant meets a minimum-size business
40 standard determined by the department.

41 d. The applicant provides annual reports to the
42 department that include employment statistics for the
43 applicant and the total taxable wages paid to Iowa
44 employees and reported to the department of revenue
45 and finance pursuant to section 422.16.

46 3. A business approved under the program and the
47 university employee responsible for the development of
48 the technology utilized by the approved business shall
49 be eligible for a tax credit. The credit shall be
50 allowed against the taxes imposed in chapter 422,

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1 divisions II and III. An individual may claim a tax
2 credit under this section of a partnership, limited
3 liability company, S corporation, estate, or trust
4 electing to have income taxed directly to the
5 individual. The amount claimed by the individual
6 shall be based upon the pro rata share of the
7 individual's earnings from the partnership, limited
8 liability company, S corporation, estate, or trust. A
9 tax credit shall not be claimed under this subsection
10 unless a tax credit certificate issued by the
11 department of economic development is attached to the
12 taxpayer's tax return for the tax year for which the
13 tax credit is claimed. The amount of a tax credit
14 allowed under this subsection shall equal the amount
15 listed on a tax credit certificate issued by the
16 department of economic development pursuant to
17 subsection 4. A tax credit certificate shall not be
18 transferable. Any tax credit in excess of the
19 taxpayer's liability for the tax year may be credited
20 to the taxpayer's tax liability for the following five
21 years or until depleted, whichever occurs first. A
22 tax credit shall not be carried back to a tax year
23 prior to the tax year in which the taxpayer redeems
24 the tax credit.

25 4. For the five tax years following the tax year
26 in which a business is approved under the program, the
27 department of revenue and finance shall provide the
28 department of economic development with information
29 required by the department of economic development
30 from each tax return filed by the approved business.
31 Upon receiving the tax return-related information, the
32 department of economic development shall do all of the
33 following:

34 a. Review the information provided by the
35 department of revenue and finance pursuant to this
36 subsection and the annual report submitted by the
37 applicant pursuant to subsection 2, paragraph "d". If
38 the department determines that the business activities
39 of the applicant are not providing the benefits to
40 Iowa employment and economic development projected in
41 the applicant's approved five-year business plan, the
42 department shall not issue tax credit certificates for
43 that year to the applicant or university employee and
44 shall determine any related university share to be
45 equal to zero for that year.

46 b. Effective for the fiscal year beginning July 1,
47 2004, and for subsequent fiscal years, issue a tax
48 credit certificate to the approved business and the
49 university employee responsible for the development of
50 the technology utilized by the approved business in an

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1 amount determined pursuant to subsection 5. A tax
2 credit certificate shall contain the taxpayer's name,
3 address, tax identification number, the amount of the
4 tax credit, and other information required by the
5 department of revenue and finance.

6 c. (1) Determine the university share which is
7 equal to the value of thirty percent of the tax
8 liability of the approved business for purposes of
9 making an appropriation pursuant to section 262B.12,
10 if enacted by 2003 Iowa Acts, House File 683 or
11 another Act, to the university where the technology
12 utilized by the approved business was developed. A
13 university share shall not exceed two hundred twenty-
14 five thousand dollars per year per technology
15 utilized. For each technology utilized, the aggregate
16 university share over a five-year period shall not
17 exceed six hundred thousand dollars.

18 (2) The department shall maintain records for each
19 university during each fiscal year regarding the
20 university share each university is entitled to
21 receive through the appropriation in section 262B.12,
22 if enacted by 2003 Iowa Acts, House File 683 or
23 another Act. A university shall be entitled to
24 receive the total university share for that particular
25 university during the previous fiscal year.

26 d. For the fiscal year beginning July 1, 2004, not
27 more than two million dollars worth of certificates
28 shall be issued pursuant to paragraph "b". For the
29 fiscal year beginning July 1, 2005, and every fiscal
30 year thereafter, not more than ten million dollars
31 worth of certificates shall be issued pursuant to
32 paragraph "b".

33 5. The tax credit certificates issued by the
34 department for each of the five years following the
35 tax year in which the business is approved under the
36 program shall be for the following amounts:

37 a. For the approved business, the value of the tax
38 credit certificate shall equal thirty percent of the
39 tax liability of the approved business. The value of
40 a certificate issued to an approved business shall not
41 exceed two hundred twenty-five thousand dollars. The
42 total aggregate value of certificates issued over a
43 five-year period to an approved business shall not
44 exceed six hundred thousand dollars.

45 b. For the university employee responsible for the
46 development of the technology utilized by the approved
47 business, the value of the tax credit certificate
48 shall equal ten percent of the tax liability of the
49 approved business. If more than one employee is
50 responsible for the development of the technology, the

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1 value equal to ten percent of the tax liability of the
2 approved business shall be divided equally and
3 individual tax credit certificates shall be issued to
4 each employee responsible for the development of the
5 technology. Each year, the total value of a
6 certificate or certificates issued for a utilized
7 technology shall not exceed seventy-five thousand
8 dollars. For each technology utilized, the total
9 aggregate value of certificates issued over a five-
10 year period to the university employee responsible for
11 the development of the technology shall not exceed two
12 hundred thousand dollars.

13 6. The department of economic development shall
14 notify the department of revenue and finance when a
15 tax credit certificate is issued pursuant to
16 subsection 4. The notification shall include the name
17 and tax identification number appearing on any tax
18 credit certificate.

19 Sec. 112. NEW SECTION. 422.11H UNIVERSITY-BASED
20 RESEARCH UTILIZATION PROGRAM TAX CREDIT.

21 The taxes imposed under this division, less the
22 credits allowed under sections 422.12 and 422.12B,
23 shall be reduced by a university-based research
24 utilization program tax credit authorized pursuant to
25 section 262B.11.

26 Sec. 113. Section 422.33, Code 2003, is amended by
27 adding the following new subsection:

28 NEW SUBSECTION. 14. The taxes imposed under this
29 division shall be reduced by a university-based
30 research utilization program tax credit authorized
31 pursuant to section 262B.11.

32 DIVISION XV

33 FUTURE REPEAL

34 Sec. 114. The divisions of this Act designated the
35 grow Iowa board and fund, the value-added agricultural
36 products and processes financial assistance program,
37 the endow Iowa grants, the technology transfer
38 advisors, the Iowa economic development loan and
39 credit guarantee fund, the economic development
40 assistance and data collection, the cultural and
41 entertainment districts, the workforce issues, and the
42 university-based research utilization program, are
43 repealed effective June 30, 2010.

44 DIVISION XVI

45 LIABILITY REFORM

46 Sec. 115. Section 668.12, Code 2003, is amended to
47 read as follows:

48 668.12 LIABILITY FOR PRODUCTS -- ~~STATE OF THE ART~~
49 ~~DEFENSE DEFENSES.~~

50 1. In any action brought pursuant to this chapter

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1 against an assembler, designer, supplier of
2 specifications, distributor, manufacturer, or seller
3 for damages arising from an alleged defect in the
4 design, testing, manufacturing, formulation,
5 packaging, warning, or labeling of a product, a
6 percentage of fault shall not be assigned to such
7 persons if they plead and prove that the product
8 conformed to the state of the art in existence at the
9 time the product was designed, tested, manufactured,
10 formulated, packaged, provided with a warning, or
11 labeled.

12 2. Nothing contained in this section subsection 1
13 shall diminish the duty of an assembler, designer,
14 supplier of specifications, distributor, manufacturer
15 or seller to warn concerning subsequently acquired
16 knowledge of a defect or dangerous condition that
17 would render the product unreasonably dangerous for
18 its foreseeable use or diminish the liability for
19 failure to so warn.

20 3. An assembler, designer, supplier of
21 specifications, distributor, manufacturer, or seller
22 shall not be subject to liability under a theory of
23 civil conspiracy unless the person knowingly and
24 voluntarily entered into an agreement, express or
25 implied, to participate in a common plan with the
26 intent to commit a tortious act upon another. Mere
27 membership in a trade or industrial association or
28 group is not, in and of itself, evidence of such an
29 agreement.

30 Sec. 116. Section 668A.1, subsection 1, Code 2003,
31 is amended to read as follows:

32 1. In a trial of a claim involving the request for
33 punitive or exemplary damages, the court shall
34 instruct the jury to answer special interrogatories
35 or, if there is no jury, shall make findings,
36 indicating all of the following:

37 a. ~~Whether, by a preponderance of clear,~~
38 ~~convincing, and satisfactory evidence, the conduct of~~
39 ~~the defendant from which the claim arose constituted~~
40 ~~willful and wanton disregard for the rights or safety~~
41 ~~of another.~~

42 ~~b. Whether the conduct of the defendant was~~
43 ~~directed specifically at the claimant, or at the~~
44 ~~person from which the claimant's claim is derived.~~

45 b. Whether, by a preponderance of clear and
46 convincing evidence, the conduct of the defendant from
47 which the claim arose constituted actual malice.

48 Sec. 117. NEW SECTION. 668A.2 DEFINITIONS.

49 As used in this chapter, the following terms shall
50 have the following meanings:

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1 1. "Clear and convincing evidence" means evidence
2 which leaves no serious or substantial doubt about the
3 correctness of the conclusions drawn from the
4 evidence. It is more than a preponderance of
5 evidence, but less than beyond a reasonable doubt.

6 2. "Malice" means either conduct which is
7 specifically intended by the defendant to cause
8 tangible or intangible serious injury to the plaintiff
9 or conduct that is carried out by the defendant both
10 with a flagrant indifference to the rights of the
11 plaintiff and with a subjective awareness that such
12 conduct will result in tangible serious injury.

13 Sec. 118. NEW SECTION. 668A.3 AWARD OF PUNITIVE
14 OR EXEMPLARY DAMAGES -- PROOF -- STANDARD.

15 Punitive or exemplary damages shall only be awarded
16 where the plaintiff proves by clear and convincing
17 evidence that the plaintiff's harm was the result of
18 actual malice. This burden of proof shall not be
19 satisfied by proof of any degree of negligence,
20 including gross negligence.

21 Sec. 119. APPLICABILITY. This division of this
22 Act, relating to liability reform, applies to cases
23 filed on or after July 1, 2003.

DIVISION XVII

WORKERS' COMPENSATION

26 Sec. 120. Section 85.34, subsection 2, unnumbered
27 paragraph 1, Code 2003, is amended to read as follows:

28 Compensation for permanent partial disability shall
29 begin at the termination of the healing period
30 provided in subsection 1. The compensation shall be
31 in addition to the benefits provided by sections 85.27
32 and 85.28. The compensation shall be based only upon
33 the extent of the disability related to the injury
34 received and upon the basis of eighty percent per week
35 of the employee's average spendable weekly earnings,
36 but not more than a weekly benefit amount, rounded to
37 the nearest dollar, equal to one hundred eighty-four
38 percent of the statewide average weekly wage paid
39 employees as determined by the department of workforce
40 development under section 96.19, subsection 36, and in
41 effect at the time of the injury. The minimum weekly
42 benefit amount shall be equal to the weekly benefit
43 amount of a person whose gross weekly earnings are
44 thirty-five percent of the statewide average weekly
45 wage. For all cases of permanent partial disability
46 compensation shall be paid as follows:

47 Sec. 121. Section 85.34, subsection 2, paragraph
48 u, Code 2003, is amended by adding the following new
49 unnumbered paragraph after unnumbered paragraph 2 as
50 follows:

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1 NEW UNNUMBERED PARAGRAPH. When an employee makes a
2 claim for benefits under this subsection, the employer
3 is not liable for that portion of the employee's
4 present disability caused by a prior work-related
5 injury or illness that was sustained by the employee
6 while the employee was employed by a different
7 employer. When an employee's present disability
8 includes disability caused by a prior work-related
9 injury or illness that was sustained by the employee
10 while in the employ of the same employer, the employer
11 is liable for compensating all of the employee's work-
12 related disability sustained by the employee while in
13 the employ of the employer, except that any portion of
14 the disability that was previously compensated by the
15 employer shall be deducted from the employer's
16 obligation to pay benefits for the employee's present
17 disability. If an employee's present disability is
18 reduced by a portion of disability sustained from
19 prior work-related injuries or illnesses for which the
20 employee has already been compensated by the same
21 employer, then the employee shall receive compensation
22 for the remaining disability caused by the present
23 work-related injury or illness plus an additional ten
24 percent of the amount of the increase in disability.

25 Sec. 122. APPLICABILITY. This division of this
26 Act, relating to workers' compensation, applies to an
27 injury occurring on or after July 1, 2003.

DIVISION XVIII

FINANCIAL SERVICES

30 Sec. 123. Section 537.2502, subsections 3 and 6,
31 Code 2003, are amended to read as follows:

32 3. A delinquency charge shall not be collected
33 under subsection 1, paragraph "a", on an installment
34 ~~which~~ that is paid in full within ten days after its
35 scheduled or deferred installment due date even though
36 an earlier maturing installment or a delinquency or
37 deferral charge on an earlier installment may not have
38 been paid in full. For purposes of this subsection,
39 payments associated with a precomputed transaction are
40 applied first to current installments and then to
41 delinquent installments.

42 6. A delinquency charge shall not be collected
43 under subsection 4 on a payment ~~which~~ associated with
44 a precomputed transaction that is paid in full on or
45 before its scheduled or deferred due date even though
46 an earlier maturing payment or a delinquency or
47 deferred charge on an earlier payment has not been
48 paid in full. For purposes of this subsection,
49 payments are applied first to amounts due for the
50 current billing cycle and then to delinquent payments.

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1 Sec. 124. Section 537.2601, subsection 1, Code
2 2003, is amended to read as follows:

3 1. ~~Except as provided in subsection 2, with~~ With
4 respect to a credit transaction other than a consumer
5 credit transaction, the parties may contract for the
6 payment by the debtor of any finance or other charge
7 as permitted by law. ~~Except with respect to debt~~
8 ~~obligations issued by a government, governmental~~
9 ~~agency or instrumentality, in calculating any finance~~
10 ~~charge contracted for, any month may be counted as~~
11 ~~one-twelfth of a year, but a day is to be counted as~~
12 ~~one three-hundred sixty-fifth of a year.~~

DIVISION XIX

UNEMPLOYMENT COMPENSATION SURCHARGE

15 Sec. 125. Section 96.7, subsection 12, paragraph
16 a, Code 2003, is amended to read as follows:

17 a. An employer other than a governmental entity or
18 a nonprofit organization, subject to this chapter,
19 shall pay an administrative contribution surcharge
20 equal in amount to one-tenth of one percent of federal
21 taxable wages, as defined in section 96.19, subsection
22 37, paragraph "b", subject to the surcharge formula to
23 be developed by the department under this paragraph.
24 The department shall develop a surcharge formula that
25 provides a target revenue level of no greater than six
26 million five hundred twenty-five thousand dollars
27 annually for calendar years 2003, 2004, and 2005 and a
28 target revenue level of no greater than three million
29 two hundred sixty-two thousand five hundred dollars
30 for calendar year 2006 and each subsequent calendar
31 year. The department shall reduce the administrative
32 contribution surcharge established for any calendar
33 year proportionate to any federal government funding
34 that provides an increased allocation of moneys for
35 workforce development offices, under the federal
36 employment services financing reform legislation. Any
37 administrative contribution surcharge revenue that is
38 collected in calendar year 2002 2003, 2004, or 2005 in
39 excess of six million five hundred twenty-five
40 thousand dollars or in calendar year 2006 or a
41 subsequent calendar year in excess of three million
42 two hundred sixty-two thousand five hundred dollars
43 shall be deducted from the amount to be collected in
44 the subsequent calendar year 2003 before the
45 department establishes the administrative contribution
46 surcharge. The department shall recompute the amount
47 as a percentage of taxable wages, as defined in
48 section 96.19, subsection 37, and shall add the
49 percentage surcharge to the employer's contribution
50 rate determined under this section. The percentage

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1 surcharge shall be capped at a maximum of seven
2 dollars per employee. The department shall adopt
3 rules prescribing the manner in which the surcharge
4 will be collected. Interest shall accrue on all
5 unpaid surcharges under this subsection at the same
6 rate as on regular contributions and shall be
7 collectible in the same manner. Interest accrued and
8 collected under this paragraph and interest earned and
9 credited to the fund under paragraph "b" shall be used
10 by the department only for the purposes set forth in
11 paragraph "c".

12 Sec. 126. Section 96.7, subsection 12, paragraph
13 d, Code 2003, is amended to read as follows:

14 d. This subsection is repealed July 1, ~~2003~~ 2006,
15 and the repeal is applicable to contribution rates for
16 calendar year ~~2004~~ 2007 and subsequent calendar years.

17 Sec. 127. EFFECTIVE DATE. This division of this
18 Act, concerning the unemployment compensation
19 surcharge, being deemed of immediate importance, takes
20 effect upon enactment.

DIVISION XX

ECONOMIC DEVELOPMENT

23 Sec. 128. NEW SECTION. 15E.18 CITIES, COUNTIES,
24 AND REGIONS -- SITE PREPARATION FOR TARGETED ECONOMIC
25 DEVELOPMENT.

26 1. For purposes of this section, "region" means a
27 group of two or more contiguous counties that
28 establishes a single, focused economic development
29 effort.

30 2. A city, county, or region, subject to the
31 approval of the property owner, may designate an area
32 within the boundaries of the city, county, or region
33 for a specific type of targeted economic development.
34 The specific type of targeted economic development
35 shall be one of the following:

- 36 a. Manufacturing.
- 37 b. Light industrial.
- 38 c. Warehouse and distribution.
- 39 d. Office parks.
- 40 e. Business and commerce parks.
- 41 f. Research and development.

42 3. A city, county, or region that designates an
43 area for a specific type of targeted economic
44 development may apply to the department for purposes
45 of certifying the area as a preapproved development
46 site. The department shall develop criteria for the
47 certification process.

48 4. Prior to a specific project being developed, a
49 city, county, or region designating the area for
50 targeted economic development pursuant to this section

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1 may apply for and obtain appropriate licenses,
2 permits, and approvals for the type of targeted
3 economic development project desired for the area.

4 Sec. 129. NEW SECTION. 15E.19 REGULATORY
5 ASSISTANCE.

6 1. The department of economic development shall
7 coordinate all regulatory assistance for the state of
8 Iowa. Each state agency with regulatory programs for
9 business shall maintain a coordinator within the
10 office of the director or the administrative division
11 of the state agency. Each coordinator shall do all of
12 the following:

13 a. Serve as the department of economic
14 development's primary contact for regulatory affairs.

15 b. Provide regulatory requirements to businesses
16 and represent the agency in the private sector.

17 c. Monitor permit applications and provide timely
18 permit status information to the department of
19 economic development.

20 d. Have the ability to require regulatory staff
21 participation in negotiations and discussions with
22 businesses.

23 e. Notify the department of economic development
24 regarding proposed rulemaking activities that impact a
25 regulatory program and any subsequent changes to a
26 regulatory program.

27 2. The department of economic development shall,
28 in consultation with the coordinators described in
29 this section, examine, and to the extent permissible,
30 assist in the implementation of methods, including the
31 possible establishment of an electronic database, to
32 streamline the process for issuing permits to
33 business.

34 3. By January 15 of each year, the department of
35 economic development shall submit a written report to
36 the general assembly regarding the provision of
37 regulatory assistance by state agencies, including the
38 department's efforts, and its recommendations and
39 proposed solutions, to streamline the process of
40 issuing permits to business.

41 Sec. 130. NEW SECTION. 15E.20 PERMIT APPROVAL
42 REQUIREMENTS.

43 A state agency which requires a permit, license, or
44 other regulatory approval shall issue or deny the
45 permit, license, or other regulatory approval within
46 ninety days of the receipt by the state agency of an
47 application. Unless such a state agency communicates
48 any concerns to or requests additional information
49 from an applicant within ten days of the receipt of
50 the application, the application shall be considered

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1 complete. A permit, license, or other regulatory
2 approval not issued or denied within the ninety days
3 shall be deemed to be issued and valid.

4 DIVISION XXI

5 UTILITY SALES TAX EXEMPTION

6 Sec. 131. Section 422.45, subsection 61, paragraph
7 b, subparagraphs (2), (3), (4), and (5), Code 2003,
8 are amended to read as follows:

9 (2) If the date of the utility billing or meter
10 reading cycle of the residential customer for the
11 sale, furnishing, or service of metered gas and
12 electricity is on or after January 1, 2003, through
13 ~~December 31, 2003~~ June 30, 2008, or if the sale,
14 furnishing, or service of fuel for purposes of
15 residential energy and the delivery of the fuel occurs
16 on or after January 1, 2003, through ~~December 31, 2003~~
17 June 30, 2008, the rate of tax is three percent of the
18 gross receipts.

19 (3) If the date of the utility billing or meter
20 reading cycle of the residential customer for the
21 sale, furnishing, or service of metered gas and
22 electricity is on or after ~~January 1, 2004~~ July 1,
23 2008, through ~~December 31, 2004~~ June 30, 2009, or if
24 the sale, furnishing, or service of fuel for purposes
25 of residential energy and the delivery of the fuel
26 occurs on or after ~~January 1, 2004~~ July 1, 2008,
27 through ~~December 31, 2004~~ June 30, 2009, the rate of
28 tax is two percent of the gross receipts.

29 (4) If the date of the utility billing or meter
30 reading cycle of the residential customer for the
31 sale, furnishing, or service of metered gas and
32 electricity is on or after ~~January 1, 2005~~ July 1,
33 2009, through ~~December 31, 2005~~ June 30, 2010, or if
34 the sale, furnishing, or service of fuel for purposes
35 of residential energy and the delivery of the fuel
36 occurs on or after ~~January 1, 2005~~ July 1, 2009,
37 through ~~December 31, 2005~~ June 30, 2010, the rate of
38 tax is one percent of the gross receipts.

39 (5) If the date of the utility billing or meter
40 reading cycle of the residential customer for the
41 sale, furnishing, or service of metered gas and
42 electricity is on or after ~~January 1, 2006~~ July 1,
43 2010, or if the sale, furnishing, or service of fuel
44 for purposes of residential energy and the delivery of
45 the fuel occurs on or after ~~January 1, 2006~~ July 1,
46 2010, the rate of tax is zero percent of the gross
47 receipts.

48 DIVISION XXII

49 STREAMLINED SALES AND USE TAXES

50 SUBCHAPTER I

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DEFINITIONS

- 1
2 Sec. 132. NEW SECTION. 423.1 DEFINITIONS.
3 As used in this chapter the following words, terms,
4 and phrases have the meanings ascribed to them by this
5 section, except where the context clearly indicates
6 that a different meaning is intended:
- 7 1. "Agent" means a person appointed by a seller to
8 represent the seller before the member states.
 - 9 2. "Agreement" means the streamlined sales and use
10 tax agreement authorized by subchapter IV of this
11 chapter to provide a mechanism for establishing and
12 maintaining a cooperative, simplified system for the
13 application and administration of sales and use taxes.
 - 14 3. "Agricultural production" includes the
15 production of flowering, ornamental, or vegetable
16 plants in commercial greenhouses or otherwise, and
17 production from aquaculture. "Agricultural products"
18 includes flowering, ornamental, or vegetable plants
19 and those products of aquaculture.
 - 20 4. "Business" includes any activity engaged in by
21 any person or caused to be engaged in by the person
22 with the object of gain, benefit, or advantage, either
23 direct or indirect.
 - 24 5. "Certificate of title" means a certificate of
25 title issued for a vehicle or for manufactured housing
26 under chapter 321.
 - 27 6. "Certified automated system" means software
28 certified under the agreement to calculate the tax
29 imposed by each jurisdiction on a transaction,
30 determine the amount of tax to remit to the
31 appropriate state, and maintain a record of the
32 transaction.
 - 33 7. "Certified service provider" means an agent
34 certified under the agreement to perform all of a
35 seller's sales or use tax functions, other than the
36 seller's obligation to remit tax on its own purchases.
 - 37 8. "Computer" means an electronic device that
38 accepts information in digital or similar form and
39 manipulates the information for a result based on a
40 sequence of instructions.
 - 41 9. "Computer software" means a set of coded
42 instructions designed to cause a computer or automatic
43 data processing equipment to perform a task.
 - 44 10. "Delivered electronically" means delivered to
45 the purchaser by means other than tangible storage
46 media.
 - 47 11. "Delivery charges" means charges assessed by a
48 seller of personal property or services for
49 preparation and delivery to a location designated by
50 the purchaser of personal property or services

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- 1 including, but not limited to, transportation,
2 shipping, postage, handling, crating, and packing
3 charges.
- 4 12. "Department" means the department of revenue
5 and finance.
- 6 13. "Direct mail" means printed material delivered
7 or distributed by United States mail or other delivery
8 service to a mass audience or to addressees on a
9 mailing list provided by the purchaser or at the
10 direction of the purchaser when the cost of the items
11 is not billed directly to the recipients. "Direct
12 mail" includes tangible personal property supplied
13 directly or indirectly by the purchaser to the direct
14 mail seller for inclusion in the package containing
15 the printed material. "Direct mail" does not include
16 multiple items of printed material delivered to a
17 single address.
- 18 14. "Director" means the director of revenue and
19 finance.
- 20 15. "Electronic" means relating to technology
21 having electrical, digital, magnetic, wireless,
22 optical, electromagnetic, or similar capabilities.
- 23 16. "Farm deer" means the same as defined in
24 section 189A.2.
- 25 17. "Farm machinery and equipment" means machinery
26 and equipment used in agricultural production.
- 27 18. "First use of a service". A "first use of a
28 service" occurs, for the purposes of this chapter,
29 when a service is rendered, furnished, or performed in
30 Iowa or if rendered, furnished, or performed outside
31 of Iowa, when the product or result of the service is
32 used in Iowa.
- 33 19. "Goods, wares, or merchandise" means the same
34 as tangible personal property.
- 35 20. "Governing board" means the group comprised of
36 representatives of the member states of the agreement
37 which is created by the agreement to be responsible
38 for the agreement's administration and operation.
- 39 21. "Installed purchase price" is the amount
40 charged, valued in money whether paid in money or
41 otherwise, by a building contractor to convert
42 manufactured housing from tangible personal property
43 into realty. "Installed purchase price" includes, but
44 is not limited to, amounts charged for installing a
45 foundation and electrical and plumbing hookups.
46 "Installed purchase price" excludes any amount charged
47 for landscaping in connection with the conversion.
- 48 22. "Lease or rental".
49 a. "Lease or rental" means any transfer of
50 possession or control of tangible personal property

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1 for a fixed or indeterminate term for consideration.

2 A "lease or rental" may include future options to
3 purchase or extend.

4 b. "Lease or rental" includes agreements covering
5 motor vehicles and trailers when the amount of
6 consideration may be increased or decreased by
7 reference to the amount realized upon sale or
8 disposition of the property as defined in 26 U.S.C. §
9 7701(h) (1).

10 c. "Lease or rental" does not include any of the
11 following:

12 (1) A transfer of possession or control of
13 property under a security agreement or deferred
14 payment plan that requires the transfer of title upon
15 completion of the required payments.

16 (2) A transfer of possession or control of
17 property under an agreement that requires the transfer
18 of title upon completion of required payments, and
19 payment of any option price does not exceed the
20 greater of one hundred dollars or one percent of the
21 total required payments.

22 (3) Providing tangible personal property along
23 with an operator for a fixed or indeterminate period
24 of time. A condition of this exclusion is that the
25 operator is necessary for the equipment to perform as
26 designed. For the purpose of this subparagraph, an
27 operator must do more than maintain, inspect, or set
28 up the tangible personal property.

29 d. This definition shall be used for sales and use
30 tax purposes regardless of whether a transaction is
31 characterized as a lease or rental under generally
32 accepted accounting principles, the Internal Revenue
33 Code, the Uniform Commercial Code, or other provisions
34 of federal, state, or local law.

35 23. "Livestock" includes but is not limited to an
36 animal classified as an ostrich, rhea, emu, bison, or
37 farm deer.

38 24. "Manufactured housing" means "manufactured
39 home" as defined in section 321.1.

40 25. "Member state" is any state which has signed
41 the agreement.

42 26. "Mobile home" means "manufactured or mobile
43 home" as defined in section 321.1.

44 27. "Model 1 seller" is a seller that has selected
45 a certified service provider as its agent to perform
46 all the seller's sales and use tax functions, other
47 than the seller's obligation to remit tax on its own
48 purchases.

49 28. "Model 2 seller" is a seller that has selected
50 a certified automated system to perform part of its

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1 sales and use tax functions, but retains
2 responsibility for remitting the tax.

3 29. "Model 3 seller" is a seller that has sales in
4 at least five member states, has total annual sales
5 revenue of at least five hundred million dollars, has
6 a proprietary system that calculates the amount of tax
7 due each jurisdiction, and has entered into a
8 performance agreement with the member states that
9 establishes a tax performance standard for the seller.
10 As used in this definition, a "seller" includes an
11 affiliated group of sellers using the same proprietary
12 system.

13 30. "Nonresidential commercial operations" means
14 industrial, commercial, mining, or agricultural
15 operations, whether for profit or not, but does not
16 include apartment complexes or mobile home parks.

17 31. "Not registered under the agreement" means
18 lack of registration by a seller with the member
19 states under the central registration system
20 referenced in section 423.11, subsection 4.

21 32. "Person" means an individual, trust, estate,
22 fiduciary, partnership, limited liability company,
23 limited liability partnership, corporation, or any
24 other legal entity.

25 33. "Place of business" means any warehouse,
26 store, place, office, building, or structure where
27 goods, wares, or merchandise are offered for sale at
28 retail or where any taxable amusement is conducted, or
29 each office where gas, water, heat, communication, or
30 electric services are offered for sale at retail.

31 When a retailer or amusement operator sells
32 merchandise by means of vending machines or operates
33 music or amusement devices by coin-operated machines
34 at more than one location within the state, the
35 office, building, or place where the books, papers,
36 and records of the taxpayer are kept shall be deemed
37 to be the taxpayer's place of business.

38 34. "Prewritten computer software" includes
39 software designed and developed by the author or other
40 creator to the specifications of a specific purchaser
41 when it is sold to a person other than the purchaser.
42 The combining of two or more prewritten computer
43 software programs or prewritten portions of prewritten
44 programs does not cause the combination to be other
45 than prewritten computer software. "Prewritten
46 computer software" also means computer software,
47 including prewritten upgrades, which is not designed
48 and developed by the author or other creator to the
49 specifications of a specific purchaser.

50 When a person modifies or enhances computer

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1 software of which the person is not the author or
2 creator, the person shall be deemed to be the author
3 or creator only of such person's modifications or
4 enhancements. Prewritten computer software or a
5 prewritten portion of the prewritten software that is
6 modified or enhanced to any degree, when such
7 modification or enhancement is designed and developed
8 to the specifications of a specific purchaser, remains
9 prewritten computer software. However, when there is
10 a reasonable, separately stated charge or an invoice
11 or other statement of the price given to the purchaser
12 for such modification or enhancement, such
13 modification or enhancement shall not constitute
14 prewritten computer software.

15 35. "Property purchased for resale in connection
16 with the performance of a service" means property
17 which is purchased for resale in connection with the
18 rendition, furnishing, or performance of a service by
19 a person who renders, furnishes, or performs the
20 service if all of the following occur:

21 a. The provider and user of the service intend
22 that a sale of the property will occur.

23 b. The property is transferred to the user of the
24 service in connection with the performance of the
25 service in a form or quantity capable of a fixed or
26 definite price value.

27 c. The sale is evidenced by a separate charge for
28 the identifiable piece of property.

29 36. "Purchase" means any transfer, exchange, or
30 barter, conditional or otherwise, in any manner or by
31 any means whatsoever, for a consideration.

32 37. "Purchase price" means the same as "sales
33 price" as defined in this section.

34 38. "Purchaser" is a person to whom a sale of
35 personal property is made or to whom a service is
36 furnished.

37 39. "Receive" and "receipt" mean any of the
38 following:

39 a. Taking possession of tangible personal
40 property.

41 b. Making first use of a service.

42 c. Taking possession or making first use of
43 digital goods, whichever comes first.

44 "Receive" and "receipt" do not include possession
45 by a shipping company on behalf of a purchaser.

46 40. "Registered under the agreement" means
47 registration by a seller under the central
48 registration system referenced in section 423.11,
49 subsection 4.

50 41. "Relief agency" means the state, any county,

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1 city and county, city, or district thereof, or any
2 agency engaged in actual relief work.
3 42. "Retailer" means and includes every person
4 engaged in the business of selling tangible personal
5 property or taxable services at retail, or the
6 furnishing of gas, electricity, water, or
7 communication service, and tickets or admissions to
8 places of amusement and athletic events or operating
9 amusement devices or other forms of commercial
10 amusement from which revenues are derived. However,
11 when in the opinion of the director it is necessary
12 for the efficient administration of this chapter to
13 regard any salespersons, representatives, truckers,
14 peddlers, or canvassers as agents of the dealers,
15 distributors, supervisors, employers, or persons under
16 whom they operate or from whom they obtain tangible
17 personal property sold by them irrespective of whether
18 or not they are making sales on their own behalf or on
19 behalf of such dealers, distributors, supervisors,
20 employers, or persons, the director may so regard
21 them, and may regard such dealers, distributors,
22 supervisors, employers, or persons as retailers for
23 the purposes of this chapter. "Retailer" includes a
24 seller obligated to collect sales or use tax.

25 43. "Retailer maintaining a place of business in
26 this state" or any like term includes any retailer
27 having or maintaining within this state, directly or
28 by a subsidiary, an office, distribution house, sales
29 house, warehouse, or other place of business, or any
30 representative operating within this state under the
31 authority of the retailer or its subsidiary,
32 irrespective of whether that place of business or
33 representative is located here permanently or
34 temporarily, or whether the retailer or subsidiary is
35 admitted to do business within this state pursuant to
36 chapter 490.

37 44. "Retailers who are not model sellers" means
38 all retailers other than model 1, model 2, or model 3
39 sellers.

40 45. "Retail sale" or "sale at retail" means any
41 sale, lease, or rental for any purpose other than
42 resale, sublease, or subrent.

43 46. "Sales" or "sale" means any transfer,
44 exchange, or barter, conditional or otherwise, in any
45 manner or by any means whatsoever, for consideration.

46 47. "Sales price" applies to the measure subject
47 to sales tax.

48 a. "Sales price" means the total amount of
49 consideration, including cash, credit, property, and
50 services, for which personal property or services are

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1 sold, leased, or rented, valued in money, whether
2 received in money or otherwise, without any deduction
3 for any of the following:

- 4 (1) The seller's cost of the property sold.
- 5 (2) The cost of materials used, labor or service
6 cost, interest, losses, all costs of transportation to
7 the seller, all taxes imposed on the seller, and any
8 other expenses of the seller.
- 9 (3) Charges by the seller for any services
10 necessary to complete the sale, other than delivery
11 and installation charges.
- 12 (4) Delivery charges.
- 13 (5) Installation charges.
- 14 (6) The value of exempt personal property given to
15 the purchaser where taxable and exempt personal
16 property have been bundled together and sold by the
17 seller as a single product or piece of merchandise.
- 18 (7) Credit for any trade-in authorized by section
19 423.3, subsection 58.

20 b. "Sales price" does not include:

- 21 (1) Discounts, including cash, term, or coupons
22 that are not reimbursed by a third party that are
23 allowed by a seller and taken by a purchaser on a
24 sale.
- 25 (2) Interest, financing, and carrying charges from
26 credit extended on the sale of personal property or
27 services, if the amount is separately stated on the
28 invoice, bill of sale, or similar document given to
29 the purchaser.
- 30 (3) Any taxes legally imposed directly on the
31 consumer that are separately stated on the invoice,
32 bill of sale, or similar document given to the
33 purchaser.
- 34 (4) The amounts received for charges included in
35 paragraph "a", subparagraphs (3) through (7), if they
36 are separately contracted for and separately stated on
37 the invoice, billing, or similar document given to the
38 purchaser.

39 48. "Sales tax" means the tax levied under
40 subchapter II of this chapter.

41 49. "Seller" means any person making sales,
42 leases, or rentals of personal property or services.

43 50. "Services" means all acts or services
44 rendered, furnished, or performed, other than services
45 used in processing of tangible personal property for
46 use in retail sales or services, for an employer, as
47 defined in section 422.4, subsection 3, for a valuable
48 consideration by any person engaged in any business or
49 occupation specifically enumerated in section 423.2.

50 The tax shall be due and collectible when the service

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1 is rendered, furnished, or performed for the ultimate
2 user of the service.

3 51. "Services used in the processing of tangible
4 personal property" includes the reconditioning or
5 repairing of tangible personal property of the type
6 normally sold in the regular course of the retailer's
7 business and which is held for sale.

8 52. "State" means any state of the United States
9 and the District of Columbia.

10 53. "System" means the central electronic
11 registration system maintained by Iowa and other
12 states which are signatories to the agreement.

13 54. "Tangible personal property" means personal
14 property that can be seen, weighed, measured, felt, or
15 touched, or that is in any other manner perceptible to
16 the senses. "Tangible personal property" includes
17 electricity, water, gas, steam, and prewritten
18 computer software.

19 55. "Taxpayer" includes any person who is subject
20 to a tax imposed by this chapter, whether acting on
21 the person's own behalf or as a fiduciary.

22 56. "Trailer" shall mean every trailer, as is now
23 or may be hereafter so defined by chapter 321, which
24 is required to be registered or is subject only to the
25 issuance of a certificate of title under chapter 321.

26 57. "Use" means and includes the exercise by any
27 person of any right or power over tangible personal
28 property incident to the ownership of that property.
29 A retailer's or building contractor's sale of
30 manufactured housing for use in this state, whether in
31 the form of tangible personal property or of realty,
32 is a use of that property for the purposes of this
33 chapter.

34 58. "Use tax" means the tax levied under
35 subchapter III of this chapter for which the retailer
36 collects and remits tax to the department.

37 59. "User" means the immediate recipient of the
38 services who is entitled to exercise a right of power
39 over the product of such services.

40 60. "Value of services" means the price to the
41 user exclusive of any direct tax imposed by the
42 federal government or by this chapter.

43 61. "Vehicles subject to registration" means any
44 vehicle subject to registration pursuant to section
45 321.18.

SUBCHAPTER II

SALES TAX

48 Sec. 133. NEW SECTION. 423.2 TAX IMPOSED.

49 1. There is imposed a tax of five percent upon the
50 sales price of all sales of tangible personal

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1 property, consisting of goods, wares, or merchandise,
2 sold at retail in the state to consumers or users
3 except as otherwise provided in this subchapter.

4 a. For the purposes of this subchapter, sales of
5 the following services are treated as if they were
6 sales of tangible personal property:

7 (1) Sales of engraving, photography, retouching,
8 printing, and binding services.

9 (2) Sales of vulcanizing, recapping, and
10 retreading services.

11 (3) Sales of prepaid telephone calling cards and
12 prepaid authorization numbers.

13 (4) Sales of optional service or warranty
14 contracts, except residential service contracts
15 regulated under chapter 523C, which provide for the
16 furnishing of labor and materials and require the
17 furnishing of any taxable service enumerated under
18 this section. The sales price is subject to tax even
19 if some of the services furnished are not enumerated
20 under this section. Additional sales, services, or
21 use taxes shall not be levied on services, parts, or
22 labor provided under optional service or warranty
23 contracts which are subject to tax under this
24 subsection.

25 If the optional service or warranty contract is a
26 computer software maintenance or support service
27 contract and there is no separately stated fee for the
28 taxable personal property or for the nontaxable
29 service, the tax imposed by this subsection shall be
30 imposed on fifty percent of the sales price from the
31 sale of such contract. If the contract provides for
32 technical support services only, no tax shall be
33 imposed under this subsection. The provisions of this
34 subparagraph (4) also apply to the use tax.

35 (5) Renting of rooms, apartments, or sleeping
36 quarters in a hotel, motel, inn, public lodging house,
37 rooming house, mobile home which is tangible personal
38 property, or tourist court, or in any place where
39 sleeping accommodations are furnished to transient
40 guests for rent, whether with or without meals.
41 "Renting" and "rent" include any kind of direct or
42 indirect charge for such rooms, apartments, or
43 sleeping quarters, or their use. However, the tax
44 does not apply to the sales price from the renting of
45 a room, apartment, or sleeping quarters while rented
46 by the same person for a period of more than thirty-
47 one consecutive days.

48 b. Sales of building materials, supplies, and
49 equipment to owners, contractors, subcontractors, or
50 builders for the erection of buildings or the

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1 alteration, repair, or improvement of real property
2 are retail sales of tangible personal property in
3 whatever quantity sold. Where the owner, contractor,
4 subcontractor, or builder is also a retailer holding a
5 retail sales tax permit and transacting retail sales
6 of building materials, supplies, and equipment, the
7 person shall purchase such items of tangible personal
8 property without liability for the tax if such
9 property will be subject to the tax at the time of
10 resale or at the time it is withdrawn from inventory
11 for construction purposes. The sales tax shall be due
12 in the reporting period when the materials, supplies,
13 and equipment are withdrawn from inventory for
14 construction purposes or when sold at retail. The tax
15 shall not be due when materials are withdrawn from
16 inventory for use in construction outside of Iowa and
17 the tax shall not apply to tangible personal property
18 purchased and consumed by the manufacturer as building
19 materials in the performance by the manufacturer or
20 its subcontractor of construction outside of Iowa.
21 The sale of carpeting is not a sale of building
22 materials. The sale of carpeting to owners,
23 contractors, subcontractors, or builders shall be
24 treated as the sale of ordinary tangible personal
25 property and subject to the tax imposed under this
26 subsection and the use tax.

27 c. The use within this state of tangible personal
28 property by the manufacturer thereof, as building
29 materials, supplies, or equipment, in the performance
30 of construction contracts in Iowa, shall, for the
31 purpose of this subchapter, be construed as a sale at
32 retail of tangible personal property by the
33 manufacturer who shall be deemed to be the consumer of
34 such tangible personal property. The tax shall be
35 computed upon the cost to the manufacturer of the
36 fabrication or production of the tangible personal
37 property.

38 2. A tax of five percent is imposed upon the sales
39 price of the sale or furnishing of gas, electricity,
40 water, heat, pay television service, and communication
41 service, including the sales price from such sales by
42 any municipal corporation or joint water utility
43 furnishing gas, electricity, water, heat, pay
44 television service, and communication service to the
45 public in its proprietary capacity, except as
46 otherwise provided in this subchapter, when sold at
47 retail in the state to consumers or users.

48 3. A tax of five percent is imposed upon the sales
49 price of all sales of tickets or admissions to places
50 of amusement, fairs, and athletic events except those

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1 of elementary and secondary educational institutions.
2 A tax of five percent is imposed on the sales price of
3 an entry fee or like charge imposed solely for the
4 privilege of participating in an activity at a place
5 of amusement, fair, or athletic event unless the sales
6 price of tickets or admissions charges for observing
7 the same activity are taxable under this subchapter.
8 A tax of five percent is imposed upon that part of
9 private club membership fees or charges paid for the
10 privilege of participating in any athletic sports
11 provided club members.

12 4. A tax of five percent is imposed upon the sales
13 price derived from the operation of all forms of
14 amusement devices and games of skill, games of chance,
15 raffles, and bingo games as defined in chapter 99B,
16 operated or conducted within the state, the tax to be
17 collected from the operator in the same manner as for
18 the collection of taxes upon the sales price of
19 tickets or admission as provided in this section.
20 Nothing in this subsection shall legalize any games of
21 skill or chance or slot-operated devices which are now
22 prohibited by law.

23 The tax imposed under this subsection covers the
24 total amount from the operation of games of skill,
25 games of chance, raffles, and bingo games as defined
26 in chapter 99B, and musical devices, weighing
27 machines, shooting galleries, billiard and pool
28 tables, bowling alleys, pinball machines, slot-
29 operated devices selling merchandise not subject to
30 the general sales taxes and on the total amount from
31 devices or systems where prizes are in any manner
32 awarded to patrons and upon the receipts from fees
33 charged for participation in any game or other form of
34 amusement, and generally upon the sales price from any
35 source of amusement operated for profit, not specified
36 in this section, and upon the sales price from which
37 tax is not collected for tickets or admission, but tax
38 shall not be imposed upon any activity exempt from
39 sales tax under section 423.3, subsection 78. Every
40 person receiving any sales price from the sources
41 described in this section is subject to all provisions
42 of this subchapter relating to retail sales tax and
43 other provisions of this chapter as applicable.

44 5. There is imposed a tax of five percent upon the
45 sales price from the furnishing of services as defined
46 in section 423.1.

47 6. The sales price of any of the following
48 enumerated services is subject to the tax imposed by
49 subsection 5: alteration and garment repair; armored
50 car; vehicle repair; battery, tire, and allied;

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1 investment counseling; service charges of all
2 financial institutions; barber and beauty; boat
3 repair; vehicle wash and wax; campgrounds; carpentry;
4 roof, shingle, and glass repair; dance schools and
5 dance studios; dating services; dry cleaning,
6 pressing, dyeing, and laundering; electrical and
7 electronic repair and installation; excavating and
8 grading; farm implement repair of all kinds; flying
9 service; furniture, rug, carpet, and upholstery repair
10 and cleaning; fur storage and repair; golf and country
11 clubs and all commercial recreation; gun and camera
12 repair; house and building moving; household
13 appliance, television, and radio repair; janitorial
14 and building maintenance or cleaning; jewelry and
15 watch repair; lawn care, landscaping, and tree
16 trimming and removal; limousine service, including
17 driver; machine operator; machine repair of all kinds;
18 motor repair; motorcycle, scooter, and bicycle repair;
19 oilers and lubricators; office and business machine
20 repair; painting, papering, and interior decorating;
21 parking facilities; pay television; pet grooming; pipe
22 fitting and plumbing; wood preparation; executive
23 search agencies; private employment agencies,
24 excluding services for placing a person in employment
25 where the principal place of employment of that person
26 is to be located outside of the state; reflexology;
27 security and detective services; sewage services for
28 nonresidential commercial operations; sewing and
29 stitching; shoe repair and shoeshine; sign
30 construction and installation; storage of household
31 goods, mini-storage, and warehousing of raw
32 agricultural products; swimming pool cleaning and
33 maintenance; tanning beds or salons; taxidermy
34 services; telephone answering service; test
35 laboratories, including mobile testing laboratories
36 and field testing by testing laboratories, and
37 excluding tests on humans or animals; termite, bug,
38 roach, and pest eradicators; tin and sheet metal
39 repair; Turkish baths, massage, and reducing salons,
40 excluding services provided by massage therapists
41 licensed under chapter 152C; water conditioning and
42 softening; weighing; welding; well drilling; wrapping,
43 packing, and packaging of merchandise other than
44 processed meat, fish, fowl, and vegetables; wrecking
45 service; wrecker and towing.

46 For the purposes of this subsection, the sales
47 price of a lease or rental includes rents, royalties,
48 and copyright and license fees. For the purposes of
49 this subsection, "financial institutions" means all
50 national banks, federally chartered savings and loan

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1 associations, federally chartered savings banks,
2 federally chartered credit unions, banks organized
3 under chapter 524, savings and loan associations and
4 savings banks organized under chapter 534, and credit
5 unions organized under chapter 533.

6 7. a. A tax of five percent is imposed upon the
7 sales price from the sales, furnishing, or service of
8 solid waste collection and disposal service.

9 For purposes of this subsection, "solid waste"
10 means garbage, refuse, sludge from a water supply
11 treatment plant or air contaminant treatment facility,
12 and other discarded waste materials and sludges, in
13 solid, semisolid, liquid, or contained gaseous form,
14 resulting from nonresidential commercial operations,
15 but does not include auto hulks; street sweepings;
16 ash; construction debris; mining waste; trees; tires;
17 lead acid batteries; used oil; hazardous waste; animal
18 waste used as fertilizer; earthen fill, boulders, or
19 rock; foundry sand used for daily cover at a sanitary
20 landfill; sewage sludge; solid or dissolved material
21 in domestic sewage or other common pollutants in water
22 resources, such as silt, dissolved or suspended solids
23 in industrial waste water effluents or discharges
24 which are point sources subject to permits under
25 section 402 of the federal Water Pollution Control
26 Act, or dissolved materials in irrigation return
27 flows; or source, special nuclear, or by-product
28 material defined by the federal Atomic Energy Act of
29 1954.

30 A recycling facility that separates or processes
31 recyclable materials and that reduces the volume of
32 the waste by at least eighty-five percent is exempt
33 from the tax imposed by this subsection if the waste
34 exempted is collected and disposed of separately from
35 other solid waste.

36 b. A person who transports solid waste generated
37 by that person or another person without compensation
38 shall pay the tax imposed by this subsection at the
39 collection or disposal facility based on the disposal
40 charge or tipping fee. However, the costs of a
41 service or portion of a service to collect and manage
42 recyclable materials separated from solid waste by the
43 waste generator are exempt from the tax imposed by
44 this subsection.

45 8. a. A tax of five percent is imposed upon the
46 sales price from sales of bundled services contracts.
47 For purposes of this subsection, a "bundled services
48 contract" means an agreement providing for a
49 retailer's performance of services, one or more of
50 which is a taxable service enumerated in this section

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1 and one or more of which is not, in return for a
2 consumer's or user's single payment for the
3 performance of the services, with no separate
4 statement to the consumer or user of what portion of
5 that payment is attributable to any one service which
6 is a part of the contract.

7 b. For purposes of the administration of the tax
8 on bundled services contracts, the director may enter
9 into agreements of limited duration with individual
10 retailers, groups of retailers, or organizations
11 representing retailers of bundled services contracts.
12 Such an agreement shall impose the tax rate only upon
13 that portion of the sales price from a bundled
14 services contract which is attributable to taxable
15 services provided under the contract.

16 9. A tax of five percent is imposed upon the sales
17 price from any mobile telecommunications service which
18 this state is allowed to tax by the provisions of the
19 federal Mobile Telecommunications Sourcing Act, Pub.
20 L. No. 106-252, 4 U.S.C. § 116 et seq. For purposes
21 of this subsection, taxes on mobile telecommunications
22 service, as defined under the federal Mobile
23 Telecommunications Sourcing Act that are deemed to be
24 provided by the customer's home service provider,
25 shall be paid to the taxing jurisdiction whose
26 territorial limits encompass the customer's place of
27 primary use, regardless of where the mobile
28 telecommunications service originates, terminates, or
29 passes through and shall in all other respects be
30 taxed in conformity with the federal Mobile
31 Telecommunications Sourcing Act. All other provisions
32 of the federal Mobile Telecommunications Sourcing Act
33 are adopted by the state of Iowa and incorporated into
34 this subsection by reference. With respect to mobile
35 telecommunications service under the federal Mobile
36 Telecommunications Sourcing Act, the director shall,
37 if requested, enter into agreements consistent with
38 the provisions of the federal Act.

39 10. All revenues arising under the operation of
40 the provisions of this section shall be deposited into
41 the general fund of the state.

42 Sec. 134. NEW SECTION. 423.3 EXEMPTIONS.

43 There is exempted from the provisions of this
44 subchapter and from the computation of the amount of
45 tax imposed by it the following:

46 1. The sales price from sales of tangible personal
47 property and services furnished which this state is
48 prohibited from taxing under the Constitution or laws
49 of the United States or under the Constitution of this
50 state.

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1 2. The sales price of sales for resale of tangible
2 personal property or taxable services, or for resale
3 of tangible personal property in connection with the
4 furnishing of taxable services.

5 3. The sales price of agricultural breeding
6 livestock and domesticated fowl.

7 4. The sales price of commercial fertilizer.

8 5. The sales price of agricultural limestone,
9 herbicide, pesticide, insecticide, including
10 adjuvants, surfactants, and other products directly
11 related to the application enhancement of those
12 products, food, medication, or agricultural drain
13 tile, including installation of agricultural drain
14 tile, any of which are to be used in disease control,
15 weed control, insect control, or health promotion of
16 plants or livestock produced as part of agricultural
17 production for market.

18 6. The sales price of tangible personal property
19 which will be consumed as fuel in creating heat,
20 power, or steam for grain drying, or for providing
21 heat or cooling for livestock buildings or for
22 greenhouses or buildings or parts of buildings
23 dedicated to the production of flowering, ornamental,
24 or vegetable plants intended for sale in the ordinary
25 course of business, or for use in cultivation of
26 agricultural products by aquaculture, or in implements
27 of husbandry engaged in agricultural production.

28 7. The sales price of services furnished by
29 specialized flying implements of husbandry used for
30 agricultural aerial spraying.

31 8. The sales price exclusive of services of farm
32 machinery and equipment, including auxiliary
33 attachments which improve the performance, safety,
34 operation, or efficiency of the machinery and
35 equipment and replacement parts, if the following
36 conditions are met:

37 a. The farm machinery and equipment shall be
38 directly and primarily used in production of
39 agricultural products.

40 b. The farm machinery and equipment shall
41 constitute self-propelled implements or implements
42 customarily drawn or attached to self-propelled
43 implements or the farm machinery or equipment is a
44 grain dryer.

45 c. The replacement part is essential to any repair
46 or reconstruction necessary to the farm machinery's or
47 equipment's exempt use in the production of
48 agricultural products.

49 Vehicles subject to registration, as defined in
50 section 423.1, or replacement parts for such vehicles,

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1 are not eligible for this exemption.

2 9. The sales price of wood chips, sawdust, hay,
3 straw, paper, or other materials used for bedding in
4 the production of agricultural livestock or fowl.

5 10. The sales price of gas, electricity, water, or
6 heat to be used in implements of husbandry engaged in
7 agricultural production.

8 11. The sales price exclusive of services of farm
9 machinery and equipment, including auxiliary
10 attachments which improve the performance, safety,
11 operation, or efficiency of the machinery and
12 equipment and replacement parts, if all of the
13 following conditions are met:

14 a. The implement, machinery, or equipment is
15 directly and primarily used in livestock or dairy
16 production, aquaculture production, or the production
17 of flowering, ornamental, or vegetable plants.

18 b. The implement is not a self-propelled implement
19 or implement customarily drawn or attached to self-
20 propelled implements.

21 c. The replacement part is essential to any repair
22 or reconstruction necessary to the farm machinery's or
23 equipment's exempt use in livestock or dairy
24 production, aquaculture production, or the production
25 of flowering, ornamental, or vegetable plants.

26 12. The sales price, exclusive of services, from
27 sales of irrigation equipment used in farming
28 operations.

29 13. The sales price from the sale or rental of
30 irrigation equipment, whether installed above or below
31 ground, to a contractor or farmer if the equipment
32 will be primarily used in agricultural operations.

33 14. The sales price from the sales of horses,
34 commonly known as draft horses, when purchased for use
35 and so used as draft horses.

36 15. The sales price from the sale of property
37 which is a container, label, carton, pallet, packing
38 case, wrapping, baling wire, twine, bag, bottle,
39 shipping case, or other similar article or receptacle
40 sold for use in agricultural, livestock, or dairy
41 production.

42 16. The sales price from the sale of feed and feed
43 supplements and additives when used for consumption by
44 farm deer or bison.

45 17. The sales price of all goods, wares, or
46 merchandise, or services, used for educational
47 purposes sold to any private nonprofit educational
48 institution in this state. For the purpose of this
49 subsection, "educational institution" means an
50 institution which primarily functions as a school,

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1 college, or university with students, faculty, and an
2 established curriculum. The faculty of an educational
3 institution must be associated with the institution
4 and the curriculum must include basic courses which
5 are offered every year. "Educational institution"
6 includes an institution primarily functioning as a
7 library.

8 18. The sales price of tangible personal property
9 sold, or of services furnished, to the following
10 nonprofit corporations:

11 a. Residential care facilities and intermediate
12 care facilities for persons with mental retardation
13 and residential care facilities for persons with
14 mental illness licensed by the department of
15 inspections and appeals under chapter 135C.

16 b. Residential facilities licensed by the
17 department of human services pursuant to chapter 237,
18 other than those maintained by individuals as defined
19 in section 237.1, subsection 7.

20 c. Rehabilitation facilities that provide
21 accredited rehabilitation services to persons with
22 disabilities which are accredited by the commission on
23 accreditation of rehabilitation facilities or the
24 accreditation council for services for persons with
25 mental retardation and other persons with
26 developmental disabilities and adult day care services
27 approved for reimbursement by the state department of
28 human services.

29 d. Community mental health centers accredited by
30 the department of human services pursuant to chapter
31 225C.

32 e. Community health centers as defined in 42
33 U.S.C. § 254(c) and migrant health centers as defined
34 in 42 U.S.C. § 254(b).

35 19. The sales price of tangible personal property
36 sold to a nonprofit organization which was organized
37 for the purpose of lending the tangible personal
38 property to the general public for use by them for
39 nonprofit purposes.

40 20. The sales price of tangible personal property
41 sold, or of services furnished, to nonprofit legal aid
42 organizations.

43 21. The sales price of goods, wares, or
44 merchandise, or of services, used for educational,
45 scientific, historic preservation, or aesthetic
46 purpose sold to a nonprofit private museum.

47 22. The sales price from sales of goods, wares, or
48 merchandise, or from services furnished, to a
49 nonprofit private art center to be used in the
50 operation of the art center.

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1 23. The sales price of tangible personal property
2 sold, or of services furnished, by a fair society
3 organized under chapter 174.

4 24. The sales price from services furnished by the
5 notification center established pursuant to section
6 480.3, and the vendor selected pursuant to section
7 480.3 to provide the notification service.

8 25. The sales price of food and beverages sold for
9 human consumption by a nonprofit organization which
10 principally promotes a food or beverage product for
11 human consumption produced, grown, or raised in this
12 state and whose income is exempt from federal taxation
13 under section 501(c) of the Internal Revenue Code.

14 26. The sales price of tangible personal property
15 sold, or of services furnished, to a statewide
16 nonprofit organ procurement organization, as defined
17 in section 142C.2.

18 27. The sales price of tangible personal property
19 sold, or of services furnished, to a nonprofit
20 hospital licensed pursuant to chapter 135B to be used
21 in the operation of the hospital.

22 28. The sales price of tangible personal property
23 sold, or of services furnished, to a freestanding
24 nonprofit hospice facility which operates a hospice
25 program as defined in 42 C.F.R., ch. IV, § 418.3,
26 which property or services are to be used in the
27 hospice program.

28 29. The sales price of all goods, wares, or
29 merchandise sold, or of services furnished, which are
30 used in the fulfillment of a written construction
31 contract with a nonprofit hospital licensed pursuant
32 to chapter 135B if all of the following apply:

33 a. The sales and delivery of the goods, wares, or
34 merchandise, or the services furnished occurred
35 between July 1, 1998, and December 31, 2001.

36 b. The written construction contract was entered
37 into prior to December 31, 1999, or bonds to fund the
38 construction were issued prior to December 31, 1999.

39 c. The sales or services were purchased by a
40 contractor as the agent for the hospital or were
41 purchased directly by the hospital.

42 30. The sales price of livestock ear tags sold by
43 a nonprofit organization whose income is exempt from
44 federal taxation under section 501(c)(6) of the
45 Internal Revenue Code where the proceeds are used in
46 bovine research programs selected or approved by such
47 organization.

48 31. The sales price of goods, wares, or
49 merchandise sold to and of services furnished, and
50 used for public purposes sold to a tax-certifying or

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1 tax-levying body of the state or a governmental
2 subdivision of the state, including regional transit
3 systems, as defined in section 324A.1, the state board
4 of regents, department of human services, state
5 department of transportation, any municipally owned
6 solid waste facility which sells all or part of its
7 processed waste as fuel to a municipally owned public
8 utility, and all divisions, boards, commissions,
9 agencies, or instrumentalities of state, federal,
10 county, or municipal government which have no earnings
11 going to the benefit of an equity investor or
12 stockholder, except any of the following:

13 a. The sales price of goods, wares, or merchandise
14 sold to, or of services furnished, and used by or in
15 connection with the operation of any municipally owned
16 public utility engaged in selling gas, electricity,
17 heat, or pay television service to the general public.

18 b. The sales price of furnishing of sewage
19 services to a county or municipality on behalf of
20 nonresidential commercial operations.

21 c. The furnishing of solid waste collection and
22 disposal service to a county or municipality on behalf
23 of nonresidential commercial operations located within
24 the county or municipality.

25 The exemption provided by this subsection shall
26 also apply to all such sales of goods, wares, or
27 merchandise or of services furnished and subject to
28 use tax.

29 32. The sales price of tangible personal property
30 sold, or of services furnished, by a county or city.
31 This exemption does not apply to any of the following:

32 a. The tax specifically imposed under section
33 423.2 on the sales price from sales or furnishing of
34 gas, electricity, water, heat, pay television service,
35 or communication service to the public by a municipal
36 corporation in its proprietary capacity.

37 b. The sale or furnishing of solid waste
38 collection and disposal service to nonresidential
39 commercial operations.

40 c. The sale or furnishing of sewage service for
41 nonresidential commercial operations.

42 d. Fees paid to cities and counties for the
43 privilege of participating in any athletic sports.

44 33. The sales price of mementos and other items
45 relating to Iowa history and historic sites, the
46 general assembly, and the state capitol, sold by the
47 legislative service bureau and its legislative
48 information office on the premises of property under
49 the control of the legislative council, at the state
50 capitol, and on other state property.

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1 34. The sales price from sales of mementos and
2 other items relating to Iowa history and historic
3 sites by the department of cultural affairs on the
4 premises of property under its control and at the
5 state capitol.

6 35. The sales price from sales or services
7 furnished by the state fair organized under chapter
8 173.

9 36. The sales price from sales of tangible
10 personal property or of the sale or furnishing of
11 electrical energy, natural or artificial gas, or
12 communication service to another state or political
13 subdivision of another state if the other state
14 provides a similar reciprocal exemption for this state
15 and political subdivision of this state.

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.

20 38. The sales price from the sale of building
21 materials, supplies, or equipment sold to rural water
22 districts organized under chapter 504A as provided in
23 chapter 357A and used for the construction of
24 facilities of a rural water district.

25 39. The sales price from "casual sales".

26 "Casual sales" means:

27 a. Sales of tangible personal property, or the
28 furnishing of services, of a nonrecurring nature, by
29 the owner, if the seller, at the time of the sale, is
30 not engaged for profit in the business of selling
31 tangible personal property or services taxed under
32 section 423.2.

33 b. The sale of all or substantially all of the
34 tangible personal property or services held or used by
35 a seller in the course of the seller's trade or
36 business for which the seller is required to hold a
37 sales tax permit when the seller sells or otherwise
38 transfers the trade or business to another person who
39 shall engage in a similar trade or business.

40 40. The sales price from the sale of automotive
41 fluids to a retailer to be used either in providing a
42 service which includes the installation or application
43 of the fluids in or on a motor vehicle, which service
44 is subject to section 423.2, subsection 6, or to be
45 installed in or applied to a motor vehicle which the
46 retailer intends to sell, which sale is subject to
47 section 423.26. For purposes of this subsection,
48 automotive fluids are all those which are refined,
49 manufactured, or otherwise processed and packaged for
50 sale prior to their installation in or application to

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1 a motor vehicle. They include but are not limited to
2 motor oil and other lubricants, hydraulic fluids,
3 brake fluid, transmission fluid, sealants,
4 undercoatings, antifreeze, and gasoline additives.

5 41. The sales price from the rental of motion
6 picture films, video and audio tapes, video and audio
7 discs, records, photos, copy, scripts, or other media
8 used for the purpose of transmitting that which can be
9 seen, heard, or read, if either of the following
10 conditions are met:

11 a. The lessee imposes a charge for the viewing of
12 such media and the charge for the viewing is subject
13 to taxation under this subchapter or is subject to use
14 tax.

15 b. The lessee broadcasts the contents of such
16 media for public viewing or listening.

17 42. The sales price from the sale of tangible
18 personal property consisting of advertising material
19 including paper to a person in Iowa if that person or
20 that person's agent will, subsequent to the sale, send
21 that advertising material outside this state and the
22 material is subsequently used solely outside of Iowa.
23 For the purpose of this subsection, "advertising
24 material" means any brochure, catalog, leaflet, flyer,
25 order form, return envelope, or similar item used to
26 promote sales of property or services.

27 43. The sales price from the sale of property or
28 of services performed on property which the retailer
29 transfers to a carrier for shipment to a point outside
30 of Iowa, places in the United States mail or parcel
31 post directed to a point outside of Iowa, or
32 transports to a point outside of Iowa by means of the
33 retailer's own vehicles, and which is not thereafter
34 returned to a point within Iowa, except solely in the
35 course of interstate commerce or transportation. This
36 exemption shall not apply if the purchaser, consumer,
37 or their agent, other than a carrier, takes physical
38 possession of the property in Iowa.

39 44. The sales price from the sale of property
40 which is a container, label, carton, pallet, packing
41 case, wrapping paper, twine, bag, bottle, shipping
42 case, or other similar article or receptacle sold to
43 retailers or manufacturers for the purpose of
44 packaging or facilitating the transportation of
45 tangible personal property sold at retail or
46 transferred in association with the maintenance or
47 repair of fabric or clothing.

48 45. The sales price from sales or rentals to a
49 printer or publisher of the following: acetate; anti-
50 halation backing; antistatic spray; back lining; base

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1 material used as a carrier for light sensitive
2 emulsions; blankets; blow-ups; bronze powder; carbon
3 tissue; codas; color filters; color separations;
4 contacts; continuous tone separations; creative art;
5 custom dies and die cutting materials; dampener
6 sleeves; dampening solution; design and styling; diazo
7 coating; dot etching; dot etching solutions; drawings;
8 drawsheets; driers; duplicate films or prints;
9 electronically digitized images; electrotypes; end
10 product of image modulation; engravings; etch
11 solutions; film; finished art or final art; fix;
12 fixative spray; flats; flying pasters; foils;
13 goldenrod paper; gum; halftones; illustrations; ink;
14 ink paste; keylines; lacquer; lasering images;
15 layouts; lettering; line negatives and positives;
16 linotypes; lithographic offset plates; magnesium and
17 zinc etchings; masking paper; masks; masters; mats;
18 mat service; metal toner; models and modeling; mylar;
19 negatives; nonoffset spray; opaque film process paper;
20 opaquing; padding compound; paper stock; photographic
21 materials: acids, plastic film, desensitizer
22 emulsion, exposure chemicals, fix, developers, and
23 paper; photography, day rate; photopolymer coating;
24 photographs; photostats; photo-display tape;
25 phototypesetter materials; ph-indicator sticks;
26 positives; press pack; printing cylinders; printing
27 plates, all types; process lettering; proof paper;
28 proofs and proof processes, all types; pumice powder;
29 purchased author alterations; purchased composition;
30 purchased phototypesetting; purchased stripping and
31 pasteups; red litho tape; reducers; roller covering;
32 screen tints; sketches; stepped plates; stereotypes;
33 strip types; substrate; tints; tissue overlays;
34 toners; transparencies; tympan; typesetting;
35 typography; varnishes; veloxes; wood mounts; and any
36 other items used in a like capacity to any of the
37 above enumerated items by the printer or publisher to
38 complete a finished product for sale at retail.
39 Expendable tools and supplies which are not enumerated
40 in this subsection are excluded from the exemption.
41 "Printer" means that portion of a person's business
42 engaged in printing that completes a finished product
43 for ultimate sale at retail or means that portion of a
44 person's business used to complete a finished printed
45 packaging material used to package a product for
46 ultimate sale at retail. "Printer" does not mean an
47 in-house printer who prints or copyrights its own
48 materials.

49 46. a. The sales price from the sale or rental of
50 computers, machinery, and equipment, including

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1 replacement parts, and materials used to construct or
2 self-construct computers, machinery, and equipment if
3 such items are any of the following:

4 (1) Directly and primarily used in processing by a
5 manufacturer.

6 (2) Directly and primarily used to maintain the
7 integrity of the product or to maintain unique
8 environmental conditions required for either the
9 product or the computers, machinery, and equipment
10 used in processing by a manufacturer, including test
11 equipment used to control quality and specifications
12 of the product.

13 (3) Directly and primarily used in research and
14 development of new products or processes of
15 processing.

16 (4) Computers used in processing or storage of
17 data or information by an insurance company, financial
18 institution, or commercial enterprise.

19 (5) Directly and primarily used in recycling or
20 reprocessing of waste products.

21 (6) Pollution-control equipment used by a
22 manufacturer, including but not limited to that
23 required or certified by an agency of this state or of
24 the United States government.

25 b. The sales price from the sale of fuel used in
26 creating heat, power, steam, or for generating
27 electrical current, or from the sale of electricity,
28 consumed by computers, machinery, or equipment used in
29 an exempt manner described in paragraph "a",
30 subparagraph (1), (2), (3), (5), or (6).

31 c. The sales price from the sale or rental of the
32 following shall not be exempt from the tax imposed by
33 this subchapter:

34 (1) Hand tools.

35 (2) Point-of-sale equipment and computers.

36 (3) Industrial machinery, equipment, and
37 computers, including pollution-control equipment
38 within the scope of section 427A.1, subsection 1,
39 paragraphs "h" and "i".

40 (4) Vehicles subject to registration, except
41 vehicles subject to registration which are directly
42 and primarily used in recycling or reprocessing of
43 waste products.

44 d. As used in this subsection:

45 (1) "Commercial enterprise" includes businesses
46 and manufacturers conducted for profit and centers for
47 data processing services to insurance companies,
48 financial institutions, businesses, and manufacturers,
49 but excludes professions and occupations and nonprofit
50 organizations.

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1 (2) "Financial institution" means as defined in
2 section 527.2.

3 (3) "Insurance company" means an insurer organized
4 or operating under chapter 508, 514, 515, 518, 518A,
5 519, or 520, or authorized to do business in Iowa as
6 an insurer or an insurance producer under chapter
7 522B.

8 (4) "Manufacturer" means as defined in section
9 428.20, but also includes contract manufacturers. A
10 contract manufacturer is a manufacturer that otherwise
11 falls within the definition of manufacturer under
12 section 428.20, except that a contract manufacturer
13 does not sell the tangible personal property the
14 contract manufacturer processes on behalf of other
15 manufacturers. A business engaged in activities
16 subsequent to the extractive process of quarrying or
17 mining, such as crushing, washing, sizing, or blending
18 of aggregate materials, is a manufacturer with respect
19 to these activities.

20 (5) "Processing" means a series of operations in
21 which materials are manufactured, refined, purified,
22 created, combined, or transformed by a manufacturer,
23 ultimately into tangible personal property.
24 Processing encompasses all activities commencing with
25 the receipt or producing of raw materials by the
26 manufacturer and ending at the point products are
27 delivered for shipment or transferred from the
28 manufacturer. Processing includes but is not limited
29 to refinement or purification of materials; treatment
30 of materials to change their form, context, or
31 condition; maintenance of the quality or integrity of
32 materials, components, or products; maintenance of
33 environmental conditions necessary for materials,
34 components, or products; quality control activities;
35 and construction of packaging and shipping devices,
36 placement into shipping containers or any type of
37 shipping devices or medium, and the movement of
38 materials, components, or products until shipment from
39 the processor.

40 (6) "Receipt or producing of raw materials" means
41 activities performed upon tangible personal property
42 only. With respect to raw materials produced from or
43 upon real estate, the receipt or producing of raw
44 materials is deemed to occur immediately following the
45 severance of the raw materials from the real estate.

46 47. The sales price from the furnishing of the
47 design and installation of new industrial machinery or
48 equipment, including electrical and electronic
49 installation.

50 48. The sales price from the sale of carbon

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1 dioxide in a liquid, solid, or gaseous form,
2 electricity, steam, and other taxable services when
3 used by a manufacturer of food products to produce
4 marketable food products for human consumption,
5 including but not limited to treatment of material to
6 change its form, context, or condition, in order to
7 produce the food product, maintenance of quality or
8 integrity of the food product, changing or maintenance
9 of temperature levels necessary to avoid spoilage or
10 to hold the food product in marketable condition,
11 maintenance of environmental conditions necessary for
12 the safe or efficient use of machinery and material
13 used to produce the food product, sanitation and
14 quality control activities, formation of packaging,
15 placement into shipping containers, and movement of
16 the material or food product until shipment from the
17 building of manufacture.

18 49. The sales price of sales of electricity,
19 steam, or any taxable service when purchased and used
20 in the processing of tangible personal property
21 intended to be sold ultimately at retail.

22 50. The sales price of tangible personal property
23 sold for processing. Tangible personal property is
24 sold for processing within the meaning of this
25 subsection only when it is intended that the property
26 will, by means of fabrication, compounding,
27 manufacturing, or germination, become an integral part
28 of other tangible personal property intended to be
29 sold ultimately at retail; or for generating electric
30 current; or the property is a chemical, solvent,
31 sorbent, or reagent, which is directly used and is
32 consumed, dissipated, or depleted, in processing
33 tangible personal property which is intended to be
34 sold ultimately at retail or consumed in the
35 maintenance or repair of fabric or clothing, and which
36 may not become a component or integral part of the
37 finished product. The distribution to the public of
38 free newspapers or shoppers guides is a retail sale
39 for purposes of the processing exemption set out in
40 this subsection and in subsection 49.

41 51. The sales price from the sale of argon and
42 other similar gases to be used in the manufacturing
43 process.

44 52. The sales price from the sale of electricity
45 to water companies assessed for property tax pursuant
46 to sections 428.24, 428.26, and 428.28 which is used
47 solely for the purpose of pumping water from a river
48 or well.

49 53. The sales price from the sale of wind energy
50 conversion property to be used as an electric power

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1 source and the sale of the materials used to
2 manufacture, install, or construct wind energy
3 conversion property used or to be used as an electric
4 power source.

5 For purposes of this subsection, "wind energy
6 conversion property" means any device, including, but
7 not limited to, a wind charger, windmill, wind
8 turbine, tower and electrical equipment, pad mount
9 transformers, power lines, and substation, which
10 converts wind energy to a form of usable energy.

11 54. The sales price from the sales of newspapers,
12 free newspapers, or shoppers guides and the printing
13 and publishing of such newspapers and shoppers guides,
14 and envelopes for advertising.

15 55. The sales price from the sale of motor fuel
16 and special fuel consumed for highway use or in
17 watercraft or aircraft where the fuel tax has been
18 imposed and paid and no refund has been or will be
19 allowed and the sales price from the sales of ethanol
20 blended gasoline, as defined in section 452A.2.

21 56. The sales price from all sales of food and
22 food ingredients. However, as used in this
23 subsection, "food" does not include alcoholic
24 beverages, candy, dietary supplements, food sold
25 through vending machines, prepared food, soft drinks,
26 and tobacco.

27 For the purposes of this subsection:

28 a. "Alcoholic beverages" means beverages that are
29 suitable for human consumption and contain one-half of
30 one percent or more of alcohol by volume.

31 b. "Candy" means a preparation of sugar, honey, or
32 other natural or artificial sweeteners in combination
33 with chocolate, fruits, nuts, or other ingredients or
34 flavorings in the form of bars, drops, or pieces.
35 Candy shall not include any preparation containing
36 flour and shall require no refrigeration.

37 c. "Dietary supplement" means any product, other
38 than tobacco, intended to supplement the diet that
39 contains one or more of the following dietary
40 ingredients:

41 (1) A vitamin.

42 (2) A mineral.

43 (3) An herb or other botanical.

44 (4) An amino acid.

45 (5) A dietary substance for use by humans to
46 supplement the diet by increasing the total dietary
47 intake.

48 (6) A concentrate, metabolite, constituent,
49 extract, or combination of any of the ingredients in
50 subparagraphs (1) through (5) that is intended for

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1 ingestion in tablet, capsule, powder, softgel, gelcap,
2 or liquid form, or if not intended for ingestion in
3 such a form, is not represented as conventional food
4 and is not represented for use as a sole item of a
5 meal or of the diet; and is required to be labeled as
6 a dietary supplement, identifiable by the "supplement
7 facts" box found on the label and as required pursuant
8 to 21 C.F.R. § 101.36.

9 d. "Food and food ingredients" means substances,
10 whether in liquid, concentrated, solid, frozen, dried,
11 or dehydrated form, that are sold for ingestion or
12 chewing by humans and are consumed for their taste or
13 nutritional value.

14 e. "Food sold through vending machines" means food
15 dispensed from a machine or other mechanical device
16 that accepts payment, other than food which would be
17 qualified for exemption under subsection 57 if
18 purchased with a coupon described in subsection 57.

19 f. "Prepared food" means any of following:

20 (1) Food sold in a heated state or heated by the
21 seller, including food sold by a caterer.

22 (2) Two or more food ingredients mixed or combined
23 by the seller for sale as a single item.

24 (3) "Prepared food", for the purposes of this
25 paragraph, does not include food that is any of the
26 following:

27 (a) Only cut, repackaged, or pasteurized by the
28 seller.

29 (b) Eggs, fish, meat, poultry, and foods
30 containing these raw animal foods requiring cooking by
31 the consumer as recommended by the United States food
32 and drug administration in chapter 3, part 401.11 of
33 its food code, so as to prevent food borne illnesses.

34 (c) Bakery items sold by the seller which baked
35 them. The words "bakery items" includes but is not
36 limited to breads, rolls, buns, biscuits, bagels,
37 croissants, pastries, donuts, Danish, cakes, tortes,
38 pies, tarts, muffins, bars, cookies, and tortillas.

39 (d) Food sold without eating utensils provided by
40 the seller in an unheated state as a single item which
41 is priced by weight or volume.

42 (4) Food sold with eating utensils provided by the
43 seller, including plates, knives, forks, spoons,
44 glasses, cups, napkins, or straws. A plate does not
45 include a container or packaging used to transport
46 food.

47 g. "Soft drinks" means nonalcoholic beverages that
48 contain natural or artificial sweeteners. "Soft
49 drinks" does not include beverages that contain milk
50 or milk products; soy, rice, or similar milk

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1 substitutes; or greater than fifty percent of
2 vegetable or fruit juice by volume.

3 f. "Tobacco" means cigarettes, cigars, chewing or
4 pipe tobacco, or any other item that contains tobacco.

5 57. The sales price from the sale of items
6 purchased with coupons issued under the federal Food
7 Stamp Act of 1977, 7 U.S.C. § 2011 et seq.

8 58. In transactions in which tangible personal
9 property is traded toward the sales price of other
10 tangible personal property, that portion of the sales
11 price which is not payable in money to the retailer is
12 exempted from the taxable amount if the following
13 conditions are met:

14 a. The tangible personal property traded to the
15 retailer is the type of property normally sold in the
16 regular course of the retailer's business.

17 b. The tangible personal property traded to the
18 retailer is intended by the retailer to be ultimately
19 sold at retail or is intended to be used by the
20 retailer or another in the remanufacturing of a like
21 item.

22 59. The sales price from the sale or rental of
23 prescription drugs or medical devices intended for
24 human use or consumption.

25 For the purposes of this subsection:

26 a. "Drug" means a compound, substance, or
27 preparation, and any component of a compound,
28 substance, or preparation, other than food and food
29 ingredients, dietary supplements, or alcoholic
30 beverages which is any of the following:

31 (1) Recognized in the official United States
32 pharmacopoeia, official homeopathic pharmacopoeia of
33 the United States, or official national formulary, and
34 supplement to any of them.

35 (2) Intended for use in the diagnosis, cure,
36 mitigation, treatment, or prevention of disease.

37 (3) Intended to affect the structure or any
38 function of the body.

39 b. "Medical device" means equipment or a supply,
40 intended to be prescribed by a practitioner, including
41 orthopedic or orthotic devices. However, "medical
42 device" also includes prosthetic devices, ostomy,
43 urological, and tracheostomy equipment and supplies,
44 and diabetic testing materials, hypodermic syringes
45 and needles, anesthesia trays, biopsy trays and biopsy
46 needles, cannula systems, catheter trays and invasive
47 catheters, dialyzers, drug infusion devices, fistula
48 sets, hemodialysis devices, insulin infusion devices,
49 intraocular lenses, irrigation solutions, intravenous
50 administering sets, solutions and stopcocks, myelogram

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1 trays, nebulizers, small vein infusion kits, spinal
2 puncture trays, transfusion sets, venous blood sets,
3 and oxygen equipment, intended to be dispensed for
4 human use with or without a prescription to an
5 ultimate user.

6 c. "Practitioner" means a practitioner as defined
7 in section 155A.3, or a person licensed to prescribe
8 drugs.

9 d. "Prescription drug" means a drug intended to be
10 dispensed to an ultimate user pursuant to a
11 prescription drug order, formula, or recipe issued in
12 any form of oral, written, electronic, or other means
13 of transmission by a duly licensed practitioner, or
14 oxygen or insulin dispensed for human consumption with
15 or without a prescription drug order or medication
16 order.

17 e. "Prosthetic device" means a replacement,
18 corrective, or supportive device including repair and
19 replacement parts for the same worn on or in the body
20 to do any of the following:

21 (1) Artificially replace a missing portion of the
22 body.

23 (2) Prevent or correct physical deformity or
24 malfunction.

25 (3) Support a weak or deformed portion of the
26 body.

27 f. "Ultimate user" means an individual who has
28 lawfully obtained and possesses a prescription drug or
29 medical device for the individual's own use or for the
30 use of a member of the individual's household, or an
31 individual to whom a prescription drug or medical
32 device has been lawfully supplied, administered,
33 dispensed, or prescribed.

34 60. The sales price from services furnished by
35 aerial commercial and charter transportation services.

36 61. The sales price from the sale of raffle
37 tickets for a raffle licensed pursuant to section
38 99B.5.

39 62. The sales price from the sale of tangible
40 personal property which will be given as prizes to
41 players in games of skill, games of chance, raffles,
42 and bingo games as defined in chapter 99B.

43 63. The sales price from the sale of a modular
44 home, as defined in section 435.1, to the extent of
45 the portion of the purchase price of the modular home
46 which is not attributable to the cost of the tangible
47 personal property used in the processing of the
48 modular home. For purposes of this exemption, the
49 portion of the purchase price which is not
50 attributable to the cost of the tangible personal

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1 property used in the processing of the modular home is
2 forty percent.

3 64. The sales price from charges paid to a
4 provider for access to on-line computer services. For
5 purposes of this subsection, "on-line computer
6 service" means a service that provides or enables
7 computer access by multiple users to the internet or
8 to other information made available through a computer
9 server.

10 65. The sales price from the sale or rental of
11 information services. "Information services" means
12 every business activity, process, or function by which
13 a seller or its agent accumulates, prepares,
14 organizes, or conveys data, facts, knowledge,
15 procedures, and like services to a buyer or its agent
16 of such information through any tangible or intangible
17 medium. Information accumulated, prepared, or
18 organized for a buyer or its agent is an information
19 service even though it may incorporate preexisting
20 components of data or other information. "Information
21 services" includes, but is not limited to, database
22 files, mailing lists, subscription files, market
23 research, credit reports, surveys, real estate
24 listings, bond rating reports, abstracts of title, bad
25 check lists, broadcasting rating services, wire
26 services, and scouting reports, or other similar
27 items.

28 66. The sales price of a sale at retail if the
29 substance of the transaction is delivered to the
30 purchaser digitally, electronically, or utilizing
31 cable, or by radio waves, microwaves, satellites, or
32 fiber optics.

33 67. a. The sales price from the sale of an
34 article of clothing designed to be worn on or about
35 the human body if all of the following apply:

36 (1) The sales price of the article is less than
37 one hundred dollars.

38 (2) The sale takes place during a period beginning
39 at 12:01 a.m. on the first Friday in August and ending
40 at midnight on the following Saturday.

41 b. This subsection does not apply to any of the
42 following:

43 (1) Sport or recreational equipment and protective
44 equipment.

45 (2) Clothing accessories or equipment.

46 (3) The rental of clothing.

47 c. For purposes of this subsection:

48 (1) "Clothing" means all human wearing apparel
49 suitable for general use. "Clothing" includes, but is
50 not limited to the following: aprons, household and

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1 shop; athletic supporters; baby receiving blankets;
2 bathing suits and caps; beach capes and coats; belts
3 and suspenders; boots; coats and jackets; costumes;
4 diapers (children and adults, including disposable
5 diapers); earmuffs; footlets; formal wear; garters and
6 garter belts; girdles; gloves and mittens for general
7 use; hats and caps; hosiery; insoles for shoes; lab
8 coats; neckties; overshoes; pantyhose; rainwear;
9 rubber pants; sandals; scarves; shoes and shoelaces;
10 slippers; sneakers; socks and stockings; steel-toed
11 shoes; underwear; uniforms, athletic and nonathletic;
12 and wedding apparel.

13 "Clothing" does not include the following: belt
14 buckles sold separately; costume masks sold
15 separately; patches and emblems sold separately;
16 sewing equipment and supplies (including, but not
17 limited to, knitting needles, patterns, pins,
18 scissors, sewing machines, sewing needles, tape
19 measures, and thimbles); and sewing materials that
20 become part of clothing (including, but not limited
21 to, buttons, fabric, lace, thread, yarn, and zippers).

22 (2) "Clothing accessories or equipment" means
23 incidental items worn on the person or in conjunction
24 with clothing. "Clothing accessories or equipment"
25 includes, but is not limited to, the following:
26 briefcases; cosmetics; hair notions (including, but
27 not limited to, barrettes, hair bows, and hair nets);
28 handbags; handkerchiefs; jewelry; sunglasses,
29 nonprescription; umbrellas; wallets; watches; and wigs
30 and hairpieces.

31 (3) "Protective equipment" means items for human
32 wear and designed as protection for the wearer against
33 injury or disease or as protection against damage or
34 injury of other persons or property but not suitable
35 for general use. "Protective equipment" includes, but
36 is not limited to, the following: breathing masks;
37 clean room apparel and equipment; ear and hearing
38 protectors; face shields; hard hats; helmets; paint or
39 dust respirators; protective gloves; safety glasses
40 and goggles; safety belts; tool belts; and welders
41 gloves and masks.

42 (4) "Sport or recreational equipment" means items
43 designed for human use and worn in conjunction with an
44 athletic or recreational activity that are not
45 suitable for general use. "Sport or recreational
46 equipment" includes, but is not limited to, the
47 following: ballet and tap shoes; cleated or spiked
48 athletic shoes; gloves (including, but not limited to,
49 baseball, bowling, boxing, hockey, and golf); goggles;
50 hand and elbow guards; life preservers and vests;

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1 mouth guards; roller and ice skates; shin guards;
2 shoulder pads; ski boots; waders; and wetsuits and
3 fins.

4 68. a. Subject to paragraph "b", the sales price
5 from the sale or furnishing of metered gas,
6 electricity, and fuel, including propane and heating
7 oil, to residential customers which is used to provide
8 energy for residential dwellings and units of
9 apartment and condominium complexes used for human
10 occupancy.

11 b. The exemption in this subsection shall be
12 phased in by means of a reduction in the tax rate as
13 follows:

14 (1) If the date of the utility billing or meter
15 reading cycle of the residential customer for the sale
16 or furnishing of metered gas and electricity is on or
17 after January 1, 2002, through December 31, 2002, or
18 if the sale or furnishing of fuel for purposes of
19 residential energy and the delivery of the fuel occurs
20 on or after January 1, 2002, through December 31,
21 2002, the rate of tax is four percent of the sales
22 price.

23 (2) If the date of the utility billing or meter
24 reading cycle of the residential customer for the sale
25 or furnishing of metered gas and electricity is on or
26 after January 1, 2003, through June 30, 2008, or if
27 the sale or furnishing of fuel for purposes of
28 residential energy and the delivery of the fuel occurs
29 on or after January 1, 2003, through June 30, 2008,
30 the rate of tax is three percent of the sales price.

31 (3) If the date of the utility billing or meter
32 reading cycle of the residential customer for the sale
33 or furnishing of metered gas and electricity is on or
34 after July 1, 2008, through June 30, 2009, or if the
35 sale or furnishing of fuel for purposes of residential
36 energy and the delivery of the fuel occurs on or after
37 July 1, 2008, through June 30, 2009, the rate of tax
38 is two percent of the sales price.

39 (4) If the date of the utility billing or meter
40 reading cycle of the residential customer for the sale
41 or furnishing of metered gas and electricity is on or
42 after July 1, 2009, through June 30, 2010, or if the
43 sale or furnishing of fuel for purposes of residential
44 energy and the delivery of the fuel occurs on or after
45 July 1, 2009, through June 30, 2010, the rate of tax
46 is one percent of the sales price.

47 (5) If the date of the utility billing or meter
48 reading cycle of the residential customer for the sale
49 or furnishing of metered gas and electricity is on or
50 after July 1, 2010, or if the sale, furnishing, or

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1 service of fuel for purposes of residential energy and
2 the delivery of the fuel occurs on or after July 1,
3 2010, the rate of tax is zero percent of the sales
4 price.

5 c. The exemption in this subsection does not apply
6 to local option sales and services tax imposed
7 pursuant to chapters 423B and 423E.

8 69. The sales price from charges paid for the
9 delivery of electricity or natural gas if the sale or
10 furnishing of the electricity or natural gas or its
11 use is exempt from the tax on sales prices imposed
12 under this subchapter or from the use tax imposed
13 under subchapter III.

14 70. The sales price from the sales, furnishing, or
15 service of transportation service except the rental of
16 recreational vehicles or recreational boats, except
17 the rental of motor vehicles subject to registration
18 which are registered for a gross weight of thirteen
19 tons or less for a period of sixty days or less, and
20 except the rental of aircraft for a period of sixty
21 days or less. This exemption does not apply to the
22 transportation of electric energy or natural gas.

23 71. The sales price from sales of tangible
24 personal property used or to be used as railroad
25 rolling stock for transporting persons or property, or
26 as materials or parts therefor.

27 72. The sales price from the sales of special fuel
28 for diesel engines consumed or used in the operation
29 of ships, barges, or waterborne vessels which are used
30 primarily in or for the transportation of property or
31 cargo, or the conveyance of persons for hire on rivers
32 bordering on the state if the fuel is delivered by the
33 seller to the purchaser's barge, ship, or waterborne
34 vessel while it is afloat upon such a river.

35 73. The sales price from sales of vehicles subject
36 to registration or subject only to the issuance of a
37 certificate of title and sales of aircraft subject to
38 registration under section 328.20.

39 74. The sales price from the sale of aircraft for
40 use in a scheduled interstate federal aviation
41 administration certificated air carrier operation.

42 75. The sales price from the sale or rental of
43 aircraft; the sale or rental of tangible personal
44 property permanently affixed or attached as a
45 component part of the aircraft, including but not
46 limited to repair or replacement materials or parts;
47 and the sales price of all services used for aircraft
48 repair, remodeling, and maintenance services when such
49 services are performed on aircraft, aircraft engines,
50 or aircraft component materials or parts. For the

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1 purposes of this exemption, "aircraft" means aircraft
2 used in a scheduled interstate federal aviation
3 administration certificated air carrier operation.
4 76. The sales price from the sale or rental of
5 tangible personal property permanently affixed or
6 attached as a component part of the aircraft,
7 including but not limited to repair or replacement
8 materials or parts; and the sales price of all
9 services used for aircraft repair, remodeling, and
10 maintenance services when such services are performed
11 on aircraft, aircraft engines, or aircraft component
12 materials or parts. For the purposes of this
13 exemption, "aircraft" means aircraft used in
14 nonscheduled interstate federal aviation
15 administration certificated air carrier operation
16 operating under 14 C.F.R. ch. 1, pt. 135.

17 77. The sales price from the sale of aircraft to
18 an aircraft dealer who in turn rents or leases the
19 aircraft if all of the following apply:

20 a. The aircraft is kept in the inventory of the
21 dealer for sale at all times.

22 b. The dealer reserves the right to immediately
23 take the aircraft from the renter or lessee when a
24 buyer is found.

25 c. The renter or lessee is aware that the dealer
26 will immediately take the aircraft when a buyer is
27 found.

28 If an aircraft exempt under this subsection is used
29 for any purpose other than leasing or renting, or the
30 conditions in paragraphs "a", "b", and "c" are not
31 continuously met, the dealer claiming the exemption
32 under this subsection is liable for the tax that would
33 have been due except for this subsection. The tax
34 shall be computed upon the original purchase price.

35 78. The sales price from sales or rental of
36 tangible personal property, or services rendered by
37 any entity where the profits from the sales or rental
38 of the tangible personal property, or services
39 rendered are used by or donated to a nonprofit entity
40 which is exempt from federal income taxation pursuant
41 to section 501(c)(3) of the Internal Revenue Code, a
42 government entity, or a nonprofit private educational
43 institution, and where the entire proceeds from the
44 sales, rental, or services are expended for any of the
45 following purposes:

46 a. Educational.

47 b. Religious.

48 c. Charitable. A charitable act is an act done
49 out of goodwill, benevolence, and a desire to add to
50 or to improve the good of humankind in general or any

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1 class or portion of humankind, with no pecuniary
2 profit inuring to the person performing the service or
3 giving the gift.

4 This exemption does not apply to the sales price
5 from games of skill, games of chance, raffles, and
6 bingo games as defined in chapter 99B. This exemption
7 is disallowed on the amount of the sales price only to
8 the extent the profits from the sales, rental, or
9 services are not used by or donated to the appropriate
10 entity and expended for educational, religious, or
11 charitable purposes.

12 79. The sales price from the sale or rental of
13 tangible personal property or from services furnished
14 to a recognized community action agency as provided in
15 section 216A.93 to be used for the purposes of the
16 agency.

17 80. a. For purposes of this subsection,
18 "designated exempt entity" means an entity which is
19 designated in section 423.4, subsection 1.

20 b. If a contractor, subcontractor, or builder is
21 to use building materials, supplies, and equipment in
22 the performance of a construction contract with a
23 designated exempt entity, the person shall purchase
24 such items of tangible personal property without
25 liability for the tax if such property will be used in
26 the performance of the construction contract and a
27 purchasing agent authorization letter and an exemption
28 certificate, issued by the designated exempt entity,
29 are presented to the retailer.

30 c. Where the owner, contractor, subcontractor, or
31 builder is also a retailer holding a retail sales tax
32 permit and transacting retail sales of building
33 materials, supplies, and equipment, the tax shall not
34 be due when materials are withdrawn from inventory for
35 use in construction performed for a designated exempt
36 entity if an exemption certificate is received from
37 such entity.

38 d. Tax shall not apply to tangible personal
39 property purchased and consumed by a manufacturer as
40 building materials, supplies, or equipment in the
41 performance of a construction contract for a
42 designated exempt entity, if a purchasing agent
43 authorization letter and an exemption certificate are
44 received from such entity and presented to a retailer.

45 81. The sales price from the sales of lottery
46 tickets or shares pursuant to chapter 99G.

47 82. The sales price from the sale or rental of
48 core and mold making equipment and sand handling
49 equipment directly and primarily used in the handling
50 equipment directly and primarily used in the mold

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1 making process by a foundry.

2 83. The sales price from noncustomer point of sale
3 or noncustomer automated teller machine access or
4 service charges assessed by a financial institution.

5 For purposes of this subsection, "financial
6 institution" means the same as defined in section

7 527.2.

8 Sec. 135. NEW SECTION. 423.4 REFUNDS.

9 1. A private nonprofit educational institution in
10 this state, nonprofit private museum in this state,
11 tax-certifying or tax-levying body or governmental
12 subdivision of the state, including the state board of
13 regents, state department of human services, state
14 department of transportation, a municipally owned
15 solid waste facility which sells all or part of its
16 processed waste as fuel to a municipally owned public
17 utility, and all divisions, boards, commissions,
18 agencies, or instrumentalities of state, federal,
19 county, or municipal government which do not have
20 earnings going to the benefit of an equity investor or
21 stockholder, may make application to the department
22 for the refund of the sales or use tax upon the sales
23 price of all sales of goods, wares, or merchandise, or
24 from services furnished to a contractor, used in the
25 fulfillment of a written contract with the state of
26 Iowa, any political subdivision of the state, or a
27 division, board, commission, agency, or
28 instrumentality of the state or a political
29 subdivision, a private nonprofit educational
30 institution in this state, or a nonprofit private
31 museum in this state if the property becomes an
32 integral part of the project under contract and at the
33 completion of the project becomes public property, is
34 devoted to educational uses, or becomes a nonprofit
35 private museum; except goods, wares, or merchandise,
36 or services furnished which are used in the
37 performance of any contract in connection with the
38 operation of any municipal utility engaged in selling
39 gas, electricity, or heat to the general public or in
40 connection with the operation of a municipal pay
41 television system; and except goods, wares, and
42 merchandise used in the performance of a contract for
43 a "project" under chapter 419 as defined in that
44 chapter other than goods, wares, or merchandise used
45 in the performance of a contract for a "project" under
46 chapter 419 for which a bond issue was approved by a
47 municipality prior to July 1, 1968, or for which the
48 goods, wares, or merchandise becomes an integral part
49 of the project under contract and at the completion of
50 the project becomes public property or is devoted to

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1 educational uses.

2 a. Such contractor shall state under oath, on
3 forms provided by the department, the amount of such
4 sales of goods, wares, or merchandise, or services
5 furnished and used in the performance of such
6 contract, and upon which sales or use tax has been
7 paid, and shall file such forms with the governmental
8 unit, private nonprofit educational institution, or
9 nonprofit private museum which has made any written
10 contract for performance by the contractor. The forms
11 shall be filed by the contractor with the governmental
12 unit, educational institution, or nonprofit private
13 museum before final settlement is made.

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

28 Refunds authorized under this subsection shall
29 accrue interest at the rate in effect under section
30 421.7 from the first day of the second calendar month
31 following the date the refund claim is received by the
32 department.

33 c. Any contractor who willfully makes a false
34 report of tax paid under the provisions of this
35 subsection is guilty of a simple misdemeanor and in
36 addition shall be liable for the payment of the tax
37 and any applicable penalty and interest.

38 2. The refund of sales and use tax paid on
39 transportation construction projects let by the state
40 department of transportation is subject to the special
41 provisions of this subsection.

42 a. A contractor awarded a contract for a
43 transportation construction project is considered the
44 consumer of all building materials, building supplies,
45 and equipment and shall pay sales tax to the supplier
46 or remit consumer use tax directly to the department.

47 b. The contractor is not required to file
48 information with the state department of
49 transportation stating the amount of goods, wares, or
50 merchandise, or services rendered, furnished, or

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1 performed and used in the performance of the contract
2 or the amount of sales or use tax paid.

3 c. The state department of transportation shall
4 file a refund claim based on a formula that considers
5 the following:

6 (1) The quantity of material to complete the
7 contract, and quantities of items of work.

8 (2) The estimated cost of these materials included
9 in the items of work, and the state sales or use tax
10 to be paid on the tax rate in effect in section 423.2.
11 The quantity of materials shall be determined after
12 each letting based on the contract quantities of all
13 items of work let to contract. The quantity of
14 individual component materials required for each item
15 shall be determined and maintained in a database. The
16 total quantities of materials shall be determined by
17 multiplying the quantities of component materials for
18 each contract item of work by the total quantities of
19 each contract item for each letting. Where variances
20 exist in the cost of materials, the lowest cost shall
21 be used as the base cost.

22 d. Only the state sales or use tax is refundable.
23 Local option taxes paid by the contractor are not
24 refundable.

25 3. A relief agency may apply to the director for
26 refund of the amount of sales or use tax imposed and
27 paid upon sales to it of any goods, wares,
28 merchandise, or services furnished, used for free
29 distribution to the poor and needy.

30 a. The refunds may be obtained only in the
31 following amounts and manner and only under the
32 following conditions:

33 (1) On forms furnished by the department, and
34 filed within the time as the director shall provide by
35 rule, the relief agency shall report to the department
36 the total amount or amounts, valued in money, expended
37 directly or indirectly for goods, wares, merchandise,
38 or services furnished, used for free distribution to
39 the poor and needy.

40 (2) On these forms the relief agency shall
41 separately list the persons making the sales to it or
42 to its order, together with the dates of the sales,
43 and the total amount so expended by the relief agency.

44 (3) The relief agency must prove to the
45 satisfaction of the director that the person making
46 the sales has included the amount thereof in the
47 computation of the sales price of such person and that
48 such person has paid the tax levied by this subchapter
49 or subchapter III, based upon such computation of the
50 sales price.

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1 b. If satisfied that the foregoing conditions and
2 requirements have been complied with, the director
3 shall refund the amount claimed by the relief agency.

SUBCHAPTER III

USE TAX

6 Sec. 136. NEW SECTION. 423.5 IMPOSITION OF TAX.

7 An excise tax at the rate of five percent of the
8 purchase price or installed purchase price is imposed
9 on the following:

10 1. The use in this state of tangible personal
11 property as defined in section 423.1, including
12 aircraft subject to registration under section 328.20,
13 purchased for use in this state. For the purposes of
14 this subchapter, the furnishing or use of the
15 following services is also treated as the use of
16 tangible personal property: optional service or
17 warranty contracts, except residential service
18 contracts regulated under chapter 523C, vulcanizing,
19 recapping, or retreading services, engraving,
20 photography, retouching, printing, or binding
21 services, and communication service when furnished or
22 delivered to consumers or users within this state.

23 2. The use of manufactured housing in this state,
24 on the purchase price if the manufactured housing is
25 sold in the form of tangible personal property or on
26 the installed purchase price if the manufactured
27 housing is sold in the form of realty.

28 3. The use of leased vehicles, on the amount
29 subject to tax as calculated pursuant to section
30 423.27.

31 4. Purchases of tangible personal property made
32 from the government of the United States or any of its
33 agencies by ultimate consumers shall be subject to the
34 tax imposed by this section. Services purchased from
35 the same source or sources shall be subject to the
36 service tax imposed by this subchapter and apply to
37 the user of the services.

38 5. The use in this state of services enumerated in
39 section 423.2. This tax is applicable where services
40 are furnished in this state or where the product or
41 result of the service is used in this state.

42 6. The excise tax is imposed upon every person
43 using the property within this state until the tax has
44 been paid directly to the county treasurer, the state
45 department of transportation, a retailer, or the
46 department. This tax is imposed on every person using
47 the services or the product of the services in this
48 state until the user has paid the tax either to an
49 Iowa use tax permit holder or to the department.

50 7. For the purpose of the proper administration of

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1 the use tax and to prevent its evasion, evidence that
2 tangible personal property was sold by any person for
3 delivery in this state shall be prima facie evidence
4 that such tangible personal property was sold for use
5 in this state.

6 Sec. 137. NEW SECTION. 423.6 EXEMPTIONS.

7 The use in this state of the following tangible
8 personal property and services is exempted from the
9 tax imposed by this subchapter:

10 1. Tangible personal property and enumerated
11 services, the sales price from the sale of which are
12 required to be included in the measure of the sales
13 tax, if that tax has been paid to the department or
14 the retailer. This exemption does not include
15 vehicles subject to registration or subject only to
16 the issuance of a certificate of title.

17 2. The sale of tangible personal property or the
18 furnishing of services in the regular course of
19 business.

20 3. Property used in processing. The use of
21 property in processing within the meaning of this
22 subsection shall mean and include any of the
23 following:

24 a. Any tangible personal property including
25 containers which it is intended shall, by means of
26 fabrication, compounding, manufacturing, or
27 germination, become an integral part of other tangible
28 personal property intended to be sold ultimately at
29 retail, and containers used in the collection,
30 recovery, or return of empty beverage containers
31 subject to chapter 455C.

32 b. Fuel which is consumed in creating power, heat,
33 or steam for processing or for generating electric
34 current.

35 c. Chemicals, solvents, sorbents, or reagents,
36 which are directly used and are consumed, dissipated,
37 or depleted in processing tangible personal property
38 which is intended to be sold ultimately at retail, and
39 which may not become a component or integral part of
40 the finished product.

41 d. The distribution to the public of free
42 newspapers or shoppers guides shall be deemed a retail
43 sale for purposes of the processing exemption in this
44 subsection.

45 4. All articles of tangible personal property
46 brought into the state of Iowa by a nonresident
47 individual for the individual's use or enjoyment while
48 within the state.

49 5. Services exempt from taxation by the provisions
50 of section 423.3.

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1 6. Tangible personal property or services the
2 sales price of which is exempt from the sales tax
3 under section 423.3, except subsections 39 and 73, as
4 it relates to the sale, but not the lease or rental,
5 of vehicles subject to registration or subject only to
6 the issuance of a certificate of title and as it
7 relates to aircraft subject to registration under
8 section 328.20.

9 7. Advertisement and promotional material and
10 matter, seed catalogs, envelopes for same, and other
11 similar material temporarily stored in this state
12 which are acquired outside of Iowa and which,
13 subsequent to being brought into this state, are sent
14 outside of Iowa, either singly or physically attached
15 to other tangible personal property sent outside of
16 Iowa.

17 8. Vehicles, as defined in section 321.1,
18 subsections 41, 64A, 71, 85, and 88, except such
19 vehicles subject to registration which are designed
20 primarily for carrying persons, when purchased for
21 lease and actually leased to a lessee for use outside
22 the state of Iowa and the subsequent sole use in Iowa
23 is in interstate commerce or interstate
24 transportation.

25 9. Tangible personal property which, by means of
26 fabrication, compounding, or manufacturing, becomes an
27 integral part of vehicles, as defined in section
28 321.1, subsections 41, 64A, 71, 85, and 88,
29 manufactured for lease and actually leased to a lessee
30 for use outside the state of Iowa and the subsequent
31 sole use in Iowa is in interstate commerce or
32 interstate transportation. Vehicles subject to
33 registration which are designed primarily for carrying
34 persons are excluded from this subsection.

35 10. Vehicles subject to registration which are
36 transferred from a business or individual conducting a
37 business within this state as a sole proprietorship,
38 partnership, or limited liability company to a
39 corporation formed by the sole proprietorship,
40 partnership, or limited liability company for the
41 purpose of continuing the business when all of the
42 stock of the corporation so formed is owned by the
43 sole proprietor and the sole proprietor's spouse, by
44 all the partners in the case of a partnership, or by
45 all the members in the case of a limited liability
46 company. This exemption is equally available where
47 the vehicles subject to registration are transferred
48 from a corporation to a sole proprietorship,
49 partnership, or limited liability company formed by
50 that corporation for the purpose of continuing the

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1 business when all of the incidents of ownership are
2 owned by the same person or persons who were
3 stockholders of the corporation.

4 This exemption also applies where the vehicles
5 subject to registration are transferred from a
6 corporation as part of the liquidation of the
7 corporation to its stockholders if within three months
8 of such transfer the stockholders retransfer those
9 vehicles subject to registration to a sole
10 proprietorship, partnership, or limited liability
11 company for the purpose of continuing the business of
12 the corporation when all of the incidents of ownership
13 are owned by the same person or persons who were
14 stockholders of the corporation.

15 10A. Vehicles subject to registration which are
16 transferred from a corporation that is primarily
17 engaged in the business of leasing vehicles subject to
18 registration to a corporation that is primarily
19 engaged in the business of leasing vehicles subject to
20 registration when the transferor and transferee
21 corporations are part of the same controlled group for
22 federal income tax purposes.

23 11. Vehicles registered or operated under chapter
24 326 and used substantially in interstate commerce,
25 section 423.5, subsection 7, notwithstanding. For
26 purposes of this subsection, "substantially in
27 interstate commerce" means that a minimum of twenty-
28 five percent of the miles operated by the vehicle
29 accrues in states other than Iowa. This subsection
30 applies only to vehicles which are registered for a
31 gross weight of thirteen tons or more.

32 For purposes of this subsection, trailers and
33 semitrailers registered or operated under chapter 326
34 are deemed to be used substantially in interstate
35 commerce and to be registered for a gross weight of
36 thirteen tons or more.

37 For the purposes of this subsection, if a vehicle
38 meets the requirement that twenty-five percent of the
39 miles operated accrues in states other than Iowa in
40 each year of the first four-year period of operation,
41 the exemption from use tax shall continue until the
42 vehicle is sold or transferred. If the vehicle is
43 found to have not met the exemption requirements or
44 the exemption was revoked, the value of the vehicle
45 upon which the use tax shall be imposed is the book or
46 market value, whichever is less, at the time the
47 exemption requirements were not met or the exemption
48 was revoked.

49 12. Mobile homes and manufactured housing the use
50 of which has previously been subject to the tax

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1 imposed under this subchapter and for which that tax
2 has been paid.

3 13. Mobile homes to the extent of the portion of
4 the purchase price of the mobile home which is not
5 attributable to the cost of the tangible personal
6 property used in the processing of the mobile home,
7 and manufactured housing to the extent of the purchase
8 price or the installed purchase price of the
9 manufactured housing which is not attributable to the
10 cost of the tangible personal property used in the
11 processing of the manufactured housing. For purposes
12 of this exemption, the portion of the purchase price
13 which is not attributable to the cost of the tangible
14 personal property used in the processing of the mobile
15 home is forty percent and the portion of the purchase
16 price or installed purchase price which is not
17 attributable to the cost of the tangible personal
18 property used in the processing of the manufactured
19 housing is forty percent.

20 14. Tangible personal property used or to be used
21 as a ship, barge, or waterborne vessel which is used
22 or to be used primarily in or for the transportation
23 of property or cargo for hire on the rivers bordering
24 the state or as materials or parts of such ship,
25 barge, or waterborne vessel.

26 15. Vehicles subject to registration in any state
27 when purchased for rental or registered and titled by
28 a motor vehicle dealer licensed pursuant to chapter
29 322 for rental use, and held for rental for a period
30 of one hundred twenty days or more and actually rented
31 for periods of sixty days or less by a person
32 regularly engaged in the business of renting vehicles
33 including, but not limited to, motor vehicle dealers
34 licensed pursuant to chapter 322 who rent automobiles
35 to users, if the rental of the vehicles is subject to
36 taxation under chapter 423C.

37 16. Motor vehicles subject to registration which
38 were registered and titled between July 1, 1982, and
39 July 1, 1992, to a motor vehicle dealer licensed under
40 chapter 322 and which were rented to a user as defined
41 in section 423C.2 if the following occurred:

42 a. The dealer kept the vehicle on the inventory of
43 vehicles for sale at all times.

44 b. The vehicle was to be immediately taken from
45 the user of the vehicle when a buyer was found.

46 c. The user was aware of this situation.

47 17. Vehicles subject to registration under chapter
48 321, with a gross vehicle weight rating of less than
49 sixteen thousand pounds, excluding motorcycles and
50 motorized bicycles, when purchased for lease and

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1 titled by the lessor licensed pursuant to chapter 321F
2 and actually leased for a period of twelve months or
3 more if the lease of the vehicle is subject to
4 taxation under section 423.27.

5 A lessor may maintain the exemption from use tax
6 under this subsection for a qualifying lease that
7 terminates at the conclusion or prior to the
8 contracted expiration date, if the lessor does not use
9 the vehicle for any purpose other than for lease.
10 Once the vehicle is used by the lessor for a purpose
11 other than for lease, the exemption from use tax under
12 this subsection no longer applies and, unless there is
13 an exemption from the use tax, use tax is due on the
14 fair market value of the vehicle determined at the
15 time the lessor uses the vehicle for a purpose other
16 than for lease, payable to the department. If the
17 lessor holds the vehicle exclusively for sale, use tax
18 is due and payable on the purchase price of the
19 vehicle at the time of purchase pursuant to this
20 subchapter.

21 18. Aircraft for use in a scheduled interstate
22 federal aviation administration certificated air
23 carrier operation.

24 19. Aircraft; tangible personal property
25 permanently affixed or attached as a component part of
26 the aircraft, including but not limited to repair or
27 replacement materials or parts; and all services used
28 for aircraft repair, remodeling, and maintenance
29 services when such services are performed on aircraft,
30 aircraft engines, or aircraft component materials or
31 parts. For the purposes of this exemption, "aircraft"
32 means aircraft used in a scheduled interstate federal
33 aviation administration certificated air carrier
34 operation.

35 20. Tangible personal property permanently affixed
36 or attached as a component part of the aircraft,
37 including but not limited to repair or replacement
38 materials or parts; and all services used for aircraft
39 repair, remodeling, and maintenance services when such
40 services are performed on aircraft, aircraft engines,
41 or aircraft component materials or parts. For the
42 purposes of this exemption, "aircraft" means aircraft
43 used in a nonscheduled interstate federal aviation
44 administration certificated air carrier operation
45 operating under 14 C.F.R., ch. 1, pt. 135.

46 21. Aircraft sold to an aircraft dealer who in
47 turn rents or leases the aircraft if all of the
48 following apply:

49 a. The aircraft is kept in the inventory of the
50 dealer for sale at all times.

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1 b. The dealer reserves the right to immediately
2 take the aircraft from the renter or lessee when a
3 buyer is found.

4 c. The renter or lessee is aware that the dealer
5 will immediately take the aircraft when a buyer is
6 found.

7 If an aircraft exempt under this subsection is used
8 for any purpose other than leasing or renting, or the
9 conditions in paragraphs "a", "b", and "c" are not
10 continuously met, the dealer claiming the exemption
11 under this subsection is liable for the tax that would
12 have been due except for this subsection. The tax
13 shall be computed upon the original purchase price.

14 22. The use in this state of building materials,
15 supplies, or equipment, the sale or use of which is
16 not treated as a retail sale or a sale at retail under
17 section 423.2, subsection 1.

18 23. Exempted from the purchase price of any
19 vehicle subject to registration is:

20 a. The amount of any cash rebate which is provided
21 by a motor vehicle manufacturer to the purchaser of
22 the vehicle subject to registration so long as the
23 rebate is applied to the purchase price of the
24 vehicle.

25 b. That in transactions, except those subject to
26 paragraph "c", in which tangible personal property is
27 traded toward the purchase price of other tangible
28 personal property the purchase price is only that
29 portion of the purchase price which is payable in
30 money to the retailer if the following conditions are
31 met:

32 (1) The tangible personal property traded to the
33 retailer is the type of property normally sold in the
34 regular course of the retailer's business.

35 (2) The tangible personal property traded to the
36 retailer is intended by the retailer to be ultimately
37 sold at retail or is intended to be used by the
38 retailer or another in the remanufacturing of a like
39 item.

40 c. In a transaction between persons, neither of
41 which is a retailer of vehicles subject to
42 registration, in which a vehicle subject to
43 registration is traded toward the purchase price of
44 another vehicle subject to registration, the amount of
45 the trade-in value allowed on the vehicle subject to
46 registration traded.

SUBCHAPTER IV

UNIFORM SALES AND USE TAX ADMINISTRATION ACT

Sec. 138. NEW SECTION. 423.7 TITLE.

50 This subchapter shall be known and may be cited as

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1 the "Uniform Sales and Use Tax Administration Act".
2 Sec. 139. NEW SECTION. 423.8 LEGISLATIVE FINDING
3 AND INTENT.

4 The general assembly finds that Iowa should enter
5 into an agreement with one or more states to simplify
6 and modernize sales and use tax administration in
7 order to substantially reduce the burden of tax
8 compliance for all sellers and for all types of
9 commerce. It is the intent of the general assembly
10 that entering into this agreement will lead to
11 simplification and modernization of the sales and use
12 tax law and not to the imposition of new taxes or an
13 increase or decrease in the existing number of
14 exemptions, unless such a result is unavoidable under
15 the terms of the agreement.

16 Sec. 140. NEW SECTION. 423.9 AUTHORITY TO ENTER
17 AGREEMENT AND TO REPRESENT THE STATE.

18 The director is authorized and directed to enter
19 into the streamlined sales and use tax agreement with
20 one or more states to simplify and modernize sales and
21 use tax administration in order to substantially
22 reduce the burden of tax compliance for all sellers
23 and for all types of commerce.

24 The director is further authorized to take other
25 actions reasonably required to implement the
26 provisions set forth in this chapter. Other actions
27 authorized by this section include, but are not
28 limited to, the adoption of rules and the joint
29 procurement, with other member states, of goods and
30 services in furtherance of the cooperative agreement.

31 The director or the director's designee is
32 authorized to be a member of the governing board
33 established pursuant to the agreement and to represent
34 Iowa before that body.

35 Sec. 141. NEW SECTION. 423.10 RELATIONSHIP TO
36 STATE LAW.

37 Entry into the agreement by the director does not
38 amend or modify any law of this state. Implementation
39 of any condition of the agreement in this state,
40 whether adopted before, at, or after membership of
41 this state in the agreement, shall be by action of the
42 general assembly.

43 Sec. 142. NEW SECTION. 423.11 AGREEMENT
44 REQUIREMENTS.

45 The director shall not enter into the agreement
46 unless the agreement requires each state to abide by
47 the following requirements:

48 1. UNIFORM STATE RATE. The agreement must set
49 restrictions to achieve more uniform state rates
50 through the following:

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- 1 a. Limiting the number of state rates.
- 2 b. Limiting the application of maximums on the
- 3 amount of state tax that is due on a transaction.
- 4 c. Limiting the application of thresholds on the
- 5 application of state tax.
- 6 2. UNIFORM STANDARDS. The agreement must
- 7 establish uniform standards for the following:
- 8 a. The sourcing of transactions to taxing
- 9 jurisdictions.
- 10 b. The administration of exempt sales.
- 11 c. The allowances a seller can take for bad debts.
- 12 d. Sales and use tax returns and remittances.
- 13 3. UNIFORM DEFINITIONS. The agreement must
- 14 require states to develop and adopt uniform
- 15 definitions of sales and use tax terms. The
- 16 definitions must enable a state to preserve its
- 17 ability to make policy choices not inconsistent with
- 18 the uniform definitions.
- 19 4. CENTRAL REGISTRATION. The agreement must
- 20 provide a central, electronic registration system that
- 21 allows a seller to register to collect and remit sales
- 22 and use taxes for all member states.
- 23 5. NO NEXUS ATTRIBUTION. The agreement must
- 24 provide that registration with the central
- 25 registration system and the collection of sales and
- 26 use taxes in the member states must not be used as a
- 27 factor in determining whether the seller has nexus
- 28 with a state for any tax.
- 29 6. LOCAL SALES AND USE TAXES. The agreement must
- 30 provide for reduction of the burdens of complying with
- 31 local sales and use taxes through the following:
- 32 a. Restricting variances between the state and
- 33 local tax bases.
- 34 b. Requiring states to administer any sales and
- 35 use taxes levied by local jurisdictions within the
- 36 state so that sellers collecting and remitting these
- 37 taxes must not have to register or file returns with,
- 38 remit funds to, or be subject to independent audits
- 39 from local taxing jurisdictions.
- 40 c. Restricting the frequency of changes in the
- 41 local sales and use tax rates and setting effective
- 42 dates for the application of local jurisdictional
- 43 boundary changes to local sales and use taxes.
- 44 d. Providing notice of changes in local sales and
- 45 use tax rates and of changes in the boundaries of
- 46 local taxing jurisdictions.
- 47 7. MONETARY ALLOWANCES. The agreement must
- 48 outline any monetary allowances that are to be
- 49 provided by the states to sellers or certified service
- 50 providers.

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1 8. STATE COMPLIANCE. The agreement must require
2 each state to certify compliance with the terms of the
3 agreement prior to joining and to maintain compliance,
4 under the laws of the member state, with all
5 provisions of the agreement while a member.

6 9. CONSUMER PRIVACY. The agreement must require
7 each state to adopt a uniform policy for certified
8 service providers that protects the privacy of
9 consumers and maintains the confidentiality of tax
10 information.

11 10. ADVISORY COUNCILS. The agreement must provide
12 for the appointment of an advisory council of private
13 sector representatives and an advisory council of
14 nonmember state representatives to consult with in the
15 administration of the agreement.

16 Sec. 143. NEW SECTION. 423.12 LIMITED BINDING
17 AND BENEFICIAL EFFECT.

18 1. The agreement binds and inures only to the
19 benefit of Iowa and the other member states. A
20 person, other than a member state, is not an intended
21 beneficiary of the agreement. Any benefit to a person
22 other than a member state is established by the law of
23 Iowa and not by the terms of the agreement.

24 2. A person shall not have any cause of action or
25 defense under the agreement or by virtue of this
26 state's entry into the agreement. A person may not
27 challenge, in any action brought under any provision
28 of law, any action or inaction by any department,
29 agency, or other instrumentality of this state, or any
30 political subdivision of this state on the ground that
31 the action or inaction is inconsistent with the
32 agreement.

33 3. A law of this state, or the application of it,
34 shall not be declared invalid as to any such person or
35 circumstance on the ground that the provision or
36 application is inconsistent with the agreement.

37 SUBCHAPTER V

38 SALES AND USE TAX ACT -- ADMINISTRATION OF
39 RETAILERS NOT REGISTERED UNDER THE AGREEMENT AND OF
40 CONSUMERS OBLIGATED TO PAY USE TAX DIRECTLY

41 Sec. 144. NEW SECTION. 423.13 PURPOSE OF THIS
42 SUBCHAPTER.

43 The purpose of this subchapter is to provide for
44 the administration and collection of sales or use tax
45 on the part of retailers who are not registered under
46 the agreement and for the collection of use tax on the
47 part of consumers who are obligated to pay that tax
48 directly. Any application of the sections of this
49 subchapter to retailers registered under the agreement
50 is only by way of incorporation by reference into

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1 subchapter VI of this chapter.

2 Sec. 145. NEW SECTION. 423.14 SALES AND USE TAX
3 COLLECTION.

4 1. a. Sales tax, other than that described in
5 paragraph "c", shall be collected by sellers who are
6 retailers or by their agents. Sellers or their agents
7 shall, as far as practicable, add the sales tax, or
8 the average equivalent thereof, to the sales price or
9 charge, less trade-ins allowed and taken and when
10 added such tax shall constitute a part of the sales
11 price or charge, shall be a debt from consumer or user
12 to seller or agent until paid, and shall be
13 recoverable at law in the same manner as other debts.

14 b. In computing the tax to be collected as the
15 result of any transaction, the tax computation must be
16 carried to the third decimal place. Whenever the
17 third decimal place is greater than four, the tax must
18 be rounded up to the next whole cent; whenever the
19 third decimal place is four or less, the tax must be
20 rounded downward to a whole cent. Sellers may elect
21 to compute the tax due on transactions on an item or
22 invoice basis. Sellers are not required to use a
23 bracket system.

24 c. The tax imposed upon those sales of motor
25 vehicle fuel which are subject to tax and refund under
26 chapter 452A shall be collected by the state treasurer
27 by way of deduction from refunds otherwise allowable
28 under that chapter. The treasurer shall transfer the
29 amount of such deductions from the motor vehicle fuel
30 tax fund to the special tax fund.

31 2. Use tax shall be collected in the following
32 manner:

33 a. The tax upon the use of all vehicles subject to
34 registration or subject only to the issuance of a
35 certificate of title or the tax upon the use of
36 manufactured housing shall be collected by the county
37 treasurer or the state department of transportation
38 pursuant to sections 423.26 and 423.27. The county
39 treasurer shall retain one dollar from each tax
40 payment collected, to be credited to the county
41 general fund.

42 b. The tax upon the use of all tangible personal
43 property other than that enumerated in paragraph "a",
44 which is sold by a seller who is a retailer
45 maintaining a place of business in this state, or by
46 such other retailer or agent as the director shall
47 authorize pursuant to section 423.30, shall be
48 collected by the retailer or agent and remitted to the
49 department, pursuant to the provisions of paragraph
50 "e", and sections 423.24, 423.29, 423.30, 423.32, and

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1 423.33.

2 c. The tax upon the use of all tangible personal
3 property not paid pursuant to paragraphs "a" and "b"
4 shall be paid to the department directly by any person
5 using the property within this state, pursuant to the
6 provisions of section 423.34.

7 d. The tax imposed on the use of services
8 enumerated in section 423.5 shall be collected,
9 remitted, and paid to the department of revenue and
10 finance in the same manner as use tax on tangible
11 personal property is collected, remitted, and paid
12 under this subchapter.

13 e. All persons obligated by paragraph "a", "b", or
14 "d", to collect use tax shall, as far as practicable,
15 add that tax, or the average equivalent thereof, to
16 the purchase price, less trade-ins allowed and taken,
17 and when added the tax shall constitute a part of the
18 purchase price. Use tax which this section requires
19 to be collected by a retailer and any tax collected
20 pursuant to this section by a retailer shall
21 constitute a debt owed by the retailer to this state.
22 Tax which must be paid directly to the department,
23 pursuant to paragraph "c" or "d", is to be computed
24 and added by the consumer or user to the purchase
25 price in the same manner as this paragraph requires a
26 seller to compute and add the tax. The tax shall be a
27 debt from the consumer or user to the department until
28 paid, and shall be recoverable at law in the same
29 manner as other debts.

30 Sec. 146. NEW SECTION. 423.15 GENERAL SOURCING
31 RULES.

32 All sellers obligated to collect Iowa sales or use
33 tax shall use the standards set out in this section to
34 determine where sales of products occur, excluding
35 sales enumerated in section 423.16. These provisions
36 apply regardless of the characterization of a product
37 as tangible personal property, a digital good, or a
38 service, excluding telecommunications services. This
39 section only applies to determine a seller's
40 obligation to pay or collect and remit a sales or use
41 tax with respect to the seller's sale of a product.
42 This section does not affect the obligation of a
43 purchaser or lessee to remit tax on the use of the
44 product to the taxing jurisdictions in which the use
45 occurs. A seller's obligation to collect Iowa sales
46 tax or Iowa use tax only occurs if the sale is sourced
47 to this state. The application of whether Iowa sales
48 tax applies to sales sourced to Iowa depends upon
49 where the sale is consummated by delivery.

50 1. Sales, excluding leases or rentals other than

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1 leases or rentals set out in subsection 2, of products
2 shall be sourced as follows.

3 a. When the product is received by the purchaser
4 at a business location of the seller, the sale is
5 sourced to that business location.

6 b. When the product is not received by the
7 purchaser at a business location of the seller, the
8 sale is sourced to the location where receipt by the
9 purchaser or the purchaser's donee, designated as such
10 by the purchaser, occurs, including the location
11 indicated by instructions for delivery to the
12 purchaser or donee, known to the seller.

13 c. When paragraphs "a" and "b" do not apply, the
14 sale is sourced to the location indicated by an
15 address for the purchaser that is available from the
16 business records of the seller that are maintained in
17 the ordinary course of the seller's business when use
18 of this address does not constitute bad faith.

19 d. When paragraphs "a", "b", and "c" do not apply,
20 the sale is sourced to the location indicated by an
21 address for the purchaser obtained during the
22 consummation of the sale, including the address of a
23 purchaser's payment instrument, if no other address is
24 available, when use of this address does not
25 constitute bad faith.

26 e. When paragraphs "a", "b", "c", and "d" do not
27 apply, including the circumstance where the seller is
28 without sufficient information to apply the previous
29 rules, then the location will be determined by the
30 address from which tangible personal property was
31 shipped, from which the digital good or the computer
32 software delivered electronically was first available
33 for transmission by the seller, or from which the
34 service was provided disregarding for these purposes
35 any location that merely provided the digital transfer
36 of the product sold.

37 2. The lease or rental of tangible personal
38 property, other than property identified in subsection
39 3 or section 423.16, shall be sourced as follows:

40 a. For a lease or rental that requires recurring
41 periodic payments, the first periodic payment is
42 sourced the same as a retail sale in accordance with
43 the provisions of subsection 1. Periodic payments
44 made subsequent to the first payment are sourced to
45 the primary property location for each period covered
46 by the payment. The primary property location shall
47 be as indicated by an address for the property
48 provided by the lessee that is available to the lessor
49 from its records maintained in the ordinary course of
50 business, when use of this address does not constitute

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1 bad faith. The property location shall not be altered
2 by intermittent use at different locations, such as
3 use of business property that accompanies employees on
4 business trips and service calls.

5 b. For a lease or rental that does not require
6 recurring periodic payments, the payment is sourced
7 the same as a retail sale in accordance with the
8 provisions of subsection 1.

9 c. This subsection does not affect the imposition
10 or computation of sales or use tax on leases or
11 rentals based on a lump sum or accelerated basis, or
12 on the acquisition of property for lease.

13 3. The retail sale, including lease or rental, of
14 transportation equipment shall be sourced the same as
15 a retail sale in accordance with the provisions of
16 subsection 1, notwithstanding the exclusion of lease
17 or rental in that subsection. "Transportation
18 equipment" means any of the following:

19 a. Locomotives or railcars that are utilized for
20 the carriage of persons or property in interstate
21 commerce.

22 b. Trucks and truck-tractors with a gross vehicle
23 weight rating of ten thousand one pounds or greater,
24 trailers, semitrailers, or passenger buses that meet
25 both of the following requirements:

26 (1) Are registered through the international
27 registration plan.

28 (2) Are operated under authority of a carrier
29 authorized and certificated by the United States
30 department of transportation or another federal
31 authority to engage in the carriage of persons or
32 property in interstate commerce.

33 c. Aircraft that are operated by air carriers
34 authorized and certificated by the United States
35 department of transportation or another federal or a
36 foreign authority to engage in the carriage of persons
37 or property in interstate or foreign commerce.

38 d. Containers designed for use on and component
39 parts attached or secured on the items set forth in
40 paragraphs "a" through "c".

41 Sec. 147. NEW SECTION. 423.16 TRANSACTIONS TO
42 WHICH THE GENERAL SOURCING RULES DO NOT APPLY.

43 Section 423.15 does not apply to sales or use taxes
44 levied on the following:

45 1. The retail sale or transfer of watercraft,
46 modular homes, manufactured housing, or mobile homes,
47 and the retail sale, excluding lease or rental, of
48 motor vehicles, trailers, semitrailers, or aircraft
49 that do not qualify as transportation equipment, as
50 defined in section 423.15, subsection 3.

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1 2. The lease or rental of motor vehicles,
2 trailers, semitrailers, or aircraft that do not
3 qualify as transportation equipment, as defined in
4 section 423.15, subsection 3, which shall be sourced
5 in accordance with section 423.17.

6 3. Transactions to which the multiple points use
7 exemption is applicable, which shall be sourced in
8 accordance with section 423.18.

9 4. Transactions to which direct mail sourcing is
10 applicable, which shall be sourced in accordance with
11 section 423.19.

12 5. Telecommunications services, as set out in
13 section 423.20, which shall be sourced in accordance
14 with section 423.20, subsection 2.

15 Sec. 148. NEW SECTION. 423.17 SOURCING RULES FOR
16 VARIOUS TYPES OF LEASED OR RENTED EQUIPMENT WHICH IS
17 NOT TRANSPORTATION EQUIPMENT.

18 The lease or rental of motor vehicles, trailers,
19 semitrailers, or aircraft that do not qualify as
20 transportation equipment, as defined in section
21 423.15, subsection 3, shall be sourced as follows:

22 1. For a lease or rental that requires recurring
23 periodic payments, each periodic payment is sourced to
24 the primary property location. The primary property
25 location shall be as indicated by an address for the
26 property provided by the lessee that is available to
27 the lessor from its records maintained in the ordinary
28 course of business, when use of this address does not
29 constitute bad faith. This location shall not be
30 altered by intermittent use at different locations.

31 2. For a lease or rental that does not require
32 recurring periodic payments, the payment is sourced
33 the same as a retail sale in accordance with the
34 provisions of section 423.15, subsection 1.

35 3. This section does not affect the imposition or
36 computation of sales or use tax on leases or rentals
37 based on a lump sum or accelerated basis, or on the
38 acquisition of property for lease.

39 Sec. 149. NEW SECTION. 423.18 MULTIPLE POINTS OF
40 USE EXEMPTION FORMS.

41 A business purchaser that is not a holder of a
42 direct pay tax permit pursuant to section 423.36 that
43 knows at the time of its purchase of a digital good,
44 computer software delivered electronically, or a
45 service that the digital good, computer software
46 delivered electronically, or service will be
47 concurrently available for use in more than one
48 jurisdiction shall deliver to the seller in
49 conjunction with its purchase a "multiple points of
50 use" or "MPU" exemption form disclosing this fact.

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1 1. Upon receipt of the MPU exemption form, the
2 seller is relieved of all obligation to collect, pay,
3 or remit the applicable tax and the purchaser shall be
4 obligated to collect, pay, or remit the applicable tax
5 on a direct pay basis.

6 2. A purchaser delivering the MPU exemption form
7 may use any reasonable, but consistent and uniform,
8 method of apportionment that is supported by the
9 purchaser's business records as they exist at the time
10 of the consummation of the sale.

11 3. The MPU exemption form will remain in effect
12 for all future sales by the seller to the purchaser
13 except as to the subsequent sale's specific
14 apportionment that is governed by the principle of
15 subsection 2 and the facts existing at the time of the
16 sale until it is revoked in writing.

17 4. A holder of a direct pay tax permit under
18 section 423.36 shall not be required to deliver an MPU
19 exemption form to the seller. A direct pay tax permit
20 holder shall follow the provisions of subsection 2 in
21 apportioning the tax due on a digital good, computer
22 software delivered electronically, or service that
23 will be concurrently available for use in more than
24 one jurisdiction.

25 Sec. 150. NEW SECTION. 423.19 DIRECT MAIL
26 SOURCING.

27 1. Notwithstanding section 423.15, a purchaser of
28 direct mail that is not a holder of a direct pay tax
29 permit pursuant to section 423.36 shall provide to the
30 seller in conjunction with the purchase either a
31 direct mail form or information to show the
32 jurisdictions to which the direct mail is delivered to
33 recipients.

34 a. Upon receipt of the direct mail form, the
35 seller is relieved of all obligations to collect, pay,
36 or remit the applicable tax and the purchaser is
37 obligated to pay or remit the applicable tax on a
38 direct pay basis. A direct mail form shall remain in
39 effect for all future sales of direct mail by the
40 seller to the purchaser until it is revoked in
41 writing.

42 b. Upon receipt of information from the purchaser
43 showing the jurisdictions to which the direct mail is
44 delivered to recipients, the seller shall collect the
45 tax according to the delivery information provided by
46 the purchaser. In the absence of bad faith, the
47 seller is relieved of any further obligation to
48 collect tax on any transaction where the seller has
49 collected tax pursuant to the delivery information
50 provided by the purchaser.

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1 2. If the purchaser of direct mail does not have a
2 direct pay tax permit and does not provide the seller
3 with either a direct mail form or delivery
4 information, as required by subsection 1, the seller
5 shall collect the tax according to section 423.15,
6 subsection 1, paragraph "e". Nothing in this
7 subsection shall limit a purchaser's obligation for
8 sales or use tax to any state to which the direct mail
9 is delivered.

10 3. If a purchaser of direct mail provides the
11 seller with documentation of direct pay authority, the
12 purchaser shall not be required to provide a direct
13 mail form or delivery information to the seller.

14 Sec. 151. NEW SECTION. 423.20 TELECOMMUNICATIONS
15 SERVICE SOURCING.

16 1. As used in this section:

17 a. "Air-to-ground radiotelephone service" means a
18 radio service, as that term is used in 47 C.F.R. §
19 22.99, in which common carriers are authorized to
20 offer and provide radio telecommunications service for
21 hire to subscribers in aircraft.

22 b. "Call-by-call basis" means any method of
23 charging for the telecommunications service where the
24 price is measured by individual calls.

25 c. "Communications channel" means a physical or
26 virtual path of communications over which signals are
27 transmitted between or among customer channel
28 termination points.

29 d. "Customer" means the person or entity that
30 contracts with the seller of the telecommunications
31 service. If the end user of the telecommunications
32 service is not the contracting party, the end user of
33 the telecommunications service is the customer of the
34 telecommunications service, but this sentence only
35 applies for the purpose of sourcing sales of the
36 telecommunications service under this section.

37 "Customer" does not include a reseller of a
38 telecommunications service or for mobile
39 telecommunications service of a serving carrier under
40 an agreement to serve the customer outside the home
41 service provider's licensed service area.

42 e. "Customer channel termination point" means the
43 location where the customer either inputs or receives
44 the communications.

45 f. "End user" means the person who utilizes the
46 telecommunications service. In the case of an entity,
47 "end user" means the individual who utilizes the
48 service on behalf of the entity.

49 g. "Home service provider" means the same as that
50 term is defined in the federal Mobile

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1 Telecommunications Sourcing Act, Pub. L. No. 106-252,
2 4 U.S.C. § 124(5).

3 h. "Mobile telecommunications service" means the
4 same as that term is defined in federal Mobile
5 Telecommunications Sourcing Act, Pub. L. No. 106-252,
6 4 U.S.C. § 124(7).

7 i. "Place of primary use" means the street address
8 representative of where the customer's use of the
9 telecommunications service primarily occurs, which
10 must be the residential street address or the primary
11 business street address of the customer. In the case
12 of mobile telecommunications service, "place of
13 primary use" must be within the licensed service area
14 of the home service provider.

15 j. "Postpaid calling service" means the
16 telecommunications service obtained by making a
17 payment on a call-by-call basis either through the use
18 of a credit card or payment mechanism such as a bank
19 card, travel card, credit card, or debit card, or by
20 charge made to a telephone number which is not
21 associated with the origination or termination of the
22 telecommunications service. A "postpaid calling
23 service" includes a telecommunications service that
24 would be a prepaid calling service except it is not
25 exclusively a telecommunications service.

26 k. "Prepaid calling service" means the right to
27 access exclusively telecommunications services, which
28 must be paid for in advance and which enables the
29 origination of calls using an access number or
30 authorization code, whether manually or electronically
31 dialed, and that is sold in predetermined units or
32 dollars of which the amount declines with use in a
33 known amount.

34 l. "Private communication service" means a
35 telecommunications service that entitles the customer
36 to exclusive or priority use of a communications
37 channel or group of channels between or among
38 termination points, regardless of the manner in which
39 such channel or channels are connected, and includes
40 switching capacity, extension lines, stations, and any
41 other associated services that are provided in
42 connection with the use of such channel or channels.

43 m. "Service address" means one of the following:

44 (1) The location of the telecommunications
45 equipment to which a customer's call is charged and
46 from which the call originates or terminates,
47 regardless of where the call is billed or paid.

48 (2) If the location in subparagraph (1) is not
49 known, "service address" means the origination point
50 of the signal of the telecommunications service first

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1 identified by either the seller's telecommunications
2 system or in information received by the seller from
3 its service provider, where the system used to
4 transport such signals is not that of the seller.

5 (3) If the locations in subparagraphs (1) and (2)
6 are not known, the "service address" means the
7 location of the customer's place of primary use.

8 2. Sales of telecommunications services shall be
9 sourced in the following manner:

10 a. Except for the defined telecommunications
11 services in paragraph "c", the sale of
12 telecommunications services sold on a call-by-call
13 basis shall be sourced to one of the following:

14 (1) Each level of taxing jurisdiction where the
15 call originates and terminates in that jurisdiction.

16 (2) Each level of taxing jurisdiction where the
17 call either originates or terminates and in which the
18 service address is also located.

19 b. Except for the defined telecommunications
20 services in paragraph "c", a sale of
21 telecommunications services sold on a basis other than
22 a call-by-call basis is sourced to the customer's
23 place of primary use.

24 c. Sale of the following telecommunications
25 services shall be sourced to each level of taxing
26 jurisdiction as follows:

27 (1) A sale of mobile telecommunications services
28 other than air-to-ground radiotelephone service or
29 prepaid calling service is sourced to the customer's
30 place of primary use as required by the federal Mobile
31 Telecommunications Sourcing Act.

32 (2) A sale of postpaid calling service is sourced
33 to the origination point of the telecommunications
34 signal as first identified by either of the following:

35 (a) The seller's telecommunications system.

36 (b) Information received by the seller from its
37 service provider, where the system used to transport
38 such signals is not that of the seller.

39 (3) A sale of prepaid calling service is sourced
40 in accordance with section 423.15. However, in the
41 case of a sale of mobile telecommunications services
42 that is a prepaid telecommunications service, the rule
43 provided in section 423.15, subsection 1, paragraph
44 "e", shall include as an option the location
45 associated with the mobile telephone number.

46 (4) A sale of a private telecommunications service
47 is sourced as follows:

48 (a) Service for a separate charge related to a
49 customer channel termination point is sourced to each
50 level of jurisdiction in which such customer channel

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1 termination point is located.

2 (b) Service where all customer termination points
3 are located entirely within one jurisdiction or level
4 of jurisdiction is sourced in such jurisdiction in
5 which the customer channel termination points are
6 located.

7 (c) Service for segments of a channel between two
8 customer channel termination points located in
9 different jurisdictions and which segments of a
10 channel are separately charged is sourced fifty
11 percent in each level of jurisdiction in which the
12 customer channel termination points are located.

13 (d) Service for segments of a channel located in
14 more than one jurisdiction or levels of jurisdiction
15 and which segments are not separately billed is
16 sourced in each jurisdiction based on the percentage
17 determined by dividing the number of customer channel
18 termination points in such jurisdiction by the total
19 number of customer channel termination points.

20 Sec. 152. NEW SECTION. 423.21 BAD DEBT
21 DEDUCTIONS.

22 1. For the purposes of this section, "bad debt"
23 means an amount properly calculated pursuant to
24 section 166 of the Internal Revenue Code then adjusted
25 to exclude financing charges or interest, sales or use
26 taxes charged on the purchase price, uncollectible
27 amounts on property that remain in the possession of
28 the seller until the full purchase price is paid,
29 expenses incurred in attempting to collect any debt,
30 and repossessed property.

31 2. In computing the amount of tax due, a seller
32 may deduct bad debts from the total amount upon which
33 the tax is calculated for any return. Any deduction
34 taken or refund paid which is attributed to bad debts
35 shall not include interest.

36 3. A seller may deduct bad debts on the return for
37 the period during which the bad debt is written off as
38 uncollectible in the seller's books and records and is
39 eligible to be deducted for federal income tax
40 purposes. For purposes of this subsection, a seller
41 who is not required to file federal income tax returns
42 may deduct a bad debt on a return filed for the period
43 in which the bad debt is written off as uncollectible
44 in the seller's books and records and would be
45 eligible for a bad debt deduction for federal income
46 tax purposes if the seller were required to file a
47 federal income tax return.

48 4. If a deduction is taken for a bad debt and the
49 seller subsequently collects the debt in whole or in
50 part, the tax on the amount so collected must be paid

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1 and reported on the return filed for the period in
2 which the collection is made.

3 5. A seller may obtain a refund of tax on any
4 amount of bad debt that exceeds the amount of taxable
5 sales within the period allowed for refund claims by
6 section 423.47. However, the period allowed for
7 refund claims shall be measured from the due date of
8 the return on which the bad debt could first be
9 claimed.

10 6. For the purposes of computing a bad debt
11 deduction or reporting a payment received on a
12 previously claimed bad debt, any payments made on a
13 debt or account shall be applied first to the price of
14 the property or service and tax thereon,
15 proportionally, and secondly to interest, service
16 charges, and any other charges.

17 Sec. 153. NEW SECTION. 423.22 TAXATION IN
18 ANOTHER STATE.

19 If any person who causes tangible personal property
20 to be brought into this state or who uses in this
21 state services enumerated in section 423.2 has already
22 paid a tax in another state in respect to the sale or
23 use of the property or the performance of the service,
24 or an occupation tax in respect to the property or
25 service, in an amount less than the tax imposed by
26 subchapter II or III, the provisions of those
27 subchapters shall apply, but at a rate measured by the
28 difference only between the rate fixed by subchapter
29 II or III and the rate by which the previous tax on
30 the sale or use, or the occupation tax, was computed.
31 If the tax imposed and paid in the other state is
32 equal to or more than the tax imposed by those
33 subchapters, then a tax is not due in this state on
34 the personal property or service.

35 Sec. 154. NEW SECTION. 423.23 SELLERS'
36 AGREEMENTS.

37 Agreements between competing sellers, or the
38 adoption of appropriate rules and regulations by
39 organizations or associations of sellers to provide
40 uniform methods for adding sales or use tax or the
41 average equivalent thereof, and which do not involve
42 price-fixing agreements otherwise unlawful, are
43 expressly authorized and shall be held not in
44 violation of chapter 553 or other antitrust laws of
45 this state. The director shall cooperate with
46 sellers, organizations, or associations in formulating
47 agreements and rules.

48 Sec. 155. NEW SECTION. 423.24 ABSORBING TAX
49 PROHIBITED.

50 A seller shall not advertise or hold out or state

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1 to the public or to any purchaser, consumer, or user,
2 directly or indirectly, that the taxes or any parts
3 thereof imposed by subchapter II or III will be
4 assumed or absorbed by the seller or the taxes will
5 not be added to the sales price of the property sold,
6 or if added that the taxes or any part thereof will be
7 refunded. Any person violating any of the provisions
8 of this section within this state is guilty of a
9 simple misdemeanor.

10 Sec. 156. NEW SECTION. 423.25 DIRECTOR'S POWER
11 TO ADOPT RULES.

12 The director shall have the power to adopt rules
13 for adding the taxes imposed by subchapters II and
14 III, or the average equivalents thereof, by providing
15 different methods applying uniformly to retailers
16 within the same general classification for the purpose
17 of enabling the retailers to add and collect, as far
18 as practicable, the amounts of those taxes.

19 Sec. 157. NEW SECTION. 423.26 VEHICLES SUBJECT
20 TO REGISTRATION OR ONLY TO THE ISSUANCE OF TITLE --
21 MANUFACTURED HOUSING.

22 The use tax imposed upon the use of vehicles
23 subject to registration or subject only to the
24 issuance of a certificate of title or imposed upon the
25 use of manufactured housing shall be paid by the owner
26 of the vehicle or of the manufactured housing to the
27 county treasurer or the state department of
28 transportation from whom the registration receipt or
29 certificate of title is obtained. A registration
30 receipt for a vehicle subject to registration or
31 certificate of title shall not be issued until the tax
32 has been paid. The county treasurer or the state
33 department of transportation shall require every
34 applicant for a registration receipt for a vehicle
35 subject to registration or certificate of title to
36 supply information as the county treasurer or the
37 director deems necessary as to the time of purchase,
38 the purchase price, installed purchase price, and
39 other information relative to the purchase of the
40 vehicle or manufactured housing. On or before the
41 tenth day of each month, the county treasurer or the
42 state department of transportation shall remit to the
43 department the amount of the taxes collected during
44 the preceding month.

45 A person who willfully makes a false statement in
46 regard to the purchase price of a vehicle subject to
47 taxation under this section is guilty of a fraudulent
48 practice. A person who willfully makes a false
49 statement in regard to the purchase price of such a
50 vehicle with the intent to evade the payment of tax

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1 shall be assessed a penalty of seventy-five percent of
2 the amount of tax unpaid and required to be paid on
3 the actual purchase price less trade-in allowance.

4 Sec. 158. NEW SECTION. 423.27 MOTOR VEHICLE
5 LEASE TAX.

6 1. The use tax imposed upon the use of leased
7 vehicles subject to registration under chapter 321,
8 with gross vehicle weight ratings of less than sixteen
9 thousand pounds, excluding motorcycles and motorized
10 bicycles, which are leased by a lessor licensed
11 pursuant to chapter 321F for a period of twelve months
12 or more shall be paid by the owner of the vehicle to
13 the county treasurer or state department of
14 transportation from whom the registration receipt or
15 certificate of title is obtained. A registration
16 receipt for a vehicle subject to registration or
17 issuance of a certificate of title shall not be issued
18 until the tax is paid in the initial instance. Tax on
19 the lease transaction that does not require titling or
20 registration of the vehicle shall be remitted to the
21 department. Tax and the reporting of tax due to the
22 department shall be remitted on or before fifteen days
23 from the last day of the month that the vehicle lease
24 tax becomes due. Failure to timely report or remit
25 any of the tax when due shall result in a penalty and
26 interest being imposed on the tax due pursuant to
27 section 423.40, subsection 1, and section 423.42,
28 subsection 1.

29 2. The amount subject to tax shall be computed on
30 each separate lease transaction by taking the total of
31 the lease payments, plus the down payment, and
32 excluding all of the following:

- 33 a. Title fee.
- 34 b. Registration fees.
- 35 c. Vehicle lease tax pursuant to this section.
- 36 d. Federal excise taxes attributable to the sale
37 of the vehicle to the owner or to the lease of the
38 vehicle by the owner.
- 39 e. Optional service or warranty contracts subject
40 to tax pursuant to section 423.2, subsection 1.
- 41 f. Insurance.
- 42 g. Manufacturer's rebate.
- 43 h. Refundable deposit.
- 44 i. Finance charges, if any, on items listed in
45 paragraphs "a" through "h".

46 If any or all of the items in paragraphs "a"
47 through "i" are excluded from the taxable lease price,
48 the owner shall maintain adequate records of the
49 amounts of those items. If the parties to a lease
50 enter into an agreement providing that the tax imposed

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1 under this statute is to be paid by the lessee or
2 included in the monthly lease payments to be paid by
3 the lessee, the total cost of the tax shall not be
4 included in the computation of lease price for the
5 purpose of taxation under this section. The county
6 treasurer, the state department of transportation, or
7 the department of revenue and finance shall require
8 every applicant for a registration receipt for a
9 vehicle subject to tax under this section to supply
10 information as the county treasurer or director deems
11 necessary as to the date of the lease transaction, the
12 lease price, and other information relative to the
13 lease of the vehicle.

14 3. On or before the tenth day of each month, the
15 county treasurer or the state department of
16 transportation shall remit to the department the
17 amount of the taxes collected during the preceding
18 month.

19 4. If the lease is terminated prior to the
20 termination date contained in the lease agreement, no
21 refund shall be allowed for tax previously paid under
22 this section, except as provided in section 322G.4.

23 Sec. 159. NEW SECTION. 423.28 SALES TAX REPORT
24 -- DEDUCTION.

25 Motor vehicle or trailer dealers, in making their
26 reports and returns to the department for the purpose
27 of paying the sales tax, shall be permitted to deduct
28 all sales prices from retail sales of vehicles subject
29 to registration or subject only to the issuance of a
30 certificate of title. Sales prices from sales of
31 vehicles subject to registration or subject only to
32 the issuance of a certificate of title are exempted
33 from the sales tax, but, if required by the director,
34 the sales prices shall be included in the returns made
35 by motor vehicle or trailer dealers under subchapter
36 II, and proper deductions taken pursuant to this
37 section.

38 Sec. 160. NEW SECTION. 423.29 COLLECTIONS BY
39 SELLERS.

40 Every seller who is a retailer and who is making
41 taxable sales of tangible personal property in Iowa
42 shall, at the time of selling the property, collect
43 the sales tax. Every seller who is a retailer
44 maintaining a place of business in this state and
45 selling tangible personal property for use in Iowa
46 shall, at the time of making the sale, whether within
47 or without the state, collect the use tax. Sellers
48 required to collect sales or use tax shall give to any
49 purchaser a receipt for the tax collected in the
50 manner and form prescribed by the director.

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1 Every seller who is a retailer furnishing taxable
2 services in Iowa and every seller who is a retailer
3 maintaining a place of business in this state and
4 furnishing taxable services in Iowa or services
5 outside Iowa if the product or result of the service
6 is used in Iowa shall be subject to the provisions of
7 the preceding paragraph.

8 Sec. 161. NEW SECTION. 423.30 FOREIGN SELLERS
9 NOT REGISTERED UNDER THE AGREEMENT.

10 The director may, upon application, authorize the
11 collection of the use tax by any seller who is a
12 retailer not maintaining a place of business within
13 this state and not registered under the agreement,
14 who, to the satisfaction of the director, furnishes
15 adequate security to ensure collection and payment of
16 the tax. Such sellers shall be issued, without
17 charge, permits to collect tax subject to any
18 regulations which the director shall prescribe. When
19 so authorized, it shall be the duty of foreign sellers
20 to collect the tax upon all tangible personal property
21 sold, to the retailer's knowledge, for use within this
22 state, in the same manner and subject to the same
23 requirements as a retailer maintaining a place of
24 business within this state. The authority and permit
25 may be canceled when, at any time, the director
26 considers the security inadequate, or that tax can
27 more effectively be collected from the person using
28 property in this state.

29 The discretionary power granted in this section is
30 extended to apply in the case of foreign retailers
31 furnishing services enumerated in section 423.2.

32 Sec. 162. NEW SECTION. 423.31 FILING OF SALES
33 TAX RETURNS AND PAYMENT OF SALES TAX.

34 1. Each person subject to this section and section
35 423.36 and in accordance with the provisions of this
36 section and section 423.36 shall, on or before the
37 last day of the month following the close of each
38 calendar quarter during which such person is or has
39 become or ceased being subject to the provisions of
40 this section and section 423.36, make, sign, and file
41 a return for the calendar quarter in the form as may
42 be required. Returns shall show information relating
43 to sales prices including goods, wares, and services
44 converted to the use of such person, the amounts of
45 sales prices excluded and exempt from the tax, the
46 amounts of sales prices subject to tax, a calculation
47 of tax due, and any other information for the period
48 covered by the return as may be required. Returns
49 shall be signed by the retailer or the retailer's
50 authorized agent and must be certified by the retailer

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1 to be correct in accordance with forms and rules
2 prescribed by the director.

3 2. Persons required to file, or committed to file
4 by reason of voluntary action or by order of the
5 department, deposits of taxes due under this
6 subchapter shall be entitled to take credit against
7 the total quarterly amount of tax due such amount as
8 shall have been deposited by such persons during that
9 calendar quarter. The balance remaining due after
10 such credit for deposits shall be entered on the
11 return. However, such person may be granted an
12 extension of time not exceeding thirty days for filing
13 the quarterly return, upon a proper showing of
14 necessity. If an extension is granted, such person
15 shall have paid by the twentieth day of the month
16 following the close of such quarter ninety percent of
17 the estimated tax due.

18 3. The sales tax forms prescribed by the director
19 shall be referred to as "retailers tax deposit".
20 Deposit forms shall be signed by the retailer or the
21 retailer's duly authorized agent, and shall be duly
22 certified by the retailer or agent to be correct. The
23 director may authorize incorporated banks and trust
24 companies or other depositories authorized by law
25 which are depositories or financial agents of the
26 United States, or of this state, to receive any sales
27 tax imposed under this chapter, in the manner, at the
28 times, and under the conditions the director
29 prescribes. The director shall prescribe the manner,
30 times, and conditions under which the receipt of the
31 tax by those depositories is to be treated as payment
32 of the tax to the department.

33 4. Every retailer at the time of making any return
34 required by this section shall compute and pay to the
35 department the tax due for the preceding period. The
36 tax on sales prices from the sale or rental of
37 tangible personal property under a consumer rental
38 purchase agreement as defined in section 537.3604,
39 subsection 8, is payable in the tax period of receipt.

40 5. Upon making application and receiving approval
41 from the director, a parent corporation and its
42 affiliated corporations that make retail sales of
43 tangible personal property or taxable enumerated
44 services may make deposits and file a consolidated
45 sales tax return for the affiliated group, pursuant to
46 rules adopted by the director. A parent corporation
47 and each affiliate corporation that files a
48 consolidated return are jointly and severally liable
49 for all tax, penalty, and interest found due for the
50 tax period for which a consolidated return is filed or

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1 required to be filed.

2 A business required to file a consolidated sales
3 tax return shall file a form entitled "schedule of
4 consolidated business locations" with its quarterly
5 sales tax return that shows the taxpayer's
6 consolidated permit number, the permit number for each
7 Iowa business location, the state sales tax amount by
8 business location, and the amount of state sales tax
9 due on goods consumed that are not assigned to a
10 specific business location. Consolidated quarterly
11 sales tax returns that are not accompanied by the
12 schedule of consolidated business locations form are
13 considered incomplete and are subject to penalty under
14 section 421.27.

15 6. If necessary or advisable in order to insure
16 the payment of the tax, the director may require
17 returns and payment of the tax to be made for other
18 than quarterly periods, the provisions of this
19 section, or other provision to the contrary
20 notwithstanding.

21 Sec. 163. NEW SECTION. 423.32 FILING OF USE TAX
22 RETURNS AND PAYMENT OF USE TAX.

23 1. A retailer maintaining a place of business in
24 this state who is required to collect or a user who is
25 required to pay the use tax or a foreign retailer
26 authorized, pursuant to section 423.30, to collect the
27 use tax, shall remit to the department the amount of
28 tax on or before the last day of the month following
29 each calendar quarterly period. However, a retailer
30 who collects or owes more than fifteen hundred dollars
31 in use taxes in a month shall deposit with the
32 department or in a depository authorized by law and
33 designated by the director, the amount collected or
34 owed, with a deposit form for the month as prescribed
35 by the director.

36 a. The deposit form is due on or before the
37 twentieth day of the month following the month of
38 collection, except a deposit is not required for the
39 third month of the calendar quarter, and the total
40 quarterly amount, less the amounts deposited for the
41 first two months of the quarter, is due with the
42 quarterly report on the last day of the month
43 following the month of collection. At that time, the
44 retailer shall file with the department a return for
45 the preceding quarterly period in the form prescribed
46 by the director showing the purchase price of the
47 tangible personal property sold by the retailer during
48 the preceding quarterly period, the use of which is
49 subject to the use tax imposed by this chapter, and
50 other information the director deems necessary for the

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1 proper administration of the use tax.
2 b. The return shall be accompanied by a remittance
3 of the use tax for the period covered by the return.
4 If necessary in order to ensure payment to the state
5 of the tax, the director may in any or all cases
6 require returns and payments to be made for other than
7 quarterly periods. The director, upon request and a
8 proper showing of necessity, may grant an extension of
9 time not to exceed thirty days for making any return
10 and payment. Returns shall be signed, in accordance
11 with forms and rules prescribed by the director, by
12 the retailer or the retailer's authorized agent, and
13 shall be certified by the retailer or agent to be
14 correct.

15 2. If it is reasonably expected, as determined by
16 rules prescribed by the director, that a retailer's
17 annual sales or use tax liability will not exceed one
18 hundred twenty dollars for a calendar year, the
19 retailer may request and the director may grant
20 permission to the retailer, in lieu of the quarterly
21 filing and remitting requirements set out elsewhere in
22 this section, to file the return required by and remit
23 the sales or use tax due under this section on a
24 calendar-year basis. The return and tax are due and
25 payable no later than January 31 following each
26 calendar year in which the retailer carries on
27 business.

28 3. The director, in cooperation with the
29 department of management, may periodically change the
30 filing and remittance thresholds by administrative
31 rule if in the best interests of the state and
32 taxpayer to do so.

33 Sec. 164. NEW SECTION. 423.33 LIABILITY OF
34 PERSONS OTHER THAN RETAILERS FOR PAYMENT OF SALES OR
35 USE TAX.

36 1. LIABILITY OF PURCHASER FOR SALES TAX. If a
37 purchaser fails to pay sales tax to the retailer
38 required to collect the tax, then in addition to all
39 of the rights, obligations, and remedies provided, the
40 tax is payable by the purchaser directly to the
41 department, and sections 423.31, 423.32, 423.37,
42 423.38, 423.39, 423.40, 423.41, and 423.42 apply to
43 the purchaser. For failure to pay, the retailer and
44 purchaser are liable, unless the circumstances
45 described in section 421.60, subsection 2, paragraph
46 "m", or section 423.45, subsection 4, paragraph "b" or
47 "e", or subsection 5, paragraph "c" or "e", are
48 applicable.

49 2. IMMEDIATE SUCCESSOR LIABILITY FOR SALES OR USE
50 TAX. If a retailer sells the retailer's business or

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1 stock of goods or quits the business, the retailer
2 shall prepare a final return and pay all sales or use
3 tax due within the time required by law. The
4 immediate successor to the retailer, if any, shall
5 withhold a sufficient portion of the purchase price,
6 in money or money's worth, to pay the amount of
7 delinquent tax, interest, or penalty due and unpaid.
8 If the immediate successor of the business or stock of
9 goods intentionally fails to withhold the amount due
10 from the purchase price as provided in this
11 subsection, the immediate successor is personally
12 liable for the payment of delinquent taxes, interest,
13 and penalty accrued and unpaid on account of the
14 operation of the business by the immediate former
15 retailer, except when the purchase is made in good
16 faith as provided in section 421.28. However, a
17 person foreclosing on a valid security interest or
18 retaking possession of premises under a valid lease is
19 not an "immediate successor" for purposes of this
20 section. The department may waive the liability of
21 the immediate successor under this subsection if the
22 immediate successor exercised good faith in
23 establishing the amount of the previous liability.

24 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A
25 person sponsoring a flea market or a craft, antique,
26 coin, or stamp show or similar event shall obtain from
27 every retailer selling tangible personal property or
28 taxable services at the event proof that the retailer
29 possesses a valid sales tax permit or secure from the
30 retailer a statement, taken in good faith, that
31 property or services offered for sale are not subject
32 to sales tax. Failure to do so renders a sponsor of
33 the event liable for payment of any sales tax,
34 interest, and penalty due and owing from any retailer
35 selling property or services at the event. Sections
36 423.31, 423.32, 423.37, 423.38, 423.39, 423.40,
37 423.41, and 423.42 apply to the sponsors. For
38 purposes of this subsection, a person sponsoring a
39 flea market or a craft, antique, coin, or stamp show
40 or similar event does not include an organization
41 which sponsors an event less than three times a year
42 or a state, county, or district agricultural fair.

43 Sec. 165. NEW SECTION. 423.34 LIABILITY OF USER.

44 Any person who uses any property or services
45 enumerated in section 423.2 upon which the use tax has
46 not been paid, either to the county treasurer or to a
47 retailer or direct to the department as required by
48 this subchapter, shall be liable for the payment of
49 tax, and shall on or before the last day of the month
50 next succeeding each quarterly period pay the use tax

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1 upon all property or services used by the person
2 during the preceding quarterly period in the manner
3 and accompanied by such returns as the director shall
4 prescribe. All of the provisions of sections 423.32
5 and 423.33 with reference to the returns and payments
6 shall be applicable to the returns and payments
7 required by this section.

8 Sec. 166. NEW SECTION. 423.35 POSTING OF BOND TO
9 SECURE PAYMENT.

10 The director may, when necessary and advisable in
11 order to secure the collection of the sales or use
12 tax, authorize any person subject to either tax, and
13 any retailer required or authorized to collect those
14 taxes pursuant to the provisions of section 423.14, to
15 file with the department a bond, issued by a surety
16 company authorized to transact business in this state
17 and approved by the insurance commissioner as to
18 solvency and responsibility, in an amount as the
19 director may fix, to secure the payment of any tax,
20 interest, or penalties due or which may become due
21 from such person. In lieu of a bond, securities
22 approved by the director, in an amount which the
23 director may prescribe, may be deposited with the
24 department, which securities shall be kept in the
25 custody of the department and may be sold by the
26 director at public or private sale, without notice to
27 the depositor, if it becomes necessary to do so in
28 order to recover any tax, interest, or penalties due.
29 Upon the sale, the surplus, if any, above the amounts
30 due under this chapter shall be returned to the person
31 who deposited the securities.

32 Sec. 167. NEW SECTION. 423.36 PERMITS REQUIRED
33 TO COLLECT SALES OR USE TAX -- APPLICATIONS --
34 REVOCATION.

35 1. A person shall not engage in or transact
36 business as a retailer making taxable sales of
37 tangible personal property or furnishing services
38 within this state or as a retailer making taxable
39 sales of tangible personal property or furnishing
40 services for use within this state, unless a permit
41 has been issued to the retailer under this section,
42 except as provided in subsection 6. Every person
43 desiring to engage in or transact business as a
44 retailer shall file with the department an application
45 for a permit to collect sales or use tax. Every
46 application for a sales or use tax permit shall be
47 made upon a form prescribed by the director and shall
48 set forth any information the director may require.
49 The application shall be signed by an owner of the
50 business if a natural person; in the case of a

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1 retailer which is an association or partnership, by a
2 member or partner; and in the case of a retailer which
3 is a corporation, by an executive officer or some
4 person specifically authorized by the corporation to
5 sign the application, to which shall be attached the
6 written evidence of the person's authority.

7 2. To collect sales or use tax, the applicant must
8 have a permit for each place of business in the state
9 of Iowa. The department may deny a permit to an
10 applicant who is substantially delinquent in paying a
11 tax due, or the interest or penalty on the tax,
12 administered by the department at the time of
13 application. If the applicant is a partnership, a
14 permit may be denied if a partner is substantially
15 delinquent in paying any delinquent tax, penalty, or
16 interest. If the applicant is a corporation, a permit
17 may be denied if any officer having a substantial
18 legal or equitable interest in the ownership of the
19 corporation owes any delinquent tax, penalty, or
20 interest.

21 3. The department shall grant and issue to each
22 applicant a permit for each place of business in this
23 state where sales or use tax is collected. A permit
24 is not assignable and is valid only for the person in
25 whose name it is issued and for the transaction of
26 business at the place designated or at a place of
27 relocation within the state if the ownership remains
28 the same.

29 If an applicant is making sales outside Iowa for
30 use in this state or furnishing services outside Iowa,
31 the product or result of which will be used in this
32 state, that applicant shall be issued one use tax
33 permit by the department applicable to these out-of-
34 state sales or services.

35 4. Permits issued under this section are valid and
36 effective until revoked by the department.

37 5. If the holder of a permit fails to comply with
38 any of the provisions of this subchapter or of
39 subchapter II or III or any order or rule of the
40 department adopted under those subchapters or is
41 substantially delinquent in the payment of a tax
42 administered by the department or the interest or
43 penalty on the tax, or if the person is a corporation
44 and if any officer having a substantial legal or
45 equitable interest in the ownership of the corporation
46 owes any delinquent tax of the permit-holding
47 corporation, or interest or penalty on the tax,
48 administered by the department, the director may
49 revoke the permit. The director shall send notice by
50 mail to a permit holder informing that person of the

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1 director's intent to revoke the permit and of the
2 permit holder's right to a hearing on the matter. If
3 the permit holder petitions the director for a hearing
4 on the proposed revocation, after giving ten days'
5 notice of the time and place of the hearing in
6 accordance with section 17A.18, subsection 3, the
7 matter may be heard and a decision rendered. The
8 director may restore permits after revocation. The
9 director shall adopt rules setting forth the period of
10 time a retailer must wait before a permit may be
11 restored or a new permit may be issued. The waiting
12 period shall not exceed ninety days from the date of
13 the revocation of the permit.

14 6. Sellers who are not regularly engaged in
15 selling at retail and do not have a permanent place of
16 business, but who are temporarily engaged in selling
17 from trucks, portable roadside stands, concessionaires
18 at state, county, district, or local fairs, carnivals,
19 or the like, shall report and remit the sales tax on a
20 temporary basis, under rules the director shall
21 provide for the efficient collection of the sales tax.
22 This subsection applies to sellers who are temporarily
23 engaged in furnishing services.

24 Persons engaged in selling tangible personal
25 property or furnishing services shall not be required
26 to obtain or retain a sales tax permit for a place of
27 business at which taxable sales of tangible personal
28 property or taxable performance of services will not
29 occur.

30 7. The provisions of subsection 1, dealing with
31 the lawful right of a retailer to transact business,
32 as applicable, apply to persons having receipts from
33 furnishing services enumerated in section 423.2,
34 except that a person holding a permit pursuant to
35 subsection 1 shall not be required to obtain any
36 separate sales tax permit for the purpose of engaging
37 in business involving the services.

38 8. a. Except as provided in paragraph "b",
39 purchasers, users, and consumers of tangible personal
40 property or enumerated services taxed pursuant to
41 subchapter II or III of this chapter or chapters 423B
42 and 423E may be authorized, pursuant to rules adopted
43 by the director, to remit tax owed directly to the
44 department instead of the tax being collected and paid
45 by the seller. To qualify for a direct pay tax
46 permit, the purchaser, user, or consumer must accrue a
47 tax liability of more than four thousand dollars in
48 tax under subchapters II and III in a semimonthly
49 period and make deposits and file returns pursuant to
50 section 423.31. This authority shall not be granted

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1 or exercised except upon application to the director
2 and then only after issuance by the director of a
3 direct pay tax permit.

4 b. The granting of a direct pay tax permit is not
5 authorized for any of the following:

6 (1) Taxes imposed on the sales, furnishing, or
7 service of gas, electricity, water, heat, pay
8 television service, and communication service.

9 (2) Taxes imposed under sections 423.26 and 423.27
10 and chapter 423C.

11 Sec. 168. NEW SECTION. 423.37 FAILURE TO FILE
12 SALES OR USE TAX RETURNS -- INCORRECT RETURNS.

13 1. As soon as practicable after a return is filed
14 and in any event within three years after the return
15 is filed, the department shall examine it, assess and
16 determine the tax due if the return is found to be
17 incorrect, and give notice to the person liable for
18 the tax of the assessment and determination as
19 provided in subsection 2. The period for the
20 examination and determination of the correct amount of
21 tax is unlimited in the case of a false or fraudulent
22 return made with the intent to evade tax or in the
23 case of a failure to file a return.

24 2. If a return required by this subchapter is not
25 filed, or if a return when filed is incorrect or
26 insufficient and the maker fails to file a corrected
27 or sufficient return within twenty days after the same
28 is required by notice from the department, the
29 department shall determine the amount of tax due from
30 information as the department may be able to obtain
31 and, if necessary, may estimate the tax on the basis
32 of external indices, such as number of employees of
33 the person concerned, rentals paid by the person,
34 stock on hand, or other factors. The department shall
35 give notice of the determination to the person liable
36 for the tax. The determination shall fix the tax
37 unless the person against whom it is assessed shall,
38 within sixty days after the giving of notice of the
39 determination, apply to the director for a hearing or
40 unless the taxpayer contests the determination by
41 paying the tax, interest, and penalty and timely
42 filing a claim for refund. At the hearing evidence
43 may be offered to support the determination or to
44 prove that it is incorrect. After the hearing the
45 director shall give notice of the decision to the
46 person liable for the tax.

47 3. The three-year period of limitation provided in
48 subsection 1 may be extended by a taxpayer by signing
49 a waiver agreement form to be provided by the
50 department. The agreement shall stipulate the period

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1 of extension and the tax period to which the extension
2 applies. The agreement shall also provide that a
3 claim for refund may be filed by the taxpayer at any
4 time during the period of extension.

5 Sec. 169. NEW SECTION. 423.38 JUDICIAL REVIEW.

6 1. Judicial review of actions of the director may
7 be sought in accordance with the terms of the Iowa
8 administrative procedure Act.

9 2. For cause and upon a showing by the director
10 that collection of the tax in dispute is in doubt, the
11 court may order the petitioner to file with the clerk
12 a bond for the use of the respondent, with sureties
13 approved by the clerk, in the amount of tax appealed
14 from, conditioned that the petitioner shall perform
15 the orders of the court.

16 3. An appeal may be taken by the taxpayer or the
17 director to the supreme court of this state
18 irrespective of the amount involved.

19 Sec. 170. NEW SECTION. 423.39 SERVICE OF
20 NOTICES.

21 1. A notice authorized or required under this
22 subchapter may be given by mailing the notice to the
23 person for whom it is intended, addressed to that
24 person at the address given in the last return filed
25 by the person pursuant to this subchapter, or if no
26 return has been filed, then to any address obtainable.
27 The mailing of the notice is presumptive evidence of
28 the receipt of the notice by the person to whom
29 addressed. Any period of time which is determined
30 according to this subchapter by the giving of notice
31 commences to run from the date of mailing of the
32 notice.

33 2. The provisions of the Code relative to the
34 limitation of time for the enforcement of a civil
35 remedy shall not apply to any proceeding or action
36 taken to levy, appraise, assess, determine, or enforce
37 the collection of any tax or penalty provided by this
38 chapter.

39 Sec. 171. NEW SECTION. 423.40 PENALTIES --
40 OFFENSES -- LIMITATION.

41 1. In addition to the sales or use tax or
42 additional sales or use tax, the taxpayer shall pay a
43 penalty as provided in section 421.27. The taxpayer
44 shall also pay interest on the sales or use tax or
45 additional sales or use tax at the rate in effect
46 under section 421.7 for each month counting each
47 fraction of a month as an entire month, computed from
48 the date the semimonthly or monthly tax deposit form
49 or return was required to be filed. The penalty and
50 interest shall be paid to the department and disposed

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1 of in the same manner as other receipts under this
2 subchapter. Unpaid penalties and interest may be
3 enforced in the same manner as the taxes imposed by
4 this chapter.

5 2. a. Any person who knowingly sells tangible
6 personal property, tickets or admissions to places of
7 amusement and athletic events, or gas, water,
8 electricity, or communication service at retail, or
9 engages in the furnishing of services enumerated in
10 section 423.2, in this state without procuring a
11 permit to collect tax, as provided in section 423.36,
12 or who violates section 423.24 and the officers of any
13 corporation who so act are guilty of a serious
14 misdemeanor.

15 b. A person who knowingly sells tangible personal
16 property, tickets or admissions to places of amusement
17 and athletic events, or gas, water, electricity, or
18 communication service at retail, or engages in the
19 furnishing of services enumerated in section 423.2, in
20 this state after the person's sales tax permit has
21 been revoked and before it has been restored as
22 provided in section 423.36, subsection 5, and the
23 officers of any corporation who so act are guilty of
24 an aggravated misdemeanor.

25 3. A person who willfully attempts in any manner
26 to evade any tax imposed by this chapter or the
27 payment of the tax or a person who makes or causes to
28 be made a false or fraudulent semimonthly or monthly
29 tax deposit form or return with intent to evade any
30 tax imposed by subchapter II or III or the payment of
31 the tax is guilty of a class "D" felony.

32 4. The certificate of the director to the effect
33 that a tax has not been paid, that a return has not
34 been filed, or that information has not been supplied
35 pursuant to the provisions of this subchapter shall be
36 prima facie evidence thereof.

37 5. A person required to pay sales or use tax, or
38 to make, sign, or file a tax deposit form or return or
39 supplemental return, who willfully makes a false or
40 fraudulent tax deposit form or return, or willfully
41 fails to pay at least ninety percent of the tax or
42 willfully fails to make, sign, or file the tax deposit
43 form or return, at the time required by law, is guilty
44 of a fraudulent practice.

45 6. A prosecution for an offense specified in this
46 section shall be commenced within six years after its
47 commission.

48 Sec. 172. NEW SECTION. 423.41 BOOKS --
49 EXAMINATION.

50 Every retailer required or authorized to collect

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1 taxes imposed by this chapter and every person using
2 in this state tangible personal property, services, or
3 the product of services shall keep records, receipts,
4 invoices, and other pertinent papers as the director
5 shall require, in the form that the director shall
6 require, for as long as the director has the authority
7 to examine and determine tax due. The director or any
8 duly authorized agent of the department may examine
9 the books, papers, records, and equipment of any
10 person either selling tangible personal property or
11 services or liable for the tax imposed by this
12 chapter, and investigate the character of the business
13 of any person in order to verify the accuracy of any
14 return made, or if a return was not made by the
15 person, ascertain and determine the amount due under
16 this chapter. These books, papers, and records shall
17 be made available within this state for examination
18 upon reasonable notice when the director deems it
19 advisable and so orders. The preceding requirements
20 shall likewise apply to users and persons furnishing
21 services enumerated in section 423.2.

22 Sec. 173. NEW SECTION. 423.42 STATUTES
23 APPLICABLE.

24 1. The director shall administer the taxes imposed
25 by subchapters II and III in the same manner and
26 subject to all the provisions of, and all of the
27 powers, duties, authority, and restrictions contained
28 in, section 422.25, subsection 4, section 422.30, and
29 sections 422.67 through 422.75.

30 2. All the provisions of section 422.26 shall
31 apply in respect to the taxes and penalties imposed by
32 subchapters II and III and this subchapter, except
33 that, as applied to any tax imposed by subchapters II
34 and III, the lien provided in section 422.26 shall be
35 prior and paramount over all subsequent liens upon any
36 personal property within this state, or right to such
37 personal property, belonging to the taxpayer without
38 the necessity of recording as provided in section
39 422.26. The requirements for recording shall, as
40 applied to the taxes imposed by subchapters II and
41 III, apply only to the liens upon real property. When
42 requested to do so by any person from whom a taxpayer
43 is seeking credit, or with whom the taxpayer is
44 negotiating the sale of any personal property, or by
45 any other person having a legitimate interest in such
46 information, the director shall, upon being satisfied
47 that such a situation exists, inform that person as to
48 the amount of unpaid taxes due by such taxpayer under
49 the provisions of subchapters II and III. The giving
50 of this information under these circumstances shall

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1 not be deemed a violation of section 422.72 as applied
2 to subchapters II and III.

3 Sec. 174. NEW SECTION. 423.43 DEPOSIT OF REVENUE
4 -- APPROPRIATIONS.

5 Except as otherwise provided in section 312.2,
6 subsection 15, all revenues derived from the use tax
7 on motor vehicles, trailers, and motor vehicle
8 accessories and equipment as collected pursuant to
9 sections 423.26 and 423.27 shall be deposited and
10 credited to the road use tax fund and shall be used
11 exclusively for the construction, maintenance, and
12 supervision of public highways.

13 1. Notwithstanding any provision of this section
14 which provides that all revenues derived from the use
15 tax on motor vehicles, trailers, and motor vehicle
16 accessories and equipment as collected pursuant to
17 sections 423.26 and 423.27 shall be deposited and
18 credited to the road use tax fund, eighty percent of
19 the revenues shall be deposited and credited as
20 follows:

21 a. Twenty-five percent of all such revenue, up to
22 a maximum of four million two hundred fifty thousand
23 dollars per quarter, shall be deposited into and
24 credited to the Iowa comprehensive petroleum
25 underground storage tank fund created in section
26 455G.3, and the moneys so deposited are a continuing
27 appropriation for expenditure under chapter 455G, and
28 moneys so appropriated shall not be used for other
29 purposes.

30 b. Any such revenues remaining shall be credited
31 to the road use tax fund.

32 2. Notwithstanding any other provision of this
33 section that provides that all revenue derived from
34 the use tax on motor vehicles, trailers, and motor
35 vehicle accessories and equipment as collected
36 pursuant to section 423.26 shall be deposited and
37 credited to the road use tax fund, twenty percent of
38 the revenues shall be credited and deposited as
39 follows: one-half to the road use tax fund and one-
40 half to the primary road fund to be used for the
41 commercial and industrial highway network.

42 3. For the fiscal year beginning July 1, 2004, and
43 each subsequent fiscal year, revenues arising under
44 the operation of this chapter which are derived from
45 the tax imposed on remote sales shall be deposited
46 into the remote sales tax fund created in section
47 423.60 in an amount equal to the excess of the
48 revenues derived from the tax imposed on remote sales
49 during the fiscal year over the revenues derived from
50 the tax imposed on remote sales during the fiscal year

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1 beginning July 1, 2003.

2 4. All other revenue arising under the operation
3 of this chapter shall be credited to the general fund
4 of the state.

5 Sec. 175. NEW SECTION. 423.44 REIMBURSEMENT FOR
6 PRIMARY ROAD FUND.

7 From moneys deposited into the road use tax fund,
8 the department may credit to the primary road fund any
9 amount of revenues derived from the use tax on motor
10 vehicles, trailers, and motor vehicle accessories and
11 equipment as collected pursuant to sections 423.26 and
12 423.27 to the extent necessary to reimburse that fund
13 for the expenditures not otherwise eligible to be made
14 from the primary road fund, which are made for
15 repairing, improving, and maintaining bridges over the
16 rivers bordering the state. Expenditures for those
17 portions of bridges within adjacent states may be
18 included when they are made pursuant to an agreement
19 entered into under section 313.63, 313A.34, or 314.10.

20 Sec. 176. NEW SECTION. 423.45 REFUNDS --
21 EXEMPTION CERTIFICATES.

22 1. If an amount of tax represented by a retailer
23 to a consumer or user as constituting tax due is
24 computed upon a sales price that is not taxable or the
25 amount represented is in excess of the actual taxable
26 amount and the amount represented is actually paid by
27 the consumer or user to the retailer, the excess
28 amount of tax paid shall be returned to the consumer
29 or user upon notification to the retailer by the
30 department that an excess payment exists.

31 2. If an amount of tax represented by a retailer
32 to a consumer or user as constituting tax due is
33 computed upon a sales price that is not taxable or the
34 amount represented is in excess of the actual taxable
35 amount and the amount represented is actually paid by
36 the consumer or user to the retailer, the excess
37 amount of tax paid shall be returned to the consumer
38 or user upon proper notification to the retailer by
39 the consumer or user that an excess payment exists.
40 "Proper" notification is written notification which
41 allows a retailer at least sixty days to respond and
42 which contains enough information to allow a retailer
43 to determine the validity of a consumer's or user's
44 claim that an excess amount of tax has been paid. No
45 cause of action shall accrue against a retailer for
46 excess tax paid until sixty days after proper notice
47 has been given the retailer by the consumer or user.

48 3. In the circumstances described in subsections 1
49 and 2, a retailer has the option to either return any
50 excess amount of tax paid to a consumer or user, or to

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1 remit the amount which a consumer or user has paid to
2 the retailer to the department.

3 4. a. The department shall issue or the seller
4 may separately provide exemption certificates in the
5 form prescribed by the director, including
6 certificates not made of paper, which conform to the
7 requirements of paragraph "c", to assist retailers in
8 properly accounting for nontaxable sales of tangible
9 personal property or services to purchasers for a
10 nontaxable purpose. The department shall also allow
11 the use of exemption certificates for those
12 circumstances in which a sale is taxable but the
13 seller is not obligated to collect tax from the buyer.

14 b. The sales tax liability for all sales of
15 tangible personal property and all sales of services
16 is upon the seller and the purchaser unless the seller
17 takes in good faith from the purchaser a valid
18 exemption certificate stating under penalty of perjury
19 that the purchase is for a nontaxable purpose and is
20 not a retail sale as defined in section 423.1, or the
21 seller is not obligated to collect tax due, or unless
22 the seller takes a fuel exemption certificate pursuant
23 to subsection 5. If the tangible personal property or
24 services are purchased tax free pursuant to a valid
25 exemption certificate which is taken in good faith by
26 the seller, and the tangible personal property or
27 services are used or disposed of by the purchaser in a
28 nonexempt manner, the purchaser is solely liable for
29 the taxes and shall remit the taxes directly to the
30 department and sections 423.31, 423.32, 423.37,
31 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
32 to the purchaser.

33 c. A valid exemption certificate is an exemption
34 certificate which is complete and correct according to
35 the requirements of the director.

36 d. A valid exemption certificate is taken in good
37 faith by the seller when the seller has exercised that
38 caution and diligence which honest persons of ordinary
39 prudence would exercise in handling their own business
40 affairs, and includes an honesty of intention and
41 freedom from knowledge of circumstances which ought to
42 put one upon inquiry as to the facts. In order for a
43 seller to take a valid exemption certificate in good
44 faith, the seller must exercise reasonable prudence to
45 determine the facts supporting the valid exemption
46 certificate, and if any facts upon such certificate
47 would lead a reasonable person to further inquiry,
48 such inquiry must be made with an honest intent to
49 discover the facts.

50 e. If the circumstances change and as a result the

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1 tangible personal property or services are used or
2 disposed of by the purchaser in a nonexempt manner or
3 the purchaser becomes obligated to pay the tax, the
4 purchaser is liable solely for the taxes and shall
5 remit the taxes directly to the department in
6 accordance with this subsection.

7 5. a. The department shall issue or the seller
8 may separately provide fuel exemption certificates in
9 the form prescribed by the director.

10 b. For purposes of this subsection:

11 (1) "Fuel" includes gas, electricity, water, heat,
12 steam, and any other tangible personal property
13 consumed in creating heat, power, or steam.

14 (2) "Fuel consumed in processing" means fuel used
15 or consumed for processing including grain drying, for
16 providing heat or cooling for livestock buildings or
17 for greenhouses or buildings or parts of buildings
18 dedicated to the production of flowering, ornamental,
19 or vegetable plants intended for sale in the ordinary
20 course of business, for use in aquaculture production,
21 or for generating electric current, or in implements
22 of husbandry engaged in agricultural production.

23 (3) "Fuel exemption certificate" means an
24 exemption certificate given by the purchaser under
25 penalty of perjury to assist retailers in properly
26 accounting for nontaxable sales of fuel consumed in
27 processing.

28 (4) "Substantial change" means a change in the use
29 or disposition of tangible personal property and
30 services by the purchaser such that the purchaser pays
31 less than ninety percent of the purchaser's actual
32 sales tax liability. A change includes a misstatement
33 of facts in an application made pursuant to paragraph
34 "d" or in a fuel exemption certificate.

35 c. The seller may accept a completed fuel
36 exemption certificate, as prepared by the purchaser,
37 for three years unless the purchaser files a new
38 completed exemption certificate. If the fuel is
39 purchased tax free pursuant to a fuel exemption
40 certificate which is taken by the seller, and the fuel
41 is used or disposed of by the purchaser in a nonexempt
42 manner, the purchaser is solely liable for the taxes,
43 and shall remit the taxes directly to the department
44 and sections 423.31, 423.32, 423.37, 423.38, 423.39,
45 423.40, 423.41, and 423.42 shall apply to the
46 purchaser.

47 d. The purchaser may apply to the department for
48 its review of the fuel exemption certificate. In this
49 event, the department shall review the fuel exemption
50 certificate within twelve months from the date of

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1 application and determine the correct amount of the
2 exemption. If the amount determined by the department
3 is different than the amount that the purchaser claims
4 is exempt, the department shall promptly notify the
5 purchaser of the determination. Failure of the
6 department to make a determination within twelve
7 months from the date of application shall constitute a
8 determination that the fuel exemption certificate is
9 correct as submitted. A determination of exemption by
10 the department is final unless the purchaser appeals
11 to the director for a revision of the determination
12 within sixty days after the date of the notice of
13 determination. The director shall grant a hearing,
14 and upon the hearing, the director shall determine the
15 correct exemption and notify the purchaser of the
16 decision by mail. The decision of the director is
17 final unless the purchaser seeks judicial review of
18 the director's decision under section 423.38 within
19 sixty days after the date of the notice of the
20 director's decision. Unless there is a substantial
21 change, the department shall not impose penalties
22 pursuant to section 423.40 both retroactively to
23 purchases made after the date of application and
24 prospectively until the department gives notice to the
25 purchaser that a tax or additional tax is due, for
26 failure to remit any tax due which is in excess of a
27 determination made under this section. A
28 determination made by the department pursuant to this
29 subsection does not constitute an audit for purposes
30 of section 423.37.

31 e. If the circumstances change and the fuel is
32 used or disposed of by the purchaser in a nonexempt
33 manner, the purchaser is solely liable for the taxes
34 and shall remit the taxes directly to the department
35 in accordance with paragraph "c".

36 f. The purchaser shall attach documentation to the
37 fuel exemption certificate which is reasonably
38 necessary to support the exemption for fuel consumed
39 in processing. If the purchaser files a new exemption
40 certificate with the seller, documentation shall not
41 be required if the purchaser previously furnished the
42 seller with this documentation and substantial change
43 has not occurred since that documentation was
44 furnished or if fuel consumed in processing is
45 separately metered and billed by the seller.

46 6. Nothing in this section authorizes any cause of
47 action by any person to recover sales or use taxes
48 directly from the state or extends any person's time
49 to seek a refund of sales or use taxes which have been
50 collected and remitted to the state.

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1 Sec. 177. NEW SECTION. 423.46 RATE AND BASE
2 CHANGES.

3 The department shall make a reasonable effort to
4 provide sellers with as much advance notice as
5 practicable of a rate change and to notify sellers of
6 legislative changes in the tax base and amendments to
7 sales and use tax rules. Failure of a seller to
8 receive notice or failure of this state to provide
9 notice or limit the effective date of a rate change
10 shall not relieve the seller of its obligation to
11 collect sales or use taxes for this state.

12 Sec. 178. NEW SECTION. 423.47 REFUNDS AND
13 CREDITS.

14 If it shall appear that, as a result of mistake, an
15 amount of tax, penalty, or interest has been paid
16 which was not due under the provisions of this
17 chapter, such amount shall be credited against any tax
18 due, or to become due, on the books of the department
19 from the person who made the erroneous payment, or
20 such amount shall be refunded to such person by the
21 department. A claim for refund or credit that has not
22 been filed with the department within three years
23 after the tax payment for which a refund or credit is
24 claimed became due, or one year after such tax payment
25 was made, whichever time is the later, shall not be
26 allowed by the director.

SUBCHAPTER VI

27 SALES AND USE TAX ACT -- ADMINISTRATION OF
28 RETAILERS REGISTERED VOLUNTARILY UNDER THE
29 AGREEMENT
30

31 Sec. 179. NEW SECTION. 423.48 RESPONSIBILITIES
32 AND RIGHTS OF SELLERS REGISTERED UNDER THE AGREEMENT.

33 1. By registering under the agreement, the seller
34 agrees to collect and remit sales and use taxes for
35 all its taxable Iowa sales. Iowa's withdrawal from
36 the agreement or revocation of its membership in the
37 agreement shall not relieve a seller from its
38 responsibility to remit taxes previously collected on
39 behalf of this state.

40 2. The following provisions apply to any seller
41 who registers under the agreement:

42 a. The seller may register on-line.

43 b. Registration under the agreement and the
44 collection of Iowa sales and use taxes shall not be
45 used as factors in determining whether the seller has
46 nexus with Iowa for any tax.

47 c. If registered under the agreement with any
48 other member state, the seller is considered to be
49 registered in Iowa.

50 d. The seller is not required to pay registration

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1 fees or other charges.

2 e. A written signature from the seller is not
3 required.

4 f. The seller may register by way of an agent.

5 The agent's appointment shall be in writing and
6 submitted to the department if requested by the
7 department.

8 g. The seller may cancel its registration at any
9 time under procedures adopted by the governing board
10 established pursuant to the agreement. Cancellation
11 does not relieve the seller of its liability for
12 remitting any Iowa taxes collected.

13 3. The following additional responsibilities and
14 rights apply to model sellers:

15 a. A model 1 seller's obligation to calculate,
16 collect, and remit sales and use taxes shall be
17 performed by its certified service provider, except
18 for the seller's obligation to remit tax on its own
19 purchases. As the seller's agent, the certified
20 service provider is liable for its model 1 seller's
21 sales and use tax due Iowa on all sales transactions
22 it processes for the seller except as set out in this
23 section. A seller that contracts with a certified
24 service provider is not liable to the state for sales
25 or use tax due on transactions processed by the
26 certified service provider unless the seller
27 misrepresents the types of items or services it sells
28 or commits fraud. In the absence of probable cause to
29 believe that the seller has committed fraud or made a
30 material misrepresentation, the seller is not subject
31 to audit on the transactions processed by the
32 certified service provider. A model 1 seller is
33 subject to audit for transactions not processed by the
34 certified service provider. The director is
35 authorized to perform a system check of the model 1
36 seller and review the seller's procedures to determine
37 if the certified service provider's system is
38 functioning properly and the extent to which the
39 seller's transactions are being processed by the
40 certified service provider.

41 b. A model 2 seller shall calculate the amount of
42 tax due on a transaction by the use of a certified
43 automated system, but shall collect and remit tax on
44 its own sales. A person that provides a certified
45 automated system is responsible for the proper
46 functioning of that system and is liable to this state
47 for underpayments of tax attributable to errors in the
48 functioning of the certified automated system. A
49 seller that uses a certified automated system remains
50 responsible and is liable to the state for reporting

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1 and remitting tax.

2 c. A model 3 seller shall use its own proprietary
3 automated system to calculate tax due and collect and
4 remit tax on its own sales. A model 3 seller is
5 liable for the failure of its proprietary automated
6 system to meet the applicable performance standard.

7 Sec. 180. NEW SECTION. 423.49 RETURNS.

8 1. All model 1, 2, or 3 sellers are subject to all
9 of the following return requirements:

10 a. The seller is required to file only one return
11 per month for this state and for all taxing
12 jurisdictions within this state.

13 b. The date for filing returns shall be determined
14 under rules adopted by the director. However, in no
15 case shall the return be due earlier than the
16 twentieth day of the following month.

17 c. The director shall request additional
18 information returns. These returns shall not be
19 required more frequently than every six months.

20 2. Any registered seller which does not have a
21 legal obligation to register in this state and is not
22 a model 1, 2, or 3 seller is subject to all of the
23 following return requirements:

24 a. The seller is required to file a return within
25 one year of the month of initial registration and
26 shall file a return on an annual basis in succeeding
27 years.

28 b. In addition to the return required in paragraph
29 "a", if the seller accumulates more than one thousand
30 dollars in total state and local tax, the seller is
31 required to file a return in the following month.

32 c. The format of the return and the due date of
33 the initial return and the annual return shall be
34 determined under rules adopted by the department.

35 Sec. 181. NEW SECTION. 423.50 REMITTANCE OF
36 FUNDS.

37 1. Only one remittance of tax per return is
38 required except as provided in this subsection.
39 Sellers that collect more than thirty thousand dollars
40 in sales and use taxes for this state during the
41 preceding calendar year shall be required to make
42 additional remittances as required under rules adopted
43 by the director. The filing of a return is not
44 required with an additional remittance.

45 2. All remittances shall be remitted
46 electronically.

47 3. Electronic payments may be made either by
48 automated clearinghouse credit or automated
49 clearinghouse debit. Any data accompanying a
50 remittance must be formatted using uniform tax type

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1 and payment codes approved by the governing board
2 established pursuant to the agreement. An alternative
3 method for making same-day payments shall be
4 determined under rules adopted by the director.
5 4. If a due date falls on a legal banking holiday
6 in this state, the taxes are due on the succeeding
7 business day.

8 Sec. 182. NEW SECTION. 423.51 ADMINISTRATION OF
9 EXEMPTIONS.

10 1. The following provisions shall apply when a
11 purchaser claims an exemption:

12 a. The seller shall obtain identifying information
13 of the purchaser and the reason for claiming a tax
14 exemption at the time of the purchase as determined by
15 the member states acting jointly.

16 b. A purchaser is not required to provide a
17 signature to claim an exemption from tax unless a
18 paper certificate is used.

19 c. The seller shall use the standard form for
20 claiming an exemption electronically as adopted
21 jointly by the member states.

22 d. The seller shall obtain the same information
23 for proof of a claimed exemption regardless of the
24 medium in which the transaction occurred.

25 e. The department may authorize a system wherein
26 the purchaser exempt from the payment of the tax is
27 issued an identification number which shall be
28 presented to the seller at the time of the sale.

29 f. The seller shall maintain proper records of
30 exempt transactions and provide them to the department
31 when requested.

32 g. The department shall administer entity-based
33 and use-based exemptions when practicable through a
34 direct pay tax permit, an exemption certificate, or
35 another means that does not burden sellers. For the
36 purposes of this paragraph:

37 (1) An "entity-based exemption" is an exemption
38 based on who purchases the product or who sells the
39 product.

40 (2) A "use-based exemption" is an exemption based
41 on the purchaser's use of the product.

42 2. Sellers that follow the requirements of this
43 section are relieved from any tax otherwise applicable
44 if it is determined that the purchaser improperly
45 claimed an exemption and that the purchaser is liable
46 for the nonpayment of tax. This relief from liability
47 does not apply to a seller who fraudulently fails to
48 collect the tax or solicits purchasers to participate
49 in the unlawful claim of an exemption.

50 Sec. 183. NEW SECTION. 423.52 RELIEF FROM

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1 LIABILITY FOR SELLERS AND CERTIFIED SERVICE PROVIDERS.
2 Sellers and certified service providers are
3 relieved from liability to this state or its local
4 taxing jurisdictions for having charged and collected
5 the incorrect amount of sales or use tax resulting
6 from the seller or certified service provider relying
7 on erroneous data provided by this state on tax rates,
8 boundaries, or taxing jurisdiction assignments. If
9 this state provides an address-based system for
10 assigning taxing jurisdictions whether or not pursuant
11 to the federal Mobile Telecommunications Sourcing Act,
12 the director is not required to provide liability
13 relief for errors resulting from reliance on the
14 information provided by this state.

15 Sec. 184. NEW SECTION. 423.53 BAD DEBTS AND
16 MODEL 1 SELLERS.

17 A certified service provider may claim, on behalf
18 of a model 1 seller, any bad debt deduction as
19 provided in section 423.21. The certified service
20 provider must credit or refund the full amount of any
21 bad debt deduction or refund received to the seller.

22 Sec. 185. NEW SECTION. 423.54 AMNESTY FOR
23 REGISTERED SELLERS.

24 1. Subject to the limitations in subsections 2
25 through 6, the following provisions apply:

26 a. Amnesty is provided for uncollected or unpaid
27 sales or use tax to a seller who registers to pay or
28 to collect and remit applicable sales or use tax on
29 sales made to purchasers in this state in accordance
30 with the terms of the agreement, provided the seller
31 was not so registered in this state in the twelve-
32 month period preceding the commencement of Iowa's
33 participation in the agreement.

34 b. Amnesty precludes assessment of the seller for
35 uncollected or unpaid sales or use tax together with
36 penalty or interest for sales made during the period
37 the seller was not registered in this state, provided
38 registration occurs within twelve months of the
39 commencement of Iowa's participation in the agreement.

40 c. Amnesty shall be provided to any seller
41 lawfully registered under the agreement by any other
42 member state prior to the date of the commencement of
43 Iowa's participation in the agreement.

44 2. Amnesty is not available to a seller with
45 respect to any matter or matters for which the seller
46 received notice of the commencement of an audit and
47 which audit is not yet finally resolved, including any
48 related administrative and judicial processes.

49 3. Amnesty is not available for sales or use taxes
50 already paid or remitted or to taxes collected by the

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1 seller.

2 4. Amnesty is fully effective absent the seller's
3 fraud or intentional misrepresentation of a material
4 fact as long as the seller continues registration and
5 continues payment or collection and remittance of
6 applicable sales or use taxes for a period of at least
7 thirty-six months. The statute of limitations
8 applicable to asserting a tax liability is tolled
9 during this thirty-six month period.

10 5. Amnesty is applicable only to sales or use
11 taxes due from a seller in its capacity as a seller
12 and not to sales or use taxes due from a seller in its
13 capacity as a buyer.

14 6. The director may allow amnesty on terms and
15 conditions more favorable to a seller than the terms
16 required by this section.

17 Sec. 186. NEW SECTION. 423.55 DATABASES.
18 The department shall provide and maintain databases
19 required by the agreement for the benefit of sellers
20 registered under the agreement.

21 Sec. 187. NEW SECTION. 423.56 CONFIDENTIALITY
22 AND PRIVACY PROTECTIONS UNDER MODEL 1.

23 1. As used in this section:

24 a. "Anonymous data" means information that does
25 not identify a person.

26 b. "Confidential taxpayer information" means all
27 information that is protected under this state's laws,
28 rules, and privileges.

29 c. "Personally identifiable information" means
30 information that identifies a person.

31 2. With very limited exceptions, a certified
32 service provider shall perform its tax calculation,
33 remittance, and reporting functions without retaining
34 the personally identifiable information of consumers.

35 3. A certified service provider may perform its
36 services in this state only if the certified service
37 provider certifies that:

38 a. Its system has been designed and tested to
39 ensure that the fundamental precept of anonymity is
40 respected.

41 b. Personally identifiable information is only
42 used and retained to the extent necessary for the
43 administration of model 1 sellers with respect to
44 exempt purchasers.

45 c. It provides consumers clear and conspicuous
46 notice of its information practices, including what
47 information it collects, how it collects the
48 information, how it uses the information, how long, if
49 at all, it retains the information, and whether it
50 discloses the information to member states. This

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1 notice shall be satisfied by a written privacy policy
2 statement accessible by the public on the official web
3 site of the certified service provider.

4 d. Its collection, use, and retention of
5 personally identifiable information is limited to that
6 required by the member states to ensure the validity
7 of exemptions from taxation that are claimed by reason
8 of a consumer's status or the intended use of the
9 goods or services purchased.

10 e. It provides adequate technical, physical, and
11 administrative safeguards so as to protect personally
12 identifiable information from unauthorized access and
13 disclosure.

14 4. The department shall provide public
15 notification of its practices relating to the
16 collection, use, and retention of personally
17 identifiable information.

18 5. When any personally identifiable information
19 that has been collected and retained by the department
20 or certified service provider is no longer required
21 for the purposes set forth in subsection 3, paragraph
22 "d", that information shall no longer be retained by
23 the department or certified service provider.

24 6. When personally identifiable information
25 regarding an individual is retained by or on behalf of
26 this state, this state shall provide reasonable access
27 by such individual to his or her own information in
28 the state's possession and a right to correct any
29 inaccurately recorded information.

30 7. This privacy policy is subject to enforcement
31 by the department and the attorney general.

32 8. This state's laws and rules regarding the
33 collection, use, and maintenance of confidential
34 taxpayer information remain fully applicable and
35 binding. Without limitation, the agreement does not
36 enlarge or limit the state's or department's authority
37 to:

38 a. Conduct audits or other review as provided
39 under the agreement and state law.

40 b. Provide records pursuant to its examination of
41 public records law, disclosure laws of individual
42 governmental agencies, or other regulations.

43 c. Prevent, consistent with state law, disclosures
44 of confidential taxpayer information.

45 d. Prevent, consistent with federal law,
46 disclosures or misuse of federal return information
47 obtained under a disclosure agreement with the
48 internal revenue service.

49 e. Collect, disclose, disseminate, or otherwise
50 use anonymous data for governmental purposes.

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1 9. This privacy policy does not preclude the
2 certification of a certified service provider whose
3 privacy policy is more protective of confidential
4 taxpayer information or personally identifiable
5 information than is required by the agreement.

6 Sec. 188. NEW SECTION. 423.57 STATUTES
7 APPLICABLE.

8 The director shall administer this subchapter as it
9 relates to the taxes imposed in this chapter in the
10 same manner and subject to all the provisions of, and
11 all of the powers, duties, authority, and restrictions
12 contained in sections 423.14, 423.15, 423.16, 423.17,
13 423.18, 423.19, 423.20, 423.21, 423.22, 423.23,
14 423.24, 423.25, 423.28, 423.29, 423.31, 423.32,
15 423.33, 423.34, 423.35, 423.37, 423.38, 423.39,
16 423.40, 423.41, and 423.42, section 423.43, subsection
17 3, and sections 423.45, 423.46, and 423.47.

18 Sec. 189. NEW SECTION. 423.60 REMOTE SALES TAX
19 FUND -- APPROPRIATIONS.

20 1. A remote sales tax fund is created as a
21 separate fund in the state treasury under the control
22 of the department of revenue and finance consisting of
23 the state sales and use tax revenues collected from
24 remote sales and deposited as provided in section
25 423.43, subsection 3.

26 2. There is appropriated from the remote sales tax
27 fund for the fiscal year beginning July 1, 2005, and
28 each succeeding fiscal year to the general fund of the
29 state the following:

30 a. The first sixty million dollars deposited into
31 the fund during each fiscal year.

32 b. An amount to offset the projected loss during
33 the fiscal year to the general fund of the state
34 resulting from a state tax relief Act enacted during
35 the period beginning four and one-half years prior to
36 the start of the fiscal year. However, any state tax
37 relief Act enacted prior to July 1, 2004, shall not be
38 covered under this subsection.

39 3. For purposes of subsection 2, "state tax relief
40 Act" means an Act that was projected by the
41 legislative fiscal bureau to result in a loss in
42 revenue to the general fund of the state of at least
43 five million dollars in the first full fiscal year
44 during which the Act is effective and that contains
45 any of the following:

46 a. A state sales or use tax exemption.

47 b. A deduction for any state tax.

48 c. A reduction in any state tax rate.

49 Sec. 190.

50 1. Sections 422.42 through 422.59, Code 2003, are

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1 repealed.

2 2. Chapter 423, Code 2003, is repealed.

3 COORDINATING AMENDMENTS

4 Sec. 191. Section 15.331A, Code 2003, is amended
5 to read as follows:6 15.331A SALES, SERVICES, AND USE TAX REFUND --
7 CONTRACTOR OR SUBCONTRACTOR.

8 The eligible business or a supporting business
9 shall be entitled to a refund of the sales and use
10 taxes paid under ~~chapters 422 and~~ chapter 423 for gas,
11 electricity, water, or sewer utility services, goods,
12 wares, or merchandise, or on services rendered,
13 furnished, or performed to or for a contractor or
14 subcontractor and used in the fulfillment of a written
15 contract relating to the construction or equipping of
16 a facility within the economic development area of the
17 eligible business or a supporting business. Taxes
18 attributable to intangible property and furniture and
19 furnishings shall not be refunded.

20 To receive the refund a claim shall be filed by the
21 eligible business or a supporting business with the
22 department of revenue and finance as follows:

23 1. The contractor or subcontractor shall state
24 under oath, on forms provided by the department, the
25 amount of the sales of goods, wares, or merchandise or
26 services rendered, furnished, or performed including
27 water, sewer, gas, and electric utility services for
28 use in the economic development area upon which sales
29 or use tax has been paid prior to the project
30 completion, and shall file the forms with the eligible
31 business or supporting business before final
32 settlement is made.

33 2. The eligible business or a supporting business
34 shall, not more than one year after project
35 completion, make application to the department for any
36 refund of the amount of the sales and use taxes paid
37 pursuant to chapter ~~422 or~~ 423 upon any goods, wares,
38 or merchandise, or services rendered, furnished, or
39 performed, including water, sewer, gas, and electric
40 utility services. The application shall be made in
41 the manner and upon forms to be provided by the
42 department, and the department shall audit the claim
43 and, if approved, issue a warrant to the eligible
44 business or supporting business in the amount of the
45 sales or use tax which has been paid to the state of
46 Iowa under a contract. A claim filed by the eligible
47 business or a supporting business in accordance with
48 this section shall not be denied by reason of a
49 limitation provision set forth in chapter 421, ~~422,~~ or
50 423.

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1 3. A contractor or subcontractor who willfully
2 makes a false report of tax paid under the provisions
3 of this section is guilty of a simple misdemeanor and
4 in addition is liable for the payment of the tax and
5 any applicable penalty and interest.

6 Sec. 192. Section 15.334A, Code 2003, is amended
7 to read as follows:

8 15.334A SALES AND USE TAX EXEMPTION.

9 An eligible business may claim an exemption from
10 sales and use taxation under section ~~422.45~~ 423.3,
11 subsection ~~27~~ 46, for property which is exempt from
12 taxation under section 15.334, notwithstanding the
13 requirements of section ~~422.45~~ 423.3, subsection ~~27~~
14 46, or any other provision of the Code to the
15 contrary.

16 Sec. 193. Section 15A.9, subsections 5, 6, and 7,
17 Code 2003, are amended to read as follows:

18 5. PROPERTY TAX EXEMPTION.

19 a. All property, as defined in section 427A.1,
20 subsection 1, paragraphs "e" and "j", Code 1993, used
21 by the primary business or a supporting business and
22 located within the zone, shall be exempt from property
23 taxation for a period of twenty years beginning with
24 the year it is first assessed for taxation. In order
25 to be eligible for this exemption, the property shall
26 be acquired or leased by the primary business or a
27 supporting business or relocated by the primary
28 business or a supporting business to the zone from
29 outside the state prior to project completion.

30 b. Property which is exempt for property tax
31 purposes under this subsection is eligible for the
32 sales and use tax exemption under section ~~422.45~~
33 423.3, subsection ~~27~~ 46, notwithstanding that
34 subsection or any other provision of the Code to the
35 contrary.

36 6. SALES, SERVICES, AND USE TAX REFUND. Taxes
37 paid pursuant to chapter ~~422~~ or 423 on the gross
38 receipts sales price or rental price of property
39 purchased or rented by the primary business or a
40 supporting business for use by the primary business or
41 a supporting business within the zone or on gas,
42 electricity, water, and sewer utility services prior
43 to project completion shall be refunded to the primary
44 business or supporting business if the item was
45 purchased or the service was performed or received
46 prior to project completion. Claims under this
47 section shall be submitted on forms provided by the
48 department of revenue and finance not later than six
49 months after project completion. The refund in this
50 subsection shall not apply to furniture or

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1 furnishings, or intangible property.

2 7. SALES, SERVICES, AND USE TAX REFUND --

3 CONTRACTOR OR SUBCONTRACTOR. The primary business or
4 a supporting business shall be entitled to a refund of
5 the sales and use taxes paid under ~~chapters 422 and~~
6 chapter 423 for gas, electricity, water, or sewer
7 utility services, goods, wares, or merchandise, or on
8 services rendered, furnished, or performed to or for a
9 contractor or subcontractor and used in the
10 fulfillment of a written contract relating to the
11 construction or equipping of a facility within the
12 zone of the primary business or a supporting business.
13 Taxes attributable to intangible property and
14 furniture and furnishings shall not be refunded.

15 To receive the refund a claim shall be filed by the
16 primary business or a supporting business with the
17 department of revenue and finance as follows:

18 a. The contractor or subcontractor shall state
19 under oath, on forms provided by the department, the
20 amount of the sales of goods, wares, or merchandise or
21 services rendered, furnished, or performed including
22 water, sewer, gas, and electric utility services for
23 use in the zone upon which sales or use tax has been
24 paid prior to the project completion, and shall file
25 the forms with the primary business or supporting
26 business before final settlement is made.

27 b. The primary business or a supporting business
28 shall, not more than six months after project
29 completion, make application to the department for any
30 refund of the amount of the sales and use taxes paid
31 pursuant to chapter ~~422 or~~ 423 upon any goods, wares,
32 or merchandise, or services rendered, furnished, or
33 performed, including water, sewer, gas, and electric
34 utility services. The application shall be made in
35 the manner and upon forms to be provided by the
36 department, and the department shall audit the claim
37 and, if approved, issue a warrant to the primary
38 business or supporting business in the amount of the
39 sales or use tax which has been paid to the state of
40 Iowa under a contract. A claim filed by the primary
41 business or a supporting business in accordance with
42 this subsection shall not be denied by reason of a
43 limitation provision set forth in chapter 421, 422, or
44 423.

45 c. A contractor or subcontractor who willfully
46 makes a false report of tax paid under the provisions
47 of this subsection is guilty of a simple misdemeanor
48 and in addition is liable for the payment of the tax
49 and any applicable penalty and interest.

50 Sec. 194. Section 28A.17, unnumbered paragraph 1,

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1 Code 2003, is amended to read as follows:
2 If an authority is established as provided in
3 section 28A.6 and after approval of a referendum by a
4 simple majority of votes cast in each metropolitan
5 area in favor of the sales and services tax, the
6 governing board of a county in this state within a
7 metropolitan area which is part of the authority shall
8 impose, at the request of the authority, a local sales
9 and services tax at the rate of one-fourth of one
10 percent on ~~gross receipts~~ the sales price taxed by
11 this state under ~~chapter 422, division IV~~ section
12 423.2, within the metropolitan area located in this
13 state. The referendum shall be called by resolution
14 of the board and shall be held as provided in section
15 28A.6 to the extent applicable. The ballot
16 proposition shall contain a statement as to the
17 specific purpose or purposes for which the revenues
18 shall be expended and the date of expiration of the
19 tax. The local sales and services tax shall be
20 imposed on the same basis, with the same exceptions,
21 and following the same administrative procedures as
22 provided for a county under sections 422B.8 and
23 422B.9. The amount of the sale, for the purposes of
24 determining the amount of the local sales and services
25 tax under this section, does not include the amount of
26 any local sales and services tax imposed under
27 sections 422B.8 and 422B.9.

28 Sec. 195. Section 29C.15, Code 2003, is amended to
29 read as follows:

30 29C.15 TAX-EXEMPT PURCHASES.

31 All purchases under the provisions of this chapter
32 shall be exempt from the taxes imposed by sections
33 ~~422.43~~ 423.2 and ~~423.2~~ 423.5.

34 Sec. 196. Section 99E.10, subsection 1, paragraph
35 b, Code 2003, is amended to read as follows:

36 b. An amount equal to the product of the state
37 sales tax rate under section ~~422.43~~ 423.2 multiplied
38 by the gross sales price of each ticket or share sold
39 shall be deducted as the sales tax on the sale of that
40 ticket or share, remitted to the treasurer of state
41 and deposited into the state general fund.

42 Sec. 197. Section 123.187, subsection 2, Code
43 2003, is amended to read as follows:

44 2. A winery licensed or permitted pursuant to laws
45 regulating alcoholic beverages in a state which
46 affords this state an equal reciprocal shipping
47 privilege may ship into this state by private common
48 carrier, to a person twenty-one years of age or older,
49 not more than eighteen liters of wine per month, for
50 consumption or use by the person. Such wine shall not

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1 be resold. Shipment of wine pursuant to this
2 subsection is not subject to sales tax under section
3 ~~422.43~~ 423.2, use tax under section ~~423.2~~ 423.5, or
4 the wine gallonage tax under section 123.183, and does
5 not require a refund value for beverage container
6 control purposes under chapter 455C.

7 Sec. 198. Section 262.54, Code 2003, is amended to
8 read as follows:

9 262.54 COMPUTER SALES.

10 Sales, by an institution under the control of the
11 board of regents, of computer equipment, computer
12 software, and computer supplies to students and
13 faculty at the institution are retail sales under
14 chapter ~~422~~, ~~division IV~~ 423.

15 Sec. 199. Section 303.9, subsection 2, Code 2003,
16 is amended to read as follows:

17 2. The department may sell mementos and other
18 items relating to Iowa history and historic sites on
19 the premises of property under control of the
20 department and at the state capitol. Notwithstanding
21 sections 18.12 and 18.16, the department may directly
22 and independently enter into rental and lease
23 agreements with private vendors for the purpose of
24 selling mementos. All fees and income produced by the
25 sales and rental or lease agreements shall be credited
26 to the account of the department. The mementos and
27 other items sold by the department or vendors under
28 this subsection are exempt from section 18.6. The
29 ~~department is not a retailer under chapter 422 and the~~
30 ~~sale of such mementos and other items by the~~
31 ~~department is not a retail sale under chapter 422 and~~
32 ~~is exempt from the sales tax.~~

33 Sec. 200. Section 312.1, subsection 4, Code 2003,
34 is amended to read as follows:

35 4. To the extent provided in section ~~423.24~~
36 423.43, subsection 1, paragraph "b", from revenue
37 derived from the use tax, under chapter 423 on motor
38 vehicles, trailers, and motor vehicle accessories and
39 equipment.

40 Sec. 201. Section 312.2, subsections 14 and 16,
41 Code 2003, are amended to read as follows:

42 14. The treasurer of state, before making the
43 allotments provided for in this section, shall credit
44 monthly from the road use tax fund to the general fund
45 of the state from revenue credited to the road use tax
46 fund under section ~~423.24~~ 423.43, subsection 1,
47 paragraph "b", an amount equal to one-twentieth of
48 eighty percent of the revenue from the operation of
49 section ~~423.7~~ 423.26.

50 There is appropriated from the general fund of the

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1 state for each fiscal year to the state department of
2 transportation the amount of revenues credited to the
3 general fund of the state during the fiscal year under
4 this subsection to be used for purposes of public
5 transit assistance under chapter 324A.

6 16. The treasurer of state, before making the
7 allotments provided for in this section, shall credit
8 monthly from the road use tax fund to the motorcycle
9 rider education fund established in section 321.180B,
10 an amount equal to one dollar per year of license
11 validity for each issued or renewed driver's license
12 which is valid for the operation of a motorcycle.
13 Moneys credited to the motorcycle rider education fund
14 under this subsection shall be taken from moneys
15 credited to the road use tax fund under section ~~423.24~~
16 423.43.

17 Sec. 202. Section 321.20, subsection 5, Code 2003,
18 is amended to read as follows:

19 5. The amount of tax to be paid under section
20 ~~423.7~~ 423.26.

21 Sec. 203. Section 321.24, subsections 1 and 3,
22 Code 2003, are amended to read as follows:

23 1. Upon receipt of the application for title and
24 payment of the required fees for a motor vehicle,
25 trailer, or semitrailer, the county treasurer or the
26 department shall, when satisfied as to the
27 application's genuineness and regularity, and, in the
28 case of a mobile home or manufactured home, that taxes
29 are not owing under chapter 435, issue a certificate
30 of title and, except for a mobile home or manufactured
31 home, a registration receipt, and shall file the
32 application, the manufacturer's or importer's
33 certificate, the certificate of title, or other
34 evidence of ownership, as prescribed by the
35 department. The registration receipt shall be
36 delivered to the owner and shall contain upon its face
37 the date issued, the name and address of the owner,
38 the registration number assigned to the vehicle, the
39 amount of the fee paid, the amount of tax paid
40 pursuant to section ~~423.7~~ 423.26, the type of fuel
41 used, and a description of the vehicle as determined
42 by the department, and upon the reverse side a form
43 for notice of transfer of the vehicle. The name and
44 address of any lessee of the vehicle shall not be
45 printed on the registration receipt or certificate of
46 title. Up to three owners may be listed on the
47 registration receipt and certificate of title.

48 3. The certificate of title shall contain upon its
49 face the identical information required upon the face
50 of the registration receipt. In addition, the

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1 certificate of title shall contain a statement of the
2 owner's title, the title number assigned to the owner
3 or owners of the vehicle, the amount of tax paid
4 pursuant to section ~~423.7~~ 423.26, the name and address
5 of the previous owner, and a statement of all security
6 interests and encumbrances as shown in the
7 application, upon the vehicle described, including the
8 nature of the security interest, date of notation, and
9 name and address of the secured party.

10 Sec. 204. Section 321.34, subsection 7, paragraph
11 c, Code 2003, is amended to read as follows:

12 c. The fees for a collegiate registration plate
13 are as follows:

14 (1) A registration fee of twenty-five dollars.

15 (2) A special collegiate registration fee of
16 twenty-five dollars.

17 These fees are in addition to the regular annual
18 registration fee. The fees collected by the director
19 under this subsection shall be paid monthly to the
20 treasurer of state and credited by the treasurer of
21 state to the road use tax fund. Notwithstanding
22 section ~~423.24~~ 423.43 and prior to the revenues being
23 credited to the road use tax fund under section ~~423.24~~
24 423.43, subsection 1, paragraph "b", the treasurer of
25 state shall credit monthly from those revenues
26 respectively, to Iowa state university of science and
27 technology, the university of northern Iowa, and the
28 state university of Iowa, the amount of the special
29 collegiate registration fees collected in the previous
30 month for collegiate registration plates designed for
31 the university. The moneys credited are appropriated
32 to the respective universities to be used for
33 scholarships for students attending the universities.

34 Sec. 205. Section 321.34, subsection 11, paragraph
35 c, Code 2003, is amended to read as follows:

36 c. The special natural resources fee for letter
37 number designated natural resources plates is thirty-
38 five dollars. The fee for personalized natural
39 resources plates is forty-five dollars which shall be
40 paid in addition to the special natural resources fee
41 of thirty-five dollars. The fees collected by the
42 director under this subsection shall be paid monthly
43 to the treasurer of state and credited to the road use
44 tax fund. Notwithstanding section ~~423.24~~ 423.43, and
45 prior to the crediting of revenues to the road use tax
46 fund under section ~~423.24~~ 423.43, subsection 1,
47 paragraph "b", the treasurer of state shall credit
48 monthly from those revenues to the Iowa resources
49 enhancement and protection fund created pursuant to
50 section 455A.18, the amount of the special natural

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1 resources fees collected in the previous month for the
2 natural resources plates.

3 Sec. 206. Section 321.34, subsection 11A,
4 paragraph c, Code 2003, is amended to read as follows:

5 c. The special fee for letter number designated
6 love our kids plates is thirty-five dollars. The fee
7 for personalized love our kids plates is twenty-five
8 dollars, which shall be paid in addition to the
9 special love our kids fee of thirty-five dollars. The
10 fees collected by the director under this subsection
11 shall be paid monthly to the treasurer of state and
12 credited to the road use tax fund. Notwithstanding
13 section ~~423.24~~ 423.43, and prior to the crediting of
14 revenues to the road use tax fund under section ~~423.24~~
15 423.43, subsection 1, paragraph "b", the treasurer of
16 state shall transfer monthly from those revenues to
17 the Iowa department of public health the amount of the
18 special fees collected in the previous month for the
19 love our kids plates. Notwithstanding section 8.33,
20 moneys transferred under this subsection shall not
21 revert to the general fund of the state.

22 Sec. 207. Section 321.34, subsection 11B,
23 paragraph c, Code 2003, is amended to read as follows:

24 c. The special fee for letter number designated
25 motorcycle rider education plates is thirty-five
26 dollars. The fee for personalized motorcycle rider
27 education plates is twenty-five dollars, which shall
28 be paid in addition to the special motorcycle rider
29 education fee of thirty-five dollars. The fees
30 collected by the director under this subsection shall
31 be paid monthly to the treasurer of state and credited
32 to the road use tax fund. Notwithstanding section
33 ~~423.24~~ 423.43, and prior to the crediting of revenues
34 to the road use tax fund under section ~~423.24~~ 423.43,
35 subsection 1, paragraph "b", the treasurer of state
36 shall transfer monthly from those revenues to the
37 department for use in accordance with section
38 321.180B, subsection 6, the amount of the special fees
39 collected in the previous month for the motorcycle
40 rider education plates.

41 Sec. 208. Section 321.34, subsection 13, paragraph
42 d, Code 2003, is amended to read as follows:

43 d. A state agency may submit a request to the
44 department recommending a special registration plate.
45 The alternate fee for letter number designated plates
46 is thirty-five dollars with a ten dollar annual
47 special renewal fee. The fee for personalized plates
48 is twenty-five dollars which is in addition to the
49 alternative fee of thirty-five dollars with an annual
50 personalized plate renewal fee of five dollars which

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1 is in addition to the special renewal fee of ten
2 dollars. The alternate fees are in addition to the
3 regular annual registration fee. The alternate fees
4 collected under this paragraph shall be paid monthly
5 to the treasurer of state and credited to the road use
6 tax fund. Notwithstanding section ~~423.24~~ 423.43, and
7 prior to the crediting of the revenues to the road use
8 tax fund under section ~~423.24~~ 423.43, subsection 1,
9 paragraph "b", the treasurer of state shall credit
10 monthly the amount of the alternate fees collected in
11 the previous month to the state agency that
12 recommended the special registration plate.

13 Sec. 209. Section 321.34, subsection 21, paragraph
14 c, Code 2003, is amended to read as follows:

15 c. The special fees collected by the director
16 under this subsection shall be paid monthly to the
17 treasurer of state and credited to the road use tax
18 fund. Notwithstanding section ~~423.24~~ 423.43, and
19 prior to the crediting of revenues to the road use tax
20 fund under section ~~423.24~~ 423.43, subsection 1,
21 paragraph "b", the treasurer of state shall credit
22 monthly to the Iowa heritage fund created under
23 section 303.9A the amount of the special fees
24 collected in the previous month for the Iowa heritage
25 plates.

26 Sec. 210. Section 321.34, subsection 22, paragraph
27 b, Code 2003, is amended to read as follows:

28 b. The special school transportation fee for
29 letter number designated education plates is thirty-
30 five dollars. The fee for personalized education
31 plates is twenty-five dollars, which shall be paid in
32 addition to the special school transportation fee of
33 thirty-five dollars. The annual special school
34 transportation fee is ten dollars for letter number
35 designated registration plates and is fifteen dollars
36 for personalized registration plates which shall be
37 paid in addition to the regular annual registration
38 fee. The fees collected by the director under this
39 subsection shall be paid monthly to the treasurer of
40 state and credited to the road use tax fund.
41 Notwithstanding section ~~423.24~~ 423.43, and prior to
42 the crediting of revenues to the road use tax fund
43 under section ~~423.24~~ 423.43, subsection 1, paragraph
44 "b", the treasurer of state shall transfer monthly
45 from those revenues to the school budget review
46 committee in accordance with section 257.31,
47 subsection 17, the amount of the special school
48 transportation fees collected in the previous month
49 for the education plates.

50 Sec. 211. Section 321F.9, Code 2003, is amended to

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1 read as follows:

2 321F.9 OPTION TO PURCHASE -- DEALER'S LICENSE.

3 Any person engaged in business in this state shall
4 not enter into any agreement for the use of a motor
5 vehicle under the terms of which ~~such~~ that person
6 grants to another an option to purchase ~~such~~ the motor
7 vehicle without first having obtained a motor vehicle
8 dealer's license under the provisions of chapter 322,
9 and all sales of motor vehicles under such options
10 shall be subject to sales or use taxes imposed under
11 the provisions of ~~chapters 422 and~~ chapter 423.

12 Nothing contained in this section shall require such
13 person to have a place of business as provided by
14 section 322.6, subsection 8.

15 Sec. 212. Section 327I.26, Code 2003, is amended
16 to read as follows:

17 327I.26 APPROPRIATION TO AUTHORITY.

18 Notwithstanding section ~~423.24~~ 423.43, and prior to
19 the application of section ~~423.24~~ 423.43, subsection
20 1, paragraph "b", there shall be deposited into the
21 general fund of the state and is appropriated to the
22 authority from eighty percent of the revenues derived
23 from the operation of section ~~423.7~~ 423.26, the
24 amounts certified by the authority under section
25 327I.25. However, the total amount deposited into the
26 general fund and appropriated to the Iowa railway
27 finance authority under this section shall not exceed
28 two million dollars annually. Moneys appropriated to
29 the Iowa railway finance authority under this section
30 are appropriated only for the payment of principal and
31 interest on obligations or the payment of leases
32 guaranteed by the authority as provided under section
33 327I.25.

34 Sec. 213. Section 328.26, unnumbered paragraph 2,
35 Code 2003, is amended to read as follows:

36 When an aircraft is registered to a person for the
37 first time the fee submitted to the department shall
38 include the tax imposed by section ~~422.43~~ 423.2 or
39 section ~~423.2~~ 423.5 or evidence of the exemption of
40 the aircraft from the tax imposed under section ~~422.43~~
41 423.2 or ~~423.2~~ 423.5.

42 Sec. 214. Section 331.557, subsection 3, Code
43 2003, is amended to read as follows:

44 3. Collect the use tax on vehicles subject to
45 registration as provided in sections ~~423.6, 423.7, and~~
46 ~~423.7A~~ 423.14, 423.26, and 423.27.

47 Sec. 215. Section 357A.15, unnumbered paragraph 2,
48 Code 2003, is amended to read as follows:

49 A rural water district organized under chapter 504A
50 shall receive a refund of sales or use taxes upon

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1 submitting an application to the department of revenue
2 and finance for ~~such~~ the refund of taxes imposed upon
3 the ~~gross receipts~~ sales price of all sales of
4 building materials, supplies, or equipment sold to a
5 contractor or used in the fulfillment of a written
6 contract for the construction of facilities for ~~such~~
7 the rural water district to the same extent as a rural
8 water district organized under this chapter may obtain
9 a refund under section ~~422.45~~ 423.4, subsection 7 1.

10 Sec. 216. Section 421.10, Code 2003, is amended to
11 read as follows:

12 421.10 APPEAL PERIOD -- APPLICABILITY.

13 The appeal period for revision of assessment of
14 tax, interest, and penalties set out under section
15 ~~422.28, 422.54~~ 423.37, 437A.9, 437A.22, 452A.64,
16 453A.29, or 453A.46 applies to appeals to notices from
17 the department denying changes in filing methods,
18 denying refund claims, and denying portions of refund
19 claims for the tax covered by that section, and
20 notices of any department action directed to a
21 specific taxpayer, other than licensing, which
22 involves a calculation.

23 Sec. 217. Section 421.17, subsection 22B, Code
24 2003, is amended to read as follows:

25 22B. ~~Enter~~ To enter into agreements or compacts
26 with remote sellers, retailers, or third-party
27 providers for the voluntary collection of Iowa sales
28 or use taxes attributable to sales into Iowa ~~and to~~
29 enter. The director has the authority to enter into
30 and perform all duties required of the office of
31 director by multistate agreements or compacts that
32 provide for the voluntary collection of sales and use
33 taxes, including joint audits with other states or
34 audits on behalf of other states. The agreements or
35 compacts shall generally conform to the provisions of
36 Iowa sales and use tax statutes. All fees for
37 services, reimbursements, remuneration, incentives,
38 and costs incurred by the department associated with
39 these agreements or compacts may be paid or reimbursed
40 from the additional revenue generated. An amount is
41 appropriated from amounts generated to pay or
42 reimburse all costs associated with this subsection.
43 Persons entering into an agreement or compact with the
44 department pursuant to this subsection are subject to
45 the requirements and penalties of the confidentiality
46 laws of this state regarding tax information.
47 Notwithstanding any other provisions of law, the
48 contract, agreement, or compact shall provide for the
49 registration, collection, report, and verification of
50 amounts subject to this subsection.

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1 Sec. 218. Section 421.17, subsection 29, paragraph
2 j, Code 2003, is amended to read as follows:

3 j. The department's existing right to credit
4 against tax due or to become due under section 422.73
5 or 423.47 is not to be impaired by a right granted to
6 or a duty imposed upon the department or other state
7 agency by this subsection. This subsection is not
8 intended to impose upon the department any additional
9 requirement of notice, hearing, or appeal concerning
10 the right to credit against tax due under section
11 422.73 or 423.47.

12 Sec. 219. Section 421.17, subsection 34, paragraph
13 i, Code 2003, is amended to read as follows:

14 i. The director may distribute to credit reporting
15 entities and for publication the names, addresses, and
16 amounts of indebtedness owed to or being collected by
17 the state if the indebtedness is subject to the
18 centralized debt collection procedure established in
19 this subsection. The director shall adopt rules to
20 administer this paragraph, and the rules shall provide
21 guidelines by which the director shall determine which
22 names, addresses, and amounts of indebtedness may be
23 distributed for publication. The director may
24 distribute information for publication pursuant to
25 this paragraph, notwithstanding sections 422.20,
26 422.72, and ~~423.23~~ 423.42, or any other provision of
27 state law to the contrary pertaining to
28 confidentiality of information.

29 Sec. 220. Section 421.26, Code 2003, is amended to
30 read as follows:

31 421.26 PERSONAL LIABILITY FOR TAX DUE.
32 If a licensee or other person under section
33 452A.65, a retailer or purchaser under chapter 422A or
34 422B, or section ~~422.52~~ 423.31 or 423.33, or a
35 retailer or purchaser under section ~~423.13~~ 423.32 or a
36 user under section ~~423.14~~ 423.34 fails to pay a tax
37 under those sections when due, an officer of a
38 corporation or association, notwithstanding sections
39 490A.601 and 490A.602, a member or manager of a
40 limited liability company, or a partner of a
41 partnership, having control or supervision of or the
42 authority for remitting the tax payments and having a
43 substantial legal or equitable interest in the
44 ownership of the corporation, association, limited
45 liability company, or partnership, who has
46 intentionally failed to pay the tax is personally
47 liable for the payment of the tax, interest, and
48 penalty due and unpaid. However, this section shall
49 not apply to taxes on accounts receivable. The
50 dissolution of a corporation, association, limited

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1 liability company, or partnership shall not discharge
2 a person's liability for failure to remit the tax due.
3 Sec. 221. Section 421.28, Code 2003, is amended to
4 read as follows:

5 421.28 EXCEPTIONS TO SUCCESSOR LIABILITY.

6 The immediate successor to a licensee's or
7 retailer's business or stock of goods under chapter
8 422A or 422B, or section ~~422.52, 423.13, 423.14,~~
9 423.33 or 452A.65, is not personally liable for the
10 amount of delinquent tax, interest, or penalty due and
11 unpaid if the immediate successor shows that the
12 purchase of the business or stock of goods was made in
13 good faith that no delinquent tax, interest, or
14 penalty was due and unpaid. For purposes of this
15 section the immediate successor shows good faith by
16 evidence that the department had provided the
17 immediate successor with a certified statement that no
18 delinquent tax, interest, or penalty is unpaid, or
19 that the immediate successor had taken in good faith a
20 certified statement from the licensee, retailer, or
21 seller that no delinquent tax, interest, or penalty is
22 unpaid. When requested to do so by a person with whom
23 the licensee or retailer is negotiating the sale of
24 the business or stock of goods, the director of
25 revenue and finance shall, upon being satisfied that
26 such a situation exists, inform that person as to the
27 amount of unpaid delinquent tax, interest, or penalty
28 due by the licensee or the retailer. The giving of
29 the information under this circumstance is not a
30 violation of section 422.20, 422.72, or 452A.63.

31 Sec. 222. Section 421B.11, unnumbered paragraph 3,
32 Code 2003, is amended to read as follows:

33 Judicial review of the actions of the director may
34 be sought in accordance with the terms of the Iowa
35 administrative procedure Act, and section ~~422.55~~
36 423.38.

37 Sec. 223. Section 422.7, subsection 21, paragraph
38 a, subparagraph (1), unnumbered paragraph 1, Code
39 2003, is amended to read as follows:

40 Net capital gain from the sale of real property
41 used in a business, in which the taxpayer materially
42 participated for ten years, as defined in section
43 469(h) of the Internal Revenue Code, and which has
44 been held for a minimum of ten years, or from the sale
45 of a business, as defined in section ~~422.42~~ 423.1, in
46 which the taxpayer was employed or in which the
47 taxpayer materially participated for ten years, as
48 defined in section 469(h) of the Internal Revenue
49 Code, and which has been held for a minimum of ten
50 years. The sale of a business means the sale of all

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1 or substantially all of the tangible personal property
2 or service of the business.

3 Sec. 224. Section 422.73, subsection 1, Code 2003,
4 is amended by striking the subsection.

5 Sec. 225. Section 422A.1, unnumbered paragraphs 1,
6 3, 7, and 8, Code 2003, are amended to read as
7 follows:

8 A city or county may impose by ordinance of the
9 city council or by resolution of the board of
10 supervisors a hotel and motel tax, at a rate not to
11 exceed seven percent, which shall be imposed in
12 increments of one or more full percentage points upon
13 the ~~gross receipts~~ sales price from the renting of
14 sleeping rooms, apartments, or sleeping quarters in a
15 hotel, motel, inn, public lodging house, rooming
16 house, manufactured or mobile home which is tangible
17 personal property, or tourist court, or in any place
18 where sleeping accommodations are furnished to
19 transient guests for rent, whether with or without
20 meals; except the ~~gross receipts~~ sales price from the
21 renting of sleeping rooms in dormitories and in
22 memorial unions at all universities and colleges
23 located in the state of Iowa and the guests of a
24 religious institution if the property is exempt under
25 section 427.1, subsection 8, and the purpose of
26 renting is to provide a place for a religious retreat
27 or function and not a place for transient guests
28 generally. The tax when imposed by a city shall apply
29 only within the corporate boundaries of that city and
30 when imposed by a county shall apply only outside
31 incorporated areas within that county. "Renting" and
32 "rent" include any kind of direct or indirect charge
33 for such sleeping rooms, apartments, or sleeping
34 quarters, or their use. However, the tax does not
35 apply to the ~~gross receipts~~ sales price from the
36 renting of a sleeping room, apartment, or sleeping
37 quarters while rented by the same person for a period
38 of more than thirty-one consecutive days.

39 A local hotel and motel tax shall be imposed on
40 January 1, April 1, July 1, or October 1, following
41 the notification of the director of revenue and
42 finance. Once imposed, the tax shall remain in effect
43 at the rate imposed for a minimum of one year. A
44 local hotel and motel tax shall terminate only on
45 March 31, June 30, September 30, or December 31. At
46 least ~~forty-five~~ sixty days prior to the tax being
47 effective or prior to a revision in the tax rate, or
48 prior to the repeal of the tax, a city or county shall
49 provide notice by mail of such action to the director
50 of revenue and finance.

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1 No tax permit other than the state sales tax permit
2 required under section ~~422.53~~ 423.36 may be required
3 by local authorities.

4 The tax levied shall be in addition to any state
5 sales tax imposed under section ~~422.43~~ 423.2. Section
6 422.25, subsection 4, sections 422.30, ~~422.48~~ to
7 ~~422.52, 422.54 to 422.58,~~ 422.67, and 422.68, section
8 422.69, subsection 1, and sections 422.70 to 422.75,
9 section 423.14, subsection 1, and sections 423.23,
10 423.24, 423.25, 423.31, 423.33, 423.35, 423.37 to
11 423.42, and 423.47, consistent with the provisions of
12 this chapter, apply with respect to the taxes
13 authorized under this chapter, in the same manner and
14 with the same effect as if the hotel and motel taxes
15 were retail sales taxes within the meaning of those
16 statutes. Notwithstanding this paragraph, the
17 director shall provide for quarterly filing of returns
18 ~~as prescribed in section 422.51~~ and for other than
19 quarterly filing of returns both as prescribed in
20 section ~~422.51, subsection 2~~ 423.31. The director may
21 require all persons, as defined in section ~~422.42~~
22 423.1, who are engaged in the business of deriving
23 ~~gross receipts~~ any sales price subject to tax under
24 this chapter, to register with the department.

25 Sec. 226. Section 422B.8, Code 2003, is amended to
26 read as follows:

27 422B.8 LOCAL SALES AND SERVICES TAX.

28 A local sales and services tax at the rate of not
29 more than one percent may be imposed by a county on
30 the ~~gross receipts~~ sales price taxed by the state
31 under chapter 422 423, division IV subchapter II. A
32 local sales and services tax shall be imposed on the
33 same basis as the state sales and services tax or in
34 the case of the use of natural gas, natural gas
35 service, electricity, or electric service on the same
36 basis as the state use tax and shall not be imposed on
37 the sale of any property or on any service not taxed
38 by the state, except the tax shall not be imposed on
39 the ~~gross receipts~~ sales price from the sale of motor
40 fuel or special fuel as defined in chapter 452A which
41 is consumed for highway use or in watercraft or
42 aircraft if the fuel tax is paid on the transaction
43 and a refund has not or will not be allowed, on the
44 ~~gross receipts~~ sales price from the rental of rooms,
45 apartments, or sleeping quarters which are taxed under
46 chapter 422A during the period the hotel and motel tax
47 is imposed, on the ~~gross receipts~~ sales price from the
48 sale of equipment by the state department of
49 transportation, on the ~~gross receipts~~ sales price from
50 the sale of self-propelled building equipment, pile

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1 drivers, motorized scaffolding, or attachments
2 customarily drawn or attached to self-propelled
3 building equipment, pile drivers, and motorized
4 scaffolding, including auxiliary attachments which
5 improve the performance, safety, operation, or
6 efficiency of the equipment and replacement parts and
7 are directly and primarily used by contractors,
8 subcontractors, and builders for new construction,
9 reconstruction, alterations, expansion, or remodeling
10 of real property or structures, and on the ~~gross~~
11 ~~receipts~~ sales price from the sale of a lottery ticket
12 or share in a lottery game conducted pursuant to
13 chapter 99E and except the tax shall not be imposed on
14 the ~~gross receipts~~ sales price from the sale or use of
15 natural gas, natural gas service, electricity, or
16 electric service in a city or county where the ~~gross~~
17 ~~receipts~~ sales price from the sale of natural gas or
18 electric energy are subject to a franchise fee or user
19 fee during the period the franchise or user fee is
20 imposed. A local sales and services tax is applicable
21 to transactions within those incorporated and
22 unincorporated areas of the county where it is imposed
23 and shall be collected by all persons required to
24 collect state ~~gross receipts~~ sales taxes. However, a
25 person required to collect state retail sales tax
26 under chapter 422 423, ~~division IV~~ subchapter V or VI,
27 is not required to collect local sales and services
28 tax on transactions delivered within the area where
29 the local sales and services tax is imposed unless the
30 person has physical presence in that taxing area. All
31 cities contiguous to each other shall be treated as
32 part of one incorporated area and the tax would be
33 imposed in each of those contiguous cities only if the
34 majority of those voting in the total area covered by
35 the contiguous cities favor its imposition.

36 The amount of the sale, for purposes of determining
37 the amount of the local sales and services tax, does
38 not include the amount of any state ~~gross receipts~~
39 ~~taxes~~ sales tax.

40 A tax permit other than the state sales tax permit
41 required under section ~~422.53 or 423.10~~ 423.36 shall
42 not be required by local authorities.

43 If a local sales and services tax is imposed by a
44 county pursuant to this chapter, a local excise tax at
45 the same rate shall be imposed by the county on the
46 purchase price of natural gas, natural gas service,
47 electricity, or electric service subject to tax under
48 chapter 423, subchapter III, and not exempted from tax
49 by any provision of chapter 423, subchapter III. The
50 local excise tax is applicable only to the use of

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1 natural gas, natural gas service, electricity, or
2 electric service within those incorporated and
3 unincorporated areas of the county where it is imposed
4 and, except as otherwise provided in this chapter,
5 shall be collected and administered in the same manner
6 as the local sales and services tax. For purposes of
7 this chapter, "local sales and services tax" shall
8 also include the local excise tax.

9 Sec. 227. Section 422B.9, subsections 1 and 2,
10 Code 2003, are amended to read as follows:

11 1. a. A local sales and services tax shall be
12 imposed either January 1 or July 1 following the
13 notification of the director of revenue and finance
14 but not sooner than ninety days following the
15 favorable election and not sooner than sixty days
16 following notice to sellers, as defined in section
17 423.1. However, a jurisdiction which has voted to
18 continue imposition of the tax may impose that tax
19 without repeal of the prior tax.

20 b. A local sales and services tax shall be
21 repealed only on June 30 or December 31 but not sooner
22 than ninety days following the favorable election if
23 one is held. However, a local sales and services tax
24 shall not be repealed before the tax has been in
25 effect for one year. At least forty days before the
26 imposition or repeal of the tax, a county shall
27 provide notice of the action by certified mail to the
28 director of revenue and finance.

29 c. The imposition of or a rate change for a local
30 sales and service tax shall not be applied to
31 purchases from a printed catalog wherein a purchaser
32 computes the local tax based on rates published in the
33 catalog unless a minimum of one hundred twenty days'
34 notice of the imposition or rate change has been given
35 to the seller from the catalog and the first day of a
36 calendar quarter has occurred on or after the one
37 hundred twentieth day.

38 e. d. If a local sales and services tax has been
39 imposed prior to April 1, 2000, and at the time of the
40 election a date for repeal was specified on the
41 ballot, the local sales and services tax may be
42 repealed on that date, notwithstanding paragraph "b".

43 2. a. The director of revenue and finance shall
44 administer a local sales and services tax as nearly as
45 possible in conjunction with the administration of
46 state ~~gross receipts~~ sales tax laws. The director
47 shall provide appropriate forms or provide on the
48 regular state tax forms for reporting local sales and
49 services tax liability.

50 b. The ordinance of a county board of supervisors

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1 imposing a local sales and services tax shall adopt by
2 reference the applicable provisions of the appropriate
3 sections of ~~chapter 422, division IV, and chapter 423.~~
4 All powers and requirements of the director to
5 administer the state ~~gross receipts~~ sales tax law and
6 use tax law are applicable to the administration of a
7 local sales and services tax law and the local excise
8 tax, including but not limited to, the provisions of
9 section 422.25, subsection 4, sections 422.30, ~~422.48~~
10 ~~to 422.52, 422.54 to 422.58,~~ 422.67, and 422.68,
11 section 422.69, subsection 1, sections 422.70 to
12 422.75, 423.6, subsections 2 to 4, and sections 423.11
13 to 423.18, and 423.21 section 423.14, subsection 1 and
14 subsection 2, paragraphs "b" through "e", and sections
15 423.15, 423.23, 423.24, 423.25, 423.31 to 423.35,
16 423.37 to 423.42, 423.46, and 423.47. Local officials
17 shall confer with the director of revenue and finance
18 for assistance in drafting the ordinance imposing a
19 local sales and services tax. A certified copy of the
20 ordinance shall be filed with the director as soon as
21 possible after passage.

22 c. Frequency of deposits and quarterly reports of
23 a local sales and services tax with the department of
24 revenue and finance are governed by the tax provisions
25 in section ~~422.52~~ 423.31. Local tax collections shall
26 not be included in computation of the total tax to
27 determine frequency of filing under section ~~422.52~~
28 423.31.

29 d. The director shall apply a boundary change of a
30 county or city imposing or collecting the local sales
31 and service tax to the imposition or collection of
32 that tax only on the first day of a calendar quarter
33 which occurs sixty days or more after the director has
34 given notice of the boundary change to sellers.

35 Sec. 228. Section 422C.2, subsections 4 and 6,
36 Code 2003, are amended to read as follows:

37 4. "Person" means person as defined in section
38 ~~422.42~~ 423.1.

39 6. "Rental price" means the consideration for
40 renting an automobile valued in money, and means the
41 same as ~~"gross taxable services"~~ "sales price" as
42 defined in section ~~422.42~~ 423.1.

43 Sec. 229. Section 422C.3, Code 2003, is amended to
44 read as follows:

45 422C.3 TAX ON RENTAL OF AUTOMOBILES.

46 1. A tax of five percent is imposed upon the
47 rental price of an automobile if the rental
48 transaction is subject to the sales and services tax
49 under chapter ~~422~~ 423, division IV subchapter II, or
50 the use tax under chapter 423, subchapter III. The

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1 tax shall not be imposed on any rental transaction not
2 taxable under the state sales and services tax, as
3 provided in section ~~422.45~~ 423.3, or the state use
4 tax, as provided in section ~~423.4~~ 423.6, on automobile
5 rental receipts.

6 2. The lessor shall collect the tax by adding the
7 tax to the rental price of the automobile.

8 3. The tax, when collected, shall be stated as a
9 distinct item separate and apart from the rental price
10 of the automobile and the sales and services tax
11 imposed under chapter ~~422~~ 423, ~~division IV~~ subchapter
12 II, or the use tax imposed under chapter ~~423~~,
13 subchapter III.

14 Sec. 230. Section 422C.4, Code 2003, is amended to
15 read as follows:

16 422C.4 ADMINISTRATION AND ENFORCEMENT.

17 All powers and requirements of the director of
18 revenue and finance to administer the state ~~gross~~
19 ~~receipts~~ sales tax law under chapter ~~422~~, ~~division IV~~,
20 423 are applicable to the administration of the tax
21 imposed under section 422C.3, including but not
22 limited to section 422.25, subsection 4, sections
23 ~~422.30, 422.48 through 422.52, 422.54 through 422.58,~~
24 422.67, and 422.68, section 422.69, subsection 1, and
25 sections 422.70 through 422.75, section 423.14,
26 subsection 1, and sections 423.15, 423.23, 423.24,
27 423.25, 423.31, 423.33, 423.35 and 423.37 through
28 423.42, 423.45, 423.46, and 423.47. However, as an
29 exception to the powers specified in section ~~422.52~~,
30 ~~subsection 1~~ 423.31, the director shall only require
31 the filing of quarterly reports.

32 Sec. 231. Section 422E.1, subsection 1, is amended
33 to read as follows:

34 1. A local sales and services tax for school
35 infrastructure purposes may be imposed by a county on
36 behalf of school districts as provided in this
37 chapter.

38 If a local sales and services tax for school
39 infrastructure is imposed by a county pursuant to this
40 chapter, a local excise tax for school infrastructure
41 at the same rate shall be imposed by the county on the
42 purchase price of natural gas, natural gas service,
43 electricity, or electric service subject to tax under
44 chapter ~~423~~, subchapter III, and not exempted from tax
45 by any provision of chapter ~~423~~, subchapter III. The
46 local excise tax for school infrastructure is
47 applicable only to the use of natural gas, natural gas
48 service, electricity, or electric service within those
49 incorporated and unincorporated areas of the county
50 where it is imposed and, except as otherwise provided

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1 in this chapter, shall be collected and administered
2 in the same manner as the local sales and services tax
3 for school infrastructure. For purposes of this
4 chapter, "local sales and services tax for school
5 infrastructure" shall also include the local excise
6 tax for school infrastructure.

7 Sec. 232. Section 422E.3, subsections 1, 2, and 3,
8 Code 2003, are amended to read as follows:

9 1. If a majority of those voting on the question
10 of imposition of a local sales and services tax for
11 school infrastructure purposes favors imposition of
12 the tax, the tax shall be imposed by the county board
13 of supervisors within the county pursuant to section
14 422E.2, at the rate specified for a ten-year duration
15 on the ~~gross receipts~~ sales price taxed by the state
16 under chapter ~~422~~ 423, ~~division IV~~ subchapter II.

17 2. The tax shall be imposed on the same basis as
18 the state sales and services tax or in the case of the
19 use of natural gas, natural gas service, electricity,
20 or electric service on the same basis as the state use
21 tax and shall not be imposed on the sale of any
22 property or on any service not taxed by the state,
23 except the tax shall not be imposed on the ~~gross~~
24 ~~receipts~~ sales price from the sale of motor fuel or
25 special fuel as defined in chapter 452A which is
26 consumed for highway use or in watercraft or aircraft
27 if the fuel tax is paid on the transaction and a
28 refund has not or will not be allowed, on the ~~gross~~
29 ~~receipts~~ sales price from the rental of rooms,
30 apartments, or sleeping quarters which are taxed under
31 chapter 422A during the period the hotel and motel tax
32 is imposed, on the ~~gross receipts~~ sales price from the
33 sale of equipment by the state department of
34 transportation, on the ~~gross receipts~~ sales price from
35 the sale of self-propelled building equipment, pile
36 drivers, motorized scaffolding, or attachments
37 customarily drawn or attached to self-propelled
38 building equipment, pile drivers, and motorized
39 scaffolding, including auxiliary attachments which
40 improve the performance, safety, operation, or
41 efficiency of the equipment, and replacement parts and
42 are directly and primarily used by contractors,
43 subcontractors, and builders for new construction,
44 reconstruction, alterations, expansion, or remodeling
45 of real property or structures, and on the ~~gross~~
46 ~~receipts~~ sales price from the sale of a lottery ticket
47 or share in a lottery game conducted pursuant to
48 chapter 99E and except the tax shall not be imposed on
49 the ~~gross receipts~~ sales price from the sale or use of
50 natural gas, natural gas service, electricity, or

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1 electric service in a city or county where the ~~gross~~
2 ~~receipts~~ sales price from the sale of natural gas or
3 electric energy are subject to a franchise fee or user
4 fee during the period the franchise or user fee is
5 imposed.

6 3. The tax is applicable to transactions within
7 the county where it is imposed and shall be collected
8 by all persons required to collect state ~~gross~~
9 ~~receipts~~ sales or local excise taxes. However, a
10 person required to collect state ~~retail~~ sales tax
11 under chapter ~~422, division IV,~~ 423 is not required to
12 collect local sales and services tax on transactions
13 delivered within the area where the local sales and
14 services tax is imposed unless the person has physical
15 presence in that taxing area. The amount of the sale,
16 for purposes of determining the amount of the tax,
17 does not include the amount of any state ~~gross~~
18 ~~receipts~~ sales taxes or excise taxes or other local
19 option sales or excise taxes. A tax permit other than
20 the state tax permit required under section ~~422.53 or~~
21 ~~423.10~~ 423.36 shall not be required by local
22 authorities.

23 Sec. 233. Section 425.30, Code 2003, is amended to
24 read as follows:

25 425.30 NOTICES.

26 Section ~~422.57~~ 423.39, subsection 1, shall apply to
27 all notices under this division.

28 Sec. 234. Section 425.31, Code 2003, is amended to
29 read as follows:

30 425.31 APPEALS.

31 Any person aggrieved by an act or decision of the
32 director of revenue and finance or the department of
33 revenue and finance under this division shall have the
34 same rights of appeal and review as provided in
35 sections 421.1 and ~~422.55~~ 423.38 and the rules of the
36 department of revenue and finance.

37 Sec. 235. Section 452A.66, unnumbered paragraph 1,
38 Code 2003, is amended to read as follows:

39 The appropriate state agency shall administer the
40 taxes imposed by this chapter in the same manner as
41 and subject to section 422.25, subsection 4 and
42 section ~~422.52, subsection 3~~ 423.35.

43 Sec. 236. Section 455B.455, Code 2003, is amended
44 to read as follows:

45 455B.455 SURCHARGE IMPOSED.

46 A land burial surcharge tax of two percent is
47 imposed on the fee for land burial of a hazardous
48 waste. The owner of the land burial facility shall
49 remit the tax collected to the director of revenue and
50 finance after consultation with the director according

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1 to rules that the director shall adopt. The director
2 shall forward a copy of the site license to the
3 director of revenue and finance which shall be the
4 appropriate license for the collection of the land
5 burial surcharge tax and shall be subject to
6 suspension or revocation if the site license holder
7 fails to collect or remit the tax collected under this
8 section. The provisions of ~~sections~~ section 422.25,
9 subsection 4, sections 422.30, 422.48 to 422.52,
10 422.54 to 422.58, 422.67, and 422.68, section 422.69,
11 subsection 1, and sections 422.70 to 422.75, section
12 423.14, subsection 1, and sections 423.23, 423.24,
13 423.25, 423.31, 423.33, 423.35, 423.37 to 423.42, and
14 423.47, consistent with the provisions of this part 6
15 of division IV, shall apply with respect to the taxes
16 authorized under this part, in the same manner and
17 with the same effect as if the land burial surcharge
18 tax were ~~retail~~ sales taxes within the meaning of
19 those statutes. Notwithstanding the provisions of
20 this ~~paragraph~~ section, the director shall provide for
21 only quarterly filing of returns as prescribed in
22 section ~~422.51~~ 423.31. Taxes collected by the
23 director of revenue and finance under this section
24 shall be deposited in the general fund of the state.

25 Sec. 237. Section 455G.3, subsection 1, Code 2003,
26 is amended to read as follows:

27 1. The Iowa comprehensive petroleum underground
28 storage tank fund is created as a separate fund in the
29 state treasury, and any funds remaining in the fund at
30 the end of each fiscal year shall not revert to the
31 general fund but shall remain in the Iowa
32 comprehensive petroleum underground storage tank fund.
33 Interest or other income earned by the fund shall be
34 deposited in the fund. The fund shall include moneys
35 credited to the fund under this section, section
36 ~~423.24~~ 423.43, subsection 1, paragraph "a", and
37 sections 455G.8, 455G.9, and 455G.11, and other funds
38 which by law may be credited to the fund. The moneys
39 in the fund are appropriated to and for the purposes
40 of the board as provided in this chapter. Amounts in
41 the fund shall not be subject to appropriation for any
42 other purpose by the general assembly, but shall be
43 used only for the purposes set forth in this chapter.
44 The treasurer of state shall act as custodian of the
45 fund and disburse amounts contained in it as directed
46 by the board including automatic disbursements of
47 funds as received pursuant to the terms of bond
48 indentures and documents and security provisions to
49 trustees and custodians. The treasurer of state is
50 authorized to invest the funds deposited in the fund

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1 at the direction of the board and subject to any
2 limitations contained in any applicable bond
3 proceedings. The income from such investment shall be
4 credited to and deposited in the fund. The fund shall
5 be administered by the board which shall make
6 expenditures from the fund consistent with the
7 purposes of the programs set out in this chapter
8 without further appropriation. The fund may be
9 divided into different accounts with different
10 depositories as determined by the board and to fulfill
11 the purposes of this chapter.

12 Sec. 238. Section 455G.6, subsection 4, Code 2003,
13 is amended to read as follows:

14 4. Grant a mortgage, lien, pledge, assignment, or
15 other encumbrance on one or more improvements,
16 revenues, asset of right, accounts, or funds
17 established or received in connection with the fund,
18 including revenues derived from the use tax under
19 section ~~423.24~~ 423.43, subsection 1, paragraph "a",
20 and deposited in the fund or an account of the fund.

21 Sec. 239. Section 455G.8, subsection 2, Code 2003,
22 is amended to read as follows:

23 2. USE TAX. The revenues derived from the use tax
24 imposed under chapter 423, subchapter III. The
25 proceeds of the use tax under section ~~423.24~~ 423.43,
26 subsection 1, paragraph "a", shall be allocated,
27 consistent with this chapter, among the fund's
28 accounts, for debt service and other fund expenses,
29 according to the fund budget, resolution, trust
30 agreement, or other instrument prepared or entered
31 into by the board or authority under direction of the
32 board.

33 Sec. 240. Section 455G.9, subsection 2, Code 2003,
34 is amended to read as follows:

35 2. REMEDIAL ACCOUNT FUNDING. The remedial account
36 shall be funded by that portion of the proceeds of the
37 use tax imposed under chapter 423, subchapter III, and
38 other moneys and revenues budgeted to the remedial
39 account by the board.

40 Sec. 241. Section 2.67, Code 2003, is repealed.

41 Sec. 242. CODE EDITOR DIRECTIVE. The Code editor
42 is directed to transfer Code chapter 423A to Code
43 chapter 421A and to transfer Code chapters 422A, 422B,
44 422C, and 422E to Code chapters 423A, 423B, 423C, and
45 423E, respectively. The Code editor is directed to
46 correct Code references as required due to the changes
47 made in this Act.

48 SALES TAX ADVISORY COUNCIL

49 Sec. 243. IOWA STREAMLINED SALES TAX ADVISORY
50 COUNCIL.

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1 1. An Iowa streamlined sales tax advisory council
2 is created. The advisory council shall review, study,
3 and submit recommendations to the Iowa streamlined
4 sales and use tax delegation regarding the proposed
5 streamlined sales and use tax agreement formalized by
6 the project's implementing sales on November 12, 2002,
7 the proposed language conforming Iowa's sales and use
8 tax to the national agreement, and the following
9 issues:

10 a. Uniform definitions proposed in the current
11 streamlined sales and use tax agreement and future
12 proposals.

13 b. Effects upon taxability of items newly defined
14 in Iowa.

15 c. Impacts upon business as a result of the
16 streamlined sales and use tax.

17 d. Technology implementation issues.

18 e. Any other issues that are brought before the
19 streamlined sales and use tax implementing state or
20 the streamlined sales and use tax governing board.

21 2. The department shall provide administrative
22 support to the Iowa streamlined sales tax advisory
23 council. The advisory council shall be representative
24 of Iowa's business community and economy when
25 reviewing and recommending solutions to streamlined
26 sales and use tax issues. The advisory council shall
27 provide the general assembly and the governor with
28 final recommendations made to the Iowa streamlined
29 sales and use tax delegation upon the conclusion of
30 each calendar year.

31 3. The director of revenue, in consultation with
32 the Iowa taxpayers association and the Iowa
33 association of business and industry, shall appoint
34 members to the Iowa streamlined sales tax advisory
35 council, which shall consist of the following members:

36 a. One member from the department of revenue and
37 finance.

38 b. Three members representing small Iowa
39 businesses, at least one of whom must be a retailer,
40 and at least one of whom shall be a supplier.

41 c. Three members representing medium Iowa
42 businesses, at least one of whom shall be a retailer,
43 and at least one of whom shall be a supplier.

44 d. Three members representing large Iowa
45 businesses, at least one of whom shall be a retailer,
46 and at least one of whom shall be a supplier.

47 e. One member representing taxpayers as a whole.

48 f. One member representing the retail community as
49 a whole.

50 g. Any other member the director of revenue and

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1 finance deems appropriate.

2 Sec. 244. EFFECTIVE DATE. Except for the section
3 creating the Iowa streamlined sales tax advisory
4 council, this division of this Act takes effect July
5 1, 2004.

6 DIVISION XXIII

7 STATE ASSISTANCE FOR EDUCATIONAL INFRASTRUCTURE

8 Sec. 245. NEW SECTION. 292A.1 DEFINITIONS.

9 As used in this chapter, unless the context
10 otherwise requires:

11 1. "Capacity per pupil" means the sum of a school
12 district's property tax infrastructure capacity per
13 pupil and the sales tax capacity per pupil.

14 2. "Committee" means the school budget review
15 committee established in section 257.30.

16 3. "Department" means the department of education
17 established in section 256.1.

18 4. "Fund" means the state assistance for
19 educational infrastructure fund created in section
20 292A.3.

21 5. "Local match percentage" means a percentage
22 equivalent to either of the following, whichever is
23 less:

24 a. Fifty percent.

25 b. The quotient of a school district's capacity
26 per pupil divided by the capacity per pupil of the
27 school district at the fortieth percentile, multiplied
28 by fifty percent, except that the percentage in this
29 paragraph shall not be less than twenty percent.

30 6. "Program" means the state assistance for
31 educational infrastructure program established in
32 section 292A.2.

33 7. "Property tax infrastructure capacity per
34 pupil" means the sum of a school district's levies
35 under sections 298.2 and 298.18 when the levies are
36 imposed to the maximum extent allowable under law in
37 the budget year divided by the school district's basic
38 enrollment for the budget year.

39 8. "Sales tax capacity per pupil" means the
40 estimated amount of revenues that a school district
41 receives or would receive if a local sales and
42 services tax for school infrastructure is imposed at
43 one percent pursuant to section 422E.2, divided by the
44 school district's basic enrollment for the budget
45 year.

46 9. "School infrastructure" means activities
47 initiated on or after July 1, 2003, for which a school
48 district is authorized to contract indebtedness and
49 issue general obligation bonds under section 296.1,
50 except those activities related to a teacher's or

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1 superintendent's home or homes, to stadiums, to the
2 improving of a site for an athletic field, or to the
3 improving of a site already owned for an athletic
4 field. These activities include the construction,
5 reconstruction, repair, demolition work, purchasing,
6 or remodeling of schoolhouses and bus garages and the
7 procurement of schoolhouse construction sites and the
8 making of site improvements and those activities for
9 which revenues under section 298.3 or 300.2 may be
10 spent.

11 Sec. 246. NEW SECTION. 292A.2 STATE ASSISTANCE
12 FOR EDUCATIONAL INFRASTRUCTURE PROGRAM.

13 1. a. The department shall establish and
14 administer a state assistance for educational
15 infrastructure program to provide financial assistance
16 in the form of grants to school districts with school
17 infrastructure needs.

18 b. The department of education, in consultation
19 with the department of management, shall annually
20 compute the property tax infrastructure capacity per
21 pupil for each school district in the state.

22 c. The department of education, in consultation
23 with the department of revenue and the legislative
24 services agency, shall annually calculate the
25 estimated sales and services tax for school
26 infrastructure, if imposed at one percent, that is or
27 would be received by each school district in the state
28 pursuant to section 422E.3. These calculations shall
29 be made on a total tax and on a tax per pupil basis
30 for each school district.

31 d. The department of education, in consultation
32 with the department of revenue and the department of
33 management, shall annually compute capacity per pupil
34 and the local match percentage for each school
35 district in the state. The calculations shall be
36 released not later than September 1 of each year.

37 2. a. A school district's local match requirement
38 is equivalent to the total investment of a project
39 multiplied by the school district's local match
40 percentage. A school district may submit an
41 application to the department for financial assistance
42 under the program if the school district meets the
43 district's local match requirement through one or more
44 of the following sources:

45 (1) The issuance of bonds pursuant to section
46 298.18.

47 (2) Local sales and services tax moneys received
48 pursuant to section 422E.3.

49 (3) A physical plant and equipment levy under
50 chapter 298.

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- 1 (4) Other moneys locally obtained by the school
2 district excluding other state or federal grant
3 moneys.
- 4 b. If the project is in collaboration with other
5 public or private entities, the school district shall
6 be eligible to apply for only the school district's
7 portion of the project. As such, state or federal
8 grants received by the other entities cannot be used
9 toward the local match requirement under paragraph
10 "a", subparagraph (4).
- 11 c. A school district may submit an application for
12 a project which includes activities at more than one
13 attendance center. However, if the activities relate
14 to new construction, the project shall only relate to
15 one attendance center.
- 16 d. A school district may submit an application for
17 conditional approval to the department for financial
18 assistance under the program if the school district
19 submits a plan for securing the school district's
20 local match requirement under paragraph "a". If a
21 school district does not meet the local match
22 requirement of paragraph "a" within nine months of
23 receiving conditional approval from the department,
24 the application for financial assistance shall be
25 denied by the department and the financial assistance
26 shall be carried forward to be made available under
27 the allocation provided under subsection 4, paragraph
28 "d", for the next available grant cycle.
- 29 e. For the fiscal year beginning July 1, 2003, and
30 every fiscal year thereafter, applications shall be
31 submitted to the department by October 15 of each
32 year.
- 33 f. For the fiscal year beginning July 1, 2003, and
34 every fiscal year thereafter, the department shall
35 notify all approved applicants by December 15 of each
36 year regarding the approval of the application.
- 37 g. An applicant which is not successful in
38 obtaining financial assistance under the program may
39 reapply for financial assistance in succeeding years.
- 40 3. The application shall include, but shall not be
41 limited to, the following information:
- 42 a. The total capital investment of the project.
43 b. The amount and percentage of moneys which the
44 school district will be providing for the project.
45 c. The infrastructure needs of the school
46 district, especially the fire and health safety needs
47 of the school district, and including the extent to
48 which the project would allow the school district to
49 meet the infrastructure needs of the school district
50 on a long-term basis.

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- 1 d. The financial assistance needed by the school
2 district based upon the capacity per pupil.
- 3 e. Any previous efforts by the school district to
4 secure infrastructure funding from federal, state, or
5 local resources, including any funding received for
6 any project under the school infrastructure program
7 provided in chapter 292. The previous efforts shall
8 be evaluated on a case-by-case basis.
- 9 f. Evidence that the school district meets or will
10 meet the local match requirement in subsection 2,
11 paragraph "a".
- 12 g. The nature of the proposed project and its
13 relationship to improving educational opportunities
14 for the students.
- 15 h. Evidence that the school district has
16 reorganized on or after July 1, 2002, or that the
17 school district has initiated a resolution to
18 reorganize by July 1, 2005, or entered into an
19 innovative collaboration with another school district
20 or school districts.
- 21 i. Evidence that the school district receives
22 sales and services tax for school infrastructure
23 funding under section 422E.3.
- 24 4. A school district with less than two hundred
25 fifty actual enrollment or less than one hundred
26 actual enrollment in the high school that submits an
27 application for assistance for new construction or for
28 payments for bonds issued for new construction shall
29 include on the application, in addition to that in
30 subsection 3, all of the following:
- 31 a. Enrollment trends in the grades that will be
32 served at the new construction site.
- 33 b. The infeasibility of remodeling,
34 reconstructing, or repairing existing buildings.
- 35 c. The fire and health safety needs of the school
36 district.
- 37 d. The distance, convenience, cost of
38 transportation, and accessibility of the new
39 construction site to the students to be served at the
40 new construction site.
- 41 e. Availability of alternative, less costly, or
42 more effective means of serving the needs of the
43 students.
- 44 f. The financial condition of the district,
45 including the effect of the decline of the budget
46 guarantee and unspent balance.
- 47 g. Broad and long-term ability of the district to
48 support the facility and the quality of the academic
49 program.
- 50 h. Cooperation with other educational entities

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1 including other school districts, area education
2 agencies, postsecondary institutions, and local
3 communities.

4 5. A school district shall not receive more than
5 one grant under the program. The financial assistance
6 shall be in the form of grants and shall be allocated
7 in the following manner:

8 a. Twenty-five percent of the financial assistance
9 each year shall be awarded to school districts with an
10 enrollment of one thousand one hundred ninety-nine
11 students or less.

12 b. Twenty-five percent of the financial assistance
13 each year shall be awarded to school districts with an
14 enrollment of more than one thousand one hundred
15 ninety-nine students but not more than four thousand
16 seven hundred fifty students.

17 c. Twenty-five percent of the financial assistance
18 each year shall be awarded to school districts with an
19 enrollment of more than four thousand seven hundred
20 fifty students.

21 d. Twenty-five percent of the financial assistance
22 each year, any financial assistance not awarded under
23 paragraphs "a" through "c", and financial assistance
24 not awarded in previous fiscal years shall be awarded
25 to school districts with any size enrollment.

26 6. A district shall receive the lesser of one
27 million dollars of financial assistance under the
28 program, or the total capital investment of the
29 project minus the local match requirement. If the
30 amount of grants awarded in a fiscal year is less than
31 the maximum amount provided for grants for that fiscal
32 year, the amount of the difference shall be carried
33 forward to subsequent fiscal years for purposes of
34 providing grants under the program and the maximum
35 amount of grants for each fiscal year shall be
36 adjusted accordingly.

37 7. The school budget review committee shall review
38 all applications for financial assistance under the
39 program and make recommendations regarding the
40 applications to the department. The department shall
41 make the final determination on grant awards. The
42 school budget review committee shall base the
43 recommendations on the criteria established pursuant
44 to subsections 3 and 8 and subsection 4, if
45 applicable.

46 8. The department shall form a task force to
47 review applications for financial assistance and
48 provide recommendations to the school budget review
49 committee. The task force shall include, at a
50 minimum, representatives from the kindergarten through

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1 grade twelve education community, the state fire
2 marshal, and individuals knowledgeable in school
3 infrastructure and construction issues. The
4 department, in consultation with the task force, shall
5 establish the parameters and the details of the
6 criteria for awarding grants based on the information
7 listed in subsection 3, including greater priority to
8 the following:

9 a. A school district with a lower capacity per
10 pupil.

11 b. A school district whose plans address specific
12 occupant safety issues.

13 c. A school district reorganizing or collaborating
14 as described in subsection 3, paragraph "h".

15 d. A school district for which a sales and
16 services tax for school infrastructure has not been
17 imposed pursuant to section 422E.2 or a school
18 district receiving minimal revenues under section
19 422E.3 when the total enrollment of the school
20 district is considered.

21 9. An applicant receiving financial assistance
22 under the program shall submit a progress report to
23 the department as requested by the department which
24 shall include a description of the activities under
25 the project, the status of the implementation of the
26 project, and any other information required by the
27 department.

28 10. A school district located in whole or in part
29 in a county which has imposed the maximum rate of
30 sales and services tax for school infrastructure
31 pursuant to section 422E.2 and has sales and services
32 tax for school infrastructure revenue of more than the
33 statewide average of sales tax capacity per pupil, as
34 defined in section 292.1, subsection 8, shall not be
35 eligible for financial assistance under the program.
36 For purposes of this subsection, an individual school
37 district's sales tax capacity per pupil is the
38 estimated total sales and services tax for
39 infrastructure revenue to be actually received by the
40 school district divided by the school district's
41 enrollment as specified in section 292.1, subsection
42 8.

43 Sec. 247. NEW SECTION. 292A.3 STATE ASSISTANCE
44 FOR EDUCATIONAL INFRASTRUCTURE FUND.

45 A state assistance for educational infrastructure
46 fund is created as a separate and distinct fund in the
47 state treasury under the control of the department.
48 Moneys in the fund include revenues credited to the
49 fund pursuant to this chapter, appropriations made to
50 the fund, and other moneys deposited into the fund.

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1 Any amounts disbursed from the fund shall be utilized
2 for school infrastructure purposes as provided in this
3 chapter.

4 Sec. 248. NEW SECTION. 292A.4 RULES.

5 The department shall adopt rules, pursuant to
6 chapter 17A, necessary for administering the state
7 assistance for educational infrastructure program and
8 fund."

9 2. Title page, by striking lines 1 and 2 and
10 inserting the following: "An Act concerning
11 regulatory, taxation, and statutory requirements
12 affecting individuals and business relating to
13 taxation of property, income and sales and use,
14 liability reform, workers' compensation, financial
15 services, unemployment compensation employer
16 surcharges, economic development, and school
17 infrastructure assistance, and including effective
18 date, applicability, and retroactive applicability
19 provisions."

20 3. By renumbering as necessary.

By COMMITTEE ON WAYS AND MEANS
LARRY MCKIBBEN, CHAIRPERSON

S-3391 FILED MAY 29, 2003
ADOPTED

HOUSE FILE 692**S-3393**

1 Amend the Committee amendment, S-3391, to House
2 File 692, as amended, passed, and reprinted by the
3 House, as follows:
4 1. Page 71, by striking lines 4 through 47.
5 2. Page 103, line 26, by striking the word and
6 figures "June 30, 2008" and inserting the following:
7 "December 31, 2003".
8 3. Page 103, line 29, by striking the word and
9 figures "June 30, 2008" and inserting the following:
10 "December 31, 2003".
11 4. Page 103, line 34, by striking the words and
12 figures "July 1, 2008, through June 30, 2009" and
13 inserting the following: "January 1, 2004, through
14 December 31, 2004".
15 5. Page 103, line 37, by striking the words and
16 figures "July 1, 2008, through June 30, 2009" and
17 inserting the following: "January 1, 2004, through
18 December 31, 2004".
19 6. Page 103, line 42, by striking the words and
20 figures "July 1, 2009, through June 30, 2010" and
21 inserting the following: "January 1, 2005, through
22 December 31, 2005".
23 7. Page 103, line 45, by striking the words and
24 figures "July 1, 2009, through June 30, 2010" and
25 inserting the following: "January 1, 2005, through
26 December 31, 2005".
27 8. Page 103, line 50, by striking the word and
28 figures "July 1, 2010" and inserting the following:
29 "January 1, 2006".
30 9. Page 104, lines 2 and 3, by striking the word
31 and figures "July 1, 2010" and inserting the
32 following: "January 1, 2006".

By MIKE CONNOLLY

S-3393 FILED MAY 29, 2003

LOST

HOUSE FILE 692**S-3394**

1 Amend the committee amendment, S-3391, to House
2 File 692, as amended, passed, and reprinted by the
3 House, as follows:
4 1. By striking page 64, line 44 through page 66,
5 line 23.
6 2. Page 189, line 14, by striking the words
7 "liability reform,".

By JOE BOLKCOM
JACK HOLVECK
KEITH A. KREIMAN

S-3394 FILED MAY 29, 2003

LOST

HOUSE FILE 692**S-3395**

1 Amend the Committee amendment, S-3391, to House
2 File 692, as amended, passed, and reprinted by the
3 House, as follows:

- 4 1. Page 66, by striking lines 26 through 46.
- 5 2. Page 67, by striking lines 7 through 24 and
- 6 inserting the following: "employer."

By WILLIAM A. DOTZLER
JACK HOLVECK
KEITH A. KREIMAN

S-3395 FILED MAY 29, 2003

LOST

HOUSE FILE 692

S-3397

1 Amend the amendment, S-3391, to House File 692, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. By striking page 39, line 15, through page 64,
5 line 43, and inserting the following:

6 "DIVISION I
7 IOWA VALUES BOARD AND FUND -- BONDING
8 AUTHORITY

9 Sec. ____ . Section 8.57, subsection 5, paragraph e,
10 Code 2003, is amended to read as follows:

11 e. Notwithstanding provisions to the contrary in
12 sections 99D.17 and 99F.11, for the fiscal year period
13 beginning July 1, 2000, and for each fiscal year
14 thereafter, 2003, and ending June 30, 2005, not more
15 than a total of sixty million dollars shall be
16 deposited in the general fund of the state in any
17 fiscal year pursuant to sections 99D.17 and 99F.11;
18 for the fiscal period beginning July 1, 2005, and
19 ending June 30, 2030, not more than a total of sixty
20 million dollars of the moneys directed to be deposited
21 in the general fund of the state in a fiscal year
22 pursuant to sections 99D.17 and 99F.11 shall be
23 deposited in the Iowa values fund created in section
24 15G.105 in any fiscal year; and for the fiscal year
25 beginning July 1, 2030, and for each fiscal year
26 thereafter, not more than a total of sixty million
27 dollars shall be deposited in the general fund of the
28 state in any fiscal year pursuant to sections 99D.17
29 and 99F.11. The next fifteen million dollars of the
30 moneys directed to be deposited in the general fund of
31 the state in a fiscal year pursuant to sections 99D.17
32 and 99F.11 shall be deposited in the vision Iowa fund
33 created in section 12.72 for the fiscal year beginning
34 July 1, 2000, and for each fiscal year through the
35 fiscal year beginning July 1, 2019. The next five
36 million dollars of the moneys directed to be deposited
37 in the general fund of the state in a fiscal year
38 pursuant to sections 99D.17 and 99F.11 shall be
39 deposited in the school infrastructure fund created in
40 section 12.82 for the fiscal year beginning July 1,
41 2000, and for each fiscal year thereafter until the
42 principal and interest on all bonds issued by the
43 treasurer of state pursuant to section 12.81 are paid,
44 as determined by the treasurer of state. The total
45 moneys in excess of the moneys deposited in the
46 general fund of the state, the Iowa values fund, the
47 vision Iowa fund, and the school infrastructure fund
48 in a fiscal year shall be deposited in the rebuild
49 Iowa infrastructure fund and shall be used as provided
50 in this section, notwithstanding section 8.60.

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1 If the total amount of moneys directed to be
2 deposited in the general fund of the state under
3 sections 99D.17 and 99F.11 in a fiscal year is less
4 than the total amount of moneys directed to be
5 deposited in the Iowa values fund, the vision Iowa
6 fund, and the school infrastructure fund in the fiscal
7 year pursuant to this paragraph "e", the difference
8 shall be paid from lottery revenues in the manner
9 provided in section 99E.10, subsection 3.

10 Sec. ____ . NEW SECTION. 12.91 GENERAL AND
11 SPECIFIC BONDING POWERS -- IOWA VALUES PROGRAM.

12 1. The treasurer of state may issue bonds for the
13 purpose of funding the Iowa values fund created in
14 section 15G.105. The treasurer of state shall have
15 all of the powers which are necessary to issue and
16 secure bonds and carry out the purposes of the fund.
17 The treasurer of state may issue bonds in principal
18 amounts which are necessary to provide sufficient
19 funds for the Iowa values fund, the payment of
20 interest on the bonds, the establishment of reserves
21 to secure the bonds, the costs of issuance of the
22 bonds, other expenditures of the treasurer of state
23 incident to and necessary or convenient to carry out
24 the bond issue for the fund, and all other
25 expenditures of the board necessary or convenient to
26 administer the fund. The bonds are investment
27 securities and negotiable instruments within the
28 meaning of and for purposes of the uniform commercial
29 code.

30 2. Bonds issued under this section are payable
31 solely and only out of the moneys, assets, or revenues
32 of the Iowa values fund and any bond reserve funds
33 established pursuant to section 12.92, all of which
34 may be deposited with trustees or depositories in
35 accordance with bond or security documents and pledged
36 to the payment thereof. Bonds issued under this
37 section shall contain on their face a statement that
38 the bonds do not constitute an indebtedness of the
39 state. The treasurer of state shall not pledge the
40 credit or taxing power of this state or any political
41 subdivision of the state or make bonds issued pursuant
42 to this section payable out of any moneys except those
43 in the Iowa values fund.

44 3. The proceeds of bonds issued by the treasurer
45 of state and not required for immediate disbursement
46 may be deposited with a trustee or depository as
47 provided in the bond documents and invested or
48 reinvested in any investment as directed by the
49 treasurer of state and specified in the trust
50 indenture, resolution, or other instrument pursuant to

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1 which the bonds are issued without regard to any
2 limitation otherwise provided by law.

3 4. The bonds shall be:

4 a. In a form, issued in denominations, executed in
5 a manner, and payable over terms and with rights of
6 redemption, and be subject to the terms, conditions,
7 and covenants providing for the payment of the
8 principal of, redemption premiums, if any, interest
9 which may be fixed or variable during any period the
10 bonds are outstanding, and such other terms and
11 conditions as prescribed in the trust indenture,
12 resolution, or other instrument authorizing their
13 issuance.

14 b. Negotiable instruments under the laws of the
15 state and may be sold at prices, at public or private
16 sale, and in a manner, as prescribed by the treasurer
17 of state. Chapters 73A, 74, 74A, and 75 do not apply
18 to the sale or issuance of the bonds.

19 c. Subject to the terms, conditions, and covenants
20 providing for the payment of the principal, redemption
21 premiums, if any, interest, and other terms,
22 conditions, covenants, and protective provisions
23 safeguarding payment, not inconsistent with this
24 section and as determined by the trust indenture,
25 resolution, or other instrument authorizing their
26 issuance.

27 5. The bonds are securities in which public
28 officers and bodies of this state, political
29 subdivisions of this state, insurance companies and
30 associations and other persons carrying on an
31 insurance business, banks, trust companies, savings
32 associations, savings and loan associations, and
33 investment companies; administrators, guardians,
34 executors, trustees, and other fiduciaries; and other
35 persons authorized to invest in bonds or other
36 obligations of the state, may properly and legally
37 invest funds, including capital, in their control or
38 belonging to them.

39 6. Bonds must be authorized by a trust indenture,
40 resolution, or other instrument of the treasurer of
41 state.

42 7. Neither the resolution, trust indenture, nor
43 any other instrument by which a pledge is created
44 needs to be recorded or filed under the Iowa uniform
45 commercial code to be valid, binding, or effective.

46 8. Bonds issued under the provisions of this
47 section are declared to be issued for a general public
48 and governmental purpose and all bonds issued under
49 this section shall be exempt from taxation by the
50 state of Iowa and the interest on the bonds shall be

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1 exempt from the state income tax and the state
2 inheritance and estate tax.

3 9. Subject to the terms of any bond documents,
4 moneys in the Iowa values fund may be expended for
5 administration expenses.

6 10. The treasurer of state may issue bonds for the
7 purpose of refunding any bonds issued pursuant to this
8 section then outstanding, including the payment of any
9 redemption premiums thereon and any interest accrued
10 or to accrue to the date of redemption of the
11 outstanding bonds. Until the proceeds of bonds issued
12 for the purpose of refunding outstanding bonds are
13 applied to the purchase or retirement of outstanding
14 bonds or the redemption of outstanding bonds, the
15 proceeds may be placed in escrow and be invested and
16 reinvested in accordance with the provisions of this
17 section. The interest, income, and profits earned or
18 realized on an investment may also be applied to the
19 payment of the outstanding bonds to be refunded by
20 purchase, retirement, or redemption. After the terms
21 of the escrow have been fully satisfied and carried
22 out, any balance of proceeds and interest earned or
23 realized on the investments may be returned to the
24 treasurer of state for deposit in the Iowa values fund
25 established in section 15G.105. All refunding bonds
26 shall be issued and secured and subject to the
27 provisions of this chapter in the same manner and to
28 the same extent as other bonds issued pursuant to this
29 section.

30 11. The treasurer of state shall have all of the
31 powers which are necessary to issue and secure bonds,
32 including but not limited to the power to procure
33 insurance, other credit enhancements, and other
34 financing arrangements, and to execute instruments and
35 contracts and to enter into agreements convenient or
36 necessary to facilitate financing arrangements with
37 respect to the bonds and to carry out the purposes of
38 the fund, including but not limited to such
39 arrangements, instruments, contracts, and agreements
40 as municipal bond insurance, self-insurance or
41 liquidity trusts, accounts, pools or other
42 arrangements, liquidity facilities or covenants,
43 letters of credit, and interest rate agreements.

44 12. For purposes of this section and sections
45 12.92 through 12.95, the term "bonds" means bonds,
46 notes, and other obligations and financing
47 arrangements issued or entered into by the treasurer
48 of state and the term "interest rate agreement" means
49 an interest rate swap or exchange agreement, an
50 agreement establishing an interest rate floor or

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1 ceiling or both, or any similar agreement. Any such
2 agreement may include the option to enter into or
3 cancel the agreement or to reverse or extend the
4 agreement.

5 Sec. ____ . NEW SECTION. 12.92 IOWA VALUES FUND
6 ACCOUNTS AND RESERVE FUNDS.

7 1. The treasurer of state shall establish such
8 accounts within the Iowa values fund created in
9 section 15G.105 as may be appropriate, including debt
10 service accounts for the purpose of paying the
11 principal of, redemption premium, if any, and interest
12 on bonds payable therefrom. Moneys in the debt
13 service accounts shall not be subject to appropriation
14 for any other purpose by the general assembly, but
15 shall be used only for the purposes of paying the
16 principal of, redemption premium, if any, and interest
17 on the bonds payable therefrom.

18 2. Revenue for the Iowa values fund shall include,
19 but is not limited to, the following, which shall be
20 deposited with the treasurer of state or its designee
21 as provided by any bond or security documents and
22 credited to the debt service account:

23 a. The proceeds of bonds issued to capitalize and
24 pay the costs of the fund and investment earnings on
25 the proceeds.

26 b. Interest attributable to investment of moneys
27 in the fund or an account of the fund.

28 c. Moneys in the form of a devise, gift, bequest,
29 donation, federal or other grant, reimbursement,
30 repayment, judgment, transfer, payment, or
31 appropriation from any source intended to be used for
32 the purposes of the fund or account.

33 3. a. The treasurer of state may create and
34 establish one or more special funds, to be known as
35 "bond reserve funds", to secure one or more issues of
36 bonds issued pursuant to section 12.91. The treasurer
37 of state shall pay into each bond reserve fund any
38 moneys appropriated and made available by the state or
39 treasurer of state for the purpose of the fund, any
40 proceeds of sale of bonds to the extent provided in
41 the resolutions or trust indentures authorizing their
42 issuance, and any other moneys which may be available
43 to the treasurer of state for the purpose of the fund
44 from any other sources. All moneys held in a bond
45 reserve fund, except as otherwise provided in this
46 chapter, shall be used as required solely for the
47 payment of the principal of bonds secured in whole or
48 in part by the fund or of the sinking fund payments
49 with respect to the bonds, the purchase or redemption
50 of the bonds, the payment of interest on the bonds, or

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1 the payments of any redemption premium required to be
2 paid when the bonds are redeemed prior to maturity.

3 b. Moneys in a bond reserve fund shall not be
4 withdrawn from it at any time in an amount that will
5 reduce the amount of the fund to less than the bond
6 reserve fund requirement established for the fund, as
7 provided in this subsection, except for the purpose of
8 making, with respect to bonds secured in whole or in
9 part by the fund, payment when due of principal,
10 interest, redemption premiums, and the sinking fund
11 payments with respect to the bonds for the payment of
12 which other moneys of the treasurer of state are not
13 available.

14 Any income or interest earned by, or incremental
15 to, a bond reserve fund due to the investment of it
16 may be transferred by the treasurer of state to other
17 funds or accounts to the extent the transfer does not
18 reduce the amount of that bond reserve fund below the
19 bond reserve fund requirement for it.

20 c. The treasurer of state shall not at any time
21 issue bonds, secured in whole or in part by a bond
22 reserve fund, if, upon the issuance of the bonds, the
23 amount in the bond reserve fund will be less than the
24 bond reserve fund requirement for the fund, unless the
25 treasurer of state at the time of issuance of the
26 bonds deposits in the fund from the proceeds of the
27 bonds issued or from other sources an amount which,
28 together with the amount then in the fund, will not be
29 less than the bond reserve fund requirement for the
30 fund. For the purposes of this subsection, the term
31 "bond reserve fund requirement" means, as of any
32 particular date of computation, an amount of money, as
33 provided in the resolutions or trust indentures
34 authorizing the bonds with respect to which the fund
35 is established.

36 d. To assure the continued solvency of any bonds
37 secured by the bond reserve fund, provision is made in
38 paragraph "a" for the accumulation in each bond
39 reserve fund of an amount equal to the bond reserve
40 requirement for the fund. In order to further assure
41 maintenance of the bond reserve funds, the treasurer
42 of state shall, on or before January 1 of each
43 calendar year, make and deliver to the governor the
44 treasurer of state's certificate stating the sum, if
45 any, required to restore each bond reserve fund to the
46 bond reserve fund requirement for that fund. Within
47 thirty days after the beginning of the session of the
48 general assembly next following the delivery of the
49 certificate, the governor shall submit to both houses
50 printed copies of a budget including the sum, if any,

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1 required to restore each bond reserve fund to the bond
2 reserve fund requirement for that fund. Any sums
3 appropriated by the general assembly and paid to the
4 treasurer of state pursuant to this subsection shall
5 be deposited by the treasurer of state in the
6 applicable bond reserve fund.

7 Sec. ____ . NEW SECTION. 12.93 PLEDGES.

8 1. It is the intention of the general assembly
9 that a pledge made in respect of bonds shall be valid
10 and binding from the time the pledge is made, that the
11 moneys or property so pledged and received after the
12 pledge by the treasurer of state shall immediately be
13 subject to the lien of the pledge without physical
14 delivery or further act, and that the lien of the
15 pledge shall be valid and binding as against all
16 parties having claims of any kind in tort, contract,
17 or otherwise against the treasurer of state whether or
18 not the parties have notice of the lien.

19 2. The moneys set aside in a fund or funds pledged
20 for any series or issue of bonds shall be held for the
21 sole benefit of the series or issue separate and apart
22 from moneys pledged for another series or issue of
23 bonds of the treasurer of state. Bonds may be issued
24 in series under one or more resolutions or trust
25 indentures and may be fully open-ended, thus providing
26 for the unlimited issuance of additional series, or
27 partially open-ended, limited as to additional series.

28 Sec. ____ . NEW SECTION. 12.94 LIMITATIONS.

29 Bonds issued pursuant to section 12.91 are not
30 debts of the state, or of any political subdivision of
31 the state, and do not constitute a pledge of the faith
32 and credit of the state or a charge against the
33 general credit or general fund of the state. The
34 issuance of any bonds pursuant to section 12.91 by the
35 treasurer of state does not directly, indirectly, or
36 contingently obligate the state or a political
37 subdivision of the state to apply moneys, or to levy
38 or pledge any form of taxation whatever, to the
39 payment of the bonds. Bonds issued under section
40 12.91 are payable solely and only from the sources and
41 special fund and accounts provided in section 12.92.

42 Sec. ____ . NEW SECTION. 12.95 CONSTRUCTION.

43 Sections 12.91 through 12.94, being necessary for
44 the welfare of this state and its inhabitants, shall
45 be liberally construed to effect its purposes.

46 Sec. ____ . NEW SECTION. 15G.101 PURPOSE.

47 The purpose of this chapter is to identify and
48 assist those economic and business sectors that have
49 the most potential to contribute to the long-term
50 growth and development of the state economy.

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1 Sec. ____ . NEW SECTION. 15G.102 DEFINITIONS.
2 As used in this chapter, unless the context
3 otherwise requires:
4 1. "Board" means the Iowa values board established
5 in section 15G.103.
6 2. "Department" means the Iowa department of
7 economic development created in section 15.105.
8 3. "Director" means the director of the department
9 of economic development.
10 4. "Fund" means the Iowa values fund created in
11 section 15G.105.
12 Sec. ____ . NEW SECTION. 15G.103 IOWA VALUES
13 BOARD.
14 1. The Iowa values board is established consisting
15 of seventeen voting members and six ex officio,
16 nonvoting members. The board shall be located for
17 administrative purposes within the department and the
18 director shall provide office space, staff assistance,
19 and necessary supplies and equipment for the board.
20 The director shall budget funds to pay the
21 compensation and expenses of the board. In performing
22 its functions, the board is performing a public
23 function on behalf of the state and is a public
24 instrumentality of the state.
25 2. The director and a representative of the Iowa
26 capital investment board, created in section 15E.63,
27 shall serve as ex officio members of the board. The
28 legislative ex officio members of the board are two
29 state senators, one appointed by the president of the
30 senate, and one appointed by the minority leader of
31 the senate, from their respective parties; and two
32 state representatives, one appointed by the speaker
33 and one appointed by the minority leader of the house
34 of representatives from their respective parties. The
35 legislative ex officio members shall have business
36 experience.
37 3. The voting members of the board shall be
38 appointed as follows:
39 a. One individual from the advanced manufacturing
40 industry, appointed by the governor.
41 b. One individual from the life science industry,
42 appointed by the governor.
43 c. One individual from the information technology
44 industry, appointed by the governor.
45 d. One individual from the investment banking
46 industry, appointed by the governor.
47 e. One individual from the economic development
48 community who resides and works in a county with a
49 population ranking in the lowest one-third of county
50 populations as measured by the 2000 census, appointed

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- 1 by the governor.
- 2 f. One individual from the economic development
3 community who resides and works in a county with a
4 population ranking in the middle one-third of county
5 populations as measured by the 2000 census, appointed
6 by the governor.
- 7 g. One individual from the economic development
8 community who resides and works in a county with a
9 population ranking in the highest one-third of county
10 populations as measured by the 2000 census, appointed
11 by the governor.
- 12 h. One individual from a statewide agricultural
13 organization, appointed by the governor.
- 14 i. One representative of a labor union, appointed
15 by the governor.
- 16 j. One representative from a private college or
17 university, appointed by the governor.
- 18 k. One representative from the community college
19 system, appointed by the governor.
- 20 l. One individual with demonstrated significant
21 experience in small business, appointed by the
22 governor.
- 23 m. One representative of the university of Iowa,
24 the university of northern Iowa, or Iowa state
25 university of science and technology, designated by
26 the state board of regents.
- 27 n. Two individuals from private industry appointed
28 by the house of representatives. One individual shall
29 be appointed by the speaker of the house of
30 representatives and one individual shall be appointed
31 by the minority leader in the house of
32 representatives.
- 33 o. Two individuals from private industry appointed
34 by the senate. One individual shall be appointed by
35 the president of the senate and one individual shall
36 be appointed by the minority leader in the senate.
- 37 4. All appointments shall comply with sections
38 69.16 and 69.16A. The appointments listed in
39 subsection 3, paragraphs "a" through "l", shall be
40 subject to confirmation by the senate. Of the members
41 appointed by the governor, at least two members shall
42 be members of the Iowa economic development board
43 created in section 15.103. A majority of the voting
44 members of the board listed in subsection 3,
45 paragraphs "a" through "l", shall be from the private
46 sector.
- 47 5. The voting members of the board listed in
48 subsection 3, paragraphs "a" through "l", shall be
49 residents of different counties.
- 50 6. The chairperson and vice chairperson shall be

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1 elected by the voting members of the board from the
2 voting membership of the board. In the case of the
3 absence or disability of the chairperson and vice
4 chairperson, the voting members of the board shall
5 elect a temporary chairperson by a majority vote of
6 those members who are present and voting provided a
7 quorum is present.

8 7. The voting members of the board shall annually
9 elect a five-member executive council of the board
10 consisting of voting members of the board with at
11 least three of the members being from private
12 industry. The board shall determine the duties of the
13 council.

14 8. The members of the board shall be appointed to
15 three-year staggered terms and the terms shall
16 commence and end as provided in section 69.19. If a
17 vacancy occurs, a successor shall be appointed in the
18 same manner and subject to the same qualifications as
19 the original appointment to serve the unexpired term.

20 9. A majority of the board constitutes a quorum.

21 10. A voting member of the board shall abstain
22 from voting on the provision of financial assistance
23 to a project which is located in the county in which
24 the voting member of the board resides.

25 Sec. ____ . NEW SECTION. 15G.104 BOARD DUTIES.

26 The board shall do all of the following:

27 1. Organize.

28 2. Oversee and administer the Iowa values fund.

29 3. Develop a five-year strategic plan with an
30 annual operating plan to share with the Iowa economic
31 development board for consideration in the developing
32 of a departmentwide strategic plan.

33 4. Develop a long-range strategic plan designed to
34 address economic development-related issues through
35 the year 2020.

36 5. Develop and assist the department in
37 implementing activities addressing all of the
38 following economic foundation issues of the economy:

39 a. Skilled and adaptable human resources.

40 b. Access to technologies on which new products
41 and processes are based.

42 c. Availability of financial capital to support
43 new ventures, expansion of existing companies, and
44 reinvestment in transition industries.

45 d. Support of advanced physical infrastructure for
46 transportation, communications, energy and water, and
47 waste handling.

48 e. A review of the regulatory and taxation
49 environment and business climate resulting in
50 recommendations to balance competitiveness.

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1 6. Focus on nondiscriminatory market expansion and
2 foster a competitive and open environment. The board
3 shall not be a mechanism to allocate markets, fix
4 prices, or stifle competition.

5 7. By January 15 of each year, submit a written
6 report to the general assembly reviewing the
7 activities of the board during the previous calendar
8 year. The report shall also include an annual audit
9 of moneys appropriated from the fund and a statement
10 regarding return on investments. State agencies and
11 other entities receiving moneys from the fund shall
12 cooperate with and assist the board in the compilation
13 of the report.

14 8. Make a determination to discontinue providing
15 moneys to the entity if an entity receiving moneys
16 from the Iowa values fund does not meet criteria
17 required by an agreement with the board.

18 9. Adopt administrative rules pursuant to chapter
19 17A necessary to administer this chapter.

20 Sec. ____ . NEW SECTION. 15G.105 IOWA VALUES FUND.

21 An Iowa values fund is created and established as a
22 separate and distinct fund in the state treasury.

23 Moneys in the fund shall not be subject to
24 appropriation for any other purposes by the general
25 assembly, other than as provided in this Act, but
26 shall be used only for the purposes of the Iowa values
27 fund. The treasurer of state shall act as custodian
28 of the fund and disburse moneys contained in the fund
29 as directed by the Iowa values board, including
30 automatic disbursements of funds received pursuant to
31 the terms of bond indentures and documents and
32 security provisions to trustees. The fund shall be
33 administered by the Iowa values board, which shall
34 make expenditures from the fund consistent with the
35 purposes of this Act without further appropriation.
36 Payments of interest, repayments of moneys loaned
37 pursuant to this chapter, and recaptures of grants or
38 loans shall be deposited in the fund. Moneys in the
39 fund are not subject to section 8.33. Notwithstanding
40 section 12C.7, interest or earnings on moneys in the
41 fund shall be credited to the fund.

42 Sec. ____ . DEPARTMENT OF ECONOMIC DEVELOPMENT
43 APPROPRIATION.

44 1. There is appropriated from the Iowa values fund
45 created in section 15G.105 to the department of
46 economic development for the fiscal period beginning
47 July 1, 2003, and ending June 30, 2008, the following
48 amounts, or so much thereof as is necessary, to be
49 used for the purposes designated:

50 For programs administered by the department of

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1 economic development:

2	FY 2003-2004.....	\$ 90,000,000
3	FY 2004-2005.....	\$ 70,000,000
4	FY 2005-2006.....	\$ 60,000,000
5	FY 2006-2007.....	\$ 60,000,000
6	FY 2007-2008.....	\$ 50,000,000

7 2. Notwithstanding section 8.33, moneys that
 8 remain unexpended at the end of a fiscal year shall
 9 not revert to any fund but shall remain available for
 10 expenditure for the designated purposes during the
 11 succeeding fiscal year.

12 3. Each year that moneys are appropriated under
 13 this section, the board shall allocate a percentage of
 14 the moneys for each of the following types of
 15 activities:

- 16 a. Business start-ups.
- 17 b. Business expansion.
- 18 c. Business modernization.
- 19 d. Business attraction.
- 20 e. Business retention.
- 21 f. Marketing.

22 4. An applicant for moneys appropriated under this
 23 section shall be required by the department to include
 24 in the application a statement regarding the intended
 25 return on investment. A recipient of moneys
 26 appropriated under this section shall annually submit
 27 a statement to the department regarding the progress
 28 achieved on the intended return on investment stated
 29 in the application. The department, in cooperation
 30 with the department of revenue and finance, shall
 31 develop a method of identifying and tracking each new
 32 job created through financial assistance from moneys
 33 appropriated under this section.

34 5. Of the moneys appropriated under this section,
 35 at least \$50,000,000 shall be used for value-added
 36 agricultural purposes as set out in section 15E.111.

37 6. The department may use moneys appropriated
 38 under this section to procure technical assistance
 39 from either the public or private sector, for
 40 information technology purposes, and for rail, air, or
 41 river port transportation-related purposes. The use
 42 of moneys appropriated for rail, air, or river port
 43 transportation-related purposes must be directly
 44 related to an economic development project and the
 45 moneys must be used to leverage other financial
 46 assistance moneys.

47 7. Of the moneys appropriated under this section,
 48 the department may use one-quarter of one percent for
 49 administrative purposes.

50 8. The entities required to approve applications

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1 for financial assistance from moneys appropriated
2 under this section shall be as follows:

3 a. For financial assistance totaling one million
4 dollars or less, the department of economic
5 development shall approve, deny, or defer the
6 application.

7 b. For financial assistance totaling between one
8 million dollars and three million dollars, the
9 executive council of the Iowa values board shall
10 approve, deny, or defer the application.

11 c. For financial assistance totaling three million
12 dollars or more, the Iowa values board shall approve,
13 deny, or defer the application.

14 9. Of the moneys appropriated under this section
15 for the fiscal year beginning July 1, 2003, and ending
16 June 30, 2004, up to \$10,000,000 is allocated to the
17 tax-exempt bond proceeds restricted capital funds
18 account of the tobacco settlement trust fund to
19 replenish moneys appropriated and expended pursuant to
20 2003 Iowa Acts, House File 453, if enacted. Of the
21 moneys appropriated under this section for the fiscal
22 year beginning July 1, 2004, and ending June 30, 2005,
23 up to \$10,000,000 is allocated to the rebuild Iowa
24 infrastructure fund to replenish moneys appropriated
25 and expended pursuant to 2003 Iowa Acts, House File
26 453, if enacted.

27 Sec. ____ . COMMUNITY ATTRACTION AND TOURISM FUND
28 APPROPRIATION.

29 1. There is appropriated from the Iowa values fund
30 created in section 15G.105 to the office of the
31 treasurer of state for the fiscal period beginning
32 July 1, 2004, and ending June 30, 2007, the following
33 amounts, or so much thereof as is necessary, to be
34 used for the purpose designated:

35 For deposit in the community attraction and tourism
36 fund created in section 15F.204:

37 FY 2004-2005.....	\$ 15,000,000
38 FY 2005-2006.....	\$ 15,000,000
39 FY 2006-2007.....	\$ 15,000,000

40 2. Notwithstanding section 8.33, moneys that
41 remain unexpended at the end of a fiscal year shall
42 not revert to any fund but shall remain available for
43 expenditure for the designated purposes during the
44 succeeding fiscal year.

45 3. Not more than \$2,500,000 of the moneys
46 appropriated each fiscal year under this section shall
47 be used for trails and bicycle facilities located in
48 or connecting to cultural and entertainment districts
49 certified under section 303.3B.

50 4. When awarding moneys appropriated under this

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1 section, the vision Iowa board shall give the
2 consideration in section 15F.203, subsection 3,
3 paragraph "c", priority over the other listed
4 considerations listed in section 15F.203, subsection
5 3.

6 Sec. ____ . IOWA CULTURAL TRUST FUND APPROPRIATION.

7 1. There is appropriated from the Iowa values fund
8 created in section 15G.105 to the office of the
9 treasurer of state, for the fiscal year beginning July
10 1, 2003, and ending June 30, 2004, the following
11 amount, or so much thereof as is necessary, to be used
12 for the purpose designated:

13 For deposit in the Iowa cultural trust fund created
14 in section 303A.4:

15 \$ 5,000,000

16 2. Notwithstanding section 8.33, moneys that
17 remain unexpended at the end of a fiscal year shall
18 not revert to any fund but shall remain available for
19 expenditure for the designated purposes during the
20 succeeding fiscal year.

21 Sec. ____ . SECURE AN ADVANCED VISION FOR EDUCATION
22 FUND APPROPRIATION.

23 1. There is appropriated from the Iowa values fund
24 created in section 15G.105 to the department of
25 revenue and finance, for the fiscal year beginning
26 July 1, 2003, and ending June 30, 2004, the following
27 amount, or so much thereof as is necessary, to be used
28 for the purpose designated:

29 For deposit in the secure an advanced vision for
30 education fund created in section 422E.3A, if enacted
31 by 2003 Iowa Acts, Senate File 445:

32 \$250,000,000

33 2. Notwithstanding section 8.33, moneys that
34 remain unexpended at the end of a fiscal year shall
35 not revert to any fund but shall remain available for
36 expenditure for the designated purposes during the
37 succeeding fiscal year.

38 Sec. ____ . UNIVERSITY AND COLLEGE FINANCIAL
39 ASSISTANCE APPROPRIATION.

40 1. There is appropriated from the Iowa values fund
41 created in section 15G.105 to the Iowa values board
42 for the fiscal year beginning July 1, 2003, and ending
43 June 30, 2004, the following amounts, or so much
44 thereof as is necessary, to be used for the purpose
45 designated:

46 For financial assistance for institutions of higher
47 learning under the control of the state board of
48 regents and for accredited private institutions as
49 defined in section 261.9 for accelerating new business
50 creation, a national center for food safety and

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1 security, innovation accelerators and business parks,
2 incubator facilities, transgenic animal facilities,
3 transgenic plant facilities, protein extraction
4 facilities, containment facilities, and bioanalytical,
5 biochemical, chemical, and microbiological support
6 facilities:

7 \$ 50,000,000

8 2. Notwithstanding section 8.33, moneys that
9 remain unexpended at the end of a fiscal year shall
10 not revert to any fund but shall remain available for
11 expenditure for the designated purposes during the
12 succeeding fiscal year.

13 3. In the distribution of moneys appropriated
14 pursuant to this section, the Iowa values board shall
15 examine the potential for using moneys appropriated
16 pursuant to this section to leverage other moneys for
17 financial assistance to accredited private
18 institutions.

19 4. Of the moneys appropriated under this section
20 and provided applications are submitted meeting the
21 requirements of the Iowa values board, not less than
22 \$10,000,000 in financial assistance shall be awarded
23 to the university of Iowa, not less than \$10,000,000
24 in financial assistance shall be awarded to Iowa state
25 university of science and technology, and not less
26 than \$5,000,000 in financial assistance shall be
27 awarded to the university of northern Iowa.

28 Sec. ____ . REHABILITATION PROJECT TAX CREDITS
29 APPROPRIATION.

30 1. There is appropriated from the Iowa values fund
31 created in section 15G.105 to the general fund of the
32 state, for the fiscal period beginning July 1, 2003,
33 and ending June 30, 2005, the following amounts, or so
34 much thereof as is necessary, to be used for the
35 purpose designated:

36 For payment of tax credits approved pursuant to
37 section 404A.4 for projects located in certified
38 cultural and entertainment districts:
39 FY 2003-2004..... \$ 2,000,000
40 FY 2004-2005..... \$ 2,000,000

41 2. Notwithstanding section 8.33, moneys that
42 remain unexpended at the end of a fiscal year shall
43 not revert to any fund but shall remain available for
44 expenditure for the designated purposes during the
45 succeeding fiscal year.

46 Sec. ____ . ENDOW IOWA TAX CREDITS.

47 1. There is appropriated from the Iowa values fund
48 created in section 15G.105 to the general fund of the
49 state, for the fiscal year beginning July 1, 2003, and
50 ending June 30, 2004, the following amount, or so much

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1 thereof as is necessary, to be used for the purpose
2 designated:

3 For payment of endow Iowa tax credits authorized
4 pursuant to section 15E.225:

5 \$ 2,000,000

6 2. Notwithstanding section 8.33, moneys that
7 remain unexpended at the end of a fiscal year shall
8 not revert to any fund but shall remain available for
9 expenditure for the designated purposes during the
10 succeeding fiscal year.

11 Sec. ____ . ENDOW IOWA GRANTS APPROPRIATION.

12 1. There is appropriated from the Iowa values fund
13 created in section 15G.105 to the department of
14 economic development for the fiscal year beginning
15 July 1, 2003, and ending June 30, 2004, the following
16 amount, or so much thereof as is necessary, to be used
17 for the purpose designated:

18 For endow Iowa grants to lead philanthropic
19 entities pursuant to section 15E.224:

20 \$2,000,000

21 2. Notwithstanding section 8.33, moneys that
22 remain unexpended at the end of a fiscal year shall
23 not revert to any fund but shall remain available for
24 expenditure for the designated purposes during the
25 succeeding fiscal year.

26 Sec. ____ . STATE PARKS AND DESTINATION PARKS
27 APPROPRIATION.

28 1. There is appropriated from the Iowa values fund
29 created in section 15G.105 to the Iowa values board
30 for the fiscal year beginning July 1, 2003, and ending
31 June 30, 2004, the following amount, or so much
32 thereof as is necessary, to be used for the purpose
33 designated:

34 For the purpose of providing financial assistance
35 for projects in targeted state parks and destination
36 parks:

37 FY 2003-2004..... \$ 7,000,000

38 2. Notwithstanding section 8.33, moneys that
39 remain unexpended at the end of a fiscal year shall
40 not revert to any fund but shall remain available for
41 expenditure for the designated purposes during the
42 succeeding fiscal year.

43 3. The department of natural resources, in
44 cooperation with the department of economic
45 development, shall submit a plan to the Iowa values
46 board for the expenditure of moneys appropriated under
47 this section. The plan shall focus on improving state
48 parks and destination parks for economic development
49 purposes. Based on the report submitted, the Iowa
50 values board shall provide financial assistance to the

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1 department of natural resources for support of state
2 parks and destination parks.

3 Sec. ____ . ECONOMIC DEVELOPMENT REGION FINANCIAL
4 ASSISTANCE APPROPRIATION.

5 1. There is appropriated from the Iowa values fund
6 created in section 15G.105 to the department of
7 economic development for the fiscal year beginning
8 July 1, 2003, and ending June 30, 2004, the following
9 amount, or so much thereof as is necessary, to be used
10 for the purpose designated:

11 For providing financial assistance under section
12 15E.232, subsections 3, 4, 5, and 6 and under section
13 15E.233:

14 \$ 20,000,000

15 2. Notwithstanding section 8.33, moneys that
16 remain unexpended at the end of a fiscal year shall
17 not revert to any fund but shall remain available for
18 expenditure for the designated purposes during the
19 succeeding fiscal year.

20 3. The entities required to approve applications
21 for financial assistance from moneys appropriated
22 under this section shall be as follows:

23 a. For projects totaling one million dollars or
24 less, the department of economic development shall
25 approve, deny, or defer the application.

26 b. For projects totaling between one million
27 dollars and three million dollars, the executive
28 council of the Iowa values board shall approve, deny,
29 or defer the application.

30 c. For projects totaling three million dollars or
31 more, the Iowa values board shall approve, deny, or
32 defer the application.

33 Sec. ____ . ECONOMIC DEVELOPMENT REGION REVOLVING
34 FUND CONTRIBUTION TAX CREDITS APPROPRIATION.

35 1. There is appropriated from the Iowa values fund
36 created in section 15G.105 to the general fund of the
37 state, for the fiscal period beginning July 1, 2003,
38 and ending June 30, 2008, the following amounts, or so
39 much thereof as is necessary, to be used for the
40 purpose designated:

41 For payment of tax credits and payments to
42 contributors approved pursuant to section 15E.232
43 approved pursuant to section 15E.232:

44	FY 2003-2004.....	\$	4,000,000
45	FY 2004-2005.....	\$	4,000,000
46	FY 2005-2006.....	\$	4,000,000
47	FY 2006-2007.....	\$	4,000,000
48	FY 2007-2008.....	\$	4,000,000

49 2. Notwithstanding section 8.33, moneys that
50 remain unexpended at the end of a fiscal year shall

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1 not revert to any fund but shall remain available for
2 expenditure for the designated purposes during the
3 succeeding fiscal year.

4 3. Any moneys appropriated under this section that
5 remain unobligated on June 30, 2008, shall be used for
6 providing financial assistance under section 15E.232,
7 subsections 3, 4, 5, and 6, for the fiscal year
8 beginning July 1, 2008.

DIVISION II

VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES
FINANCIAL ASSISTANCE PROGRAM

12 Sec. ____ . Section 15E.111, subsection 1, Code
13 2003, is amended to read as follows:

14 1. a. The department shall establish a value-
15 added agricultural products and processes financial
16 assistance program. The department shall consult with
17 ~~the Iowa corn growers association and the Iowa soybean~~
18 ~~association~~ Iowa commodity groups. The purpose of the
19 program is to encourage the increased utilization of
20 agricultural commodities produced in this state. The
21 program shall assist in efforts to revitalize rural
22 regions of this state, by committing resources to
23 provide financial assistance to new or existing value-
24 added production facilities. The department of
25 economic development may consult with other state
26 agencies regarding any possible future environmental,
27 health, or safety issues linked to technology related
28 to the biotechnology industry. In awarding financial
29 assistance, the department shall prefer producer-
30 owned, value-added businesses and commit resources to
31 assist the following:

32 a. (1) Facilities which are involved in the
33 development of new innovative products and processes
34 related to agriculture. The facility must do either
35 of the following: produce a good derived from an
36 agricultural commodity, if the good is not commonly
37 produced from an agricultural commodity; or use a
38 process to produce a good derived from an agricultural
39 process, if the process is not commonly used to
40 produce the good.

41 b. (2) Renewable fuel production facilities. As
42 used in this section, "renewable fuel" means an energy
43 source which is derived from an organic compound
44 capable of powering machinery, including an engine or
45 power plant.

46 (3) Agricultural business facilities in the
47 agricultural biotechnology industry, agricultural
48 biomass industry, and alternative energy industry.

49 For purposes of this subsection:

50 (a) "Agricultural biomass industry" means

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1 businesses that utilize agricultural commodity crops,
2 agricultural by-products, or animal feedstock in the
3 production of chemicals, protein products, or other
4 high-value products.

5 (b) "Agricultural biotechnology industry" means
6 businesses that utilize scientifically enhanced plants
7 or animals that can be raised by producers and used in
8 the production of high-value products.

9 (c) "Alternative energy industry" includes
10 businesses involved in the production of ethanol,
11 biodiesel, biomass, or in the production of wind
12 energy.

13 (4) Facilities that add value to Iowa agricultural
14 commodities through further processing and development
15 of organic products and emerging markets.

16 (5) Producer-owned, value-added businesses,
17 education of producers and management boards in value-
18 added businesses, and other activities that would
19 support the infrastructure in the development of
20 value-added agriculture. For purposes of this
21 subsection, "producer-owned, valued-added business"
22 means a person who holds an equity interest in the
23 agricultural business and is personally involved in
24 the production of crops or livestock on a regular,
25 continuous, and substantial basis.

26 b. Financial assistance awarded under this section
27 may be in the form of a loan, loan guarantee, grant,
28 production incentive payment, or a combination of
29 financial assistance. The department shall not award
30 more than twenty-five percent of the amount allocated
31 to the value-added agricultural products and processes
32 financial assistance fund during any fiscal year to
33 support a single person. The department may finance
34 any size of facility. However, the department shall
35 may reserve up to fifty percent of the total amount
36 allocated to the fund, for purposes of assisting
37 persons requiring ~~one~~ five hundred thousand dollars or
38 less in financial assistance. The amount shall be
39 reserved until the end of the third quarter of the
40 fiscal year. The department shall not provide
41 financial assistance to support a value-added
42 production facility if the facility or a person owning
43 a controlling interest in the facility has
44 demonstrated a continuous and flagrant disregard for
45 the health and safety of its employees or the quality
46 of the environment. Evidence of such disregard shall
47 include a history of serious or uncorrected violations
48 of state or federal law protecting occupational health
49 and safety or the environment, including but not
50 limited to serious or uncorrected violations of

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1 occupational safety and health standards enforced by
2 the division of labor services of the department of
3 workforce development pursuant to chapter 84A, or
4 rules enforced by the department of natural resources
5 pursuant to chapter 455B or 459, subchapters II and
6 III.

DIVISION III

ENDOW IOWA GRANTS AND TAX CREDITS

9 Sec. ____ . NEW SECTION. 15E.221 SHORT TITLE.

10 This division shall be known as and may be cited as
11 the "Endow Iowa Program Act".

12 Sec. ____ . NEW SECTION. 15E.222 PURPOSE.

13 The purpose of this division is to enhance the
14 quality of life for citizens of this state through
15 increased philanthropic activity by providing capital
16 to new and existing citizen groups of this state
17 organized to establish endowment funds that will
18 address community needs. The purpose of this division
19 is also to encourage individuals, businesses, and
20 organizations to invest in community foundations.

21 Sec. ____ . NEW SECTION. 15E.223 DEFINITIONS.

22 As used in this division, unless the context
23 otherwise requires:

24 1. "Board" means the governing board of the lead
25 philanthropic entity identified by the department
26 pursuant to section 15E.224.

27 2. "Business" means a business operating within
28 the state and includes individuals operating a sole
29 proprietorship or having rental, royalty, or farm
30 income in this state and includes a consortium of
31 businesses.

32 3. "Community affiliate organization" means a
33 group of five or more community leaders or advocates
34 organized for the purpose of increasing philanthropic
35 activity in an identified community or geographic area
36 in this state with the intention of establishing a
37 community affiliate endowment fund.

38 4. "Endowment gift" means an irrevocable
39 contribution to a permanent endowment held by a
40 qualified community foundation.

41 5. "Lead philanthropic entity" means the entity
42 identified by the department pursuant to section
43 15E.224.

44 6. "Qualified community foundation" means a
45 community foundation organized or operating in this
46 state that meets or exceeds the national standards
47 established by the national council on foundations.

48 Sec. ____ . NEW SECTION. 15E.224 ENDOW IOWA
49 GRANTS.

50 1. The department shall identify a lead

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1 philanthropic entity for purposes of encouraging the
2 development of qualified community foundations in this
3 state. A lead philanthropic entity shall meet all of
4 the following qualifications:

5 a. The entity shall be a nonprofit entity which is
6 exempt from federal income taxation pursuant to
7 section 501(c)(3) of the Internal Revenue Code.

8 b. The entity shall be a statewide organization
9 with membership consisting of organizations, such as
10 community, corporate, and private foundations, whose
11 principal function is the making of grants within the
12 state of Iowa.

13 c. The entity shall have a minimum of forty
14 members and that membership shall include qualified
15 community foundations.

16 2. A lead philanthropic entity may receive a grant
17 from the department. The board shall use the grant
18 moneys to award endow Iowa grants to new and existing
19 qualified community foundations and to community
20 affiliate organizations that do all of the following:

21 a. Provide the board with all information required
22 by the board.

23 b. Demonstrate a dollar-for-dollar funding match
24 in a form approved by the board.

25 c. Identify a qualified community foundation to
26 hold all funds. A qualified community foundation
27 shall not be required to meet this requirement.

28 d. Provide a plan to the board demonstrating the
29 method for distributing grant moneys received from the
30 board to organizations within the community or
31 geographic area as defined by the qualified community
32 foundation or the community affiliate organization.

33 3. Endow Iowa grants awarded to new and existing
34 qualified community foundations and to community
35 affiliate organizations shall not exceed twenty-five
36 thousand dollars per foundation or organization unless
37 a foundation or organization demonstrates a multiple
38 county or regional approach. Endow Iowa grants may be
39 awarded on an annual basis with not more than three
40 grants going to one county in a fiscal year.

41 4. In ranking applications for grants, the board
42 shall consider a variety of factors including the
43 following:

44 a. The demonstrated need for financial assistance.

45 b. The potential for future philanthropic activity
46 in the area represented by or being considered for
47 assistance.

48 c. The proportion of the funding match being
49 provided.

50 d. For community affiliate organizations, the

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1 demonstrated need for the creation of a community
2 affiliate endowment fund in the applicant's geographic
3 area.

4 e. The identification of community needs and the
5 manner in which additional funding will address those
6 needs.

7 f. The geographic diversity of awards.

8 5. Of any moneys received by a lead philanthropic
9 entity from the state, not more than five percent of
10 such moneys shall be used by the entity for
11 administrative purposes.

12 Sec. ____ . NEW SECTION. 15E.225 ENDOW IOWA TAX
13 CREDIT.

14 1. For tax years beginning on or after January 1,
15 2003, a tax credit shall be allowed against the taxes
16 imposed in chapter 422, divisions II, III, and V, and
17 in chapter 432, and against the moneys and credits tax
18 imposed in section 533.24 equal to twenty percent of a
19 taxpayer's endowment gift to a qualified community
20 foundation. An individual may claim a tax credit
21 under this section of a partnership, limited liability
22 company, S corporation, estate, or trust electing to
23 have income taxed directly to the individual. The
24 amount claimed by the individual shall be based upon
25 the pro rata share of the individual's earnings from
26 the partnership, limited liability company, S
27 corporation, estate, or trust. A tax credit shall be
28 allowed only for an endowment gift made to a qualified
29 community foundation for a permanent endowment fund
30 established to benefit a charitable cause in this
31 state. Any tax credit in excess of the taxpayer's tax
32 liability for the tax year may be credited to the tax
33 liability for the following five years or until
34 depleted, whichever occurs first. A tax credit shall
35 not be carried back to a tax year prior to the tax
36 year in which the taxpayer claims the tax credit.

37 2. The aggregate amount of tax credits authorized
38 pursuant to this section shall not exceed a total of
39 two million dollars. The maximum amount of tax
40 credits granted to a taxpayer shall not exceed five
41 percent of the aggregate amount of tax credits
42 authorized.

43 3. A tax credit shall not be transferable to any
44 other taxpayer.

45 4. A tax credit shall not be authorized pursuant
46 to this section after December 31, 2005.

47 5. The department shall develop a system for
48 registration and authorization of tax credits under
49 this section and shall control the distribution of all
50 tax credits to taxpayers providing an endowment gift

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1 subject to this section. The department shall adopt
2 administrative rules pursuant to chapter 17A for the
3 qualification and administration of endowment gifts.

4 Sec. ____ . NEW SECTION. 15E.226 REPORTS --
5 AUDITS.

6 By January 31 of each year, the lead philanthropic
7 entity, in cooperation with the department, shall
8 publish an annual report of the activities conducted
9 pursuant to this division during the previous calendar
10 year and shall submit the report to the governor and
11 the general assembly. The annual report shall include
12 a listing of endowment funds and the amount of tax
13 credits authorized by the department.

14 Sec. ____ . NEW SECTION. 422.11H ENDOW IOWA TAX
15 CREDIT.

16 The tax imposed under this division, less the
17 credits allowed under sections 422.12 and 422.12B,
18 shall be reduced by an endow Iowa tax credit
19 authorized pursuant to section 15E.225.

20 Sec. ____ . Section 422.33, Code 2003, is amended by
21 adding the following new subsection:

22 NEW SUBSECTION. 14. The taxes imposed under this
23 division shall be reduced by an endow Iowa tax credit
24 authorized pursuant to section 15E.225.

25 Sec. ____ . Section 422.60, Code 2003, is amended by
26 adding the following new subsection:

27 NEW SUBSECTION. 7. The taxes imposed under this
28 division shall be reduced by an endow Iowa tax credit
29 authorized pursuant to section 15E.225.

30 Sec. ____ . NEW SECTION. 432.12D ENDOW IOWA TAX
31 CREDIT.

32 The tax imposed under this chapter shall be reduced
33 by an endow Iowa tax credit authorized pursuant to
34 section 15E.225.

35 Sec. ____ . Section 533.24, Code 2003, is amended by
36 adding the following new unnumbered paragraph:

37 NEW UNNUMBERED PARAGRAPH. The moneys and credits
38 tax imposed under this section shall be reduced by an
39 endow Iowa tax credit authorized pursuant to section
40 15E.225.

41 Sec. ____ . EFFECTIVE AND RETROACTIVE APPLICABILITY
42 DATES. This division of this Act, being deemed of
43 immediate importance, takes effect upon enactment and
44 is retroactively applicable to January 1, 2003, for
45 tax years beginning on or after that date.

46 DIVISION IV

47 ECONOMIC DEVELOPMENT REGIONS

48 Sec. ____ . NEW SECTION. 15E.231 ECONOMIC
49 DEVELOPMENT REGIONS.

50 1. In order for an economic development region to

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1 receive moneys from the Iowa values fund created in
2 section 15G.105, the organization of an economic
3 development region must be approved by the Iowa values
4 board established in section 15G.103. The board shall
5 approve an economic development region that meets the
6 following criteria:

7 a. The region consists of not less than three
8 contiguous counties. Upon the recommendation of the
9 director of the department of economic development,
10 this paragraph may be waived by the board.

11 b. The region establishes a single, focused
12 economic development effort, approved by the board,
13 that shall include the development of a regional
14 development plan and regional marketing strategies.
15 Regional marketing strategies must be focused on
16 marketing the region collectively.

17 2. An approved economic development region may
18 create an economic development region revolving fund
19 as provided in section 15E.232.

20 Sec. ____ . NEW SECTION. 15E.232 ECONOMIC
21 DEVELOPMENT REGION REVOLVING FUNDS -- TAX CREDITS.

22 1. An economic development region approved
23 pursuant to section 15E.231 may create an economic
24 development region revolving fund.

25 2. a. A nongovernmental entity making a
26 contribution to an economic development region
27 revolving fund at any time prior to July 1, 2008,
28 except those described in paragraph "b", may claim a
29 tax credit equal to twenty percent of the amount
30 contributed to the revolving fund. The tax credit
31 shall be allowed against taxes imposed in chapter 422,
32 divisions II, III, and V, and in chapter 432, and
33 against the moneys and credits tax imposed in section
34 533.24. An individual may claim under this subsection
35 the tax credit of a partnership, limited liability
36 company, S corporation, estate, or trust electing to
37 have income taxed directly to the individual. The
38 amount claimed by the individual shall be based upon
39 the pro rata share of the individual's earnings from
40 the partnership, limited liability company, S
41 corporation, estate, or trust. Any tax credit in
42 excess of the taxpayer's liability for the tax year
43 may be credited to the tax liability for the following
44 seven years or until depleted, whichever occurs first.
45 A tax credit shall not be carried back to a tax year
46 prior to the tax year in which the taxpayer redeems
47 the tax credit. A tax credit under this section is
48 not transferable.

49 b. Subject to the provisions of paragraph "c", an
50 organization exempt from federal income tax pursuant

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1 to section 501(c) of the Internal Revenue Code making
2 a contribution to an economic development region
3 revolving fund at any time prior to July 1, 2008,
4 shall be paid from the general fund of the state an
5 amount equal to twenty percent of such contributed
6 amount within thirty days after the end of the fiscal
7 year during which the contribution was made.

8 c. The aggregate amount of tax credits and
9 payments to contributors, referred to as the credit
10 amount, authorized pursuant to this subsection shall
11 not total more than twenty million dollars. The total
12 credit amount authorized during a fiscal year shall
13 not exceed four million dollars plus any unused credit
14 amount carried over from previous years. Any credit
15 amount which remains unused for a fiscal year may be
16 carried forward to the succeeding fiscal year. The
17 maximum credit amount that may be authorized in a
18 fiscal year for contributions made to a specific
19 economic development region revolving fund is equal to
20 four million dollars plus any unused credit amount
21 carried over from previous years divided by the number
22 of economic development region revolving funds
23 existing in the state.

24 d. The department of economic development shall
25 administer the authorization of tax credits under this
26 section and payments to contributors described in
27 paragraph "b" and shall, in cooperation with the
28 department of revenue and finance, adopt rules
29 pursuant to chapter 17A necessary for the
30 administration of this section.

31 3. An approved economic development region may
32 apply for financial assistance from the Iowa values
33 fund to assist with physical infrastructure needs
34 related to a specific business partner. In order to
35 receive financial assistance pursuant to this
36 subsection, the economic development region must
37 demonstrate all of the following:

38 a. The ability to provide matching moneys on a one
39 to one basis.

40 b. The commitment of the specific business
41 partner.

42 c. That all other funding alternatives have been
43 exhausted.

44 4. An approved economic development region may
45 apply for financial assistance from the Iowa values
46 fund to assist an existing business located in the
47 economic development region impacted by business
48 consolidation actions. Business consolidation actions
49 include a substantial or total closure of an existing
50 business due to consolidating the existing business

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1 out of state. In order to receive financial
2 assistance pursuant to this subsection, the economic
3 development region must demonstrate the ability to
4 provide matching moneys on a one-to-one basis.

5 5. An approved economic development region may
6 apply for financial assistance to implement economic
7 development initiatives unique to the region. In
8 order to receive financial assistance pursuant to this
9 subsection, the economic development region must
10 demonstrate the ability to provide matching moneys on
11 a one-to-one basis.

12 6. An approved economic development region may
13 apply for financial assistance to implement innovative
14 initiatives that do not qualify for assistance under
15 subsection 5.

16 7. The board may establish and administer a
17 regional economic development revenue sharing pilot
18 project for one or more regions. The board shall take
19 into consideration the geographical disbursement of
20 the pilot projects. The department of economic
21 development shall provide technical assistance to the
22 regions participating in a pilot project.

23 8. Financial assistance under subsections 3, 4, 5,
24 and 6 and section 15E.233 shall be limited to a total
25 of thirty million dollars.

26 Sec. ____ . NEW SECTION. 15E.233 ECONOMICALLY
27 ISOLATED AREAS.

28 1. An approved economic development region may
29 apply to the Iowa values board for approval to be
30 designated as an economically isolated area based on
31 criteria as determined by the board. An economically
32 isolated area must consist of at least one county
33 meeting the county distress criteria provided in
34 section 15E.194. The board shall approve no more than
35 five regions as economically isolated areas.

36 2. An approved economically isolated area may
37 apply to the department of economic development for
38 financial assistance of up to seven hundred fifty
39 thousand dollars over a five-year period for purposes
40 of economic development-related marketing assistance
41 for the area. In order to receive financial
42 assistance pursuant to this subsection, the
43 economically isolated area must demonstrate the
44 ability to provide matching moneys on a one-to-one
45 basis.

46 Sec. ____ . NEW SECTION. 422.11I ECONOMIC
47 DEVELOPMENT REGION REVOLVING FUND TAX CREDIT.

48 The taxes imposed under this division, less the
49 credits allowed under sections 422.12 and 422.12B,
50 shall be reduced by an economic development region

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1 revolving fund contribution tax credit authorized
2 pursuant to section 15E.232.

3 Sec. _____. Section 422.33, Code 2003, is amended by
4 adding the following new subsection:

5 NEW SUBSECTION. 15. The taxes imposed under this
6 division shall be reduced by an economic development
7 region revolving fund contribution tax credit
8 authorized pursuant to section 15E.232.

9 Sec. _____. Section 422.60, Code 2003, is amended by
10 adding the following new subsection:

11 NEW SUBSECTION. 8. The taxes imposed under this
12 division shall be reduced by an economic development
13 region revolving fund contribution tax credit
14 authorized pursuant to section 15E.232.

15 Sec. _____. NEW SECTION. 432.12E ECONOMIC
16 DEVELOPMENT REGION REVOLVING FUND CONTRIBUTION TAX
17 CREDITS.

18 The tax imposed under this chapter shall be reduced
19 by an economic development region tax credit
20 authorized pursuant to section 15E.232.

21 Sec. _____. Section 533.24, Code 2003, is amended by
22 adding the following new unnumbered paragraph after
23 unnumbered paragraph 4:

24 NEW UNNUMBERED PARAGRAPH. The moneys and credits
25 tax imposed under this section shall be reduced by an
26 economic development region revolving fund
27 contribution tax credit authorized pursuant to section
28 15E.232.

29 DIVISION V
30 WORKFORCE TRAINING AND ECONOMIC DEVELOPMENT FUNDS

31 Sec. _____. NEW SECTION. 260C.18A WORKFORCE
32 TRAINING AND ECONOMIC DEVELOPMENT FUNDS.

33 1. a. A workforce training and economic
34 development fund is created for each community
35 college. Moneys shall be deposited and expended from
36 a fund as provided under this section.

37 b. Moneys in the funds shall consist of any moneys
38 appropriated by the general assembly and any other
39 moneys available to and obtained or accepted by the
40 department of economic development from federal
41 sources or private sources for placement in the funds.
42 Notwithstanding section 8.33, moneys in the funds at
43 the end of each fiscal year shall not revert to any
44 other fund but shall remain in the funds for
45 expenditure in subsequent fiscal years.

46 2. On July 1 of each year for the fiscal year
47 beginning July 1, 2003, and for every fiscal year
48 thereafter, moneys from the Iowa values fund created
49 in section 15G.105 are appropriated to the department
50 of economic development for deposit in the workforce

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1 training and economic development funds in amounts
2 determined pursuant to subsection 3. Moneys deposited
3 in the funds and disbursed to community colleges for a
4 fiscal year shall be expended for the following
5 purposes, provided seventy percent of the moneys shall
6 be used on projects in the areas of advanced
7 manufacturing, information technology and insurance,
8 and life sciences which include the areas of
9 biotechnology, health care technology, and nursing
10 care technology:

11 a. Projects in which an agreement between a
12 community college and an employer located within the
13 community college's merged area meet all of the
14 requirements of the accelerated career education
15 program under chapter 260G. Notwithstanding section
16 260G.4B, projects funded with moneys from workforce
17 training and economic development funds shall be
18 approved by the Iowa values board established in
19 section 15G.103.

20 b. Projects in which an agreement between a
21 community college and a business meet all the
22 requirements of the Iowa jobs training Act under
23 chapter 260F. However, when moneys are provided
24 through the Iowa values fund for such projects,
25 sections 260F.6, subsections 1 and 2, and section
26 260F.8 shall not apply and projects shall be approved
27 by the Iowa values board.

28 c. For the development and implementation of
29 career academies designed to provide new career
30 preparation opportunities for high school students
31 that are formally linked with postsecondary career and
32 technical education programs. Moneys from workforce
33 training and economic development funds that are
34 expended for purposes of this paragraph shall be
35 approved by the Iowa values board established in
36 section 15G.103. For purposes of this section,
37 "career academy" means a program of study that
38 combines a minimum of two years of secondary education
39 with an associate degree, or the equivalent, career
40 preparatory program in a nonduplicative, sequential
41 course of study that is standards based, integrates
42 academic and technical instruction, utilizes work-
43 based and worksite learning where appropriate and
44 available, utilizes an individual career planning
45 process with parent involvement, and leads to an
46 associate degree or postsecondary diploma or
47 certificate in a career field that prepares an
48 individual for entry and advancement in a high-skill
49 and reward career field and further education. The
50 department of economic development, in conjunction

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1 with the state board of education and the division of
2 community colleges and workforce preparation of the
3 department of education, shall adopt administrative
4 rules for the development and implementation of such
5 career academies pursuant to section 256.11,
6 subsection 5, paragraph "h", section 260C.1, and Title
7 II of Pub. L. No. 105-332, Carl D. Perkins Vocational
8 and Technical Education Act of 1998.

9 d. Programs and courses that provide vocational
10 and technical training, and programs for in-service
11 training and retraining under section 260C.1,
12 subsections 2 and 3.

13 3. The maximum cumulative total amount of moneys
14 that may be deposited in all the workforce training
15 and economic development funds for distribution to
16 community colleges in a fiscal year shall be
17 determined as follows:

18 a. Five million dollars for the fiscal year
19 beginning July 1, 2003.

20 b. Ten million dollars for the fiscal year
21 beginning July 1, 2004.

22 c. Fifteen million dollars for the fiscal year
23 beginning July 1, 2005.

24 d. Twenty million dollars for the fiscal year
25 beginning July 1, 2006.

26 e. Twenty-five million dollars for the fiscal year
27 beginning July 1, 2007.

28 f. For the fiscal year beginning July 1, 2008, and
29 each succeeding fiscal year, the Iowa values board
30 shall make a determination if sufficient moneys exist
31 in the Iowa values fund to distribute to community
32 colleges.

33 Sec. _____. Section 260G.3, subsection 2, Code 2003,
34 is amended to read as follows:

35 2. An agreement may include reasonable and
36 necessary provisions to implement the accelerated
37 career education program. If an agreement that
38 utilizes program job credits is entered into, the
39 community college and the employer shall notify the
40 department of revenue and finance as soon as possible.
41 The community college shall also file a copy of the
42 agreement with the department of economic development
43 as required in section 260G.4B. The agreement shall

44 provide for program costs, including deferred costs,
45 which may be paid from any of the following sources:

46 a. Program job credits which the employer receives
47 based on the number of program job positions agreed to
48 by the employer to be available under the agreement.

49 b. Cash or in-kind contributions by the employer
50 toward the program cost. At a minimum, the employer

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1 contribution shall be twenty percent of the program
2 costs.
3 c. Tuition, student fees, or special charges fixed
4 by the board of directors to defray program costs.
5 d. Guarantee by the employer of payments to be
6 received under paragraphs "a" and "b".
7 e. Moneys from a workforce training and economic
8 development fund created in section 260C.18A, based on
9 the number of program job positions agreed to by the
10 employer to be available under the agreement, the
11 amount of which shall be calculated in the same manner
12 as the program job credits provided for in section
13 260G.4A.

DIVISION VI

CULTURAL AND ENTERTAINMENT DISTRICTS --

REHABILITATION PROJECT TAX CREDITS

17 Sec. ____ . NEW SECTION. 303.3B CULTURAL AND
18 ENTERTAINMENT DISTRICTS.

19 1. The department of cultural affairs shall
20 establish and administer a cultural and entertainment
21 district certification program. The program shall
22 encourage the growth of communities through the
23 development of areas within a city or county for
24 public and private uses related to cultural and
25 entertainment purposes.

26 2. A city or county may create and designate a
27 cultural and entertainment district subject to
28 certification by the department of cultural affairs,
29 in consultation with the department of economic
30 development. A cultural and entertainment district
31 shall consist of a geographic area not exceeding one
32 square mile in size. A cultural and entertainment
33 district certification shall remain in effect for ten
34 years following the date of certification. Two or
35 more cities or counties may apply jointly for
36 certification of a district that extends across a
37 common boundary. Through the adoption of
38 administrative rules, the department of cultural
39 affairs shall develop a certification application for
40 use in the certification process.

41 3. The department of cultural affairs shall
42 encourage development projects and activities located
43 in certified cultural and entertainment districts
44 through incentives under cultural grant programs
45 pursuant to section 303.3, chapter 303A, and any other
46 grant programs.

47 Sec. ____ . Section 404A.4, subsection 4, Code 2003,
48 is amended to read as follows:

49 4. The total amount of tax credits that may be
50 approved for a fiscal year under this chapter shall

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1 not exceed two million four hundred thousand dollars.
2 For the fiscal years beginning July 1, 2003, and July
3 1, 2004, an additional two million dollars of tax
4 credits may be approved each fiscal year for purposes
5 of projects located in cultural and entertainment
6 districts certified pursuant to section 303.3B. Any
7 of the additional tax credits allocated for projects
8 located in certified cultural and entertainment
9 districts that are not approved during a fiscal year
10 may be carried over to the succeeding fiscal year.
11 Tax credit certificates shall be issued on the basis
12 of the earliest awarding of certifications of
13 completion as provided in subsection 1. The
14 departments of economic development and revenue and
15 finance shall each adopt rules to jointly administer
16 this subsection and shall provide by rule for the
17 method to be used to determine for which fiscal year
18 the tax credits are approved.

DIVISION VII

SMALL BUSINESS ADVISORY COUNCIL

21 Sec. ____ . Section 15.108, subsection 7, paragraph
22 h, Code 2003, is amended by striking the paragraph."
23 2. By renumbering as necessary.

By WILLIAM A. DOTZLER
HERMAN C. QUIRMBACH
ROGER STEWART
DARYL BEALL
JACK HATCH
DR. JOE SENG
MATT McCOY
AMANDA RAGAN
JOHN P. KIBBIE

EUGENE S. FRAISE
JACK HOLVECK
WALLY E. HORN
DENNIS H. BLACK
MICHAEL E. GRONSTAL
MIKE CONNOLLY
ROBERT E. DVORSKY
THOMAS G. COURTNEY

S-3397 FILED MAY 29, 2003

LOST

HOUSE FILE 692**S-3400**

1 Amend the amendment, S-3391, to House File 692, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 67, by inserting after line 24 the
5 following: "The reduction in liability to employers
6 resulting from the apportionment as provided in this
7 paragraph shall be passed on to employers in this
8 state purchasing workers' compensation insurance by a
9 two and eight-tenths percent reduction in yearly
10 workers' compensation insurance premiums due during
11 the fiscal year beginning on July 1, 2003."

By DICK L. DEARDEN

S-3400 FILED MAY 29, 2003

LOST

HOUSE FILE 692**S-3399**

1 Amend the amendment, S-3391, to House File 692, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 2, line 35, by striking the words "prior
5 to" and inserting the following: "after".
6 2. Page 3, line 23, by striking the words "prior
7 to" and inserting the following: "after".
8 3. Page 4, line 10, by striking the words "prior
9 to" and inserting the following: "after".

By HERMAN C. QUIRMBACH

S-3399 FILED MAY 29, 2003

LOST

HOUSE FILE 692

S-3402

1 Amend the amendment, S-3391, to House File 692, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 44, line 44, by inserting after the word
5 "percent" the following: "more than the projected
6 levels using economic projections and indicators".

7 2. Page 45, by inserting after line 10 the
8 following:

9 "(9) A net increase in the number of jobs in each
10 industry sector in Iowa."

11 3. Page 46, by inserting after line 48 the
12 following:

13 "All financial assistance to businesses receiving
14 moneys from the fund shall be in the form of loans. A
15 loan may be forgiven if the board and the department
16 both find that all of the following conditions exist:

17 1. More than five years has expired since the
18 recipient entered into the original loan agreement for
19 the moneys.

20 2. The recipient met all conditions and goals
21 established in the original loan agreement. The goals
22 must include a net increase of at least one permanent
23 quality job, as defined by the department, per every
24 ten thousand dollars received. The net increase must
25 be measured by both a net increase in permanent
26 quality jobs within the business and within the
27 industry in Iowa of which the recipient is included.

28 3. The business has not demonstrated a continuous
29 and flagrant disregard for the health and safety of
30 its employees or the quality of the environment.
31 Evidence of such disregard shall include a history of
32 serious or uncorrected violations of state or federal
33 law protecting occupational health and safety or the
34 environment, including but not limited to serious or
35 uncorrected violations of occupational safety and
36 health standards enforced by the division of labor
37 services of the department of workforce development
38 pursuant to chapter 84A, or rules enforced by the
39 department of natural resources pursuant to chapter
40 455B or chapter 459, subchapter II or III."

By KEITH A. KREIMAN

S-3402 FILED MAY 29, 2003

LOST

SENATE AMENDMENT TO
HOUSE FILE 692

H-1615

1 Amend House File 692, as amended, passed, and
2 reprinted by the House, as follows:

3 1. By striking everything after the enacting
4 clause and inserting the following:

5 "DIVISION I
6 PROPERTY TAXATION

7 Section 1. Section 441.19, subsections 1 and 2,
8 Code 2003, are amended to read as follows:

9 1. Supplemental and optional to the procedure for
10 the assessment of property by the assessor as provided
11 in this chapter, the assessor may require from all
12 persons required to list their property for taxation
13 as provided by sections 428.1 and 428.2, a
14 supplemental return to be prescribed by the director
15 of revenue and finance upon which the person shall
16 list the person's property and any additions or
17 modifications completed in the prior year to a
18 structure located on the property. The supplemental
19 return shall be in substantially the same form as now
20 prescribed by law for the assessment rolls used in the
21 listing of property by the assessors. Every person
22 required to list property for taxation shall make a
23 complete listing of the property upon supplemental
24 forms and return the listing to the assessor ~~as~~
25 ~~promptly as possible~~ within thirty days of receiving
26 the assessment notice in section 441.23. The return
27 shall be verified over the signature of the person
28 making the return and section 441.25 applies to any
29 person making such a return. The assessor shall make
30 supplemental return forms available as soon as
31 practicable after the first day of January of each
32 year. The assessor shall make supplemental return
33 forms available to the taxpayer by mail, or at a
34 designated place within the taxing district.

35 2. Upon receipt of such supplemental return from
36 any person the assessor shall prepare a roll assessing
37 such person as hereinafter provided. In the
38 preparation of such assessment roll the assessor shall
39 be guided not only by the information contained in
40 such supplemental roll, but by any other information
41 the assessor may have or which may be obtained by the
42 assessor as prescribed by the law relating to the
43 assessment of property. The assessor shall not be
44 bound by any values or square footage determinations
45 or purchase prices as listed in such supplemental
46 return, and may include in the assessment roll any
47 property omitted from the supplemental return which in
48 the knowledge and belief of the assessor should be
49 listed as required by law by the person making the
50 supplemental return. Upon completion of such roll the

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Adopted as amended (see H-1623) 6/3/03

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1 assessor shall deliver to the person submitting such
2 supplemental return a copy of the assessment roll,
3 either personally or by mail.

4 Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.

5 It is the intent of the general assembly that there
6 be transparency in the property tax system. It is
7 further the intent of the general assembly that
8 property assessments for purposes of property taxation
9 be equal and uniform within classes of property. It
10 is further the intent of the general assembly to
11 minimize the impact that maintenance and upkeep by the
12 owner of property has on the assessment of that
13 property and that there be predictability in increases
14 of property assessments and that such predictability
15 be based primarily on the actions of the property
16 owner. It is further the intent of the general
17 assembly to minimize the impact that increases in
18 assessed value of property will have on property taxes
19 paid and that any increases will be primarily the
20 result of direct action taken by the local taxing
21 authority in setting budget amounts rather than by
22 increases in market value of property.

23 Sec. 3. Section 441.21, Code 2003, is amended by
24 striking the section and inserting in lieu thereof the
25 following:

26 441.21 ASSESSMENT OF STRUCTURES.

27 1. All real property, except land, subject to
28 taxation shall be assessed on a value per square foot
29 basis according to the provisions of this section.

30 2. a. Subject to paragraph "b", for valuations
31 established as of January 1, 2006, and for subsequent
32 assessment years, the assessed value per square foot
33 of a residential structure shall be an amount equal to
34 the valuation of the structure as determined for the
35 assessment year beginning January 1, 2005, prior to
36 application of the assessment limitation for that
37 year, divided by the total number of square feet of
38 the structure as of January 1, 2005.

39 b. (1) The assessed value per square foot of an
40 existing residential structure purchased after January
41 1, 2005, shall be the purchase price of the structure
42 divided by the cumulative inflation factor established
43 for the assessment year following the year of
44 purchase, divided by the total number of square feet
45 of the structure as of January 1 of the assessment
46 year. The assessed value per square foot of a
47 residential structure newly constructed after January
48 1, 2005, shall be the market value of the structure,
49 as determined by the assessor, divided by the
50 cumulative inflation factor established for the

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1 assessment year following the year construction was
2 completed, divided by the total number of square feet
3 of the structure as of January 1 of the assessment
4 year. However, when valuing an addition that
5 substantially increases the square footage of a
6 structure, only that portion of the structure
7 comprising the addition shall be valued by the
8 assessor under this subparagraph.

9 (2) If additions or modifications to an existing
10 structure do not constitute a newly constructed
11 structure, the valuation of the structure shall only
12 increase if the square footage of the structure
13 increases. The increased valuation, if any, equals
14 the amount of increased square feet times the value
15 per square foot of the structure prior to the
16 additions or modifications.

17 3. a. Subject to paragraph "b" for valuations
18 established as of January 1, 2006, and for subsequent
19 assessment years, the assessed value per square foot
20 of a commercial or industrial structure shall be an
21 amount equal to the valuation of the structure as
22 determined for the assessment year beginning January
23 1, 2005, prior to application of the assessment
24 limitation for that year, divided by the total number
25 of square feet of the structure as of January 1, 2005.

26 b. (1) The assessed value per square foot of an
27 existing commercial or industrial structure purchased
28 after January 1, 2005, shall be the purchase price of
29 the structure divided by the cumulative inflation
30 factor established for the assessment year following
31 the year of purchase, divided by the total number of
32 square feet of the structure as of January 1 of the
33 assessment year. The assessed value per square foot
34 of a commercial or industrial structure newly
35 constructed after January 1, 2005, shall be the market
36 value of the structure, as determined by the assessor,
37 divided by the cumulative inflation factor established
38 for the assessment year following the year
39 construction was completed, divided by the total
40 number of square feet of the structure as of January 1
41 of the assessment year. However, when valuing an
42 addition that substantially increases the square
43 footage of a structure, only that portion of the
44 structure comprising the addition shall be valued by
45 the assessor under this subparagraph.

46 (2) If additions or modifications to an existing
47 structure do not constitute a newly constructed
48 structure, the valuation of the structure shall only
49 increase if the square footage of the structure
50 increases. The increased valuation, if any, equals

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1 the amount of increased square feet times the value
2 per square foot of the structure prior to the
3 additions or modifications.

4 4. a. Subject to paragraph "b" for valuations
5 established as of January 1, 2006, and for subsequent
6 assessment years, the assessed value per square foot
7 of an agricultural structure that is not an
8 agricultural dwelling shall be an amount equal to the
9 valuation of the structure as determined for the
10 assessment year beginning January 1, 2005, prior to
11 application of the assessment limitation for that
12 year, divided by the total number of square feet of
13 the structure as of January 1, 2005.

14 b. (1) The assessed value per square foot of an
15 existing agricultural structure purchased after
16 January 1, 2005, shall be the productivity value of
17 the structure divided by the cumulative inflation
18 factor established for the assessment year following
19 the year of purchase, divided by the total number of
20 square feet of the structure as of January 1 of the
21 assessment year. The assessed value per square foot
22 of an agricultural structure newly constructed after
23 January 1, 2005, shall be the productivity value of
24 the structure for the assessment year following the
25 year construction was completed, as determined by the
26 assessor, divided by the cumulative inflation factor
27 established for the assessment year following the year
28 construction was completed, divided by the total
29 number of square feet of the structure as of January 1
30 of the assessment year. However, when valuing an
31 addition that substantially increases the square
32 footage of a structure, only that portion of the
33 structure comprising the addition shall be valued by
34 the assessor under this subparagraph.

35 (2) If additions or modifications to an existing
36 structure do not constitute a newly constructed
37 structure, the valuation of the structure shall only
38 increase if the square footage of the structure
39 increases. The increased valuation, if any, equals
40 the amount of increased square feet times the value
41 per square foot of the structure prior to the
42 additions or modifications.

43 5. a. In determining the market value of newly
44 constructed property, except agricultural structures,
45 the assessor may determine the value of the property
46 using uniform and recognized appraisal methods
47 including its productive and earning capacity, if any,
48 industrial conditions, its cost, physical and
49 functional depreciation and obsolescence and
50 replacement cost, and all other factors which would

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1 assist in determining the fair and reasonable market
2 value of the property but the actual value shall not
3 be determined by use of only one such factor. The
4 following shall not be taken into consideration:
5 special value or use value of the property to its
6 present owner, and the goodwill or value of a business
7 that uses the property as distinguished from the value
8 of the property as property. However, in assessing
9 property that is rented or leased to low-income
10 individuals and families as authorized by section 42
11 of the Internal Revenue Code, as amended, and which
12 section limits the amount that the individual or
13 family pays for the rental or lease of units in the
14 property, the assessor shall use the productive and
15 earning capacity from the actual rents received as a
16 method of appraisal and shall take into account the
17 extent to which that use and limitation reduces the
18 market value of the property. The assessor shall not
19 consider any tax credit equity or other subsidized
20 financing as income provided to the property in
21 determining the market value. Upon adoption of
22 uniform rules by the department of revenue and finance
23 or covering assessments and valuations of such
24 properties, the valuation on such properties shall be
25 determined in accordance with such values for
26 assessment purposes to assure uniformity, but such
27 rules shall not be inconsistent with or change the
28 foregoing means of determining the market value.

29 b. The actual value of special purpose tooling,
30 which is subject to assessment and taxation as real
31 property under section 427A.1, subsection 1, paragraph
32 "e", but which can be used only to manufacture
33 property which is protected by one or more United
34 States or foreign patents, shall not exceed the fair
35 and reasonable exchange value between a willing buyer
36 and a willing seller, assuming that the willing buyer
37 is purchasing only the special purpose tooling and not
38 the patent covering the property which the special
39 purpose tooling is designed to manufacture nor the
40 rights to manufacture the patented property. For
41 purposes of this paragraph, special purpose tooling
42 includes dies, jigs, fixtures, molds, patterns, and
43 similar property. The assessor shall not take into
44 consideration the special value or use value to the
45 present owner of the special purpose tooling which is
46 designed and intended solely for the manufacture of
47 property protected by a patent in arriving at the
48 actual value of the special purpose tooling.

49 c. In determining the purchase price of a
50 structure, the assessor shall consider whether the

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1 sale was a fair and reasonable exchange in the year in
2 which the property was listed and valued between a
3 willing buyer and a willing seller, neither being
4 under any compulsion to buy or sell and each being
5 familiar with all the facts relating to the particular
6 property. Sale prices of the property or comparable
7 property in normal transactions reflecting market
8 value, and the probable availability or unavailability
9 of persons interested in purchasing the property,
10 shall be taken into consideration in determining
11 purchase price. In determining purchase price, sale
12 prices of property in abnormal transactions not
13 reflecting market value shall not be taken into
14 account, or shall be adjusted to eliminate the effect
15 of factors which distort market value, including but
16 not limited to sales to immediate family of the
17 seller, foreclosure or other forced sales, contract
18 sales, or discounted purchase transactions.

19 d. If a county enters into a contract before May
20 1, 2003, for a comprehensive revaluation by a private
21 appraiser and such revaluation is for the assessment
22 year beginning January 1, 2006, the valuations
23 determined under the comprehensive revaluation for
24 that assessment year shall be divided by the
25 cumulative inflation factor for the assessment year
26 beginning January 1, 2006, and that quotient shall be
27 considered the valuation of the property for the
28 assessment year beginning January 1, 2005.

29 6. Notwithstanding any other provision of this
30 section, the assessed value per square foot of a
31 structure times the total number of square feet of the
32 structure shall not exceed its fair and reasonable
33 market value for the assessment year, except for
34 agricultural structures which shall be valued
35 exclusively as provided in subsection 4.

36 7. For purposes of this section:

37 a. "Annual inflation factor" means an index,
38 expressed as a percentage, determined by the
39 department by January 15 of the assessment year for
40 which the factor is determined, which reflects the
41 purchasing power of the dollar as a result of
42 inflation during the twelve-month period ending
43 September 30 of the calendar year preceding the
44 assessment year for which the factor is determined.
45 In determining the annual inflation factor, the
46 department shall use the annual percent change, but
47 not less than zero percent, in the gross domestic
48 product price deflator computed for the calendar year
49 by the bureau of economic analysis of the United
50 States department of commerce and shall add all of

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1 that percent change to one hundred percent. The
2 annual inflation factor and the cumulative inflation
3 factor shall each be expressed as a percentage rounded
4 to the nearest one-tenth of one percent. The annual
5 inflation factor shall not be less than one hundred
6 percent. The annual inflation factor for the 2005
7 calendar year is one hundred percent.

8 b. "Cumulative inflation factor" means the product
9 of the annual inflation factor for the 2005 calendar
10 year and all annual inflation factors for subsequent
11 calendar years as determined pursuant to this
12 subsection. The cumulative inflation factor applies
13 to the assessment year beginning on January 1 of the
14 calendar year for which the latest annual inflation
15 factor has been determined.

16 c. "Newly constructed" includes, but is not
17 limited to, structural replacement, additions that
18 substantially increase the square footage, conversion
19 into another class of property, and conversion from
20 exempt property under section 427.1 to taxable
21 property. For commercial and industrial property,
22 "newly constructed" also includes an addition or
23 removal to a structure of personal property taxed as
24 real estate under chapter 427A.

25 d. "Structure" means any part of that which is
26 built or constructed, an edifice or building of any
27 kind, or any piece of work artificially built up or
28 composed of parts joined together in some definite
29 manner. For residential structures, structure
30 includes only those parts of the structure, including
31 basements and attics, that are or could be used as
32 living space. "Structure" does not include the land
33 beneath, or horizontal improvements relating to the
34 structure, such as sidewalks, sewers, or retaining
35 walls.

36 8. For the purpose of computing the debt
37 limitations for municipalities, political
38 subdivisions, and school districts, the term "actual
39 value" means the "actual value" as determined under
40 this section without application of any percentage
41 reduction and entered opposite each item, and as
42 listed on the tax list as provided in section 443.2,
43 as "actual value".

44 Whenever any board of review or other tribunal
45 changes the assessed value of property, all applicable
46 records of assessment shall be adjusted to reflect
47 such change in both assessed value and actual value of
48 such property.

49 9. The provisions of this chapter and chapters
50 443, 443A, and 444 shall be subject to legislative

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1 review at least once every five years. The review
2 shall be based upon a property tax status report
3 containing the recommendations of a property tax
4 implementation committee appointed to conduct a review
5 of the land tax, square footage tax, the baseline
6 assessment for the square footage tax, and other
7 related provisions, to be prepared with the assistance
8 of the departments of management and revenue and
9 finance. The report shall include recommendations for
10 changes or revisions based upon demographic changes
11 and property tax valuation fluctuations observed
12 during the preceding five-year interval, and a summary
13 of issues that have arisen since the previous review
14 and potential approaches for their resolution. The
15 first such report shall be submitted to the general
16 assembly no later than January 1, 2010, with
17 subsequent reports developed and submitted by January
18 1 at least every fifth year thereafter.

19 Sec. 4. NEW SECTION. 441.21A PROPERTY
20 CLASSIFICATIONS.

21 1. a. Agricultural land shall be valued at its
22 productivity value. The productivity value of
23 agricultural land shall be determined on the basis of
24 productivity and net earning capacity of the land
25 determined on the basis of its use for agricultural
26 purposes capitalized at a rate of seven percent and
27 applied uniformly among counties and among classes of
28 property. Any formula or method employed to determine
29 productivity and net earning capacity of land shall be
30 adopted in full by rule.

31 b. In counties or townships in which field work on
32 a modern soil survey has been completed since January
33 1, 1949, the assessor shall place emphasis upon the
34 results of the survey in spreading the valuation among
35 individual parcels of such agricultural land.

36 c. "Agricultural land" includes the land of a
37 vineyard.

38 2. a. "Residential property" includes all lands
39 and buildings which are primarily used or intended for
40 human habitation, including those buildings located on
41 agricultural land. Buildings used primarily or
42 intended for human habitation shall include the
43 dwelling as well as structures and improvements used
44 primarily as a part of, or in conjunction with, the
45 dwelling. This includes but is not limited to
46 garages, whether attached or detached, tennis courts,
47 swimming pools, guest cottages, and storage sheds for
48 household goods. Residential property located on
49 agricultural land shall include only buildings.

50 b. "Residential property" includes all land and

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1 buildings of multiple housing cooperatives organized
2 under chapter 499A and includes land and buildings
3 used primarily for human habitation which land and
4 buildings are owned and operated by organizations that
5 have received tax-exempt status under section
6 501(c)(3) of the Internal Revenue Code and rental
7 income from the property is not taxed as unrelated
8 business income under section 422.33, subsection 1A.

9 c. "Residential property" includes an apartment in
10 a horizontal property regime referred to in chapter
11 499B which is used or intended for use for human
12 habitation regardless of who occupies the apartment.
13 Existing structures shall not be converted to a
14 horizontal property regime unless applicable building
15 code requirements have been met.

16 d. Buildings for human habitation that are used as
17 commercial ventures, including but not limited to
18 hotels, motels, rest homes, and structures containing
19 three or more separate living quarters shall not be
20 considered residential property.

21 Sec. 5. Section 441.23, Code 2003, is amended to
22 read as follows:

23 441.23 NOTICE OF VALUATION.

24 If there has been an increase or decrease in the
25 valuation of the property, or upon the written request
26 of the person assessed, the assessor shall, at the
27 time of making the assessment, inform the person
28 assessed, in writing, of the valuation put upon the
29 taxpayer's property, and notify the person, if the
30 person feels aggrieved, to appear before the board of
31 review and show why the assessment should be changed.
32 However, if the valuation of ~~a class of~~ agricultural
33 property is uniformly decreased, the assessor may
34 notify the affected property owners by publication in
35 the official newspapers of the county. The owners of
36 real property shall be notified not later than April
37 15 of any adjustment of the real property assessment.
38 The notification shall include a supplemental return
39 form for the person to list the person's property and
40 any additions or modifications completed in the prior
41 year to a structure located on the property, as
42 required in section 441.19.

43 Sec. 6. Section 441.24, Code 2003, is amended to
44 read as follows:

45 441.24 REFUSAL TO FURNISH STATEMENT.

46 1. If a person refuses to furnish the verified
47 statements required in connection with the assessment
48 of property by the assessor, or to list the
49 corporation's or person's property, the director of
50 revenue and finance, or assessor, as the case may be,

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1 shall proceed to list and assess the property
2 according to the best information obtainable, and
3 shall add to the ~~taxable~~ agricultural land and square
4 footage valuation one hundred percent thereof, which
5 valuation and penalty shall be separately shown, and
6 shall constitute the assessment; and if the
7 agricultural land or square footage valuation of the
8 property is changed by a board of review, or on appeal
9 from a board of review, a like penalty shall be added
10 to the valuation thus fixed.

11 2. However, all or part of the penalty imposed
12 under this section may be waived by the board of
13 review upon application to the board by the assessor
14 or the property owner. The waiver or reduction in the
15 penalty shall be allowed only on the agricultural land
16 or the square footage valuation of ~~real property~~ the
17 structure against which the penalty has been imposed.

18 Sec. 7. Section 441.26, unnumbered paragraph 3,
19 Code 2003, is amended to read as follows:

20 The notice in ~~1984~~ 2007 and each odd-numbered year
21 thereafter shall contain a statement that ~~the~~
22 agricultural property assessments and property
23 assessed pursuant to section 441.21, subsection 2,
24 paragraph "b", subparagraph (1), and subsection 3,
25 paragraph "b", subparagraph (1), are subject to
26 equalization pursuant to an order issued by the
27 director of revenue and finance, that the county
28 auditor shall give notice on or before October 15 by
29 publication in an official newspaper of general
30 circulation to any ~~class of~~ agricultural property
31 affected by the equalization order, and that the board
32 of review shall be in session from October 15 to
33 November 15 to hear protests of affected property
34 owners or taxpayers whose valuations have been
35 adjusted by the equalization order.

36 Sec. 8. Section 441.26, unnumbered paragraphs 4
37 and 5, Code 2003, are amended to read as follows:

38 The assessment rolls shall be used in listing the
39 property, the number of structures, and the total
40 square footage of the structures by class of property,
41 and showing the values affixed to agricultural land
42 and the assessed value per square foot affixed to ~~the~~
43 property the structures by class of property of all
44 persons assessed. The rolls shall be made in
45 duplicate. The duplicate roll shall be signed by the
46 assessor, detached from the original and delivered to
47 the person assessed if there has been an increase or
48 decrease in the valuation of the property. If there
49 has been no change in the evaluation, the information
50 on the roll may be printed on computer stock paper and

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1 preserved as required by this chapter. If the person
2 assessed requests in writing a copy of the roll, the
3 copy shall be provided to the person. The pages of
4 the assessor's assessment book shall contain columns
5 ruled and headed for the information required by this
6 chapter and that which the director of revenue and
7 finance deems essential in the equalization work of
8 the director. The assessor shall return all
9 assessment rolls and schedules to the county auditor,
10 along with the completed assessment book, as provided
11 in this chapter, and the county auditor shall
12 carefully keep and preserve the rolls, schedules and
13 book for a period of five years from the time of its
14 filing in the county auditor's office.

15 Beginning with valuations for January 1, ~~1977~~ 2006,
16 and each succeeding year, for each parcel of
17 agricultural property and for each structure entered
18 in the assessment book, the assessor shall list the
19 classification of the property.

20 Sec. 9. Section 441.35, subsection 1, Code 2003,
21 is amended by striking the subsection.

22 Sec. 10. Section 441.35, unnumbered paragraph 2,
23 Code 2003, is amended by striking the unnumbered
24 paragraph.

25 Sec. 11. Section 441.36, Code 2003, is amended to
26 read as follows:

27 441.36 CHANGE OF ASSESSMENT -- NOTICE.

28 All changes in assessments authorized by the board
29 of review, and reasons therefor, shall be entered in
30 the minute book kept by ~~said~~ the board and on the
31 assessment roll. ~~Said~~ The minute book shall be filed
32 with the assessor after the adjournment of the board
33 of review and shall at all times be open to public
34 inspection. In case the value of any specific
35 property or structure or the entire assessment of any
36 person, partnership, or association is increased, or
37 new property or a new structure is added by the board,
38 the clerk shall give immediate notice thereof by mail
39 to each at the post-office address shown on the
40 assessment rolls, and at the conclusion of the action
41 of the board therein the clerk shall post an
42 alphabetical list of those whose assessments are thus
43 raised and added, in a conspicuous place in the office
44 or place of meeting of the board, and enter upon the
45 records a statement that such posting has been made,
46 which entry shall be conclusive evidence of the giving
47 of the notice required. The board shall hold an
48 adjourned meeting, with at least five days intervening
49 after the posting of ~~said~~ the notices, before final
50 action with reference to the raising of assessments or

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1 the adding of property or structures to the rolls is
2 taken, and the posted notices shall state the time and
3 place of holding such adjourned meeting, which time
4 and place shall also be stated in the proceedings of
5 the board.

6 Sec. 12. Section 441.37, subsection 1, paragraphs
7 a and b, Code 2003, are amended to read as follows:

8 a. That ~~said~~ the assessment is not equitable as
9 compared with assessments of other like property or
10 structures in the taxing district. When this ground
11 is relied upon as the basis of a protest the legal
12 description and assessments of a representative number
13 of comparable ~~properties~~ structures, as described by
14 the aggrieved taxpayer shall be listed on the protest,
15 otherwise ~~said~~ the protest shall not be considered on
16 this ground.

17 b. That the property or structure is assessed for
18 more than the value authorized by law, stating the
19 specific amount which the protesting party believes
20 the property or structure to be overassessed, and the
21 amount which the party considers to be its actual
22 value and the amount the party considers a fair
23 assessment.

24 Sec. 13. Section 441.39, Code 2003, is amended to
25 read as follows:

26 441.39 TRIAL ON APPEAL.

27 The court shall hear the appeal in equity and
28 determine anew all questions arising before the board
29 which relate to the liability of the property or
30 structure to assessment or the amount thereof. The
31 court shall consider all of the evidence and there
32 shall be no presumption as to the correctness of the
33 ~~valuation of~~ assessment appealed from. Its decision
34 shall be certified by the clerk of the court to the
35 county auditor, and the assessor, who shall correct
36 the assessment books accordingly.

37 Sec. 14. Section 441.42, Code 2003, is amended to
38 read as follows:

39 441.42 APPEAL ON BEHALF OF PUBLIC.

40 Any officer of a county, city, township, drainage
41 district, levee district, or school district
42 interested or a taxpayer thereof may in like manner
43 make complaint before ~~said~~ the board of review in
44 respect to the assessment of any property or structure
45 in the township, drainage district, levee district or
46 city and an appeal from the action of the board of
47 review in fixing the amount of assessment on any
48 property or structure concerning which such complaint
49 is made, may be taken by any of such aforementioned
50 officers.

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1 Such appeal is in addition to the appeal allowed to
2 the person whose property or structure is assessed and
3 shall be taken in the name of the county, city,
4 township, drainage district, levee district, or school
5 district interested, and tried in the same manner,
6 except that the notice of appeal shall also be served
7 upon the owner of the property or structure concerning
8 which the complaint is made and affected thereby or
9 person required to return said property or structure
10 for assessment.

11 Sec. 15. Section 441.43, Code 2003, is amended to
12 read as follows:

13 441.43 POWER OF COURT.

14 Upon trial of any appeal from the action of the
15 board of review fixing the amount of assessment upon
16 any property or structure concerning which complaint
17 is made, the court may increase, decrease, or affirm
18 the amount of the assessment appealed from.

19 Sec. 16. Section 441.45, subsections 1 and 2, Code
20 2003, are amended to read as follows:

21 1. The number of acres of land and the aggregate
22 taxable values of the agricultural land, exclusive of
23 city lots, returned by the assessors, as corrected by
24 the board of review.

25 2. The aggregate values of structures and the
26 taxable square footage values of real estate
27 structures by class in each township and city in the
28 county and the aggregate value of agricultural land in
29 each township and city in the county, returned as
30 corrected by the board of review.

31 Sec. 17. Section 441.47, Code 2003, is amended by
32 adding the following new unnumbered paragraph:

33 NEW UNNUMBERED PARAGRAPH. For the assessment year
34 beginning January 1, 2007, and for all subsequent
35 assessment years, only property classified as
36 agricultural property and property assessed pursuant
37 to section 441.21, subsection 2, paragraph "b",
38 subparagraph (1), and subsection 3, paragraph "b",
39 subparagraph (1), shall be subject to equalization by
40 the director of revenue and finance under this section
41 and sections 441.48 and 441.49.

42 Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF
43 INFLATION FACTORS.

44 The director of revenue and finance on or about
45 August 15, 2007, and every two years thereafter, shall
46 order the equalization of the assessed value per
47 square foot resulting from the application of the
48 cumulative inflation factor in the several assessing
49 jurisdictions in each case as may be necessary to
50 bring such values as fixed by the assessor in cases of

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1 purchases of property and newly constructed property
2 to the values determined for the assessment year
3 beginning January 1, 2005. In equalizing the effects
4 of the application of the cumulative inflation factor,
5 the department shall make use of reports issued by
6 Iowa state university of science and technology which
7 reports shall more precisely indicate, on a county-by-
8 county basis, annual and cumulative inflation factors
9 for each county. If the cumulative inflation factor
10 for an assessing jurisdiction as reported by Iowa
11 state university of science and technology is five
12 percent above or below the cumulative inflation factor
13 as defined in section 441.21, subsection 7, the
14 director shall notify the assessor by mail of the
15 equalization of the effects of the cumulative
16 inflation factor for the assessing jurisdiction. The
17 assessor shall recompute the assessments made pursuant
18 to section 441.21, subsection 2, paragraph "b",
19 subparagraph (1), subsection 3, paragraph "b",
20 subparagraph (1), and subsection 4, paragraph "b",
21 subparagraph (1), by applying the equalized inflation
22 factor. The assessor shall send notice of the
23 equalized assessments to all affected property owners.

24 Sec. 19. Section 441.50, Code 2003, is amended to
25 read as follows:

26 441.50 APPRAISERS EMPLOYED.

27 The conference board shall have power to employ
28 appraisers or other technical or expert help to assist
29 in the valuation assessment of property as provided in
30 section 441.21, the cost thereof to be paid in the
31 same manner as other expenses of the assessor's
32 office. The conference board may certify for levy
33 annually an amount not to exceed forty and one-half
34 cents per thousand dollars of assessed value of
35 taxable property for the purpose of establishing a
36 special appraiser's fund, to be used only for such
37 purposes. From time to time the conference board may
38 direct the transfer of any unexpended balance in the
39 special appraiser's fund to the assessment expense
40 fund.

41 Sec. 20. Section 443.1, Code 2003, is amended to
42 read as follows:

43 443.1 CONSOLIDATED TAX.

44 All square footage taxes which are uniform
45 throughout any township or school district shall be
46 formed into a single tax and entered upon the tax list
47 in a single column, to be known as a consolidated tax,
48 and each receipt shall show the percentage levied for
49 each separate fund. The land tax shall be separately
50 stated and each receipt shall show the percentage

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1 levied for each separate fund.

2 Sec. 21. Section 443.2, Code 2003, is amended to
3 read as follows:

4 443.2 TAX LIST.

5 Before the first day of July in each year, the
6 county auditor shall transcribe the assessments of the
7 townships and cities into a book or record, to be
8 known as the tax list, properly ruled and headed, with
9 separate columns, in which shall be entered the names
10 of the taxpayers, descriptions of lands, number of
11 acres and value, numbers of city lots, their size in
12 acres, and value, and each description of the square
13 footage tax and the land tax, with a column for polls
14 and one for payments, and shall complete it by
15 entering the amount due on each installment,
16 separately, and carrying out the total of both
17 installments. The total of all columns of each page
18 of each book or other record shall balance with the
19 tax totals. After computing the amount of land tax
20 and square footage tax due and payable on each
21 property, the county auditor shall round the total
22 amount of ~~tax~~ taxes due and payable on the property to
23 the nearest even whole dollar.

24 The county auditor shall list the aggregate actual
25 value and the aggregate taxable value of all taxable
26 property within the county and each political
27 subdivision including property subject to the
28 statewide property tax imposed under section 437A.18
29 on the tax list in order that the actual value of the
30 taxable property within the county or a political
31 subdivision may be ascertained and shown by the tax
32 list for the purpose of computing the debt-incurring
33 capacity of the county or political subdivision. As
34 used in this section, "actual value" is the value
35 determined under section 441.21, subsections 1 to 3,
36 Code 2005, prior to the reduction to a percentage of
37 actual value as otherwise provided in section 441.21,
38 Code 2005. "Actual value" of property subject to
39 statewide property tax is the assessed value under
40 section 437A.18.

41 Sec. 22. Section 443.3, Code 2003, is amended to
42 read as follows:

43 443.3 CORRECTION -- TAX APPORTIONED.

44 At the time of transcribing ~~said~~ the assessments
45 into the tax list, the county auditor shall correct
46 all transfers up to date and place the legal
47 descriptions of all real estate in the name of the
48 owner at ~~said~~ that date as shown by the transfer book
49 in the auditor's office. At the end of the list for
50 each township or city the auditor shall make an

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1 abstract thereof, and apportion the consolidated tax
2 among the respective funds to which it belongs,
3 according to the amounts levied for each. The auditor
4 shall apportion the land tax as prescribed in section
5 443A.2.

6 Sec. 23. Section 443.6, Code 2003, is amended to
7 read as follows:

8 443.6 CORRECTIONS BY AUDITOR.

9 The auditor may correct any error in the assessment
10 or tax list, and the assessor or auditor may list for
11 taxation any omitted land and may assess and list for
12 taxation any omitted property structure.

13 Sec. 24. Section 443.7, Code 2003, is amended to
14 read as follows:

15 443.7 NOTICE.

16 Before listing for taxation any omitted land and
17 before assessing and listing for taxation any omitted
18 property structure, the assessor or auditor shall
19 notify by mail the person in whose name the ~~property~~
20 land or structure is taxed, to appear before the
21 assessor or auditor at the assessor's or auditor's
22 office within ten days from the date of the notice and
23 show cause, if any, why the correction or assessment
24 should not be made.

25 Sec. 25. Section 443.9, Code 2003, is amended to
26 read as follows:

27 443.9 ADJUSTMENT OF ACCOUNTS.

28 If such correction or assessment is made after the
29 books or other records approved by the ~~state~~ auditor
30 of state have passed into the hands of the treasurer,
31 the treasurer shall be charged or credited therefor as
32 the case may be. In the event such listing of omitted
33 land or listing and assessment of omitted property
34 structure is made by the assessor after the tax
35 records have passed into the hands of the auditor or
36 treasurer, such correction or assessment shall be
37 entered on the records by the auditor or treasurer.

38 Sec. 26. Section 443.12, Code 2003, is amended to
39 read as follows:

40 443.12 CORRECTIONS BY TREASURER.

41 When property land or a structure subject to
42 taxation is withheld, overlooked, or from any other
43 cause is not listed, or is not listed and assessed,
44 the county treasurer shall, when apprised thereof, at
45 any time within two years from the date at which such
46 listing and assessment should have been made, demand
47 of the person, firm, corporation, or other party by
48 whom the same should have been listed, or to whom it
49 should have been listed and assessed, or of the
50 administrator thereof, the amount the property land or

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1 structure should have been taxed in each year the same
2 was so withheld or overlooked and not listed or not
3 listed and assessed, together with six percent
4 interest thereon from the time the taxes would have
5 become due and payable had such ~~property~~ land been
6 listed or such structure been listed and assessed.

7 Sec. 27. Section 443.13, Code 2003, is amended to
8 read as follows:

9 443.13 ACTION BY TREASURER -- APPORTIONMENT.

10 Upon failure to pay such sum within thirty days,
11 with all accrued interest, the treasurer shall cause
12 an action to be brought in the name of the treasurer
13 for the use of the proper county, to be prosecuted by
14 the county attorney, or such other person as the board
15 of supervisors may appoint, and when such ~~property~~
16 land has been fraudulently withheld from listing or
17 such structure fraudulently withheld from listing and
18 assessment, there shall be added to the sum found to
19 be due a penalty of fifty percent upon the amount,
20 which shall be included in the judgment. The amount
21 thus recovered shall be by the treasurer apportioned
22 ratably as the taxes would have been if they had been
23 paid according to law.

24 Sec. 28. Section 443.14, Code 2003, is amended to
25 read as follows:

26 443.14 DUTY OF TREASURER.

27 The treasurer shall assess any ~~real property~~
28 structure and shall list the acreage of any land
29 subject to taxation which may have been omitted by the
30 assessor, board of review, or county auditor, and
31 collect taxes thereon, and in such cases shall note,
32 opposite the tract or lot assessed, the words "by
33 treasurer".

34 Sec. 29. Section 443.15, Code 2003, is amended to
35 read as follows:

36 443.15 TIME LIMIT.

37 The assessment shall be made within two years after
38 the tax list shall have been delivered to the
39 treasurer for collection, and not afterwards, if the
40 ~~property~~ land or structure is then owned by the person
41 who should have paid the tax.

42 Sec. 30. Section 443.17, Code 2003, is amended to
43 read as follows:

44 443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

45 In any action or proceeding, now pending or
46 hereafter brought, to recover taxes upon ~~property~~ land
47 not listed or agricultural land or a structure not
48 listed and assessed for taxation during the lifetime
49 of any decedent, it shall be presumed that any
50 property, any evidence of ownership of property, and

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1 any evidence of a promise to pay, owned by a decedent
2 at the date of the decedent's death, had been acquired
3 and owned by such decedent more than two years before
4 the date of the decedent's death; and the burden of
5 proving that any such property had been acquired by
6 such decedent less than two years before the date of
7 the decedent's death shall be upon the heirs,
8 legatees, and legal representatives of any such
9 decedent.

10 Sec. 31. Section 443.18, Code 2003, is amended to
11 read as follows:

12 443.18 REAL ESTATE -- DUTY OF OWNER.

13 In all cases where ~~real estate~~ land subject to
14 taxation has not been listed or agricultural land or a
15 structure subject to taxation has not been listed and
16 assessed, the owner, or an agent of the owner, shall
17 have the same done by the treasurer, and pay the taxes
18 thereon; and if the owner fails to do so the treasurer
19 shall list or list and assess the same and collect the
20 tax assessed as the treasurer does other taxes.

21 Sec. 32. Section 443.19, Code 2003, is amended to
22 read as follows:

23 443.19 IRREGULARITIES, ERRORS AND OMISSIONS --
24 EFFECT.

25 ~~No~~ A failure of the owner to have such ~~property~~
26 land listed or agricultural land or structure listed
27 and assessed or to have the errors in the listing or
28 assessment corrected, and ~~no~~ an irregularity, error or
29 omission in the listing of such land or listing and
30 assessment of such ~~property~~ agricultural land or
31 structure, shall not affect in any manner the legality
32 of the taxes levied thereon, or affect any right or
33 title to such ~~real estate~~ property which would have
34 accrued to any party claiming or holding under and by
35 virtue of a deed executed by the treasurer as provided
36 by this title, had the listing and assessment of such
37 property been in all respects regular and valid.

38 Sec. 33. Section 443.21, Code 2003, is amended to
39 read as follows:

40 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

41 All assessors and assessing bodies, including the
42 department of revenue and finance having authority
43 over the listing of land or listing and assessment of
44 property agricultural land and structures for tax
45 purposes shall certify to the county auditor of each
46 county the number of acres of land and the assessed
47 values of agricultural land and structures for all the
48 taxable property in such county as finally equalized
49 ~~and~~ determined, and the same shall be transcribed onto
50 the tax lists as required by section 443.2.

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1 Sec. 34. Section 443.22, Code 2003, is amended to
2 read as follows:

3 443.22 UNIFORM ASSESSMENTS MANDATORY.

4 All assessors and assessing bodies, including the
5 department of revenue and finance having authority
6 over the listing of land and listing and assessment of
7 property agricultural land and structures for tax
8 purposes, shall comply with sections 428.4, 428.29,
9 434.15, 438.13, 441.21, and 441.45. The department of
10 revenue and finance, having authority over the listing
11 and assessments, shall exercise its powers and perform
12 its duties under section 421.17 and other applicable
13 laws so as to require the uniform and consistent
14 application of ~~said~~ that section.

15 Sec. 35. NEW SECTION. 443A.1 LAND TAX.

16 Effective for the fiscal year beginning July 1,
17 2007, and all subsequent fiscal years, a land tax
18 shall be imposed against each acre or portion of an
19 acre of land in a county.

20 Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF
21 LAND TAX.

22 1. The land tax for each county shall be
23 apportioned as follows:

24 In the unincorporated area of the county, the land
25 tax shall be distributed to the county, the school
26 district located in the unincorporated area of the
27 county, and other taxing entities located in the
28 unincorporated area of the county in the same
29 proportion that property taxes levied in the
30 unincorporated area of the county for the fiscal year
31 beginning July 1, 2006, were allocated to those
32 entities.

33 In the incorporated areas of the county, the land
34 tax shall be distributed to the city, the county, each
35 school district located within the city, and other
36 taxing entities located within the city in the same
37 proportion that property taxes levied in the city for
38 the fiscal year beginning July 1, 2006, were allocated
39 to those entities.

40 2. The city finance committee and the county
41 finance committee shall jointly determine the
42 adjustments to be made to the allocation of the land
43 tax in the case of boundary adjustments made to a
44 taxing district on or after January 1, 2006.

45 3. After the auditor has computed the amount of
46 land tax to be distributed to each taxing district,
47 the auditor shall compute the rate of tax to be levied
48 upon the square footage valuation of structures
49 pursuant to chapter 444.

50 Sec. 37. Section 444.1, Code 2003, is amended to

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1 read as follows:

2 444.1 BASIS FOR AMOUNT OF TAX.

3 In all taxing districts in the state, including
4 townships, school districts, cities and counties, when
5 by law then existing the people are authorized to
6 determine by vote, or officers are authorized to
7 estimate or determine, a rate of taxation required for
8 any public purpose, such rate shall in all cases be
9 estimated and based upon the amount of land tax
10 available to the district and the adjusted taxable
11 square footage valuation of such taxing district for
12 the preceding calendar year.

13 Sec. 38. Section 444.2, Code 2003, is amended to
14 read as follows:

15 444.2 AMOUNTS CERTIFIED IN DOLLARS.

16 When an authorized square footage tax rate within a
17 taxing district, including townships, school
18 districts, cities and counties, has been thus
19 determined as provided by law, the officer or officers
20 charged with the duty of certifying the authorized
21 rate to the county auditor or board of supervisors
22 shall, before certifying the rate, compute upon the
23 adjusted taxable square footage valuation of the
24 taxing district for the preceding fiscal year, the
25 amount of tax the rate will raise, stated in dollars,
26 and shall certify the computed amount in dollars and
27 not by rate, to the county auditor and board of
28 supervisors and shall further certify the percentage
29 of such amount to be levied against each class of
30 property.

31 Sec. 39. Section 444.3, Code 2003, is amended to
32 read as follows:

33 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

34 When the square footage valuations for the several
35 taxing districts shall have been adjusted by the
36 several boards for the current year, and the amount of
37 land tax to be distributed to each taxing district has
38 been deducted from the dollar amounts certified in
39 section 444.2 for each taxing district, the county
40 auditor shall thereupon apply such a rate, ~~not~~
41 ~~exceeding the rate authorized by law, or rates as will~~
42 raise the amount required for such taxing district,
43 and when combined with the land tax amount will raise
44 an amount not exceeding the dollar amount authorized
45 by law for the taxing district, and ~~ne~~ will not raise
46 a larger amount. For purposes of computing the square
47 footage rate under this section, the adjusted taxable
48 square footage valuation of the property of a taxing
49 district does not include the valuation of property of
50 a railway corporation or its trustee which corporation

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1 has been declared bankrupt or is in bankruptcy
2 proceedings. Nothing in the preceding sentence
3 exempts the property of such railway corporation or
4 its trustee from taxation and the rate computed under
5 this section shall be levied on the taxable property
6 of such railway corporation or its trustee.

7 The square footage tax rate shall be expressed in
8 dollars and cents per one hundred dollars of valuation
9 per square foot.

10 Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

11 The amount of tax imposed on any taxable property
12 is the sum of the amounts computed in subsections 1
13 and 2.

14 1. LAND TAX. The product of the land tax rate
15 times the number of acres or portion of an acre of the
16 taxable property.

17 2. SQUARE FOOTAGE TAX. The product of the square
18 footage tax rate times the valuation per square foot
19 of the taxable structure times the number of square
20 feet of the taxable structure. The square footage tax
21 shall be computed separately for each structure
22 located on the land.

23 Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

24 1. On or before July 1, 2003, the department of
25 revenue and finance, in consultation with the
26 department of management, shall initiate and
27 coordinate the establishment of a property tax
28 implementation committee and provide staffing
29 assistance to the committee. The property tax
30 implementation committee shall include four members of
31 the general assembly, one each appointed by the
32 majority leader of the senate, the speaker of the
33 house of representatives, the minority leader of the
34 senate, and the minority leader of the house of
35 representatives. The committee shall also include
36 members appointed by the department of revenue and
37 finance representing the department of revenue and
38 finance, the department of management, counties,
39 cities, school districts, local assessors, commercial
40 property taxpayers, industrial property taxpayers,
41 residential property taxpayers, and agricultural
42 property taxpayers, and other appropriate
43 stakeholders. The department may consider
44 participation on the committee of former state
45 officials with expertise in budget and tax policy.
46 The chairpersons of the committee shall be those
47 members of the general assembly appointed by the
48 majority leader of the senate and the speaker of the
49 house of representatives.

50 2. The committee shall study and make

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1 recommendations relating to the land tax, square
2 footage tax, the baseline assessment for the square
3 footage tax, and other related provisions. The
4 committee shall also study and make recommendations on
5 issues relating to implementation of a land tax and
6 square footage tax, including, but not limited to,
7 whether or not maximum square footage rates and land
8 tax rates should be imposed and, if such rates are
9 recommended, the imposition of rates that have a
10 revenue neutral impact on classes of property, the
11 property tax financing portion of the school funding
12 formula, treatment of current property tax credits and
13 exemptions under a land tax and square footage tax and
14 continued state reimbursement of any credits or
15 exemptions, implementation of urban revitalization and
16 urban renewal programs under the land tax and square
17 footage tax, implementation of a payment in lieu of
18 taxes program for local government services, and
19 maintenance of equity among classes of taxpayers and
20 among taxpayers within the same class. The property
21 tax implementation committee shall also study the role
22 of property taxes in funding local government services
23 and the types of services currently funded by property
24 taxes.

25 3. The property tax implementation committee shall
26 direct three counties and cities within those counties
27 to submit data as prescribed by the committee. The
28 department of revenue and finance, in consultation
29 with the department of management, shall select the
30 three counties and the cities within those counties
31 that will be required to provide data to the
32 committee. The committee shall devise a system for
33 testing the data, including the necessary computer
34 hardware and software to allow the selected counties
35 and cities to prepare projected budgets, to determine
36 the rates for the land tax and the square footage tax
37 for those projected budgets, and to provide a sampling
38 of the effect on the various classes of property in
39 those jurisdictions. The committee shall use the data
40 and the results of the projections to resolve, and
41 make recommendations relating to, the issues described
42 in subsection 2, and related issues, in a revenue
43 neutral manner that will not result in a shift of
44 property tax burden between classes of property. The
45 committee shall submit to the general assembly by
46 October 31, 2003, October 31, 2004, and October 31,
47 2005, a report for each of those years resolving the
48 issues in subsection 2 and other related issues for
49 implementation of this Act. The reports shall include
50 detailed estimates of the cost to the counties and

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1 cities of providing the data and an estimate of the
 2 cost of statewide implementation of this Act.
 3 Sec. 42. EFFECTIVE AND APPLICABILITY DATES.
 4 1. The section of this division of this Act
 5 establishing the property tax implementation
 6 committee, being deemed of immediate importance, takes
 7 effect upon enactment.
 8 2. The remainder of this division of this Act
 9 takes effect July 1, 2005, and applies to assessment
 10 years beginning on or after January 1, 2006, and
 11 applies to tax collections for fiscal years beginning
 12 on or after July 1, 2007.
 13 Sec. 43. FUTURE REPEAL. This division of this Act
 14 is repealed effective June 30, 2005.

15 DIVISION II
 16 INDIVIDUAL INCOME TAX
 17 2004-2006 TAX YEARS

18 Sec. 44. Section 422.5, subsection 1, paragraphs a
 19 through i, Code 2003, are amended to read as follows:

20 For tax years beginning
 21 in the calendar year:
 22 2004 2005 2006

23 a. On all taxable income from			
24 zero through one thousand dollars,			
25 thirty-six hundredths of one			
26 percent.:	.35%	.34%	.33%
27 b. On all taxable income exceeding			
28 one thousand dollars but not			
29 exceeding two thousand dollars,			
30 seventy-two hundredths of one			
31 percent.:	.71%	.68%	.65%
32 c. On all taxable income exceeding			
33 two thousand dollars but not			
34 exceeding four thousand dollars,			
35 two and forty-three hundredths			
36 percent.:	2.39%	2.30%	2.21%
37 d. On all taxable income exceeding			
38 four thousand dollars but not			
39 exceeding nine thousand dollars,			
40 four and one-half percent.			
41 percent.:	4.42%	4.25%	4.09%
42 e. On all taxable income exceeding			
43 nine thousand dollars but not			
44 exceeding fifteen thousand			
45 dollars, six and twelve hundredths			
46 percent.:	6.01%	5.78%	5.56%
47 f. On all taxable income exceeding			
48 fifteen thousand dollars but not			
49 dollars, six and forty-eight hundredths			
50 percent.:	6.36%	6.12%	5.88%

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1 g. On all taxable income exceeding
 2 twenty thousand dollars but not
 3 exceeding thirty thousand
 4 dollars, ~~six and eight-tenths~~
 5 ~~percent~~: 6.68% 6.42% 6.17%

6 h. On all taxable income exceeding
 7 thirty thousand dollars but not
 8 exceeding forty-five thousand
 9 dollars, ~~seven and ninety-two hundredths~~
 10 ~~percent~~: 7.78% 7.48% 7.19%

11 i. On all taxable income exceeding
 12 forty-five thousand dollars, ~~eight~~
 13 ~~and ninety-eight hundredths~~
 14 ~~percent~~: 8.82% 8.48% 8.15%

15 Sec. 45. EFFECTIVE AND APPLICABILITY DATE
 16 PROVISIONS. This division of this Act takes effect
 17 January 1, 2004, for tax years beginning on or after
 18 January 1, 2004, but before January 1, 2007.

19 DIVISION III
 20 INDIVIDUAL INCOME TAX
 21 2007 AND SUBSEQUENT TAX YEARS

22 Sec. 46. Section 422.5, subsection 1, paragraphs a
 23 through i, Code 2003, are amended to read as follows:

24 For tax years beginning
 25 in the calendar year:
 26 2007 and subsequent
 27 calendar years

28 a. On all taxable income from
 29 zero through one thousand dollars, ~~7~~
 30 ~~thirty-six hundredths of one~~
 31 ~~percent~~:31%

32 b. On all taxable income exceeding
 33 one thousand dollars but not
 34 exceeding two thousand dollars, ~~7~~
 35 ~~seventy-two hundredths of one~~
 36 ~~percent~~:61%

37 c. On all taxable income exceeding
 38 two thousand dollars but not
 39 exceeding four thousand dollars, ~~7~~
 40 ~~two and forty-three hundredths~~
 41 ~~percent~~: 2.06%

42 d. On all taxable income exceeding
 43 four thousand dollars but not
 44 exceeding nine thousand dollars, ~~7~~
 45 ~~four and one-half percent~~: 3.81%

46 e. On all taxable income exceeding
 47 nine thousand dollars but not
 48 exceeding fifteen thousand
 49 dollars, ~~six and twelve hundredths~~
 50 ~~percent~~: 5.19%

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1 f. On all taxable income exceeding
 2 fifteen thousand dollars but not
 3 exceeding twenty thousand
 4 dollars, ~~six and forty-eight hundredths~~
 5 ~~percent~~: 5.49%

6 g. On all taxable income exceeding
 7 twenty thousand dollars but not
 8 exceeding thirty thousand
 9 dollars, ~~six and eight tenths~~
 10 ~~percent~~: 5.76%

11 h. On all taxable income exceeding
 12 thirty thousand dollars but not
 13 exceeding forty-five thousand
 14 dollars, ~~seven and ninety-two hundredths~~
 15 ~~percent~~: 6.71%

16 i. On all taxable income exceeding
 17 forty-five thousand dollars, ~~eight~~
 18 ~~and ninety-eight hundredths~~
 19 ~~percent~~: 7.61%

20 Sec. 47. EFFECTIVE AND APPLICABILITY DATE
 21 PROVISIONS. This division of this Act takes effect
 22 January 1, 2007, for tax years beginning on or after
 23 January 1, 2007.

24 DIVISION IV
 25 INDIVIDUAL INCOME TAX

26 2007 AND SUBSEQUENT TAX YEARS

27 Sec. 48. Section 422.4, subsection 1, paragraphs b
 28 and c, Code 2003, are amended to read as follows:

29 b. "Cumulative inflation factor" means the product
 30 of the annual inflation factor for the ~~1988~~ 2007
 31 calendar year and all annual inflation factors for
 32 subsequent calendar years as determined pursuant to
 33 this subsection. The cumulative inflation factor
 34 applies to all tax years beginning on or after January
 35 1 of the calendar year for which the latest annual
 36 inflation factor has been determined.

37 c. The annual inflation factor for the ~~1988~~ 2007
 38 calendar year is one hundred percent.

39 Sec. 49. Section 422.4, subsection 16, Code 2003,
 40 is amended to read as follows:

41 16. ~~The words "taxable~~ "Taxable income" ~~mean~~ means
 42 the net income as defined in section 422.7 minus the
 43 deductions allowed by section 422.9, in the case of
 44 individuals, ~~in~~. In the case of estates or trusts,
 45 ~~the words "taxable income" mean~~ means the taxable
 46 income, ~~(without a deduction for personal exemption),~~
 47 as computed for federal income tax purposes under the
 48 Internal Revenue Code, but with the adjustments
 49 specified in section 422.7 ~~plus the Iowa income tax~~
 50 ~~deducted in computing the federal taxable income and~~

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1 ~~minus federal income taxes as provided in section~~
2 ~~422.9.~~

3 Sec. 50. Section 422.5, subsection 1, Code 2003,
4 as amended by 2003 Iowa Acts, Senate File 442, section
5 4, is amended by striking the subsection and inserting
6 in lieu thereof the following:

7 1. a. A tax is imposed upon every resident and
8 nonresident of the state which tax shall be levied,
9 collected, and paid annually upon and with respect to
10 the entire taxable income at rates as follows:

11 (1) On all taxable income from zero through eight
12 thousand dollars, two and five hundredths percent.

13 (2) On all taxable income exceeding eight thousand
14 dollars but not exceeding one hundred thousand
15 dollars, four and sixty-five hundredths percent.

16 (3) On all taxable income exceeding one hundred
17 thousand dollars, four and nine-tenths percent.

18 b. (1) The tax imposed upon the taxable income of
19 a nonresident shall be computed by reducing the amount
20 determined pursuant to paragraph "a" by the amounts of
21 nonrefundable credits under this division and by
22 multiplying this resulting amount by a fraction of
23 which the nonresident's net income allocated to Iowa,
24 as determined in section 422.8, subsection 2,
25 paragraph "a", is the numerator and the nonresident's
26 total net income computed under section 422.7 is the
27 denominator. This provision also applies to
28 individuals who are residents of Iowa for less than
29 the entire tax year.

30 (2) The tax imposed upon the taxable income of a
31 resident shareholder in an S corporation which has in
32 effect for the tax year an election under subchapter S
33 of the Internal Revenue Code and carries on business
34 within and without the state may be computed by
35 reducing the amount determined pursuant to paragraph
36 "a" by the amounts of nonrefundable credits under this
37 division and by multiplying this resulting amount by a
38 fraction of which the resident's net income allocated
39 to Iowa, as determined in section 422.8, subsection 2,
40 paragraph "b", is the numerator and the resident's
41 total net income computed under section 422.7 is the
42 denominator. If a resident shareholder has elected to
43 take advantage of this subparagraph, and for the next
44 tax year elects not to take advantage of this
45 subparagraph, the resident shareholder shall not
46 reelect to take advantage of this subparagraph for the
47 three tax years immediately following the first tax
48 year for which the shareholder elected not to take
49 advantage of this subparagraph, unless the director
50 consents to the reelection. This subparagraph also

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1 applies to individuals who are residents of Iowa for
2 less than the entire tax year.

3 Sec. 51. Section 422.5, subsection 2, Code 2003,
4 is amended by striking the subsection and inserting in
5 lieu thereof the following:

6 2. a. However, if the married persons' filing
7 jointly or separately on a combined return, unmarried
8 head of household's, or surviving spouse's net income
9 exceeds thirteen thousand five hundred dollars or nine
10 thousand dollars in the case of all other persons, the
11 regular tax imposed under this division shall be the
12 lesser of the product of eight percent times the
13 portion of the net income in excess of thirteen
14 thousand five hundred dollars or nine thousand
15 dollars, as applicable, or the regular tax liability
16 computed without regard to this paragraph.

17 b. Paragraph "a" does not apply to estates and
18 trusts. Married taxpayers electing to file separately
19 shall compute the alternate tax described in paragraph
20 "a" using the total net income of the husband and
21 wife. The alternate tax described in paragraph "a"
22 does not apply if one spouse elects to carry back or
23 carry forward the loss as provided in section 422.9,
24 subsection 3. A person who is claimed as a dependent
25 by another person as defined in section 422.12 shall
26 not receive the benefit of paragraph "a" if the person
27 claiming the dependent has net income exceeding
28 thirteen thousand five hundred dollars or nine
29 thousand dollars as applicable or the person claiming
30 the dependent and the person's spouse have combined
31 net income exceeding thirteen thousand five hundred
32 dollars or nine thousand dollars as applicable.

33 Sec. 52. Section 422.5, subsection 5, Code 2003,
34 is amended to read as follows:

35 5. Upon determination of the latest cumulative
36 inflation factor, the director shall multiply each
37 dollar amount set forth in subsection 1, ~~paragraphs~~
38 ~~"a" through "i" of this section~~ paragraph "a", by this
39 cumulative inflation factor, shall round off the
40 resulting product to the nearest one dollar, and shall
41 incorporate the result into the income tax forms and
42 instructions for each tax year.

43 Sec. 53. Section 422.5, subsection 7, Code 2003,
44 is amended by striking the subsection.

45 Sec. 54. Section 422.7, Code 2003, as amended by
46 2003 Iowa Acts, Senate File 442, section 5, and House
47 File 674, sections 5 and 6, is amended by striking the
48 section and inserting in lieu thereof the following:

49 422.7 "NET INCOME" -- HOW COMPUTED.

50 The term "net income" means the adjusted gross

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1 income before the net operating loss deduction as
2 properly computed for federal income tax purposes
3 under the Internal Revenue Code, with the following
4 adjustments:

5 1. The adjusted gross income is adjusted by adding
6 the sum of the following:

7 a. Add the amount of federal income tax refunds
8 received in a tax year beginning on or after January
9 1, 2007, but before January 1, 2010, to the extent
10 that the federal income tax was deducted on an Iowa
11 individual income tax return for a tax year beginning
12 prior to January 1, 2007.

13 b. Add interest and dividends from foreign
14 securities and from securities of state and other
15 political subdivisions exempt from federal income tax
16 under the Internal Revenue Code.

17 c. Add interest and dividends from regulated
18 investment companies exempt from federal income tax
19 under the Internal Revenue Code.

20 d. Add, to the extent not already included, income
21 from the sale of obligations of the state and its
22 political subdivisions. Income from the sale of these
23 obligations is exempt from the taxes imposed by this
24 division only if the law authorizing these obligations
25 specifically exempts the income from the sale from the
26 state individual income tax.

27 e. Add the amount resulting from the cancellation
28 of a participation agreement refunded to the taxpayer
29 as a participant in the Iowa educational savings plan
30 trust under chapter 12D to the extent previously
31 deducted as a contribution to the trust.

32 2. The adjusted gross income is adjusted by
33 subtracting the sum of the following:

34 a. Subtract the amount of federal income taxes
35 paid or accrued, as the case may be, in a tax year
36 beginning on or after January 1, 2007, but before
37 January 1, 2010, to the extent the federal tax payment
38 is for a tax year beginning prior to January 1, 2007.

39 b. Subtract interest and dividends from federal
40 securities.

41 c. Subtract the loss on the sale or exchange of a
42 share of a regulated investment company held for six
43 months or less to the extent the loss was disallowed
44 under section 852(b)(4)(B) of the Internal Revenue
45 Code.

46 d. (1) Subtract, to the extent included, the
47 amount of additional social security benefits taxable
48 under the Internal Revenue Code for tax years
49 beginning on or after January 1, 1994. The amount of
50 social security benefits taxable as provided in

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1 section 86 of the Internal Revenue Code, as amended up
2 to and including January 1, 1993, continues to apply
3 for state income tax purposes for tax years beginning
4 on or after January 1, 1994.

5 (2) Married taxpayers, who file a joint federal
6 income tax return and who elect to file separate
7 returns or who elect separate filing on a combined
8 return for state income tax purposes, shall allocate
9 between the spouses the amount of benefits subtracted
10 under subparagraph (1) from net income in the ratio of
11 the social security benefits received by each spouse
12 to the total of these benefits received by both
13 spouses.

14 e. (1) For a person who is disabled, or is fifty-
15 five years of age or older, or is the surviving spouse
16 of an individual or a survivor having an insurable
17 interest in an individual who would have qualified for
18 the exemption under this paragraph for the tax year,
19 subtract, to the extent included, the total amount of
20 a governmental or other pension or retirement pay,
21 including, but not limited to, defined benefit or
22 defined contribution plans, annuities, individual
23 retirement accounts, plans maintained or contributed
24 to by an employer, or maintained or contributed to by
25 a self-employed person as an employer, and deferred
26 compensation plans or any earnings attributable to the
27 deferred compensation plans, up to a maximum of six
28 thousand dollars for a person, other than a husband or
29 wife, who files a separate state income tax return and
30 up to a maximum of twelve thousand dollars for a
31 husband and wife who file a joint state income tax
32 return.

33 (2) However, a surviving spouse who is not
34 disabled or fifty-five years of age or older can only
35 exclude the amount of pension or retirement pay
36 received as a result of the death of the other spouse.
37 A husband and wife filing separate state income tax
38 returns or separately on a combined return are allowed
39 a combined maximum exclusion under this paragraph "e"
40 of up to the amount allowed for a husband and wife who
41 file a joint state income tax return. The exclusion
42 shall be allocated to the husband or wife in the
43 proportion that each spouse's respective pension and
44 retirement pay received bears to total combined
45 pension and retirement pay received.

46 f. Notwithstanding the method for computing income
47 from an installment sale under section 453 of the
48 Internal Revenue Code, as defined in section 422.3,
49 the method to be used in computing income from an
50 installment sale shall be the method under section 453

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1 of the Internal Revenue Code, as amended up to and
2 including January 1, 2000. A taxpayer affected by
3 this paragraph shall make adjustments in the adjusted
4 gross income pursuant to rules adopted by the
5 director.

6 The adjustment to net income provided in this
7 paragraph "f" is repealed for tax years beginning on
8 or after January 1, 2002. However, to the extent that
9 a taxpayer using the accrual method of accounting
10 reported the entire capital gain from the sale or
11 exchange of property on the Iowa return for the tax
12 year beginning in the 2001 calendar year and the
13 capital gain was reported on the installment method on
14 the federal income tax return, any additional
15 installment from the capital gain reported for federal
16 income tax purposes is not to be included in net
17 income in tax years beginning on or after January 1,
18 2002.

19 g. Subtract, if the taxpayer is the owner of an
20 individual development account certified under chapter
21 541A at any time during the tax year, all of the
22 following:

23 (1) Contributions made to the account by persons
24 and entities, other than the taxpayer, as authorized
25 in chapter 541A.

26 (2) The amount of any savings refund authorized
27 under section 541A.3, subsection 1.

28 (3) Earnings from the account.

29 h. (1) Subtract the maximum contribution that may
30 be deducted for income tax purposes as a participant
31 in the Iowa educational savings plan trust pursuant to
32 section 12D.3, subsection 1, paragraph "a".

33 (2) Subtract, to the extent included, income from
34 interest and earnings received from the Iowa
35 educational savings plan trust created in chapter 12D.

36 (3) Subtract, to the extent not deducted for
37 federal income tax purposes, the amount of any gift,
38 grant, or donation made to the Iowa educational
39 savings plan trust for deposit in the endowment fund
40 of that trust.

41 i. Subtract, to the extent included, active duty
42 pay received by a person in the national guard or
43 armed forces military reserve for services performed
44 on or after August 2, 1990, pursuant to military
45 orders related to the Persian Gulf Conflict.

46 j. Subtract, to the extent included, active duty
47 pay received by a person in the national guard or
48 armed forces military reserve for service performed on
49 or after November 21, 1995, pursuant to military
50 orders related to peacekeeping in Bosnia-Herzegovina.

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1 k. Subtract, to the extent included, the
2 following:

3 (1) Payments made to the taxpayer because of the
4 taxpayer's status as a victim of persecution for
5 racial, ethnic, or religious reasons by Nazi Germany
6 or any other Axis regime or as an heir of such victim.

7 (2) Items of income attributable to, derived from,
8 or in any way related to assets stolen from, hidden
9 from, or otherwise lost to a victim of persecution for
10 racial, ethnic, or religious reasons by Nazi Germany
11 or any other Axis regime immediately prior to, during,
12 and immediately after World War II, including, but not
13 limited to, interest on the proceeds receivable as
14 insurance under policies issued to a victim of
15 persecution for racial, ethnic, or religious reasons
16 by Nazi Germany or any other Axis regime by European
17 insurance companies immediately prior to and during
18 World War II. However, income from assets acquired
19 with such assets or with the proceeds from the sale of
20 such assets shall not be subtracted. This

21 subparagraph shall only apply to a taxpayer who was
22 the first recipient of such assets after recovery of
23 the assets and who is a victim of persecution for
24 racial, ethnic, or religious reasons by Nazi Germany
25 or any other Axis regime or is an heir of such victim.

26 l. Subtract, to the extent included, active duty
27 pay received by a person in the national guard or
28 armed forces military reserve for service performed on
29 or after January 1, 2003, pursuant to military orders
30 related to Operation Iraqi Freedom, Operation Noble
31 Eagle, and Operation Enduring Freedom.

32 m. Subtract, not to exceed one thousand five
33 hundred dollars, the overnight transportation, meals,
34 and lodging expenses, to the extent not reimbursed,
35 incurred by the taxpayer for travel away from home of
36 more than one hundred miles for the performance of
37 services by the taxpayer as a member of the national
38 guard or armed forces military reserve.

39 n. Subtract, to the extent included, military
40 student loan repayments received by the taxpayer
41 serving on active duty in the national guard or armed
42 forces military reserve or on active duty status in
43 the armed forces.

44 o. Subtract, to the extent not otherwise excluded,
45 the amount of the death gratuity payable under 10
46 U.S.C. § 1475-1491 for deaths occurring after
47 September 10, 2001.

48 3. a. In determining the amount of federal income
49 tax refunds or taxes paid or accrued under subsection
50 1 or 2, for tax years beginning in the 2001 calendar

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1 year, the amount shall not be adjusted by the amount
2 received during the tax year of the advanced refund of
3 the rate reduction tax credit provided pursuant to the
4 federal Economic Growth and Tax Relief Reconciliation
5 Act of 2001, Pub. L. No. 107-16, and the advanced
6 refund of such credit shall not be subject to taxation
7 under this division.

8 b. In determining the amount of federal income tax
9 refunds or taxes paid or accrued under subsection 1 or
10 2, for tax years beginning in the 2002 calendar year,
11 the amount shall not be adjusted by the amount of the
12 rate reduction credit received during the tax year to
13 the extent that the credit is attributable to the rate
14 reduction credit provided pursuant to the federal
15 Economic Growth and Tax Relief Reconciliation Act of
16 2001, Pub. L. No. 107-16, and the amount of such
17 credit shall not be taxable under this division.

18 4. The additional first-year depreciation
19 allowance authorized in section 168(k) of the Internal
20 Revenue Code, as enacted by Pub. L. No. 107-147,
21 section 101, does not apply in computing net income
22 for state tax purposes. If the taxpayer has taken
23 such deduction in computing federal adjusted gross
24 income, the following adjustments shall be made:

25 a. Add the total amount of depreciation taken on
26 all property for which the election under section
27 168(k) of the Internal Revenue Code was made for the
28 tax year.

29 b. Subtract an amount equal to depreciation taken
30 on such property for the tax year using the modified
31 accelerated cost recovery system depreciation method
32 applicable under section 168 of the Internal Revenue
33 Code without regard to section 168(k).

34 c. Any other adjustments to gains or losses to
35 reflect the adjustments made in paragraphs "a" and "b"
36 pursuant to rules adopted by the director.

37 Sec. 55. Section 422.8, subsection 2, paragraph a,
38 Code 2003, is amended to read as follows:

39 a. Nonresident's net income allocated to Iowa is
40 the net income, or portion of net income, which is
41 derived from a business, trade, profession, or
42 occupation carried on within this state or income from
43 any property, trust, estate, or other source within
44 Iowa. However, income derived from a business, trade,
45 profession, or occupation carried on within this state
46 and income from any property, trust, estate, or other
47 source within Iowa shall not include distributions
48 from pensions, including defined benefit or defined
49 contribution plans, annuities, individual retirement
50 accounts, and deferred compensation plans or any

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1 earnings attributable thereto so long as the
2 distribution is directly related to an individual's
3 documented retirement and received while the
4 individual is a nonresident of this state. If a
5 business, trade, profession, or occupation is carried
6 on partly within and partly without the state, only
7 the portion of the net income which is fairly and
8 equitably attributable to that part of the business,
9 trade, profession, or occupation carried on within the
10 state is allocated to Iowa for purposes of section
11 422.5, subsection 1, paragraph ~~"j"~~ "b", and section
12 422.13 and income from any property, trust, estate, or
13 other source partly within and partly without the
14 state is allocated to Iowa in the same manner, except
15 that annuities, interest on bank deposits and
16 interest-bearing obligations, and dividends are
17 allocated to Iowa only to the extent to which they are
18 derived from a business, trade, profession, or
19 occupation carried on within the state.

20 Sec. 56. Section 422.8, subsection 4, Code 2003,
21 is amended by striking the subsection.

22 Sec. 57. Section 422.9, subsection 1, Code 2003,
23 is amended to read as follows:

24 1. An optional standard deduction, ~~after deduction~~
25 ~~of federal income tax~~, equal to one thousand two
26 hundred thirty dollars for a married person who files
27 separately or a single person or equal to three
28 thousand thirty dollars for a husband and wife who
29 file a joint return, a surviving spouse, or an
30 unmarried head of household. ~~The optional standard~~
31 ~~deduction shall not exceed the amount remaining after~~
32 ~~deduction of the federal income tax.~~

33 Sec. 58. Section 422.9, subsection 2, paragraph b,
34 Code 2003, is amended by striking the paragraph.

35 Sec. 59. Section 422.9, subsections 6 and 7, Code
36 2003, are amended by striking the subsections.

37 Sec. 60. Section 422.11B, subsection 1, Code 2003,
38 is amended to read as follows:

39 1. There is allowed as a credit against the tax
40 determined in section 422.5, subsection 1, paragraphs
41 "a" through "j" for a tax year an amount equal to the
42 minimum tax credit for that tax year.

43 The minimum tax credit for a tax year is the
44 excess, if any, of the adjusted net minimum tax
45 imposed for all prior tax years beginning on or after
46 January 1, 1987, but before January 1, 2007, over the
47 amount allowable as a credit under this section for
48 those prior tax years.

49 If a minimum tax credit is available to a tax
50 period beginning on or after January 1, 2007, the

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1 credit can be carried over to tax years beginning on
2 or after January 1, 2007, but before January 1, 2010.
3 The minimum tax credit is limited to the tax
4 determined in section 422.5, subsection 1, paragraphs
5 "a" and "b".

6 Sec. 61. Section 422.13, subsection 1, paragraph
7 c, and subsection 1A, Code 2003, are amended to read
8 as follows:

9 c. However, if that part of the net income of a
10 nonresident which is allocated to Iowa pursuant to
11 section 422.8, subsection 2, is less than one thousand
12 dollars the nonresident is not required to make and
13 sign a return ~~except when the nonresident is subject~~
14 ~~to the state alternative minimum tax imposed pursuant~~
15 ~~to section 422.5, subsection 1, paragraph "k".~~

16 1A. Notwithstanding any other provision in this
17 section, a resident of this state is not required to
18 make and file a return if the person's net income is
19 equal to or less than the appropriate dollar amount
20 listed in section 422.5, subsection 2, upon which tax
21 is not imposed. A nonresident of this state is not
22 required to make and file a return if the person's
23 total net income in section 422.5, subsection 1,
24 paragraph ~~"j",~~ "b", is equal to or less than the
25 appropriate dollar amount provided in section 422.5,
26 subsection 2, upon which tax is not imposed. For
27 purposes of this subsection, the amount of a lump sum
28 distribution subject to separate federal tax shall be
29 included in net income for purposes of determining if
30 a resident is required to file a return and the
31 portion of the lump sum distribution that is allocable
32 to Iowa is included in total net income for purposes
33 of determining if a nonresident is required to make
34 and file a return.

35 Sec. 62. Section 422.21, unnumbered paragraph 5,
36 Code 2003, is amended to read as follows:

37 The director shall determine for the ~~1989~~ 2008 and
38 each subsequent calendar year the annual and
39 cumulative inflation factors for each calendar year to
40 be applied to tax years beginning on or after January
41 1 of that calendar year. The director shall compute
42 the new dollar amounts as specified to be adjusted in
43 section 422.5 by the latest cumulative inflation
44 factor and round off the result to the nearest one
45 dollar. The annual and cumulative inflation factors
46 determined by the director are not rules as defined in
47 section 17A.2, subsection 11. The director shall
48 determine for the 1990 calendar year and each
49 subsequent calendar year the annual and cumulative
50 standard deduction factors to be applied to tax years

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1 beginning on or after January 1 of that calendar year.
2 The director shall compute the new dollar amounts of
3 the standard deductions specified in section 422.9,
4 subsection 1, by the latest cumulative standard
5 deduction factor and round off the result to the
6 nearest ten dollars. The annual and cumulative
7 standard deduction factors determined by the director
8 are not rules as defined in section 17A.2, subsection
9 11.

10 Sec. 63. Section 422.11B, Code 2003, is repealed.

11 COORDINATING AMENDMENTS

12 Sec. 64. Section 12D.9, subsection 2, Code 2003,
13 is amended to read as follows:

14 2. State income tax treatment of the Iowa
15 educational savings plan trust shall be as provided in
16 section 422.7, ~~subsections 32, 33, and 34~~ subsection
17 1, paragraph "e", and subsection 2, paragraph "h", and
18 section 422.35, subsection 14.

19 Sec. 65. Section 217.39, Code 2003, is amended to
20 read as follows:

21 217.39 PERSECUTED VICTIMS OF WORLD WAR II --
22 REPARATIONS -- HEIRS.

23 Notwithstanding any other law of this state,
24 payments paid to and income from lost property of a
25 victim of persecution for racial, ethnic, or religious
26 reasons by Nazi Germany or any other Axis regime or as
27 an heir of such victim which is exempt from state
28 income tax as provided in section 422.7, subsection ~~35~~
29 2, paragraph "k", shall not be considered as income or
30 an asset for determining the eligibility for state or
31 local government benefit or entitlement programs. The
32 proceeds are not subject to recoupment for the receipt
33 of governmental benefits or entitlements, and liens,
34 except liens for child support, are not enforceable
35 against these sums for any reason.

36 Sec. 66. Section 422.120, subsection 1, paragraph
37 b, subparagraph (3), Code 2003, is amended to read as
38 follows:

39 (3) The annual index factor for the 1997 calendar
40 year is one hundred percent. For each subsequent the
41 1998 through 2006 calendar year years, the annual
42 index factor equals the annual inflation factor for
43 that calendar year as computed in section 422.4 for
44 purposes of the individual income tax. For the 2007
45 calendar year and each subsequent calendar year the
46 annual index factor shall be determined by the
47 department by October 15 of the calendar year
48 preceding the calendar year for which the factor is
49 determined, which reflects the purchasing power of the
50 dollar as a result of inflation during the fiscal year

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1 ending in the calendar year preceding the calendar
2 year for which the factor is determined. In
3 determining the annual index factor, the department
4 shall use the annual percent change, but not less than
5 zero percent, in the gross domestic product price
6 deflator computed for the second quarter of the
7 calendar year by the bureau of economic analysis of
8 the United States department of commerce and shall add
9 all of that percent change to one hundred percent.
10 The annual index factor and the cumulative index
11 factor shall each be expressed as a percentage rounded
12 to the nearest one-tenth of one percent. The annual
13 index factor shall not be less than one hundred
14 percent.

15 Sec. 67. Section 425.23, subsection 4, paragraph
16 b, Code 2003, is amended to read as follows:

17 b. The annual adjustment factor for the 1998 base
18 year is one hundred percent. For ~~each subsequent the~~
19 1999 through 2006 base year years, the annual
20 adjustment factor equals the annual inflation factor
21 for the calendar year, in which the base year begins,
22 as computed in section 422.4 for purposes of the
23 individual income tax. For the 2007 base year and
24 each subsequent base year, the annual adjustment
25 factor equals the annual index factor, in which the
26 base year begins, as computed in section 422.120,
27 subsection 1, for purposes of the livestock production
28 tax credit.

29 Sec. 68. Section 450.4, subsection 8, Code 2003,
30 is amended to read as follows:

31 8. On the value of that portion of any lump sum or
32 installment payments which are received by a
33 beneficiary under an annuity which was purchased under
34 an employee's pension or retirement plan which was
35 excluded from net income ~~as set forth in~~ under section
36 ~~422.7, subsection 31.~~

37 Sec. 69. Section 541A.2, subsection 7, unnumbered
38 paragraph 1, Code 2003, is amended to read as follows:

39 An individual development account closed in
40 accordance with this subsection is not subject to the
41 limitations and benefits provided by this chapter but
42 is subject to state tax in accordance with the
43 provisions of section 422.7, subsection ~~2~~ 2,
44 paragraph "g", and section 450.4, subsection 6. An
45 individual development account may be closed for any
46 of the following reasons:

47 Sec. 70. Section 541A.3, subsection 2, Code 2003,
48 is amended to read as follows:

49 2. Income earned by an individual development
50 account is not subject to state tax, in accordance

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1 with the provisions of section 422.7, subsection ~~28~~ 2,
2 paragraph "g".

3 Sec. 71. Division III of this Act is repealed.

4 CONTINGENT EFFECTIVE AND APPLICABILITY DATE PROVISION

5 Sec. 72.

6 1. This division of this Act takes effect upon
7 ratification prior to January 1, 2007, of an amendment
8 to the Constitution of the State of Iowa requiring a
9 three-fifths majority vote of each house of the
10 general assembly in order to pass a bill that amends
11 the state individual income tax by raising the rate or
12 rates of the individual income tax or of an amendment
13 to the Constitution of the State of Iowa requiring a
14 statewide referendum in order to approve a bill that
15 amends the state individual income tax by raising the
16 rate or rates of the individual income tax.

17 2. If this division of this Act takes effect as
18 provided in subsection 1, this division of this Act,
19 except as provided in subsection 3, applies to tax
20 years beginning on or after January 1, 2007.

21 3. The section of this division of this Act
22 repealing section 422.11B applies to tax years
23 beginning on or after January 1, 2010.

24 DIVISION V

25 SALES AND USE TAX STUDIES

26 Sec. 73. INDUSTRIAL PROCESSING EXEMPTION STUDY
27 COMMITTEE. On or before July 1, 2003, the department
28 of revenue and finance shall initiate and coordinate
29 the establishment of an industrial processing
30 exemption study committee and provide staffing
31 assistance to the committee. It is the intent of the
32 general assembly that the committee shall include
33 representatives of the department of revenue and
34 finance, department of management, industrial
35 producers including manufacturers, fabricators,
36 printers and publishers, and an association that
37 specifically represents business tax issues, and other
38 stakeholders.

39 The industrial processing exemption under the sales
40 and use tax is a significant exemption for business.
41 The committee shall study and make legislative and
42 administrative recommendations relating to Iowa's
43 processing exemption to ensure maximum utilization by
44 Iowa's industries.

45 The committee shall study and make recommendations
46 regarding all of the following:

47 1. The current sales and use tax industrial
48 processing exemption.

49 2. The corresponding administrative rules,
50 including a review and recommendation of an

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1 administrative rules process relating to the
2 industrial processing exemption prior to filing with
3 the administrative rules review committee.
4 3. Other states' industrial processing exemptions.
5 4. Recommendations for change for issues including
6 effectiveness and competitiveness.
7 5. Development of additional publications to
8 improve compliance.

9 The committee shall annually report to the general
10 assembly by January 1 of each year through January 1,
11 2013.

12 Sec. 74. IOWA SALES, SERVICES, AND USE TAX STUDY
13 COMMITTEE. On or before July 1, 2003, the department
14 of revenue and finance shall initiate and coordinate
15 the establishment of a state sales, services, and use
16 tax study committee and provide staffing assistance to
17 the committee. It is the intent of the general
18 assembly that the committee shall include
19 representatives of the department of revenue and
20 finance, department of management, an association of
21 Iowa farmers and other agricultural interests, retail
22 associations, contractors, taxpayers, an association
23 that specifically represents business tax issues, and
24 other stakeholders, two members of the general
25 assembly, and a representative of the governor's
26 office.

27 The committee shall study the current sales,
28 services, and use tax law. Programs funded through
29 special features of the tax code often escape regular
30 review. It is intended that the study committee shall
31 review the current sales, services, and use tax
32 exemptions to improve government accountability.

33 The committee shall study and make recommendations
34 regarding all of the following:

35 1. Retaining or eliminating current sales,
36 services, and use tax exemptions or providing new
37 exemptions. Such decisions shall be based at least
38 partially on the issues of effectiveness and
39 competitiveness and their impact on economic behavior.

40 2. Tax simplification and consistency issues in
41 applying the tax, including recordkeeping burdens on
42 retailers and application by the department of revenue
43 and finance.

44 3. Streamlining sales tax implementation in Iowa.

45 4. The tax rate.

46 5. Comparison of Iowa sales, services, and use tax
47 structure with other states.

48 The committee shall report to the general assembly
49 by January 1, 2004. The report shall provide
50 rationale for each decision made by the study

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1 committee.

2 Sec. 75. EFFECTIVE DATE. This division of this
3 Act, being deemed of immediate importance, takes
4 effect July 1, 2003.

5 DIVISION VI

6 GROW IOWA BOARD AND FUND

7 Sec. 76. Section 15.108, subsection 9, Code 2003,
8 is amended by adding the following new paragraph:

9 NEW PARAGRAPH. g. Administer the marketing
10 strategy selected pursuant to section 15G.108.

11 Sec. 77. NEW SECTION. 15G.101 DEFINITIONS.

12 As used in this chapter, unless the context
13 otherwise requires:

14 1. "Board" means the grow Iowa board established
15 in section 15G.102.

16 2. "Department" means the Iowa department of
17 economic development created in section 15.105.

18 3. "Director" means the director of the department
19 of economic development.

20 4. "Fund" means the grow Iowa fund created in
21 section 15G.107.

22 5. "Grow Iowa geographic regions" means the
23 geographic regions defined in section 15G.105.

24 Sec. 78. NEW SECTION. 15G.102 GROW IOWA BOARD.

25 1. The grow Iowa board is established consisting
26 of nine voting members. The grow Iowa board shall be
27 located for administrative purposes within the
28 department and the director shall provide office
29 space, staff assistance, and necessary supplies and
30 equipment for the board. The director shall budget
31 moneys to pay the compensation and expenses of the
32 board. In performing its functions, the board is
33 performing a public function on behalf of the state
34 and is a public instrumentality of the state.

35 2. a. The members of the board shall be appointed
36 as follows:

37 (1) Five individuals appointed by the governor,
38 subject to confirmation by the senate.

39 (2) Four individuals appointed by the legislative
40 council.

41 b. All appointments shall comply with sections
42 69.16 and 69.16A.

43 c. At least one member of the board shall be from
44 each grow Iowa geographic region.

45 d. Each of the following areas of expertise shall
46 be represented by at least one member of the board who
47 has professional experience in that area of expertise:

48 (1) Accounting and finance.

49 (2) Business development for employers with less
50 than two hundred employees and sales of less than ten

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1 million dollars per year.

2 (3) Insurance.

3 (4) Economics.

4 (5) Personnel.

5 e. All members of the board shall be actively
6 employed in the private, for-profit sector of the
7 economy.

8 f. The board membership shall be balanced between
9 representation by employers with less than two hundred
10 employees and employers with two hundred or more
11 employees.

12 3. The chairperson and vice chairperson shall be
13 elected by the members of the board from the
14 membership of the board. In the case of the absence
15 or disability of the chairperson and vice chairperson,
16 the members of the board shall elect a temporary
17 chairperson by a majority vote of those members who
18 are present and voting, provided a quorum is present.

19 4. The members of the board shall be appointed to
20 three-year staggered terms and the terms shall
21 commence and end as provided in section 69.19. If a
22 vacancy occurs, a successor shall be appointed in the
23 same manner and subject to the same qualifications as
24 the original appointment to serve the unexpired term.

25 5. A majority of the board constitutes a quorum.

26 6. A member of the board shall abstain from voting
27 on the provision of financial assistance to a project
28 which is located in the county in which the member of
29 the board resides.

30 7. The members of the board are entitled to
31 receive reimbursement for actual expenses incurred
32 while engaged in the performance of official duties.
33 A board member may also be eligible to receive
34 compensation as provided in section 7E.6.

35 Sec. 79. NEW SECTION. 15G.103 BOARD DUTIES.

36 The board shall do all of the following:

37 1. Organize.

38 2. Receive advice and recommendations from the
39 grow Iowa investment board, the economic development
40 marketing board, and the grow Iowa review commission.

41 3. Provide advice and recommendations to the
42 department and the Iowa economic development board for
43 making appropriations from and administering the grow
44 Iowa fund. A recommendation made by the grow Iowa
45 board to the department or the Iowa economic
46 development board shall be either approved or denied
47 by the department or the Iowa economic development
48 board.

49 4. Assist the department in implementing programs
50 and activities in a manner designed to achieve the

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1 goals set out in section 15G.106.

2 5. By December 15 of each year, submit a written
3 report to the general assembly reviewing the
4 activities of the board during the calendar year. The
5 report shall include information necessary for the
6 review of the goals and performance measures set out
7 in section 15G.106. State agencies and other entities
8 receiving moneys from the fund shall cooperate with
9 and assist the board in compilation of the report.

10 6. Adopt administrative rules pursuant to chapter
11 17A necessary to administer this chapter. This
12 delegation shall be construed narrowly.

13 Sec. 80. NEW SECTION. 15G.104 GROW IOWA
14 INVESTMENT BOARD.

15 1. A grow Iowa investment board is established
16 consisting of three members and is located for
17 administrative purposes within the department. The
18 director of the department shall provide office space,
19 staff assistance, and necessary supplies and equipment
20 for the board. The director shall budget moneys to
21 pay the compensation and expenses of the board. In
22 performing its functions, the board is performing a
23 public function on behalf of the state and is a public
24 instrumentality of the state.

25 2. a. Membership of the grow Iowa investment
26 board shall include all of the following:

27 (1) One member appointed by the governor from a
28 list of three banking representatives provided by the
29 superintendent of banking. This member shall serve a
30 three-year term.

31 (2) One member appointed by the governor from a
32 list of entrepreneurs provided jointly by the Iowa
33 association of business and industry and the national
34 federation of independent business. This member shall
35 serve a three-year term.

36 (3) The entrepreneur of the year as selected by
37 the Iowa small business development centers shall be
38 offered a one-year membership on the investment board.
39 If the entrepreneur of the year declines to serve on
40 the investment board, a member shall be appointed by
41 the governor from the list provided pursuant to
42 subparagraph (2) for the one-year term.

43 b. The chairperson and vice chairperson of the
44 grow Iowa investment board shall be elected by and
45 from the investment board members. The terms of the
46 members shall commence and end as provided by section
47 69.19. If a vacancy occurs, a successor shall be
48 appointed in the same manner and subject to the same
49 qualifications as the original appointment to serve
50 the unexpired term. A majority of the investment

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1 board constitutes a quorum.

2 3. The grow Iowa investment board, after a
3 thorough review, shall determine whether a proposed
4 project using moneys from the grow Iowa fund is
5 practical and shall provide recommendations to the
6 grow Iowa board regarding any moneys proposed to be
7 expended from the grow Iowa fund, with the exception
8 of moneys appropriated for purposes of the loan and
9 credit guarantee program and regarding whether a
10 proposed project is practical. The recommendations
11 shall be based on whether the expenditure would make
12 the achievement of the goals in accordance with the
13 performance measures set out in section 15G.106 more
14 likely. The recommendations may include conditions or
15 that proposed expenditure be rejected. The grow Iowa
16 board shall consider the recommendations of the grow
17 Iowa investment board and shall make an independent
18 recommendation to the department and the Iowa economic
19 development board regarding the expenditure. The
20 recommendations of the grow Iowa board shall include
21 the recommendations made by the grow Iowa investment
22 board.

23 4. The members of the board are entitled to
24 receive reimbursement for actual expenses incurred
25 while engaged in the performance of official duties.
26 A board member may also be eligible to receive
27 compensation as provided in section 7E.6.

28 Sec. 81. NEW SECTION. 15G.104A GROW IOWA REVIEW
29 COMMISSION.

30 1. A grow Iowa review commission is established
31 consisting of three members and is located for
32 administrative purposes within the department. The
33 director of the department shall provide office space,
34 staff assistance, and necessary supplies and equipment
35 for the review commission. The director shall budget
36 moneys to pay the compensation and expenses of the
37 commission, including the actual expenses of the
38 auditor of state incurred while engaged in the
39 performance of official commission duties. In
40 performing its functions, the review commission is
41 performing a public function on behalf of the state
42 and is a public instrumentality of the state.

43 2. Membership of the review commission shall
44 include the auditor of state, an economist for the
45 Iowa state university cooperative extension service in
46 agriculture and home economics appointed by the
47 president of the senate after consultation with the
48 minority leader of the senate, and a private sector
49 economist with broad experience reviewing and
50 analyzing the Iowa economy and the economy of the

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1 upper midwest appointed by the speaker of the house of
2 representatives after consultation with the minority
3 leader of the house of representatives. The
4 appointments shall comply with sections 69.16 and
5 69.16A. The chairperson of the review commission
6 shall be the auditor of state. The members shall be
7 appointed to three-year staggered terms and the terms
8 shall commence and end as provided by section 69.19.

9 If a vacancy occurs, a successor shall be appointed in
10 the same manner and subject to the same qualifications
11 as the original appointment to serve the unexpired
12 term. A majority of the review commission constitutes
13 a quorum. For purposes of this subsection, "upper
14 midwest" includes the states of Iowa, Kansas,
15 Minnesota, Missouri, Nebraska, North Dakota, and South
16 Dakota.

17 3. The review commission shall analyze all annual
18 reports of the grow Iowa board for purposes of
19 determining if the goals and performance measures set
20 out in section 15G.106 have been met. By January 1,
21 2007, the review commission shall submit a report to
22 the grow Iowa board, the department, and the general
23 assembly. The report shall include findings, itemized
24 by grow Iowa geographic regions, regarding whether the
25 goals and performance measures were met. The report
26 shall also include recommendations regarding the
27 continuation, elimination, or modification of any
28 programs receiving moneys from the grow Iowa fund and
29 whether moneys should continue to be appropriated to
30 and from the grow Iowa fund. The recommendations
31 shall be based on whether the goals in accordance with
32 the performance measures are being achieved.

33 4. The members of the commission, including the
34 auditor of state, are entitled to receive
35 reimbursement for actual expenses incurred while
36 engaged in the performance of official duties. A
37 commission member may also be eligible to receive
38 compensation as provided in section 7E.6.

39 Sec. 82. NEW SECTION. 15G.105 GROW IOWA
40 GEOGRAPHIC REGIONS.

41 For purposes of applying the goals and performance
42 measurements, the state shall be divided into five
43 grow Iowa geographic regions. The regions shall be
44 the following:

45 1. The northwest region shall include the counties
46 of Lyon, Osceola, Dickinson, Emmet, Kossuth,
47 Winnebago, Sioux, O'Brien, Clay, Palo Alto, Hancock,
48 Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt,
49 Wright, Woodbury, Ida, Sac, Calhoun, Webster, and
50 Hamilton.

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1 2. The northeast region shall include the counties
2 of Worth, Mitchell, Howard, Winneshiek, Allamakee,
3 Cerro Gordo, Floyd, Chickasaw, Fayette, Clayton,
4 Franklin, Butler, Bremer, Hardin, Grundy, Black Hawk,
5 Buchanan, Delaware, Dubuque, Tama, Benton, Linn,
6 Jones, and Jackson.

7 3. The southeast region shall include the counties
8 of Poweshiek, Iowa, Johnson, Cedar, Clinton, Scott,
9 Muscatine, Mahaska, Keokuk, Washington, Louisa,
10 Monroe, Wapello, Jefferson, Henry, Des Moines,
11 Appanoose, Davis, Van Buren, and Lee.

12 4. The southwest region shall include the counties
13 of Monona, Crawford, Carroll, Greene, Harrison,
14 Shelby, Audubon, Guthrie, Pottawattamie, Cass, Adair,
15 Mills, Montgomery, Adams, Union, Clarke, Lucas,
16 Fremont, Page, Taylor, Ringgold, Decatur, and Wayne.

17 5. The central region shall include the counties
18 of Boone, Story, Marshall, Dallas, Polk, Jasper,
19 Madison, Warren, and Marion.

20 Sec. 83. NEW SECTION. 15G.106 GOALS --
21 PERFORMANCE MEASURES.

22 1. In performing the duties provided in this
23 chapter, chapter 15, and chapter 15E, the grow Iowa
24 board, the grow Iowa investment board, the economic
25 development marketing board, the grow Iowa review
26 commission, and the department shall achieve the goals
27 of expanding and stimulating the state economy,
28 increasing the wealth of Iowans, and increasing the
29 population of the state. For purposes of this
30 section, "upper midwest region" includes the states of
31 Iowa, Kansas, Minnesota, Missouri, Nebraska, North
32 Dakota, and South Dakota.

33 2. Goal achievement shall be examined on a
34 regional basis using the grow Iowa geographic regions
35 and not on a statewide basis. The performance of the
36 grow Iowa geographic regions shall be compared to the
37 performance of the state, the upper midwest region,
38 and the United States. The baseline year shall be the
39 calendar year 2000. In each grow Iowa geographic
40 region, the goal shall be to increase the baseline
41 performance measures listed in subsections 3, 4, and
42 5, by thirty percent.

43 3. a. In determining whether the goal of
44 expanding and stimulating the state economy has been
45 met, the following performance measures shall be
46 considered:

- 47 (1) An increase in Iowa's gross domestic product.
- 48 (2) A net increase in business start-ups.
- 49 (3) A net increase in business expansion.
- 50 (4) A net increase in business modernization.

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1 (5) A net increase in attracting new businesses to
2 the state.

3 (6) A net increase in business retention.

4 (7) A net increase in job creation and retention.

5 (8) A decrease in Iowa of the ratio of the
6 government wage earnings as a percentage share of the
7 earnings of private industry in Iowa at a rate at
8 least equal to the ratio of the upper midwest region.

9 b. By December 15 of each year, the department
10 shall submit a report to the grow Iowa review
11 commission and the grow Iowa board that identifies
12 information pertinent to the performance measures in
13 paragraph "a", subparagraphs (3), (4), and (6), that
14 the department gains through interviews with
15 businesses in the state that close all or a portion of
16 operations in the state. By December 15 of each year,
17 based on the same interviews, the department shall
18 submit a report to the general assembly providing
19 suggested amendments to the Code of Iowa and the Iowa
20 administrative code designed to stimulate and expand
21 the state's economy.

22 c. By December 15 of each year the department
23 shall submit a report to the grow Iowa review
24 commission and the grow Iowa board that identifies
25 lost sale reports information pertinent to the
26 performance measures in paragraph "a", subparagraphs
27 (2) and (5), which indicate that the state has not
28 been successful in the performance measures in
29 paragraph "a", subparagraphs (2) and (5).

30 d. For purposes of the performance measure in
31 paragraph "a", subparagraph (7), the department of
32 economic development, in consultation with the
33 department of workforce development and the auditor of
34 state, shall determine an average annual job creation
35 and retention rate based on the ten years prior to
36 2003. During the fiscal years beginning July 1, 2003,
37 July 1, 2004, and July 1, 2005, the department of
38 economic development shall report the job creation and
39 retention rate of those businesses that receive moneys
40 originating from the grow Iowa fund and the job
41 creation and retention rate of those businesses that
42 do not receive moneys originating from the grow Iowa
43 fund. The ten-year average annual job creation and
44 retention rate shall be compared to the job creation
45 and retention rates determined under this paragraph
46 for the fiscal years beginning July 1, 2003, July 1,
47 2004, and July 1, 2005. The department of economic
48 development shall assist the department of workforce
49 development in maintaining detailed employment
50 statistics on businesses that receive moneys

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1 originating from the grow Iowa fund, on businesses
2 that do not receive moneys originating from the grow
3 Iowa fund, and on industries in Iowa that those
4 businesses represent. The auditor of state shall
5 audit the reliability and validity of the statistics
6 compiled pursuant to this paragraph.

7 4. In determining whether the goal of increasing
8 the wealth of Iowans has been met, the following
9 performance measures shall be considered:

10 a. The per capita personal income in Iowa shall
11 equal or exceed the average per capita personal income
12 for the upper midwest region.

13 b. The average earnings per job in Iowa shall
14 equal or exceed the average earnings per job in the
15 upper midwest region.

16 c. The average manufacturing earnings per employee
17 in Iowa shall equal or exceed the average
18 manufacturing earnings per employee in the upper
19 midwest region.

20 d. The average service earnings per employee in
21 Iowa shall equal or exceed the average service
22 earnings per employee in the upper midwest region.

23 e. The average earnings per employee in the
24 financial, insurance, and real estate industries in
25 Iowa shall equal or exceed the average earnings per
26 employee in the financial, insurance, and real estate
27 industries in the upper midwest region.

28 5. In determining whether the goal of increasing
29 the population of the state has been met, the
30 following performance measures shall be considered:

31 a. The net increase in new residents in the state
32 gained through attracting new businesses to the state.

33 b. The increase in the retention of high school
34 graduates and college graduates from private and
35 public colleges and universities in the state after
36 graduation.

37 c. The ability to retain fifty percent of all
38 undergraduate graduates of universities under the
39 control of the state board of regents in the state
40 after graduation.

41 d. The net population growth of Iowa equals or
42 exceeds the population growth in the upper midwest
43 region.

44 Sec. 84. NEW SECTION. 15G.107 GROW IOWA FUND.

45 A grow Iowa fund is created in the state treasury
46 under the control of the grow Iowa board consisting of
47 moneys appropriated to the grow Iowa board. Moneys in
48 the fund are not subject to section 8.33.

49 Notwithstanding section 12C.7, interest or earnings on
50 moneys in the fund shall be credited to the fund. The

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1 fund shall be administered by the grow Iowa board,
2 which shall make expenditures from the fund consistent
3 with this chapter and pertinent Acts of the general
4 assembly.

5 Sec. 85. NEW SECTION. 15G.108 ECONOMIC
6 DEVELOPMENT MARKETING BOARD -- MARKETING STRATEGIES.

7 1. a. An economic development marketing board is
8 established consisting of seven members and is located
9 for administrative purposes within the department.

10 The director of the department shall provide office
11 space, staff assistance, and necessary supplies and
12 equipment for the board. The director shall budget
13 moneys to pay the compensation and expenses of the
14 board. In performing its functions, the board is
15 performing a public function on behalf of the state
16 and is a public instrumentality of the state.

17 b. The membership of the board shall be as
18 follows:

19 (1) Three members with significant demonstrated
20 experience in marketing or advertising appointed by
21 the governor.

22 (2) Four members with significant demonstrated
23 experience in marketing or advertising appointed by
24 the legislative council.

25 c. The appointments made by the governor shall
26 comply with sections 69.16 and 69.16A and shall be
27 subject to confirmation by the senate.

28 d. The chairperson and vice chairperson of the
29 board shall be elected by and from the board members
30 listed in paragraph "b". In case of the absence or
31 disability of the chairperson and vice chairperson,
32 the members of the board shall elect a temporary
33 chairperson by a majority vote of those members who
34 are present and voting.

35 e. The members shall be appointed to three-year
36 staggered terms and the terms shall commence and end
37 as provided by section 69.19. If a vacancy occurs, a
38 successor shall be appointed to serve the unexpired
39 term. A successor shall be appointed in the same
40 manner and subject to the same qualifications as the
41 original appointment to serve the unexpired term.

42 f. A majority of the board constitutes a quorum.

43 2. The board shall administer and implement the
44 approval process for marketing strategies provided in
45 subsection 3.

46 3. The economic development marketing board shall
47 accept proposals for marketing strategies for purposes
48 of selecting a strategy for the department to
49 administer. The marketing strategies shall be
50 designed to market Iowa as a lifestyle, increase the

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1 population of the state, increase the wealth of
2 Iowans, and expand and stimulate the state economy.
3 The economic development marketing board shall submit
4 a recommendation regarding the proposal to the grow
5 Iowa board. In selecting a marketing strategy for
6 recommendation, the economic development marketing
7 board shall base the selection on the goals and
8 performance measures provided in section 15G.106. The
9 grow Iowa board shall either approve or deny the
10 recommendation.

11 4. The department shall implement and administer
12 the marketing strategy approved by the grow Iowa board
13 as provided in subsection 3. The department shall
14 provide the economic development marketing board with
15 assistance in implementing administrative functions of
16 the board and provide technical assistance to the
17 board.

18 5. The members of the board are entitled to
19 receive reimbursement for actual expenses incurred
20 while engaged in the performance of official duties.
21 A board member may also be eligible to receive
22 compensation as provided in section 7E.6.

23 Sec. 86. NEW SECTION. 15G.109 FUTURE
24 CONSIDERATION.

25 Not later than February 1, 2007, the legislative
26 services agency shall prepare and deliver to the
27 secretary of the senate and the chief clerk of the
28 house of representatives identical bills that repeal
29 the provisions of this chapter. It is the intent of
30 this section that the general assembly shall bring the
31 bill to a vote in either the senate or the house of
32 representatives expeditiously. It is further the
33 intent of this chapter that if the bill is approved by
34 the first house in which it is considered, it shall
35 expeditiously be brought to a vote in the second
36 house.

DIVISION VII

VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES
FINANCIAL ASSISTANCE PROGRAM

37
38
39
40 Sec. 87. Section 15E.111, subsection 1, Code 2003,
41 is amended to read as follows:

42 1. a. The department shall establish a value-
43 added agricultural products and processes financial
44 assistance program. The department shall consult with
45 ~~the Iowa corn growers association and the Iowa soybean~~
46 ~~association~~ Iowa commodity groups. The purpose of the
47 program is to encourage the increased utilization of
48 agricultural commodities produced in this state. The
49 program shall assist in efforts to revitalize rural
50 regions of this state, by committing resources to

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1 provide financial assistance to new or existing value-
2 added production facilities. The department of
3 economic development may consult with other state
4 agencies regarding any possible future environmental,
5 health, or safety issues linked to technology related
6 to the biotechnology industry. In awarding financial
7 assistance, the department shall prefer producer-
8 owned, value-added businesses and public and private
9 joint ventures involving an institution of higher
10 learning under the control of the state board of
11 regents or a private college or university acquiring
12 assets, research facilities, and leveraging moneys in
13 a manner that meets the goals of the grow Iowa fund
14 and shall commit resources to assist the following:

15 a. (1) Facilities which are involved in the
16 development of new innovative products and processes
17 related to agriculture. The facility must do either
18 of the following: produce a good derived from an
19 agricultural commodity, if the good is not commonly
20 produced from an agricultural commodity; or use a
21 process to produce a good derived from an agricultural
22 process, if the process is not commonly used to
23 produce the good.

24 b. (2) Renewable fuel production facilities. As
25 used in this section, "renewable fuel" means an energy
26 source which is derived from an organic compound
27 capable of powering machinery, including an engine or
28 power plant.

29 (3) Agricultural business facilities in the
30 agricultural biotechnology industry, agricultural
31 biomass industry, and alternative energy industry.

32 For purposes of this subsection:

33 (a) "Agricultural biomass industry" means
34 businesses that utilize agricultural commodity crops,
35 agricultural by-products, or animal feedstock in the
36 production of chemicals, protein products, or other
37 high-value products.

38 (b) "Agricultural biotechnology industry" means
39 businesses that utilize scientifically enhanced plants
40 or animals that can be raised by producers and used in
41 the production of high-value products.

42 (c) "Alternative energy industry" includes
43 businesses involved in the production of ethanol,
44 including gasoline with a mixture of seventy percent
45 or more ethanol, biodiesel, biomass, hydrogen, or in
46 the production of wind energy.

47 (4) Facilities that add value to Iowa agricultural
48 commodities through further processing and development
49 of organic products and emerging markets.

50 (5) Producer-owned, value-added businesses,

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1 education of producers and management boards in value-
2 added businesses, and other activities that would
3 support the infrastructure in the development of
4 value-added agriculture. Public and private joint
5 ventures involving an institution of higher learning
6 under the control of the state board of regents or a
7 private college or university to acquire assets,
8 research facilities, and leverage moneys in a manner
9 that meets the goals of the grow Iowa fund. For
10 purposes of this subsection, "producer-owned, valued-
11 added business" means a person who holds an equity
12 interest in the agricultural business and is
13 personally involved in the production of crops or
14 livestock on a regular, continuous, and substantial
15 basis.

16 b. Financial assistance awarded under this section
17 may be in the form of a loan, loan guarantee, grant,
18 production incentive payment, or a combination of
19 financial assistance. The department shall not award
20 more than twenty-five percent of the amount allocated
21 to the value-added agricultural products and processes
22 financial assistance fund during any fiscal year to
23 support a single person. The department may finance
24 any size of facility. However, the department ~~shall~~
25 may reserve up to fifty percent of the total amount
26 allocated to the fund, for purposes of assisting
27 persons requiring ~~one~~ five hundred thousand dollars or
28 less in financial assistance. The amount shall be
29 reserved until the end of the third quarter of the
30 fiscal year. The department shall not provide
31 financial assistance to support a value-added
32 production facility if the facility or a person owning
33 a controlling interest in the facility has
34 demonstrated a continuous and flagrant disregard for
35 the health and safety of its employees or the quality
36 of the environment. Evidence of such disregard shall
37 include a history of serious or uncorrected violations
38 of state or federal law protecting occupational health
39 and safety or the environment, including but not
40 limited to serious or uncorrected violations of
41 occupational safety and health standards enforced by
42 the division of labor services of the department of
43 workforce development pursuant to chapter 84A, or
44 rules enforced by the department of natural resources
45 pursuant to chapter 455B or 459, subchapters II and
46 III.

DIVISION VIII

ENDOW IOWA GRANTS

47
48
49 Sec. 88. NEW SECTION. 15E.301 SHORT TITLE.

50 This division shall be known as and may be cited as

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1 the "Endow Iowa Program Act".

2 Sec. 89. NEW SECTION. 15E.302 PURPOSE.

3 The purpose of this division is to enhance the
4 quality of life for citizens of this state through
5 increased philanthropic activity by providing capital
6 to new and existing citizen groups of this state
7 organized to establish endowment funds that will
8 address community needs. The purpose of this division
9 is also to encourage individuals, businesses, and
10 organizations to invest in community foundations.

11 Sec. 90. NEW SECTION. 15E.303 DEFINITIONS.

12 As used in this division, unless the context
13 otherwise requires:

14 1. "Board" means the governing board of the lead
15 philanthropic entity identified by the department
16 pursuant to section 15E.304.

17 2. "Business" means a business operating within
18 the state and includes individuals operating a sole
19 proprietorship or having rental, royalty, or farm
20 income in this state and includes a consortium of
21 businesses.

22 3. "Community affiliate organization" means a
23 group of five or more community leaders or advocates
24 organized for the purpose of increasing philanthropic
25 activity in an identified community or geographic area
26 in this state with the intention of establishing a
27 community affiliate endowment fund.

28 4. "Endowment gift" means an irrevocable
29 contribution to a permanent endowment held by a
30 qualified community foundation.

31 5. "Lead philanthropic entity" means the entity
32 identified by the department pursuant to section
33 15E.304.

34 6. "Qualified community foundation" means a
35 community foundation organized or operating in this
36 state that meets or exceeds the national standards
37 established by the national council on foundations.

38 Sec. 91. NEW SECTION. 15E.304 ENDOW IOWA GRANTS.

39 1. The department shall identify a lead
40 philanthropic entity for purposes of encouraging the
41 development of qualified community foundations in this
42 state. A lead philanthropic entity shall meet all of
43 the following qualifications:

44 a. The entity shall be a nonprofit entity which is
45 exempt from federal income taxation pursuant to
46 section 501(c)(3) of the Internal Revenue Code.

47 b. The entity shall be a statewide organization
48 with membership consisting of organizations, such as
49 community, corporate, and private foundations, whose
50 principal function is the making of grants within the

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- 1 state of Iowa.
- 2 c. The entity shall have a minimum of forty
3 members and that membership shall include qualified
4 community foundations.
- 5 2. A lead philanthropic entity may receive a grant
6 from the department. The board shall use the grant
7 moneys to award endow Iowa grants to new and existing
8 qualified community foundations and to community
9 affiliate organizations that do all of the following:
- 10 a. Provide the board with all information required
11 by the board.
- 12 b. Demonstrate a dollar-for-dollar funding match
13 in a form approved by the board.
- 14 c. Identify a qualified community foundation to
15 hold all funds. A qualified community foundation
16 shall not be required to meet this requirement.
- 17 d. Provide a plan to the board demonstrating the
18 method for distributing grant moneys received from the
19 board to organizations within the community or
20 geographic area as defined by the qualified community
21 foundation or the community affiliate organization.
- 22 3. Endow Iowa grants awarded to new and existing
23 qualified community foundations and to community
24 affiliate organizations shall not exceed twenty-five
25 thousand dollars per foundation or organization unless
26 a foundation or organization demonstrates a multiple
27 county or regional approach. Endow Iowa grants may be
28 awarded on an annual basis with not more than three
29 grants going to one county in a fiscal year.
- 30 4. In ranking applications for grants, the board
31 shall consider a variety of factors including the
32 following:
- 33 a. The demonstrated need for financial assistance.
- 34 b. The potential for future philanthropic activity
35 in the area represented by or being considered for
36 assistance.
- 37 c. The proportion of the funding match being
38 provided.
- 39 d. For community affiliate organizations, the
40 demonstrated need for the creation of a community
41 affiliate endowment fund in the applicant's geographic
42 area.
- 43 e. The identification of community needs and the
44 manner in which additional funding will address those
45 needs.
- 46 f. The geographic diversity of awards.
- 47 5. Of any moneys received by a lead philanthropic
48 entity from the state, not more than five percent of
49 such moneys shall be used by the entity for
50 administrative purposes.

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1 Sec. 92. NEW SECTION. 15E.306 REPORTS -- AUDITS.
2 By January 31 of each year, the lead philanthropic
3 entity, in cooperation with the department, shall
4 publish an annual report of the activities conducted
5 pursuant to this division during the previous calendar
6 year and shall submit the report to the governor and
7 the general assembly. The annual report shall include
8 a listing of endowment funds and the amount of tax
9 credits authorized by the department.

10 Sec. 93. EFFECTIVE AND RETROACTIVE APPLICABILITY
11 DATES. This division of this Act, being deemed of
12 immediate importance, takes effect upon enactment and
13 is retroactively applicable to January 1, 2003, for
14 tax years beginning on or after that date.

DIVISION IX

TECHNOLOGY TRANSFER ADVISORS

15
16
17 Sec. 94. NEW SECTION. 7.23 TECHNOLOGY TRANSFER
18 ADVISOR.

19 Two technology transfer advisors shall be appointed
20 by the governor, serve at the pleasure of the
21 governor, and be located at offices at the university
22 of Iowa and Iowa state university of science and
23 technology. A technology transfer advisor is not a
24 state agency and is not subject to chapter 17A. A
25 technology transfer advisor shall do all of the
26 following:

27 1. Facilitate the transfer of technology developed
28 at the university of Iowa, the university of northern
29 Iowa, Iowa state university of science and technology,
30 community colleges, and private colleges and
31 universities.

32 2. Coordinate the technology transfer activities
33 at each of the public and private universities to
34 encourage the implementation of best practices in
35 technology transfer, establish measures of
36 performance, and design programs of continuous quality
37 improvement for each technology transfer office.

38 3. Establish technology transfer goals for the
39 state.

40 4. Provide technical assistance to Iowa-based
41 entrepreneurs associated with or unrelated to the
42 universities under the control of the state board of
43 regents regarding technology transfer-related issues.
44 The technical assistance shall include assistance in
45 the areas of patents and licensing, business
46 development and management, finance, production,
47 sales, and marketing.

48 5. Receive the technology transfer-related report
49 submitted by the state board of regents pursuant to
50 section 262.9, subsection 31.

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1 6. To ensure economic growth, serve as a
2 coordinator between Iowa-based businesses and
3 businesses intending to locate in Iowa.

4 Sec. 95. Section 15.108, Code 2003, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 12. TECHNOLOGY TRANSFER ADVISORS.

7 The department shall cooperate with and provide
8 staffing support to the technology transfer advisors
9 appointed pursuant to section 7.23.

10 Sec. 96. Section 262.9, Code 2003, is amended by
11 adding the following new subsections:

12 NEW SUBSECTION. 29. Actively encourage and
13 promote the transfer of technology and research at
14 universities under the control of the board to
15 commercial application, including the start-up of
16 business entities.

17 NEW SUBSECTION. 30. Give preference and technical
18 support to those faculty members and staff members
19 desiring to obtain licenses for intellectual property
20 rights created in whole or in part by the faculty
21 member or staff member. However, such preference
22 shall not be construed to be a right accruing to that
23 faculty member or staff member.

24 NEW SUBSECTION. 31. By January 15 of each year,
25 submit a report to the governor, through the
26 technology transfer advisors, and the general assembly
27 containing information from the previous calendar year
28 regarding all of the following:

29 a. Patents secured or applied for by each
30 university under the control of the board delineated
31 by university and by faculty member and staff member
32 responsible for the research or activity that resulted
33 in the patent. In the initial report filed by January
34 15, 2004, the board shall include an inventory of
35 patent portfolios with details concerning which
36 patents are creating financial benefit and the amount
37 of financial benefit and which patents are not
38 creating financial benefit and the amount invested in
39 those patents.

40 b. Research grants secured by each university
41 under the control of the board from both public and
42 private sources delineated by university and by
43 faculty member and staff member. The board shall also
44 include the same information for grant applications
45 that are denied.

46 c. The number of faculty members and staff members
47 at each university under the control of the board
48 involved in a start-up company.

49 d. The number of grant applications for research
50 received by each university under the control of the

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1 board for start-up companies, the number of
2 applications approved, and the number of applications
3 denied.

4 e. The number of agreements entered into by
5 faculty members and staff members at each university
6 under the control of the board with foundations
7 affiliated with the universities relating to business
8 start-ups.

9 f. An accounting of the financial gain received by
10 each university under the control of the board
11 relating to patents sold, royalties received,
12 licensing fees, and any other remuneration received by
13 the university related to technology transfer.

14 g. The number of professional employees at each
15 university under the control of the board who assist
16 in the transfer of technology and research to
17 commercial application.

DIVISION X

IOWA ECONOMIC DEVELOPMENT

LOAN AND CREDIT GUARANTEE FUND

21 Sec. 97. NEW SECTION. 15E.221 SHORT TITLE.

22 This division shall be known and may be cited as
23 the "Iowa Economic Development Loan and Credit
24 Guarantee Fund Act".

25 Sec. 98. NEW SECTION. 15E.222 LEGISLATIVE
26 FINDING -- PURPOSES.

27 1. The general assembly finds all of the
28 following:

29 a. That small and medium-sized businesses, in
30 general, and certain targeted industry businesses and
31 other qualified businesses, in particular, may not
32 qualify for conventional financing.

33 b. That the limited availability of credit for
34 export transactions limits the ability of small and
35 medium-sized businesses in this state to compete in
36 international markets.

37 c. That, to enhance competitiveness and foster
38 economic development, this state must focus on growth
39 in certain specific targeted industry businesses and
40 other qualified businesses, especially during a time
41 of war.

42 d. That the challenge for the public economic
43 sector is to create an atmosphere conducive to
44 economic growth, in conjunction with financial
45 institutions in the private sector, which fill the
46 gaps in credit availability and export finance, and
47 that allow the private sector to identify the lending
48 opportunities and foster decision making at the local
49 level.

50 2. The general assembly declares the purposes of

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1 this division to be all of the following:

2 a. To create incentives and assistance to increase
3 the flow of private capital to targeted industry
4 businesses and other qualified businesses.

5 b. To promote industrial modernization and
6 technology adoption.

7 c. To encourage the retention and creation of
8 jobs.

9 d. To encourage the export of goods and services
10 sold by Iowa businesses in national and international
11 markets.

12 Sec. 99. NEW SECTION. 15E.223 DEFINITIONS.

13 As used in this division, unless the context
14 otherwise requires:

15 1. "Financial institution" means an institution
16 listed in section 422.61, subsection 1, or such other
17 financial institution as defined by the department for
18 purposes of this division.

19 2. "Program" means the loan and credit guarantee
20 program established in this division.

21 3. "Qualified business" means an existing or
22 proposed business entity with an annual average number
23 of employees not exceeding two hundred employees.

24 "Qualified business" does not include businesses
25 engaged primarily in retail sales, real estate, or the
26 provision of health care or other professional
27 services. "Qualified business" includes professional
28 services businesses that provide services to targeted
29 industry businesses or other entities within and
30 outside of this state.

31 4. "Targeted industry business" means an existing
32 or proposed business entity, including an emerging
33 small business or qualified business which is operated
34 for profit and which has a primary business purpose of
35 doing business in at least one of the targeted
36 industries designated by the department which include
37 life sciences, software and information technology,
38 advanced manufacturing, value-added agriculture, and
39 any other industry designated as a targeted industry
40 by the loan and credit guarantee advisory board.

41 Sec. 100. NEW SECTION. 15E.224 LOAN AND CREDIT
42 GUARANTEE PROGRAM.

43 1. The department shall, with the advice of the
44 loan and credit guarantee advisory board, establish
45 and administer a loan and credit guarantee program.
46 The department, pursuant to agreements with financial
47 institutions, shall provide loan and credit
48 guarantees, or other forms of credit guarantees for
49 qualified businesses and targeted industry businesses
50 for eligible project costs. A loan or credit

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1 guarantee provided under the program may stand alone
2 or may be used in conjunction with or to enhance other
3 loans or credit guarantees, offered by private, state,
4 or federal entities. However, the department shall
5 not in any manner directly or indirectly pledge the
6 credit of the state. Eligible project costs include
7 expenditures for productive equipment and machinery,
8 working capital for operations and export
9 transactions, research and development, marketing, and
10 such other costs as the department may so designate.

11 2. A loan or credit guarantee or other form of
12 credit guarantee provided under the program to a
13 participating financial institution for a single
14 qualified business or targeted industry business shall
15 not exceed one million dollars in value. Loan or
16 credit guarantees or other forms of credit guarantees
17 provided under the program to more than one
18 participating financial institution for a single
19 qualified business or targeted industry business shall
20 not exceed ten million dollars in value.

21 3. In administering the program, the department
22 shall consult and cooperate with financial
23 institutions in this state and with the loan and
24 credit guarantee advisory board. Administrative
25 procedures and application procedures, as practicable,
26 shall be responsive to the needs of qualified
27 businesses, targeted industry businesses, and
28 financial institutions, and shall be consistent with
29 prudent investment and lending practices and criteria.

30 4. Each participating financial institution shall
31 identify and underwrite potential lending
32 opportunities with qualified businesses and targeted
33 industry businesses. Upon a determination by a
34 participating financial institution that a qualified
35 business or targeted industry business meets the
36 underwriting standards of the financial institution,
37 subject to the approval of a loan or credit guarantee,
38 the financial institution shall submit the
39 underwriting information and a loan or credit
40 guarantee application to the department.

41 5. The department, with the advice of the loan and
42 credit guarantee advisory board, shall adopt a loan or
43 credit guarantee application procedure for a financial
44 institution on behalf of a qualified business or
45 targeted industry business.

46 6. Upon approval of a loan or credit guarantee,
47 the department shall enter into a loan or credit
48 guarantee agreement with the participating financial
49 institution. The agreement shall specify all of the
50 following:

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1 a. The fee to be charged to the financial
2 institution.

3 b. The evidence of debt assurance of, and security
4 for, the loan or credit guarantee.

5 c. A loan or credit guarantee that does not exceed
6 fifteen years.

7 d. Any other terms and conditions considered
8 necessary or desirable by the department.

9 7. The department, with the advice of the loan and
10 credit guarantee advisory board, may adopt loan and
11 credit guarantee application procedures that allow a
12 qualified business or targeted industry business to
13 apply directly to the department for a preliminary
14 guarantee commitment. A preliminary guarantee
15 commitment may be issued by the department subject to
16 the qualified business or targeted industry business
17 securing a commitment for financing from a financial
18 institution. The application procedures shall specify
19 the process by which a financial institution may
20 obtain a final loan and credit guarantee.

21 Sec. 101. NEW SECTION. 15E.225 TERMS -- FEES.

22 1. When entering into a loan or credit guarantee
23 agreement, the department, with the advice of the loan
24 and credit guarantee advisory board, shall establish
25 fees and other terms for participation in the program
26 by qualified businesses and targeted industry
27 businesses.

28 2. The department, with due regard for the
29 possibility of losses and administrative costs and
30 with the advice of the loan and credit guarantee
31 advisory board, shall set fees and other terms at
32 levels sufficient to assure that the program is self-
33 financing.

34 3. For a preliminary guarantee commitment, the
35 department may charge a qualified business or targeted
36 industry business a preliminary guarantee commitment
37 fee. The application fee shall be in addition to any
38 other fees charged by the department under this
39 section and shall not exceed one thousand dollars for
40 an application.

41 Sec. 102. NEW SECTION. 15E.226 LOAN AND CREDIT
42 GUARANTEE ADVISORY BOARD.

43 The department, in consultation with the
44 superintendent of banking, shall establish a loan and
45 credit guarantee advisory board. The advisory board
46 shall provide the department with technical advice
47 regarding the administration of the program, including
48 the adoption of administrative rules pursuant to
49 chapter 17A. The advisory board shall review and
50 provide recommendations regarding all applications

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1 under the program. Members of the advisory board are
2 entitled to receive reimbursement for actual expenses
3 incurred while engaged in the performance of official
4 duties. Advisory board members may also be eligible
5 to receive compensation as provided in section 7E.6.
6 The director of the department shall budget moneys to
7 pay the compensation and expenses of the advisory
8 board. The provisions of this section relating to the
9 adoption of administrative rules shall be construed
10 narrowly.

DIVISION XI

ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

13 Sec. 103. NEW SECTION. 15E.118 BUSINESS START-UP
14 INFORMATION -- INTERNET WEB SITE.

15 The department shall provide information through an
16 internet web site and a toll-free telephone service to
17 assist persons interested in establishing a commercial
18 facility or engaging in a commercial activity. The
19 information shall include all of the following:

- 20 1. Assistance, information, and guidance for
21 start-up businesses.
- 22 2. Information gathered by the department pursuant
23 to section 15E.17, subsection 2.
- 24 3. Personal and corporate income tax information.
- 25 4. Information regarding financial assistance and
26 incentives available to businesses.
- 27 5. Workforce availability in the state presented
28 in a regional format.

29 Sec. 104. NEW SECTION. 15E.119 ECONOMIC
30 DEVELOPMENT-RELATED DATA COLLECTION.

31 1. The department shall interview any business
32 that considered locating in Iowa but decided to locate
33 elsewhere. The department shall attempt to determine
34 factors that affected the location decision of the
35 business.

36 2. The department shall interview any business
37 that closes major operations in the state or dissolves
38 the business's corporate status in an effort to
39 identify factors that led to the closure or
40 dissolution.

41 3. By January 15 of each year, the department
42 shall submit a written report to the general assembly
43 that summarizes the information collected pursuant to
44 this section and provides suggested amendments to the
45 Code of Iowa and the Iowa administrative code designed
46 to stimulate and expand the state's economy.

47 Sec. 105. INTERNET WEB SITE DEVELOPMENT. In
48 developing the internet web site required in section
49 15E.118, the department of economic development shall
50 examine similar efforts in other states and

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1 incorporate the best practices.

2 DIVISION XII

3 CULTURAL AND ENTERTAINMENT DISTRICTS

4 Sec. 106. NEW SECTION. 303.3B CULTURAL AND

5 ENTERTAINMENT DISTRICTS.

6 1. The department of cultural affairs shall
7 establish and administer a cultural and entertainment
8 district certification program. The program shall
9 encourage the growth of communities through the
10 development of areas within a city or county for
11 public and private uses related to cultural and
12 entertainment purposes.

13 2. A city or county may create and designate a
14 cultural and entertainment district subject to
15 certification by the department of cultural affairs,
16 in consultation with the department of economic
17 development. A cultural and entertainment district
18 shall consist of a geographic area not exceeding one
19 square mile in size. A cultural and entertainment
20 district certification shall remain in effect for ten
21 years following the date of certification. Two or
22 more cities or counties may apply jointly for
23 certification of a district that extends across a
24 common boundary. Through the adoption of
25 administrative rules, the department of cultural
26 affairs shall develop a certification application for
27 use in the certification process. The provisions of
28 this subsection relating to the adoption of
29 administrative rules shall be construed narrowly.

30 3. The department of cultural affairs shall
31 encourage development projects and activities located
32 in certified cultural and entertainment districts
33 through incentives under cultural grant programs
34 pursuant to section 303.3, chapter 303A, and any other
35 grant programs.

36 DIVISION XIII

37 WORKFORCE ISSUES

38 Sec. 107. NEW SECTION. 15A.10 JOB RETENTION --
39 INCENTIVES.

40 1. In order to assure the retention of existing
41 jobs that would otherwise be lost, the director of the
42 department of economic development may authorize
43 incentives and assistance provided to a business under
44 this section for a period not to exceed ten years upon
45 finding the following:

46 a. The business currently employing, at one place
47 of business, at least one thousand employees is likely
48 to close or substantially reduce employment.

49 b. The business agrees to remain in the state for
50 at least ten years and invest at least fifteen million

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1 dollars to retool or upgrade facilities.
2 2. Incentives and assistance that may be
3 authorized by the director include any of the
4 following:
5 a. New jobs credit from withholding, as provided
6 in section 15.331.
7 b. Sales, services, and use tax refund, as
8 provided in section 15.331A.
9 c. Investment tax credit, as provided in section
10 15.333.
11 d. Research activities tax credit, as provided in
12 section 15.335.
13 3. A business shall enter into an agreement with
14 the department and the city or county specifying the
15 terms and conditions that must be met in exchange for
16 the incentives and assistance authorized in this
17 section. The agreement shall specify how the
18 incentives will be repaid in the event the business
19 fails to meet or maintain the terms and conditions of
20 the agreement.

DIVISION XIV

UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM

22 Sec. 108. NEW SECTION. 262B.11 UNIVERSITY-BASED
23 RESEARCH UTILIZATION PROGRAM.
24

25 1. The department of economic development shall
26 establish and administer a university-based research
27 utilization program for purposes of encouraging the
28 utilization of university-based research, primarily in
29 the area of high technology, in new or existing
30 businesses. The program shall include the three
31 universities under the control of the state board of
32 regents and all accredited private universities
33 located in the state.

34 2. A new or existing business that utilizes a
35 technology developed by an employee at a university
36 under the control of the state board of regents may
37 apply to the department of economic development for
38 approval to participate in the university-based
39 research utilization program. The department shall
40 approve an applicant if the applicant meets all of the
41 following criteria:

42 a. The applicant utilizes a technology developed
43 by an employee at a university under the control of
44 the state board of regents, provided that the
45 technology has received a patent after the effective
46 date of this Act. If the applicant has been in
47 existence more than one year prior to applying, the
48 applicant shall organize a separate company to utilize
49 the technology. For purposes of this section, the
50 separate company shall be considered the applicant

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1 and, if approved, the approved business.

2 b. The applicant develops a five-year business
3 plan approved by the department. The plan shall
4 include information concerning the applicant's Iowa
5 employment goals and projected impact on the Iowa
6 economy. The department shall only approve plans
7 showing sufficient potential impact on Iowa employment
8 and economic development.

9 c. The applicant meets a minimum-size business
10 standard determined by the department.

11 d. The applicant provides annual reports to the
12 department that include employment statistics for the
13 applicant and the total taxable wages paid to Iowa
14 employees and reported to the department of revenue
15 and finance pursuant to section 422.16.

16 3. A business approved under the program and the
17 university employee responsible for the development of
18 the technology utilized by the approved business shall
19 be eligible for a tax credit. The credit shall be
20 allowed against the taxes imposed in chapter 422,
21 divisions II and III. An individual may claim a tax
22 credit under this section of a partnership, limited
23 liability company, S corporation, estate, or trust
24 electing to have income taxed directly to the
25 individual. The amount claimed by the individual
26 shall be based upon the pro rata share of the
27 individual's earnings from the partnership, limited
28 liability company, S corporation, estate, or trust. A
29 tax credit shall not be claimed under this subsection
30 unless a tax credit certificate issued by the
31 department of economic development is attached to the
32 taxpayer's tax return for the tax year for which the
33 tax credit is claimed. The amount of a tax credit
34 allowed under this subsection shall equal the amount
35 listed on a tax credit certificate issued by the
36 department of economic development pursuant to
37 subsection 4. A tax credit certificate shall not be
38 transferable. Any tax credit in excess of the
39 taxpayer's liability for the tax year may be credited
40 to the taxpayer's tax liability for the following five
41 years or until depleted, whichever occurs first. A
42 tax credit shall not be carried back to a tax year
43 prior to the tax year in which the taxpayer redeems
44 the tax credit.

45 4. For the five tax years following the tax year
46 in which a business is approved under the program, the
47 department of revenue and finance shall provide the
48 department of economic development with information
49 required by the department of economic development
50 from each tax return filed by the approved business.

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1 Upon receiving the tax return-related information, the
2 department of economic development shall do all of the
3 following:

4 a. Review the information provided by the
5 department of revenue and finance pursuant to this
6 subsection and the annual report submitted by the
7 applicant pursuant to subsection 2, paragraph "d". If
8 the department determines that the business activities
9 of the applicant are not providing the benefits to
10 Iowa employment and economic development projected in
11 the applicant's approved five-year business plan, the
12 department shall not issue tax credit certificates for
13 that year to the applicant or university employee and
14 shall determine any related university share to be
15 equal to zero for that year.

16 b. Effective for the fiscal year beginning July 1,
17 2004, and for subsequent fiscal years, issue a tax
18 credit certificate to the approved business and the
19 university employee responsible for the development of
20 the technology utilized by the approved business in an
21 amount determined pursuant to subsection 5. A tax
22 credit certificate shall contain the taxpayer's name,
23 address, tax identification number, the amount of the
24 tax credit, and other information required by the
25 department of revenue and finance.

26 c. (1) Determine the university share which is
27 equal to the value of thirty percent of the tax
28 liability of the approved business for purposes of
29 making an appropriation pursuant to section 262B.12,
30 if enacted by 2003 Iowa Acts, House File 683 or
31 another Act, to the university where the technology
32 utilized by the approved business was developed. A
33 university share shall not exceed two hundred twenty-
34 five thousand dollars per year per technology
35 utilized. For each technology utilized, the aggregate
36 university share over a five-year period shall not
37 exceed six hundred thousand dollars.

38 (2) The department shall maintain records for each
39 university during each fiscal year regarding the
40 university share each university is entitled to
41 receive through the appropriation in section 262B.12,
42 if enacted by 2003 Iowa Acts, House File 683 or
43 another Act. A university shall be entitled to
44 receive the total university share for that particular
45 university during the previous fiscal year.

46 d. For the fiscal year beginning July 1, 2004, not
47 more than two million dollars worth of certificates
48 shall be issued pursuant to paragraph "b". For the
49 fiscal year beginning July 1, 2005, and every fiscal
50 year thereafter, not more than ten million dollars

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1 worth of certificates shall be issued pursuant to
2 paragraph "b".

3 5. The tax credit certificates issued by the
4 department for each of the five years following the
5 tax year in which the business is approved under the
6 program shall be for the following amounts:

7 a. For the approved business, the value of the tax
8 credit certificate shall equal thirty percent of the
9 tax liability of the approved business. The value of
10 a certificate issued to an approved business shall not
11 exceed two hundred twenty-five thousand dollars. The
12 total aggregate value of certificates issued over a
13 five-year period to an approved business shall not
14 exceed six hundred thousand dollars.

15 b. For the university employee responsible for the
16 development of the technology utilized by the approved
17 business, the value of the tax credit certificate
18 shall equal ten percent of the tax liability of the
19 approved business. If more than one employee is
20 responsible for the development of the technology, the
21 value equal to ten percent of the tax liability of the
22 approved business shall be divided equally and
23 individual tax credit certificates shall be issued to
24 each employee responsible for the development of the
25 technology. Each year, the total value of a
26 certificate or certificates issued for a utilized
27 technology shall not exceed seventy-five thousand
28 dollars. For each technology utilized, the total
29 aggregate value of certificates issued over a five-
30 year period to the university employee responsible for
31 the development of the technology shall not exceed two
32 hundred thousand dollars.

33 6. The department of economic development shall
34 notify the department of revenue and finance when a
35 tax credit certificate is issued pursuant to
36 subsection 4. The notification shall include the name
37 and tax identification number appearing on any tax
38 credit certificate.

39 Sec. 109. NEW SECTION. 422.11H UNIVERSITY-BASED
40 RESEARCH UTILIZATION PROGRAM TAX CREDIT.

41 The taxes imposed under this division, less the
42 credits allowed under sections 422.12 and 422.12B,
43 shall be reduced by a university-based research
44 utilization program tax credit authorized pursuant to
45 section 262B.11.

46 Sec. 110. Section 422.33, Code 2003, is amended by
47 adding the following new subsection:

48 NEW SUBSECTION. 14. The taxes imposed under this
49 division shall be reduced by a university-based
50 research utilization program tax credit authorized

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1 pursuant to section 262B.11.

2 DIVISION XV

3 FUTURE REPEAL

4 Sec. 111. The divisions of this Act designated the
5 grow Iowa board and fund, the value-added agricultural
6 products and processes financial assistance program,
7 the endow Iowa grants, the technology transfer
8 advisors, the Iowa economic development loan and
9 credit guarantee fund, the economic development
10 assistance and data collection, the cultural and
11 entertainment districts, the workforce issues, and the
12 university-based research utilization program, are
13 repealed effective June 30, 2010.

14 DIVISION XVI

15 LIABILITY REFORM

16 Sec. 112. Section 668.12, Code 2003, is amended to
17 read as follows:

18 668.12 LIABILITY FOR PRODUCTS -- ~~STATE OF THE ART~~
19 ~~DEFENSE DEFENSES.~~

20 1. In any action brought pursuant to this chapter
21 against an assembler, designer, supplier of
22 specifications, distributor, manufacturer, or seller
23 for damages arising from an alleged defect in the
24 design, testing, manufacturing, formulation,
25 packaging, warning, or labeling of a product, a
26 percentage of fault shall not be assigned to such
27 persons if they plead and prove that the product
28 conformed to the state of the art in existence at the
29 time the product was designed, tested, manufactured,
30 formulated, packaged, provided with a warning, or
31 labeled.

32 2. Nothing contained in ~~this section~~ subsection 1
33 shall diminish the duty of an assembler, designer,
34 supplier of specifications, distributor, manufacturer
35 or seller to warn concerning subsequently acquired
36 knowledge of a defect or dangerous condition that
37 would render the product unreasonably dangerous for
38 its foreseeable use or diminish the liability for
39 failure to so warn.

40 3. An assembler, designer, supplier of
41 specifications, distributor, manufacturer, or seller
42 shall not be subject to liability under a theory of
43 civil conspiracy unless the person knowingly and
44 voluntarily entered into an agreement, express or
45 implied, to participate in a common plan with the
46 intent to commit a tortious act upon another. Mere
47 membership in a trade or industrial association or
48 group is not, in and of itself, evidence of such an
49 agreement.

50 Sec. 113. Section 668A.1, subsection 1, Code 2003,

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1 is amended to read as follows:

2 1. In a trial of a claim involving the request for
3 punitive or exemplary damages, the court shall
4 instruct the jury to answer special interrogatories
5 or, if there is no jury, shall make findings,
6 indicating all of the following:

7 a. ~~Whether, by a preponderance of clear,~~
8 ~~convincing, and satisfactory evidence, the conduct of~~
9 ~~the defendant from which the claim arose constituted~~
10 ~~willful and wanton disregard for the rights or safety~~
11 ~~of another.~~

12 b. Whether the conduct of the defendant was
13 directed specifically at the claimant, or at the
14 person from which the claimant's claim is derived.

15 b. Whether, by a preponderance of clear and
16 convincing evidence, the conduct of the defendant from
17 which the claim arose constituted actual malice.

18 Sec. 114. NEW SECTION. 668A.2 DEFINITIONS.

19 As used in this chapter, the following terms shall
20 have the following meanings:

21 1. "Clear and convincing evidence" means evidence
22 which leaves no serious or substantial doubt about the
23 correctness of the conclusions drawn from the
24 evidence. It is more than a preponderance of
25 evidence, but less than beyond a reasonable doubt.

26 2. "Malice" means either conduct which is
27 specifically intended by the defendant to cause
28 tangible or intangible serious injury to the plaintiff
29 or conduct that is carried out by the defendant both
30 with a flagrant indifference to the rights of the
31 plaintiff and with a subjective awareness that such
32 conduct will result in tangible serious injury.

33 Sec. 115. NEW SECTION. 668A.3 AWARD OF PUNITIVE
34 OR EXEMPLARY DAMAGES -- PROOF -- STANDARD.

35 Punitive or exemplary damages shall only be awarded
36 where the plaintiff proves by clear and convincing
37 evidence that the plaintiff's harm was the result of
38 actual malice. This burden of proof shall not be
39 satisfied by proof of any degree of negligence,
40 including gross negligence.

41 Sec. 116. APPLICABILITY. This division of this
42 Act, relating to liability reform, applies to cases
43 filed on or after July 1, 2003.

44 DIVISION XVII
45 WORKERS' COMPENSATION

46 Sec. 117. Section 85.34, subsection 2, unnumbered
47 paragraph 1, Code 2003, is amended to read as follows:

48 Compensation for permanent partial disability shall
49 begin at the termination of the healing period
50 provided in subsection 1. The compensation shall be

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1 in addition to the benefits provided by sections 85.27
2 and 85.28. The compensation shall be based only upon
3 the extent of the disability related to the injury
4 received and upon the basis of eighty percent per week
5 of the employee's average spendable weekly earnings,
6 but not more than a weekly benefit amount, rounded to
7 the nearest dollar, equal to one hundred eighty-four
8 percent of the statewide average weekly wage paid
9 employees as determined by the department of workforce
10 development under section 96.19, subsection 36, and in
11 effect at the time of the injury. The minimum weekly
12 benefit amount shall be equal to the weekly benefit
13 amount of a person whose gross weekly earnings are
14 thirty-five percent of the statewide average weekly
15 wage. For all cases of permanent partial disability
16 compensation shall be paid as follows:

17 Sec. 118. Section 85.34, subsection 2, paragraph
18 u, Code 2003, is amended by adding the following new
19 unnumbered paragraph after unnumbered paragraph 2 as
20 follows:

21 NEW UNNUMBERED PARAGRAPH. When an employee makes a
22 claim for benefits under this subsection, the employer
23 is not liable for that portion of the employee's
24 present disability caused by a prior work-related
25 injury or illness that was sustained by the employee
26 while the employee was employed by a different
27 employer. When an employee's present disability
28 includes disability caused by a prior work-related
29 injury or illness that was sustained by the employee
30 while in the employ of the same employer, the employer
31 is liable for compensating all of the employee's work-
32 related disability sustained by the employee while in
33 the employ of the employer, except that any portion of
34 the disability that was previously compensated by the
35 employer shall be deducted from the employer's
36 obligation to pay benefits for the employee's present
37 disability. If an employee's present disability is
38 reduced by a portion of disability sustained from
39 prior work-related injuries or illnesses for which the
40 employee has already been compensated by the same
41 employer, then the employee shall receive compensation
42 for the remaining disability caused by the present
43 work-related injury or illness plus an additional ten
44 percent of the amount of the increase in disability.

45 Sec. 119. APPLICABILITY. This division of this
46 Act, relating to workers' compensation, applies to an
47 injury occurring on or after July 1, 2003.

48 DIVISION XVIII
49 FINANCIAL SERVICES

50 Sec. 120. Section 537.2502, subsections 3 and 6,

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1 Code 2003, are amended to read as follows:

2 3. A delinquency charge shall not be collected
3 under subsection 1, paragraph "a", on an installment
4 ~~which that~~ is paid in full within ten days after its
5 scheduled or deferred installment due date even though
6 an earlier maturing installment or a delinquency or
7 deferral charge on an earlier installment may not have
8 been paid in full. For purposes of this subsection,
9 payments associated with a precomputed transaction are
10 applied first to current installments and then to
11 delinquent installments.

12 6. A delinquency charge shall not be collected
13 under subsection 4 on a payment ~~which~~ associated with
14 a precomputed transaction that is paid in full on or
15 before its scheduled or deferred due date even though
16 an earlier maturing payment or a delinquency or
17 deferred charge on an earlier payment has not been
18 paid in full. For purposes of this subsection,
19 payments are applied first to amounts due for the
20 current billing cycle and then to delinquent payments.

21 Sec. 121. Section 537.2601, subsection 1, Code
22 2003, is amended to read as follows:

23 1. ~~Except as provided in subsection 2, with~~ With
24 respect to a credit transaction other than a consumer
25 credit transaction, the parties may contract for the
26 payment by the debtor of any finance or other charge
27 as permitted by law. ~~Except with respect to debt~~
28 ~~obligations issued by a government, governmental~~
29 ~~agency or instrumentality, in calculating any finance~~
30 ~~charge contracted for, any month may be counted as~~
31 ~~one-twelfth of a year, but a day is to be counted as~~
32 ~~one three-hundred sixty-fifth of a year.~~

DIVISION XIX

UNEMPLOYMENT COMPENSATION SURCHARGE

35 Sec. 122. Section 96.7, subsection 12, paragraph
36 a, Code 2003, is amended to read as follows:

37 a. An employer other than a governmental entity or
38 a nonprofit organization, subject to this chapter,
39 shall pay an administrative contribution surcharge
40 equal in amount to one-tenth of one percent of federal
41 taxable wages, as defined in section 96.19, subsection
42 37, paragraph "b", subject to the surcharge formula to
43 be developed by the department under this paragraph.
44 The department shall develop a surcharge formula that
45 provides a target revenue level of no greater than six
46 million five hundred twenty-five thousand dollars
47 annually for calendar years 2003, 2004, and 2005 and a
48 target revenue level of no greater than three million
49 two hundred sixty-two thousand five hundred dollars
50 for calendar year 2006 and each subsequent calendar

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1 year. The department shall reduce the administrative
2 contribution surcharge established for any calendar
3 year proportionate to any federal government funding
4 that provides an increased allocation of moneys for
5 workforce development offices, under the federal
6 employment services financing reform legislation. Any
7 administrative contribution surcharge revenue that is
8 collected in calendar year ~~2002~~ 2003, 2004, or 2005 in
9 excess of six million five hundred twenty-five
10 thousand dollars or in calendar year 2006 or a
11 subsequent calendar year in excess of three million
12 two hundred sixty-two thousand five hundred dollars
13 shall be deducted from the amount to be collected in
14 the subsequent calendar year 2003 before the
15 department establishes the administrative contribution
16 surcharge. The department shall recompute the amount
17 as a percentage of taxable wages, as defined in
18 section 96.19, subsection 37, and shall add the
19 percentage surcharge to the employer's contribution
20 rate determined under this section. The percentage
21 surcharge shall be capped at a maximum of seven
22 dollars per employee. The department shall adopt
23 rules prescribing the manner in which the surcharge
24 will be collected. Interest shall accrue on all
25 unpaid surcharges under this subsection at the same
26 rate as on regular contributions and shall be
27 collectible in the same manner. Interest accrued and
28 collected under this paragraph and interest earned and
29 credited to the fund under paragraph "b" shall be used
30 by the department only for the purposes set forth in
31 paragraph "c".

32 Sec. 123. Section 96.7, subsection 12, paragraph
33 d, Code 2003, is amended to read as follows:

34 d. This subsection is repealed July 1, ~~2003~~ 2006,
35 and the repeal is applicable to contribution rates for
36 calendar year ~~2004~~ 2007 and subsequent calendar years.

37 Sec. 124. EFFECTIVE DATE. This division of this
38 Act, concerning the unemployment compensation
39 surcharge, being deemed of immediate importance, takes
40 effect upon enactment.

41 DIVISION XX

42 ECONOMIC DEVELOPMENT

43 Sec. 125. NEW SECTION. 15E.18 CITIES, COUNTIES,
44 AND REGIONS -- SITE PREPARATION FOR TARGETED ECONOMIC
45 DEVELOPMENT.

46 1. For purposes of this section, "region" means a
47 group of two or more contiguous counties that
48 establishes a single, focused economic development
49 effort.

50 2. A city, county, or region, subject to the

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1 approval of the property owner, may designate an area
2 within the boundaries of the city, county, or region
3 for a specific type of targeted economic development.
4 The specific type of targeted economic development
5 shall be one of the following:

- 6 a. Manufacturing.
- 7 b. Light industrial.
- 8 c. Warehouse and distribution.
- 9 d. Office parks.
- 10 e. Business and commerce parks.
- 11 f. Research and development.

12 3. A city, county, or region that designates an
13 area for a specific type of targeted economic
14 development may apply to the department for purposes
15 of certifying the area as a preapproved development
16 site. The department shall develop criteria for the
17 certification process.

18 4. Prior to a specific project being developed, a
19 city, county, or region designating the area for
20 targeted economic development pursuant to this section
21 may apply for and obtain appropriate licenses,
22 permits, and approvals for the type of targeted
23 economic development project desired for the area.

24 Sec. 126. NEW SECTION. 15E.19 REGULATORY
25 ASSISTANCE.

26 1. The department of economic development shall
27 coordinate all regulatory assistance for the state of
28 Iowa. Each state agency with regulatory programs for
29 business shall maintain a coordinator within the
30 office of the director or the administrative division
31 of the state agency. Each coordinator shall do all of
32 the following:

- 33 a. Serve as the department of economic
34 development's primary contact for regulatory affairs.
- 35 b. Provide regulatory requirements to businesses
36 and represent the agency in the private sector.
- 37 c. Monitor permit applications and provide timely
38 permit status information to the department of
39 economic development.
- 40 d. Have the ability to require regulatory staff
41 participation in negotiations and discussions with
42 businesses.
- 43 e. Notify the department of economic development
44 regarding proposed rulemaking activities that impact a
45 regulatory program and any subsequent changes to a
46 regulatory program.

47 2. The department of economic development shall,
48 in consultation with the coordinators described in
49 this section, examine, and to the extent permissible,
50 assist in the implementation of methods, including the

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1 possible establishment of an electronic database, to
2 streamline the process for issuing permits to
3 business.

4 3. By January 15 of each year, the department of
5 economic development shall submit a written report to
6 the general assembly regarding the provision of
7 regulatory assistance by state agencies, including the
8 department's efforts, and its recommendations and
9 proposed solutions, to streamline the process of
10 issuing permits to business.

11 Sec. 127. NEW SECTION. 15E.20 PERMIT APPROVAL
12 REQUIREMENTS.

13 A state agency which requires a permit, license, or
14 other regulatory approval shall issue or deny the
15 permit, license, or other regulatory approval within
16 ninety days of the receipt by the state agency of an
17 application. Unless such a state agency communicates
18 any concerns to or requests additional information
19 from an applicant within ten days of the receipt of
20 the application, the application shall be considered
21 complete. A permit, license, or other regulatory
22 approval not issued or denied within the ninety days
23 shall be deemed to be issued and valid.

DIVISION XXI

UTILITY SALES TAX EXEMPTION

24
25
26 Sec. 128. Section 422.45, subsection 61, paragraph
27 b, subparagraphs (2), (3), (4), and (5), Code 2003,
28 are amended to read as follows:

29 (2) If the date of the utility billing or meter
30 reading cycle of the residential customer for the
31 sale, furnishing, or service of metered gas and
32 electricity is on or after January 1, 2003, through
33 ~~December 31, 2003~~ June 30, 2008, or if the sale,
34 furnishing, or service of fuel for purposes of
35 residential energy and the delivery of the fuel occurs
36 on or after January 1, 2003, through ~~December 31, 2003~~
37 June 30, 2008, the rate of tax is three percent of the
38 gross receipts.

39 (3) If the date of the utility billing or meter
40 reading cycle of the residential customer for the
41 sale, furnishing, or service of metered gas and
42 electricity is on or after ~~January 1, 2004~~ July 1,
43 2008, through ~~December 31, 2004~~ June 30, 2009, or if
44 the sale, furnishing, or service of fuel for purposes
45 of residential energy and the delivery of the fuel
46 occurs on or after ~~January 1, 2004~~ July 1, 2008,
47 through ~~December 31, 2004~~ June 30, 2009, the rate of
48 tax is two percent of the gross receipts.

49 (4) If the date of the utility billing or meter
50 reading cycle of the residential customer for the

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1 sale, furnishing, or service of metered gas and
2 electricity is on or after ~~January 1, 2005~~ July 1,
3 2009, through ~~December 31, 2005~~ June 30, 2010, or if
4 the sale, furnishing, or service of fuel for purposes
5 of residential energy and the delivery of the fuel
6 occurs on or after ~~January 1, 2005~~ July 1, 2009,
7 through ~~December 31, 2005~~ June 30, 2010, the rate of
8 tax is one percent of the gross receipts.

9 (5) If the date of the utility billing or meter
10 reading cycle of the residential customer for the
11 sale, furnishing, or service of metered gas and
12 electricity is on or after ~~January 1, 2006~~ July 1,
13 2010, or if the sale, furnishing, or service of fuel
14 for purposes of residential energy and the delivery of
15 the fuel occurs on or after ~~January 1, 2006~~ July 1,
16 2010, the rate of tax is zero percent of the gross
17 receipts.

DIVISION XXII

STATE ASSISTANCE FOR EDUCATIONAL INFRASTRUCTURE

Sec. 129. NEW SECTION. 292A.1 DEFINITIONS.

21 As used in this chapter, unless the context
22 otherwise requires:

23 1. "Capacity per pupil" means the sum of a school
24 district's property tax infrastructure capacity per
25 pupil and the sales tax capacity per pupil.

26 2. "Committee" means the school budget review
27 committee established in section 257.30.

28 3. "Department" means the department of education
29 established in section 256.1.

30 4. "Fund" means the state assistance for
31 educational infrastructure fund created in section
32 292A.3.

33 5. "Local match percentage" means a percentage
34 equivalent to either of the following, whichever is
35 less:

36 a. Fifty percent.

37 b. The quotient of a school district's capacity
38 per pupil divided by the capacity per pupil of the
39 school district at the fortieth percentile, multiplied
40 by fifty percent, except that the percentage in this
41 paragraph shall not be less than twenty percent.

42 6. "Program" means the state assistance for
43 educational infrastructure program established in
44 section 292A.2.

45 7. "Property tax infrastructure capacity per
46 pupil" means the sum of a school district's levies
47 under sections 298.2 and 298.18 when the levies are
48 imposed to the maximum extent allowable under law in
49 the budget year divided by the school district's basic
50 enrollment for the budget year.

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1 8. "Sales tax capacity per pupil" means the
2 estimated amount of revenues that a school district
3 receives or would receive if a local sales and
4 services tax for school infrastructure is imposed at
5 one percent pursuant to section 422E.2, divided by the
6 school district's basic enrollment for the budget
7 year.

8 9. "School infrastructure" means activities
9 initiated on or after July 1, 2003, for which a school
10 district is authorized to contract indebtedness and
11 issue general obligation bonds under section 296.1,
12 except those activities related to a teacher's or
13 superintendent's home or homes, to stadiums, to the
14 improving of a site for an athletic field, or to the
15 improving of a site already owned for an athletic
16 field. These activities include the construction,
17 reconstruction, repair, demolition work, purchasing,
18 or remodeling of schoolhouses and bus garages and the
19 procurement of schoolhouse construction sites and the
20 making of site improvements and those activities for
21 which revenues under section 298.3 or 300.2 may be
22 spent.

23 Sec. 130. NEW SECTION. 292A.2 STATE ASSISTANCE
24 FOR EDUCATIONAL INFRASTRUCTURE PROGRAM.

25 1. a. The department shall establish and
26 administer a state assistance for educational
27 infrastructure program to provide financial assistance
28 in the form of grants to school districts with school
29 infrastructure needs.

30 b. The department of education, in consultation
31 with the department of management, shall annually
32 compute the property tax infrastructure capacity per
33 pupil for each school district in the state.

34 c. The department of education, in consultation
35 with the department of revenue and the legislative
36 services agency, shall annually calculate the
37 estimated sales and services tax for school
38 infrastructure, if imposed at one percent, that is or
39 would be received by each school district in the state
40 pursuant to section 422E.3. These calculations shall
41 be made on a total tax and on a tax per pupil basis
42 for each school district.

43 d. The department of education, in consultation
44 with the department of revenue and the department of
45 management, shall annually compute capacity per pupil
46 and the local match percentage for each school
47 district in the state. The calculations shall be
48 released not later than September 1 of each year.

49 2. a. A school district's local match requirement
50 is equivalent to the total investment of a project

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1 multiplied by the school district's local match
2 percentage. A school district may submit an
3 application to the department for financial assistance
4 under the program if the school district meets the
5 district's local match requirement through one or more
6 of the following sources:

7 (1) The issuance of bonds pursuant to section
8 298.18.

9 (2) Local sales and services tax moneys received
10 pursuant to section 422E.3.

11 (3) A physical plant and equipment levy under
12 chapter 298.

13 (4) Other moneys locally obtained by the school
14 district excluding other state or federal grant
15 moneys.

16 b. If the project is in collaboration with other
17 public or private entities, the school district shall
18 be eligible to apply for only the school district's
19 portion of the project. As such, state or federal
20 grants received by the other entities cannot be used
21 toward the local match requirement under paragraph
22 "a", subparagraph (4).

23 c. A school district may submit an application for
24 a project which includes activities at more than one
25 attendance center. However, if the activities relate
26 to new construction, the project shall only relate to
27 one attendance center.

28 d. A school district may submit an application for
29 conditional approval to the department for financial
30 assistance under the program if the school district
31 submits a plan for securing the school district's
32 local match requirement under paragraph "a". If a
33 school district does not meet the local match
34 requirement of paragraph "a" within nine months of
35 receiving conditional approval from the department,
36 the application for financial assistance shall be
37 denied by the department and the financial assistance
38 shall be carried forward to be made available under
39 the allocation provided under subsection 5, paragraph
40 "d", for the next available grant cycle.

41 e. For the fiscal year beginning July 1, 2003, and
42 every fiscal year thereafter, applications shall be
43 submitted to the department by October 15 of each
44 year.

45 f. For the fiscal year beginning July 1, 2003, and
46 every fiscal year thereafter, the department shall
47 notify all approved applicants by December 15 of each
48 year regarding the approval of the application.

49 g. An applicant which is not successful in
50 obtaining financial assistance under the program may

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- 1 reapply for financial assistance in succeeding years.
- 2 3. The application shall include, but shall not be
3 limited to, the following information:
- 4 a. The total capital investment of the project.
- 5 b. The amount and percentage of moneys which the
6 school district will be providing for the project.
- 7 c. The infrastructure needs of the school
8 district, especially the fire and health safety needs
9 of the school district, and including the extent to
10 which the project would allow the school district to
11 meet the infrastructure needs of the school district
12 on a long-term basis.
- 13 d. The financial assistance needed by the school
14 district based upon the capacity per pupil.
- 15 e. Any previous efforts by the school district to
16 secure infrastructure funding from federal, state, or
17 local resources, including any funding received for
18 any project under the school infrastructure program
19 provided in chapter 292. The previous efforts shall
20 be evaluated on a case-by-case basis.
- 21 f. Evidence that the school district meets or will
22 meet the local match requirement in subsection 2,
23 paragraph "a".
- 24 g. The nature of the proposed project and its
25 relationship to improving educational opportunities
26 for the students.
- 27 h. Evidence that the school district has
28 reorganized on or after July 1, 2002, or that the
29 school district has initiated a resolution to
30 reorganize by July 1, 2005, or entered into an
31 innovative collaboration with another school district
32 or school districts.
- 33 i. Evidence that the school district receives
34 sales and services tax for school infrastructure
35 funding under section 422E.3.
- 36 4. A school district with less than two hundred
37 fifty actual enrollment or less than one hundred
38 actual enrollment in the high school that submits an
39 application for assistance for new construction or for
40 payments for bonds issued for new construction shall
41 include on the application, in addition to that in
42 subsection 3, all of the following:
- 43 a. Enrollment trends in the grades that will be
44 served at the new construction site.
- 45 b. The infeasibility of remodeling,
46 reconstructing, or repairing existing buildings.
- 47 c. The fire and health safety needs of the school
48 district.
- 49 d. The distance, convenience, cost of
50 transportation, and accessibility of the new

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1 construction site to the students to be served at the
2 new construction site.

3 e. Availability of alternative, less costly, or
4 more effective means of serving the needs of the
5 students.

6 f. The financial condition of the district,
7 including the effect of the decline of the budget
8 guarantee and unspent balance.

9 g. Broad and long-term ability of the district to
10 support the facility and the quality of the academic
11 program.

12 h. Cooperation with other educational entities
13 including other school districts, area education
14 agencies, postsecondary institutions, and local
15 communities.

16 5. A school district shall not receive more than
17 one grant under the program. The financial assistance
18 shall be in the form of grants and shall be allocated
19 in the following manner:

20 a. Twenty-five percent of the financial assistance
21 each year shall be awarded to school districts with an
22 enrollment of one thousand one hundred ninety-nine
23 students or less.

24 b. Twenty-five percent of the financial assistance
25 each year shall be awarded to school districts with an
26 enrollment of more than one thousand one hundred
27 ninety-nine students but not more than four thousand
28 seven hundred fifty students.

29 c. Twenty-five percent of the financial assistance
30 each year shall be awarded to school districts with an
31 enrollment of more than four thousand seven hundred
32 fifty students.

33 d. Twenty-five percent of the financial assistance
34 each year, any financial assistance not awarded under
35 paragraphs "a" through "c", and financial assistance
36 not awarded in previous fiscal years shall be awarded
37 to school districts with any size enrollment.

38 6. A district shall receive the lesser of one
39 million dollars of financial assistance under the
40 program, or the total capital investment of the
41 project minus the local match requirement. If the
42 amount of grants awarded in a fiscal year is less than
43 the maximum amount provided for grants for that fiscal
44 year, the amount of the difference shall be carried
45 forward to subsequent fiscal years for purposes of
46 providing grants under the program and the maximum
47 amount of grants for each fiscal year shall be
48 adjusted accordingly.

49 7. The school budget review committee shall review
50 all applications for financial assistance under the

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1 program and make recommendations regarding the
2 applications to the department. The department shall
3 make the final determination on grant awards. The
4 school budget review committee shall base the
5 recommendations on the criteria established pursuant
6 to subsections 3 and 8 and subsection 4, if
7 applicable.

8 8. The department shall form a task force to
9 review applications for financial assistance and
10 provide recommendations to the school budget review
11 committee. The task force shall include, at a
12 minimum, representatives from the kindergarten through
13 grade twelve education community, the state fire
14 marshal, and individuals knowledgeable in school
15 infrastructure and construction issues. The
16 department, in consultation with the task force, shall
17 establish the parameters and the details of the
18 criteria for awarding grants based on the information
19 listed in subsection 3, including greater priority to
20 the following:

21 a. A school district with a lower capacity per
22 pupil.

23 b. A school district whose plans address specific
24 occupant safety issues.

25 c. A school district reorganizing or collaborating
26 as described in subsection 3, paragraph "h".

27 d. A school district for which a sales and
28 services tax for school infrastructure has not been
29 imposed pursuant to section 422E.2 or a school
30 district receiving minimal revenues under section
31 422E.3 when the total enrollment of the school
32 district is considered.

33 9. An applicant receiving financial assistance
34 under the program shall submit a progress report to
35 the department as requested by the department which
36 shall include a description of the activities under
37 the project, the status of the implementation of the
38 project, and any other information required by the
39 department.

40 10. A school district located in whole or in part
41 in a county which has imposed the maximum rate of
42 sales and services tax for school infrastructure
43 pursuant to section 422E.2 and has sales and services
44 tax for school infrastructure revenue of more than the
45 statewide average of sales tax capacity per pupil, as
46 defined in section 292.1, subsection 8, shall not be
47 eligible for financial assistance under the program.
48 For purposes of this subsection, an individual school
49 district's sales tax capacity per pupil is the
50 estimated total sales and services tax for

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1 infrastructure revenue to be actually received by the
2 school district divided by the school district's
3 enrollment as specified in section 292.1, subsection
4 8.

5 Sec. 131. NEW SECTION. 292A.3 STATE ASSISTANCE
6 FOR EDUCATIONAL INFRASTRUCTURE FUND.

7 A state assistance for educational infrastructure
8 fund is created as a separate and distinct fund in the
9 state treasury under the control of the department.
10 Moneys in the fund include revenues credited to the
11 fund pursuant to this chapter, appropriations made to
12 the fund, and other moneys deposited into the fund.
13 Any amounts disbursed from the fund shall be utilized
14 for school infrastructure purposes as provided in this
15 chapter.

16 Sec. 132. NEW SECTION. 292A.4 RULES.

17 The department shall adopt rules, pursuant to
18 chapter 17A, necessary for administering the state
19 assistance for educational infrastructure program and
20 fund.

21 DIVISION XXIII

22 EFFECTIVE DATE

23 Sec. 133. EFFECTIVE DATE. Unless otherwise
24 provided in this Act, this Act takes effect July 1,
25 2003."

26 _____. Title page, by striking lines 1 and 2 and
27 inserting the following: "An Act concerning
28 regulatory, taxation, and statutory requirements
29 affecting individuals and business relating to
30 taxation of property, income and utilities, liability
31 reform, workers' compensation, financial services,
32 unemployment compensation employer surcharges,
33 economic development, and school infrastructure
34 assistance, and including effective date,
35 applicability, and retroactive applicability
36 provisions."

37 3. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-1615 FILED MAY 30, 2003

Text: H01622

Text: H01624

Text: H01600 - H01699

Text: H Index

Bills and Amendments: General Index

Bill History: General Index

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House Amendment 1623

Amendment Text

PAG LIN

1 1 Amend the Senate amendment, H-1615, to House File
1 2 692, as amended, passed, and reprinted by the House,
1 3 as follows:
1 4 #1. Page 5, line 23, by striking the word "or".
1 5 #2. By striking page 23, line 23, through page 24,
1 6 line 14, and inserting the following:
1 7 "a. On all taxable income from
1 8 zero through one thousand dollars,
1 9 ~~thirty-six hundredths of one~~
1 10 ~~percent~~:35% .34% .32%
1 11 b. On all taxable income exceeding
1 12 one thousand dollars but not
1 13 exceeding two thousand dollars,
1 14 ~~seventy-two hundredths of one~~
1 15 ~~percent~~:70% .68% .65%
1 16 c. On all taxable income exceeding
1 17 two thousand dollars but not
1 18 exceeding four thousand dollars,
1 19 ~~two and forty-three hundredths~~
1 20 ~~percent~~: 2.36% 2.30% 2.19%
1 21 d. On all taxable income exceeding
1 22 four thousand dollars but not
1 23 exceeding nine thousand dollars,
1 24 ~~four and one-half percent~~: 4.37% 4.27% 4.05%
1 25 e. On all taxable income exceeding
1 26 nine thousand dollars but not
1 27 exceeding fifteen thousand
1 28 dollars, ~~six and twelve hundredths~~
1 29 ~~percent~~: 5.94% 5.80% 5.51%
1 30 f. On all taxable income exceeding
1 31 fifteen thousand dollars but not
1 32 exceeding twenty thousand
1 33 dollars, ~~six and forty-eight hundredths~~
1 34 ~~percent~~: 6.29% 6.14% 5.84%
1 35 g. On all taxable income exceeding
1 36 twenty thousand dollars but not
1 37 exceeding thirty thousand
1 38 dollars, ~~six and eight-tenths~~

Adopted 6/3/03

1 39 ~~percent~~: 6.60% 6.45% 6.13%

1 40 h. On all taxable income exceeding

1 41 thirty thousand dollars but not

1 42 exceeding forty-five thousand

1 43 dollars, ~~seven and ninety-two hundredths~~

1 44 ~~percent~~: 7.68% 7.51% 7.14%

1 45 i. On all taxable income exceeding

1 46 forty-five thousand dollars, ~~eight~~

1 47 ~~and ninety-eight hundredths~~

1 48 ~~percent~~: 8.71% 8.51% 8.09%"

1 49 #3. By striking page 24, line 28, through page 25,

1 50 line 19, and inserting the following:

2 1 "a. On all taxable income from

2 2 zero through one thousand dollars,

2 3 ~~thirty-six hundredths of one~~

2 4 ~~percent~~:31%

2 5 b. On all taxable income exceeding

2 6 one thousand dollars but not

2 7 exceeding two thousand dollars,

2 8 ~~seventy-two hundredths of one~~

2 9 ~~percent~~:62%

2 10 c. On all taxable income exceeding

2 11 two thousand dollars but not

2 12 exceeding four thousand dollars,

2 13 ~~two and forty-three hundredths~~

2 14 ~~percent~~: 2.09%

2 15 d. On all taxable income exceeding

2 16 four thousand dollars but not

2 17 exceeding nine thousand dollars,

2 18 ~~four and one-half percent~~: 3.87%

2 19 e. On all taxable income exceeding

2 20 nine thousand dollars but not

2 21 exceeding fifteen thousand

2 22 dollars, ~~six and twelve hundredths~~

2 23 ~~percent~~: 5.26%

2 24 f. On all taxable income exceeding

2 25 fifteen thousand dollars but not

2 26 exceeding twenty thousand

2 27 dollars, ~~six and forty-eight hundredths~~

2 28 ~~percent~~: 5.57%

2 29 g. On all taxable income exceeding

2 30 twenty thousand dollars but not

2 31 exceeding thirty thousand

2 32 dollars, ~~six and eight-tenths~~

2 33 ~~percent~~: 5.84%

2 34 h. On all taxable income exceeding

2 35 thirty thousand dollars but not

2 36 exceeding forty-five thousand

2 37 dollars, ~~seven and ninety-two hundredths~~

2 38 ~~percent~~: 6.80%

2 39 i. On all taxable income exceeding

2 40 forty-five thousand dollars, ~~eight~~

2 41 ~~and ninety-eight hundredths~~

2 42 ~~percent~~: 7.71%"

2 43 #4. Page 26, line 12, by striking the words "two

2 44 and five" and inserting the following: "one and

2 45 eighty-five".

2 46 #5. Page 26, line 15, by striking the word "sixty-

2 47 five" and inserting the following: "seventy-five".

2 48 #6. Page 26, line 17, by striking the word "nine-

2 49 tenths" and inserting the following: "ninety-nine
2 50 hundredths".

3 1 #7. By striking page 39, line 5 through page 65,
3 2 line 1 and inserting the following:

3 3 "DIVISION _____

3 4 GROW IOWA VALUES BOARD AND FUND

3 5 Sec. _____. Section 15.108, subsection 9, Code 2003,
3 6 is amended by adding the following new paragraph:

3 7 NEW PARAGRAPH. g. Administer the marketing
3 8 strategy selected pursuant to section 15G.108.

3 9 Sec. _____. NEW SECTION. 15G.101 DEFINITIONS.

3 10 As used in this chapter, unless the context
3 11 otherwise requires:

3 12 1. "Board" means the grow Iowa values board
3 13 established in section 15G.102.

3 14 2. "Department" means the Iowa department of
3 15 economic development created in section 15.105.

3 16 3. "Director" means the director of the department
3 17 of economic development.

3 18 4. "Fund" means the grow Iowa values fund created
3 19 in section 15G.107.

3 20 5. "Grow Iowa values geographic regions" means the
3 21 geographic regions defined in section 15G.105.

3 22 Sec. _____. NEW SECTION. 15G.102 GROW IOWA VALUES
3 23 BOARD.

3 24 1. The grow Iowa values board is established
3 25 consisting of eleven voting members and four ex
3 26 officio, nonvoting members. The grow Iowa values
3 27 board shall be located for administrative purposes
3 28 within the department and the director shall provide
3 29 office space, staff assistance, and necessary supplies
3 30 and equipment for the board. The director shall
3 31 budget moneys to pay the compensation and expenses of
3 32 the board. In performing its functions, the board is
3 33 performing a public function on behalf of the state
3 34 and is a public instrumentality of the state.

3 35 2. a. The eleven voting members of the board
3 36 shall be appointed by the governor, subject to
3 37 confirmation by the senate.

3 38 b. The four ex officio, nonvoting members shall be
3 39 appointed as follows:

3 40 (1) One member appointed by the president of the
3 41 senate.

3 42 (2) One member appointed by the minority leader of
3 43 the senate.

3 44 (3) One member appointed by the speaker of the
3 45 house of representatives.

3 46 (4) One member appointed by the minority leader of
3 47 the house of representatives.

3 48 c. All appointments shall comply with sections
3 49 69.16 and 69.16A.

3 50 d. At least one member of the board shall be from
4 1 each grow Iowa values geographic region.

4 2 e. Each of the following areas of expertise shall
4 3 be represented by at least one member of the board who
4 4 has professional experience in that area of expertise:

4 5 (1) Finance and investment banking.

4 6 (2) Advanced manufacturing.

4 7 (3) Statewide agriculture.

4 8 (4) Life sciences.

4 9 (5) Small business development.

4 10 (6) Information technology.

4 11 (7) Economics.

4 12 (8) Labor.

4 13 (9) Marketing.

4 14 (10) Entrepreneurship.

4 15 f. At least nine voting members of the board shall
4 16 be actively employed in the private, for-profit sector
4 17 of the economy.

4 18 g. The board membership shall be balanced between
4 19 representation by employers with less than two hundred
4 20 employees and employers with two hundred or more
4 21 employees.

4 22 3. The chairperson and vice chairperson shall be
4 23 elected by the voting members of the board from the
4 24 membership of the board. In the case of the absence
4 25 or disability of the chairperson and vice chairperson,
4 26 the voting members of the board shall elect a
4 27 temporary chairperson by a majority vote of those
4 28 voting members who are present and voting, provided a
4 29 quorum is present.

4 30 4. The members of the board shall be appointed to
4 31 three-year staggered terms and the terms shall
4 32 commence and end as provided in section 69.19. If a
4 33 vacancy occurs, a successor shall be appointed in the
4 34 same manner and subject to the same qualifications as
4 35 the original appointment to serve the unexpired term.

4 36 5. A majority of the voting members of the board
4 37 constitutes a quorum.

4 38 6. A member of the board shall abstain from voting
4 39 on the provision of financial assistance to a project
4 40 which is located in the county in which the member of
4 41 the board resides.

4 42 7. The members of the board are entitled to
4 43 receive reimbursement for actual expenses incurred
4 44 while engaged in the performance of official duties.
4 45 A board member may also be eligible to receive
4 46 compensation as provided in section 7E.6.

4 47 Sec. ____ . NEW SECTION. 15G.103 BOARD DUTIES.

4 48 The board shall do all of the following:

4 49 1. Organize.

4 50 2. Receive advice and recommendations from the due
5 1 diligence committee, the economic development
5 2 marketing board, and the grow Iowa values review
5 3 commission.

5 4 3. Assist the department in implementing programs
5 5 and activities in a manner designed to achieve the
5 6 goals set out in section 15G.106.

5 7 4. By December 15 of each year, submit a written
5 8 report to the general assembly reviewing the
5 9 activities of the board during the calendar year. The
5 10 report shall include information necessary for the
5 11 review of the goals and performance measures set out
5 12 in section 15G.106. State agencies and other entities
5 13 receiving moneys from the fund shall cooperate with

5 14 and assist the board in compilation of the report.
5 15 5. Adopt administrative rules pursuant to chapter
5 16 17A necessary to administer this chapter. This
5 17 delegation shall be construed narrowly.

5 18 6. Adopt a strategic plan pursuant to section

5 19 8E.204 by July 1, 2004.

5 20 Sec. ____ . NEW SECTION. 15G.104 DUE DILIGENCE

5 21 COMMITTEE.

5 22 1. A due diligence committee is established
5 23 consisting of five members and is located for
5 24 administrative purposes within the department. The
5 25 director of the department shall provide office space,
5 26 staff assistance, and necessary supplies and equipment
5 27 for the committee. The director shall budget moneys
5 28 to pay the compensation and expenses of the committee.
5 29 In performing its functions, the committee is
5 30 performing a public function on behalf of the state
5 31 and is a public instrumentality of the state.

5 32 2. a. Membership of the due diligence committee
5 33 shall consist of five voting members of the grow Iowa
5 34 values board elected annually by the voting members of
5 35 the board. Committee members shall have expertise in
5 36 the areas of banking and entrepreneurship.

5 37 b. The chairperson and vice chairperson of the
5 38 committee shall be elected by and from the committee
5 39 members. The terms of the members shall commence and
5 40 end as provided by section 69.19. If a vacancy
5 41 occurs, a successor shall be appointed in the same
5 42 manner and subject to the same qualifications as the
5 43 original appointment to serve the unexpired term. A
5 44 majority of the committee constitutes a quorum.

5 45 3. The committee, after a thorough review, shall
5 46 determine whether a proposed project using moneys from
5 47 the grow Iowa values fund is practical and shall
5 48 provide recommendations to the grow Iowa values board
5 49 regarding any moneys proposed to be expended from the
5 50 grow Iowa values fund, with the exception of moneys
6 1 appropriated for purposes of the loan and credit
6 2 guarantee program and regarding whether a proposed
6 3 project is practical. The recommendations shall be
6 4 based on whether the expenditure would make the
6 5 achievement of the goals in accordance with the
6 6 performance measures set out in section 15G.106 more
6 7 likely. The recommendations may include conditions or
6 8 that a proposed expenditure be rejected.

6 9 4. The members of the committee are entitled to
6 10 receive reimbursement for actual expenses incurred
6 11 while engaged in the performance of official duties.
6 12 A committee member may also be eligible to receive
6 13 compensation as provided in section 7E.6.

6 14 Sec. ____ . NEW SECTION. 15G.104A GROW IOWA VALUES
6 15 REVIEW COMMISSION.

6 16 1. A grow Iowa values review commission is
6 17 established consisting of three members and is located
6 18 for administrative purposes within the office of the
6 19 auditor of state. The auditor of state shall provide
6 20 office space, staff assistance, and necessary supplies
6 21 and equipment for the review commission. The auditor
6 22 of state shall budget moneys to pay the compensation
6 23 and expenses of the commission, including the actual
6 24 expenses of the auditor of state incurred while
6 25 engaged in the performance of official commission
6 26 duties. In performing its functions, the review
6 27 commission is performing a public function on behalf
6 28 of the state and is a public instrumentality of the

6 29 state.

6 30 2. Membership of the review commission shall
6 31 include the auditor of state, one member appointed by
6 32 the governor subject to confirmation by the senate,
6 33 and one member appointed by the legislative council.
6 34 The members appointed by the governor and the
6 35 legislative council shall possess experience and
6 36 expertise in the field of economics. The appointments
6 37 shall comply with sections 69.16 and 69.16A. The
6 38 chairperson of the review commission shall be the
6 39 auditor of state. The members shall be appointed to
6 40 three-year staggered terms and the terms shall
6 41 commence and end as provided by section 69.19. If a
6 42 vacancy occurs, a successor shall be appointed in the
6 43 same manner and subject to the same qualifications as
6 44 the original appointment to serve the unexpired term.
6 45 A majority of the review commission constitutes a
6 46 quorum.

6 47 3. The review commission shall analyze all annual
6 48 reports of the grow Iowa values board for purposes of
6 49 determining if the goals and performance measures set
6 50 out in section 15G.106 have been met. By January 1,
7 1 2007, the review commission shall submit a report to
7 2 the grow Iowa values board, the department, and the
7 3 general assembly. The report shall include findings,
7 4 itemized by grow Iowa values geographic regions,
7 5 regarding whether the goals and performance measures
7 6 were met. The report shall also include
7 7 recommendations regarding the continuation,
7 8 elimination, or modification of any programs receiving
7 9 moneys from the grow Iowa values fund and whether
7 10 moneys should continue to be appropriated to and from
7 11 the grow Iowa values fund. The recommendations shall
7 12 be based on whether the goals in accordance with the
7 13 performance measures are being achieved.

7 14 4. The members of the commission, including the
7 15 auditor of state, are entitled to receive
7 16 reimbursement for actual expenses incurred while
7 17 engaged in the performance of official duties. A
7 18 commission member may also be eligible to receive
7 19 compensation as provided in section 7E.6.

7 20 Sec. ____ . NEW SECTION. 15G.105 GROW IOWA VALUES
7 21 GEOGRAPHIC REGIONS.

7 22 For purposes of applying the goals and performance
7 23 measurements, the state shall be divided into five
7 24 grow Iowa values geographic regions. The regions
7 25 shall be the following:

7 26 1. The northwest region shall include the counties
7 27 of Lyon, Osceola, Dickinson, Emmet, Kossuth,
7 28 Winnebago, Sioux, O'Brien, Clay, Palo Alto, Hancock,
7 29 Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt,
7 30 Wright, Woodbury, Ida, Sac, Calhoun, Webster, and
7 31 Hamilton.

7 32 2. The northeast region shall include the counties
7 33 of Worth, Mitchell, Howard, Winneshiek, Allamakee,
7 34 Cerro Gordo, Floyd, Chickasaw, Fayette, Clayton,
7 35 Franklin, Butler, Bremer, Hardin, Grundy, Black Hawk,
7 36 Buchanan, Delaware, Dubuque, Tama, Benton, Linn,
7 37 Jones, and Jackson.

7 38 3. The southeast region shall include the counties

8 49 identifies information pertinent to the performance
8 50 measures in paragraph "a", subparagraphs (3), (4), and
9 1 (6), that the department gains through interviews with
9 2 businesses in the state that close all or a portion of
9 3 operations in the state. By December 15 of each year,
9 4 based on the same interviews, the department shall
9 5 submit a report to the general assembly providing
9 6 suggested amendments to the Code of Iowa and the Iowa
9 7 administrative code designed to stimulate and expand
9 8 the state's economy.

9 9 c. By December 15 of each year the department
9 10 shall submit a report to the grow Iowa values review
9 11 commission and the grow Iowa values board that
9 12 identifies prospective lost business development
9 13 opportunities information pertinent to the performance
9 14 measures in paragraph "a", subparagraphs (2) and (5),
9 15 which indicate that the state has not been successful
9 16 in the performance measures in paragraph "a",
9 17 subparagraphs (2) and (5).

9 18 d. For purposes of the performance measure in
9 19 paragraph "a", subparagraph (7), the department of
9 20 economic development, in consultation with the
9 21 department of workforce development and the auditor of
9 22 state, shall determine average annual job creation and
9 23 retention rates based on the ten years prior to 2003,
9 24 for the state and the upper midwest region. During
9 25 the fiscal years beginning July 1, 2003, July 1, 2004,
9 26 and July 1, 2005, the department of economic
9 27 development shall report the job creation and
9 28 retention rate of those businesses that receive moneys
9 29 originating from the grow Iowa values fund and the job
9 30 creation and retention rate of those businesses that
9 31 do not receive moneys originating from the grow Iowa
9 32 values fund. The ten-year average annual job creation
9 33 and retention rate shall be compared to the job
9 34 creation and retention rates determined under this
9 35 paragraph for the fiscal years beginning July 1, 2003,
9 36 July 1, 2004, and July 1, 2005. The department of
9 37 economic development shall assist the department of
9 38 workforce development in maintaining detailed
9 39 employment statistics on businesses that receive
9 40 moneys originating from the grow Iowa values fund, on
9 41 businesses that do not receive moneys originating from
9 42 the grow Iowa values fund, and on industries in Iowa
9 43 that those businesses represent. The auditor of state
9 44 shall audit the reliability and validity of the
9 45 statistics compiled pursuant to this paragraph.

9 46 4. In determining whether the goal of increasing
9 47 the wealth of Iowans has been met, the following
9 48 earning performance measures shall be considered:

9 49 a. The per capita personal income in Iowa shall
9 50 equal or exceed the average per capita personal income
10 1 for the upper midwest region.

10 2 b. The average earnings per job in Iowa shall
10 3 equal or exceed the average earnings per job in the
10 4 upper midwest region.

10 5 c. The average manufacturing earnings per employee
10 6 in Iowa shall equal or exceed the average
10 7 manufacturing earnings per employee in the upper
10 8 midwest region.

10 9 d. The average service earnings per employee in
10 10 Iowa shall equal or exceed the average service
10 11 earnings per employee in the upper midwest region.
10 12 e. The average earnings per employee in the
10 13 financial, insurance, and real estate industries in
10 14 Iowa shall equal or exceed the average earnings per
10 15 employee in the financial, insurance, and real estate
10 16 industries in the upper midwest region.

10 17 5. In determining whether the goal of increasing
10 18 the population of the state has been met, the
10 19 following performance measures shall be considered:

10 20 a. Using the calendar year 2002 as a baseline
10 21 year, a net increase in the retention of Iowa high
10 22 school graduates that are employed in the Iowa
10 23 workforce following a higher education degree.

10 24 b. The increase in higher education graduates.

10 25 Sec. ____ . NEW SECTION. 15G.107 GROW IOWA VALUES
10 26 FUND.

10 27 A grow Iowa values fund is created in the state
10 28 treasury under the control of the grow Iowa values
10 29 board consisting of moneys appropriated to the grow
10 30 Iowa values board. Moneys in the fund are not subject
10 31 to section 8.33. Notwithstanding section 12C.7,
10 32 interest or earnings on moneys in the fund shall be
10 33 credited to the fund. The fund shall be administered
10 34 by the grow Iowa values board, which shall make
10 35 expenditures from the fund consistent with this
10 36 chapter and pertinent Acts of the general assembly.
10 37 Any financial assistance provided using moneys from
10 38 the fund may be provided over a period of time of more
10 39 than one year. Payments of interest, repayments of
10 40 moneys loaned pursuant to this chapter, and recaptures
10 41 of grants or loans shall be deposited in the fund.

10 42 Sec. ____ . NEW SECTION. 15G.108 ECONOMIC
10 43 DEVELOPMENT MARKETING BOARD - MARKETING STRATEGIES.

10 44 1. a. An economic development marketing board is
10 45 established consisting of seven members and is located
10 46 for administrative purposes within the department.
10 47 The director of the department shall provide office
10 48 space, staff assistance, and necessary supplies and
10 49 equipment for the board. The director shall budget
10 50 moneys to pay the compensation and expenses of the
11 1 board. In performing its functions, the board is
11 2 performing a public function on behalf of the state
11 3 and is a public instrumentality of the state.

11 4 b. The membership of the board shall consist of
11 5 seven members appointed by the governor, subject to
11 6 confirmation by the senate. Five of the members shall
11 7 have significant demonstrated experience in marketing
11 8 or advertising. Two members of the board shall also
11 9 be members of the grow Iowa values board.

11 10 c. The appointments shall comply with sections
11 11 69.16 and 69.16A.

11 12 d. The chairperson and vice chairperson of the
11 13 board shall be elected by and from the board members.
11 14 In case of the absence or disability of the
11 15 chairperson and vice chairperson, the members of the
11 16 board shall elect a temporary chairperson by a
11 17 majority vote of those members who are present and
11 18 voting.

11 19 e. The members shall be appointed to three-year
11 20 staggered terms and the terms shall commence and end
11 21 as provided by section 69.19. If a vacancy occurs, a
11 22 successor shall be appointed to serve the unexpired
11 23 term. A successor shall be appointed in the same
11 24 manner and subject to the same qualifications as the
11 25 original appointment to serve the unexpired term.

11 26 f. A majority of the board constitutes a quorum.

11 27 2. The board shall administer and implement the
11 28 approval process for marketing strategies provided in
11 29 subsection 3.

11 30 3. The economic development marketing board shall
11 31 accept proposals for marketing strategies for purposes
11 32 of selecting a strategy for the department to
11 33 administer. The marketing strategies shall be
11 34 designed to market Iowa as a lifestyle, increase the
11 35 population of the state, increase the wealth of
11 36 Iowans, and expand and stimulate the state economy.
11 37 The economic development marketing board shall submit
11 38 a recommendation regarding the proposal to the grow
11 39 Iowa values board. In selecting a marketing strategy
11 40 for recommendation, the economic development marketing
11 41 board shall base the selection on the goals and
11 42 performance measures provided in section 15G.106. The
11 43 grow Iowa values board shall either approve or deny
11 44 the recommendation.

11 45 4. The department shall implement and administer
11 46 the marketing strategy approved by the grow Iowa
11 47 values board as provided in subsection 3. The
11 48 department shall provide the economic development
11 49 marketing board with assistance in implementing
11 50 administrative functions of the board and provide
12 1 technical assistance to the board.

12 2 5. The members of the board are entitled to
12 3 receive reimbursement for actual expenses incurred
12 4 while engaged in the performance of official duties.
12 5 A board member may also be eligible to receive
12 6 compensation as provided in section 7E.6.

12 7 Sec. ____ . NEW SECTION. 15G.109 FUTURE
12 8 CONSIDERATION.

12 9 Not later than February 1, 2007, the legislative
12 10 services agency shall prepare and deliver to the
12 11 secretary of the senate and the chief clerk of the
12 12 house of representatives identical bills that repeal
12 13 the provisions of this chapter. It is the intent of
12 14 this section that the general assembly shall bring the
12 15 bill to a vote in either the senate or the house of
12 16 representatives expeditiously. It is further the
12 17 intent of this chapter that if the bill is approved by
12 18 the first house in which it is considered, it shall
12 19 expeditiously be brought to a vote in the second
12 20 house.

12 21 DIVISION ____

12 22 VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES

12 23 FINANCIAL ASSISTANCE PROGRAM

12 24 Sec. ____ . Section 15E.111, subsection 1, Code
12 25 2003, is amended to read as follows:

12 26 1. a. The department shall establish a value-
12 27 added agricultural products and processes financial
12 28 assistance program. The department shall consult with

12 29 ~~the Iowa corn growers association and the Iowa soybean~~
12 30 ~~association Iowa commodity groups.~~ The purpose of the
12 31 program is to encourage the increased utilization of
12 32 agricultural commodities produced in this state. The
12 33 program shall assist in efforts to revitalize rural
12 34 regions of this state, by committing resources to
12 35 provide financial assistance to new or existing value-
12 36 added production facilities. The department of
12 37 economic development may consult with other state
12 38 agencies regarding any possible future environmental,
12 39 health, or safety issues linked to technology related
12 40 to the biotechnology industry. In awarding financial
12 41 assistance, the department shall prefer producer-
12 42 owned, value-added businesses and public and private
12 43 joint ventures involving an institution of higher
12 44 learning under the control of the state board of
12 45 regents or a private college or university acquiring
12 46 assets, research facilities, and leveraging moneys in
12 47 a manner that meets the goals of the grow Iowa values
12 48 fund and shall commit resources to assist the
12 49 following:

12 50 ~~a~~ (1) Facilities which are involved in the
13 1 development of new innovative products and processes
13 2 related to agriculture. The facility must do either
13 3 of the following: produce a good derived from an
13 4 agricultural commodity, if the good is not commonly
13 5 produced from an agricultural commodity; or use a
13 6 process to produce a good derived from an agricultural
13 7 process, if the process is not commonly used to
13 8 produce the good.

13 9 ~~b~~ (2) Renewable fuel production facilities. As
13 10 used in this section, "renewable fuel" means an energy
13 11 source which is derived from an organic compound
13 12 capable of powering machinery, including an engine or
13 13 power plant.

13 14 (3) Agricultural business facilities in the
13 15 agricultural biotechnology industry, agricultural
13 16 biomass industry, and alternative energy industry.
13 17 For purposes of this subsection:

13 18 (a) "Agricultural biomass industry" means
13 19 businesses that utilize agricultural commodity crops,
13 20 agricultural by-products, or animal feedstock in the
13 21 production of chemicals, protein products, or other
13 22 high-value products.

13 23 (b) "Agricultural biotechnology industry" means
13 24 businesses that utilize scientifically enhanced plants
13 25 or animals that can be raised by producers and used in
13 26 the production of high-value products.

13 27 (c) "Alternative energy industry" includes
13 28 businesses involved in the production of ethanol,
13 29 including gasoline with a mixture of seventy percent
13 30 or more ethanol, biodiesel, biomass, hydrogen, or in
13 31 the production of wind energy.

13 32 (4) Facilities that add value to Iowa agricultural
13 33 commodities through further processing and development
13 34 of organic products and emerging markets.

13 35 (5) Producer-owned, value-added businesses,
13 36 education of producers and management boards in value-
13 37 added businesses, and other activities that would
13 38 support the infrastructure in the development of

13 39 value-added agriculture. Public and private joint
 13 40 ventures involving an institution of higher learning
 13 41 under the control of the state board of regents or a
 13 42 private college or university to acquire assets,
 13 43 research facilities, and leverage moneys in a manner
 13 44 that meets the goals of the grow Iowa values fund.
 13 45 For purposes of this subsection, "producer-owned,
 13 46 valued-added business" means a person who holds an
 13 47 equity interest in the agricultural business and is
 13 48 personally involved in the production of crops or
 13 49 livestock on a regular, continuous, and substantial
 13 50 basis.

14 1 b. Financial assistance awarded under this section
 14 2 may be in the form of a loan, loan guarantee, grant,
 14 3 production incentive payment, or a combination of
 14 4 financial assistance. The department shall not award
 14 5 more than twenty-five percent of the amount allocated
 14 6 to the value-added agricultural products and processes
 14 7 financial assistance fund during any fiscal year to
 14 8 support a single person. The department may finance
 14 9 any size of facility. However, the department ~~shall~~
 14 10 may reserve up to fifty percent of the total amount
 14 11 allocated to the fund, for purposes of assisting
 14 12 persons requiring ~~one~~ five hundred thousand dollars or
 14 13 less in financial assistance. The amount shall be
 14 14 reserved until the end of the third quarter of the
 14 15 fiscal year. The department shall not provide
 14 16 financial assistance to support a value-added
 14 17 production facility if the facility or a person owning
 14 18 a controlling interest in the facility has
 14 19 demonstrated a continuous and flagrant disregard for
 14 20 the health and safety of its employees or the quality
 14 21 of the environment. Evidence of such disregard shall
 14 22 include a history of serious or uncorrected violations
 14 23 of state or federal law protecting occupational health
 14 24 and safety or the environment, including but not
 14 25 limited to serious or uncorrected violations of
 14 26 occupational safety and health standards enforced by
 14 27 the division of labor services of the department of
 14 28 workforce development pursuant to chapter 84A, or
 14 29 rules enforced by the department of natural resources
 14 30 pursuant to chapter 455B or 459, subchapters II and
 14 31 III.

14 32 DIVISION ____

14 33 ENDOW IOWA GRANTS

14 34 Sec. ____ . NEW SECTION. 15E.301 SHORT TITLE.

14 35 This division shall be known as and may be cited as
 14 36 the "Endow Iowa Program Act".

14 37 Sec. ____ . NEW SECTION. 15E.302 PURPOSE.

14 38 The purpose of this division is to enhance the
 14 39 quality of life for citizens of this state through
 14 40 increased philanthropic activity by providing capital
 14 41 to new and existing citizen groups of this state
 14 42 organized to establish endowment funds that will
 14 43 address community needs. The purpose of this division
 14 44 is also to encourage individuals, businesses, and
 14 45 organizations to invest in community foundations.

14 46 Sec. ____ . NEW SECTION. 15E.303 DEFINITIONS.

14 47 As used in this division, unless the context
 14 48 otherwise requires:

14 49 1. "Board" means the governing board of the lead
14 50 philanthropic entity identified by the department
15 1 pursuant to section 15E.304.

15 2 2. "Business" means a business operating within
15 3 the state and includes individuals operating a sole
15 4 proprietorship or having rental, royalty, or farm
15 5 income in this state and includes a consortium of
15 6 businesses.

15 7 3. "Community affiliate organization" means a
15 8 group of five or more community leaders or advocates
15 9 organized for the purpose of increasing philanthropic
15 10 activity in an identified community or geographic area
15 11 in this state with the intention of establishing a
15 12 community affiliate endowment fund.

15 13 4. "Endowment gift" means an irrevocable
15 14 contribution to a permanent endowment held by a
15 15 qualified community foundation.

15 16 5. "Lead philanthropic entity" means the entity
15 17 identified by the department pursuant to section
15 18 15E.304.

15 19 6. "Qualified community foundation" means a
15 20 community foundation organized or operating in this
15 21 state that meets or exceeds the national standards
15 22 established by the national council on foundations.

15 23 Sec. ____ . NEW SECTION. 15E.304 ENDOW IOWA
15 24 GRANTS.

15 25 1. The department shall identify a lead
15 26 philanthropic entity for purposes of encouraging the
15 27 development of qualified community foundations in this
15 28 state. A lead philanthropic entity shall meet all of
15 29 the following qualifications:

15 30 a. The entity shall be a nonprofit entity which is
15 31 exempt from federal income taxation pursuant to
15 32 section 501(c)(3) of the Internal Revenue Code.

15 33 b. The entity shall be a statewide organization
15 34 with membership consisting of organizations, such as
15 35 community, corporate, and private foundations, whose
15 36 principal function is the making of grants within the
15 37 state of Iowa.

15 38 c. The entity shall have a minimum of forty
15 39 members and that membership shall include qualified
15 40 community foundations.

15 41 2. A lead philanthropic entity may receive a grant
15 42 from the department. The board shall use the grant
15 43 moneys to award endow Iowa grants to new and existing
15 44 qualified community foundations and to community
15 45 affiliate organizations that do all of the following:

15 46 a. Provide the board with all information required
15 47 by the board.

15 48 b. Demonstrate a dollar-for-dollar funding match
15 49 in a form approved by the board.

15 50 c. Identify a qualified community foundation to
16 1 hold all funds. A qualified community foundation
16 2 shall not be required to meet this requirement.

16 3 d. Provide a plan to the board demonstrating the
16 4 method for distributing grant moneys received from the
16 5 board to organizations within the community or
16 6 geographic area as defined by the qualified community
16 7 foundation or the community affiliate organization.

16 8 3. Endow Iowa grants awarded to new and existing

16 9 qualified community foundations and to community
16 10 affiliate organizations shall not exceed twenty-five
16 11 thousand dollars per foundation or organization unless
16 12 a foundation or organization demonstrates a multiple
16 13 county or regional approach. Endow Iowa grants may be
16 14 awarded on an annual basis with not more than three
16 15 grants going to one county in a fiscal year.

16 16 4. In ranking applications for grants, the board
16 17 shall consider a variety of factors including the
16 18 following:

16 19 a. The demonstrated need for financial assistance.

16 20 b. The potential for future philanthropic activity
16 21 in the area represented by or being considered for
16 22 assistance.

16 23 c. The proportion of the funding match being
16 24 provided.

16 25 d. For community affiliate organizations, the
16 26 demonstrated need for the creation of a community
16 27 affiliate endowment fund in the applicant's geographic
16 28 area.

16 29 e. The identification of community needs and the
16 30 manner in which additional funding will address those
16 31 needs.

16 32 f. The geographic diversity of awards.

16 33 5. Of any moneys received by a lead philanthropic
16 34 entity from the state, not more than five percent of
16 35 such moneys shall be used by the entity for
16 36 administrative purposes.

16 37 Sec. ____ . NEW SECTION. 15E.306 REPORTS -
16 38 AUDITS.

16 39 By January 31 of each year, the lead philanthropic
16 40 entity, in cooperation with the department, shall
16 41 publish an annual report of the activities conducted
16 42 pursuant to this division during the previous calendar
16 43 year and shall submit the report to the governor and
16 44 the general assembly. The annual report shall include
16 45 a listing of endowment funds and the amount of tax
16 46 credits authorized by the department.

16 47 Sec. ____ . EFFECTIVE AND RETROACTIVE APPLICABILITY
16 48 DATES. This division of this Act, being deemed of
16 49 immediate importance, takes effect upon enactment and
16 50 is retroactively applicable to January 1, 2003, for
17 1 tax years beginning on or after that date.

17 2 DIVISION

17 3 COMMERCIALIZATION OF RESEARCH ISSUES

17 4 Sec. ____ . Section 262.9, Code 2003, is amended by
17 5 adding the following new subsection:

17 6 NEW SUBSECTION. 29. By January 15 of each year,
17 7 submit a report to the governor, through the director
17 8 of technology in the office of the governor, and the
17 9 general assembly containing information from the
17 10 previous calendar year regarding all of the following:

17 11 a. Patents secured or applied for by each
17 12 university under the control of the board delineated
17 13 by university and by faculty member and staff member
17 14 responsible for the research or activity that resulted
17 15 in the patent. In the initial report filed by January
17 16 15, 2004, the board shall include an inventory of
17 17 patent portfolios with details concerning which
17 18 patents are creating financial benefit and the amount

17 19 of financial benefit and which patents are not
17 20 creating financial benefit and the amount invested in
17 21 those patents.

17 22 b. Research grants secured by each university
17 23 under the control of the board from both public and
17 24 private sources delineated by university and by
17 25 faculty member and staff member. The board shall also
17 26 include the same information for grant applications
17 27 that are denied.

17 28 c. The number of faculty members and staff members
17 29 at each university under the control of the board
17 30 involved in a start-up company.

17 31 d. The number of grant applications for research
17 32 received by each university under the control of the
17 33 board for start-up companies, the number of
17 34 applications approved, and the number of applications
17 35 denied.

17 36 e. The number of agreements entered into by
17 37 faculty members and staff members at each university
17 38 under the control of the board with foundations
17 39 affiliated with the universities relating to business
17 40 start-ups.

17 41 f. An accounting of the financial gain received by
17 42 each university under the control of the board
17 43 relating to patents sold, royalties received,
17 44 licensing fees, and any other remuneration received by
17 45 the university related to technology transfer.

17 46 g. The number of professional employees at each
17 47 university under the control of the board who assist
17 48 in the transfer of technology and research to
17 49 commercial application.

17 50 Sec. ____ . Section 262B.1, Code 2003, is amended to
18 1 read as follows:

18 2 262B.1 TITLE.

18 3 This chapter shall be known and may be cited as the
18 4 ~~"University-Based Research and Economic Development~~
18 5 ~~"Commercialization of Research for Iowa Act"~~.

18 6 Sec. ____ . Section 262B.2, Code 2003, is amended by
18 7 striking the section and inserting in lieu thereof the
18 8 following:

18 9 262B.2 LEGISLATIVE INTENT.

18 10 It is the intent of the general assembly that the
18 11 three universities under the control of the state
18 12 board of regents have as part of their mission the use
18 13 of their universities' expertise to expand and
18 14 stimulate economic growth across the state. This
18 15 activity may be accomplished through a wide variety of
18 16 partnerships, public and private joint ventures, and
18 17 cooperative endeavors, primarily in the area of high
18 18 technology, and may result in investments by the
18 19 private sector for commercialization of the
18 20 technology. It is imperative that the investments and
18 21 job creation be in Iowa, but need not be in the
18 22 proximity of the universities. The purpose is to
18 23 expand and stimulate Iowa's economy, increase the
18 24 wealth of Iowans, and increase the population of Iowa,
18 25 which may be accomplished through research conducted
18 26 within the state that will competitively position Iowa
18 27 on an economic basis with other states and create
18 28 high-wage, high-growth employers and jobs. It is also

18 29 the intent of the general assembly that real or
 18 30 virtual research parks will be established and
 18 31 maintained by the universities in close enough
 18 32 proximity to the ventures that cooperation between the
 18 33 academic, research, and commercialization phases will
 18 34 be encouraged. It is the intent of the general
 18 35 assembly that satellites of the research parks will
 18 36 expand and stimulate economic growth in other areas of
 18 37 the state.

18 38 Sec. ____ . Section 262B.3, Code 2003, is amended to
 18 39 read as follows:

18 40 262B.3 ~~ESTABLISHMENT OF CONSORTIUM DUTIES AND~~
 18 41 ~~RESPONSIBILITIES.~~

18 42 1. ~~The state board of regents or the universities~~
 18 43 ~~under its jurisdiction, as part of its mission and~~
 18 44 ~~strategic plan, shall establish consortium mechanisms~~
 18 45 ~~for the purpose of carrying out the intent of this~~
 18 46 ~~chapter. The majority of consortium members shall be~~
 18 47 ~~from the university community and the balance of~~
 18 48 ~~members shall be from private industry. The members~~
 18 49 ~~of the consortium shall be appointed by the president~~
 18 50 ~~of the convening university and will serve at the~~
 19 1 ~~pleasure of the president. In addition to other board~~
 19 2 ~~initiatives, the board shall work with the department~~
 19 3 ~~of economic development, other state agencies, and the~~
 19 4 ~~private sector to facilitate the commercialization of~~
 19 5 ~~research.~~

19 6 2. Activities to implement this chapter may
 19 7 include:

- 19 8 a. Developing strategies to market university
 19 9 research for commercialization in Iowa.
- 19 10 b. Matching university resources with the needs of
 19 11 existing Iowa firms or start-up opportunities.
- 19 12 c. Evaluating university research for
 19 13 commercialization potential, where relevant.
- 19 14 d. Developing a plan to improve private sector
 19 15 access to the university licenses and patent
 19 16 information and the transfer of technology from the
 19 17 university to the private sector.
- 19 18 e. Disseminating information on research
 19 19 activities of the university.
- 19 20 f. Identifying research needs of existing Iowa
 19 21 businesses and recommending ways in which the
 19 22 universities can meet these needs.
- 19 23 g. Linking research and instruction activities to
 19 24 economic development.
- 19 25 h. Reviewing and monitoring activities related to
 19 26 technology transfer.
- 19 27 i. Coordinating activities to facilitate a focus
 19 28 on research in the state's targeted industry clusters.
- 19 29 j. Surveying of similar activities in other states
 19 30 and at other universities.
- 19 31 k. Establishing a single point of contact to
 19 32 facilitate commercialization of research.

19 33 Sec. ____ . Section 262B.5, Code 2003, is amended to
 19 34 read as follows:

19 35 262B.5 ~~REGENTS AND DEPARTMENT OF ECONOMIC~~
 19 36 ~~DEVELOPMENT REPORTING.~~

19 37 ~~The state board of regents and the Iowa department~~
 19 38 ~~of economic development shall enter into an agreement~~

19 39 ~~under chapter 28E to coordinate and facilitate the~~
 19 40 ~~activities of the consortiums.~~ The state board of
 19 41 regents ~~and with input from~~ the Iowa department of
 19 42 economic development shall report annually to the
 19 43 governor and the general assembly concerning the
 19 44 activities ~~of the consortiums~~ conducted pursuant to
 19 45 this chapter.

19 46 Sec. ____ . NEW SECTION. 262B.6 DIRECTOR OF
 19 47 TECHNOLOGY - TECHNOLOGY TRANSFER AGENTS.
 19 48 1. The governor shall appoint a director of
 19 49 technology to serve within the office of the governor.
 19 50 A position is created for a deputy director of
 20 1 technology within the office of the governor. The
 20 2 director and the deputy director shall be responsible
 20 3 for advancing technology transfer and
 20 4 commercialization issues in the state and shall
 20 5 coordinate the related activities at the institutions
 20 6 of higher learning under the control of the state
 20 7 board of regents. The director shall have
 20 8 demonstrated expertise and experience in the areas of
 20 9 business, industry, and academics.

20 10 2. Each institution of higher learning under the
 20 11 control of the state board of regents shall designate
 20 12 an employee to serve as a technology transfer agent to
 20 13 coordinate the activities of the institution with the
 20 14 director of technology within the office of the
 20 15 governor.

20 16 3. By December 1, 2004, the director shall conduct
 20 17 a study and develop recommendations for the
 20 18 advancement of technology transfer and
 20 19 commercialization issues. The director shall compile
 20 20 and submit the recommendations in written form to the
 20 21 general assembly by December 1, 2004. The
 20 22 recommendations shall include specific and detailed
 20 23 proposed amendments to the Code of Iowa necessary to
 20 24 advance the proposed recommendations.

20 25 Sec. ____ . Section 262B.4, Code 2003, is repealed.

20 26 DIVISION ____
 20 27 IOWA ECONOMIC DEVELOPMENT
 20 28 LOAN AND CREDIT GUARANTEE FUND

20 29 Sec. ____ . NEW SECTION. 15E.221 SHORT TITLE.
 20 30 This division shall be known and may be cited as
 20 31 the "Iowa Economic Development Loan and Credit
 20 32 Guarantee Fund Act".

20 33 Sec. ____ . NEW SECTION. 15E.222 LEGISLATIVE
 20 34 FINDING - PURPOSES.

20 35 1. The general assembly finds all of the
 20 36 following:

20 37 a. That small and medium-sized businesses, in
 20 38 general, and certain targeted industry businesses and
 20 39 other qualified businesses, in particular, may not
 20 40 qualify for conventional financing.

20 41 b. That the limited availability of credit for
 20 42 export transactions limits the ability of small and
 20 43 medium-sized businesses in this state to compete in
 20 44 international markets.

20 45 c. That, to enhance competitiveness and foster
 20 46 economic development, this state must focus on growth
 20 47 in certain specific targeted industry businesses and
 20 48 other qualified businesses, especially during a time

20 49 of war.

20 50 d. That the challenge for the public economic
21 1 sector is to create an atmosphere conducive to
21 2 economic growth, in conjunction with financial
21 3 institutions in the private sector, which fill the
21 4 gaps in credit availability and export finance, and
21 5 that allow the private sector to identify the lending
21 6 opportunities and foster decision making at the local
21 7 level.

21 8 2. The general assembly declares the purposes of
21 9 this division to be all of the following:

21 10 a. To create incentives and assistance to increase
21 11 the flow of private capital to targeted industry
21 12 businesses and other qualified businesses.

21 13 b. To promote industrial modernization and
21 14 technology adoption.

21 15 c. To encourage the retention and creation of
21 16 jobs.

21 17 d. To encourage the export of goods and services
21 18 sold by Iowa businesses in national and international
21 19 markets.

21 20 Sec. ____ . NEW SECTION. 15E.223 DEFINITIONS.

21 21 As used in this division, unless the context
21 22 otherwise requires:

21 23 1. "Financial institution" means an institution
21 24 listed in section 422.61, subsection 1, or such other
21 25 financial institution as defined by the department for
21 26 purposes of this division.

21 27 2. "Program" means the loan and credit guarantee
21 28 program established in this division.

21 29 3. "Qualified business" means an existing or
21 30 proposed business entity with an annual average number
21 31 of employees not exceeding two hundred employees.
21 32 "Qualified business" does not include businesses
21 33 engaged primarily in retail sales, real estate, or the
21 34 provision of health care or other professional
21 35 services. "Qualified business" includes professional
21 36 services businesses that provide services to targeted
21 37 industry businesses or other entities.

21 38 4. "Targeted industry business" means an existing
21 39 or proposed business entity, including an emerging
21 40 small business or qualified business which is operated
21 41 for profit and which has a primary business purpose of
21 42 doing business in at least one of the targeted
21 43 industries designated by the department which include
21 44 life sciences, software and information technology,
21 45 advanced manufacturing, value-added agriculture, and
21 46 any other industry designated as a targeted industry
21 47 by the loan and credit guarantee advisory board.

21 48 Sec. ____ . NEW SECTION. 15E.224 LOAN AND CREDIT
21 49 GUARANTEE PROGRAM.

21 50 1. The department shall, with the advice of the
22 1 loan and credit guarantee advisory board, establish
22 2 and administer a loan and credit guarantee program.
22 3 The department, pursuant to agreements with financial
22 4 institutions, shall provide loan and credit
22 5 guarantees, or other forms of credit guarantees for
22 6 qualified businesses and targeted industry businesses
22 7 for eligible project costs. A loan or credit
22 8 guarantee provided under the program may stand alone

22 9 or may be used in conjunction with or to enhance other
22 10 loans or credit guarantees, offered by private, state,
22 11 or federal entities. The department may purchase
22 12 insurance to cover defaulted loans meeting the
22 13 requirements of the program. However, the department
22 14 shall not in any manner directly or indirectly pledge
22 15 the credit of the state. Eligible project costs
22 16 include expenditures for productive equipment and
22 17 machinery, working capital for operations and export
22 18 transactions, research and development, marketing, and
22 19 such other costs as the department may so designate.

22 20 2. A loan or credit guarantee or other form of
22 21 credit guarantee provided under the program to a
22 22 participating financial institution for a single
22 23 qualified business or targeted industry business shall
22 24 not exceed one million dollars in value. Loan or
22 25 credit guarantees or other forms of credit guarantees
22 26 provided under the program to more than one
22 27 participating financial institution for a single
22 28 qualified business or targeted industry business shall
22 29 not exceed ten million dollars in value.

22 30 3. In administering the program, the department
22 31 shall consult and cooperate with financial
22 32 institutions in this state and with the loan and
22 33 credit guarantee advisory board. Administrative
22 34 procedures and application procedures, as practicable,
22 35 shall be responsive to the needs of qualified
22 36 businesses, targeted industry businesses, and
22 37 financial institutions, and shall be consistent with
22 38 prudent investment and lending practices and criteria.

22 39 4. Each participating financial institution shall
22 40 identify and underwrite potential lending
22 41 opportunities with qualified businesses and targeted
22 42 industry businesses. Upon a determination by a
22 43 participating financial institution that a qualified
22 44 business or targeted industry business meets the
22 45 underwriting standards of the financial institution,
22 46 subject to the approval of a loan or credit guarantee,
22 47 the financial institution shall submit the
22 48 underwriting information and a loan or credit
22 49 guarantee application to the department.

22 50 5. The department, with the advice of the loan and
23 1 credit guarantee advisory board, shall adopt a loan or
23 2 credit guarantee application procedure for a financial
23 3 institution on behalf of a qualified business or
23 4 targeted industry business.

23 5 6. Upon approval of a loan or credit guarantee,
23 6 the department shall enter into a loan or credit
23 7 guarantee agreement with the participating financial
23 8 institution. The agreement shall specify all of the
23 9 following:

23 10 a. The fee to be charged to the financial
23 11 institution.

23 12 b. The evidence of debt assurance of, and security
23 13 for, the loan or credit guarantee.

23 14 c. A loan or credit guarantee that does not exceed
23 15 fifteen years.

23 16 d. Any other terms and conditions considered
23 17 necessary or desirable by the department.

23 18 7. The department, with the advice of the loan and

23 19 credit guarantee advisory board, may adopt loan and
23 20 credit guarantee application procedures that allow a
23 21 qualified business or targeted industry business to
23 22 apply directly to the department for a preliminary
23 23 guarantee commitment. A preliminary guarantee
23 24 commitment may be issued by the department subject to
23 25 the qualified business or targeted industry business
23 26 securing a commitment for financing from a financial
23 27 institution. The application procedures shall specify
23 28 the process by which a financial institution may
23 29 obtain a final loan and credit guarantee.

23 30 Sec. _____. NEW SECTION. 15E.225 TERMS - FEES.

23 31 1. When entering into a loan or credit guarantee
23 32 agreement, the department, with the advice of the loan
23 33 and credit guarantee advisory board, shall establish
23 34 fees and other terms for participation in the program
23 35 by qualified businesses and targeted industry
23 36 businesses.

23 37 2. The department, with due regard for the
23 38 possibility of losses and administrative costs and
23 39 with the advice of the loan and credit guarantee
23 40 advisory board, shall set fees and other terms at
23 41 levels sufficient to assure that the program is self-
23 42 financing.

23 43 3. For a preliminary guarantee commitment, the
23 44 department may charge a qualified business or targeted
23 45 industry business a preliminary guarantee commitment
23 46 fee. The application fee shall be in addition to any
23 47 other fees charged by the department under this
23 48 section and shall not exceed one thousand dollars for
23 49 an application.

23 50 Sec. _____. NEW SECTION. 15E.226 LOAN AND CREDIT
24 1 GUARANTEE ADVISORY BOARD.

24 2 A loan and credit guarantee advisory board is
24 3 established consisting of seven members appointed by
24 4 the governor, subject to confirmation by the senate.
24 5 The advisory board shall provide the department with
24 6 technical advice regarding the administration of the
24 7 program, including the adoption of administrative
24 8 rules pursuant to chapter 17A. The advisory board
24 9 shall review and provide recommendations regarding all
24 10 applications under the program. Members of the
24 11 advisory board are entitled to receive reimbursement
24 12 for actual expenses incurred while engaged in the
24 13 performance of official duties. Advisory board
24 14 members may also be eligible to receive compensation
24 15 as provided in section 7E.6. The director of the
24 16 department shall budget moneys to pay the compensation
24 17 and expenses of the advisory board. The provisions of
24 18 this section relating to the adoption of
24 19 administrative rules shall be construed narrowly.

24 20 DIVISION _____

24 21 ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

24 22 Sec. _____. NEW SECTION. 15E.118 BUSINESS START-UP
24 23 INFORMATION - INTERNET WEB SITE.

24 24 The department shall provide information through an
24 25 internet web site and a toll-free telephone service to
24 26 assist persons interested in establishing a commercial
24 27 facility or engaging in a commercial activity. The
24 28 information shall include all of the following:

24 29 1. Assistance, information, and guidance for
24 30 start-up businesses.

24 31 2. Information gathered by the department pursuant
24 32 to section 15E.17, subsection 2.

24 33 3. Personal and corporate income tax information.

24 34 4. Information regarding financial assistance and
24 35 incentives available to businesses.

24 36 5. Workforce availability in the state presented
24 37 in a regional format.

24 38 Sec. ____ . NEW SECTION. 15E.119 ECONOMIC
24 39 DEVELOPMENT-RELATED DATA COLLECTION.

24 40 1. The department shall interview any business
24 41 that considered locating in Iowa but decided to locate
24 42 elsewhere. The department shall attempt to determine
24 43 factors that affected the location decision of the
24 44 business.

24 45 2. The department shall interview any business
24 46 that closes major operations in the state or dissolves
24 47 the business's corporate status in an effort to
24 48 identify factors that led to the closure or
24 49 dissolution.

24 50 3. By January 15 of each year, the department
25 1 shall submit a written report to the general assembly
25 2 that summarizes the information collected pursuant to
25 3 this section and provides suggested amendments to the
25 4 Code of Iowa and the Iowa administrative code designed
25 5 to stimulate and expand the state's economy.

25 6 Sec. ____ . INTERNET WEB SITE DEVELOPMENT. In
25 7 developing the internet web site required in section
25 8 15E.118, the department of economic development shall
25 9 examine similar efforts in other states and
25 10 incorporate the best practices.

25 11 DIVISION
25 12 CULTURAL AND ENTERTAINMENT DISTRICTS

25 13 Sec. ____ . NEW SECTION. 303.3B CULTURAL AND
25 14 ENTERTAINMENT DISTRICTS.

25 15 1. The department of cultural affairs shall
25 16 establish and administer a cultural and entertainment
25 17 district certification program. The program shall
25 18 encourage the growth of communities through the
25 19 development of areas within a city or county for
25 20 public and private uses related to cultural and
25 21 entertainment purposes.

25 22 2. A city or county may create and designate a
25 23 cultural and entertainment district subject to
25 24 certification by the department of cultural affairs,
25 25 in consultation with the department of economic
25 26 development. A cultural and entertainment district
25 27 shall consist of a geographic area not exceeding one
25 28 square mile in size. A cultural and entertainment
25 29 district certification shall remain in effect for ten
25 30 years following the date of certification. Two or
25 31 more cities or counties may apply jointly for
25 32 certification of a district that extends across a
25 33 common boundary. Through the adoption of
25 34 administrative rules, the department of cultural
25 35 affairs shall develop a certification application for
25 36 use in the certification process. The provisions of
25 37 this subsection relating to the adoption of
25 38 administrative rules shall be construed narrowly.

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25 39 3. The department of cultural affairs shall
 25 40 encourage development projects and activities located
 25 41 in certified cultural and entertainment districts
 25 42 through incentives under cultural grant programs
 25 43 pursuant to section 303.3, chapter 303A, and any other
 25 44 grant programs.

25 45 DIVISION _____
 25 46 UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM
 25 47 Sec. _____. NEW SECTION. 262B.11 UNIVERSITY-BASED
 25 48 RESEARCH UTILIZATION PROGRAM.

25 49 1. The department of economic development shall
 25 50 establish and administer a university-based research
 26 1 utilization program for purposes of encouraging the
 26 2 utilization of university-based research, primarily in
 26 3 the area of high technology, in new or existing
 26 4 businesses. The program shall include the three
 26 5 universities under the control of the state board of
 26 6 regents and all accredited private universities
 26 7 located in the state.

26 8 2. A new or existing business that utilizes a
 26 9 technology developed by an employee at a university
 26 10 under the control of the state board of regents may
 26 11 apply to the department of economic development for
 26 12 approval to participate in the university-based
 26 13 research utilization program. The department shall
 26 14 approve an applicant if the applicant meets all of the
 26 15 following criteria:

26 16 a. The applicant utilizes a technology developed
 26 17 by an employee at a university under the control of
 26 18 the state board of regents, provided that the
 26 19 technology has received a patent after the effective
 26 20 date of this Act. If the applicant has been in
 26 21 existence more than one year prior to applying, the
 26 22 applicant shall organize a separate company to utilize
 26 23 the technology. For purposes of this section, the
 26 24 separate company shall be considered the applicant
 26 25 and, if approved, the approved business.

26 26 b. The applicant develops a five-year business
 26 27 plan approved by the department. The plan shall
 26 28 include information concerning the applicant's Iowa
 26 29 employment goals and projected impact on the Iowa
 26 30 economy. The department shall only approve plans
 26 31 showing sufficient potential impact on Iowa employment
 26 32 and economic development.

26 33 c. The applicant meets a minimum-size business
 26 34 standard determined by the department.

26 35 d. The applicant provides annual reports to the
 26 36 department that include employment statistics for the
 26 37 applicant and the total taxable wages paid to Iowa
 26 38 employees and reported to the department of revenue
 26 39 and finance pursuant to section 422.16.

26 40 3. A business approved under the program and the
 26 41 university employee responsible for the development of
 26 42 the technology utilized by the approved business shall
 26 43 be eligible for a tax credit. The credit shall be
 26 44 allowed against the taxes imposed in chapter 422,
 26 45 divisions II and III. An individual may claim a tax
 26 46 credit under this section of a partnership, limited
 26 47 liability company, S corporation, estate, or trust
 26 48 electing to have income taxed directly to the

26 49 individual. The amount claimed by the individual
26 50 shall be based upon the pro rata share of the
27 1 individual's earnings from the partnership, limited
27 2 liability company, S corporation, estate, or trust. A
27 3 tax credit shall not be claimed under this subsection
27 4 unless a tax credit certificate issued by the
27 5 department of economic development is attached to the
27 6 taxpayer's tax return for the tax year for which the
27 7 tax credit is claimed. The amount of a tax credit
27 8 allowed under this subsection shall equal the amount
27 9 listed on a tax credit certificate issued by the
27 10 department of economic development pursuant to
27 11 subsection 4. A tax credit certificate shall not be
27 12 transferable. Any tax credit in excess of the
27 13 taxpayer's liability for the tax year may be credited
27 14 to the taxpayer's tax liability for the following five
27 15 years or until depleted, whichever occurs first. A
27 16 tax credit shall not be carried back to a tax year
27 17 prior to the tax year in which the taxpayer redeems
27 18 the tax credit.

27 19 4. For the five tax years following the tax year
27 20 in which a business is approved under the program, the
27 21 department of revenue and finance shall provide the
27 22 department of economic development with information
27 23 required by the department of economic development
27 24 from each tax return filed by the approved business.
27 25 Upon receiving the tax return-related information, the
27 26 department of economic development shall do all of the
27 27 following:

27 28 a. Review the information provided by the
27 29 department of revenue and finance pursuant to this
27 30 subsection and the annual report submitted by the
27 31 applicant pursuant to subsection 2, paragraph "d". If
27 32 the department determines that the business activities
27 33 of the applicant are not providing the benefits to
27 34 Iowa employment and economic development projected in
27 35 the applicant's approved five-year business plan, the
27 36 department shall not issue tax credit certificates for
27 37 that year to the applicant or university employee and
27 38 shall determine any related university share to be
27 39 equal to zero for that year.

27 40 b. Effective for the fiscal year beginning July 1,
27 41 2004, and for subsequent fiscal years, issue a tax
27 42 credit certificate to the approved business and the
27 43 university employee responsible for the development of
27 44 the technology utilized by the approved business in an
27 45 amount determined pursuant to subsection 5. A tax
27 46 credit certificate shall contain the taxpayer's name,
27 47 address, tax identification number, the amount of the
27 48 tax credit, and other information required by the
27 49 department of revenue and finance.

27 50 c. (1) Determine the university share which is
28 1 equal to the value of thirty percent of the tax
28 2 liability of the approved business for purposes of
28 3 making an appropriation pursuant to section 262B.12,
28 4 if enacted by 2003 Iowa Acts, House File 683 or
28 5 another Act, to the university where the technology
28 6 utilized by the approved business was developed. A
28 7 university share shall not exceed two hundred twenty-
28 8 five thousand dollars per year per technology

28 9 utilized. For each technology utilized, the aggregate
28 10 university share over a five-year period shall not
28 11 exceed six hundred thousand dollars.

28 12 (2) The department shall maintain records for each
28 13 university during each fiscal year regarding the
28 14 university share each university is entitled to
28 15 receive through the appropriation in section 262B.12,
28 16 if enacted by 2003 Iowa Acts, House File 683 or
28 17 another Act. A university shall be entitled to
28 18 receive the total university share for that particular
28 19 university during the previous fiscal year.

28 20 d. For the fiscal year beginning July 1, 2004, not
28 21 more than two million dollars worth of certificates
28 22 shall be issued pursuant to paragraph "b". For the
28 23 fiscal year beginning July 1, 2005, and every fiscal
28 24 year thereafter, not more than ten million dollars
28 25 worth of certificates shall be issued pursuant to
28 26 paragraph "b".

28 27 5. The tax credit certificates issued by the
28 28 department for each of the five years following the
28 29 tax year in which the business is approved under the
28 30 program shall be for the following amounts:

28 31 a. For the approved business, the value of the tax
28 32 credit certificate shall equal thirty percent of the
28 33 tax liability of the approved business. The value of
28 34 a certificate issued to an approved business shall not
28 35 exceed two hundred twenty-five thousand dollars. The
28 36 total aggregate value of certificates issued over a
28 37 five-year period to an approved business shall not
28 38 exceed six hundred thousand dollars.

28 39 b. For the university employee responsible for the
28 40 development of the technology utilized by the approved
28 41 business, the value of the tax credit certificate
28 42 shall equal ten percent of the tax liability of the
28 43 approved business. If more than one employee is
28 44 responsible for the development of the technology, the
28 45 value equal to ten percent of the tax liability of the
28 46 approved business shall be divided equally and
28 47 individual tax credit certificates shall be issued to
28 48 each employee responsible for the development of the
28 49 technology. Each year, the total value of a
28 50 certificate or certificates issued for a utilized
29 1 technology shall not exceed seventy-five thousand
29 2 dollars. For each technology utilized, the total
29 3 aggregate value of certificates issued over a five-
29 4 year period to the university employee responsible for
29 5 the development of the technology shall not exceed two
29 6 hundred thousand dollars.

29 7 6. The department of economic development shall
29 8 notify the department of revenue and finance when a
29 9 tax credit certificate is issued pursuant to
29 10 subsection 4. The notification shall include the name
29 11 and tax identification number appearing on any tax
29 12 credit certificate.

29 13 Sec. ____ . NEW SECTION. 422.11H UNIVERSITY-BASED
29 14 RESEARCH UTILIZATION PROGRAM TAX CREDIT.

29 15 The taxes imposed under this division, less the
29 16 credits allowed under sections 422.12 and 422.12B,
29 17 shall be reduced by a university-based research
29 18 utilization program tax credit authorized pursuant to

29 19 section 262B.11.
29 20 Sec. ____ . Section 422.33, Code 2003, is amended by
29 21 adding the following new subsection:
29 22 NEW SUBSECTION. 14. The taxes imposed under this
29 23 division shall be reduced by a university-based
29 24 research utilization program tax credit authorized
29 25 pursuant to section 262B.11."
29 26 #8. Page 65, by inserting after line 15 the
29 27 following:
29 28 "Sec. ____ . Section 625A.9, Code 2003, is amended
29 29 to read as follows:
29 30 625A.9 EXECUTION ON UNSTAYED PART OF JUDGMENT -
29 31 SUPERSEDEAS BOND WAIVED.
29 32 1. The taking of the appeal from part of a
29 33 judgment or order, and the filing of a bond ~~as above~~
29 34 ~~directed~~, does not stay execution as to that part of
29 35 the judgment or order not appealed from.
29 36 2. If the judgment or order appealed from is for
29 37 money, such bond shall not exceed one hundred ten
29 38 percent of the amount of the money judgment.
29 39 3. Upon motion and for good cause shown, the
29 40 district court may stay all proceedings under the
29 41 order or judgment being appealed and permit the state
29 42 or any of its political subdivisions to appeal a
29 43 judgment or order to the supreme court without the
29 44 filing of a supersedeas bond."
29 45 #9. By striking page 66, line 46 through page 67,
29 46 line 16.
29 47 #10. Page 67, by inserting after line 44 the
29 48 following:
29 49 "Sec. ____ . Section 86.12, Code 2003, is amended to
29 50 read as follows:
30 1 86.12 FAILURE TO REPORT.
30 2 The workers' compensation commissioner may require
30 3 any employer to supply the information required by
30 4 section 86.10 or to file a report required by section
30 5 86.11 or 86.13 or by agency rule, by written demand
30 6 sent to the employer's last known address. Upon
30 7 failure to supply such information or file such report
30 8 within ~~twenty~~ thirty days, the employer may be ordered
30 9 to appear and show cause why the employer should not
30 10 be subject to ~~civil penalty assessment~~ of one hundred
30 11 thousand dollars for each occurrence. Upon such
30 12 hearing, the workers' compensation commissioner shall
30 13 enter a finding of fact and may enter an order
30 14 requiring such ~~penalty assessment~~ to be paid into the
30 15 second injury fund created by sections 85.63 to 85.69.
30 16 In the event the ~~civil penalty assessed~~ assessment is
30 17 not voluntarily paid within thirty days the workers'
30 18 compensation commissioner may file a certified copy of
30 19 such finding and order with the clerk of the court for
30 20 the district in which the employer maintains a place
30 21 of business. If the employer maintains no place of
30 22 business in this state service shall be made as
30 23 provided in chapter 85 for nonresident employers. In
30 24 such case the finding and order may be filed in any
30 25 court of competent jurisdiction within this state.
30 26 The workers' compensation commissioner may
30 27 thereafter petition the court for entry of judgment
30 28 upon such order, serving notice of such petition on

30 29 the employer and any other person in default. If the
30 30 court finds the order valid, the court shall enter
30 31 judgment against the person or persons in default for
30 32 the amount due under the order. No fees shall be
30 33 required for the filing of the order or for the
30 34 petition for judgment, or for the entry of judgment or
30 35 for any enforcement procedure thereupon. No
30 36 supersedeas shall be granted by any court to a
30 37 judgment entered under this section.

30 38 When a report is required under section 86.11 or
30 39 86.13 or by agency rule, and ~~that report has been~~
30 40 ~~submitted to the employer's insurance carrier and no~~
30 41 ~~report of injury has been filed with the workers'~~
30 42 ~~compensation commissioner possesses the information~~
30 43 necessary to file the report, the insurance carrier
30 44 shall be responsible for filing the report ~~of injury~~
30 45 in the same manner and to the same extent as an
30 46 employer under this section.

30 47 Sec. ____ . NEW SECTION. 86.13A COMPLIANCE
30 48 MONITORING AND ENFORCEMENT.

30 49 The workers' compensation commissioner shall
30 50 monitor the rate of compliance of each employer and
31 1 each insurer with the requirement to commence benefit
31 2 payments within the time specified in section 85.30.
31 3 The commissioner shall determine the percentage of
31 4 reported injuries where the statutory standard was met
31 5 and the average number of days that commencement of
31 6 voluntary benefits was delayed for each employer and
31 7 each insurer individually, and for all employers and
31 8 all insurers as separate groups.

31 9 If during any fiscal year commencing after June 30,
31 10 2005, the general business practices of an employer or
31 11 insurer result in the delay of the commencement of
31 12 voluntary weekly compensation payments after the date
31 13 specified in section 85.30 more frequently and for a
31 14 longer number of days than the average number of days
31 15 for the entire group of employers or insurers, the
31 16 commissioner may impose an assessment on the employer
31 17 or insurer payable to the second injury fund created
31 18 in section 85.66. The amount of the assessment shall
31 19 be ten dollars, multiplied by the average number of
31 20 days that weekly compensation payments were delayed
31 21 after the date specified in section 85.30, and
31 22 multiplied by the number of injuries the employer or
31 23 insurer reported during the fiscal year.

31 24 Notwithstanding the foregoing, an assessment shall not
31 25 be imposed if the employer or insurer commenced
31 26 voluntary weekly compensation benefits within the time
31 27 specified in section 85.30 for more than seventy-five
31 28 percent of the injuries reported by the employer or
31 29 insurer.

31 30 The commissioner may waive or reduce an assessment
31 31 under this section if an employer or insurer
31 32 demonstrates to the commissioner that atypical events
31 33 during the fiscal year, including but not limited to a
31 34 small number of cases, made the statistical data for
31 35 that employer or insurer unrepresentative of the
31 36 actual payout practices of the employer or insurer for
31 37 that year."

31 38 #11. Page 71, by striking lines 11 through 23.

- 31 39 #12. By striking page 72, line 18, through page
- 31 40 78, line 20.
- 31 41 #13. Page 78, lines 33 and 34, by striking the
- 31 42 words "and school infrastructure assistance,".
- 31 43 #14. By renumbering as necessary.
- 31 44
- 31 45
- 31 46
- 31 47 CARROLL of Poweshiek
- 31 48 HF 692.328 80
- 31 49 sc/cf

Adopted 6/3/03

Text: H01622
 Text: H01600 - H01699
 Bills and Amendments: General Index

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 Text: H Index
 Bill History: General Index



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EIGHTIETH GENERAL ASSEMBLY
2003 REGULAR SESSION
DAILY
SENATE CLIP SHEET

JUNE 3, 2003

HOUSE FILE 692

S-3401

1 Amend the amendment, S-3391, to House File 692, as
2 amended, passed, and reprinted by the House, as
3 follows:

4 1. By striking page 1, line 5, through page 189,
5 line 19, and inserting the following:

6 "DIVISION I

7 PROPERTY TAXATION

8 Section 1. Section 441.19, subsections 1 and 2,
9 Code 2003, are amended to read as follows:

10 1. Supplemental and optional to the procedure for
11 the assessment of property by the assessor as provided
12 in this chapter, the assessor may require from all
13 persons required to list their property for taxation
14 as provided by sections 428.1 and 428.2, a
15 supplemental return to be prescribed by the director
16 of revenue and finance upon which the person shall
17 list the person's property and any additions or
18 modifications completed in the prior year to a
19 structure located on the property. The supplemental
20 return shall be in substantially the same form as now
21 prescribed by law for the assessment rolls used in the
22 listing of property by the assessors. Every person
23 required to list property for taxation shall make a
24 complete listing of the property upon supplemental
25 forms and return the listing to the assessor as
26 promptly as possible within thirty days of receiving
27 the assessment notice in section 441.23. The return
28 shall be verified over the signature of the person
29 making the return and section 441.25 applies to any
30 person making such a return. The assessor shall make
31 supplemental return forms available as soon as
32 practicable after the first day of January of each
33 year. The assessor shall make supplemental return
34 forms available to the taxpayer by mail, or at a
35 designated place within the taxing district.

36 2. Upon receipt of such supplemental return from
37 any person the assessor shall prepare a roll assessing
38 such person as hereinafter provided. In the
39 preparation of such assessment roll the assessor shall
40 be guided not only by the information contained in
41 such supplemental roll, but by any other information
42 the assessor may have or which may be obtained by the
43 assessor as prescribed by the law relating to the
44 assessment of property. The assessor shall not be
45 bound by any values or square footage determinations
46 or purchase prices as listed in such supplemental
47 return, and may include in the assessment roll any
48 property omitted from the supplemental return which in
49 the knowledge and belief of the assessor should be
50 listed as required by law by the person making the

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1 supplemental return. Upon completion of such roll the
2 assessor shall deliver to the person submitting such
3 supplemental return a copy of the assessment roll,
4 either personally or by mail.

5 Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.

6 It is the intent of the general assembly that there
7 be transparency in the property tax system. It is
8 further the intent of the general assembly that
9 property assessments for purposes of property taxation
10 be equal and uniform within classes of property. It
11 is further the intent of the general assembly to
12 minimize the impact that maintenance and upkeep by the
13 owner of property has on the assessment of that
14 property and that there be predictability in increases
15 of property assessments and that such predictability
16 be based primarily on the actions of the property
17 owner. It is further the intent of the general
18 assembly to minimize the impact that increases in
19 assessed value of property will have on property taxes
20 paid and that any increases will be primarily the
21 result of direct action taken by the local taxing
22 authority in setting budget amounts rather than by
23 increases in market value of property.

24 Sec. 3. Section 441.21, Code 2003, is amended by
25 striking the section and inserting in lieu thereof the
26 following:

27 441.21 ASSESSMENT OF STRUCTURES.

28 1. All real property, except land, subject to
29 taxation shall be assessed on a value per square foot
30 basis according to the provisions of this section.

31 2. a. Subject to paragraph "b", for valuations
32 established as of January 1, 2006, and for subsequent
33 assessment years, the assessed value per square foot
34 of a residential structure shall be an amount equal to
35 the valuation of the structure as determined for the
36 assessment year beginning January 1, 2005, prior to
37 application of the assessment limitation for that
38 year, divided by the total number of square feet of
39 the structure as of January 1, 2005.

40 b. (1) The assessed value per square foot of an
41 existing residential structure purchased after January
42 1, 2005, shall be the purchase price of the structure
43 divided by the cumulative inflation factor established
44 for the assessment year following the year of
45 purchase, divided by the total number of square feet
46 of the structure as of January 1 of the assessment
47 year. The assessed value per square foot of a
48 residential structure newly constructed after January
49 1, 2005, shall be the market value of the structure,
50 as determined by the assessor, divided by the

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1 cumulative inflation factor established for the
2 assessment year following the year construction was
3 completed, divided by the total number of square feet
4 of the structure as of January 1 of the assessment
5 year. However, when valuing an addition that
6 substantially increases the square footage of a
7 structure, only that portion of the structure
8 comprising the addition shall be valued by the
9 assessor under this subparagraph.

10 (2) If additions or modifications to an existing
11 structure do not constitute a newly constructed
12 structure, the valuation of the structure shall only
13 increase if the square footage of the structure
14 increases. The increased valuation, if any, equals
15 the amount of increased square feet times the value
16 per square foot of the structure prior to the
17 additions or modifications.

18 3. a. Subject to paragraph "b" for valuations
19 established as of January 1, 2006, and for subsequent
20 assessment years, the assessed value per square foot
21 of a commercial or industrial structure shall be an
22 amount equal to the valuation of the structure as
23 determined for the assessment year beginning January
24 1, 2005, prior to application of the assessment
25 limitation for that year, divided by the total number
26 of square feet of the structure as of January 1, 2005.

27 b. (1) The assessed value per square foot of an
28 existing commercial or industrial structure purchased
29 after January 1, 2005, shall be the purchase price of
30 the structure divided by the cumulative inflation
31 factor established for the assessment year following
32 the year of purchase, divided by the total number of
33 square feet of the structure as of January 1 of the
34 assessment year. The assessed value per square foot
35 of a commercial or industrial structure newly
36 constructed after January 1, 2005, shall be the market
37 value of the structure, as determined by the assessor,
38 divided by the cumulative inflation factor established
39 for the assessment year following the year
40 construction was completed, divided by the total
41 number of square feet of the structure as of January 1
42 of the assessment year. However, when valuing an
43 addition that substantially increases the square
44 footage of a structure, only that portion of the
45 structure comprising the addition shall be valued by
46 the assessor under this subparagraph.

47 (2) If additions or modifications to an existing
48 structure do not constitute a newly constructed
49 structure, the valuation of the structure shall only
50 increase if the square footage of the structure

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1 increases. The increased valuation, if any, equals
2 the amount of increased square feet times the value
3 per square foot of the structure prior to the
4 additions or modifications.

5 4. a. Subject to paragraph "b" for valuations
6 established as of January 1, 2006, and for subsequent
7 assessment years, the assessed value per square foot
8 of an agricultural structure that is not an
9 agricultural dwelling shall be an amount equal to the
10 valuation of the structure as determined for the
11 assessment year beginning January 1, 2005, prior to
12 application of the assessment limitation for that
13 year, divided by the total number of square feet of
14 the structure as of January 1, 2005.

15 b. (1) The assessed value per square foot of an
16 existing agricultural structure purchased after
17 January 1, 2005, shall be the productivity value of
18 the structure divided by the cumulative inflation
19 factor established for the assessment year following
20 the year of purchase, divided by the total number of
21 square feet of the structure as of January 1 of the
22 assessment year. The assessed value per square foot
23 of an agricultural structure newly constructed after
24 January 1, 2005, shall be the productivity value of
25 the structure for the assessment year following the
26 year construction was completed, as determined by the
27 assessor, divided by the cumulative inflation factor
28 established for the assessment year following the year
29 construction was completed, divided by the total
30 number of square feet of the structure as of January 1
31 of the assessment year. However, when valuing an
32 addition that substantially increases the square
33 footage of a structure, only that portion of the
34 structure comprising the addition shall be valued by
35 the assessor under this subparagraph.

36 (2) If additions or modifications to an existing
37 structure do not constitute a newly constructed
38 structure, the valuation of the structure shall only
39 increase if the square footage of the structure
40 increases. The increased valuation, if any, equals
41 the amount of increased square feet times the value
42 per square foot of the structure prior to the
43 additions or modifications.

44 5. a. In determining the market value of newly
45 constructed property, except agricultural structures,
46 the assessor may determine the value of the property
47 using uniform and recognized appraisal methods
48 including its productive and earning capacity, if any,
49 industrial conditions, its cost, physical and
50 functional depreciation and obsolescence and

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1 replacement cost, and all other factors which would
2 assist in determining the fair and reasonable market
3 value of the property but the actual value shall not
4 be determined by use of only one such factor. The
5 following shall not be taken into consideration:
6 special value or use value of the property to its
7 present owner, and the goodwill or value of a business
8 that uses the property as distinguished from the value
9 of the property as property. However, in assessing
10 property that is rented or leased to low-income
11 individuals and families as authorized by section 42
12 of the Internal Revenue Code, as amended, and which
13 section limits the amount that the individual or
14 family pays for the rental or lease of units in the
15 property, the assessor shall use the productive and
16 earning capacity from the actual rents received as a
17 method of appraisal and shall take into account the
18 extent to which that use and limitation reduces the
19 market value of the property. The assessor shall not
20 consider any tax credit equity or other subsidized
21 financing as income provided to the property in
22 determining the market value. Upon adoption of
23 uniform rules by the department of revenue and finance
24 or covering assessments and valuations of such
25 properties, the valuation on such properties shall be
26 determined in accordance with such values for
27 assessment purposes to assure uniformity, but such
28 rules shall not be inconsistent with or change the
29 foregoing means of determining the market value.

30 b. The actual value of special purpose tooling,
31 which is subject to assessment and taxation as real
32 property under section 427A.1, subsection 1, paragraph
33 "e", but which can be used only to manufacture
34 property which is protected by one or more United
35 States or foreign patents, shall not exceed the fair
36 and reasonable exchange value between a willing buyer
37 and a willing seller, assuming that the willing buyer
38 is purchasing only the special purpose tooling and not
39 the patent covering the property which the special
40 purpose tooling is designed to manufacture nor the
41 rights to manufacture the patented property. For
42 purposes of this paragraph, special purpose tooling
43 includes dies, jigs, fixtures, molds, patterns, and
44 similar property. The assessor shall not take into
45 consideration the special value or use value to the
46 present owner of the special purpose tooling which is
47 designed and intended solely for the manufacture of
48 property protected by a patent in arriving at the
49 actual value of the special purpose tooling.

50 c. In determining the purchase price of a

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1 structure, the assessor shall consider whether the
2 sale was a fair and reasonable exchange in the year in
3 which the property was listed and valued between a
4 willing buyer and a willing seller, neither being
5 under any compulsion to buy or sell and each being
6 familiar with all the facts relating to the particular
7 property. Sale prices of the property or comparable
8 property in normal transactions reflecting market
9 value, and the probable availability or unavailability
10 of persons interested in purchasing the property,
11 shall be taken into consideration in determining
12 purchase price. In determining purchase price, sale
13 prices of property in abnormal transactions not
14 reflecting market value shall not be taken into
15 account, or shall be adjusted to eliminate the effect
16 of factors which distort market value, including but
17 not limited to sales to immediate family of the
18 seller, foreclosure or other forced sales, contract
19 sales, or discounted purchase transactions.

20 d. If a county enters into a contract before May
21 1, 2003, for a comprehensive revaluation by a private
22 appraiser and such revaluation is for the assessment
23 year beginning January 1, 2006, the valuations
24 determined under the comprehensive revaluation for
25 that assessment year shall be divided by the
26 cumulative inflation factor for the assessment year
27 beginning January 1, 2006, and that quotient shall be
28 considered the valuation of the property for the
29 assessment year beginning January 1, 2005.

30 6. Notwithstanding any other provision of this
31 section, the assessed value per square foot of a
32 structure times the total number of square feet of the
33 structure shall not exceed its fair and reasonable
34 market value for the assessment year, except for
35 agricultural structures which shall be valued
36 exclusively as provided in subsection 4.

37 7. For purposes of this section:

38 a. "Annual inflation factor" means an index,
39 expressed as a percentage, determined by the
40 department by January 15 of the assessment year for
41 which the factor is determined, which reflects the
42 purchasing power of the dollar as a result of
43 inflation during the twelve-month period ending
44 September 30 of the calendar year preceding the
45 assessment year for which the factor is determined.
46 In determining the annual inflation factor, the
47 department shall use the annual percent change, but
48 not less than zero percent, in the gross domestic
49 product price deflator computed for the calendar year
50 by the bureau of economic analysis of the United

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1 States department of commerce and shall add all of
2 that percent change to one hundred percent. The
3 annual inflation factor and the cumulative inflation
4 factor shall each be expressed as a percentage rounded
5 to the nearest one-tenth of one percent. The annual
6 inflation factor shall not be less than one hundred
7 percent. The annual inflation factor for the 2005
8 calendar year is one hundred percent.

9 b. "Cumulative inflation factor" means the product
10 of the annual inflation factor for the 2005 calendar
11 year and all annual inflation factors for subsequent
12 calendar years as determined pursuant to this
13 subsection. The cumulative inflation factor applies
14 to the assessment year beginning on January 1 of the
15 calendar year for which the latest annual inflation
16 factor has been determined.

17 c. "Newly constructed" includes, but is not
18 limited to, structural replacement, additions that
19 substantially increase the square footage, conversion
20 into another class of property, and conversion from
21 exempt property under section 427.1 to taxable
22 property. For commercial and industrial property,
23 "newly constructed" also includes an addition or
24 removal to a structure of personal property taxed as
25 real estate under chapter 427A.

26 d. "Structure" means any part of that which is
27 built or constructed, an edifice or building of any
28 kind, or any piece of work artificially built up or
29 composed of parts joined together in some definite
30 manner. For residential structures, structure
31 includes only those parts of the structure, including
32 basements and attics, that are or could be used as
33 living space. "Structure" does not include the land
34 beneath, or horizontal improvements relating to the
35 structure, such as sidewalks, sewers, or retaining
36 walls.

37 8. For the purpose of computing the debt
38 limitations for municipalities, political
39 subdivisions, and school districts, the term "actual
40 value" means the "actual value" as determined under
41 this section without application of any percentage
42 reduction and entered opposite each item, and as
43 listed on the tax list as provided in section 443.2,
44 as "actual value".

45 Whenever any board of review or other tribunal
46 changes the assessed value of property, all applicable
47 records of assessment shall be adjusted to reflect
48 such change in both assessed value and actual value of
49 such property.

50 9. The provisions of this chapter and chapters

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1 443, 443A, and 444 shall be subject to legislative
2 review at least once every five years. The review
3 shall be based upon a property tax status report
4 containing the recommendations of a property tax
5 implementation committee appointed to conduct a review
6 of the land tax, square footage tax, the baseline
7 assessment for the square footage tax, and other
8 related provisions, to be prepared with the assistance
9 of the departments of management and revenue and
10 finance. The report shall include recommendations for
11 changes or revisions based upon demographic changes
12 and property tax valuation fluctuations observed
13 during the preceding five-year interval, and a summary
14 of issues that have arisen since the previous review
15 and potential approaches for their resolution. The
16 first such report shall be submitted to the general
17 assembly no later than January 1, 2010, with
18 subsequent reports developed and submitted by January
19 1 at least every fifth year thereafter.

20 Sec. 4. NEW SECTION. 441.21A PROPERTY
21 CLASSIFICATIONS.

22 1. a. Agricultural land shall be valued at its
23 productivity value. The productivity value of
24 agricultural land shall be determined on the basis of
25 productivity and net earning capacity of the land
26 determined on the basis of its use for agricultural
27 purposes capitalized at a rate of seven percent and
28 applied uniformly among counties and among classes of
29 property. Any formula or method employed to determine
30 productivity and net earning capacity of land shall be
31 adopted in full by rule.

32 b. In counties or townships in which field work on
33 a modern soil survey has been completed since January
34 1, 1949, the assessor shall place emphasis upon the
35 results of the survey in spreading the valuation among
36 individual parcels of such agricultural land.

37 c. "Agricultural land" includes the land of a
38 vineyard.

39 2. a. "Residential property" includes all lands
40 and buildings which are primarily used or intended for
41 human habitation, including those buildings located on
42 agricultural land. Buildings used primarily or
43 intended for human habitation shall include the
44 dwelling as well as structures and improvements used
45 primarily as a part of, or in conjunction with, the
46 dwelling. This includes but is not limited to
47 garages, whether attached or detached, tennis courts,
48 swimming pools, guest cottages, and storage sheds for
49 household goods. Residential property located on
50 agricultural land shall include only buildings.

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1 b. "Residential property" includes all land and
2 buildings of multiple housing cooperatives organized
3 under chapter 499A and includes land and buildings
4 used primarily for human habitation which land and
5 buildings are owned and operated by organizations that
6 have received tax-exempt status under section
7 501(c)(3) of the Internal Revenue Code and rental
8 income from the property is not taxed as unrelated
9 business income under section 422.33, subsection 1A.

10 c. "Residential property" includes an apartment in
11 a horizontal property regime referred to in chapter
12 499B which is used or intended for use for human
13 habitation regardless of who occupies the apartment.
14 Existing structures shall not be converted to a
15 horizontal property regime unless applicable building
16 code requirements have been met.

17 d. Buildings for human habitation that are used as
18 commercial ventures, including but not limited to
19 hotels, motels, rest homes, and structures containing
20 three or more separate living quarters shall not be
21 considered residential property.

22 Sec. 5. Section 441.23, Code 2003, is amended to
23 read as follows:

24 441.23 NOTICE OF VALUATION.

25 If there has been an increase or decrease in the
26 valuation of the property, or upon the written request
27 of the person assessed, the assessor shall, at the
28 time of making the assessment, inform the person
29 assessed, in writing, of the valuation put upon the
30 taxpayer's property, and notify the person, if the
31 person feels aggrieved, to appear before the board of
32 review and show why the assessment should be changed.
33 However, if the valuation of ~~a class of~~ agricultural
34 property is uniformly decreased, the assessor may
35 notify the affected property owners by publication in
36 the official newspapers of the county. The owners of
37 real property shall be notified not later than April
38 15 of any adjustment of the real property assessment.
39 The notification shall include a supplemental return
40 form for the person to list the person's property and
41 any additions or modifications completed in the prior
42 year to a structure located on the property, as
43 required in section 441.19.

44 Sec. 6. Section 441.24, Code 2003, is amended to
45 read as follows:

46 441.24 REFUSAL TO FURNISH STATEMENT.

47 1. If a person refuses to furnish the verified
48 statements required in connection with the assessment
49 of property by the assessor, or to list the
50 corporation's or person's property, the director of

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1 revenue and finance, or assessor, as the case may be,
2 shall proceed to list and assess the property
3 according to the best information obtainable, and
4 shall add to the ~~taxable~~ agricultural land and square
5 footage valuation one hundred percent thereof, which
6 valuation and penalty shall be separately shown, and
7 shall constitute the assessment; and if the
8 agricultural land or square footage valuation of the
9 property is changed by a board of review, or on appeal
10 from a board of review, a like penalty shall be added
11 to the valuation thus fixed.

12 2. However, all or part of the penalty imposed
13 under this section may be waived by the board of
14 review upon application to the board by the assessor
15 or the property owner. The waiver or reduction in the
16 penalty shall be allowed only on the agricultural land
17 or the square footage valuation of ~~real property~~ the
18 structure against which the penalty has been imposed.

19 Sec. 7. Section 441.26, unnumbered paragraph 3,
20 Code 2003, is amended to read as follows:

21 The notice in ~~1981~~ 2007 and each odd-numbered year
22 thereafter shall contain a statement that ~~the~~
23 agricultural property assessments and property
24 assessed pursuant to section 441.21, subsection 2,
25 paragraph "b", subparagraph (1), and subsection 3,
26 paragraph "b", subparagraph (1), are subject to
27 equalization pursuant to an order issued by the
28 director of revenue and finance, that the county
29 auditor shall give notice on or before October 15 by
30 publication in an official newspaper of general
31 circulation to any ~~class of~~ agricultural property
32 affected by the equalization order, and that the board
33 of review shall be in session from October 15 to
34 November 15 to hear protests of affected property
35 owners or taxpayers whose valuations have been
36 adjusted by the equalization order.

37 Sec. 8. Section 441.26, unnumbered paragraphs 4
38 and 5, Code 2003, are amended to read as follows:

39 The assessment rolls shall be used in listing the
40 property, the number of structures, and the total
41 square footage of the structures by class of property,
42 and showing the values affixed to agricultural land
43 and the assessed value per square foot affixed to ~~the~~
44 property the structures by class of property of all
45 persons assessed. The rolls shall be made in
46 duplicate. The duplicate roll shall be signed by the
47 assessor, detached from the original and delivered to
48 the person assessed if there has been an increase or
49 decrease in the valuation of the property. If there
50 has been no change in the evaluation, the information

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1 on the roll may be printed on computer stock paper and
2 preserved as required by this chapter. If the person
3 assessed requests in writing a copy of the roll, the
4 copy shall be provided to the person. The pages of
5 the assessor's assessment book shall contain columns
6 ruled and headed for the information required by this
7 chapter and that which the director of revenue and
8 finance deems essential in the equalization work of
9 the director. The assessor shall return all
10 assessment rolls and schedules to the county auditor,
11 along with the completed assessment book, as provided
12 in this chapter, and the county auditor shall
13 carefully keep and preserve the rolls, schedules and
14 book for a period of five years from the time of its
15 filing in the county auditor's office.

16 Beginning with valuations for January 1, ~~1977~~ 2006,
17 and each succeeding year, for each parcel of
18 agricultural property and for each structure entered
19 in the assessment book, the assessor shall list the
20 classification of the property.

21 Sec. 9. Section 441.35, subsection 1, Code 2003,
22 is amended by striking the subsection.

23 Sec. 10. Section 441.35, unnumbered paragraph 2,
24 Code 2003, is amended by striking the unnumbered
25 paragraph.

26 Sec. 11. Section 441.36, Code 2003, is amended to
27 read as follows:

28 441.36 CHANGE OF ASSESSMENT -- NOTICE.

29 All changes in assessments authorized by the board
30 of review, and reasons therefor, shall be entered in
31 the minute book kept by ~~said~~ the board and on the
32 assessment roll. ~~Said~~ The minute book shall be filed
33 with the assessor after the adjournment of the board
34 of review and shall at all times be open to public
35 inspection. In case the value of any specific
36 property or structure or the entire assessment of any
37 person, partnership, or association is increased, or
38 new property or a new structure is added by the board,
39 the clerk shall give immediate notice thereof by mail
40 to each at the post-office address shown on the
41 assessment rolls, and at the conclusion of the action
42 of the board therein the clerk shall post an
43 alphabetical list of those whose assessments are thus
44 raised and added, in a conspicuous place in the office
45 or place of meeting of the board, and enter upon the
46 records a statement that such posting has been made,
47 which entry shall be conclusive evidence of the giving
48 of the notice required. The board shall hold an
49 adjourned meeting, with at least five days intervening
50 after the posting of ~~said~~ the notices, before final

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1 action with reference to the raising of assessments or
2 the adding of property or structures to the rolls is
3 taken, and the posted notices shall state the time and
4 place of holding such adjourned meeting, which time
5 and place shall also be stated in the proceedings of
6 the board.

7 Sec. 12. Section 441.37, subsection 1, paragraphs
8 a and b, Code 2003, are amended to read as follows:

9 a. That ~~said~~ the assessment is not equitable as
10 compared with assessments of other like property or
11 structures in the taxing district. When this ground
12 is relied upon as the basis of a protest the legal
13 description and assessments of a representative number
14 of comparable ~~properties~~ structures, as described by
15 the aggrieved taxpayer shall be listed on the protest,
16 otherwise ~~said~~ the protest shall not be considered on
17 this ground.

18 b. That the property or structure is assessed for
19 more than the value authorized by law, stating the
20 specific amount which the protesting party believes
21 the property or structure to be overassessed, and the
22 amount which the party considers to be its actual
23 value and the amount the party considers a fair
24 assessment.

25 Sec. 13. Section 441.39, Code 2003, is amended to
26 read as follows:

27 441.39 TRIAL ON APPEAL.

28 The court shall hear the appeal in equity and
29 determine anew all questions arising before the board
30 which relate to the liability of the property or
31 structure to assessment or the amount thereof. The
32 court shall consider all of the evidence and there
33 shall be no presumption as to the correctness of the
34 ~~valuation of~~ assessment appealed from. Its decision
35 shall be certified by the clerk of the court to the
36 county auditor, and the assessor, who shall correct
37 the assessment books accordingly.

38 Sec. 14. Section 441.42, Code 2003, is amended to
39 read as follows:

40 441.42 APPEAL ON BEHALF OF PUBLIC.

41 Any officer of a county, city, township, drainage
42 district, levee district, or school district
43 interested or a taxpayer thereof may in like manner
44 make complaint before ~~said~~ the board of review in
45 respect to the assessment of any property or structure
46 in the township, drainage district, levee district or
47 city and an appeal from the action of the board of
48 review in fixing the amount of assessment on any
49 property or structure concerning which such complaint
50 is made, may be taken by any of such aforementioned

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1 officers.

2 Such appeal is in addition to the appeal allowed to
3 the person whose property or structure is assessed and
4 shall be taken in the name of the county, city,
5 township, drainage district, levee district, or school
6 district interested, and tried in the same manner,
7 except that the notice of appeal shall also be served
8 upon the owner of the property or structure concerning
9 which the complaint is made and affected thereby or
10 person required to return said property or structure
11 for assessment.

12 Sec. 15. Section 441.43, Code 2003, is amended to
13 read as follows:

14 441.43 POWER OF COURT.

15 Upon trial of any appeal from the action of the
16 board of review fixing the amount of assessment upon
17 any property or structure concerning which complaint
18 is made, the court may increase, decrease, or affirm
19 the amount of the assessment appealed from.

20 Sec. 16. Section 441.45, subsections 1 and 2, Code
21 2003, are amended to read as follows:

22 1. The number of acres of land and the aggregate
23 taxable values of the agricultural land, ~~exclusive of~~
24 ~~city lots~~, returned by the assessors, as corrected by
25 the board of review.

26 2. The aggregate values of structures and the
27 taxable square footage values of real estate
28 structures by class in each township and city in the
29 county and the aggregate value of agricultural land in
30 each township and city in the county, returned as
31 corrected by the board of review.

32 Sec. 17. Section 441.47, Code 2003, is amended by
33 adding the following new unnumbered paragraph:

34 NEW UNNUMBERED PARAGRAPH. For the assessment year
35 beginning January 1, 2007, and for all subsequent
36 assessment years, only property classified as
37 agricultural property and property assessed pursuant
38 to section 441.21, subsection 2, paragraph "b",
39 subparagraph (1), and subsection 3, paragraph "b",
40 subparagraph (1), shall be subject to equalization by
41 the director of revenue and finance under this section
42 and sections 441.48 and 441.49.

43 Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF
44 INFLATION FACTORS.

45 The director of revenue and finance on or about
46 August 15, 2007, and every two years thereafter, shall
47 order the equalization of the assessed value per
48 square foot resulting from the application of the
49 cumulative inflation factor in the several assessing
50 jurisdictions in each case as may be necessary to

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1 bring such values as fixed by the assessor in cases of
2 purchases of property and newly constructed property
3 to the values determined for the assessment year
4 beginning January 1, 2005. In equalizing the effects
5 of the application of the cumulative inflation factor,
6 the department shall make use of reports issued by
7 Iowa state university of science and technology which
8 reports shall more precisely indicate, on a county-by-
9 county basis, annual and cumulative inflation factors
10 for each county. If the cumulative inflation factor
11 for an assessing jurisdiction as reported by Iowa
12 state university of science and technology is five
13 percent above or below the cumulative inflation factor
14 as defined in section 441.21, subsection 7, the
15 director shall notify the assessor by mail of the
16 equalization of the effects of the cumulative
17 inflation factor for the assessing jurisdiction. The
18 assessor shall recompute the assessments made pursuant
19 to section 441.21, subsection 2, paragraph "b",
20 subparagraph (1), subsection 3, paragraph "b",
21 subparagraph (1), and subsection 4, paragraph "b",
22 subparagraph (1), by applying the equalized inflation
23 factor. The assessor shall send notice of the
24 equalized assessments to all affected property owners.

25 Sec. 19. Section 441.50, Code 2003, is amended to
26 read as follows:

27 441.50 APPRAISERS EMPLOYED.

28 The conference board shall have power to employ
29 appraisers or other technical or expert help to assist
30 in the valuation assessment of property as provided in
31 section 441.21, the cost thereof to be paid in the
32 same manner as other expenses of the assessor's
33 office. The conference board may certify for levy
34 annually an amount not to exceed forty and one-half
35 cents per thousand dollars of assessed value of
36 taxable property for the purpose of establishing a
37 special appraiser's fund, to be used only for such
38 purposes. From time to time the conference board may
39 direct the transfer of any unexpended balance in the
40 special appraiser's fund to the assessment expense
41 fund.

42 Sec. 20. Section 443.1, Code 2003, is amended to
43 read as follows:

44 443.1 CONSOLIDATED TAX.

45 All square footage taxes which are uniform
46 throughout any township or school district shall be
47 formed into a single tax and entered upon the tax list
48 in a single column, to be known as a consolidated tax,
49 and each receipt shall show the percentage levied for
50 each separate fund. The land tax shall be separately

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1 stated and each receipt shall show the percentage
2 levied for each separate fund.

3 Sec. 21. Section 443.2, Code 2003, is amended to
4 read as follows:

5 443.2 TAX LIST.

6 Before the first day of July in each year, the
7 county auditor shall transcribe the assessments of the
8 townships and cities into a book or record, to be
9 known as the tax list, properly ruled and headed, with
10 separate columns, in which shall be entered the names
11 of the taxpayers, descriptions of lands, number of
12 acres and value, numbers of city lots, their size in
13 acres, and value, and each description of the square
14 footage tax and the land tax, with a column for polls
15 and one for payments, and shall complete it by
16 entering the amount due on each installment,
17 separately, and carrying out the total of both
18 installments. The total of all columns of each page
19 of each book or other record shall balance with the
20 tax totals. After computing the amount of land tax
21 and square footage tax due and payable on each
22 property, the county auditor shall round the total
23 amount of ~~tax~~ taxes due and payable on the property to
24 the nearest even whole dollar.

25 The county auditor shall list the aggregate actual
26 value and the aggregate taxable value of all taxable
27 property within the county and each political
28 subdivision including property subject to the
29 statewide property tax imposed under section 437A.18
30 on the tax list in order that the actual value of the
31 taxable property within the county or a political
32 subdivision may be ascertained and shown by the tax
33 list for the purpose of computing the debt-incurring
34 capacity of the county or political subdivision. As
35 used in this section, "actual value" is the value
36 determined under section 441.21, subsections 1 to 3,
37 Code 2005, prior to the reduction to a percentage of
38 actual value as otherwise provided in section 441.21,
39 Code 2005. "Actual value" of property subject to
40 statewide property tax is the assessed value under
41 section 437A.18.

42 Sec. 22. Section 443.3, Code 2003, is amended to
43 read as follows:

44 443.3 CORRECTION -- TAX APPORTIONED.

45 At the time of transcribing ~~said~~ the assessments
46 into the tax list, the county auditor shall correct
47 all transfers up to date and place the legal
48 descriptions of all real estate in the name of the
49 owner at ~~said~~ that date as shown by the transfer book
50 in the auditor's office. At the end of the list for

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1 each township or city the auditor shall make an
2 abstract thereof, and apportion the consolidated tax
3 among the respective funds to which it belongs,
4 according to the amounts levied for each. The auditor
5 shall apportion the land tax as prescribed in section
6 443A.2.

7 Sec. 23. Section 443.6, Code 2003, is amended to
8 read as follows:

9 443.6 CORRECTIONS BY AUDITOR.

10 The auditor may correct any error in the assessment
11 or tax list, and the assessor or auditor may list for
12 taxation any omitted land and may assess and list for
13 taxation any omitted property structure.

14 Sec. 24. Section 443.7, Code 2003, is amended to
15 read as follows:

16 443.7 NOTICE.

17 Before listing for taxation any omitted land and
18 before assessing and listing for taxation any omitted
19 property structure, the assessor or auditor shall
20 notify by mail the person in whose name the property
21 land or structure is taxed, to appear before the
22 assessor or auditor at the assessor's or auditor's
23 office within ten days from the date of the notice and
24 show cause, if any, why the correction or assessment
25 should not be made.

26 Sec. 25. Section 443.9, Code 2003, is amended to
27 read as follows:

28 443.9 ADJUSTMENT OF ACCOUNTS.

29 If such correction or assessment is made after the
30 books or other records approved by the state auditor
31 of state have passed into the hands of the treasurer,
32 the treasurer shall be charged or credited therefor as
33 the case may be. In the event such listing of omitted
34 land or listing and assessment of omitted property
35 structure is made by the assessor after the tax
36 records have passed into the hands of the auditor or
37 treasurer, such correction or assessment shall be
38 entered on the records by the auditor or treasurer.

39 Sec. 26. Section 443.12, Code 2003, is amended to
40 read as follows:

41 443.12 CORRECTIONS BY TREASURER.

42 When property land or a structure subject to
43 taxation is withheld, overlooked, or from any other
44 cause is not listed, or is not listed and assessed,
45 the county treasurer shall, when apprised thereof, at
46 any time within two years from the date at which such
47 listing and assessment should have been made, demand
48 of the person, firm, corporation, or other party by
49 whom the same should have been listed, or to whom it
50 should have been listed and assessed, or of the

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1 administrator thereof, the amount the property land or
2 structure should have been taxed in each year the same
3 was so withheld or overlooked and not listed or not
4 listed and assessed, together with six percent
5 interest thereon from the time the taxes would have
6 become due and payable had such property land been
7 listed or such structure been listed and assessed.

8 Sec. 27. Section 443.13, Code 2003, is amended to
9 read as follows:

10 443.13. ACTION BY TREASURER -- APPORTIONMENT.

11 Upon failure to pay such sum within thirty days,
12 with all accrued interest, the treasurer shall cause
13 an action to be brought in the name of the treasurer
14 for the use of the proper county, to be prosecuted by
15 the county attorney, or such other person as the board
16 of supervisors may appoint, and when such property
17 land has been fraudulently withheld from listing or
18 such structure fraudulently withheld from listing and
19 assessment, there shall be added to the sum found to
20 be due a penalty of fifty percent upon the amount,
21 which shall be included in the judgment. The amount
22 thus recovered shall be by the treasurer apportioned
23 ratably as the taxes would have been if they had been
24 paid according to law.

25 Sec. 28. Section 443.14, Code 2003, is amended to
26 read as follows:

27 443.14 DUTY OF TREASURER.

28 The treasurer shall assess any ~~real property~~
29 structure and shall list the acreage of any land
30 subject to taxation which may have been omitted by the
31 assessor, board of review, or county auditor, and
32 collect taxes thereon, and in such cases shall note,
33 opposite the tract or lot assessed, the words "by
34 treasurer".

35 Sec. 29. Section 443.15, Code 2003, is amended to
36 read as follows:

37 443.15 TIME LIMIT.

38 The assessment shall be made within two years after
39 the tax list shall have been delivered to the
40 treasurer for collection, and not afterwards, if the
41 property land or structure is then owned by the person
42 who should have paid the tax.

43 Sec. 30. Section 443.17, Code 2003, is amended to
44 read as follows:

45 443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

46 In any action or proceeding, now pending or
47 hereafter brought, to recover taxes upon property land
48 not listed or agricultural land or a structure not
49 listed and assessed for taxation during the lifetime
50 of any decedent, it shall be presumed that any

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1 property, any evidence of ownership of property, and
2 any evidence of a promise to pay, owned by a decedent
3 at the date of the decedent's death, had been acquired
4 and owned by such decedent more than two years before
5 the date of the decedent's death; and the burden of
6 proving that any such property had been acquired by
7 such decedent less than two years before the date of
8 the decedent's death shall be upon the heirs,
9 legatees, and legal representatives of any such
10 decedent.

11 Sec. 31. Section 443.18, Code 2003, is amended to
12 read as follows:

13 443.18 REAL ESTATE -- DUTY OF OWNER.

14 In all cases where ~~real estate~~ land subject to
15 taxation has not been listed or agricultural land or a
16 structure subject to taxation has not been listed and
17 assessed, the owner, or an agent of the owner, shall
18 have the same done by the treasurer, and pay the taxes
19 thereon; and if the owner fails to do so the treasurer
20 shall list or list and assess the same and collect the
21 tax assessed as the treasurer does other taxes.

22 Sec. 32. Section 443.19, Code 2003, is amended to
23 read as follows:

24 443.19 IRREGULARITIES, ERRORS AND OMISSIONS --
25 EFFECT.

26 ~~No~~ A failure of the owner to have such ~~property~~
27 land listed or agricultural land or structure listed
28 and assessed or to have the errors in the listing or
29 assessment corrected, and ~~no~~ an irregularity, error or
30 omission in the listing of such land or listing and
31 assessment of such ~~property~~ agricultural land or
32 structure, shall not affect in any manner the legality
33 of the taxes levied thereon, or affect any right or
34 title to such ~~real estate~~ property which would have
35 accrued to any party claiming or holding under and by
36 virtue of a deed executed by the treasurer as provided
37 by this title, had the listing and assessment of such
38 property been in all respects regular and valid.

39 Sec. 33. Section 443.21, Code 2003, is amended to
40 read as follows:

41 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

42 All assessors and assessing bodies, including the
43 department of revenue and finance having authority
44 over the listing of land or listing and assessment of
45 property agricultural land and structures for tax
46 purposes shall certify to the county auditor of each
47 county the number of acres of land and the assessed
48 values of agricultural land and structures for all the
49 taxable property in such county as finally ~~equalized~~
50 and determined, and the same shall be transcribed onto

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1 the tax lists as required by section 443.2.

2 Sec. 34. Section 443.22, Code 2003, is amended to
3 read as follows:

4 443.22 UNIFORM ASSESSMENTS MANDATORY.

5 All assessors and assessing bodies, including the
6 department of revenue and finance having authority
7 over the listing of land and listing and assessment of
8 property agricultural land and structures for tax
9 purposes, shall comply with sections 428.4, 428.29,
10 434.15, 438.13, 441.21, and 441.45. The department of
11 revenue and finance, having authority over the listing
12 and assessments, shall exercise its powers and perform
13 its duties under section 421.17 and other applicable
14 laws so as to require the uniform and consistent
15 application of ~~said~~ that section.

16 Sec. 35. NEW SECTION. 443A.1 LAND TAX.

17 Effective for the fiscal year beginning July 1,
18 2007, and all subsequent fiscal years, a land tax
19 shall be imposed against each acre or portion of an
20 acre of land in a county.

21 Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF
22 LAND TAX.

23 1. The land tax for each county shall be
24 apportioned as follows:

25 In the unincorporated area of the county, the land
26 tax shall be distributed to the county, the school
27 district located in the unincorporated area of the
28 county, and other taxing entities located in the
29 unincorporated area of the county in the same
30 proportion that property taxes levied in the
31 unincorporated area of the county for the fiscal year
32 beginning July 1, 2006, were allocated to those
33 entities.

34 In the incorporated areas of the county, the land
35 tax shall be distributed to the city, the county, each
36 school district located within the city, and other
37 taxing entities located within the city in the same
38 proportion that property taxes levied in the city for
39 the fiscal year beginning July 1, 2006, were allocated
40 to those entities.

41 2. The city finance committee and the county
42 finance committee shall jointly determine the
43 adjustments to be made to the allocation of the land
44 tax in the case of boundary adjustments made to a
45 taxing district on or after January 1, 2006.

46 3. After the auditor has computed the amount of
47 land tax to be distributed to each taxing district,
48 the auditor shall compute the rate of tax to be levied
49 upon the square footage valuation of structures
50 pursuant to chapter 444.

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1 Sec. 37. Section 444.1, Code 2003, is amended to
2 read as follows:

3 444.1 BASIS FOR AMOUNT OF TAX.

4 In all taxing districts in the state, including
5 townships, school districts, cities and counties, when
6 by law then existing the people are authorized to
7 determine by vote, or officers are authorized to
8 estimate or determine, a rate of taxation required for
9 any public purpose, such rate shall in all cases be
10 estimated and based upon the amount of land tax
11 available to the district and the adjusted taxable
12 square footage valuation of such taxing district for
13 the preceding calendar year.

14 Sec. 38. Section 444.2, Code 2003, is amended to
15 read as follows:

16 444.2 AMOUNTS CERTIFIED IN DOLLARS.

17 When an authorized square footage tax rate within a
18 taxing district, including townships, school
19 districts, cities and counties, has been thus
20 determined as provided by law, the officer or officers
21 charged with the duty of certifying the authorized
22 rate to the county auditor or board of supervisors
23 shall, before certifying the rate, compute upon the
24 adjusted taxable square footage valuation of the
25 taxing district for the preceding fiscal year, the
26 amount of tax the rate will raise, stated in dollars,
27 and shall certify the computed amount in dollars and
28 not by rate, to the county auditor and board of
29 supervisors and shall further certify the percentage
30 of such amount to be levied against each class of
31 property.

32 Sec. 39. Section 444.3, Code 2003, is amended to
33 read as follows:

34 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

35 When the square footage valuations for the several
36 taxing districts shall have been adjusted by the
37 several boards for the current year, and the amount of
38 land tax to be distributed to each taxing district has
39 been deducted from the dollar amounts certified in
40 section 444.2 for each taxing district, the county
41 auditor shall thereupon apply such a rate, ~~not~~
42 ~~exceeding the rate authorized by law, or rates~~ as will
43 raise the amount required for such taxing district,
44 and when combined with the land tax amount will raise
45 an amount not exceeding the dollar amount authorized
46 by law for the taxing district, and ~~no~~ will not raise
47 a larger amount. For purposes of computing the square
48 footage rate under this section, the adjusted taxable
49 square footage valuation of the property of a taxing
50 district does not include the valuation of property of

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1 a railway corporation or its trustee which corporation
2 has been declared bankrupt or is in bankruptcy
3 proceedings. Nothing in the preceding sentence
4 exempts the property of such railway corporation or
5 its trustee from taxation and the rate computed under
6 this section shall be levied on the taxable property
7 of such railway corporation or its trustee.

8 The square footage tax rate shall be expressed in
9 dollars and cents per one hundred dollars of valuation
10 per square foot.

11 Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

12 The amount of tax imposed on any taxable property
13 is the sum of the amounts computed in subsections 1
14 and 2.

15 1. LAND TAX. The product of the land tax rate
16 times the number of acres or portion of an acre of the
17 taxable property.

18 2. SQUARE FOOTAGE TAX. The product of the square
19 footage tax rate times the valuation per square foot
20 of the taxable structure times the number of square
21 feet of the taxable structure. The square footage tax
22 shall be computed separately for each structure
23 located on the land.

24 Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

25 1. On or before July 1, 2003, the department of
26 revenue and finance, in consultation with the
27 department of management, shall initiate and
28 coordinate the establishment of a property tax
29 implementation committee and provide staffing
30 assistance to the committee. The property tax
31 implementation committee shall include four members of
32 the general assembly, one each appointed by the
33 majority leader of the senate, the speaker of the
34 house of representatives, the minority leader of the
35 senate, and the minority leader of the house of
36 representatives. The committee shall also include
37 members appointed by the department of revenue and
38 finance representing the department of revenue and
39 finance, the department of management, counties,
40 cities, school districts, local assessors, commercial
41 property taxpayers, industrial property taxpayers,
42 residential property taxpayers, and agricultural
43 property taxpayers, and other appropriate
44 stakeholders. The department may consider
45 participation on the committee of former state
46 officials with expertise in budget and tax policy.
47 The chairpersons of the committee shall be those
48 members of the general assembly appointed by the
49 majority leader of the senate and the speaker of the
50 house of representatives.

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1 2. The committee shall study and make
2 recommendations relating to the land tax, square
3 footage tax, the baseline assessment for the square
4 footage tax, and other related provisions. The
5 committee shall also study and make recommendations on
6 issues relating to implementation of a land tax and
7 square footage tax, including, but not limited to,
8 whether or not maximum square footage rates and land
9 tax rates should be imposed and, if such rates are
10 recommended, the imposition of rates that have a
11 revenue neutral impact on classes of property, the
12 property tax financing portion of the school funding
13 formula, treatment of current property tax credits and
14 exemptions under a land tax and square footage tax and
15 continued state reimbursement of any credits or
16 exemptions, implementation of urban revitalization and
17 urban renewal programs under the land tax and square
18 footage tax, implementation of a payment in lieu of
19 taxes program for local government services, and
20 maintenance of equity among classes of taxpayers and
21 among taxpayers within the same class. The property
22 tax implementation committee shall also study the role
23 of property taxes in funding local government services
24 and the types of services currently funded by property
25 taxes.

26 3. The property tax implementation committee shall
27 direct three counties and cities within those counties
28 to submit data as prescribed by the committee. The
29 department of revenue and finance, in consultation
30 with the department of management, shall select the
31 three counties and the cities within those counties
32 that will be required to provide data to the
33 committee. The committee shall devise a system for
34 testing the data, including the necessary computer
35 hardware and software to allow the selected counties
36 and cities to prepare projected budgets, to determine
37 the rates for the land tax and the square footage tax
38 for those projected budgets, and to provide a sampling
39 of the effect on the various classes of property in
40 those jurisdictions. The committee shall use the data
41 and the results of the projections to resolve, and
42 make recommendations relating to, the issues described
43 in subsection 2, and related issues, in a revenue
44 neutral manner that will not result in a shift of
45 property tax burden between classes of property. The
46 committee shall submit to the general assembly by
47 October 31, 2003, October 31, 2004, and October 31,
48 2005, a report for each of those years resolving the
49 issues in subsection 2 and other related issues for
50 implementation of this Act. The reports shall include

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1 detailed estimates of the cost to the counties and
2 cities of providing the data and an estimate of the
3 cost of statewide implementation of this Act.

4 Sec. 42. EFFECTIVE AND APPLICABILITY DATES.

5 1. The section of this division of this Act
6 establishing the property tax implementation
7 committee, being deemed of immediate importance, takes
8 effect upon enactment.

9 2. The remainder of this division of this Act
10 takes effect July 1, 2005, and applies to assessment
11 years beginning on or after January 1, 2006, and
12 applies to tax collections for fiscal years beginning
13 on or after July 1, 2007.

14 Sec. 43. FUTURE REPEAL. This division of this Act
15 is repealed effective June 30, 2005.

16 DIVISION II

17 INDIVIDUAL INCOME TAX

18 2004-2006 TAX YEARS

19 Sec. 44. Section 422.5, subsection 1, paragraphs a
20 through i, Code 2003, are amended to read as follows:

	For tax years beginning		
	in the calendar year:		
	2004	2005	2006

24 a. On all taxable income from 25 zero through one thousand dollars, 26 thirty-six hundredths of one 27 percent.:	.35%	.34%	.33%
---	------	------	------

28 b. On all taxable income exceeding 29 one thousand dollars but not 30 exceeding two thousand dollars, 31 seventy-two hundredths of one 32 percent.:	.71%	.68%	.65%
---	------	------	------

33 c. On all taxable income exceeding 34 two thousand dollars but not 35 exceeding four thousand dollars, 36 two and forty-three hundredths 37 percent.:	2.39%	2.30%	2.21%
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38 d. On all taxable income exceeding 39 four thousand dollars but not 40 exceeding nine thousand dollars, 41 four and one-half percent.	4.42%	4.25%	4.09%
--	-------	-------	-------

42 e. On all taxable income exceeding 43 nine thousand dollars but not 44 exceeding fifteen thousand 45 dollars, six and twelve hundredths 46 percent.:	6.01%	5.78%	5.56%
--	-------	-------	-------

47 f. On all taxable income exceeding 48 fifteen thousand dollars but not 49 exceeding twenty thousand 50 dollars, six and forty-eight hundredths			
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1	percent.:	6.36%	6.12%	5.88%
2	g. On all taxable income exceeding				
3	twenty thousand dollars but not				
4	exceeding thirty thousand				
5	dollars, six and eight tenths				
6	percent.:	.....	6.68%	6.42%	6.17%
7	h. On all taxable income exceeding				
8	thirty thousand dollars but not				
9	exceeding forty-five thousand				
10	dollars, seven and ninety-two hundredths				
11	percent.:	.....	7.78%	7.48%	7.19%
12	i. On all taxable income exceeding				
13	forty-five thousand dollars, eight				
14	and ninety-eight hundredths				
15	percent.:	.....	8.82%	8.48%	8.15%

16 Sec. 45. EFFECTIVE AND APPLICABILITY DATE
 17 PROVISIONS. This division of this Act takes effect
 18 January 1, 2004, for tax years beginning on or after
 19 January 1, 2004, but before January 1, 2007.

DIVISION III

INDIVIDUAL INCOME TAX

2007 AND SUBSEQUENT TAX YEARS

23 Sec. 46. Section 422.5, subsection 1, paragraphs a
 24 through i, Code 2003, are amended to read as follows:

For tax years beginning
in the calendar year:
2007 and subsequent
calendar years

25					
26					
27					
28					
29	a. On all taxable income from				
30	zero through one thousand dollars,				
31	thirty-six hundredths of one				
32	percent.:	.....	.31%		
33	b. On all taxable income exceeding				
34	one thousand dollars but not				
35	exceeding two thousand dollars,				
36	seventy-two hundredths of one				
37	percent.:	.....	.61%		
38	c. On all taxable income exceeding				
39	two thousand dollars but not				
40	exceeding four thousand dollars,				
41	two and forty-three hundredths				
42	percent.:	.....	2.06%		
43	d. On all taxable income exceeding				
44	four thousand dollars but not				
45	exceeding nine thousand dollars,				
46	four and one-half percent.: 3.81%				
47	e. On all taxable income exceeding				
48	nine thousand dollars but not				
49	exceeding fifteen thousand				
50	dollars, six and twelve hundredths				

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1 percent.: 5.19%

2 f. On all taxable income exceeding
3 fifteen thousand dollars but not
4 exceeding twenty thousand
5 dollars, ~~six and forty-eight hundredths~~

6 percent.: 5.49%

7 g. On all taxable income exceeding
8 twenty thousand dollars but not
9 exceeding thirty thousand
10 dollars, ~~six and eight tenths~~

11 percent.: 5.76%

12 h. On all taxable income exceeding
13 thirty thousand dollars but not
14 exceeding forty-five thousand
15 dollars, ~~seven and ninety-two hundredths~~

16 percent.: 6.71%

17 i. On all taxable income exceeding
18 forty-five thousand dollars, ~~eight
19 and ninety-eight hundredths~~

20 percent.: 7.61%

21 Sec. 47. EFFECTIVE AND APPLICABILITY DATE
22 PROVISIONS. This division of this Act takes effect
23 January 1, 2007, for tax years beginning on or after
24 January 1, 2007.

25 DIVISION IV
26 INDIVIDUAL INCOME TAX
27 2007 AND SUBSEQUENT TAX YEARS

28 Sec. 48. Section 422.4, subsection 1, paragraphs b
29 and c, Code 2003, are amended to read as follows:

30 b. "Cumulative inflation factor" means the product
31 of the annual inflation factor for the ~~1988~~ 2007
32 calendar year and all annual inflation factors for
33 subsequent calendar years as determined pursuant to
34 this subsection. The cumulative inflation factor
35 applies to all tax years beginning on or after January
36 1 of the calendar year for which the latest annual
37 inflation factor has been determined.

38 c. The annual inflation factor for the ~~1988~~ 2007
39 calendar year is one hundred percent.

40 Sec. 49. Section 422.4, subsection 16, Code 2003,
41 is amended to read as follows:

42 16. ~~The words "taxable~~ "Taxable income" mean means
43 the net income as defined in section 422.7 minus the
44 deductions allowed by section 422.9, in the case of
45 individuals, ~~in.~~ In the case of estates or trusts,
46 ~~the words "taxable income" mean means~~ the taxable
47 income, ~~—(without a deduction for personal exemption),~~
48 as computed for federal income tax purposes under the
49 Internal Revenue Code, but with the adjustments
50 specified in section 422.7 ~~plus the Iowa income tax~~

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~~1 deducted in computing the federal taxable income and
2 minus federal income taxes as provided in section
3 422.9.~~

4 Sec. 50. Section 422.5, subsection 1, Code 2003,
5 as amended by 2003 Iowa Acts, Senate File 442, section
6 4, is amended by striking the subsection and inserting
7 in lieu thereof the following:

8 1. a. A tax is imposed upon every resident and
9 nonresident of the state which tax shall be levied,
10 collected, and paid annually upon and with respect to
11 the entire taxable income at rates as follows:

12 (1) On all taxable income from zero through eight
13 thousand dollars, two and five hundredths percent.

14 (2) On all taxable income exceeding eight thousand
15 dollars but not exceeding one hundred thousand
16 dollars, four and sixty-five hundredths percent.

17 (3) On all taxable income exceeding one hundred
18 thousand dollars, four and nine-tenths percent.

19 b. (1) The tax imposed upon the taxable income of
20 a nonresident shall be computed by reducing the amount
21 determined pursuant to paragraph "a" by the amounts of
22 nonrefundable credits under this division and by
23 multiplying this resulting amount by a fraction of
24 which the nonresident's net income allocated to Iowa,
25 as determined in section 422.8, subsection 2,
26 paragraph "a", is the numerator and the nonresident's
27 total net income computed under section 422.7 is the
28 denominator. This provision also applies to
29 individuals who are residents of Iowa for less than
30 the entire tax year.

31 (2) The tax imposed upon the taxable income of a
32 resident shareholder in an S corporation which has in
33 effect for the tax year an election under subchapter S
34 of the Internal Revenue Code and carries on business
35 within and without the state may be computed by
36 reducing the amount determined pursuant to paragraph
37 "a" by the amounts of nonrefundable credits under this
38 division and by multiplying this resulting amount by a
39 fraction of which the resident's net income allocated
40 to Iowa, as determined in section 422.8, subsection 2,
41 paragraph "b", is the numerator and the resident's
42 total net income computed under section 422.7 is the
43 denominator. If a resident shareholder has elected to
44 take advantage of this subparagraph, and for the next
45 tax year elects not to take advantage of this
46 subparagraph, the resident shareholder shall not
47 reelect to take advantage of this subparagraph for the
48 three tax years immediately following the first tax
49 year for which the shareholder elected not to take
50 advantage of this subparagraph, unless the director

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1 consents to the reelection. This subparagraph also
2 applies to individuals who are residents of Iowa for
3 less than the entire tax year.

4 Sec. 51. Section 422.5, subsection 2, Code 2003,
5 is amended by striking the subsection and inserting in
6 lieu thereof the following:

7 2. a. However, if the married persons' filing
8 jointly or separately on a combined return, unmarried
9 head of household's, or surviving spouse's net income
10 exceeds thirteen thousand five hundred dollars or nine
11 thousand dollars in the case of all other persons, the
12 regular tax imposed under this division shall be the
13 lesser of the product of eight percent times the
14 portion of the net income in excess of thirteen
15 thousand five hundred dollars or nine thousand
16 dollars, as applicable, or the regular tax liability
17 computed without regard to this paragraph.

18 b. Paragraph "a" does not apply to estates and
19 trusts. Married taxpayers electing to file separately
20 shall compute the alternate tax described in paragraph
21 "a" using the total net income of the husband and
22 wife. The alternate tax described in paragraph "a"
23 does not apply if one spouse elects to carry back or
24 carry forward the loss as provided in section 422.9,
25 subsection 3. A person who is claimed as a dependent
26 by another person as defined in section 422.12 shall
27 not receive the benefit of paragraph "a" if the person
28 claiming the dependent has net income exceeding
29 thirteen thousand five hundred dollars or nine
30 thousand dollars as applicable or the person claiming
31 the dependent and the person's spouse have combined
32 net income exceeding thirteen thousand five hundred
33 dollars or nine thousand dollars as applicable.

34 Sec. 52. Section 422.5, subsection 5, Code 2003,
35 is amended to read as follows:

36 5. Upon determination of the latest cumulative
37 inflation factor, the director shall multiply each
38 dollar amount set forth in subsection 1, ~~paragraphs~~
39 ~~"a" through "i" of this section~~ paragraph "a", by this
40 cumulative inflation factor, shall round off the
41 resulting product to the nearest one dollar, and shall
42 incorporate the result into the income tax forms and
43 instructions for each tax year.

44 Sec. 53. Section 422.5, subsection 7, Code 2003,
45 is amended by striking the subsection.

46 Sec. 54. Section 422.7, Code 2003, as amended by
47 2003 Iowa Acts, Senate File 442, section 5, and House
48 File 674, sections 5 and 6, is amended by striking the
49 section and inserting in lieu thereof the following:

50 422.7 "NET INCOME" -- HOW COMPUTED.

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1 The term "net income" means the adjusted gross
2 income before the net operating loss deduction as
3 properly computed for federal income tax purposes
4 under the Internal Revenue Code, with the following
5 adjustments:

6 1. The adjusted gross income is adjusted by adding
7 the sum of the following:

8 a. Add the amount of federal income tax refunds
9 received in a tax year beginning on or after January
10 1, 2007, but before January 1, 2010, to the extent
11 that the federal income tax was deducted on an Iowa
12 individual income tax return for a tax year beginning
13 prior to January 1, 2007.

14 b. Add interest and dividends from foreign
15 securities and from securities of state and other
16 political subdivisions exempt from federal income tax
17 under the Internal Revenue Code.

18 c. Add interest and dividends from regulated
19 investment companies exempt from federal income tax
20 under the Internal Revenue Code.

21 d. Add, to the extent not already included, income
22 from the sale of obligations of the state and its
23 political subdivisions. Income from the sale of these
24 obligations is exempt from the taxes imposed by this
25 division only if the law authorizing these obligations
26 specifically exempts the income from the sale from the
27 state individual income tax.

28 e. Add the amount resulting from the cancellation
29 of a participation agreement refunded to the taxpayer
30 as a participant in the Iowa educational savings plan
31 trust under chapter 12D to the extent previously
32 deducted as a contribution to the trust.

33 2. The adjusted gross income is adjusted by
34 subtracting the sum of the following:

35 a. Subtract the amount of federal income taxes
36 paid or accrued, as the case may be, in a tax year
37 beginning on or after January 1, 2007, but before
38 January 1, 2010, to the extent the federal tax payment
39 is for a tax year beginning prior to January 1, 2007.

40 b. Subtract interest and dividends from federal
41 securities.

42 c. Subtract the loss on the sale or exchange of a
43 share of a regulated investment company held for six
44 months or less to the extent the loss was disallowed
45 under section 852(b)(4)(B) of the Internal Revenue
46 Code.

47 d. (1) Subtract, to the extent included, the
48 amount of additional social security benefits taxable
49 under the Internal Revenue Code for tax years
50 beginning on or after January 1, 1994. The amount of

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1 social security benefits taxable as provided in
2 section 86 of the Internal Revenue Code, as amended up
3 to and including January 1, 1993, continues to apply
4 for state income tax purposes for tax years beginning
5 on or after January 1, 1994.

6 (2) Married taxpayers, who file a joint federal
7 income tax return and who elect to file separate
8 returns or who elect separate filing on a combined
9 return for state income tax purposes, shall allocate
10 between the spouses the amount of benefits subtracted
11 under subparagraph (1) from net income in the ratio of
12 the social security benefits received by each spouse
13 to the total of these benefits received by both
14 spouses.

15 e. (1) For a person who is disabled, or is fifty-
16 five years of age or older, or is the surviving spouse
17 of an individual or a survivor having an insurable
18 interest in an individual who would have qualified for
19 the exemption under this paragraph for the tax year,
20 subtract, to the extent included, the total amount of
21 a governmental or other pension or retirement pay,
22 including, but not limited to, defined benefit or
23 defined contribution plans, annuities, individual
24 retirement accounts, plans maintained or contributed
25 to by an employer, or maintained or contributed to by
26 a self-employed person as an employer, and deferred
27 compensation plans or any earnings attributable to the
28 deferred compensation plans, up to a maximum of six
29 thousand dollars for a person, other than a husband or
30 wife, who files a separate state income tax return and
31 up to a maximum of twelve thousand dollars for a
32 husband and wife who file a joint state income tax
33 return.

34 (2) However, a surviving spouse who is not
35 disabled or fifty-five years of age or older can only
36 exclude the amount of pension or retirement pay
37 received as a result of the death of the other spouse.
38 A husband and wife filing separate state income tax
39 returns or separately on a combined return are allowed
40 a combined maximum exclusion under this paragraph "e"
41 of up to the amount allowed for a husband and wife who
42 file a joint state income tax return. The exclusion
43 shall be allocated to the husband or wife in the
44 proportion that each spouse's respective pension and
45 retirement pay received bears to total combined
46 pension and retirement pay received.

47 f. Notwithstanding the method for computing income
48 from an installment sale under section 453 of the
49 Internal Revenue Code, as defined in section 422.3,
50 the method to be used in computing income from an

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1 installment sale shall be the method under section 453
2 of the Internal Revenue Code, as amended up to and
3 including January 1, 2000. A taxpayer affected by
4 this paragraph shall make adjustments in the adjusted
5 gross income pursuant to rules adopted by the
6 director.

7 The adjustment to net income provided in this
8 paragraph "f" is repealed for tax years beginning on
9 or after January 1, 2002. However, to the extent that
10 a taxpayer using the accrual method of accounting
11 reported the entire capital gain from the sale or
12 exchange of property on the Iowa return for the tax
13 year beginning in the 2001 calendar year and the
14 capital gain was reported on the installment method on
15 the federal income tax return, any additional
16 installment from the capital gain reported for federal
17 income tax purposes is not to be included in net
18 income in tax years beginning on or after January 1,
19 2002.

20 g. Subtract, if the taxpayer is the owner of an
21 individual development account certified under chapter
22 541A at any time during the tax year, all of the
23 following:

24 (1) Contributions made to the account by persons
25 and entities, other than the taxpayer, as authorized
26 in chapter 541A.

27 (2) The amount of any savings refund authorized
28 under section 541A.3, subsection 1.

29 (3) Earnings from the account.

30 h. (1) Subtract the maximum contribution that may
31 be deducted for income tax purposes as a participant
32 in the Iowa educational savings plan trust pursuant to
33 section 12D.3, subsection 1, paragraph "a".

34 (2) Subtract, to the extent included, income from
35 interest and earnings received from the Iowa
36 educational savings plan trust created in chapter 12D.

37 (3) Subtract, to the extent not deducted for
38 federal income tax purposes, the amount of any gift,
39 grant, or donation made to the Iowa educational
40 savings plan trust for deposit in the endowment fund
41 of that trust.

42 i. Subtract, to the extent included, active duty
43 pay received by a person in the national guard or
44 armed forces military reserve for services performed
45 on or after August 2, 1990, pursuant to military
46 orders related to the Persian Gulf Conflict.

47 j. Subtract, to the extent included, active duty
48 pay received by a person in the national guard or
49 armed forces military reserve for service performed on
50 or after November 21, 1995, pursuant to military

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1 orders related to peacekeeping in Bosnia-Herzegovina.

2 k. Subtract, to the extent included, the

3 following:

4 (1) Payments made to the taxpayer because of the
5 taxpayer's status as a victim of persecution for
6 racial, ethnic, or religious reasons by Nazi Germany
7 or any other Axis regime or as an heir of such victim.

8 (2) Items of income attributable to, derived from,
9 or in any way related to assets stolen from, hidden
10 from, or otherwise lost to a victim of persecution for
11 racial, ethnic, or religious reasons by Nazi Germany
12 or any other Axis regime immediately prior to, during,
13 and immediately after World War II, including, but not
14 limited to, interest on the proceeds receivable as
15 insurance under policies issued to a victim of
16 persecution for racial, ethnic, or religious reasons
17 by Nazi Germany or any other Axis regime by European
18 insurance companies immediately prior to and during
19 World War II. However, income from assets acquired
20 with such assets or with the proceeds from the sale of
21 such assets shall not be subtracted. This

22 subparagraph shall only apply to a taxpayer who was
23 the first recipient of such assets after recovery of
24 the assets and who is a victim of persecution for
25 racial, ethnic, or religious reasons by Nazi Germany
26 or any other Axis regime or is an heir of such victim.

27 l. Subtract, to the extent included, active duty
28 pay received by a person in the national guard or
29 armed forces military reserve for service performed on
30 or after January 1, 2003, pursuant to military orders
31 related to Operation Iraqi Freedom, Operation Noble
32 Eagle, and Operation Enduring Freedom.

33 m. Subtract, not to exceed one thousand five
34 hundred dollars, the overnight transportation, meals,
35 and lodging expenses, to the extent not reimbursed,
36 incurred by the taxpayer for travel away from home of
37 more than one hundred miles for the performance of
38 services by the taxpayer as a member of the national
39 guard or armed forces military reserve.

40 n. Subtract, to the extent included, military
41 student loan repayments received by the taxpayer
42 serving on active duty in the national guard or armed
43 forces military reserve or on active duty status in
44 the armed forces.

45 o. Subtract, to the extent not otherwise excluded,
46 the amount of the death gratuity payable under 10
47 U.S.C. § 1475-1491 for deaths occurring after
48 September 10, 2001.

49 3. a. In determining the amount of federal income
50 tax refunds or taxes paid or accrued under subsection

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1 1 or 2, for tax years beginning in the 2001 calendar
2 year, the amount shall not be adjusted by the amount
3 received during the tax year of the advanced refund of
4 the rate reduction tax credit provided pursuant to the
5 federal Economic Growth and Tax Relief Reconciliation
6 Act of 2001, Pub. L. No. 107-16, and the advanced
7 refund of such credit shall not be subject to taxation
8 under this division.

9 b. In determining the amount of federal income tax
10 refunds or taxes paid or accrued under subsection 1 or
11 2, for tax years beginning in the 2002 calendar year,
12 the amount shall not be adjusted by the amount of the
13 rate reduction credit received during the tax year to
14 the extent that the credit is attributable to the rate
15 reduction credit provided pursuant to the federal
16 Economic Growth and Tax Relief Reconciliation Act of
17 2001, Pub. L. No. 107-16, and the amount of such
18 credit shall not be taxable under this division.

19 4. The additional first-year depreciation
20 allowance authorized in section 168(k) of the Internal
21 Revenue Code, as enacted by Pub. L. No. 107-147,
22 section 101, does not apply in computing net income
23 for state tax purposes. If the taxpayer has taken
24 such deduction in computing federal adjusted gross
25 income, the following adjustments shall be made:

26 a. Add the total amount of depreciation taken on
27 all property for which the election under section
28 168(k) of the Internal Revenue Code was made for the
29 tax year.

30 b. Subtract an amount equal to depreciation taken
31 on such property for the tax year using the modified
32 accelerated cost recovery system depreciation method
33 applicable under section 168 of the Internal Revenue
34 Code without regard to section 168(k).

35 c. Any other adjustments to gains or losses to
36 reflect the adjustments made in paragraphs "a" and "b"
37 pursuant to rules adopted by the director.

38 Sec. 55. Section 422.8, subsection 2, paragraph a,
39 Code 2003, is amended to read as follows:

40 a. Nonresident's net income allocated to Iowa is
41 the net income, or portion of net income, which is
42 derived from a business, trade, profession, or
43 occupation carried on within this state or income from
44 any property, trust, estate, or other source within
45 Iowa. However, income derived from a business, trade,
46 profession, or occupation carried on within this state
47 and income from any property, trust, estate, or other
48 source within Iowa shall not include distributions
49 from pensions, including defined benefit or defined
50 contribution plans, annuities, individual retirement

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1 accounts, and deferred compensation plans or any
2 earnings attributable thereto so long as the
3 distribution is directly related to an individual's
4 documented retirement and received while the
5 individual is a nonresident of this state. If a
6 business, trade, profession, or occupation is carried
7 on partly within and partly without the state, only
8 the portion of the net income which is fairly and
9 equitably attributable to that part of the business,
10 trade, profession, or occupation carried on within the
11 state is allocated to Iowa for purposes of section
12 422.5, subsection 1, paragraph ~~"j"~~ "b", and section
13 422.13 and income from any property, trust, estate, or
14 other source partly within and partly without the
15 state is allocated to Iowa in the same manner, except
16 that annuities, interest on bank deposits and
17 interest-bearing obligations, and dividends are
18 allocated to Iowa only to the extent to which they are
19 derived from a business, trade, profession, or
20 occupation carried on within the state.

21 Sec. 56. Section 422.8, subsection 4, Code 2003,
22 is amended by striking the subsection.

23 Sec. 57. Section 422.9, subsection 1, Code 2003,
24 is amended to read as follows:

25 1. An optional standard deduction, ~~after deduction~~
26 ~~of federal income tax~~, equal to one thousand two
27 hundred thirty dollars for a married person who files
28 separately or a single person or equal to three
29 thousand thirty dollars for a husband and wife who
30 file a joint return, a surviving spouse, or an
31 unmarried head of household. ~~The optional standard~~
32 ~~deduction shall not exceed the amount remaining after~~
33 ~~deduction of the federal income tax.~~

34 Sec. 58. Section 422.9, subsection 2, paragraph b,
35 Code 2003, is amended by striking the paragraph.

36 Sec. 59. Section 422.9, subsections 6 and 7, Code
37 2003, are amended by striking the subsections.

38 Sec. 60. Section 422.11B, subsection 1, Code 2003,
39 is amended to read as follows:

40 1. There is allowed as a credit against the tax
41 determined in section 422.5, subsection 1, paragraphs
42 "a" through "j" for a tax year an amount equal to the
43 minimum tax credit for that tax year.

44 The minimum tax credit for a tax year is the
45 excess, if any, of the adjusted net minimum tax
46 imposed for all prior tax years beginning on or after
47 January 1, 1987, but before January 1, 2007, over the
48 amount allowable as a credit under this section for
49 those prior tax years.

50 If a minimum tax credit is available to a tax

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1 period beginning on or after January 1, 2007, the
2 credit can be carried over to tax years beginning on
3 or after January 1, 2007, but before January 1, 2010.
4 The minimum tax credit is limited to the tax
5 determined in section 422.5, subsection 1, paragraphs
6 "a" and "b".

7 Sec. 61. Section 422.13, subsection 1, paragraph
8 c, and subsection 1A, Code 2003, are amended to read
9 as follows:

10 c. However, if that part of the net income of a
11 nonresident which is allocated to Iowa pursuant to
12 section 422.8, subsection 2, is less than one thousand
13 dollars the nonresident is not required to make and
14 sign a return ~~except when the nonresident is subject~~
15 ~~to the state alternative minimum tax imposed pursuant~~
16 ~~to section 422.5, subsection 1, paragraph "k".~~

17 1A. Notwithstanding any other provision in this
18 section, a resident of this state is not required to
19 make and file a return if the person's net income is
20 equal to or less than the appropriate dollar amount
21 listed in section 422.5, subsection 2, upon which tax
22 is not imposed. A nonresident of this state is not
23 required to make and file a return if the person's
24 total net income in section 422.5, subsection 1,
25 paragraph ~~"j"~~, "b", is equal to or less than the
26 appropriate dollar amount provided in section 422.5,
27 subsection 2, upon which tax is not imposed. For
28 purposes of this subsection, the amount of a lump sum
29 distribution subject to separate federal tax shall be
30 included in net income for purposes of determining if
31 a resident is required to file a return and the
32 portion of the lump sum distribution that is allocable
33 to Iowa is included in total net income for purposes
34 of determining if a nonresident is required to make
35 and file a return.

36 Sec. 62. Section 422.21, unnumbered paragraph 5,
37 Code 2003, is amended to read as follows:

38 The director shall determine for the ~~1989~~ 2008 and
39 each subsequent calendar year the annual and
40 cumulative inflation factors for each calendar year to
41 be applied to tax years beginning on or after January
42 1 of that calendar year. The director shall compute
43 the new dollar amounts as specified to be adjusted in
44 section 422.5 by the latest cumulative inflation
45 factor and round off the result to the nearest one
46 dollar. The annual and cumulative inflation factors
47 determined by the director are not rules as defined in
48 section 17A.2, subsection 11. The director shall
49 determine for the 1990 calendar year and each
50 subsequent calendar year the annual and cumulative

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1 standard deduction factors to be applied to tax years
2 beginning on or after January 1 of that calendar year.
3 The director shall compute the new dollar amounts of
4 the standard deductions specified in section 422.9,
5 subsection 1, by the latest cumulative standard
6 deduction factor and round off the result to the
7 nearest ten dollars. The annual and cumulative
8 standard deduction factors determined by the director
9 are not rules as defined in section 17A.2, subsection
10 11.

11 Sec. 63. Section 422.11B, Code 2003, is repealed.

12 COORDINATING AMENDMENTS

13 Sec. 64. Section 12D.9, subsection 2, Code 2003,
14 is amended to read as follows:

15 2. State income tax treatment of the Iowa
16 educational savings plan trust shall be as provided in
17 section 422.7, ~~subsections 32, 33, and 34~~ subsection
18 1, paragraph "e", and subsection 2, paragraph "h", and
19 section 422.35, subsection 14.

20 Sec. 65. Section 217.39, Code 2003, is amended to
21 read as follows:

22 217.39 PERSECUTED VICTIMS OF WORLD WAR II --
23 REPARATIONS -- HEIRS.

24 Notwithstanding any other law of this state,
25 payments paid to and income from lost property of a
26 victim of persecution for racial, ethnic, or religious
27 reasons by Nazi Germany or any other Axis regime or as
28 an heir of such victim which is exempt from state
29 income tax as provided in section 422.7, subsection ~~35~~
30 2, paragraph "k", shall not be considered as income or
31 an asset for determining the eligibility for state or
32 local government benefit or entitlement programs. The
33 proceeds are not subject to recoupment for the receipt
34 of governmental benefits or entitlements, and liens,
35 except liens for child support, are not enforceable
36 against these sums for any reason.

37 Sec. 66. Section 422.120, subsection 1, paragraph
38 b, subparagraph (3), Code 2003, is amended to read as
39 follows:

40 (3) The annual index factor for the 1997 calendar
41 year is one hundred percent. For ~~each subsequent the~~
42 1998 through 2006 calendar year years, the annual
43 index factor equals the annual inflation factor for
44 that calendar year as computed in section 422.4 for
45 purposes of the individual income tax. For the 2007
46 calendar year and each subsequent calendar year the
47 annual index factor shall be determined by the
48 department by October 15 of the calendar year
49 preceding the calendar year for which the factor is
50 determined, which reflects the purchasing power of the

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1 dollar as a result of inflation during the fiscal year
2 ending in the calendar year preceding the calendar
3 year for which the factor is determined. In
4 determining the annual index factor, the department
5 shall use the annual percent change, but not less than
6 zero percent, in the gross domestic product price
7 deflator computed for the second quarter of the
8 calendar year by the bureau of economic analysis of
9 the United States department of commerce and shall add
10 all of that percent change to one hundred percent.
11 The annual index factor and the cumulative index
12 factor shall each be expressed as a percentage rounded
13 to the nearest one-tenth of one percent. The annual
14 index factor shall not be less than one hundred
15 percent.

16 Sec. 67. Section 425.23, subsection 4, paragraph
17 b, Code 2003, is amended to read as follows:

18 b. The annual adjustment factor for the 1998 base
19 year is one hundred percent. For ~~each subsequent the~~
20 1999 through 2006 base year years, the annual
21 adjustment factor equals the annual inflation factor
22 for the calendar year, in which the base year begins,
23 as computed in section 422.4 for purposes of the
24 individual income tax. For the 2007 base year and
25 each subsequent base year, the annual adjustment
26 factor equals the annual index factor, in which the
27 base year begins, as computed in section 422.120,
28 subsection 1, for purposes of the livestock production
29 tax credit.

30 Sec. 68. Section 450.4, subsection 8, Code 2003,
31 is amended to read as follows:

32 8. On the value of that portion of any lump sum or
33 installment payments which are received by a
34 beneficiary under an annuity which was purchased under
35 an employee's pension or retirement plan which was
36 excluded from net income ~~as set forth in~~ under section
37 422.7, subsection 31.

38 Sec. 69. Section 541A.2, subsection 7, unnumbered
39 paragraph 1, Code 2003, is amended to read as follows:

40 An individual development account closed in
41 accordance with this subsection is not subject to the
42 limitations and benefits provided by this chapter but
43 is subject to state tax in accordance with the
44 provisions of section 422.7, subsection ~~2~~ 2,
45 paragraph "g", and section 450.4, subsection 6. An
46 individual development account may be closed for any
47 of the following reasons:

48 Sec. 70. Section 541A.3, subsection 2, Code 2003,
49 is amended to read as follows:

50 2. Income earned by an individual development

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1 account is not subject to state tax, in accordance
2 with the provisions of section 422.7, subsection 28 2,
3 paragraph "g".

4 Sec. 71. Division III of this Act is repealed.
5 CONTINGENT EFFECTIVE AND APPLICABILITY DATE PROVISION
6 Sec. 72.

7 1. This division of this Act takes effect upon
8 ratification prior to January 1, 2007, of an amendment
9 to the Constitution of the State of Iowa requiring a
10 three-fifths majority vote of each house of the
11 general assembly in order to pass a bill that amends
12 the state individual income tax by raising the rate or
13 rates of the individual income tax or of an amendment
14 to the Constitution of the State of Iowa requiring a
15 statewide referendum in order to approve a bill that
16 amends the state individual income tax by raising the
17 rate or rates of the individual income tax.

18 2. If this division of this Act takes effect as
19 provided in subsection 1, this division of this Act,
20 except as provided in subsection 3, applies to tax
21 years beginning on or after January 1, 2007.

22 3. The section of this division of this Act
23 repealing section 422.11B applies to tax years
24 beginning on or after January 1, 2010.

DIVISION V

SALES AND USE TAX STUDIES

27 Sec. 73. INDUSTRIAL PROCESSING EXEMPTION STUDY
28 COMMITTEE. On or before July 1, 2003, the department
29 of revenue and finance shall initiate and coordinate
30 the establishment of an industrial processing
31 exemption study committee and provide staffing
32 assistance to the committee. It is the intent of the
33 general assembly that the committee shall include
34 representatives of the department of revenue and
35 finance, department of management, industrial
36 producers including manufacturers, fabricators,
37 printers and publishers, and an association that
38 specifically represents business tax issues, and other
39 stakeholders.

40 The industrial processing exemption under the sales
41 and use tax is a significant exemption for business.
42 The committee shall study and make legislative and
43 administrative recommendations relating to Iowa's
44 processing exemption to ensure maximum utilization by
45 Iowa's industries.

46 The committee shall study and make recommendations
47 regarding all of the following:

48 1. The current sales and use tax industrial
49 processing exemption.

50 2. The corresponding administrative rules,

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1 including a review and recommendation of an
2 administrative rules process relating to the
3 industrial processing exemption prior to filing with
4 the administrative rules review committee.

5 3. Other states' industrial processing exemptions.

6 4. Recommendations for change for issues including
7 effectiveness and competitiveness.

8 5. Development of additional publications to
9 improve compliance.

10 The committee shall annually report to the general
11 assembly by January 1 of each year through January 1,
12 2013.

13 Sec. 74. IOWA SALES, SERVICES, AND USE TAX STUDY
14 COMMITTEE. On or before July 1, 2003, the department
15 of revenue and finance shall initiate and coordinate
16 the establishment of a state sales, services, and use
17 tax study committee and provide staffing assistance to
18 the committee. It is the intent of the general
19 assembly that the committee shall include
20 representatives of the department of revenue and
21 finance, department of management, an association of
22 Iowa farmers and other agricultural interests, retail
23 associations, contractors, taxpayers, an association
24 that specifically represents business tax issues, and
25 other stakeholders, two members of the general
26 assembly, and a representative of the governor's
27 office.

28 The committee shall study the current sales,
29 services, and use tax law. Programs funded through
30 special features of the tax code often escape regular
31 review. It is intended that the study committee shall
32 review the current sales, services, and use tax
33 exemptions to improve government accountability.

34 The committee shall study and make recommendations
35 regarding all of the following:

36 1. Retaining or eliminating current sales,
37 services, and use tax exemptions or providing new
38 exemptions. Such decisions shall be based at least
39 partially on the issues of effectiveness and
40 competitiveness and their impact on economic behavior.

41 2. Tax simplification and consistency issues in
42 applying the tax, including recordkeeping burdens on
43 retailers and application by the department of revenue
44 and finance.

45 3. Streamlining sales tax implementation in Iowa.

46 4. The tax rate.

47 5. Comparison of Iowa sales, services, and use tax
48 structure with other states.

49 The committee shall report to the general assembly
50 by January 1, 2004. The report shall provide

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1 rationale for each decision made by the study
2 committee.

3 Sec. 75. EFFECTIVE DATE. This division of this
4 Act, being deemed of immediate importance, takes
5 effect July 1, 2003.

6 DIVISION VI

7 GROW IOWA BOARD AND FUND

8 Sec. 76. Section 15.108, subsection 9, Code 2003,
9 is amended by adding the following new paragraph:

10 NEW PARAGRAPH. g. Administer the marketing
11 strategy selected pursuant to section 15G.108.

12 Sec. 77. NEW SECTION. 15G.101 DEFINITIONS.

13 As used in this chapter, unless the context
14 otherwise requires:

15 1. "Board" means the grow Iowa board established
16 in section 15G.102.

17 2. "Department" means the Iowa department of
18 economic development created in section 15.105.

19 3. "Director" means the director of the department
20 of economic development.

21 4. "Fund" means the grow Iowa fund created in
22 section 15G.107.

23 5. "Grow Iowa geographic regions" means the
24 geographic regions defined in section 15G.105.

25 Sec. 78. NEW SECTION. 15G.102 GROW IOWA BOARD.

26 1. The grow Iowa board is established consisting
27 of nine voting members. The grow Iowa board shall be
28 located for administrative purposes within the
29 department and the director shall provide office
30 space, staff assistance, and necessary supplies and
31 equipment for the board. The director shall budget
32 moneys to pay the compensation and expenses of the
33 board. In performing its functions, the board is
34 performing a public function on behalf of the state
35 and is a public instrumentality of the state.

36 2. a. The members of the board shall be appointed
37 as follows:

38 (1) Five individuals appointed by the governor,
39 subject to confirmation by the senate.

40 (2) Four individuals appointed by the legislative
41 council.

42 b. All appointments shall comply with sections
43 69.16 and 69.16A.

44 c. At least one member of the board shall be from
45 each grow Iowa geographic region.

46 d. Each of the following areas of expertise shall
47 be represented by at least one member of the board who
48 has professional experience in that area of expertise:

49 (1) Accounting and finance.

50 (2) Business development for employers with less

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1 than two hundred employees and sales of less than ten
2 million dollars per year.

3 (3) Insurance.

4 (4) Economics.

5 (5) Personnel.

6 e. All members of the board shall be actively
7 employed in the private, for-profit sector of the
8 economy.

9 f. The board membership shall be balanced between
10 representation by employers with less than two hundred
11 employees and employers with two hundred or more
12 employees.

13 3. The chairperson and vice chairperson shall be
14 elected by the members of the board from the
15 membership of the board. In the case of the absence
16 or disability of the chairperson and vice chairperson,
17 the members of the board shall elect a temporary
18 chairperson by a majority vote of those members who
19 are present and voting, provided a quorum is present.

20 4. The members of the board shall be appointed to
21 three-year staggered terms and the terms shall
22 commence and end as provided in section 69.19. If a
23 vacancy occurs, a successor shall be appointed in the
24 same manner and subject to the same qualifications as
25 the original appointment to serve the unexpired term.

26 5. A majority of the board constitutes a quorum.

27 6. A member of the board shall abstain from voting
28 on the provision of financial assistance to a project
29 which is located in the county in which the member of
30 the board resides.

31 7. The members of the board are entitled to
32 receive reimbursement for actual expenses incurred
33 while engaged in the performance of official duties.
34 A board member may also be eligible to receive
35 compensation as provided in section 7E.6.

36 Sec. 79. NEW SECTION. 15G.103 BOARD DUTIES.

37 The board shall do all of the following:

38 1. Organize.

39 2. Receive advice and recommendations from the
40 grow Iowa investment board, the economic development
41 marketing board, and the grow Iowa review commission.

42 3. Provide advice and recommendations to the
43 department and the Iowa economic development board for
44 making appropriations from and administering the grow
45 Iowa fund. A recommendation made by the grow Iowa
46 board to the department or the Iowa economic
47 development board shall be either approved or denied
48 by the department or the Iowa economic development
49 board.

50 4. Assist the department in implementing programs

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1 and activities in a manner designed to achieve the
2 goals set out in section 15G.106.

3 5. By December 15 of each year, submit a written
4 report to the general assembly reviewing the
5 activities of the board during the calendar year. The
6 report shall include information necessary for the
7 review of the goals and performance measures set out
8 in section 15G.106. State agencies and other entities
9 receiving moneys from the fund shall cooperate with
10 and assist the board in compilation of the report.

11 6. Adopt administrative rules pursuant to chapter
12 17A necessary to administer this chapter. This
13 delegation shall be construed narrowly.

14 Sec. 80. NEW SECTION. 15G.104 GROW IOWA
15 INVESTMENT BOARD.

16 1. A grow Iowa investment board is established
17 consisting of three members and is located for
18 administrative purposes within the department. The
19 director of the department shall provide office space,
20 staff assistance, and necessary supplies and equipment
21 for the board. The director shall budget moneys to
22 pay the compensation and expenses of the board. In
23 performing its functions, the board is performing a
24 public function on behalf of the state and is a public
25 instrumentality of the state.

26 2. a. Membership of the grow Iowa investment
27 board shall include all of the following:

28 (1) One member appointed by the governor from a
29 list of three banking representatives provided by the
30 superintendent of banking. This member shall serve a
31 three-year term.

32 (2) One member appointed by the governor from a
33 list of entrepreneurs provided jointly by the Iowa
34 association of business and industry and the national
35 federation of independent business. This member shall
36 serve a three-year term.

37 (3) The entrepreneur of the year as selected by
38 the Iowa small business development centers shall be
39 offered a one-year membership on the investment board.
40 If the entrepreneur of the year declines to serve on
41 the investment board, a member shall be appointed by
42 the governor from the list provided pursuant to
43 subparagraph (2) for the one-year term.

44 b. The chairperson and vice chairperson of the
45 grow Iowa investment board shall be elected by and
46 from the investment board members. The terms of the
47 members shall commence and end as provided by section
48 69.19. If a vacancy occurs, a successor shall be
49 appointed in the same manner and subject to the same
50 qualifications as the original appointment to serve

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1 the unexpired term. A majority of the investment
2 board constitutes a quorum.
3 3. The grow Iowa investment board, after a
4 thorough review, shall determine whether a proposed
5 project using moneys from the grow Iowa fund is
6 practical and shall provide recommendations to the
7 grow Iowa board regarding any moneys proposed to be
8 expended from the grow Iowa fund, with the exception
9 of moneys appropriated for purposes of the loan and
10 credit guarantee program and regarding whether a
11 proposed project is practical. The recommendations
12 shall be based on whether the expenditure would make
13 the achievement of the goals in accordance with the
14 performance measures set out in section 15G.106 more
15 likely. The recommendations may include conditions or
16 that proposed expenditure be rejected. The grow Iowa
17 board shall consider the recommendations of the grow
18 Iowa investment board and shall make an independent
19 recommendation to the department and the Iowa economic
20 development board regarding the expenditure. The
21 recommendations of the grow Iowa board shall include
22 the recommendations made by the grow Iowa investment
23 board.

24 4. The members of the board are entitled to
25 receive reimbursement for actual expenses incurred
26 while engaged in the performance of official duties.
27 A board member may also be eligible to receive
28 compensation as provided in section 7E.6.

29 Sec. 81. NEW SECTION. 15G.104A GROW IOWA REVIEW
30 COMMISSION.

31 1. A grow Iowa review commission is established
32 consisting of three members and is located for
33 administrative purposes within the department. The
34 director of the department shall provide office space,
35 staff assistance, and necessary supplies and equipment
36 for the review commission. The director shall budget
37 moneys to pay the compensation and expenses of the
38 commission, including the actual expenses of the
39 auditor of state incurred while engaged in the
40 performance of official commission duties. In
41 performing its functions, the review commission is
42 performing a public function on behalf of the state
43 and is a public instrumentality of the state.

44 2. Membership of the review commission shall
45 include the auditor of state, an economist for the
46 Iowa state university cooperative extension service in
47 agriculture and home economics appointed by the
48 president of the senate after consultation with the
49 minority leader of the senate, and a private sector
50 economist with broad experience reviewing and

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1 analyzing the Iowa economy and the economy of the
2 upper midwest appointed by the speaker of the house of
3 representatives after consultation with the minority
4 leader of the house of representatives. The
5 appointments shall comply with sections 69.16 and
6 69.16A. The chairperson of the review commission
7 shall be the auditor of state. The members shall be
8 appointed to three-year staggered terms and the terms
9 shall commence and end as provided by section 69.19.
10 If a vacancy occurs, a successor shall be appointed in
11 the same manner and subject to the same qualifications
12 as the original appointment to serve the unexpired
13 term. A majority of the review commission constitutes
14 a quorum. For purposes of this subsection, "upper
15 midwest" includes the states of Iowa, Kansas,
16 Minnesota, Missouri, Nebraska, North Dakota, and South
17 Dakota.

18 3. The review commission shall analyze all annual
19 reports of the grow Iowa board for purposes of
20 determining if the goals and performance measures set
21 out in section 15G.106 have been met. By January 1,
22 2007, the review commission shall submit a report to
23 the grow Iowa board, the department, and the general
24 assembly. The report shall include findings, itemized
25 by grow Iowa geographic regions, regarding whether the
26 goals and performance measures were met. The report
27 shall also include recommendations regarding the
28 continuation, elimination, or modification of any
29 programs receiving moneys from the grow Iowa fund and
30 whether moneys should continue to be appropriated to
31 and from the grow Iowa fund. The recommendations
32 shall be based on whether the goals in accordance with
33 the performance measures are being achieved.

34 4. The members of the commission, including the
35 auditor of state, are entitled to receive
36 reimbursement for actual expenses incurred while
37 engaged in the performance of official duties. A
38 commission member may also be eligible to receive
39 compensation as provided in section 7E.6.

40 Sec. 82. NEW SECTION. 15G.105 GROW IOWA
41 GEOGRAPHIC REGIONS.

42 For purposes of applying the goals and performance
43 measurements, the state shall be divided into five
44 grow Iowa geographic regions. The regions shall be
45 the following:

46 1. The northwest region shall include the counties
47 of Lyon, Osceola, Dickinson, Emmet, Kossuth,
48 Winnebago, Sioux, O'Brien, Clay, Palo Alto, Hancock,
49 Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt,
50 Wright, Woodbury, Ida, Sac, Calhoun, Webster, and

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1 Hamilton.

2 2. The northeast region shall include the counties
3 of Worth, Mitchell, Howard, Winneshiek, Allamakee,
4 Cerro Gordo, Floyd, Chickasaw, Fayette, Clayton,
5 Franklin, Butler, Bremer, Hardin, Grundy, Black Hawk,
6 Buchanan, Delaware, Dubuque, Tama, Benton, Linn,
7 Jones, and Jackson.

8 3. The southeast region shall include the counties
9 of Poweshiek, Iowa, Johnson, Cedar, Clinton, Scott,
10 Muscatine, Mahaska, Keokuk, Washington, Louisa,
11 Monroe, Wapello, Jefferson, Henry, Des Moines,
12 Appanoose, Davis, Van Buren, and Lee.

13 4. The southwest region shall include the counties
14 of Monona, Crawford, Carroll, Greene, Harrison,
15 Shelby, Audubon, Guthrie, Pottawattamie, Cass, Adair,
16 Mills, Montgomery, Adams, Union, Clarke, Lucas,
17 Fremont, Page, Taylor, Ringgold, Decatur, and Wayne.

18 5. The central region shall include the counties
19 of Boone, Story, Marshall, Dallas, Polk, Jasper,
20 Madison, Warren, and Marion.

21 Sec. 83. NEW SECTION. 15G.106 GOALS --
22 PERFORMANCE MEASURES.

23 1. In performing the duties provided in this
24 chapter, chapter 15, and chapter 15E, the grow Iowa
25 board, the grow Iowa investment board, the economic
26 development marketing board, the grow Iowa review
27 commission, and the department shall achieve the goals
28 of expanding and stimulating the state economy,
29 increasing the wealth of Iowans, and increasing the
30 population of the state. For purposes of this
31 section, "upper midwest region" includes the states of
32 Iowa, Kansas, Minnesota, Missouri, Nebraska, North
33 Dakota, and South Dakota.

34 2. Goal achievement shall be examined on a
35 regional basis using the grow Iowa geographic regions
36 and not on a statewide basis. The performance of the
37 grow Iowa geographic regions shall be compared to the
38 performance of the state, the upper midwest region,
39 and the United States. The baseline year shall be the
40 calendar year 2000. In each grow Iowa geographic
41 region, the goal shall be to increase the baseline
42 performance measures listed in subsections 3, 4, and
43 5, by thirty percent.

44 3. a. In determining whether the goal of
45 expanding and stimulating the state economy has been
46 met, the following performance measures shall be
47 considered:

- 48 (1) An increase in Iowa's gross domestic product.
49 (2) A net increase in business start-ups.
50 (3) A net increase in business expansion.

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1 (4) A net increase in business modernization.
2 (5) A net increase in attracting new businesses to
3 the state.
4 (6) A net increase in business retention.
5 (7) A net increase in job creation and retention.
6 (8) A decrease in Iowa of the ratio of the
7 government wage earnings as a percentage share of the
8 earnings of private industry in Iowa at a rate at
9 least equal to the ratio of the upper midwest region.
10 b. By December 15 of each year, the department
11 shall submit a report to the grow Iowa review
12 commission and the grow Iowa board that identifies
13 information pertinent to the performance measures in
14 paragraph "a", subparagraphs (3), (4), and (6), that
15 the department gains through interviews with
16 businesses in the state that close all or a portion of
17 operations in the state. By December 15 of each year,
18 based on the same interviews, the department shall
19 submit a report to the general assembly providing
20 suggested amendments to the Code of Iowa and the Iowa
21 administrative code designed to stimulate and expand
22 the state's economy.
23 c. By December 15 of each year the department
24 shall submit a report to the grow Iowa review
25 commission and the grow Iowa board that identifies
26 lost sale reports information pertinent to the
27 performance measures in paragraph "a", subparagraphs
28 (2) and (5), which indicate that the state has not
29 been successful in the performance measures in
30 paragraph "a", subparagraphs (2) and (5).
31 d. For purposes of the performance measure in
32 paragraph "a", subparagraph (7), the department of
33 economic development, in consultation with the
34 department of workforce development and the auditor of
35 state, shall determine an average annual job creation
36 and retention rate based on the ten years prior to
37 2003. During the fiscal years beginning July 1, 2003,
38 July 1, 2004, and July 1, 2005, the department of
39 economic development shall report the job creation and
40 retention rate of those businesses that receive moneys
41 originating from the grow Iowa fund and the job
42 creation and retention rate of those businesses that
43 do not receive moneys originating from the grow Iowa
44 fund. The ten-year average annual job creation and
45 retention rate shall be compared to the job creation
46 and retention rates determined under this paragraph
47 for the fiscal years beginning July 1, 2003, July 1,
48 2004, and July 1, 2005. The department of economic
49 development shall assist the department of workforce
50 development in maintaining detailed employment

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1 statistics on businesses that receive moneys
2 originating from the grow Iowa fund, on businesses
3 that do not receive moneys originating from the grow
4 Iowa fund, and on industries in Iowa that those
5 businesses represent. The auditor of state shall
6 audit the reliability and validity of the statistics
7 compiled pursuant to this paragraph.

8 4. In determining whether the goal of increasing
9 the wealth of Iowans has been met, the following
10 performance measures shall be considered:

11 a. The per capita personal income in Iowa shall
12 equal or exceed the average per capita personal income
13 for the upper midwest region.

14 b. The average earnings per job in Iowa shall
15 equal or exceed the average earnings per job in the
16 upper midwest region.

17 c. The average manufacturing earnings per employee
18 in Iowa shall equal or exceed the average
19 manufacturing earnings per employee in the upper
20 midwest region.

21 d. The average service earnings per employee in
22 Iowa shall equal or exceed the average service
23 earnings per employee in the upper midwest region.

24 e. The average earnings per employee in the
25 financial, insurance, and real estate industries in
26 Iowa shall equal or exceed the average earnings per
27 employee in the financial, insurance, and real estate
28 industries in the upper midwest region.

29 5. In determining whether the goal of increasing
30 the population of the state has been met, the
31 following performance measures shall be considered:

32 a. The net increase in new residents in the state
33 gained through attracting new businesses to the state.

34 b. The increase in the retention of high school
35 graduates and college graduates from private and
36 public colleges and universities in the state after
37 graduation.

38 c. The ability to retain fifty percent of all
39 undergraduate graduates of universities under the
40 control of the state board of regents in the state
41 after graduation.

42 d. The net population growth of Iowa equals or
43 exceeds the population growth in the upper midwest
44 region.

45 Sec. 84. NEW SECTION. 15G.107 GROW IOWA FUND.

46 A grow Iowa fund is created in the state treasury
47 under the control of the grow Iowa board consisting of
48 moneys appropriated to the grow Iowa board. Moneys in
49 the fund are not subject to section 8.33.

50 Notwithstanding section 12C.7, interest or earnings on

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1 moneys in the fund shall be credited to the fund. The
2 fund shall be administered by the grow Iowa board,
3 which shall make expenditures from the fund consistent
4 with this chapter and pertinent Acts of the general
5 assembly.

6 Sec. 85. NEW SECTION. 15G.108 ECONOMIC
7 DEVELOPMENT MARKETING BOARD -- MARKETING STRATEGIES.

8 1. a. An economic development marketing board is
9 established consisting of seven members and is located
10 for administrative purposes within the department.
11 The director of the department shall provide office
12 space, staff assistance, and necessary supplies and
13 equipment for the board. The director shall budget
14 moneys to pay the compensation and expenses of the
15 board. In performing its functions, the board is
16 performing a public function on behalf of the state
17 and is a public instrumentality of the state.

18 b. The membership of the board shall be as
19 follows:

20 (1) Three members with significant demonstrated
21 experience in marketing or advertising appointed by
22 the governor.

23 (2) Four members with significant demonstrated
24 experience in marketing or advertising appointed by
25 the legislative council.

26 c. The appointments made by the governor shall
27 comply with sections 69.16 and 69.16A and shall be
28 subject to confirmation by the senate.

29 d. The chairperson and vice chairperson of the
30 board shall be elected by and from the board members
31 listed in paragraph "b". In case of the absence or
32 disability of the chairperson and vice chairperson,
33 the members of the board shall elect a temporary
34 chairperson by a majority vote of those members who
35 are present and voting.

36 e. The members shall be appointed to three-year
37 staggered terms and the terms shall commence and end
38 as provided by section 69.19. If a vacancy occurs, a
39 successor shall be appointed to serve the unexpired
40 term. A successor shall be appointed in the same
41 manner and subject to the same qualifications as the
42 original appointment to serve the unexpired term.

43 f. A majority of the board constitutes a quorum.

44 2. The board shall administer and implement the
45 approval process for marketing strategies provided in
46 subsection 3.

47 3. The economic development marketing board shall
48 accept proposals for marketing strategies for purposes
49 of selecting a strategy for the department to
50 administer. The marketing strategies shall be

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1 designed to market Iowa as a lifestyle, increase the
2 population of the state, increase the wealth of
3 Iowans, and expand and stimulate the state economy.
4 The economic development marketing board shall submit
5 a recommendation regarding the proposal to the grow
6 Iowa board. In selecting a marketing strategy for
7 recommendation, the economic development marketing
8 board shall base the selection on the goals and
9 performance measures provided in section 15G.106. The
10 grow Iowa board shall either approve or deny the
11 recommendation.

12 4. The department shall implement and administer
13 the marketing strategy approved by the grow Iowa board
14 as provided in subsection 3. The department shall
15 provide the economic development marketing board with
16 assistance in implementing administrative functions of
17 the board and provide technical assistance to the
18 board.

19 5. The members of the board are entitled to
20 receive reimbursement for actual expenses incurred
21 while engaged in the performance of official duties.
22 A board member may also be eligible to receive
23 compensation as provided in section 7E.6.

24 Sec. 86. NEW SECTION. 15G.109 FUTURE
25 CONSIDERATION.

26 Not later than February 1, 2007, the legislative
27 services agency shall prepare and deliver to the
28 secretary of the senate and the chief clerk of the
29 house of representatives identical bills that repeal
30 the provisions of this chapter. It is the intent of
31 this section that the general assembly shall bring the
32 bill to a vote in either the senate or the house of
33 representatives expeditiously. It is further the
34 intent of this chapter that if the bill is approved by
35 the first house in which it is considered, it shall
36 expeditiously be brought to a vote in the second
37 house.

DIVISION VII

VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL ASSISTANCE PROGRAM

41 Sec. 87. Section 15E.111, subsection 1, Code 2003,
42 is amended to read as follows:

43 1. a. The department shall establish a value-
44 added agricultural products and processes financial
45 assistance program. The department shall consult with
46 ~~the Iowa corn growers association and the Iowa soybean~~
47 ~~association~~ Iowa commodity groups. The purpose of the
48 program is to encourage the increased utilization of
49 agricultural commodities produced in this state. The
50 program shall assist in efforts to revitalize rural

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1 regions of this state, by committing resources to
2 provide financial assistance to new or existing value-
3 added production facilities. The department of
4 economic development may consult with other state
5 agencies regarding any possible future environmental,
6 health, or safety issues linked to technology related
7 to the biotechnology industry. In awarding financial
8 assistance, the department shall prefer producer-
9 owned, value-added businesses and public and private
10 joint ventures involving an institution of higher
11 learning under the control of the state board of
12 regents or a private college or university acquiring
13 assets, research facilities, and leveraging moneys in
14 a manner that meets the goals of the grow Iowa fund
15 and shall commit resources to assist the following:

16 a. (1) Facilities which are involved in the
17 development of new innovative products and processes
18 related to agriculture. The facility must do either
19 of the following: produce a good derived from an
20 agricultural commodity, if the good is not commonly
21 produced from an agricultural commodity; or use a
22 process to produce a good derived from an agricultural
23 process, if the process is not commonly used to
24 produce the good.

25 b. (2) Renewable fuel production facilities. As
26 used in this section, "renewable fuel" means an energy
27 source which is derived from an organic compound
28 capable of powering machinery, including an engine or
29 power plant.

30 (3) Agricultural business facilities in the
31 agricultural biotechnology industry, agricultural
32 biomass industry, and alternative energy industry.
33 For purposes of this subsection:

34 (a) "Agricultural biomass industry" means
35 businesses that utilize agricultural commodity crops,
36 agricultural by-products, or animal feedstock in the
37 production of chemicals, protein products, or other
38 high-value products.

39 (b) "Agricultural biotechnology industry" means
40 businesses that utilize scientifically enhanced plants
41 or animals that can be raised by producers and used in
42 the production of high-value products.

43 (c) "Alternative energy industry" includes
44 businesses involved in the production of ethanol,
45 including gasoline with a mixture of seventy percent
46 or more ethanol, biodiesel, biomass, hydrogen, or in
47 the production of wind energy.

48 (4) Facilities that add value to Iowa agricultural
49 commodities through further processing and development
50 of organic products and emerging markets.

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1 (5) Producer-owned, value-added businesses,
2 education of producers and management boards in value-
3 added businesses, and other activities that would
4 support the infrastructure in the development of
5 value-added agriculture. Public and private joint
6 ventures involving an institution of higher learning
7 under the control of the state board of regents or a
8 private college or university to acquire assets,
9 research facilities, and leverage moneys in a manner
10 that meets the goals of the grow Iowa fund. For
11 purposes of this subsection, "producer-owned, valued-
12 added business" means a person who holds an equity
13 interest in the agricultural business and is
14 personally involved in the production of crops or
15 livestock on a regular, continuous, and substantial
16 basis.

17 b. Financial assistance awarded under this section
18 may be in the form of a loan, loan guarantee, grant,
19 production incentive payment, or a combination of
20 financial assistance. The department shall not award
21 more than twenty-five percent of the amount allocated
22 to the value-added agricultural products and processes
23 financial assistance fund during any fiscal year to
24 support a single person. The department may finance
25 any size of facility. However, the department shall
26 may reserve up to fifty percent of the total amount
27 allocated to the fund, for purposes of assisting
28 persons requiring ~~one~~ five hundred thousand dollars or
29 less in financial assistance. The amount shall be
30 reserved until the end of the third quarter of the
31 fiscal year. The department shall not provide
32 financial assistance to support a value-added
33 production facility if the facility or a person owning
34 a controlling interest in the facility has
35 demonstrated a continuous and flagrant disregard for
36 the health and safety of its employees or the quality
37 of the environment. Evidence of such disregard shall
38 include a history of serious or uncorrected violations
39 of state or federal law protecting occupational health
40 and safety or the environment, including but not
41 limited to serious or uncorrected violations of
42 occupational safety and health standards enforced by
43 the division of labor services of the department of
44 workforce development pursuant to chapter 84A, or
45 rules enforced by the department of natural resources
46 pursuant to chapter 455B or 459, subchapters II and
47 III.

48

DIVISION VIII

49

ENDOW IOWA GRANTS

50 Sec. 88. NEW SECTION. 15E.301 SHORT TITLE.

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1 This division shall be known as and may be cited as
2 the "Endow Iowa Program Act".

3 Sec. 89. NEW SECTION. 15E.302 PURPOSE.

4 The purpose of this division is to enhance the
5 quality of life for citizens of this state through
6 increased philanthropic activity by providing capital
7 to new and existing citizen groups of this state
8 organized to establish endowment funds that will
9 address community needs. The purpose of this division
10 is also to encourage individuals, businesses, and
11 organizations to invest in community foundations.

12 Sec. 90. NEW SECTION. 15E.303 DEFINITIONS.

13 As used in this division, unless the context
14 otherwise requires:

15 1. "Board" means the governing board of the lead
16 philanthropic entity identified by the department
17 pursuant to section 15E.304.

18 2. "Business" means a business operating within
19 the state and includes individuals operating a sole
20 proprietorship or having rental, royalty, or farm
21 income in this state and includes a consortium of
22 businesses.

23 3. "Community affiliate organization" means a
24 group of five or more community leaders or advocates
25 organized for the purpose of increasing philanthropic
26 activity in an identified community or geographic area
27 in this state with the intention of establishing a
28 community affiliate endowment fund.

29 4. "Endowment gift" means an irrevocable
30 contribution to a permanent endowment held by a
31 qualified community foundation.

32 5. "Lead philanthropic entity" means the entity
33 identified by the department pursuant to section
34 15E.304.

35 6. "Qualified community foundation" means a
36 community foundation organized or operating in this
37 state that meets or exceeds the national standards
38 established by the national council on foundations.

39 Sec. 91. NEW SECTION. 15E.304 ENDOW IOWA GRANTS.

40 1. The department shall identify a lead
41 philanthropic entity for purposes of encouraging the
42 development of qualified community foundations in this
43 state. A lead philanthropic entity shall meet all of
44 the following qualifications:

45 a. The entity shall be a nonprofit entity which is
46 exempt from federal income taxation pursuant to
47 section 501(c)(3) of the Internal Revenue Code.

48 b. The entity shall be a statewide organization
49 with membership consisting of organizations, such as
50 community, corporate, and private foundations, whose

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1 principal function is the making of grants within the
2 state of Iowa.

3 c. The entity shall have a minimum of forty
4 members and that membership shall include qualified
5 community foundations.

6 2. A lead philanthropic entity may receive a grant
7 from the department. The board shall use the grant
8 moneys to award endow Iowa grants to new and existing
9 qualified community foundations and to community
10 affiliate organizations that do all of the following:

11 a. Provide the board with all information required
12 by the board.

13 b. Demonstrate a dollar-for-dollar funding match
14 in a form approved by the board.

15 c. Identify a qualified community foundation to
16 hold all funds. A qualified community foundation
17 shall not be required to meet this requirement.

18 d. Provide a plan to the board demonstrating the
19 method for distributing grant moneys received from the
20 board to organizations within the community or
21 geographic area as defined by the qualified community
22 foundation or the community affiliate organization.

23 3. Endow Iowa grants awarded to new and existing
24 qualified community foundations and to community
25 affiliate organizations shall not exceed twenty-five
26 thousand dollars per foundation or organization unless
27 a foundation or organization demonstrates a multiple
28 county or regional approach. Endow Iowa grants may be
29 awarded on an annual basis with not more than three
30 grants going to one county in a fiscal year.

31 4. In ranking applications for grants, the board
32 shall consider a variety of factors including the
33 following:

34 a. The demonstrated need for financial assistance.

35 b. The potential for future philanthropic activity
36 in the area represented by or being considered for
37 assistance.

38 c. The proportion of the funding match being
39 provided.

40 d. For community affiliate organizations, the
41 demonstrated need for the creation of a community
42 affiliate endowment fund in the applicant's geographic
43 area.

44 e. The identification of community needs and the
45 manner in which additional funding will address those
46 needs.

47 f. The geographic diversity of awards.

48 5. Of any moneys received by a lead philanthropic
49 entity from the state, not more than five percent of
50 such moneys shall be used by the entity for

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1 administrative purposes.

2 Sec. 92. NEW SECTION. 15E.306 REPORTS -- AUDITS.

3 By January 31 of each year, the lead philanthropic
4 entity, in cooperation with the department, shall
5 publish an annual report of the activities conducted
6 pursuant to this division during the previous calendar
7 year and shall submit the report to the governor and
8 the general assembly. The annual report shall include
9 a listing of endowment funds and the amount of tax
10 credits authorized by the department.

11 Sec. 93. EFFECTIVE AND RETROACTIVE APPLICABILITY
12 DATES. This division of this Act, being deemed of
13 immediate importance, takes effect upon enactment and
14 is retroactively applicable to January 1, 2003, for
15 tax years beginning on or after that date.

16 DIVISION IX

17 TECHNOLOGY TRANSFER ADVISORS

18 Sec. 94. NEW SECTION. 7.23 TECHNOLOGY TRANSFER
19 ADVISOR.

20 Two technology transfer advisors shall be appointed
21 by the governor, serve at the pleasure of the
22 governor, and be located at offices at the university
23 of Iowa and Iowa state university of science and
24 technology. A technology transfer advisor is not a
25 state agency and is not subject to chapter 17A. A
26 technology transfer advisor shall do all of the
27 following:

28 1. Facilitate the transfer of technology developed
29 at the university of Iowa, the university of northern
30 Iowa, Iowa state university of science and technology,
31 community colleges, and private colleges and
32 universities.

33 2. Coordinate the technology transfer activities
34 at each of the public and private universities to
35 encourage the implementation of best practices in
36 technology transfer, establish measures of
37 performance, and design programs of continuous quality
38 improvement for each technology transfer office.

39 3. Establish technology transfer goals for the
40 state.

41 4. Provide technical assistance to Iowa-based
42 entrepreneurs associated with or unrelated to the
43 universities under the control of the state board of
44 regents regarding technology transfer-related issues.
45 The technical assistance shall include assistance in
46 the areas of patents and licensing, business
47 development and management, finance, production,
48 sales, and marketing.

49 5. Receive the technology transfer-related report
50 submitted by the state board of regents pursuant to

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1 section 262.9, subsection 31.

2 6. To ensure economic growth, serve as a
3 coordinator between Iowa-based businesses and
4 businesses intending to locate in Iowa.

5 Sec. 95. Section 15.108, Code 2003, is amended by
6 adding the following new subsection:

7 NEW SUBSECTION. 12. TECHNOLOGY TRANSFER ADVISORS.

8 The department shall cooperate with and provide
9 staffing support to the technology transfer advisors
10 appointed pursuant to section 7.23.

11 Sec. 96. Section 262.9, Code 2003, is amended by
12 adding the following new subsections:

13 NEW SUBSECTION. 29. Actively encourage and
14 promote the transfer of technology and research at
15 universities under the control of the board to
16 commercial application, including the start-up of
17 business entities.

18 NEW SUBSECTION. 30. Give preference and technical
19 support to those faculty members and staff members
20 desiring to obtain licenses for intellectual property
21 rights created in whole or in part by the faculty
22 member or staff member. However, such preference
23 shall not be construed to be a right accruing to that
24 faculty member or staff member.

25 NEW SUBSECTION. 31. By January 15 of each year,
26 submit a report to the governor, through the
27 technology transfer advisors, and the general assembly
28 containing information from the previous calendar year
29 regarding all of the following:

30 a. Patents secured or applied for by each
31 university under the control of the board delineated
32 by university and by faculty member and staff member
33 responsible for the research or activity that resulted
34 in the patent. In the initial report filed by January
35 15, 2004, the board shall include an inventory of
36 patent portfolios with details concerning which
37 patents are creating financial benefit and the amount
38 of financial benefit and which patents are not
39 creating financial benefit and the amount invested in
40 those patents.

41 b. Research grants secured by each university
42 under the control of the board from both public and
43 private sources delineated by university and by
44 faculty member and staff member. The board shall also
45 include the same information for grant applications
46 that are denied.

47 c. The number of faculty members and staff members
48 at each university under the control of the board
49 involved in a start-up company.

50 d. The number of grant applications for research

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1 received by each university under the control of the
2 board for start-up companies, the number of
3 applications approved, and the number of applications
4 denied.

5 e. The number of agreements entered into by
6 faculty members and staff members at each university
7 under the control of the board with foundations
8 affiliated with the universities relating to business
9 start-ups.

10 f. An accounting of the financial gain received by
11 each university under the control of the board
12 relating to patents sold, royalties received,
13 licensing fees, and any other remuneration received by
14 the university related to technology transfer.

15 g. The number of professional employees at each
16 university under the control of the board who assist
17 in the transfer of technology and research to
18 commercial application.

DIVISION X

IOWA ECONOMIC DEVELOPMENT

LOAN AND CREDIT GUARANTEE FUND

22 Sec. 97. NEW SECTION. 15E.221 SHORT TITLE.

23 This division shall be known and may be cited as
24 the "Iowa Economic Development Loan and Credit
25 Guarantee Fund Act".

26 Sec. 98. NEW SECTION. 15E.222 LEGISLATIVE
27 FINDING -- PURPOSES.

28 1. The general assembly finds all of the
29 following:

30 a. That small and medium-sized businesses, in
31 general, and certain targeted industry businesses and
32 other qualified businesses, in particular, may not
33 qualify for conventional financing.

34 b. That the limited availability of credit for
35 export transactions limits the ability of small and
36 medium-sized businesses in this state to compete in
37 international markets.

38 c. That, to enhance competitiveness and foster
39 economic development, this state must focus on growth
40 in certain specific targeted industry businesses and
41 other qualified businesses, especially during a time
42 of war.

43 d. That the challenge for the public economic
44 sector is to create an atmosphere conducive to
45 economic growth, in conjunction with financial
46 institutions in the private sector, which fill the
47 gaps in credit availability and export finance, and
48 that allow the private sector to identify the lending
49 opportunities and foster decision making at the local
50 level.

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- 1 2. The general assembly declares the purposes of
2 this division to be all of the following:
3 a. To create incentives and assistance to increase
4 the flow of private capital to targeted industry
5 businesses and other qualified businesses.
6 b. To promote industrial modernization and
7 technology adoption.
8 c. To encourage the retention and creation of
9 jobs.
10 d. To encourage the export of goods and services
11 sold by Iowa businesses in national and international
12 markets.

13 Sec. 99. NEW SECTION. 15E.223 DEFINITIONS.

14 As used in this division, unless the context
15 otherwise requires:

- 16 1. "Financial institution" means an institution
17 listed in section 422.61, subsection 1, or such other
18 financial institution as defined by the department for
19 purposes of this division.
20 2. "Program" means the loan and credit guarantee
21 program established in this division.
22 3. "Qualified business" means an existing or
23 proposed business entity with an annual average number
24 of employees not exceeding two hundred employees.
25 "Qualified business" does not include businesses
26 engaged primarily in retail sales, real estate, or the
27 provision of health care or other professional
28 services. "Qualified business" includes professional
29 services businesses that provide services to targeted
30 industry businesses or other entities within and
31 outside of this state.
32 4. "Targeted industry business" means an existing
33 or proposed business entity, including an emerging
34 small business or qualified business which is operated
35 for profit and which has a primary business purpose of
36 doing business in at least one of the targeted
37 industries designated by the department which include
38 life sciences, software and information technology,
39 advanced manufacturing, value-added agriculture, and
40 any other industry designated as a targeted industry
41 by the loan and credit guarantee advisory board.

42 Sec. 100. NEW SECTION. 15E.224 LOAN AND CREDIT
43 GUARANTEE PROGRAM.

- 44 1. The department shall, with the advice of the
45 loan and credit guarantee advisory board, establish
46 and administer a loan and credit guarantee program.
47 The department, pursuant to agreements with financial
48 institutions, shall provide loan and credit
49 guarantees, or other forms of credit guarantees for
50 qualified businesses and targeted industry businesses

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1 for eligible project costs. A loan or credit
2 guarantee provided under the program may stand alone
3 or may be used in conjunction with or to enhance other
4 loans or credit guarantees, offered by private, state,
5 or federal entities. However, the department shall
6 not in any manner directly or indirectly pledge the
7 credit of the state. Eligible project costs include
8 expenditures for productive equipment and machinery,
9 working capital for operations and export
10 transactions, research and development, marketing, and
11 such other costs as the department may so designate.

12 2. A loan or credit guarantee or other form of
13 credit guarantee provided under the program to a
14 participating financial institution for a single
15 qualified business or targeted industry business shall
16 not exceed one million dollars in value. Loan or
17 credit guarantees or other forms of credit guarantees
18 provided under the program to more than one
19 participating financial institution for a single
20 qualified business or targeted industry business shall
21 not exceed ten million dollars in value.

22 3. In administering the program, the department
23 shall consult and cooperate with financial
24 institutions in this state and with the loan and
25 credit guarantee advisory board. Administrative
26 procedures and application procedures, as practicable,
27 shall be responsive to the needs of qualified
28 businesses, targeted industry businesses, and
29 financial institutions, and shall be consistent with
30 prudent investment and lending practices and criteria.

31 4. Each participating financial institution shall
32 identify and underwrite potential lending
33 opportunities with qualified businesses and targeted
34 industry businesses. Upon a determination by a
35 participating financial institution that a qualified
36 business or targeted industry business meets the
37 underwriting standards of the financial institution,
38 subject to the approval of a loan or credit guarantee,
39 the financial institution shall submit the
40 underwriting information and a loan or credit
41 guarantee application to the department.

42 5. The department, with the advice of the loan and
43 credit guarantee advisory board, shall adopt a loan or
44 credit guarantee application procedure for a financial
45 institution on behalf of a qualified business or
46 targeted industry business.

47 6. Upon approval of a loan or credit guarantee,
48 the department shall enter into a loan or credit
49 guarantee agreement with the participating financial
50 institution. The agreement shall specify all of the

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1 following:

2 a. The fee to be charged to the financial
3 institution.

4 b. The evidence of debt assurance of, and security
5 for, the loan or credit guarantee.

6 c. A loan or credit guarantee that does not exceed
7 fifteen years.

8 d. Any other terms and conditions considered
9 necessary or desirable by the department.

10 7. The department, with the advice of the loan and
11 credit guarantee advisory board, may adopt loan and
12 credit guarantee application procedures that allow a
13 qualified business or targeted industry business to
14 apply directly to the department for a preliminary
15 guarantee commitment. A preliminary guarantee
16 commitment may be issued by the department subject to
17 the qualified business or targeted industry business
18 securing a commitment for financing from a financial
19 institution. The application procedures shall specify
20 the process by which a financial institution may
21 obtain a final loan and credit guarantee.

22 Sec. 101. NEW SECTION. 15E.225 TERMS -- FEES.

23 1. When entering into a loan or credit guarantee
24 agreement, the department, with the advice of the loan
25 and credit guarantee advisory board, shall establish
26 fees and other terms for participation in the program
27 by qualified businesses and targeted industry
28 businesses.

29 2. The department, with due regard for the
30 possibility of losses and administrative costs and
31 with the advice of the loan and credit guarantee
32 advisory board, shall set fees and other terms at
33 levels sufficient to assure that the program is self-
34 financing.

35 3. For a preliminary guarantee commitment, the
36 department may charge a qualified business or targeted
37 industry business a preliminary guarantee commitment
38 fee. The application fee shall be in addition to any
39 other fees charged by the department under this
40 section and shall not exceed one thousand dollars for
41 an application.

42 Sec. 102. NEW SECTION. 15E.226 LOAN AND CREDIT
43 GUARANTEE ADVISORY BOARD.

44 The department, in consultation with the
45 superintendent of banking, shall establish a loan and
46 credit guarantee advisory board. The advisory board
47 shall provide the department with technical advice
48 regarding the administration of the program, including
49 the adoption of administrative rules pursuant to
50 chapter 17A. The advisory board shall review and

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1 provide recommendations regarding all applications
2 under the program. Members of the advisory board are
3 entitled to receive reimbursement for actual expenses
4 incurred while engaged in the performance of official
5 duties. Advisory board members may also be eligible
6 to receive compensation as provided in section 7E.6.
7 The director of the department shall budget moneys to
8 pay the compensation and expenses of the advisory
9 board. The provisions of this section relating to the
10 adoption of administrative rules shall be construed
11 narrowly.

DIVISION XI

ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

14 Sec. 103. NEW SECTION. 15E.118 BUSINESS START-UP
15 INFORMATION -- INTERNET WEB SITE.

16 The department shall provide information through an
17 internet web site and a toll-free telephone service to
18 assist persons interested in establishing a commercial
19 facility or engaging in a commercial activity. The
20 information shall include all of the following:

- 21 1. Assistance, information, and guidance for
22 start-up businesses.
- 23 2. Information gathered by the department pursuant
24 to section 15E.17, subsection 2.
- 25 3. Personal and corporate income tax information.
- 26 4. Information regarding financial assistance and
27 incentives available to businesses.
- 28 5. Workforce availability in the state presented
29 in a regional format.

30 Sec. 104. NEW SECTION. 15E.119 ECONOMIC
31 DEVELOPMENT-RELATED DATA COLLECTION.

32 1. The department shall interview any business
33 that considered locating in Iowa but decided to locate
34 elsewhere. The department shall attempt to determine
35 factors that affected the location decision of the
36 business.

37 2. The department shall interview any business
38 that closes major operations in the state or dissolves
39 the business's corporate status in an effort to
40 identify factors that led to the closure or
41 dissolution.

42 3. By January 15 of each year, the department
43 shall submit a written report to the general assembly
44 that summarizes the information collected pursuant to
45 this section and provides suggested amendments to the
46 Code of Iowa and the Iowa administrative code designed
47 to stimulate and expand the state's economy.

48 Sec. 105. INTERNET WEB SITE DEVELOPMENT. In
49 developing the internet web site required in section
50 15E.118, the department of economic development shall

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1 examine similar efforts in other states and
2 incorporate the best practices.

3 DIVISION XII

4 CULTURAL AND ENTERTAINMENT DISTRICTS

5 Sec. 106. NEW SECTION. 303.3B CULTURAL AND
6 ENTERTAINMENT DISTRICTS.

7 1. The department of cultural affairs shall
8 establish and administer a cultural and entertainment
9 district certification program. The program shall
10 encourage the growth of communities through the
11 development of areas within a city or county for
12 public and private uses related to cultural and
13 entertainment purposes.

14 2. A city or county may create and designate a
15 cultural and entertainment district subject to
16 certification by the department of cultural affairs,
17 in consultation with the department of economic
18 development. A cultural and entertainment district
19 shall consist of a geographic area not exceeding one
20 square mile in size. A cultural and entertainment
21 district certification shall remain in effect for ten
22 years following the date of certification. Two or
23 more cities or counties may apply jointly for
24 certification of a district that extends across a
25 common boundary. Through the adoption of
26 administrative rules, the department of cultural
27 affairs shall develop a certification application for
28 use in the certification process. The provisions of
29 this subsection relating to the adoption of
30 administrative rules shall be construed narrowly.

31 3. The department of cultural affairs shall
32 encourage development projects and activities located
33 in certified cultural and entertainment districts
34 through incentives under cultural grant programs
35 pursuant to section 303.3, chapter 303A, and any other
36 grant programs.

37 DIVISION XIII

38 WORKFORCE ISSUES

39 Sec. 107. NEW SECTION. 15A.10 JOB RETENTION --
40 INCENTIVES.

41 1. In order to assure the retention of existing
42 jobs that would otherwise be lost, the director of the
43 department of economic development may authorize
44 incentives and assistance provided to a business under
45 this section for a period not to exceed ten years upon
46 finding the following:

47 a. The business currently employing, at one place
48 of business, at least one thousand employees is likely
49 to close or substantially reduce employment.

50 b. The business agrees to remain in the state for

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1 at least ten years and invest at least fifteen million
2 dollars to retool or upgrade facilities.
3 2. Incentives and assistance that may be
4 authorized by the director include any of the
5 following:
6 a. New jobs credit from withholding, as provided
7 in section 15.331.
8 b. Sales, services, and use tax refund, as
9 provided in section 15.331A.
10 c. Investment tax credit, as provided in section
11 15.333.
12 d. Research activities tax credit, as provided in
13 section 15.335.
14 3. A business shall enter into an agreement with
15 the department and the city or county specifying the
16 terms and conditions that must be met in exchange for
17 the incentives and assistance authorized in this
18 section. The agreement shall specify how the
19 incentives will be repaid in the event the business
20 fails to meet or maintain the terms and conditions of
21 the agreement.

DIVISION XIV

UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM

23 Sec. 108. NEW SECTION. 262B.11 UNIVERSITY-BASED
24 RESEARCH UTILIZATION PROGRAM.

25
26 1. The department of economic development shall
27 establish and administer a university-based research
28 utilization program for purposes of encouraging the
29 utilization of university-based research, primarily in
30 the area of high technology, in new or existing
31 businesses. The program shall include the three
32 universities under the control of the state board of
33 regents and all accredited private universities
34 located in the state.

35 2. A new or existing business that utilizes a
36 technology developed by an employee at a university
37 under the control of the state board of regents may
38 apply to the department of economic development for
39 approval to participate in the university-based
40 research utilization program. The department shall
41 approve an applicant if the applicant meets all of the
42 following criteria:

43 a. The applicant utilizes a technology developed
44 by an employee at a university under the control of
45 the state board of regents, provided that the
46 technology has received a patent after the effective
47 date of this Act. If the applicant has been in
48 existence more than one year prior to applying, the
49 applicant shall organize a separate company to utilize
50 the technology. For purposes of this section, the

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1 separate company shall be considered the applicant
2 and, if approved, the approved business.

3 b. The applicant develops a five-year business
4 plan approved by the department. The plan shall
5 include information concerning the applicant's Iowa
6 employment goals and projected impact on the Iowa
7 economy. The department shall only approve plans
8 showing sufficient potential impact on Iowa employment
9 and economic development.

10 c. The applicant meets a minimum-size business
11 standard determined by the department.

12 d. The applicant provides annual reports to the
13 department that include employment statistics for the
14 applicant and the total taxable wages paid to Iowa
15 employees and reported to the department of revenue
16 and finance pursuant to section 422.16.

17 3. A business approved under the program and the
18 university employee responsible for the development of
19 the technology utilized by the approved business shall
20 be eligible for a tax credit. The credit shall be
21 allowed against the taxes imposed in chapter 422,
22 divisions II and III. An individual may claim a tax
23 credit under this section of a partnership, limited
24 liability company, S corporation, estate, or trust
25 electing to have income taxed directly to the
26 individual. The amount claimed by the individual
27 shall be based upon the pro rata share of the
28 individual's earnings from the partnership, limited
29 liability company, S corporation, estate, or trust. A
30 tax credit shall not be claimed under this subsection
31 unless a tax credit certificate issued by the
32 department of economic development is attached to the
33 taxpayer's tax return for the tax year for which the
34 tax credit is claimed. The amount of a tax credit
35 allowed under this subsection shall equal the amount
36 listed on a tax credit certificate issued by the
37 department of economic development pursuant to
38 subsection 4. A tax credit certificate shall not be
39 transferable. Any tax credit in excess of the
40 taxpayer's liability for the tax year may be credited
41 to the taxpayer's tax liability for the following five
42 years or until depleted, whichever occurs first. A
43 tax credit shall not be carried back to a tax year
44 prior to the tax year in which the taxpayer redeems
45 the tax credit.

46 4. For the five tax years following the tax year
47 in which a business is approved under the program, the
48 department of revenue and finance shall provide the
49 department of economic development with information
50 required by the department of economic development

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1 from each tax return filed by the approved business.

2 Upon receiving the tax return-related information, the
3 department of economic development shall do all of the
4 following:

5 a. Review the information provided by the
6 department of revenue and finance pursuant to this
7 subsection and the annual report submitted by the
8 applicant pursuant to subsection 2, paragraph "d". If
9 the department determines that the business activities
10 of the applicant are not providing the benefits to
11 Iowa employment and economic development projected in
12 the applicant's approved five-year business plan, the
13 department shall not issue tax credit certificates for
14 that year to the applicant or university employee and
15 shall determine any related university share to be
16 equal to zero for that year.

17 b. Effective for the fiscal year beginning July 1,
18 2004, and for subsequent fiscal years, issue a tax
19 credit certificate to the approved business and the
20 university employee responsible for the development of
21 the technology utilized by the approved business in an
22 amount determined pursuant to subsection 5. A tax
23 credit certificate shall contain the taxpayer's name,
24 address, tax identification number, the amount of the
25 tax credit, and other information required by the
26 department of revenue and finance.

27 c. (1) Determine the university share which is
28 equal to the value of thirty percent of the tax
29 liability of the approved business for purposes of
30 making an appropriation pursuant to section 262B.12,
31 if enacted by 2003 Iowa Acts, House File 683 or
32 another Act, to the university where the technology
33 utilized by the approved business was developed. A
34 university share shall not exceed two hundred twenty-
35 five thousand dollars per year per technology
36 utilized. For each technology utilized, the aggregate
37 university share over a five-year period shall not
38 exceed six hundred thousand dollars.

39 (2) The department shall maintain records for each
40 university during each fiscal year regarding the
41 university share each university is entitled to
42 receive through the appropriation in section 262B.12,
43 if enacted by 2003 Iowa Acts, House File 683 or
44 another Act. A university shall be entitled to
45 receive the total university share for that particular
46 university during the previous fiscal year.

47 d. For the fiscal year beginning July 1, 2004, not
48 more than two million dollars worth of certificates
49 shall be issued pursuant to paragraph "b". For the
50 fiscal year beginning July 1, 2005, and every fiscal

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1 year thereafter, not more than ten million dollars
2 worth of certificates shall be issued pursuant to
3 paragraph "b".

4 5. The tax credit certificates issued by the
5 department for each of the five years following the
6 tax year in which the business is approved under the
7 program shall be for the following amounts:

8 a. For the approved business, the value of the tax
9 credit certificate shall equal thirty percent of the
10 tax liability of the approved business. The value of
11 a certificate issued to an approved business shall not
12 exceed two hundred twenty-five thousand dollars. The
13 total aggregate value of certificates issued over a
14 five-year period to an approved business shall not
15 exceed six hundred thousand dollars.

16 b. For the university employee responsible for the
17 development of the technology utilized by the approved
18 business, the value of the tax credit certificate
19 shall equal ten percent of the tax liability of the
20 approved business. If more than one employee is
21 responsible for the development of the technology, the
22 value equal to ten percent of the tax liability of the
23 approved business shall be divided equally and
24 individual tax credit certificates shall be issued to
25 each employee responsible for the development of the
26 technology. Each year, the total value of a
27 certificate or certificates issued for a utilized
28 technology shall not exceed seventy-five thousand
29 dollars. For each technology utilized, the total
30 aggregate value of certificates issued over a five-
31 year period to the university employee responsible for
32 the development of the technology shall not exceed two
33 hundred thousand dollars.

34 6. The department of economic development shall
35 notify the department of revenue and finance when a
36 tax credit certificate is issued pursuant to
37 subsection 4. The notification shall include the name
38 and tax identification number appearing on any tax
39 credit certificate.

40 Sec. 109. NEW SECTION. 422.11H UNIVERSITY-BASED
41 RESEARCH UTILIZATION PROGRAM TAX CREDIT.

42 The taxes imposed under this division, less the
43 credits allowed under sections 422.12 and 422.12B,
44 shall be reduced by a university-based research
45 utilization program tax credit authorized pursuant to
46 section 262B.11.

47 Sec. 110. Section 422.33, Code 2003, is amended by
48 adding the following new subsection:

49 NEW SUBSECTION. 14. The taxes imposed under this
50 division shall be reduced by a university-based

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1 research utilization program tax credit authorized
2 pursuant to section 262B.11.

3 DIVISION XV
4 FUTURE REPEAL

5 Sec. 111. The divisions of this Act designated the
6 grow Iowa board and fund, the value-added agricultural
7 products and processes financial assistance program,
8 the endow Iowa grants, the technology transfer
9 advisors, the Iowa economic development loan and
10 credit guarantee fund, the economic development
11 assistance and data collection, the cultural and
12 entertainment districts, the workforce issues, and the
13 university-based research utilization program, are
14 repealed effective June 30, 2010.

15 DIVISION XVI
16 LIABILITY REFORM

17 Sec. 112. Section 668.12, Code 2003, is amended to
18 read as follows:

19 668.12 LIABILITY FOR PRODUCTS -- ~~STATE OF THE ART~~
20 ~~DEFENSE DEFENSES.~~

21 1. In any action brought pursuant to this chapter
22 against an assembler, designer, supplier of
23 specifications, distributor, manufacturer, or seller
24 for damages arising from an alleged defect in the
25 design, testing, manufacturing, formulation,
26 packaging, warning, or labeling of a product, a
27 percentage of fault shall not be assigned to such
28 persons if they plead and prove that the product
29 conformed to the state of the art in existence at the
30 time the product was designed, tested, manufactured,
31 formulated, packaged, provided with a warning, or
32 labeled.

33 2. Nothing contained in ~~this section~~ subsection 1
34 shall diminish the duty of an assembler, designer,
35 supplier of specifications, distributor, manufacturer
36 or seller to warn concerning subsequently acquired
37 knowledge of a defect or dangerous condition that
38 would render the product unreasonably dangerous for
39 its foreseeable use or diminish the liability for
40 failure to so warn.

41 3. An assembler, designer, supplier of
42 specifications, distributor, manufacturer, or seller
43 shall not be subject to liability under a theory of
44 civil conspiracy unless the person knowingly and
45 voluntarily entered into an agreement, express or
46 implied, to participate in a common plan with the
47 intent to commit a tortious act upon another. Mere
48 membership in a trade or industrial association or
49 group is not, in and of itself, evidence of such an
50 agreement.

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1 Sec. 113. Section 668A.1, subsection 1, Code 2003,
2 is amended to read as follows:

3 1. In a trial of a claim involving the request for
4 punitive or exemplary damages, the court shall
5 instruct the jury to answer special interrogatories
6 or, if there is no jury, shall make findings,
7 indicating all of the following:

8 a. ~~Whether, by a preponderance of clear,~~
9 ~~convincing, and satisfactory evidence, the conduct of~~
10 ~~the defendant from which the claim arose constituted~~
11 ~~willful and wanton disregard for the rights or safety~~
12 ~~of another.~~

13 ~~b.~~ Whether the conduct of the defendant was
14 directed specifically at the claimant, or at the
15 person from which the claimant's claim is derived.

16 b. Whether, by a preponderance of clear and
17 convincing evidence, the conduct of the defendant from
18 which the claim arose constituted actual malice.

19 Sec. 114. NEW SECTION. 668A.2 DEFINITIONS.

20 As used in this chapter, the following terms shall
21 have the following meanings:

22 1. "Clear and convincing evidence" means evidence
23 which leaves no serious or substantial doubt about the
24 correctness of the conclusions drawn from the
25 evidence. It is more than a preponderance of
26 evidence, but less than beyond a reasonable doubt.

27 2. "Malice" means either conduct which is
28 specifically intended by the defendant to cause
29 tangible or intangible serious injury to the plaintiff
30 or conduct that is carried out by the defendant both
31 with a flagrant indifference to the rights of the
32 plaintiff and with a subjective awareness that such
33 conduct will result in tangible serious injury.

34 Sec. 115. NEW SECTION. 668A.3 AWARD OF PUNITIVE
35 OR EXEMPLARY DAMAGES -- PROOF -- STANDARD.

36 Punitive or exemplary damages shall only be awarded
37 where the plaintiff proves by clear and convincing
38 evidence that the plaintiff's harm was the result of
39 actual malice. This burden of proof shall not be
40 satisfied by proof of any degree of negligence,
41 including gross negligence.

42 Sec. 116. APPLICABILITY. This division of this
43 Act, relating to liability reform, applies to cases
44 filed on or after July 1, 2003.

DIVISION XVII

WORKERS' COMPENSATION

47 Sec. 117. Section 85.34, subsection 2, unnumbered
48 paragraph 1, Code 2003, is amended to read as follows:

49 Compensation for permanent partial disability shall
50 begin at the termination of the healing period

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1 provided in subsection 1. The compensation shall be
2 in addition to the benefits provided by sections 85.27
3 and 85.28. The compensation shall be based only upon
4 the extent of the disability related to the injury
5 received and upon the basis of eighty percent per week
6 of the employee's average spendable weekly earnings,
7 but not more than a weekly benefit amount, rounded to
8 the nearest dollar, equal to one hundred eighty-four
9 percent of the statewide average weekly wage paid
10 employees as determined by the department of workforce
11 development under section 96.19, subsection 36, and in
12 effect at the time of the injury. The minimum weekly
13 benefit amount shall be equal to the weekly benefit
14 amount of a person whose gross weekly earnings are
15 thirty-five percent of the statewide average weekly
16 wage. For all cases of permanent partial disability
17 compensation shall be paid as follows:

18 Sec. 118. Section 85.34, subsection 2, paragraph
19 u, Code 2003, is amended by adding the following new
20 unnumbered paragraph after unnumbered paragraph 2 as
21 follows:

22 NEW UNNUMBERED PARAGRAPH. When an employee makes a
23 claim for benefits under this subsection, the employer
24 is not liable for that portion of the employee's
25 present disability caused by a prior work-related
26 injury or illness that was sustained by the employee
27 while the employee was employed by a different
28 employer. When an employee's present disability
29 includes disability caused by a prior work-related
30 injury or illness that was sustained by the employee
31 while in the employ of the same employer, the employer
32 is liable for compensating all of the employee's work-
33 related disability sustained by the employee while in
34 the employ of the employer, except that any portion of
35 the disability that was previously compensated by the
36 employer shall be deducted from the employer's
37 obligation to pay benefits for the employee's present
38 disability. If an employee's present disability is
39 reduced by a portion of disability sustained from
40 prior work-related injuries or illnesses for which the
41 employee has already been compensated by the same
42 employer, then the employee shall receive compensation
43 for the remaining disability caused by the present
44 work-related injury or illness plus an additional ten
45 percent of the amount of the increase in disability.

46 Sec. 119. APPLICABILITY. This division of this
47 Act, relating to workers' compensation, applies to an
48 injury occurring on or after July 1, 2003.

49 DIVISION XVIII
50 FINANCIAL SERVICES

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1 Sec. 120. Section 537.2502, subsections 3 and 6,
2 Code 2003, are amended to read as follows:

3 3. A delinquency charge shall not be collected
4 under subsection 1, paragraph "a", on an installment
5 ~~which that~~ is paid in full within ten days after its
6 scheduled or deferred installment due date even though
7 an earlier maturing installment or a delinquency or
8 deferral charge on an earlier installment may not have
9 been paid in full. For purposes of this subsection,
10 payments associated with a precomputed transaction are
11 applied first to current installments and then to
12 delinquent installments.

13 6. A delinquency charge shall not be collected
14 under subsection 4 on a payment ~~which~~ associated with
15 a precomputed transaction that is paid in full on or
16 before its scheduled or deferred due date even though
17 an earlier maturing payment or a delinquency or
18 deferred charge on an earlier payment has not been
19 paid in full. For purposes of this subsection,
20 payments are applied first to amounts due for the
21 current billing cycle and then to delinquent payments.

22 Sec. 121. Section 537.2601, subsection 1, Code
23 2003, is amended to read as follows:

24 1. ~~Except as provided in subsection 2, with~~ With
25 respect to a credit transaction other than a consumer
26 credit transaction, the parties may contract for the
27 payment by the debtor of any finance or other charge
28 as permitted by law. ~~Except with respect to debt~~
29 ~~obligations issued by a government, governmental~~
30 ~~agency or instrumentality, in calculating any finance~~
31 ~~charge contracted for, any month may be counted as~~
32 ~~one-twelfth of a year, but a day is to be counted as~~
33 ~~one three-hundred sixty-fifth of a year.~~

DIVISION XIX

UNEMPLOYMENT COMPENSATION SURCHARGE

36 Sec. 122. Section 96.7, subsection 12, paragraph
37 a, Code 2003, is amended to read as follows:

38 a. An employer other than a governmental entity or
39 a nonprofit organization, subject to this chapter,
40 shall pay an administrative contribution surcharge
41 equal in amount to one-tenth of one percent of federal
42 taxable wages, as defined in section 96.19, subsection
43 37, paragraph "b", subject to the surcharge formula to
44 be developed by the department under this paragraph.
45 The department shall develop a surcharge formula that
46 provides a target revenue level of no greater than six
47 million five hundred twenty-five thousand dollars
48 annually for calendar years 2003, 2004, and 2005 and a
49 target revenue level of no greater than three million
50 two hundred sixty-two thousand five hundred dollars

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1 for calendar year 2006 and each subsequent calendar
2 year. The department shall reduce the administrative
3 contribution surcharge established for any calendar
4 year proportionate to any federal government funding
5 that provides an increased allocation of moneys for
6 workforce development offices, under the federal
7 employment services financing reform legislation. Any
8 administrative contribution surcharge revenue that is
9 collected in calendar year ~~2002~~ 2003, 2004, or 2005 in
10 excess of six million five hundred twenty-five
11 thousand dollars or in calendar year 2006 or a
12 subsequent calendar year in excess of three million
13 two hundred sixty-two thousand five hundred dollars
14 shall be deducted from the amount to be collected in
15 the subsequent calendar year 2003 before the
16 department establishes the administrative contribution
17 surcharge. The department shall recompute the amount
18 as a percentage of taxable wages, as defined in
19 section 96.19, subsection 37, and shall add the
20 percentage surcharge to the employer's contribution
21 rate determined under this section. The percentage
22 surcharge shall be capped at a maximum of seven
23 dollars per employee. The department shall adopt
24 rules prescribing the manner in which the surcharge
25 will be collected. Interest shall accrue on all
26 unpaid surcharges under this subsection at the same
27 rate as on regular contributions and shall be
28 collectible in the same manner. Interest accrued and
29 collected under this paragraph and interest earned and
30 credited to the fund under paragraph "b" shall be used
31 by the department only for the purposes set forth in
32 paragraph "c".

33 Sec. 123. Section 96.7, subsection 12, paragraph
34 d, Code 2003, is amended to read as follows:

35 d. This subsection is repealed July 1, ~~2003~~ 2006,
36 and the repeal is applicable to contribution rates for
37 calendar year ~~2004~~ 2007 and subsequent calendar years.

38 Sec. 124. EFFECTIVE DATE. This division of this
39 Act, concerning the unemployment compensation
40 surcharge, being deemed of immediate importance, takes
41 effect upon enactment.

DIVISION XX

ECONOMIC DEVELOPMENT

44 Sec. 125. NEW SECTION. 15E.18 CITIES, COUNTIES,
45 AND REGIONS -- SITE PREPARATION FOR TARGETED ECONOMIC
46 DEVELOPMENT.

47 1. For purposes of this section, "region" means a
48 group of two or more contiguous counties that
49 establishes a single, focused economic development
50 effort.

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1 2. A city, county, or region, subject to the
2 approval of the property owner, may designate an area
3 within the boundaries of the city, county, or region
4 for a specific type of targeted economic development.
5 The specific type of targeted economic development
6 shall be one of the following:
7 a. Manufacturing.
8 b. Light industrial.
9 c. Warehouse and distribution.
10 d. Office parks.
11 e. Business and commerce parks.
12 f. Research and development.
13 3. A city, county, or region that designates an
14 area for a specific type of targeted economic
15 development may apply to the department for purposes
16 of certifying the area as a preapproved development
17 site. The department shall develop criteria for the
18 certification process.
19 4. Prior to a specific project being developed, a
20 city, county, or region designating the area for
21 targeted economic development pursuant to this section
22 may apply for and obtain appropriate licenses,
23 permits, and approvals for the type of targeted
24 economic development project desired for the area.

25 Sec. 126. NEW SECTION. 15E.19 REGULATORY
26 ASSISTANCE.

27 1. The department of economic development shall
28 coordinate all regulatory assistance for the state of
29 Iowa. Each state agency with regulatory programs for
30 business shall maintain a coordinator within the
31 office of the director or the administrative division
32 of the state agency. Each coordinator shall do all of
33 the following:

34 a. Serve as the department of economic
35 development's primary contact for regulatory affairs.
36 b. Provide regulatory requirements to businesses
37 and represent the agency in the private sector.
38 c. Monitor permit applications and provide timely
39 permit status information to the department of
40 economic development.
41 d. Have the ability to require regulatory staff
42 participation in negotiations and discussions with
43 businesses.
44 e. Notify the department of economic development
45 regarding proposed rulemaking activities that impact a
46 regulatory program and any subsequent changes to a
47 regulatory program.

48 2. The department of economic development shall,
49 in consultation with the coordinators described in
50 this section, examine, and to the extent permissible,

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1 assist in the implementation of methods, including the
2 possible establishment of an electronic database, to
3 streamline the process for issuing permits to
4 business.

5 3. By January 15 of each year, the department of
6 economic development shall submit a written report to
7 the general assembly regarding the provision of
8 regulatory assistance by state agencies, including the
9 department's efforts, and its recommendations and
10 proposed solutions, to streamline the process of
11 issuing permits to business.

12 Sec. 127. NEW SECTION. 15E.20 PERMIT APPROVAL
13 REQUIREMENTS.

14 A state agency which requires a permit, license, or
15 other regulatory approval shall issue or deny the
16 permit, license, or other regulatory approval within
17 ninety days of the receipt by the state agency of an
18 application. Unless such a state agency communicates
19 any concerns to or requests additional information
20 from an applicant within ten days of the receipt of
21 the application, the application shall be considered
22 complete. A permit, license, or other regulatory
23 approval not issued or denied within the ninety days
24 shall be deemed to be issued and valid.

25 DIVISION XXI

26 UTILITY SALES TAX EXEMPTION

27 Sec. 128. Section 422.45, subsection 61, paragraph
28 b, subparagraphs (2), (3), (4), and (5), Code 2003,
29 are amended to read as follows:

30 (2) If the date of the utility billing or meter
31 reading cycle of the residential customer for the
32 sale, furnishing, or service of metered gas and
33 electricity is on or after January 1, 2003, through
34 ~~December 31, 2003~~ June 30, 2008, or if the sale,
35 furnishing, or service of fuel for purposes of
36 residential energy and the delivery of the fuel occurs
37 on or after January 1, 2003, through ~~December 31, 2003~~
38 June 30, 2008, the rate of tax is three percent of the
39 gross receipts.

40 (3) If the date of the utility billing or meter
41 reading cycle of the residential customer for the
42 sale, furnishing, or service of metered gas and
43 electricity is on or after ~~January 1, 2004~~ July 1,
44 2008, through ~~December 31, 2004~~ June 30, 2009, or if
45 the sale, furnishing, or service of fuel for purposes
46 of residential energy and the delivery of the fuel
47 occurs on or after ~~January 1, 2004~~ July 1, 2008,
48 through ~~December 31, 2004~~ June 30, 2009, the rate of
49 tax is two percent of the gross receipts.

50 (4) If the date of the utility billing or meter

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1 reading cycle of the residential customer for the
2 sale, furnishing, or service of metered gas and
3 electricity is on or after ~~January 1, 2005~~ July 1,
4 2009, through ~~December 31, 2005~~ June 30, 2010, or if
5 the sale, furnishing, or service of fuel for purposes
6 of residential energy and the delivery of the fuel
7 occurs on or after ~~January 1, 2005~~ July 1, 2009,
8 through ~~December 31, 2005~~ June 30, 2010, the rate of
9 tax is one percent of the gross receipts.

10 (5) If the date of the utility billing or meter
11 reading cycle of the residential customer for the
12 sale, furnishing, or service of metered gas and
13 electricity is on or after ~~January 1, 2006~~ July 1,
14 2010, or if the sale, furnishing, or service of fuel
15 for purposes of residential energy and the delivery of
16 the fuel occurs on or after ~~January 1, 2006~~ July 1,
17 2010, the rate of tax is zero percent of the gross
18 receipts.

DIVISION XXII

STATE ASSISTANCE FOR EDUCATIONAL INFRASTRUCTURE

Sec. 129. NEW SECTION. 292A.1 DEFINITIONS.

22 As used in this chapter, unless the context
23 otherwise requires:

24 1. "Capacity per pupil" means the sum of a school
25 district's property tax infrastructure capacity per
26 pupil and the sales tax capacity per pupil.

27 2. "Committee" means the school budget review
28 committee established in section 257.30.

29 3. "Department" means the department of education
30 established in section 256.1.

31 4. "Fund" means the state assistance for
32 educational infrastructure fund created in section
33 292A.3.

34 5. "Local match percentage" means a percentage
35 equivalent to either of the following, whichever is
36 less:

37 a. Fifty percent.

38 b. The quotient of a school district's capacity
39 per pupil divided by the capacity per pupil of the
40 school district at the fortieth percentile, multiplied
41 by fifty percent, except that the percentage in this
42 paragraph shall not be less than twenty percent.

43 6. "Program" means the state assistance for
44 educational infrastructure program established in
45 section 292A.2.

46 7. "Property tax infrastructure capacity per
47 pupil" means the sum of a school district's levies
48 under sections 298.2 and 298.18 when the levies are
49 imposed to the maximum extent allowable under law in
50 the budget year divided by the school district's basic

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1 enrollment for the budget year.

2 8. "Sales tax capacity per pupil" means the
3 estimated amount of revenues that a school district
4 receives or would receive if a local sales and
5 services tax for school infrastructure is imposed at
6 one percent pursuant to section 422E.2, divided by the
7 school district's basic enrollment for the budget
8 year.

9 9. "School infrastructure" means activities
10 initiated on or after July 1, 2003, for which a school
11 district is authorized to contract indebtedness and
12 issue general obligation bonds under section 296.1,
13 except those activities related to a teacher's or
14 superintendent's home or homes, to stadiums, to the
15 improving of a site for an athletic field, or to the
16 improving of a site already owned for an athletic
17 field. These activities include the construction,
18 reconstruction, repair, demolition work, purchasing,
19 or remodeling of schoolhouses and bus garages and the
20 procurement of schoolhouse construction sites and the
21 making of site improvements and those activities for
22 which revenues under section 298.3 or 300.2 may be
23 spent.

24 Sec. 130. NEW SECTION. 292A.2 STATE ASSISTANCE
25 FOR EDUCATIONAL INFRASTRUCTURE PROGRAM.

26 1. a. The department shall establish and
27 administer a state assistance for educational
28 infrastructure program to provide financial assistance
29 in the form of grants to school districts with school
30 infrastructure needs.

31 b. The department of education, in consultation
32 with the department of management, shall annually
33 compute the property tax infrastructure capacity per
34 pupil for each school district in the state.

35 c. The department of education, in consultation
36 with the department of revenue and the legislative
37 services agency, shall annually calculate the
38 estimated sales and services tax for school
39 infrastructure, if imposed at one percent, that is or
40 would be received by each school district in the state
41 pursuant to section 422E.3. These calculations shall
42 be made on a total tax and on a tax per pupil basis
43 for each school district.

44 d. The department of education, in consultation
45 with the department of revenue and the department of
46 management, shall annually compute capacity per pupil
47 and the local match percentage for each school
48 district in the state. The calculations shall be
49 released not later than September 1 of each year.

50 2. a. A school district's local match requirement

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1 is equivalent to the total investment of a project
2 multiplied by the school district's local match
3 percentage. A school district may submit an
4 application to the department for financial assistance
5 under the program if the school district meets the
6 district's local match requirement through one or more
7 of the following sources:

8 (1) The issuance of bonds pursuant to section
9 298.18.

10 (2) Local sales and services tax moneys received
11 pursuant to section 422E.3.

12 (3) A physical plant and equipment levy under
13 chapter 298.

14 (4) Other moneys locally obtained by the school
15 district excluding other state or federal grant
16 moneys.

17 b. If the project is in collaboration with other
18 public or private entities, the school district shall
19 be eligible to apply for only the school district's
20 portion of the project. As such, state or federal
21 grants received by the other entities cannot be used
22 toward the local match requirement under paragraph
23 "a", subparagraph (4).

24 c. A school district may submit an application for
25 a project which includes activities at more than one
26 attendance center. However, if the activities relate
27 to new construction, the project shall only relate to
28 one attendance center.

29 d. A school district may submit an application for
30 conditional approval to the department for financial
31 assistance under the program if the school district
32 submits a plan for securing the school district's
33 local match requirement under paragraph "a". If a
34 school district does not meet the local match
35 requirement of paragraph "a" within nine months of
36 receiving conditional approval from the department,
37 the application for financial assistance shall be
38 denied by the department and the financial assistance
39 shall be carried forward to be made available under
40 the allocation provided under subsection 5, paragraph
41 "d", for the next available grant cycle.

42 e. For the fiscal year beginning July 1, 2003, and
43 every fiscal year thereafter, applications shall be
44 submitted to the department by October 15 of each
45 year.

46 f. For the fiscal year beginning July 1, 2003, and
47 every fiscal year thereafter, the department shall
48 notify all approved applicants by December 15 of each
49 year regarding the approval of the application.

50 g. An applicant which is not successful in

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1 obtaining financial assistance under the program may
2 reapply for financial assistance in succeeding years.

3 3. The application shall include, but shall not be
4 limited to, the following information:

5 a. The total capital investment of the project.

6 b. The amount and percentage of moneys which the
7 school district will be providing for the project.

8 c. The infrastructure needs of the school
9 district, especially the fire and health safety needs
10 of the school district, and including the extent to
11 which the project would allow the school district to
12 meet the infrastructure needs of the school district
13 on a long-term basis.

14 d. The financial assistance needed by the school
15 district based upon the capacity per pupil.

16 e. Any previous efforts by the school district to
17 secure infrastructure funding from federal, state, or
18 local resources, including any funding received for
19 any project under the school infrastructure program
20 provided in chapter 292. The previous efforts shall
21 be evaluated on a case-by-case basis.

22 f. Evidence that the school district meets or will
23 meet the local match requirement in subsection 2,
24 paragraph "a".

25 g. The nature of the proposed project and its
26 relationship to improving educational opportunities
27 for the students.

28 h. Evidence that the school district has
29 reorganized on or after July 1, 2002, or that the
30 school district has initiated a resolution to
31 reorganize by July 1, 2005, or entered into an
32 innovative collaboration with another school district
33 or school districts.

34 i. Evidence that the school district receives
35 sales and services tax for school infrastructure
36 funding under section 422E.3.

37 4. A school district with less than two hundred
38 fifty actual enrollment or less than one hundred
39 actual enrollment in the high school that submits an
40 application for assistance for new construction or for
41 payments for bonds issued for new construction shall
42 include on the application, in addition to that in
43 subsection 3, all of the following:

44 a. Enrollment trends in the grades that will be
45 served at the new construction site.

46 b. The infeasibility of remodeling,
47 reconstructing, or repairing existing buildings.

48 c. The fire and health safety needs of the school
49 district.

50 d. The distance, convenience, cost of

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1 transportation, and accessibility of the new
2 construction site to the students to be served at the
3 new construction site.

4 e. Availability of alternative, less costly, or
5 more effective means of serving the needs of the
6 students.

7 f. The financial condition of the district,
8 including the effect of the decline of the budget
9 guarantee and unspent balance.

10 g. Broad and long-term ability of the district to
11 support the facility and the quality of the academic
12 program.

13 h. Cooperation with other educational entities
14 including other school districts, area education
15 agencies, postsecondary institutions, and local
16 communities.

17 5. A school district shall not receive more than
18 one grant under the program. The financial assistance
19 shall be in the form of grants and shall be allocated
20 in the following manner:

21 a. Twenty-five percent of the financial assistance
22 each year shall be awarded to school districts with an
23 enrollment of one thousand one hundred ninety-nine
24 students or less.

25 b. Twenty-five percent of the financial assistance
26 each year shall be awarded to school districts with an
27 enrollment of more than one thousand one hundred
28 ninety-nine students but not more than four thousand
29 seven hundred fifty students.

30 c. Twenty-five percent of the financial assistance
31 each year shall be awarded to school districts with an
32 enrollment of more than four thousand seven hundred
33 fifty students.

34 d. Twenty-five percent of the financial assistance
35 each year, any financial assistance not awarded under
36 paragraphs "a" through "c", and financial assistance
37 not awarded in previous fiscal years shall be awarded
38 to school districts with any size enrollment.

39 6. A district shall receive the lesser of one
40 million dollars of financial assistance under the
41 program, or the total capital investment of the
42 project minus the local match requirement. If the
43 amount of grants awarded in a fiscal year is less than
44 the maximum amount provided for grants for that fiscal
45 year, the amount of the difference shall be carried
46 forward to subsequent fiscal years for purposes of
47 providing grants under the program and the maximum
48 amount of grants for each fiscal year shall be
49 adjusted accordingly.

50 7. The school budget review committee shall review

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1 all applications for financial assistance under the
2 program and make recommendations regarding the
3 applications to the department. The department shall
4 make the final determination on grant awards. The
5 school budget review committee shall base the
6 recommendations on the criteria established pursuant
7 to subsections 3 and 8 and subsection 4, if
8 applicable.

9 8. The department shall form a task force to
10 review applications for financial assistance and
11 provide recommendations to the school budget review
12 committee. The task force shall include, at a
13 minimum, representatives from the kindergarten through
14 grade twelve education community, the state fire
15 marshal, and individuals knowledgeable in school
16 infrastructure and construction issues. The
17 department, in consultation with the task force, shall
18 establish the parameters and the details of the
19 criteria for awarding grants based on the information
20 listed in subsection 3, including greater priority to
21 the following:

- 22 a. A school district with a lower capacity per
23 pupil.
- 24 b. A school district whose plans address specific
25 occupant safety issues.
- 26 c. A school district reorganizing or collaborating
27 as described in subsection 3, paragraph "h".
- 28 d. A school district for which a sales and
29 services tax for school infrastructure has not been
30 imposed pursuant to section 422E.2 or a school
31 district receiving minimal revenues under section
32 422E.3 when the total enrollment of the school
33 district is considered.

34 9. An applicant receiving financial assistance
35 under the program shall submit a progress report to
36 the department as requested by the department which
37 shall include a description of the activities under
38 the project, the status of the implementation of the
39 project, and any other information required by the
40 department.

41 10. A school district located in whole or in part
42 in a county which has imposed the maximum rate of
43 sales and services tax for school infrastructure
44 pursuant to section 422E.2 and has sales and services
45 tax for school infrastructure revenue of more than the
46 statewide average of sales tax capacity per pupil, as
47 defined in section 292.1, subsection 8, shall not be
48 eligible for financial assistance under the program.
49 For purposes of this subsection, an individual school
50 district's sales tax capacity per pupil is the

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1 estimated total sales and services tax for
2 infrastructure revenue to be actually received by the
3 school district divided by the school district's
4 enrollment as specified in section 292.1, subsection
5 8.

6 Sec. 131. NEW SECTION. 292A.3 STATE ASSISTANCE
7 FOR EDUCATIONAL INFRASTRUCTURE FUND.

8 A state assistance for educational infrastructure
9 fund is created as a separate and distinct fund in the
10 state treasury under the control of the department.
11 Moneys in the fund include revenues credited to the
12 fund pursuant to this chapter, appropriations made to
13 the fund, and other moneys deposited into the fund.
14 Any amounts disbursed from the fund shall be utilized
15 for school infrastructure purposes as provided in this
16 chapter.

17 Sec. 132. NEW SECTION. 292A.4 RULES.

18 The department shall adopt rules, pursuant to
19 chapter 17A, necessary for administering the state
20 assistance for educational infrastructure program and
21 fund.

22 DIVISION XXIII
23 EFFECTIVE DATE

24 Sec. 133. EFFECTIVE DATE. Unless otherwise
25 provided in this Act, this Act takes effect July 1,
26 2003."

27 _____. Title page, by striking lines 1 and 2 and
28 inserting the following: "An Act concerning
29 regulatory, taxation, and statutory requirements
30 affecting individuals and business relating to
31 taxation of property, income and utilities, liability
32 reform, workers' compensation, financial services,
33 unemployment compensation employer surcharges,
34 economic development, and school infrastructure
35 assistance, and including effective date,
36 applicability, and retroactive applicability
37 provisions.""

By LARRY MCKIBBEN

S-3401 FILED MAY 29, 2003
ADOPTED

Carroll, Ch.
Kurtenbach
Kramer
Shoultz
Kuhn

Sub SF 0692

HSB 312
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 taxation of property and income and including
2 effective date and applicability date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 section by the valuations for property determined pursuant to
2 section 441.21, Code 2005, for the assessment year beginning
3 January 1, 2005.

4 Sec. 3. NEW SECTION. 384.1A DEFINITION -- MAXIMUM
5 DOLLARS.

6 For purposes of this chapter, the terms "per thousand
7 dollars of assessed valuation", "per thousand dollars of
8 assessed value", "per thousand dollars of taxable valuation",
9 and "per thousand dollars of taxable value" in relation to
10 taxes levied against agricultural, residential, commercial,
11 and industrial property shall mean the valuations for such
12 property as determined pursuant to section 441.21, Code 2005,
13 for the assessment year beginning January 1, 2005.

14 Beginning with fiscal years beginning on or after July 1,
15 2007, for any section of this chapter that specifically limits
16 a property tax levy rate authorized to be assessed on taxable
17 property for a fiscal year, the maximum amount of tax dollars
18 that may be levied for that fiscal year shall be determined by
19 multiplying the maximum tax levy rate authorized in that
20 section by the valuations for property determined pursuant to
21 section 441.21, Code 2005, for the assessment year beginning
22 January 1, 2005.

23 Sec. 4. Section 425.1, subsections 2 and 4, Code 2003, are
24 amended to read as follows:

25 2. The homestead credit fund shall be apportioned each
26 year so as to give a credit against the tax on each eligible
27 homestead in the state in an amount equal to five percent of
28 ~~the actual levy on the first four thousand eight hundred fifty~~
29 ~~dollars of actual value for~~ each homestead.

30 4. Annually the department of revenue and finance shall
31 estimate the credit not to exceed five percent of the actual
32 ~~levy on the first four thousand eight hundred fifty dollars of~~
33 ~~actual value of~~ each eligible homestead, and shall certify to
34 the county auditor of each county the credit and its amount in
35 dollars. Each county auditor shall then enter the credit

1 list the person's property and any additions or modifications
2 completed in the prior year to a structure located on the
3 property. The supplemental return shall be in substantially
4 the same form as now prescribed by law for the assessment
5 rolls used in the listing of property by the assessors. Every
6 person required to list property for taxation shall make a
7 complete listing of the property upon supplemental forms and
8 return the listing to the assessor as promptly as possible.
9 The return shall be verified over the signature of the person
10 making the return and section 441.25 applies to any person
11 making such a return. The assessor shall make supplemental
12 return forms available as soon as practicable after the first
13 day of January of each year. The assessor shall make
14 supplemental return forms available to the taxpayer by mail,
15 or at a designated place within the taxing district.

16 2. Upon receipt of such supplemental return from any
17 person the assessor shall prepare a roll assessing such person
18 as hereinafter provided. In the preparation of such
19 assessment roll the assessor shall be guided not only by the
20 information contained in such supplemental roll, but by any
21 other information the assessor may have or which may be
22 obtained by the assessor as prescribed by the law relating to
23 the assessment of property. The assessor shall not be bound
24 by any values or square footage determinations or purchase
25 prices as listed in such supplemental return, and may include
26 in the assessment roll any property omitted from the
27 supplemental return which in the knowledge and belief of the
28 assessor should be listed as required by law by the person
29 making the supplemental return. Upon completion of such roll
30 the assessor shall deliver to the person submitting such
31 supplemental return a copy of the assessment roll, either
32 personally or by mail.

33 Sec. 7. Section 441.21, Code 2003, is amended by striking
34 the section and inserting in lieu thereof the following:

35 441.21 ASSESSMENT OF STRUCTURES.

1 of the structure shall only increase if the square footage of
2 the structure increases. The increased valuation, if any,
3 equals the amount of increased square feet times the value per
4 square foot of the structure prior to the additions or
5 modifications.

6 4. a. Subject to paragraph "b" for valuations established
7 as of January 1, 2006, and for subsequent assessment years,
8 the assessed value per square foot of a commercial or
9 industrial structure shall be an amount equal to the valuation
10 of the structure as determined for the assessment year
11 beginning January 1, 2005, prior to application of the
12 assessment limitation for that year, divided by the total
13 number of square feet of the structure as of January 1, 2005.

14 b. (1) The assessed value per square foot of an existing
15 commercial or industrial structure purchased after January 1,
16 2005, shall be the purchase price of the structure divided by
17 the cumulative inflation factor established for the assessment
18 year following the year of purchase, divided by the total
19 number of square feet of the structure as of January 1 of the
20 assessment year. The assessed value per square foot of a
21 commercial or industrial structure newly constructed after
22 January 1, 2005, shall be the market value of the structure,
23 as determined by the assessor, divided by the cumulative
24 inflation factor established for the assessment year following
25 the year construction was completed, divided by the total
26 number of square feet of the structure as of January 1 of the
27 assessment year.

28 (2) If additions or modifications to an existing structure
29 do not constitute a newly constructed structure, the valuation
30 of the structure shall only increase if the square footage of
31 the structure increases. The increased valuation, if any,
32 equals the amount of increased square feet times the value per
33 square foot of the structure prior to the additions or
34 modifications.

35 5. a. In determining the market value of newly

1 fair and reasonable exchange value between a willing buyer and
2 a willing seller, assuming that the willing buyer is
3 purchasing only the special purpose tooling and not the patent
4 covering the property which the special purpose tooling is
5 designed to manufacture nor the rights to manufacture the
6 patented property. For purposes of this paragraph, special
7 purpose tooling includes dies, jigs, fixtures, molds,
8 patterns, and similar property. The assessor shall not take
9 into consideration the special value or use value to the
10 present owner of the special purpose tooling which is designed
11 and intended solely for the manufacture of property protected
12 by a patent in arriving at the actual value of the special
13 purpose tooling.

14 c. In determining the purchase price of a structure, the
15 assessor shall consider whether the sale was a fair and
16 reasonable exchange in the year in which the property was
17 listed and valued between a willing buyer and a willing
18 seller, neither being under any compulsion to buy or sell and
19 each being familiar with all the facts relating to the
20 particular property. Sale prices of the property or
21 comparable property in normal transactions reflecting market
22 value, and the probable availability or unavailability of
23 persons interested in purchasing the property, shall be taken
24 into consideration in determining purchase price. In
25 determining purchase price, sale prices of property in
26 abnormal transactions not reflecting market value shall not be
27 taken into account, or shall be adjusted to eliminate the
28 effect of factors which distort market value, including but
29 not limited to sales to immediate family of the seller,
30 foreclosure or other forced sales, contract sales, or
31 discounted purchase transactions.

32 6. For purposes of this section:

33 a. "Annual inflation factor" means an index, expressed as
34 a percentage, determined by the department by January 15 of
35 the assessment year for which the factor is determined, which

1 or horizontal improvements relating to the structure, such as
2 sidewalks, sewers, or retaining walls.

3 7. For the purpose of computing the debt limitations for
4 municipalities, political subdivisions, and school districts,
5 the term "actual value" means the "actual value" as determined
6 under this section without application of any percentage
7 reduction and entered opposite each item, and as listed on the
8 tax list as provided in section 443.2, as "actual value".

9 Whenever any board of review or other tribunal changes the
10 assessed value of property, all applicable records of
11 assessment shall be adjusted to reflect such change in both
12 assessed value and actual value of such property.

13 8. The provisions of this chapter and chapters 443, 443A,
14 and 444 shall be subject to legislative review at least once
15 every five years. The review shall be based upon a property
16 tax status report containing the recommendations of a
17 legislative interim committee appointed to conduct a review of
18 the land tax, square footage tax, the baseline assessment for
19 the square footage tax, and other related provisions, to be
20 prepared with the assistance of the departments of management
21 and revenue and finance. The report shall include
22 recommendations for changes or revisions based upon
23 demographic changes and property tax valuation fluctuations
24 observed during the preceding five-year interval, and a
25 summary of issues that have arisen since the previous review
26 and potential approaches for their resolution. The first such
27 report shall be submitted to the general assembly no later
28 than January 1, 2010, with subsequent reports developed and
29 submitted by January 1 at least every fifth year thereafter.

30 Sec. 8. NEW SECTION. 441.21A PROPERTY CLASSIFICATIONS.

31 1. a. Agricultural land shall be valued at its
32 productivity value. The productivity value of agricultural
33 land shall be determined on the basis of productivity and net
34 earning capacity of the land determined on the basis of its
35 use for agricultural purposes capitalized at a rate of seven

1 Sec. 9. Section 441.22, Code 2003, is amended to read as
2 follows:

3 441.22 FOREST AND FRUIT-TREE RESERVATIONS.

4 Forest and fruit-tree reservations fulfilling the
5 conditions of sections 427C.1 to 427C.13 shall be ~~exempt-from~~
6 taxation classified as recreational, preserve, and
7 environmental property and subject to the land tax as provided
8 in section 443A.1. In all other cases where trees are planted
9 upon any tract of land, without regard to area, for forest,
10 fruit, shade, or ornamental purposes, or for windbreaks, the
11 assessor shall not increase the valuation of the property
12 because of such improvements.

13 Sec. 10. Section 441.23, Code 2003, is amended to read as
14 follows:

15 441.23 NOTICE OF VALUATION.

16 If there has been an increase or decrease in the valuation
17 of the property, or upon the written request of the person
18 assessed, the assessor shall, at the time of making the
19 assessment, inform the person assessed, in writing, of the
20 valuation put upon the taxpayer's property, and notify the
21 person, if the person feels aggrieved, to appear before the
22 board of review and show why the assessment should be changed.

23 ~~However, if the valuation of a class of property is uniformly~~
24 ~~decreased, the assessor may notify the affected property~~
25 ~~owners by publication in the official newspapers of the~~
26 ~~county. The owners of real property shall be notified not~~
27 ~~later than April 15 of any adjustment of the real property~~
28 ~~assessment.~~

29 Sec. 11. Section 441.24, Code 2003, is amended to read as
30 follows:

31 441.24 REFUSAL TO FURNISH STATEMENT.

32 1. If a person refuses to furnish the verified statements
33 required in connection with the assessment of property by the
34 assessor, or to list the corporation's or person's property,
35 the director of revenue and finance, or assessor, as the case

~~1 director-of-revenue-and-finance-deems-essential-in-the~~
2 ~~equalization-work-of-the-director.~~ The assessor shall return
3 all assessment rolls and schedules to the county auditor,
4 along with the completed assessment book, as provided in this
5 chapter, and the county auditor shall carefully keep and
6 preserve the rolls, schedules and book for a period of five
7 years from the time of its filing in the county auditor's
8 office.

9 Beginning with valuations for January 1, ~~1977~~ 2006, and
10 each succeeding year, for each parcel of agricultural property
11 and for each structure entered in the assessment book, the
12 assessor shall list the classification of the property.

13 Sec. 14. Section 441.35, subsection 1, Code 2003, is
14 amended by striking the subsection.

15 Sec. 15. Section 441.35, unnumbered paragraph 2, Code
16 2003, is amended by striking the unnumbered paragraph.

17 Sec. 16. Section 441.36, Code 2003, is amended to read as
18 follows:

19 441.36 CHANGE OF ASSESSMENT -- NOTICE.

20 All changes in assessments authorized by the board of
21 review, and reasons therefor, shall be entered in the minute
22 book kept by ~~said~~ the board and on the assessment roll. ~~Said~~
23 The minute book shall be filed with the assessor after the
24 adjournment of the board of review and shall at all times be
25 open to public inspection. In case the value of any specific
26 property or structure or the entire assessment of any person,
27 partnership, or association is increased, or new property or a
28 new structure is added by the board, the clerk shall give
29 immediate notice thereof by mail to each at the post-office
30 address shown on the assessment rolls, and at the conclusion
31 of the action of the board therein the clerk shall post an
32 alphabetical list of those whose assessments are thus raised
33 and added, in a conspicuous place in the office or place of
34 meeting of the board, and enter upon the records a statement
35 that such posting has been made, which entry shall be

1 assessment books accordingly.

2 Sec. 19. Section 441.42, Code 2003, is amended to read as
3 follows:

4 441.42 APPEAL ON BEHALF OF PUBLIC.

5 Any officer of a county, city, township, drainage district,
6 levee district, or school district interested or a taxpayer
7 thereof may in like manner make complaint before said the
8 board of review in respect to the assessment of any property
9 or structure in the township, drainage district, levee
10 district or city and an appeal from the action of the board of
11 review in fixing the amount of assessment on any property or
12 structure concerning which such complaint is made, may be
13 taken by any of such aforementioned officers.

14 Such appeal is in addition to the appeal allowed to the
15 person whose property or structure is assessed and shall be
16 taken in the name of the county, city, township, drainage
17 district, levee district, or school district interested, and
18 tried in the same manner, except that the notice of appeal
19 shall also be served upon the owner of the property or
20 structure concerning which the complaint is made and affected
21 thereby or person required to return said property or
22 structure for assessment.

23 Sec. 20. Section 441.43, Code 2003, is amended to read as
24 follows:

25 441.43 POWER OF COURT.

26 Upon trial of any appeal from the action of the board of
27 review fixing the amount of assessment upon any property or
28 structure concerning which complaint is made, the court may
29 increase, decrease, or affirm the amount of the assessment
30 appealed from.

31 Sec. 21. Section 441.45, subsections 1 and 2, Code 2003,
32 are amended to read as follows:

33 1. The number of acres of land and the aggregate taxable
34 values of the agricultural land, ~~exclusive-of-city-lots,~~
35 returned by the assessors, as corrected by the board of

1 cities into a book or record, to be known as the tax list,
2 properly ruled and headed, with separate columns, in which
3 shall be entered the names of the taxpayers, descriptions of
4 lands, number of acres and value, numbers of city lots, their
5 size in acres, and value, and each description of the square
6 footage tax and the land tax, with a column for polls and one
7 for payments, and shall complete it by entering the amount due
8 on each installment, separately, and carrying out the total of
9 both installments. The total of all columns of each page of
10 each book or other record shall balance with the tax totals.
11 After computing the amount of land tax and square footage tax
12 due and payable on each property, the county auditor shall
13 round the total amount of tax taxes due and payable on the
14 property to the nearest even whole dollar.

15 The county auditor shall list the aggregate actual value
16 and the aggregate taxable value of all taxable property within
17 the county and each political subdivision including property
18 subject to the statewide property tax imposed under section
19 437A.18 on the tax list in order that the actual value of the
20 taxable property within the county or a political subdivision
21 may be ascertained and shown by the tax list for the purpose
22 of computing the debt-incurring capacity of the county or
23 political subdivision. As used in this section, "actual
24 value" is the value determined under section 441.21,
25 subsections 1 to 3, Code 2005, prior to the reduction to a
26 percentage of actual value as otherwise provided in section
27 441.21, Code 2005. "Actual value" of property subject to
28 statewide property tax is the assessed value under section
29 437A.18.

30 Sec. 25. Section 443.3, Code 2003, is amended to read as
31 follows:

32 443.3 CORRECTION -- TAX APPORTIONED.

33 At the time of transcribing ~~said~~ the assessments into the
34 tax list, the county auditor shall correct all transfers up to
35 date and place the legal descriptions of all real estate in

1 treasurer, such correction or assessment shall be entered on
2 the records by the auditor or treasurer.

3 Sec. 29. Section 443.12, Code 2003, is amended to read as
4 follows:

5 443.12 CORRECTIONS BY TREASURER.

6 When property land or a structure subject to taxation is
7 withheld, overlooked, or from any other cause is not listed,
8 or is not listed and assessed, the county treasurer shall,
9 when apprised thereof, at any time within two years from the
10 date at which such listing and assessment should have been
11 made, demand of the person, firm, corporation, or other party
12 by whom the same should have been listed, or to whom it should
13 have been listed and assessed, or of the administrator
14 thereof, the amount the property land or structure should have
15 been taxed in each year the same was so withheld or overlooked
16 and not listed or not listed and assessed, together with six
17 percent interest thereon from the time the taxes would have
18 become due and payable had such property land been listed or
19 such structure been listed and assessed.

20 Sec. 30. Section 443.13, Code 2003, is amended to read as
21 follows:

22 443.13 ACTION BY TREASURER -- APPORTIONMENT.

23 Upon failure to pay such sum within thirty days, with all
24 accrued interest, the treasurer shall cause an action to be
25 brought in the name of the treasurer for the use of the proper
26 county, to be prosecuted by the county attorney, or such other
27 person as the board of supervisors may appoint, and when such
28 property land has been fraudulently withheld from listing or
29 such structure fraudulently withheld from listing and
30 assessment, there shall be added to the sum found to be due a
31 penalty of fifty percent upon the amount, which shall be
32 included in the judgment. The amount thus recovered shall be
33 by the treasurer apportioned ratably as the taxes would have
34 been if they had been paid according to law.

35 Sec. 31. Section 443.14, Code 2003, is amended to read as

1 In all cases where real-estate land subject to taxation has
2 not been listed or agricultural land or a structure subject to
3 taxation has not been listed and assessed, the owner, or an
4 agent of the owner, shall have the same done by the treasurer,
5 and pay the taxes thereon; and if the owner fails to do so the
6 treasurer shall list or list and assess the same and collect
7 the tax assessed as the treasurer does other taxes.

8 Sec. 35. Section 443.19, Code 2003, is amended to read as
9 follows:

10 443.19 IRREGULARITIES, ERRORS AND OMISSIONS -- EFFECT.

11 No A failure of the owner to have such property land listed
12 or agricultural land or structure listed and assessed or to
13 have the errors in the listing or assessment corrected, and no
14 an irregularity, error or omission in the listing of such land
15 or listing and assessment of such property agricultural land
16 or structure, shall not affect in any manner the legality of
17 the taxes levied thereon, or affect any right or title to such
18 real-estate property which would have accrued to any party
19 claiming or holding under and by virtue of a deed executed by
20 the treasurer as provided by this title, had the listing and
21 assessment of such property been in all respects regular and
22 valid.

23 Sec. 36. Section 443.21, Code 2003, is amended to read as
24 follows:

25 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

26 All assessors and assessing bodies, including the
27 department of revenue and finance having authority over the
28 listing of land or listing and assessment of property
29 agricultural land and structures for tax purposes shall
30 certify to the county auditor of each county the number of
31 acres of land and the assessed values of agricultural land and
32 structures for all the taxable property in such county as
33 finally equalized-and determined, and the same shall be
34 transcribed onto the tax lists as required by section 443.2.

35 Sec. 37. Section 443.22, Code 2003, is amended to read as

1 (1) Correlate each parcel of agricultural land in the
2 county according to the productivity value established for the
3 assessment year beginning January 1, 2004, with the highest
4 value given a base factor of one and each other parcel given a
5 relative base factor equal to a percentage of one.

6 (2) For the assessment year beginning January 1, 2006, and
7 subsequent assessment years, the classification factor for a
8 parcel of agricultural land for the assessment year equals the
9 number computed by dividing the productivity value of the land
10 for the assessment year by the productivity value of the land
11 for the assessment year beginning January 1, 2004, and
12 multiplying the quotient by the base factor for the parcel as
13 determined in subparagraph (1).

14 Sec. 39. NEW SECTION. 443A.2 APPORTIONMENT OF LAND TAX.

15 1. The land tax for each county shall be apportioned as
16 follows:

17 In the unincorporated area of the county, the land tax
18 shall be distributed to the county, the school district
19 located in the unincorporated area of the county, and other
20 taxing entities located in the unincorporated area of the
21 county in the same proportion that property taxes levied in
22 the unincorporated area of the county for the fiscal year
23 beginning July 1, 2006, were allocated to those entities.

24 In the incorporated areas of the county, the land tax shall
25 be distributed to the city, the county, each school district
26 located within the city, and other taxing entities located
27 within the city in the same proportion that property taxes
28 levied in the city for the fiscal year beginning July 1, 2006,
29 were allocated to those entities.

30 2. The city finance committee and the county finance
31 committee shall jointly determine the adjustments to be made
32 to the allocation of the land tax in the case of boundary
33 adjustments made to a taxing district on or after January 1,
34 2006.

35 3. After the auditor has computed the amount of land tax

1 the current year, and the amount of land tax to be distributed
2 to each taxing district has been deducted from the dollar
3 amounts certified in section 444.2 for each taxing district,
4 the county auditor shall thereupon apply such a rate, ~~not~~
5 ~~exceeding the rate authorized by law,~~ or rates as will raise
6 the amount required for such taxing district, and when
7 combined with the land tax amount will raise an amount not
8 exceeding the dollar amount authorized by law for the taxing
9 district, and no will not raise a larger amount. For purposes
10 of computing the square footage rate under this section, the
11 adjusted taxable square footage valuation of the property of a
12 taxing district does not include the valuation of property of
13 a railway corporation or its trustee which corporation has
14 been declared bankrupt or is in bankruptcy proceedings.
15 Nothing in the preceding sentence exempts the property of such
16 railway corporation or its trustee from taxation and the rate
17 computed under this section shall be levied on the taxable
18 property of such railway corporation or its trustee.
19 The square footage tax rate shall be expressed in dollars
20 and cents per one hundred dollars of valuation per square
21 foot.

22 Sec. 43. NEW SECTION. 444.9 COMPUTATION OF TAX.

23 The amount of tax imposed on any taxable property is the
24 sum of the amounts computed in subsections 1 and 2.

25 1. LAND TAX. The product of the land tax rate times the
26 classification factor times the number of acres or portion of
27 an acre of the taxable property.

28 2. SQUARE FOOTAGE TAX. The product of the square footage
29 tax rate times the valuation per square foot of the taxable
30 structure times the number of square feet of the taxable
31 structure. The square footage tax shall be computed
32 separately for each structure located on the land.

33 Sec. 44. Sections 425.16 through 425.40, section 426A.11,
34 sections 441.47 through 441.49, and section 441.72, Code 2003,
35 are repealed.

1 structure as determined by the assessor divided by the
2 cumulative inflation factor, divided by the total number of
3 square feet of the newly constructed structure.

4 The bill defines "annual inflation factor", "cumulative
5 inflation factor", and "structure".

6 The bill strikes provisions relating to percentage
7 assessment limitations and to equalization of values by the
8 department of revenue and finance.

9 The bill retains the homestead credit and provides that the
10 credit shall be equal to 5 percent of the actual levy on the
11 homestead, subject to a minimum credit of \$62.50 per
12 homestead. The bill retains the military service property tax
13 credit and provides that the credit shall be equal to 1.75
14 percent of the actual levy on the property. The bill repeals
15 the extraordinary credit for persons who are low income and
16 low-income elderly and disabled, the family farm tax credit,
17 and the agricultural land tax credit.

18 The bill creates a land tax to be imposed on each taxable
19 acre or portion of acre in each county. The land tax is
20 computed per county and is equal to the average annual amount
21 of tax dollars levied by the county against an acre of
22 agricultural property for the five fiscal years in the fiscal
23 period beginning July 1, 2001, and ending June 30, 2006, times
24 a classification factor for the different classes of property.
25 All classes have a classification factor of 1, except for the
26 recreational, preserve, and environmental class that has a
27 factor of .25 and the agricultural land class that varies
28 depending upon the productivity value of the land. The land
29 tax is allocated to the taxing districts in the county in the
30 same proportion that property taxes levied for the fiscal year
31 beginning July 1, 2006, were allocated to the taxing
32 districts.

33 The bill provides that the amount of land tax allocated to
34 a taxing district shall be deducted from the property tax
35 dollars certified by a taxing district before the county

AN ACT

CONCERNING REGULATORY, TAXATION, AND STATUTORY REQUIREMENTS AFFECTING INDIVIDUALS AND BUSINESS RELATING TO TAXATION OF PROPERTY, INCOME AND UTILITIES, LIABILITY REFORM, WORKERS' COMPENSATION, FINANCIAL SERVICES, UNEMPLOYMENT COMPENSATION EMPLOYER SURCHARGES, ECONOMIC DEVELOPMENT, AND INCLUDING EFFECTIVE DATE, APPLICABILITY, AND RETROACTIVE APPLICABILITY PROVISIONS.

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

DIVISION I
PROPERTY TAXATION

Section 1. Section 441.19, subsections 1 and 2, Code 2003, are amended to read as follows:

1. Supplemental and optional to the procedure for the assessment of property by the assessor as provided in this chapter, the assessor may require from all persons required to list their property for taxation as provided by sections 428.1 and 428.2, a supplemental return to be prescribed by the director of revenue and finance upon which the person shall list the person's property and any additions or modifications completed in the prior year to a structure located on the property. The supplemental return shall be in substantially the same form as now prescribed by law for the assessment rolls used in the listing of property by the assessors. Every person required to list property for taxation shall make a complete listing of the property upon supplemental forms and return the listing to the assessor ~~as promptly as possible~~ within thirty days of receiving the assessment notice in section 441.23. The return shall be verified over the signature of the person making the return and section 441.25 applies to any person making such a return. The assessor

shall make supplemental return forms available as soon as practicable after the first day of January of each year. The assessor shall make supplemental return forms available to the taxpayer by mail, or at a designated place within the taxing district.

2. Upon receipt of such supplemental return from any person the assessor shall prepare a roll assessing such person as hereinafter provided. In the preparation of such assessment roll the assessor shall be guided not only by the information contained in such supplemental roll, but by any other information the assessor may have or which may be obtained by the assessor as prescribed by the law relating to the assessment of property. The assessor shall not be bound by any values or square footage determinations or purchase prices as listed in such supplemental return, and may include in the assessment roll any property omitted from the supplemental return which in the knowledge and belief of the assessor should be listed as required by law by the person making the supplemental return. Upon completion of such roll the assessor shall deliver to the person submitting such supplemental return a copy of the assessment roll, either personally or by mail.

Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.

It is the intent of the general assembly that there be transparency in the property tax system. It is further the intent of the general assembly that property assessments for purposes of property taxation be equal and uniform within classes of property. It is further the intent of the general assembly to minimize the impact that maintenance and upkeep by the owner of property has on the assessment of that property and that there be predictability in increases of property assessments and that such predictability be based primarily on the actions of the property owner. It is further the intent of the general assembly to minimize the impact that increases in assessed value of property will have on property taxes paid and that any increases will be primarily the result of direct action taken by the local taxing authority in setting budget amounts rather than by increases in market value of property.

Sec. 3. Section 441.21, Code 2003, is amended by striking the section and inserting in lieu thereof the following:

441.21 ASSESSMENT OF STRUCTURES.

1. All real property, except land, subject to taxation shall be assessed on a value per square foot basis according to the provisions of this section.

2. a. Subject to paragraph "b", for valuations established as of January 1, 2006, and for subsequent assessment years, the assessed value per square foot of a residential structure shall be an amount equal to the valuation of the structure as determined for the assessment year beginning January 1, 2005, prior to application of the assessment limitation for that year, divided by the total number of square feet of the structure as of January 1, 2005.

b. (1) The assessed value per square foot of an existing residential structure purchased after January 1, 2005, shall be the purchase price of the structure divided by the cumulative inflation factor established for the assessment year following the year of purchase, divided by the total number of square feet of the structure as of January 1 of the assessment year. The assessed value per square foot of a residential structure newly constructed after January 1, 2005, shall be the market value of the structure, as determined by the assessor, divided by the cumulative inflation factor established for the assessment year following the year construction was completed, divided by the total number of square feet of the structure as of January 1 of the assessment year. However, when valuing an addition that substantially increases the square footage of a structure, only that portion of the structure comprising the addition shall be valued by the assessor under this subparagraph.

(2) If additions or modifications to an existing structure do not constitute a newly constructed structure, the valuation of the structure shall only increase if the square footage of the structure increases. The increased valuation, if any, equals the amount of increased square feet times the value per square foot of the structure prior to the additions or modifications.

3. a. Subject to paragraph "b" for valuations established as of January 1, 2006, and for subsequent assessment years, the assessed value per square foot of a commercial or industrial structure shall be an amount equal to the valuation of the structure as determined for the assessment year beginning January 1, 2005, prior to application of the assessment limitation for that year, divided by the total number of square feet of the structure as of January 1, 2005.

b. (1) The assessed value per square foot of an existing commercial or industrial structure purchased after January 1, 2005, shall be the purchase price of the structure divided by the cumulative inflation factor established for the assessment year following the year of purchase, divided by the total number of square feet of the structure as of January 1 of the assessment year. The assessed value per square foot of a commercial or industrial structure newly constructed after January 1, 2005, shall be the market value of the structure, as determined by the assessor, divided by the cumulative inflation factor established for the assessment year following the year construction was completed, divided by the total number of square feet of the structure as of January 1 of the assessment year. However, when valuing an addition that substantially increases the square footage of a structure, only that portion of the structure comprising the addition shall be valued by the assessor under this subparagraph.

(2) If additions or modifications to an existing structure do not constitute a newly constructed structure, the valuation of the structure shall only increase if the square footage of the structure increases. The increased valuation, if any, equals the amount of increased square feet times the value per square foot of the structure prior to the additions or modifications.

4. a. Subject to paragraph "b" for valuations established as of January 1, 2006, and for subsequent assessment years, the assessed value per square foot of an agricultural structure that is not an agricultural dwelling shall be an amount equal to the valuation of the structure as determined

for the assessment year beginning January 1, 2005, prior to application of the assessment limitation for that year, divided by the total number of square feet of the structure as of January 1, 2005.

b. (1) The assessed value per square foot of an existing agricultural structure purchased after January 1, 2005, shall be the productivity value of the structure divided by the cumulative inflation factor established for the assessment year following the year of purchase, divided by the total number of square feet of the structure as of January 1 of the assessment year. The assessed value per square foot of an agricultural structure newly constructed after January 1, 2005, shall be the productivity value of the structure for the assessment year following the year construction was completed, as determined by the assessor, divided by the cumulative inflation factor established for the assessment year following the year construction was completed, divided by the total number of square feet of the structure as of January 1 of the assessment year. However, when valuing an addition that substantially increases the square footage of a structure, only that portion of the structure comprising the addition shall be valued by the assessor under this subparagraph.

(2) If additions or modifications to an existing structure do not constitute a newly constructed structure, the valuation of the structure shall only increase if the square footage of the structure increases. The increased valuation, if any, equals the amount of increased square feet times the value per square foot of the structure prior to the additions or modifications.

5. a. In determining the market value of newly constructed property, except agricultural structures, the assessor may determine the value of the property using uniform and recognized appraisal methods including its productive and earning capacity, if any, industrial conditions, its cost, physical and functional depreciation and obsolescence and replacement cost, and all other factors which would assist in determining the fair and reasonable market value of the

property but the actual value shall not be determined by use of only one such factor. The following shall not be taken into consideration: special value or use value of the property to its present owner, and the goodwill or value of a business that uses the property as distinguished from the value of the property as property. However, in assessing property that is rented or leased to low-income individuals and families as authorized by section 42 of the Internal Revenue Code, as amended, and which section limits the amount that the individual or family pays for the rental or lease of units in the property, the assessor shall use the productive and earning capacity from the actual rents received as a method of appraisal and shall take into account the extent to which that use and limitation reduces the market value of the property. The assessor shall not consider any tax credit equity or other subsidized financing as income provided to the property in determining the market value. Upon adoption of uniform rules by the department of revenue and finance covering assessments and valuations of such properties, the valuation on such properties shall be determined in accordance with such values for assessment purposes to assure uniformity, but such rules shall not be inconsistent with or change the foregoing means of determining the market value.

b. The actual value of special purpose tooling, which is subject to assessment and taxation as real property under section 427A.1, subsection 1, paragraph "e", but which can be used only to manufacture property which is protected by one or more United States or foreign patents, shall not exceed the fair and reasonable exchange value between a willing buyer and a willing seller, assuming that the willing buyer is purchasing only the special purpose tooling and not the patent covering the property which the special purpose tooling is designed to manufacture nor the rights to manufacture the patented property. For purposes of this paragraph, special purpose tooling includes dies, jigs, fixtures, molds, patterns, and similar property. The assessor shall not take into consideration the special value or use value to the

present owner of the special purpose tooling which is designed and intended solely for the manufacture of property protected by a patent in arriving at the actual value of the special purpose tooling.

c. In determining the purchase price of a structure, the assessor shall consider whether the sale was a fair and reasonable exchange in the year in which the property was listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property. Sale prices of the property or comparable property in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in determining purchase price. In determining purchase price, sale prices of property in abnormal transactions not reflecting market value shall not be taken into account, or shall be adjusted to eliminate the effect of factors which distort market value, including but not limited to sales to immediate family of the seller, foreclosure or other forced sales, contract sales, or discounted purchase transactions.

d. If a county enters into a contract before May 1, 2003, for a comprehensive revaluation by a private appraiser and such revaluation is for the assessment year beginning January 1, 2006, the valuations determined under the comprehensive revaluation for that assessment year shall be divided by the cumulative inflation factor for the assessment year beginning January 1, 2006, and that quotient shall be considered the valuation of the property for the assessment year beginning January 1, 2005.

6. Notwithstanding any other provision of this section, the assessed value per square foot of a structure times the total number of square feet of the structure shall not exceed its fair and reasonable market value for the assessment year, except for agricultural structures which shall be valued exclusively as provided in subsection 4.

7. For purposes of this section:

a. "Annual inflation factor" means an index, expressed as a percentage, determined by the department by January 15 of the assessment year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the twelve-month period ending September 30 of the calendar year preceding the assessment year for which the factor is determined. In determining the annual inflation factor, the department shall use the annual percent change, but not less than zero percent, in the gross domestic product price deflator computed for the calendar year by the bureau of economic analysis of the United States department of commerce and shall add all of that percent change to one hundred percent. The annual inflation factor and the cumulative inflation factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual inflation factor shall not be less than one hundred percent. The annual inflation factor for the 2005 calendar year is one hundred percent.

b. "Cumulative inflation factor" means the product of the annual inflation factor for the 2005 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor applies to the assessment year beginning on January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. "Newly constructed" includes, but is not limited to, structural replacement, additions that substantially increase the square footage, conversion into another class of property, and conversion from exempt property under section 427.1 to taxable property. For commercial and industrial property, "newly constructed" also includes an addition or removal to a structure of personal property taxed as real estate under chapter 427A.

d. "Structure" means any part of that which is built or constructed, an edifice or building of any kind, or any piece of work artificially built up or composed of parts joined together in some definite manner. For residential structures,

structure includes only those parts of the structure, including basements and attics, that are or could be used as living space. "Structure" does not include the land beneath, or horizontal improvements relating to the structure, such as sidewalks, sewers, or retaining walls.

8. For the purpose of computing the debt limitations for municipalities, political subdivisions, and school districts, the term "actual value" means the "actual value" as determined under this section without application of any percentage reduction and entered opposite each item, and as listed on the tax list as provided in section 443.2, as "actual value".

Whenever any board of review or other tribunal changes the assessed value of property, all applicable records of assessment shall be adjusted to reflect such change in both assessed value and actual value of such property.

9. The provisions of this chapter and chapters 443, 443A, and 444 shall be subject to legislative review at least once every five years. The review shall be based upon a property tax status report containing the recommendations of a property tax implementation committee appointed to conduct a review of the land tax, square footage tax, the baseline assessment for the square footage tax, and other related provisions, to be prepared with the assistance of the departments of management and revenue and finance. The report shall include recommendations for changes or revisions based upon demographic changes and property tax valuation fluctuations observed during the preceding five-year interval, and a summary of issues that have arisen since the previous review and potential approaches for their resolution. The first such report shall be submitted to the general assembly no later than January 1, 2010, with subsequent reports developed and submitted by January 1 at least every fifth year thereafter.

Sec. 4. NEW SECTION. 441.21A PROPERTY CLASSIFICATIONS.

1. a. Agricultural land shall be valued at its productivity value. The productivity value of agricultural land shall be determined on the basis of productivity and net earning capacity of the land determined on the basis of its

use for agricultural purposes capitalized at a rate of seven percent and applied uniformly among counties and among classes of property. Any formula or method employed to determine productivity and net earning capacity of land shall be adopted in full by rule.

b. In counties or townships in which field work on a modern soil survey has been completed since January 1, 1949, the assessor shall place emphasis upon the results of the survey in spreading the valuation among individual parcels of such agricultural land.

c. "Agricultural land" includes the land of a vineyard.

2. a. "Residential property" includes all lands and buildings which are primarily used or intended for human habitation, including those buildings located on agricultural land. Buildings used primarily or intended for human habitation shall include the dwelling as well as structures and improvements used primarily as a part of, or in conjunction with, the dwelling. This includes but is not limited to garages, whether attached or detached, tennis courts, swimming pools, guest cottages, and storage sheds for household goods. Residential property located on agricultural land shall include only buildings.

b. "Residential property" includes all land and buildings of multiple housing cooperatives organized under chapter 499A and includes land and buildings used primarily for human habitation which land and buildings are owned and operated by organizations that have received tax-exempt status under section 501(c)(3) of the Internal Revenue Code and rental income from the property is not taxed as unrelated business income under section 422.33, subsection 1A.

c. "Residential property" includes an apartment in a horizontal property regime referred to in chapter 499B which is used or intended for use for human habitation regardless of who occupies the apartment. Existing structures shall not be converted to a horizontal property regime unless applicable building code requirements have been met.

d. Buildings for human habitation that are used as commercial ventures, including but not limited to hotels, motels, rest homes, and structures containing three or more separate living quarters shall not be considered residential property.

Sec. 5. Section 441.23, Code 2003, is amended to read as follows:

441.23 NOTICE OF VALUATION.

If there has been an increase or decrease in the valuation of the property, or upon the written request of the person assessed, the assessor shall, at the time of making the assessment, inform the person assessed, in writing, of the valuation put upon the taxpayer's property, and notify the person, if the person feels aggrieved, to appear before the board of review and show why the assessment should be changed. However, if the valuation of ~~a class of~~ agricultural property is uniformly decreased, the assessor may notify the affected property owners by publication in the official newspapers of the county. The owners of real property shall be notified not later than April 15 of any adjustment of the real property assessment. The notification shall include a supplemental return form for the person to list the person's property and any additions or modifications completed in the prior year to a structure located on the property, as required in section 441.19.

Sec. 6. Section 441.24, Code 2003, is amended to read as follows:

441.24 REFUSAL TO FURNISH STATEMENT.

1. If a person refuses to furnish the verified statements required in connection with the assessment of property by the assessor, or to list the corporation's or person's property, the director of revenue and finance, or assessor, as the case may be, shall proceed to list and assess the property according to the best information obtainable, and shall add to the ~~taxable~~ agricultural land and square footage valuation one hundred percent thereof, which valuation and penalty shall be separately shown, and shall constitute the assessment; and if

the agricultural land or square footage valuation of the property is changed by a board of review, or on appeal from a board of review, a like penalty shall be added to the valuation thus fixed.

2. However, all or part of the penalty imposed under this section may be waived by the board of review upon application to the board by the assessor or the property owner. The waiver or reduction in the penalty shall be allowed only on the agricultural land or the square footage valuation of ~~real~~ property the structure against which the penalty has been imposed.

Sec. 7. Section 441.26, unnumbered paragraph 3, Code 2003, is amended to read as follows:

The notice in ~~1981~~ 2007 and each odd-numbered year thereafter shall contain a statement that the agricultural property assessments and property assessed pursuant to section 441.21, subsection 2, paragraph "b", subparagraph (1), and subsection 3, paragraph "b", subparagraph (1), are subject to equalization pursuant to an order issued by the director of revenue and finance, that the county auditor shall give notice on or before October 15 by publication in an official newspaper of general circulation to any ~~class of~~ agricultural property affected by the equalization order, and that the board of review shall be in session from October 15 to November 15 to hear protests of affected property owners or taxpayers whose valuations have been adjusted by the equalization order.

Sec. 8. Section 441.26, unnumbered paragraphs 4 and 5, Code 2003, are amended to read as follows:

The assessment rolls shall be used in listing the property, the number of structures, and the total square footage of the structures by class of property, and showing the values affixed to agricultural land and the assessed value per square foot affixed to the property the structures by class of property of all persons assessed. The rolls shall be made in duplicate. The duplicate roll shall be signed by the assessor, detached from the original and delivered to the

person assessed if there has been an increase or decrease in the valuation of the property. If there has been no change in the evaluation, the information on the roll may be printed on computer stock paper and preserved as required by this chapter. If the person assessed requests in writing a copy of the roll, the copy shall be provided to the person. The pages of the assessor's assessment book shall contain columns ruled and headed for the information required by this chapter and that which the director of revenue and finance deems essential in the equalization work of the director. The assessor shall return all assessment rolls and schedules to the county auditor, along with the completed assessment book, as provided in this chapter, and the county auditor shall carefully keep and preserve the rolls, schedules and book for a period of five years from the time of its filing in the county auditor's office.

Beginning with valuations for January 1, ~~1977~~ 2006, and each succeeding year, for each parcel of agricultural property and for each structure entered in the assessment book, the assessor shall list the classification of the property.

Sec. 9. Section 441.35, subsection 1, Code 2003, is amended by striking the subsection.

Sec. 10. Section 441.35, unnumbered paragraph 2, Code 2003, is amended by striking the unnumbered paragraph.

Sec. 11. Section 441.36, Code 2003, is amended to read as follows:

441.36 CHANGE OF ASSESSMENT -- NOTICE.

All changes in assessments authorized by the board of review, and reasons therefor, shall be entered in the minute book kept by ~~said~~ the board and on the assessment roll. ~~Said~~ The minute book shall be filed with the assessor after the adjournment of the board of review and shall at all times be open to public inspection. In case the value of any specific property or structure or the entire assessment of any person, partnership, or association is increased, or new property or a new structure is added by the board, the clerk shall give immediate notice thereof by mail to each at the post-office

address shown on the assessment rolls, and at the conclusion of the action of the board therein the clerk shall post an alphabetical list of those whose assessments are thus raised and added, in a conspicuous place in the office or place of meeting of the board, and enter upon the records a statement that such posting has been made, which entry shall be conclusive evidence of the giving of the notice required. The board shall hold an adjourned meeting, with at least five days intervening after the posting of ~~said~~ the notices, before final action with reference to the raising of assessments or the adding of property or structures to the rolls is taken, and the posted notices shall state the time and place of holding such adjourned meeting, which time and place shall also be stated in the proceedings of the board.

Sec. 12. Section 441.37, subsection 1, paragraphs a and b, Code 2003, are amended to read as follows:

a. That ~~said~~ the assessment is not equitable as compared with assessments of other like property or structures in the taxing district. When this ground is relied upon as the basis of a protest the legal description and assessments of a representative number of comparable ~~properties~~ structures, as described by the aggrieved taxpayer shall be listed on the protest, otherwise ~~said~~ the protest shall not be considered on this ground.

b. That the property or structure is assessed for more than the value authorized by law, stating the specific amount which the protesting party believes the property or structure to be overassessed, and the amount which the party considers to be its actual value and the amount the party considers a fair assessment.

Sec. 13. Section 441.39, Code 2003, is amended to read as follows:

441.39 TRIAL ON APPEAL.

The court shall hear the appeal in equity and determine anew all questions arising before the board which relate to the liability of the property or structure to assessment or the amount thereof. The court shall consider all of the

evidence and there shall be no presumption as to the correctness of the ~~valuation-of~~ assessment appealed from. Its decision shall be certified by the clerk of the court to the county auditor, and the assessor, who shall correct the assessment books accordingly.

Sec. 14. Section 441.42, Code 2003, is amended to read as follows:

441.42 APPEAL ON BEHALF OF PUBLIC.

Any officer of a county, city, township, drainage district, levee district, or school district interested or a taxpayer thereof may in like manner make complaint before ~~said~~ the board of review in respect to the assessment of any property or structure in the township, drainage district, levee district or city and an appeal from the action of the board of review in fixing the amount of assessment on any property or structure concerning which such complaint is made, may be taken by any of such aforementioned officers.

Such appeal is in addition to the appeal allowed to the person whose property or structure is assessed and shall be taken in the name of the county, city, township, drainage district, levee district, or school district interested, and tried in the same manner, except that the notice of appeal shall also be served upon the owner of the property or structure concerning which the complaint is made and affected thereby or person required to return said property or structure for assessment.

Sec. 15. Section 441.43, Code 2003, is amended to read as follows:

441.43 POWER OF COURT.

Upon trial of any appeal from the action of the board of review fixing the amount of assessment upon any property or structure concerning which complaint is made, the court may increase, decrease, or affirm the amount of the assessment appealed from.

Sec. 16. Section 441.45, subsections 1 and 2, Code 2003, are amended to read as follows:

1. The number of acres of land and the aggregate taxable values of the agricultural land, exclusive-of-city-lots, returned by the assessors, as corrected by the board of review.

2. The aggregate values of structures and the taxable square footage values of real-estate structures by class in each township and city in the county and the aggregate value of agricultural land in each township and city in the county, returned as corrected by the board of review.

Sec. 17. Section 441.47, Code 2003, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. For the assessment year beginning January 1, 2007, and for all subsequent assessment years, only property classified as agricultural property and property assessed pursuant to section 441.21, subsection 2, paragraph "b", subparagraph (1), and subsection 3, paragraph "b", subparagraph (1), shall be subject to equalization by the director of revenue and finance under this section and sections 441.48 and 441.49.

Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF INFLATION FACTORS.

The director of revenue and finance on or about August 15, 2007, and every two years thereafter, shall order the equalization of the assessed value per square foot resulting from the application of the cumulative inflation factor in the several assessing jurisdictions in each case as may be necessary to bring such values as fixed by the assessor in cases of purchases of property and newly constructed property to the values determined for the assessment year beginning January 1, 2005. In equalizing the effects of the application of the cumulative inflation factor, the department shall make use of reports issued by Iowa state university of science and technology which reports shall more precisely indicate, on a county-by-county basis, annual and cumulative inflation factors for each county. If the cumulative inflation factor for an assessing jurisdiction as reported by Iowa state university of science and technology is five percent above or

below the cumulative inflation factor as defined in section 441.21, subsection 7, the director shall notify the assessor by mail of the equalization of the effects of the cumulative inflation factor for the assessing jurisdiction. The assessor shall recompute the assessments made pursuant to section 441.21, subsection 2, paragraph "b", subparagraph (1), subsection 3, paragraph "b", subparagraph (1), and subsection 4, paragraph "b", subparagraph (1), by applying the equalized inflation factor. The assessor shall send notice of the equalized assessments to all affected property owners.

Sec. 19. Section 441.50, Code 2003, is amended to read as follows:

441.50 APPRAISERS EMPLOYED.

The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation assessment of property as provided in section 441.21, the cost thereof to be paid in the same manner as other expenses of the assessor's office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars of assessed value of taxable property for the purpose of establishing a special appraiser's fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser's fund to the assessment expense fund.

Sec. 20. Section 443.1, Code 2003, is amended to read as follows:

443.1 CONSOLIDATED TAX.

All square footage taxes which are uniform throughout any township or school district shall be formed into a single tax and entered upon the tax list in a single column, to be known as a consolidated tax, and each receipt shall show the percentage levied for each separate fund. The land tax shall be separately stated and each receipt shall show the percentage levied for each separate fund.

Sec. 21. Section 443.2, Code 2003, is amended to read as follows:

443.2 TAX LIST.

Before the first day of July in each year, the county auditor shall transcribe the assessments of the townships and cities into a book or record, to be known as the tax list, properly ruled and headed, with separate columns, in which shall be entered the names of the taxpayers, descriptions of lands, number of acres and value, numbers of city lots, their size in acres, and value, and each description of the square footage tax and the land tax, with a column for polls and one for payments, and shall complete it by entering the amount due on each installment, separately, and carrying out the total of both installments. The total of all columns of each page of each book or other record shall balance with the tax totals. After computing the amount of land tax and square footage tax due and payable on each property, the county auditor shall round the total amount of tax taxes due and payable on the property to the nearest even whole dollar.

The county auditor shall list the aggregate actual value and the aggregate taxable value of all taxable property within the county and each political subdivision including property subject to the statewide property tax imposed under section 437A.18 on the tax list in order that the actual value of the taxable property within the county or a political subdivision may be ascertained and shown by the tax list for the purpose of computing the debt-incurring capacity of the county or political subdivision. As used in this section, "actual value" is the value determined under section 441.21, subsections 1 to 3, Code 2005, prior to the reduction to a percentage of actual value as otherwise provided in section 441.21, Code 2005. "Actual value" of property subject to statewide property tax is the assessed value under section 437A.18.

Sec. 22. Section 443.3, Code 2003, is amended to read as follows:

443.3 CORRECTION -- TAX APPORTIONED.

At the time of transcribing ~~said~~ the assessments into the tax list, the county auditor shall correct all transfers up to date and place the legal descriptions of all real estate in

the name of the owner at said that date as shown by the transfer book in the auditor's office. At the end of the list for each township or city the auditor shall make an abstract thereof, and apportion the consolidated tax among the respective funds to which it belongs, according to the amounts levied for each. The auditor shall apportion the land tax as prescribed in section 443A.2.

Sec. 23. Section 443.6, Code 2003, is amended to read as follows:

443.6 CORRECTIONS BY AUDITOR.

The auditor may correct any error in the assessment or tax list, and the assessor or auditor may list for taxation any omitted land and may assess and list for taxation any omitted property structure.

Sec. 24. Section 443.7, Code 2003, is amended to read as follows:

443.7 NOTICE.

Before listing for taxation any omitted land and before assessing and listing for taxation any omitted property structure, the assessor or auditor shall notify by mail the person in whose name the property land or structure is taxed, to appear before the assessor or auditor at the assessor's or auditor's office within ten days from the date of the notice and show cause, if any, why the correction or assessment should not be made.

Sec. 25. Section 443.9, Code 2003, is amended to read as follows:

443.9 ADJUSTMENT OF ACCOUNTS.

If such correction or assessment is made after the books or other records approved by the state auditor of state have passed into the hands of the treasurer, the treasurer shall be charged or credited therefor as the case may be. In the event such listing of omitted land or listing and assessment of omitted property structure is made by the assessor after the tax records have passed into the hands of the auditor or treasurer, such correction or assessment shall be entered on the records by the auditor or treasurer.

Sec. 26. Section 443.12, Code 2003, is amended to read as follows:

443.12 CORRECTIONS BY TREASURER.

When property land or a structure subject to taxation is withheld, overlooked, or from any other cause is not listed, or is not listed and assessed, the county treasurer shall, when apprised thereof, at any time within two years from the date at which such listing and assessment should have been made, demand of the person, firm, corporation, or other party by whom the same should have been listed, or to whom it should have been listed and assessed, or of the administrator thereof, the amount the property land or structure should have been taxed in each year the same was so withheld or overlooked and not listed or not listed and assessed, together with six percent interest thereon from the time the taxes would have become due and payable had such property land been listed or such structure been listed and assessed.

Sec. 27. Section 443.13, Code 2003, is amended to read as follows:

443.13 ACTION BY TREASURER -- APPORTIONMENT.

Upon failure to pay such sum within thirty days, with all accrued interest, the treasurer shall cause an action to be brought in the name of the treasurer for the use of the proper county, to be prosecuted by the county attorney, or such other person as the board of supervisors may appoint, and when such property land has been fraudulently withheld from listing or such structure fraudulently withheld from listing and assessment, there shall be added to the sum found to be due a penalty of fifty percent upon the amount, which shall be included in the judgment. The amount thus recovered shall be by the treasurer apportioned ratably as the taxes would have been if they had been paid according to law.

Sec. 28. Section 443.14, Code 2003, is amended to read as follows:

443.14 DUTY OF TREASURER.

The treasurer shall assess any real-property structure and shall list the acreage of any land subject to taxation which

may have been omitted by the assessor, board of review, or county auditor, and collect taxes thereon, and in such cases shall note, opposite the tract or lot assessed, the words "by treasurer".

Sec. 29. Section 443.15, Code 2003, is amended to read as follows:

443.15 TIME LIMIT.

The assessment shall be made within two years after the tax list shall have been delivered to the treasurer for collection, and not afterwards, if the property land or structure is then owned by the person who should have paid the tax.

Sec. 30. Section 443.17, Code 2003, is amended to read as follows:

443.17 PRESUMPTION OF TWO-YEAR OWNERSHIP.

In any action or proceeding, now pending or hereafter brought, to recover taxes upon property land not listed or agricultural land or a structure not listed and assessed for taxation during the lifetime of any decedent, it shall be presumed that any property, any evidence of ownership of property, and any evidence of a promise to pay, owned by a decedent at the date of the decedent's death, had been acquired and owned by such decedent more than two years before the date of the decedent's death; and the burden of proving that any such property had been acquired by such decedent less than two years before the date of the decedent's death shall be upon the heirs, legatees, and legal representatives of any such decedent.

Sec. 31. Section 443.18, Code 2003, is amended to read as follows:

443.18 REAL ESTATE -- DUTY OF OWNER.

In all cases where real-estate land subject to taxation has not been listed or agricultural land or a structure subject to taxation has not been listed and assessed, the owner, or an agent of the owner, shall have the same done by the treasurer, and pay the taxes thereon; and if the owner fails to do so the treasurer shall list or list and assess the same and collect the tax assessed as the treasurer does other taxes.

Sec. 32. Section 443.19, Code 2003, is amended to read as follows:

443.19 IRREGULARITIES, ERRORS AND OMISSIONS -- EFFECT.

No A failure of the owner to have such property land listed or agricultural land or structure listed and assessed or to have the errors in the listing or assessment corrected, and no an irregularity, error or omission in the listing of such land or listing and assessment of such property agricultural land or structure, shall not affect in any manner the legality of the taxes levied thereon, or affect any right or title to such real-estate property which would have accrued to any party claiming or holding under and by virtue of a deed executed by the treasurer as provided by this title, had the listing and assessment of such property been in all respects regular and valid.

Sec. 33. Section 443.21, Code 2003, is amended to read as follows:

443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

All assessors and assessing bodies, including the department of revenue and finance having authority over the listing of land or listing and assessment of property agricultural land and structures for tax purposes shall certify to the county auditor of each county the number of acres of land and the assessed values of agricultural land and structures for all the taxable property in such county as finally equalized-and determined, and the same shall be transcribed onto the tax lists as required by section 443.2.

Sec. 34. Section 443.22, Code 2003, is amended to read as follows:

443.22 UNIFORM ASSESSMENTS MANDATORY.

All assessors and assessing bodies, including the department of revenue and finance having authority over the listing of land and listing and assessment of property agricultural land and structures for tax purposes, shall comply with sections 428.4, 428.29, 434.15, 438.13, 441.21, and 441.45. The department of revenue and finance, having authority over the listing and assessments, shall exercise its

powers and perform its duties under section 421.17 and other applicable laws so as to require the uniform and consistent application of ~~said~~ that section.

Sec. 35. NEW SECTION. 443A.1 LAND TAX.

Effective for the fiscal year beginning July 1, 2007, and all subsequent fiscal years, a land tax shall be imposed against each acre or portion of an acre of land in a county.

Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF LAND TAX.

1. The land tax for each county shall be apportioned as follows:

In the unincorporated area of the county, the land tax shall be distributed to the county, the school district located in the unincorporated area of the county, and other taxing entities located in the unincorporated area of the county in the same proportion that property taxes levied in the unincorporated area of the county for the fiscal year beginning July 1, 2006, were allocated to those entities.

In the incorporated areas of the county, the land tax shall be distributed to the city, the county, each school district located within the city, and other taxing entities located within the city in the same proportion that property taxes levied in the city for the fiscal year beginning July 1, 2006, were allocated to those entities.

2. The city finance committee and the county finance committee shall jointly determine the adjustments to be made to the allocation of the land tax in the case of boundary adjustments made to a taxing district on or after January 1, 2006.

3. After the auditor has computed the amount of land tax to be distributed to each taxing district, the auditor shall compute the rate of tax to be levied upon the square footage valuation of structures pursuant to chapter 444.

Sec. 37. Section 444.1, Code 2003, is amended to read as follows:

444.1 BASIS FOR AMOUNT OF TAX.

In all taxing districts in the state, including townships, school districts, cities and counties, when by law then

existing the people are authorized to determine by vote, or officers are authorized to estimate or determine, a rate of taxation required for any public purpose, such rate shall in all cases be estimated and based upon the amount of land tax available to the district and the adjusted taxable square footage valuation of such taxing district for the preceding calendar year.

Sec. 38. Section 444.2, Code 2003, is amended to read as follows:

444.2 AMOUNTS CERTIFIED IN DOLLARS.

When an authorized square footage tax rate within a taxing district, including townships, school districts, cities and counties, has been thus determined as provided by law, the officer or officers charged with the duty of certifying the authorized rate to the county auditor or board of supervisors shall, before certifying the rate, compute upon the adjusted taxable square footage valuation of the taxing district for the preceding fiscal year, the amount of tax the rate will raise, stated in dollars, and shall certify the computed amount in dollars and not by rate, to the county auditor and board of supervisors and shall further certify the percentage of such amount to be levied against each class of property.

Sec. 39. Section 444.3, Code 2003, is amended to read as follows:

444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

When the square footage valuations for the several taxing districts shall have been adjusted by the several boards for the current year, and the amount of land tax to be distributed to each taxing district has been deducted from the dollar amounts certified in section 444.2 for each taxing district, the county auditor shall thereupon apply such a rate, ~~not exceeding the rate authorized by law,~~ or rates as will raise the amount required for such taxing district, and when combined with the land tax amount will raise an amount not exceeding the dollar amount authorized by law for the taxing district, and no will not raise a larger amount. For purposes of computing the square footage rate under this section, the

adjusted taxable square footage valuation of the property of a taxing district does not include the valuation of property of a railway corporation or its trustee which corporation has been declared bankrupt or is in bankruptcy proceedings. Nothing in the preceding sentence exempts the property of such railway corporation or its trustee from taxation and the rate computed under this section shall be levied on the taxable property of such railway corporation or its trustee.

The square footage tax rate shall be expressed in dollars and cents per one hundred dollars of valuation per square foot.

Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

The amount of tax imposed on any taxable property is the sum of the amounts computed in subsections 1 and 2.

1. LAND TAX. The product of the land tax rate times the number of acres or portion of an acre of the taxable property.

2. SQUARE FOOTAGE TAX. The product of the square footage tax rate times the valuation per square foot of the taxable structure times the number of square feet of the taxable structure. The square footage tax shall be computed separately for each structure located on the land.

Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

1. On or before July 1, 2003, the department of revenue and finance, in consultation with the department of management, shall initiate and coordinate the establishment of a property tax implementation committee and provide staffing assistance to the committee. The property tax implementation committee shall include four members of the general assembly, one each appointed by the majority leader of the senate, the speaker of the house of representatives, the minority leader of the senate, and the minority leader of the house of representatives. The committee shall also include members appointed by the department of revenue and finance representing the department of revenue and finance, the department of management, counties, cities, school districts, local assessors, commercial property taxpayers, industrial property taxpayers, residential property taxpayers, and

agricultural property taxpayers, and other appropriate stakeholders. The department may consider participation on the committee of former state officials with expertise in budget and tax policy. The chairpersons of the committee shall be those members of the general assembly appointed by the majority leader of the senate and the speaker of the house of representatives.

2. The committee shall study and make recommendations relating to the land tax, square footage tax, the baseline assessment for the square footage tax, and other related provisions. The committee shall also study and make recommendations on issues relating to implementation of a land tax and square footage tax, including, but not limited to, whether or not maximum square footage rates and land tax rates should be imposed and, if such rates are recommended, the imposition of rates that have a revenue neutral impact on classes of property, the property tax financing portion of the school funding formula, treatment of current property tax credits and exemptions under a land tax and square footage tax and continued state reimbursement of any credits or exemptions, implementation of urban revitalization and urban renewal programs under the land tax and square footage tax, implementation of a payment in lieu of taxes program for local government services, and maintenance of equity among classes of taxpayers and among taxpayers within the same class. The property tax implementation committee shall also study the role of property taxes in funding local government services and the types of services currently funded by property taxes.

3. The property tax implementation committee shall direct three counties and cities within those counties to submit data as prescribed by the committee. The department of revenue and finance, in consultation with the department of management, shall select the three counties and the cities within those counties that will be required to provide data to the committee. The committee shall devise a system for testing the data, including the necessary computer hardware and software to allow the selected counties and cities to prepare

projected budgets, to determine the rates for the land tax and the square footage tax for those projected budgets, and to provide a sampling of the effect on the various classes of property in those jurisdictions. The committee shall use the data and the results of the projections to resolve, and make recommendations relating to, the issues described in subsection 2, and related issues, in a revenue neutral manner that will not result in a shift of property tax burden between classes of property. The committee shall submit to the general assembly by October 31, 2003, October 31, 2004, and October 31, 2005, a report for each of those years resolving the issues in subsection 2 and other related issues for implementation of this Act. The reports shall include detailed estimates of the cost to the counties and cities of providing the data and an estimate of the cost of statewide implementation of this Act.

Sec. 42. EFFECTIVE AND APPLICABILITY DATES.

1. The section of this division of this Act establishing the property tax implementation committee, being deemed of immediate importance, takes effect upon enactment.

2. The remainder of this division of this Act takes effect July 1, 2005, and applies to assessment years beginning on or after January 1, 2006, and applies to tax collections for fiscal years beginning on or after July 1, 2007.

Sec. 43. FUTURE REPEAL. This division of this Act is repealed effective June 30, 2005.

DIVISION II
INDIVIDUAL INCOME TAX
2004-2006 TAX YEARS

Sec. 44. Section 422.5, subsection 1, paragraphs a through i, Code 2003, are amended to read as follows:

<u>For tax years beginning</u>		
<u>in the calendar year:</u>		
<u>2004</u>	<u>2005</u>	<u>2006</u>

a. On all taxable income from zero through one thousand dollars, ~~thirty-six-hundredths-of-one~~

percent:35% .34% .32%

b. On all taxable income exceeding one thousand dollars but not exceeding two thousand dollars, ~~seventy-two-hundredths-of-one~~

percent:70% .68% .65%

c. On all taxable income exceeding two thousand dollars but not exceeding four thousand dollars, ~~two-and-forty-three-hundredths~~

percent: 2.36% 2.30% 2.19%

d. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars,

~~four-and-one-half-percent~~: 4.37% 4.27% 4.05%

e. On all taxable income exceeding nine thousand dollars but not exceeding fifteen thousand dollars, ~~six-and-twelve-hundredths~~

percent: 5.94% 5.80% 5.51%

f. On all taxable income exceeding fifteen thousand dollars but not exceeding twenty thousand dollars, ~~six-and-forty-eight-hundredths~~

percent: 6.29% 6.14% 5.84%

g. On all taxable income exceeding twenty thousand dollars but not exceeding thirty thousand dollars, ~~six-and-eight-tenths~~

percent: 6.60% 6.45% 6.13%

h. On all taxable income exceeding thirty thousand dollars but not exceeding forty-five thousand dollars, ~~seven-and-ninety-two-hundredths~~

percent: 7.68% 7.51% 7.14%

i. On all taxable income exceeding forty-five thousand dollars, ~~eight~~

~~and-ninety-eight-hundredths~~

~~percent~~: 8.71% 8.51% 8.09%

Sec. 45. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

This division of this Act takes effect January 1, 2004, for tax years beginning on or after January 1, 2004, but before January 1, 2007.

DIVISION III

INDIVIDUAL INCOME TAX

2007 AND SUBSEQUENT TAX YEARS

Sec. 46. Section 422.5, subsection 1, paragraphs a through i, Code 2003, are amended to read as follows:

For tax years beginning
in the calendar year:
2007 and subsequent
calendar years

a. On all taxable income from zero through one thousand dollars, ~~thirty-six-hundredths-of-one~~ percent:31%

b. On all taxable income exceeding one thousand dollars but not exceeding two thousand dollars, ~~seventy-two-hundredths-of-one~~ percent:62%

c. On all taxable income exceeding two thousand dollars but not exceeding four thousand dollars, ~~two-and-forty-three-hundredths~~ percent: 2.09%

d. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars, ~~four-and-one-half-percent~~: 3.87%

e. On all taxable income exceeding nine thousand dollars but not exceeding fifteen thousand dollars, ~~six-and-twelve-hundredths~~

percent: 5.26%

f. On all taxable income exceeding fifteen thousand dollars but not exceeding twenty thousand dollars ~~seven-six-and-forty-eight-hundredths~~

percent: 5.57%

g. On all taxable income exceeding twenty thousand dollars but not exceeding thirty thousand dollars ~~seven-six-and-eight-tenths~~

percent: 5.84%

h. On all taxable income exceeding thirty thousand dollars but not exceeding forty-five thousand dollars ~~seven-seven-and-ninety-two-hundredths~~

percent: 6.80%

i. On all taxable income exceeding forty-five thousand dollars ~~seven-eight-and-ninety-eight-hundredths~~

percent: 7.71%

Sec. 47. EFFECTIVE AND APPLICABILITY DATE PROVISIONS. This division of this Act takes effect January 1, 2007, for tax years beginning on or after January 1, 2007.

DIVISION IV

INDIVIDUAL INCOME TAX

2007 AND SUBSEQUENT TAX YEARS

Sec. 48. Section 422.4, subsection 1, paragraphs b and c, Code 2003, are amended to read as follows:

b. "Cumulative inflation factor" means the product of the annual inflation factor for the ~~1988~~ 2007 calendar year and all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. The annual inflation factor for the ~~1988~~ 2007 calendar year is one hundred percent.

Sec. 49. Section 422.4, subsection 16, Code 2003, is amended to read as follows:

16. ~~The words "taxable~~ "Taxable income" ~~mean~~ means the net income as defined in section 422.7 minus the deductions allowed by section 422.9, in the case of individuals, ~~in.~~ In the case of estates or trusts, ~~the words "taxable income" mean~~ means the taxable income, ~~(without a deduction for personal exemption),~~ as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in section 422.7 plus the Iowa income tax deducted in computing the federal taxable income and minus federal income taxes as provided in section 422.9.

Sec. 50. Section 422.5, subsection 1, Code 2003, as amended by 2003 Iowa Acts, Senate File 442, section 4, is amended by striking the subsection and inserting in lieu thereof the following:

1. a. A tax is imposed upon every resident and nonresident of the state which tax shall be levied, collected, and paid annually upon and with respect to the entire taxable income at rates as follows:

(1) On all taxable income from zero through eight thousand dollars, one and eighty-five hundredths percent.

(2) On all taxable income exceeding eight thousand dollars but not exceeding one hundred thousand dollars, four and seventy-five hundredths percent.

(3) On all taxable income exceeding one hundred thousand dollars, four and ninety-nine hundredths percent.

b. (1) The tax imposed upon the taxable income of a nonresident shall be computed by reducing the amount determined pursuant to paragraph "a" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the nonresident's net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph "a", is the numerator and the nonresident's total net income computed under section 422.7 is the denominator. This provision also applies to individuals who are residents of Iowa for less than the entire tax year.

(2) The tax imposed upon the taxable income of a resident shareholder in an S corporation which has in effect for the tax year an election under subchapter S of the Internal Revenue Code and carries on business within and without the state may be computed by reducing the amount determined pursuant to paragraph "a" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the resident's net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph "b", is the numerator and the resident's total net income computed under section 422.7 is the denominator. If a resident shareholder has elected to take advantage of this subparagraph, and for the next tax year elects not to take advantage of this subparagraph, the resident shareholder shall not reelect to take advantage of this subparagraph for the three tax years immediately following the first tax year for which the shareholder elected not to take advantage of this subparagraph, unless the director consents to the reelection. This subparagraph also applies to individuals who are residents of Iowa for less than the entire tax year.

Sec. 51. Section 422.5, subsection 2, Code 2003, is amended by striking the subsection and inserting in lieu thereof the following:

2. a. However, if the married persons' filing jointly or separately on a combined return, unmarried head of household's, or surviving spouse's net income exceeds thirteen thousand five hundred dollars or nine thousand dollars in the case of all other persons, the regular tax imposed under this division shall be the lesser of the product of eight percent times the portion of the net income in excess of thirteen thousand five hundred dollars or nine thousand dollars, as applicable, or the regular tax liability computed without regard to this paragraph.

b. Paragraph "a" does not apply to estates and trusts. Married taxpayers electing to file separately shall compute the alternate tax described in paragraph "a" using the total net income of the husband and wife. The alternate tax

described in paragraph "a" does not apply if one spouse elects to carry back or carry forward the loss as provided in section 422.9, subsection 3. A person who is claimed as a dependent by another person as defined in section 422.12 shall not receive the benefit of paragraph "a" if the person claiming the dependent has net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable or the person claiming the dependent and the person's spouse have combined net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable.

Sec. 52. Section 422.5, subsection 5, Code 2003, is amended to read as follows:

5. Upon determination of the latest cumulative inflation factor, the director shall multiply each dollar amount set forth in subsection 1, ~~paragraphs "a" through "i" of this section~~ paragraph "a", by this cumulative inflation factor, shall round off the resulting product to the nearest one dollar, and shall incorporate the result into the income tax forms and instructions for each tax year.

Sec. 53. Section 422.5, subsection 7, Code 2003, is amended by striking the subsection.

Sec. 54. Section 422.7, Code 2003, as amended by 2003 Iowa Acts, Senate File 442, section 5, and House File 674, sections 5 and 6, is amended by striking the section and inserting in lieu thereof the following:

422.7 "NET INCOME" -- HOW COMPUTED.

The term "net income" means the adjusted gross income before the net operating loss deduction as properly computed for federal income tax purposes under the Internal Revenue Code, with the following adjustments:

1. The adjusted gross income is adjusted by adding the sum of the following:

a. Add the amount of federal income tax refunds received in a tax year beginning on or after January 1, 2007, but before January 1, 2010, to the extent that the federal income tax was deducted on an Iowa individual income tax return for a tax year beginning prior to January 1, 2007.

b. Add interest and dividends from foreign securities and from securities of state and other political subdivisions exempt from federal income tax under the Internal Revenue Code.

c. Add interest and dividends from regulated investment companies exempt from federal income tax under the Internal Revenue Code.

d. Add, to the extent not already included, income from the sale of obligations of the state and its political subdivisions. Income from the sale of these obligations is exempt from the taxes imposed by this division only if the law authorizing these obligations specifically exempts the income from the sale from the state individual income tax.

e. Add the amount resulting from the cancellation of a participation agreement refunded to the taxpayer as a participant in the Iowa educational savings plan trust under chapter 12D to the extent previously deducted as a contribution to the trust.

2. The adjusted gross income is adjusted by subtracting the sum of the following:

a. Subtract the amount of federal income taxes paid or accrued, as the case may be, in a tax year beginning on or after January 1, 2007, but before January 1, 2010, to the extent the federal tax payment is for a tax year beginning prior to January 1, 2007.

b. Subtract interest and dividends from federal securities.

c. Subtract the loss on the sale or exchange of a share of a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code.

d. (1) Subtract, to the extent included, the amount of additional social security benefits taxable under the Internal Revenue Code for tax years beginning on or after January 1, 1994. The amount of social security benefits taxable as provided in section 86 of the Internal Revenue Code, as amended up to and including January 1, 1993, continues to

apply for state income tax purposes for tax years beginning on or after January 1, 1994.

(2) Married taxpayers, who file a joint federal income tax return and who elect to file separate returns or who elect separate filing on a combined return for state income tax purposes, shall allocate between the spouses the amount of benefits subtracted under subparagraph (1) from net income in the ratio of the social security benefits received by each spouse to the total of these benefits received by both spouses.

e. (1) For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this paragraph for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of twelve thousand dollars for a husband and wife who file a joint state income tax return.

(2) However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns or separately on a combined return are allowed a combined maximum exclusion under this paragraph "e" of up to the amount allowed for a husband and wife who file a joint state income tax return. The exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

f. Notwithstanding the method for computing income from an installment sale under section 453 of the Internal Revenue Code, as defined in section 422.3, the method to be used in computing income from an installment sale shall be the method under section 453 of the Internal Revenue Code, as amended up to and including January 1, 2000. A taxpayer affected by this paragraph shall make adjustments in the adjusted gross income pursuant to rules adopted by the director.

The adjustment to net income provided in this paragraph "f" is repealed for tax years beginning on or after January 1, 2002. However, to the extent that a taxpayer using the accrual method of accounting reported the entire capital gain from the sale or exchange of property on the Iowa return for the tax year beginning in the 2001 calendar year and the capital gain was reported on the installment method on the federal income tax return, any additional installment from the capital gain reported for federal income tax purposes is not to be included in net income in tax years beginning on or after January 1, 2002.

g. Subtract, if the taxpayer is the owner of an individual development account certified under chapter 541A at any time during the tax year, all of the following:

(1) Contributions made to the account by persons and entities, other than the taxpayer, as authorized in chapter 541A.

(2) The amount of any savings refund authorized under section 541A.3, subsection 1.

(3) Earnings from the account.

h. (1) Subtract the maximum contribution that may be deducted for income tax purposes as a participant in the Iowa educational savings plan trust pursuant to section 12D.3, subsection 1, paragraph "a".

(2) Subtract, to the extent included, income from interest and earnings received from the Iowa educational savings plan trust created in chapter 12D.

(3) Subtract, to the extent not deducted for federal income tax purposes, the amount of any gift, grant, or

donation made to the Iowa educational savings plan trust for deposit in the endowment fund of that trust.

i. Subtract, to the extent included, active duty pay received by a person in the national guard or armed forces military reserve for services performed on or after August 2, 1990, pursuant to military orders related to the Persian Gulf Conflict.

j. Subtract, to the extent included, active duty pay received by a person in the national guard or armed forces military reserve for service performed on or after November 21, 1995, pursuant to military orders related to peacekeeping in Bosnia-Herzegovina.

k. Subtract, to the extent included, the following:

(1) Payments made to the taxpayer because of the taxpayer's status as a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime or as an heir of such victim.

(2) Items of income attributable to, derived from, or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime immediately prior to, during, and immediately after World War II, including, but not limited to, interest on the proceeds receivable as insurance under policies issued to a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime by European insurance companies immediately prior to and during World War II. However, income from assets acquired with such assets or with the proceeds from the sale of such assets shall not be subtracted. This subparagraph shall only apply to a taxpayer who was the first recipient of such assets after recovery of the assets and who is a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime or is an heir of such victim.

l. Subtract, to the extent included, active duty pay received by a person in the national guard or armed forces military reserve for service performed on or after January 1,

2003, pursuant to military orders related to Operation Iraqi Freedom, Operation Noble Eagle, and Operation Enduring Freedom.

m. Subtract, not to exceed one thousand five hundred dollars, the overnight transportation, meals, and lodging expenses, to the extent not reimbursed, incurred by the taxpayer for travel away from home of more than one hundred miles for the performance of services by the taxpayer as a member of the national guard or armed forces military reserve.

n. Subtract, to the extent included, military student loan repayments received by the taxpayer serving on active duty in the national guard or armed forces military reserve or on active duty status in the armed forces.

o. Subtract, to the extent not otherwise excluded, the amount of the death gratuity payable under 10 U.S.C. § 1475-1491 for deaths occurring after September 10, 2001.

3. a. In determining the amount of federal income tax refunds or taxes paid or accrued under subsection 1 or 2, for tax years beginning in the 2001 calendar year, the amount shall not be adjusted by the amount received during the tax year of the advanced refund of the rate reduction tax credit provided pursuant to the federal Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and the advanced refund of such credit shall not be subject to taxation under this division.

b. In determining the amount of federal income tax refunds or taxes paid or accrued under subsection 1 or 2, for tax years beginning in the 2002 calendar year, the amount shall not be adjusted by the amount of the rate reduction credit received during the tax year to the extent that the credit is attributable to the rate reduction credit provided pursuant to the federal Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and the amount of such credit shall not be taxable under this division.

4. The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 107-147, section 101, does not apply in

computing net income for state tax purposes. If the taxpayer has taken such deduction in computing federal adjusted gross income, the following adjustments shall be made:

- a. Add the total amount of depreciation taken on all property for which the election under section 168(k) of the Internal Revenue Code was made for the tax year.
- b. Subtract an amount equal to depreciation taken on such property for the tax year using the modified accelerated cost recovery system depreciation method applicable under section 168 of the Internal Revenue Code without regard to section 168(k).
- c. Any other adjustments to gains or losses to reflect the adjustments made in paragraphs "a" and "b" pursuant to rules adopted by the director.

Sec. 55. Section 422.8, subsection 2, paragraph a, Code 2003, is amended to read as follows:

- a. Nonresident's net income allocated to Iowa is the net income, or portion of net income, which is derived from a business, trade, profession, or occupation carried on within this state or income from any property, trust, estate, or other source within Iowa. However, income derived from a business, trade, profession, or occupation carried on within this state and income from any property, trust, estate, or other source within Iowa shall not include distributions from pensions, including defined benefit or defined contribution plans, annuities, individual retirement accounts, and deferred compensation plans or any earnings attributable thereto so long as the distribution is directly related to an individual's documented retirement and received while the individual is a nonresident of this state. If a business, trade, profession, or occupation is carried on partly within and partly without the state, only the portion of the net income which is fairly and equitably attributable to that part of the business, trade, profession, or occupation carried on within the state is allocated to Iowa for purposes of section 422.5, subsection 1, paragraph "j" "b", and section 422.13 and income from any property, trust, estate, or other source

partly within and partly without the state is allocated to Iowa in the same manner, except that annuities, interest on bank deposits and interest-bearing obligations, and dividends are allocated to Iowa only to the extent to which they are derived from a business, trade, profession, or occupation carried on within the state.

Sec. 56. Section 422.8, subsection 4, Code 2003, is amended by striking the subsection.

Sec. 57. Section 422.9, subsection 1, Code 2003, is amended to read as follows:

1. An optional standard deduction~~7-after-deduction-of federal-income-tax7~~ equal to one thousand two hundred thirty dollars for a married person who files separately or a single person or equal to three thousand thirty dollars for a husband and wife who file a joint return, a surviving spouse, or an unmarried head of household. ~~The-optional-standard-deduction shall-not-exceed-the-amount-remaining-after-deduction-of-the federal-income-tax.~~

Sec. 58. Section 422.9, subsection 2, paragraph b, Code 2003, is amended by striking the paragraph.

Sec. 59. Section 422.9, subsections 6 and 7, Code 2003, are amended by striking the subsections.

Sec. 60. Section 422.11B, subsection 1, Code 2003, is amended to read as follows:

1. There is allowed as a credit against the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" for a tax year an amount equal to the minimum tax credit for that tax year.

The minimum tax credit for a tax year is the excess, if any, of the adjusted net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, but before January 1, 2007, over the amount allowable as a credit under this section for those prior tax years.

If a minimum tax credit is available to a tax period beginning on or after January 1, 2007, the credit can be carried over to tax years beginning on or after January 1, 2007, but before January 1, 2010. The minimum tax credit is

limited to the tax determined in section 422.5, subsection 1, paragraphs "a" and "b".

Sec. 61. Section 422.13, subsection 1, paragraph c, and subsection 1A, Code 2003, are amended to read as follows:

c. However, if that part of the net income of a nonresident which is allocated to Iowa pursuant to section 422.8, subsection 2, is less than one thousand dollars the nonresident is not required to make and sign a return ~~except when the nonresident is subject to the state alternative minimum tax imposed pursuant to section 422.57, subsection 1, paragraph "k".~~

1A. Notwithstanding any other provision in this section, a resident of this state is not required to make and file a return if the person's net income is equal to or less than the appropriate dollar amount listed in section 422.5, subsection 2, upon which tax is not imposed. A nonresident of this state is not required to make and file a return if the person's total net income in section 422.5, subsection 1, paragraph ~~"j",~~ "b", is equal to or less than the appropriate dollar amount provided in section 422.5, subsection 2, upon which tax is not imposed. For purposes of this subsection, the amount of a lump sum distribution subject to separate federal tax shall be included in net income for purposes of determining if a resident is required to file a return and the portion of the lump sum distribution that is allocable to Iowa is included in total net income for purposes of determining if a nonresident is required to make and file a return.

Sec. 62. Section 422.21, unnumbered paragraph 5, Code 2003, is amended to read as follows:

The director shall determine for the ~~1989~~ 2008 and each subsequent calendar year the annual and cumulative inflation factors for each calendar year to be applied to tax years beginning on or after January 1 of that calendar year. The director shall compute the new dollar amounts as specified to be adjusted in section 422.5 by the latest cumulative inflation factor and round off the result to the nearest one dollar. The annual and cumulative inflation factors

determined by the director are not rules as defined in section 17A.2, subsection 11. The director shall determine for the 1990 calendar year and each subsequent calendar year the annual and cumulative standard deduction factors to be applied to tax years beginning on or after January 1 of that calendar year. The director shall compute the new dollar amounts of the standard deductions specified in section 422.9, subsection 1, by the latest cumulative standard deduction factor and round off the result to the nearest ten dollars. The annual and cumulative standard deduction factors determined by the director are not rules as defined in section 17A.2, subsection 11.

Sec. 63. Section 422.11B, Code 2003, is repealed.

COORDINATING AMENDMENTS

Sec. 64. Section 12D.9, subsection 2, Code 2003, is amended to read as follows:

2. State income tax treatment of the Iowa educational savings plan trust shall be as provided in section 422.7, ~~subsections 327, 337, and 34~~ subsection 1, paragraph "e", and subsection 2, paragraph "h", and section 422.35, subsection 14.

Sec. 65. Section 217.39, Code 2003, is amended to read as follows:

217.39 PERSECUTED VICTIMS OF WORLD WAR II -- REPARATIONS
-- HEIRS.

Notwithstanding any other law of this state, payments paid to and income from lost property of a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime or as an heir of such victim which is exempt from state income tax as provided in section 422.7, subsection 35 2, paragraph "k", shall not be considered as income or an asset for determining the eligibility for state or local government benefit or entitlement programs. The proceeds are not subject to recoupment for the receipt of governmental benefits or entitlements, and liens, except liens for child support, are not enforceable against these sums for any reason.

Sec. 66. Section 422.120, subsection 1, paragraph b, subparagraph (3), Code 2003, is amended to read as follows:

(3) The annual index factor for the 1997 calendar year is one hundred percent. For each-subsequent the 1998 through 2006 calendar year years, the annual index factor equals the annual inflation factor for that calendar year as computed in section 422.4 for purposes of the individual income tax. For the 2007 calendar year and each subsequent calendar year the annual index factor shall be determined by the department by October 15 of the calendar year preceding the calendar year for which the factor is determined, which reflects the purchasing power of the dollar as a result of inflation during the fiscal year ending in the calendar year preceding the calendar year for which the factor is determined. In determining the annual index factor, the department shall use the annual percent change, but not less than zero percent, in the gross domestic product price deflator computed for the second quarter of the calendar year by the bureau of economic analysis of the United States department of commerce and shall add all of that percent change to one hundred percent. The annual index factor and the cumulative index factor shall each be expressed as a percentage rounded to the nearest one-tenth of one percent. The annual index factor shall not be less than one hundred percent.

Sec. 67. Section 425.23, subsection 4, paragraph b, Code 2003, is amended to read as follows:

b. The annual adjustment factor for the 1998 base year is one hundred percent. For each-subsequent the 1999 through 2006 base year years, the annual adjustment factor equals the annual inflation factor for the calendar year, in which the base year begins, as computed in section 422.4 for purposes of the individual income tax. For the 2007 base year and each subsequent base year, the annual adjustment factor equals the annual index factor, in which the base year begins, as computed in section 422.120, subsection 1, for purposes of the livestock production tax credit.

Sec. 68. Section 450.4, subsection 8, Code 2003, is amended to read as follows:

8. On the value of that portion of any lump sum or installment payments which are received by a beneficiary under an annuity which was purchased under an employee's pension or retirement plan which was excluded from net income ~~as set forth in under~~ section 422.7~~-subsection-3~~.

Sec. 69. Section 541A.2, subsection 7, unnumbered paragraph 1, Code 2003, is amended to read as follows:

An individual development account closed in accordance with this subsection is not subject to the limitations and benefits provided by this chapter but is subject to state tax in accordance with the provisions of section 422.7, subsection 28 2, paragraph "g", and section 450.4, subsection 6. An individual development account may be closed for any of the following reasons:

Sec. 70. Section 541A.3, subsection 2, Code 2003, is amended to read as follows:

2. Income earned by an individual development account is not subject to state tax, in accordance with the provisions of section 422.7, subsection 28 2, paragraph "g".

Sec. 71. Division III of this Act is repealed.

CONTINGENT EFFECTIVE AND APPLICABILITY DATE PROVISION

Sec. 72.

1. This division of this Act takes effect upon ratification prior to January 1, 2007, of an amendment to the Constitution of the State of Iowa requiring a three-fifths majority vote of each house of the general assembly in order to pass a bill that amends the state individual income tax by raising the rate or rates of the individual income tax or of an amendment to the Constitution of the State of Iowa requiring a statewide referendum in order to approve a bill that amends the state individual income tax by raising the rate or rates of the individual income tax.

2. If this division of this Act takes effect as provided in subsection 1, this division of this Act, except as provided in subsection 3, applies to tax years beginning on or after January 1, 2007.

3. The section of this division of this Act repealing section 422.11B applies to tax years beginning on or after January 1, 2010.

DIVISION V

SALES AND USE TAX STUDIES

Sec. 73. INDUSTRIAL PROCESSING EXEMPTION STUDY COMMITTEE. On or before July 1, 2003, the department of revenue and finance shall initiate and coordinate the establishment of an industrial processing exemption study committee and provide staffing assistance to the committee. It is the intent of the general assembly that the committee shall include representatives of the department of revenue and finance, department of management, industrial producers including manufacturers, fabricators, printers and publishers, and an association that specifically represents business tax issues, and other stakeholders.

The industrial processing exemption under the sales and use tax is a significant exemption for business. The committee shall study and make legislative and administrative recommendations relating to Iowa's processing exemption to ensure maximum utilization by Iowa's industries.

The committee shall study and make recommendations regarding all of the following:

1. The current sales and use tax industrial processing exemption.
2. The corresponding administrative rules, including a review and recommendation of an administrative rules process relating to the industrial processing exemption prior to filing with the administrative rules review committee.
3. Other states' industrial processing exemptions.
4. Recommendations for change for issues including effectiveness and competitiveness.
5. Development of additional publications to improve compliance.

The committee shall annually report to the general assembly by January 1 of each year through January 1, 2013.

Sec. 74. IOWA SALES, SERVICES, AND USE TAX STUDY COMMITTEE. On or before July 1, 2003, the department of revenue and finance shall initiate and coordinate the establishment of a state sales, services, and use tax study committee and provide staffing assistance to the committee. It is the intent of the general assembly that the committee shall include representatives of the department of revenue and finance, department of management, an association of Iowa farmers and other agricultural interests, retail associations, contractors, taxpayers, an association that specifically represents business tax issues, and other stakeholders, two members of the general assembly, and a representative of the governor's office.

The committee shall study the current sales, services, and use tax law. Programs funded through special features of the tax code often escape regular review. It is intended that the study committee shall review the current sales, services, and use tax exemptions to improve government accountability.

The committee shall study and make recommendations regarding all of the following:

1. Retaining or eliminating current sales, services, and use tax exemptions or providing new exemptions. Such decisions shall be based at least partially on the issues of effectiveness and competitiveness and their impact on economic behavior.
2. Tax simplification and consistency issues in applying the tax, including recordkeeping burdens on retailers and application by the department of revenue and finance.
3. Streamlining sales tax implementation in Iowa.
4. The tax rate.
5. Comparison of Iowa sales, services, and use tax structure with other states.

The committee shall report to the general assembly by January 1, 2004. The report shall provide rationale for each decision made by the study committee.

Sec. 75. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect July 1, 2003.

DIVISION VI

GROW IOWA VALUES BOARD AND FUND

Sec. 76. Section 15.108, subsection 9, Code 2003, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. Administer the marketing strategy selected pursuant to section 15G.108.

Sec. 77. NEW SECTION. 15G.101 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Board" means the grow Iowa values board established in section 15G.102.

2. "Department" means the Iowa department of economic development created in section 15.105.

3. "Director" means the director of the department of economic development.

4. "Fund" means the grow Iowa values fund created in section 15G.107.

5. "Grow Iowa values geographic regions" means the geographic regions defined in section 15G.105.

Sec. 78. NEW SECTION. 15G.102 GROW IOWA VALUES BOARD.

1. The grow Iowa values board is established consisting of eleven voting members and four ex officio, nonvoting members. The grow Iowa values board shall be located for administrative purposes within the department and the director shall provide office space, staff assistance, and necessary supplies and equipment for the board. The director shall budget moneys to pay the compensation and expenses of the board. In performing its functions, the board is performing a public function on behalf of the state and is a public instrumentality of the state.

2. a. The eleven voting members of the board shall be appointed by the governor, subject to confirmation by the senate.

b. The four ex officio, nonvoting members shall be appointed as follows:

(1) One member appointed by the president of the senate.

(2) One member appointed by the minority leader of the senate.

(3) One member appointed by the speaker of the house of representatives.

(4) One member appointed by the minority leader of the house of representatives.

c. All appointments shall comply with sections 69.16 and 69.16A.

d. At least one member of the board shall be from each grow Iowa values geographic region.

e. Each of the following areas of expertise shall be represented by at least one member of the board who has professional experience in that area of expertise:

- (1) Finance and investment banking.
- (2) Advanced manufacturing.
- (3) Statewide agriculture.
- (4) Life sciences.
- (5) Small business development.
- (6) Information technology.
- (7) Economics.
- (8) Labor.
- (9) Marketing.
- (10) Entrepreneurship.

f. At least nine voting members of the board shall be actively employed in the private, for-profit sector of the economy.

g. The board membership shall be balanced between representation by employers with less than two hundred employees and employers with two hundred or more employees.

3. The chairperson and vice chairperson shall be elected by the voting members of the board from the membership of the board. In the case of the absence or disability of the chairperson and vice chairperson, the voting members of the board shall elect a temporary chairperson by a majority vote of those voting members who are present and voting, provided a quorum is present.

4. The members of the board shall be appointed to three-year staggered terms and the terms shall commence and end as provided in section 69.19. If a vacancy occurs, a successor shall be appointed in the same manner and subject to the same qualifications as the original appointment to serve the unexpired term.

5. A majority of the voting members of the board constitutes a quorum.

6. A member of the board shall abstain from voting on the provision of financial assistance to a project which is located in the county in which the member of the board resides.

7. The members of the board are entitled to receive reimbursement for actual expenses incurred while engaged in the performance of official duties. A board member may also be eligible to receive compensation as provided in section 7E.6.

Sec. 79. NEW SECTION. 15G.103 BOARD DUTIES.

The board shall do all of the following:

1. Organize.
2. Receive advice and recommendations from the due diligence committee, the economic development marketing board, and the grow Iowa values review commission.
3. Assist the department in implementing programs and activities in a manner designed to achieve the goals set out in section 15G.106.
4. By December 15 of each year, submit a written report to the general assembly reviewing the activities of the board during the calendar year. The report shall include information necessary for the review of the goals and performance measures set out in section 15G.106. State agencies and other entities receiving moneys from the fund shall cooperate with and assist the board in compilation of the report.
5. Adopt administrative rules pursuant to chapter 17A necessary to administer this chapter. This delegation shall be construed narrowly.

6. Adopt a strategic plan pursuant to section 8E.204 by July 1, 2004.

Sec. 80. NEW SECTION. 15G.104 DUE DILIGENCE COMMITTEE.

1. A due diligence committee is established consisting of five members and is located for administrative purposes within the department. The director of the department shall provide office space, staff assistance, and necessary supplies and equipment for the committee. The director shall budget moneys to pay the compensation and expenses of the committee. In performing its functions, the committee is performing a public function on behalf of the state and is a public instrumentality of the state.

2. a. Membership of the due diligence committee shall consist of five voting members of the grow Iowa values board elected annually by the voting members of the board. Committee members shall have expertise in the areas of banking and entrepreneurship.

b. The chairperson and vice chairperson of the committee shall be elected by and from the committee members. The terms of the members shall commence and end as provided by section 69.19. If a vacancy occurs, a successor shall be appointed in the same manner and subject to the same qualifications as the original appointment to serve the unexpired term. A majority of the committee constitutes a quorum.

3. The committee, after a thorough review, shall determine whether a proposed project using moneys from the grow Iowa values fund is practical and shall provide recommendations to the grow Iowa values board regarding any moneys proposed to be expended from the grow Iowa values fund, with the exception of moneys appropriated for purposes of the loan and credit guarantee program and regarding whether a proposed project is practical. The recommendations shall be based on whether the expenditure would make the achievement of the goals in accordance with the performance measures set out in section 15G.106 more likely. The recommendations may include conditions or that a proposed expenditure be rejected.

4. The members of the committee are entitled to receive reimbursement for actual expenses incurred while engaged in the performance of official duties. A committee member may also be eligible to receive compensation as provided in section 7E.6.

Sec. 81. NEW SECTION. 15G.104A GROW IOWA VALUES REVIEW COMMISSION.

1. A grow Iowa values review commission is established consisting of three members and is located for administrative purposes within the office of the auditor of state. The auditor of state shall provide office space, staff assistance, and necessary supplies and equipment for the review commission. The auditor of state shall budget moneys to pay the compensation and expenses of the commission, including the actual expenses of the auditor of state incurred while engaged in the performance of official commission duties. In performing its functions, the review commission is performing a public function on behalf of the state and is a public instrumentality of the state.

2. Membership of the review commission shall include the auditor of state, one member appointed by the governor subject to confirmation by the senate, and one member appointed by the legislative council. The members appointed by the governor and the legislative council shall possess experience and expertise in the field of economics. The appointments shall comply with sections 69.16 and 69.16A. The chairperson of the review commission shall be the auditor of state. The members shall be appointed to three-year staggered terms and the terms shall commence and end as provided by section 69.19. If a vacancy occurs, a successor shall be appointed in the same manner and subject to the same qualifications as the original appointment to serve the unexpired term. A majority of the review commission constitutes a quorum.

3. The review commission shall analyze all annual reports of the grow Iowa values board for purposes of determining if the goals and performance measures set out in section 15G.106 have been met. By January 1, 2007, the review commission

shall submit a report to the grow Iowa values board, the department, and the general assembly. The report shall include findings, itemized by grow Iowa values geographic regions, regarding whether the goals and performance measures were met. The report shall also include recommendations regarding the continuation, elimination, or modification of any programs receiving moneys from the grow Iowa values fund and whether moneys should continue to be appropriated to and from the grow Iowa values fund. The recommendations shall be based on whether the goals in accordance with the performance measures are being achieved.

4. The members of the commission, including the auditor of state, are entitled to receive reimbursement for actual expenses incurred while engaged in the performance of official duties. A commission member may also be eligible to receive compensation as provided in section 7E.6.

Sec. 82. NEW SECTION. 15G.105 GROW IOWA VALUES GEOGRAPHIC REGIONS.

For purposes of applying the goals and performance measurements, the state shall be divided into five grow Iowa values geographic regions. The regions shall be the following:

1. The northwest region shall include the counties of Lyon, Osceola, Dickinson, Emmet, Kossuth, Winnebago, Sioux, O'Brien, Clay, Palo Alto, Hancock, Plymouth, Cherokee, Buena Vista, Pocahontas, Humboldt, Wright, Woodbury, Ida, Sac, Calhoun, Webster, and Hamilton.

2. The northeast region shall include the counties of Worth, Mitchell, Howard, Winneshiek, Allamakee, Cerro Gordo, Floyd, Chickasaw, Fayette, Clayton, Franklin, Butler, Bremer, Hardin, Grundy, Black Hawk, Buchanan, Delaware, Dubuque, Tama, Benton, Linn, Jones, and Jackson.

3. The southeast region shall include the counties of Poweshiek, Iowa, Johnson, Cedar, Clinton, Scott, Muscatine, Mahaska, Keokuk, Washington, Louisa, Monroe, Wapello, Jefferson, Henry, Des Moines, Appanoose, Davis, Van Buren, and Lee.

4. The southwest region shall include the counties of Monona, Crawford, Carroll, Greene, Harrison, Shelby, Audubon, Guthrie, Pottawattamie, Cass, Adair, Mills, Montgomery, Adams, Union, Clarke, Lucas, Fremont, Page, Taylor, Ringgold, Decatur, and Wayne.

5. The central region shall include the counties of Boone, Story, Marshall, Dallas, Polk, Jasper, Madison, Warren, and Marion.

Sec. 83. NEW SECTION. 15G.106 GOALS -- PERFORMANCE MEASURES.

1. In performing the duties provided in this chapter, chapter 15, and chapter 15E, the grow Iowa values board, the due diligence committee, the economic development marketing board, the grow Iowa values review commission, and the department shall achieve the goals of expanding and stimulating the state economy, increasing the wealth of Iowans, and increasing the population of the state. For purposes of this section, "upper midwest region" includes the states of Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

2. Goal achievement shall be examined on a regional basis using the grow Iowa values geographic regions on a statewide basis. Family farm performance indicators shall be calculated separately. The performance of the grow Iowa values geographic regions shall be compared to the performance of the state, the upper midwest region, and the United States. The baseline year shall be the calendar year 2002. In each grow Iowa values geographic region, the goal shall be to increase the baseline performance measure of Iowa's gross state product at a rate equal to or greater than the national economy.

3. a. In determining whether the goal of expanding and stimulating the state economy has been met, and using the calendar year 2002 as a baseline, performance measures shall be considered, including but not limited to the following, on a statewide basis or of those businesses that receive moneys originating from the grow Iowa values fund, as appropriate:

- (1) A net increase in a business's supplier network.

- (2) A net increase in business start-ups.
- (3) A net increase in business expansion.
- (4) A net increase in business modernization.
- (5) A net increase in attracting new businesses to the state.
- (6) A net increase in business retention.
- (7) A net increase in job creation and retention.
- (8) A decrease in Iowa of the ratio of the government employment as a percentage share of the total employment in Iowa at a rate at least equal to the ratio of the upper midwest region.

b. By December 15 of each year, the department shall submit a report to the grow Iowa values review commission and the grow Iowa values board that identifies information pertinent to the performance measures in paragraph "a", subparagraphs (3), (4), and (6), that the department gains through interviews with businesses in the state that close all or a portion of operations in the state. By December 15 of each year, based on the same interviews, the department shall submit a report to the general assembly providing suggested amendments to the Code of Iowa and the Iowa administrative code designed to stimulate and expand the state's economy.

c. By December 15 of each year the department shall submit a report to the grow Iowa values review commission and the grow Iowa values board that identifies prospective lost business development opportunities information pertinent to the performance measures in paragraph "a", subparagraphs (2) and (5), which indicate that the state has not been successful in the performance measures in paragraph "a", subparagraphs (2) and (5).

d. For purposes of the performance measure in paragraph "a", subparagraph (7), the department of economic development, in consultation with the department of workforce development and the auditor of state, shall determine average annual job creation and retention rates based on the ten years prior to 2003, for the state and the upper midwest region. During the fiscal years beginning July 1, 2003, July 1, 2004, and July 1,

2005, the department of economic development shall report the job creation and retention rate of those businesses that receive moneys originating from the grow Iowa values fund and the job creation and retention rate of those businesses that do not receive moneys originating from the grow Iowa values fund. The ten-year average annual job creation and retention rate shall be compared to the job creation and retention rates determined under this paragraph for the fiscal years beginning July 1, 2003, July 1, 2004, and July 1, 2005. The department of economic development shall assist the department of workforce development in maintaining detailed employment statistics on businesses that receive moneys originating from the grow Iowa values fund, on businesses that do not receive moneys originating from the grow Iowa values fund, and on industries in Iowa that those businesses represent. The auditor of state shall audit the reliability and validity of the statistics compiled pursuant to this paragraph.

4. In determining whether the goal of increasing the wealth of Iowans has been met, the following earning performance measures shall be considered:

a. The per capita personal income in Iowa shall equal or exceed the average per capita personal income for the upper midwest region.

b. The average earnings per job in Iowa shall equal or exceed the average earnings per job in the upper midwest region.

c. The average manufacturing earnings per employee in Iowa shall equal or exceed the average manufacturing earnings per employee in the upper midwest region.

d. The average service earnings per employee in Iowa shall equal or exceed the average service earnings per employee in the upper midwest region.

e. The average earnings per employee in the financial, insurance, and real estate industries in Iowa shall equal or exceed the average earnings per employee in the financial, insurance, and real estate industries in the upper midwest region.

5. In determining whether the goal of increasing the population of the state has been met, the following performance measures shall be considered:

a. Using the calendar year 2002 as a baseline year, a net increase in the retention of Iowa high school graduates that are employed in the Iowa workforce following a higher education degree.

b. The increase in higher education graduates.

Sec. 84. NEW SECTION. 15G.107 GROW IOWA VALUES FUND.

A grow Iowa values fund is created in the state treasury under the control of the grow Iowa values board consisting of moneys appropriated to the grow Iowa values board. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, interest or earnings on moneys in the fund shall be credited to the fund. The fund shall be administered by the grow Iowa values board, which shall make expenditures from the fund consistent with this chapter and pertinent Acts of the general assembly. Any financial assistance provided using moneys from the fund may be provided over a period of time of more than one year. Payments of interest, repayments of moneys loaned pursuant to this chapter, and recaptures of grants or loans shall be deposited in the fund.

Sec. 85. NEW SECTION. 15G.108 ECONOMIC DEVELOPMENT MARKETING BOARD -- MARKETING STRATEGIES.

1. a. An economic development marketing board is established consisting of seven members and is located for administrative purposes within the department. The director of the department shall provide office space, staff assistance, and necessary supplies and equipment for the board. The director shall budget moneys to pay the compensation and expenses of the board. In performing its functions, the board is performing a public function on behalf of the state and is a public instrumentality of the state.

b. The membership of the board shall consist of seven members appointed by the governor, subject to confirmation by the senate. Five of the members shall have significant demonstrated experience in marketing or advertising. Two

members of the board shall also be members of the grow Iowa values board.

c. The appointments shall comply with sections 69.16 and 69.16A.

d. The chairperson and vice chairperson of the board shall be elected by and from the board members. In case of the absence or disability of the chairperson and vice chairperson, the members of the board shall elect a temporary chairperson by a majority vote of those members who are present and voting.

e. The members shall be appointed to three-year staggered terms and the terms shall commence and end as provided by section 69.19. If a vacancy occurs, a successor shall be appointed to serve the unexpired term. A successor shall be appointed in the same manner and subject to the same qualifications as the original appointment to serve the unexpired term.

f. A majority of the board constitutes a quorum.

2. The board shall administer and implement the approval process for marketing strategies provided in subsection 3.

3. The economic development marketing board shall accept proposals for marketing strategies for purposes of selecting a strategy for the department to administer. The marketing strategies shall be designed to market Iowa as a lifestyle, increase the population of the state, increase the wealth of Iowans, and expand and stimulate the state economy. The economic development marketing board shall submit a recommendation regarding the proposal to the grow Iowa values board. In selecting a marketing strategy for recommendation, the economic development marketing board shall base the selection on the goals and performance measures provided in section 15G.106. The grow Iowa values board shall either approve or deny the recommendation.

4. The department shall implement and administer the marketing strategy approved by the grow Iowa values board as provided in subsection 3. The department shall provide the economic development marketing board with assistance in

implementing administrative functions of the board and provide technical assistance to the board.

5. The members of the board are entitled to receive reimbursement for actual expenses incurred while engaged in the performance of official duties. A board member may also be eligible to receive compensation as provided in section 7E.6.

Sec. 86. NEW SECTION. 15G.109 FUTURE CONSIDERATION.

Not later than February 1, 2007, the legislative services agency shall prepare and deliver to the secretary of the senate and the chief clerk of the house of representatives identical bills that repeal the provisions of this chapter. It is the intent of this section that the general assembly shall bring the bill to a vote in either the senate or the house of representatives expeditiously. It is further the intent of this chapter that if the bill is approved by the first house in which it is considered, it shall expeditiously be brought to a vote in the second house.

DIVISION VII

VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL ASSISTANCE PROGRAM

Sec. 87. Section 15E.111, subsection 1, Code 2003, is amended to read as follows:

1. a. The department shall establish a value-added agricultural products and processes financial assistance program. The department shall consult with ~~the Iowa corn growers association and the Iowa soybean association~~ Iowa commodity groups. The purpose of the program is to encourage the increased utilization of agricultural commodities produced in this state. The program shall assist in efforts to revitalize rural regions of this state, by committing resources to provide financial assistance to new or existing value-added production facilities. The department of economic development may consult with other state agencies regarding any possible future environmental, health, or safety issues linked to technology related to the biotechnology industry. In awarding financial assistance, the department shall prefer

producer-owned, value-added businesses and public and private joint ventures involving an institution of higher learning under the control of the state board of regents or a private college or university acquiring assets, research facilities, and leveraging moneys in a manner that meets the goals of the grow Iowa values fund and shall commit resources to assist the following:

a- (1) Facilities which are involved in the development of new innovative products and processes related to agriculture. The facility must do either of the following: produce a good derived from an agricultural commodity, if the good is not commonly produced from an agricultural commodity; or use a process to produce a good derived from an agricultural process, if the process is not commonly used to produce the good.

b- (2) Renewable fuel production facilities. As used in this section, "renewable fuel" means an energy source which is derived from an organic compound capable of powering machinery, including an engine or power plant.

(3) Agricultural business facilities in the agricultural biotechnology industry, agricultural biomass industry, and alternative energy industry. For purposes of this subsection:

(a) "Agricultural biomass industry" means businesses that utilize agricultural commodity crops, agricultural by-products, or animal feedstock in the production of chemicals, protein products, or other high-value products.

(b) "Agricultural biotechnology industry" means businesses that utilize scientifically enhanced plants or animals that can be raised by producers and used in the production of high-value products.

(c) "Alternative energy industry" includes businesses involved in the production of ethanol, including gasoline with a mixture of seventy percent or more ethanol, biodiesel, biomass, hydrogen, or in the production of wind energy.

(4) Facilities that add value to Iowa agricultural commodities through further processing and development of organic products and emerging markets.

(5) Producer-owned, value-added businesses, education of producers and management boards in value-added businesses, and other activities that would support the infrastructure in the development of value-added agriculture. Public and private joint ventures involving an institution of higher learning under the control of the state board of regents or a private college or university to acquire assets, research facilities, and leverage moneys in a manner that meets the goals of the grow Iowa values fund. For purposes of this subsection, "producer-owned, valued-added business" means a person who holds an equity interest in the agricultural business and is personally involved in the production of crops or livestock on a regular, continuous, and substantial basis.

b. Financial assistance awarded under this section may be in the form of a loan, loan guarantee, grant, production incentive payment, or a combination of financial assistance. The department shall not award more than twenty-five percent of the amount allocated to the value-added agricultural products and processes financial assistance fund during any fiscal year to support a single person. The department may finance any size of facility. However, the department ~~shall~~ may reserve up to fifty percent of the total amount allocated to the fund, for purposes of assisting persons requiring ~~one~~ five hundred thousand dollars or less in financial assistance. The amount shall be reserved until the end of the third quarter of the fiscal year. The department shall not provide financial assistance to support a value-added production facility if the facility or a person owning a controlling interest in the facility has demonstrated a continuous and flagrant disregard for the health and safety of its employees or the quality of the environment. Evidence of such disregard shall include a history of serious or uncorrected violations of state or federal law protecting occupational health and safety or the environment, including but not limited to serious or uncorrected violations of occupational safety and health standards enforced by the division of labor services of the department of workforce development pursuant to chapter

84A, or rules enforced by the department of natural resources pursuant to chapter 455B or 459, subchapters II and III.

DIVISION VIII

ENDOW IOWA GRANTS

Sec. 88. NEW SECTION. 15E.301 SHORT TITLE.

This division shall be known as and may be cited as the "Endow Iowa Program Act".

Sec. 89. NEW SECTION. 15E.302 PURPOSE.

The purpose of this division is to enhance the quality of life for citizens of this state through increased philanthropic activity by providing capital to new and existing citizen groups of this state organized to establish endowment funds that will address community needs. The purpose of this division is also to encourage individuals, businesses, and organizations to invest in community foundations.

Sec. 90. NEW SECTION. 15E.303 DEFINITIONS.

As used in this division, unless the context otherwise requires:

1. "Board" means the governing board of the lead philanthropic entity identified by the department pursuant to section 15E.304.

2. "Business" means a business operating within the state and includes individuals operating a sole proprietorship or having rental, royalty, or farm income in this state and includes a consortium of businesses.

3. "Community affiliate organization" means a group of five or more community leaders or advocates organized for the purpose of increasing philanthropic activity in an identified community or geographic area in this state with the intention of establishing a community affiliate endowment fund.

4. "Endowment gift" means an irrevocable contribution to a permanent endowment held by a qualified community foundation.

5. "Lead philanthropic entity" means the entity identified by the department pursuant to section 15E.304.

6. "Qualified community foundation" means a community foundation organized or operating in this state that meets or

exceeds the national standards established by the national council on foundations.

Sec. 91. NEW SECTION. 15E.304 ENDOW IOWA GRANTS.

1. The department shall identify a lead philanthropic entity for purposes of encouraging the development of qualified community foundations in this state. A lead philanthropic entity shall meet all of the following qualifications:

a. The entity shall be a nonprofit entity which is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code.

b. The entity shall be a statewide organization with membership consisting of organizations, such as community, corporate, and private foundations, whose principal function is the making of grants within the state of Iowa.

c. The entity shall have a minimum of forty members and that membership shall include qualified community foundations.

2. A lead philanthropic entity may receive a grant from the department. The board shall use the grant moneys to award endow Iowa grants to new and existing qualified community foundations and to community affiliate organizations that do all of the following:

a. Provide the board with all information required by the board.

b. Demonstrate a dollar-for-dollar funding match in a form approved by the board.

c. Identify a qualified community foundation to hold all funds. A qualified community foundation shall not be required to meet this requirement.

d. Provide a plan to the board demonstrating the method for distributing grant moneys received from the board to organizations within the community or geographic area as defined by the qualified community foundation or the community affiliate organization.

3. Endow Iowa grants awarded to new and existing qualified community foundations and to community affiliate organizations shall not exceed twenty-five thousand dollars per foundation

or organization unless a foundation or organization demonstrates a multiple county or regional approach. Endow Iowa grants may be awarded on an annual basis with not more than three grants going to one county in a fiscal year.

4. In ranking applications for grants, the board shall consider a variety of factors including the following:

- a. The demonstrated need for financial assistance.
- b. The potential for future philanthropic activity in the area represented by or being considered for assistance.
- c. The proportion of the funding match being provided.
- d. For community affiliate organizations, the demonstrated need for the creation of a community affiliate endowment fund in the applicant's geographic area.
- e. The identification of community needs and the manner in which additional funding will address those needs.
- f. The geographic diversity of awards.

5. Of any moneys received by a lead philanthropic entity from the state, not more than five percent of such moneys shall be used by the entity for administrative purposes.

Sec. 92. NEW SECTION. 15E.306 REPORTS -- AUDITS.

By January 31 of each year, the lead philanthropic entity, in cooperation with the department, shall publish an annual report of the activities conducted pursuant to this division during the previous calendar year and shall submit the report to the governor and the general assembly. The annual report shall include a listing of endowment funds and the amount of tax credits authorized by the department.

Sec. 93. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES. This division of this Act, being deemed of immediate importance, takes effect upon enactment and is retroactively applicable to January 1, 2003, for tax years beginning on or after that date.

DIVISION IX

COMMERCIALIZATION OF RESEARCH ISSUES

Sec. 94. Section 262.9, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 29. By January 15 of each year, submit a report to the governor, through the director of technology in the office of the governor, and the general assembly containing information from the previous calendar year regarding all of the following:

a. Patents secured or applied for by each university under the control of the board delineated by university and by faculty member and staff member responsible for the research or activity that resulted in the patent. In the initial report filed by January 15, 2004, the board shall include an inventory of patent portfolios with details concerning which patents are creating financial benefit and the amount of financial benefit and which patents are not creating financial benefit and the amount invested in those patents.

b. Research grants secured by each university under the control of the board from both public and private sources delineated by university and by faculty member and staff member. The board shall also include the same information for grant applications that are denied.

c. The number of faculty members and staff members at each university under the control of the board involved in a start-up company.

d. The number of grant applications for research received by each university under the control of the board for start-up companies, the number of applications approved, and the number of applications denied.

e. The number of agreements entered into by faculty members and staff members at each university under the control of the board with foundations affiliated with the universities relating to business start-ups.

f. An accounting of the financial gain received by each university under the control of the board relating to patents sold, royalties received, licensing fees, and any other remuneration received by the university related to technology transfer.

g. The number of professional employees at each university under the control of the board who assist in the transfer of technology and research to commercial application.

Sec. 95. Section 262B.1, Code 2003, is amended to read as follows:

262B.1 TITLE.

This chapter shall be known and may be cited as the ~~"University-Based-Research-and-Economic-Development~~ "Commercialization of Research for Iowa Act".

Sec. 96. Section 262B.2, Code 2003, is amended by striking the section and inserting in lieu thereof the following:

262B.2 LEGISLATIVE INTENT.

It is the intent of the general assembly that the three universities under the control of the state board of regents have as part of their mission the use of their universities' expertise to expand and stimulate economic growth across the state. This activity may be accomplished through a wide variety of partnerships, public and private joint ventures, and cooperative endeavors, primarily in the area of high technology, and may result in investments by the private sector for commercialization of the technology. It is imperative that the investments and job creation be in Iowa, but need not be in the proximity of the universities. The purpose is to expand and stimulate Iowa's economy, increase the wealth of Iowans, and increase the population of Iowa, which may be accomplished through research conducted within the state that will competitively position Iowa on an economic basis with other states and create high-wage, high-growth employers and jobs. It is also the intent of the general assembly that real or virtual research parks will be established and maintained by the universities in close enough proximity to the ventures that cooperation between the academic, research, and commercialization phases will be encouraged. It is the intent of the general assembly that satellites of the research parks will expand and stimulate economic growth in other areas of the state.

Sec. 97. Section 262B.3, Code 2003, is amended to read as follows:

262B.3 ESTABLISHMENT-OF-CONSORTIUM DUTIES AND RESPONSIBILITIES.

1. The state board of regents or the universities under its jurisdiction, as part of its mission and strategic plan, shall establish consortiums mechanisms for the purpose of carrying out the intent of this chapter. The majority of consortium members shall be from the university community and the balance of members shall be from private industry. The members of the consortium shall be appointed by the president of the convening university and will serve at the pleasure of the president. In addition to other board initiatives, the board shall work with the department of economic development, other state agencies, and the private sector to facilitate the commercialization of research.

2. Activities to implement this chapter may include:

a. Developing strategies to market university research for commercialization in Iowa.

b. Matching university resources with the needs of existing Iowa firms or start-up opportunities.

c. Evaluating university research for commercialization potential, where relevant.

d. Developing a plan to improve private sector access to the university licenses and patent information and the transfer of technology from the university to the private sector.

e. Disseminating information on research activities of the university.

f. Identifying research needs of existing Iowa businesses and recommending ways in which the universities can meet these needs.

g. Linking research and instruction activities to economic development.

h. Reviewing and monitoring activities related to technology transfer.

i. Coordinating activities to facilitate a focus on research in the state's targeted industry clusters.

j. Surveying of similar activities in other states and at other universities.

k. Establishing a single point of contact to facilitate commercialization of research.

Sec. 98. Section 262B.5, Code 2003, is amended to read as follows:

262B.5 REGENTS-AND-DEPARTMENT-OF-ECONOMIC-DEVELOPMENT REPORTING.

~~The state board of regents and the Iowa department of economic development shall enter into an agreement under chapter 28E to coordinate and facilitate the activities of the consortiums.~~ The state board of regents and with input from the Iowa department of economic development shall report annually to the governor and the general assembly concerning the activities ~~of the consortiums~~ conducted pursuant to this chapter.

Sec. 99. NEW SECTION. 262B.6 DIRECTOR OF TECHNOLOGY -- TECHNOLOGY TRANSFER AGENTS.

1. The governor shall appoint a director of technology to serve within the office of the governor. A position is created for a deputy director of technology within the office of the governor. The director and the deputy director shall be responsible for advancing technology transfer and commercialization issues in the state and shall coordinate the related activities at the institutions of higher learning under the control of the state board of regents. The director shall have demonstrated expertise and experience in the areas of business, industry, and academics.

2. Each institution of higher learning under the control of the state board of regents shall designate an employee to serve as a technology transfer agent to coordinate the activities of the institution with the director of technology within the office of the governor.

3. By December 1, 2004, the director shall conduct a study and develop recommendations for the advancement of technology transfer and commercialization issues. The director shall compile and submit the recommendations in written form to the general assembly by December 1, 2004. The recommendations shall include specific and detailed proposed amendments to the

Code of Iowa necessary to advance the proposed recommendations.

Sec. 100. Section 262B.4, Code 2003, is repealed.

DIVISION X

IOWA ECONOMIC DEVELOPMENT

LOAN AND CREDIT GUARANTEE FUND

Sec. 101. NEW SECTION. 15E.221 SHORT TITLE.

This division shall be known and may be cited as the "Iowa Economic Development Loan and Credit Guarantee Fund Act".

Sec. 102. NEW SECTION. 15E.222 LEGISLATIVE FINDING -- PURPOSES.

1. The general assembly finds all of the following:

a. That small and medium-sized businesses, in general, and certain targeted industry businesses and other qualified businesses, in particular, may not qualify for conventional financing.

b. That the limited availability of credit for export transactions limits the ability of small and medium-sized businesses in this state to compete in international markets.

c. That, to enhance competitiveness and foster economic development, this state must focus on growth in certain specific targeted industry businesses and other qualified businesses, especially during a time of war.

d. That the challenge for the public economic sector is to create an atmosphere conducive to economic growth, in conjunction with financial institutions in the private sector, which fill the gaps in credit availability and export finance, and that allow the private sector to identify the lending opportunities and foster decision making at the local level.

2. The general assembly declares the purposes of this division to be all of the following:

a. To create incentives and assistance to increase the flow of private capital to targeted industry businesses and other qualified businesses.

b. To promote industrial modernization and technology adoption.

c. To encourage the retention and creation of jobs.

d. To encourage the export of goods and services sold by Iowa businesses in national and international markets.

Sec. 103. NEW SECTION. 15E.223 DEFINITIONS.

As used in this division, unless the context otherwise requires:

1. "Financial institution" means an institution listed in section 422.61, subsection 1, or such other financial institution as defined by the department for purposes of this division.

2. "Program" means the loan and credit guarantee program established in this division.

3. "Qualified business" means an existing or proposed business entity with an annual average number of employees not exceeding two hundred employees. "Qualified business" does not include businesses engaged primarily in retail sales, real estate, or the provision of health care or other professional services. "Qualified business" includes professional services businesses that provide services to targeted industry businesses or other entities.

4. "Targeted industry business" means an existing or proposed business entity, including an emerging small business or qualified business which is operated for profit and which has a primary business purpose of doing business in at least one of the targeted industries designated by the department which include life sciences, software and information technology, advanced manufacturing, value-added agriculture, and any other industry designated as a targeted industry by the loan and credit guarantee advisory board.

Sec. 104. NEW SECTION. 15E.224 LOAN AND CREDIT GUARANTEE PROGRAM.

1. The department shall, with the advice of the loan and credit guarantee advisory board, establish and administer a loan and credit guarantee program. The department, pursuant to agreements with financial institutions, shall provide loan and credit guarantees, or other forms of credit guarantees for qualified businesses and targeted industry businesses for eligible project costs. A loan or credit guarantee provided

under the program may stand alone or may be used in conjunction with or to enhance other loans or credit guarantees, offered by private, state, or federal entities. The department may purchase insurance to cover defaulted loans meeting the requirements of the program. However, the department shall not in any manner directly or indirectly pledge the credit of the state. Eligible project costs include expenditures for productive equipment and machinery, working capital for operations and export transactions, research and development, marketing, and such other costs as the department may so designate.

2. A loan or credit guarantee or other form of credit guarantee provided under the program to a participating financial institution for a single qualified business or targeted industry business shall not exceed one million dollars in value. Loan or credit guarantees or other forms of credit guarantees provided under the program to more than one participating financial institution for a single qualified business or targeted industry business shall not exceed ten million dollars in value.

3. In administering the program, the department shall consult and cooperate with financial institutions in this state and with the loan and credit guarantee advisory board. Administrative procedures and application procedures, as practicable, shall be responsive to the needs of qualified businesses, targeted industry businesses, and financial institutions, and shall be consistent with prudent investment and lending practices and criteria.

4. Each participating financial institution shall identify and underwrite potential lending opportunities with qualified businesses and targeted industry businesses. Upon a determination by a participating financial institution that a qualified business or targeted industry business meets the underwriting standards of the financial institution, subject to the approval of a loan or credit guarantee, the financial institution shall submit the underwriting information and a loan or credit guarantee application to the department.

5. The department, with the advice of the loan and credit guarantee advisory board, shall adopt a loan or credit guarantee application procedure for a financial institution on behalf of a qualified business or targeted industry business.

6. Upon approval of a loan or credit guarantee, the department shall enter into a loan or credit guarantee agreement with the participating financial institution. The agreement shall specify all of the following:

- a. The fee to be charged to the financial institution.
- b. The evidence of debt assurance of, and security for, the loan or credit guarantee.
- c. A loan or credit guarantee that does not exceed fifteen years.
- d. Any other terms and conditions considered necessary or desirable by the department.

7. The department, with the advice of the loan and credit guarantee advisory board, may adopt loan and credit guarantee application procedures that allow a qualified business or targeted industry business to apply directly to the department for a preliminary guarantee commitment. A preliminary guarantee commitment may be issued by the department subject to the qualified business or targeted industry business securing a commitment for financing from a financial institution. The application procedures shall specify the process by which a financial institution may obtain a final loan and credit guarantee.

Sec. 105. NEW SECTION. 15E.225 TERMS -- FEES.

1. When entering into a loan or credit guarantee agreement, the department, with the advice of the loan and credit guarantee advisory board, shall establish fees and other terms for participation in the program by qualified businesses and targeted industry businesses.

2. The department, with due regard for the possibility of losses and administrative costs and with the advice of the loan and credit guarantee advisory board, shall set fees and other terms at levels sufficient to assure that the program is self-financing.

3. For a preliminary guarantee commitment, the department may charge a qualified business or targeted industry business a preliminary guarantee commitment fee. The application fee shall be in addition to any other fees charged by the department under this section and shall not exceed one thousand dollars for an application.

Sec. 106. NEW SECTION. 15E.226 LOAN AND CREDIT GUARANTEE ADVISORY BOARD.

A loan and credit guarantee advisory board is established consisting of seven members appointed by the governor, subject to confirmation by the senate. The advisory board shall provide the department with technical advice regarding the administration of the program, including the adoption of administrative rules pursuant to chapter 17A. The advisory board shall review and provide recommendations regarding all applications under the program. Members of the advisory board are entitled to receive reimbursement for actual expenses incurred while engaged in the performance of official duties. Advisory board members may also be eligible to receive compensation as provided in section 7E.6. The director of the department shall budget moneys to pay the compensation and expenses of the advisory board. The provisions of this section relating to the adoption of administrative rules shall be construed narrowly.

DIVISION XI

ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

Sec. 107. NEW SECTION. 15E.118 BUSINESS START-UP INFORMATION -- INTERNET WEB SITE.

The department shall provide information through an internet web site and a toll-free telephone service to assist persons interested in establishing a commercial facility or engaging in a commercial activity. The information shall include all of the following:

1. Assistance, information, and guidance for start-up businesses.
2. Information gathered by the department pursuant to section 15E.17, subsection 2.
3. Personal and corporate income tax information.

4. Information regarding financial assistance and incentives available to businesses.

5. Workforce availability in the state presented in a regional format.

Sec. 108. NEW SECTION. 15E.119 ECONOMIC DEVELOPMENT-RELATED DATA COLLECTION.

1. The department shall interview any business that considered locating in Iowa but decided to locate elsewhere. The department shall attempt to determine factors that affected the location decision of the business.

2. The department shall interview any business that closes major operations in the state or dissolves the business's corporate status in an effort to identify factors that led to the closure or dissolution.

3. By January 15 of each year, the department shall submit a written report to the general assembly that summarizes the information collected pursuant to this section and provides suggested amendments to the Code of Iowa and the Iowa administrative code designed to stimulate and expand the state's economy.

Sec. 109. INTERNET WEB SITE DEVELOPMENT. In developing the internet web site required in section 15E.118, the department of economic development shall examine similar efforts in other states and incorporate the best practices.

DIVISION XII

CULTURAL AND ENTERTAINMENT DISTRICTS

Sec. 110. NEW SECTION. 303.3B CULTURAL AND ENTERTAINMENT DISTRICTS.

1. The department of cultural affairs shall establish and administer a cultural and entertainment district certification program. The program shall encourage the growth of communities through the development of areas within a city or county for public and private uses related to cultural and entertainment purposes.

2. A city or county may create and designate a cultural and entertainment district subject to certification by the department of cultural affairs, in consultation with the

department of economic development. A cultural and entertainment district shall consist of a geographic area not exceeding one square mile in size. A cultural and entertainment district certification shall remain in effect for ten years following the date of certification. Two or more cities or counties may apply jointly for certification of a district that extends across a common boundary. Through the adoption of administrative rules, the department of cultural affairs shall develop a certification application for use in the certification process. The provisions of this subsection relating to the adoption of administrative rules shall be construed narrowly.

3. The department of cultural affairs shall encourage development projects and activities located in certified cultural and entertainment districts through incentives under cultural grant programs pursuant to section 303.3, chapter 303A, and any other grant programs.

DIVISION XIII

UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM

Sec. 111. NEW SECTION. 262B.11 UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM.

1. The department of economic development shall establish and administer a university-based research utilization program for purposes of encouraging the utilization of university-based research, primarily in the area of high technology, in new or existing businesses. The program shall include the three universities under the control of the state board of regents and all accredited private universities located in the state.

2. A new or existing business that utilizes a technology developed by an employee at a university under the control of the state board of regents may apply to the department of economic development for approval to participate in the university-based research utilization program. The department shall approve an applicant if the applicant meets all of the following criteria:

a. The applicant utilizes a technology developed by an employee at a university under the control of the state board of regents, provided that the technology has received a patent after the effective date of this Act. If the applicant has been in existence more than one year prior to applying, the applicant shall organize a separate company to utilize the technology. For purposes of this section, the separate company shall be considered the applicant and, if approved, the approved business.

b. The applicant develops a five-year business plan approved by the department. The plan shall include information concerning the applicant's Iowa employment goals and projected impact on the Iowa economy. The department shall only approve plans showing sufficient potential impact on Iowa employment and economic development.

c. The applicant meets a minimum-size business standard determined by the department.

d. The applicant provides annual reports to the department that include employment statistics for the applicant and the total taxable wages paid to Iowa employees and reported to the department of revenue and finance pursuant to section 422.16.

3. A business approved under the program and the university employee responsible for the development of the technology utilized by the approved business shall be eligible for a tax credit. The credit shall be allowed against the taxes imposed in chapter 422, divisions II and III. An individual may claim a tax credit under this section of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, limited liability company, S corporation, estate, or trust. A tax credit shall not be claimed under this subsection unless a tax credit certificate issued by the department of economic development is attached to the taxpayer's tax return for the tax year for which the tax credit is claimed. The amount of a tax credit allowed

under this subsection shall equal the amount listed on a tax credit certificate issued by the department of economic development pursuant to subsection 4. A tax credit certificate shall not be transferable. Any tax credit in excess of the taxpayer's liability for the tax year may be credited to the taxpayer's tax liability for the following five years or until depleted, whichever occurs first. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit.

4. For the five tax years following the tax year in which a business is approved under the program, the department of revenue and finance shall provide the department of economic development with information required by the department of economic development from each tax return filed by the approved business. Upon receiving the tax return-related information, the department of economic development shall do all of the following:

a. Review the information provided by the department of revenue and finance pursuant to this subsection and the annual report submitted by the applicant pursuant to subsection 2, paragraph "d". If the department determines that the business activities of the applicant are not providing the benefits to Iowa employment and economic development projected in the applicant's approved five-year business plan, the department shall not issue tax credit certificates for that year to the applicant or university employee and shall determine any related university share to be equal to zero for that year.

b. Effective for the fiscal year beginning July 1, 2004, and for subsequent fiscal years, issue a tax credit certificate to the approved business and the university employee responsible for the development of the technology utilized by the approved business in an amount determined pursuant to subsection 5. A tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue and finance.

c. (1) Determine the university share which is equal to the value of thirty percent of the tax liability of the approved business for purposes of making an appropriation pursuant to section 262B.12, if enacted by 2003 Iowa Acts, House File 683 or another Act, to the university where the technology utilized by the approved business was developed. A university share shall not exceed two hundred twenty-five thousand dollars per year per technology utilized. For each technology utilized, the aggregate university share over a five-year period shall not exceed six hundred thousand dollars.

(2) The department shall maintain records for each university during each fiscal year regarding the university share each university is entitled to receive through the appropriation in section 262B.12, if enacted by 2003 Iowa Acts, House File 683 or another Act. A university shall be entitled to receive the total university share for that particular university during the previous fiscal year.

d. For the fiscal year beginning July 1, 2004, not more than two million dollars worth of certificates shall be issued pursuant to paragraph "b". For the fiscal year beginning July 1, 2005, and every fiscal year thereafter, not more than ten million dollars worth of certificates shall be issued pursuant to paragraph "b".

5. The tax credit certificates issued by the department for each of the five years following the tax year in which the business is approved under the program shall be for the following amounts:

a. For the approved business, the value of the tax credit certificate shall equal thirty percent of the tax liability of the approved business. The value of a certificate issued to an approved business shall not exceed two hundred twenty-five thousand dollars. The total aggregate value of certificates issued over a five-year period to an approved business shall not exceed six hundred thousand dollars.

b. For the university employee responsible for the development of the technology utilized by the approved

business, the value of the tax credit certificate shall equal ten percent of the tax liability of the approved business. If more than one employee is responsible for the development of the technology, the value equal to ten percent of the tax liability of the approved business shall be divided equally and individual tax credit certificates shall be issued to each employee responsible for the development of the technology. Each year, the total value of a certificate or certificates issued for a utilized technology shall not exceed seventy-five thousand dollars. For each technology utilized, the total aggregate value of certificates issued over a five-year period to the university employee responsible for the development of the technology shall not exceed two hundred thousand dollars.

6. The department of economic development shall notify the department of revenue and finance when a tax credit certificate is issued pursuant to subsection 4. The notification shall include the name and tax identification number appearing on any tax credit certificate.

Sec. 112. NEW SECTION. 422.11H UNIVERSITY-BASED RESEARCH UTILIZATION PROGRAM TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a university-based research utilization program tax credit authorized pursuant to section 262B.11.

Sec. 113. Section 422.33, Code 2003, is amended by adding the following new subsection:

NEW SUBSECTION. 14. The taxes imposed under this division shall be reduced by a university-based research utilization program tax credit authorized pursuant to section 262B.11.

DIVISION XIV
FUTURE REPEAL

Sec. 114. The divisions of this Act designated the grow Iowa board and fund, the value-added agricultural products and processes financial assistance program, the endow Iowa grants, the technology transfer advisors, the Iowa economic development loan and credit guarantee fund, the economic development assistance and data collection, the cultural and

entertainment districts, the workforce issues, and the university-based research utilization program, are repealed effective June 30, 2010.

DIVISION XV
LIABILITY REFORM

Sec. 115. Section 625A.9, Code 2003, is amended to read as follows:

625A.9 EXECUTION ON UNSTAYED PART OF JUDGMENT --
SUPERSEDEAS BOND WAIVED.

1. The taking of the appeal from part of a judgment or order, and the filing of a bond ~~as-above-directed~~, does not stay execution as to that part of the judgment or order not appealed from.

2. If the judgment or order appealed from is for money, such bond shall not exceed one hundred ten percent of the amount of the money judgment.

3. Upon motion and for good cause shown, the district court may stay all proceedings under the order or judgment being appealed and permit the state or any of its political subdivisions to appeal a judgment or order to the supreme court without the filing of a supersedeas bond.

Sec. 116. Section 668.12, Code 2003, is amended to read as follows:

668.12 LIABILITY FOR PRODUCTS -- STATE-OF-THE-ART-DEFENSE DEFENSES.

1. In any action brought pursuant to this chapter against an assembler, designer, supplier of specifications, distributor, manufacturer, or seller for damages arising from an alleged defect in the design, testing, manufacturing, formulation, packaging, warning, or labeling of a product, a percentage of fault shall not be assigned to such persons if they plead and prove that the product conformed to the state of the art in existence at the time the product was designed, tested, manufactured, formulated, packaged, provided with a warning, or labeled.

2. Nothing contained in ~~this section~~ subsection 1 shall diminish the duty of an assembler, designer, supplier of

specifications, distributor, manufacturer or seller to warn concerning subsequently acquired knowledge of a defect or dangerous condition that would render the product unreasonably dangerous for its foreseeable use or diminish the liability for failure to so warn.

3. An assembler, designer, supplier of specifications, distributor, manufacturer, or seller shall not be subject to liability under a theory of civil conspiracy unless the person knowingly and voluntarily entered into an agreement, express or implied, to participate in a common plan with the intent to commit a tortious act upon another. Mere membership in a trade or industrial association or group is not, in and of itself, evidence of such an agreement.

Sec. 117. Section 668A.1, subsection 1, Code 2003, is amended to read as follows:

1. In a trial of a claim involving the request for punitive or exemplary damages, the court shall instruct the jury to answer special interrogatories or, if there is no jury, shall make findings, indicating all of the following:

a. ~~Whether, by a preponderance of clear, convincing, and satisfactory evidence, the conduct of the defendant from which the claim arose constituted willful and wanton disregard for the rights or safety of another.~~

~~b. Whether the conduct of the defendant was directed specifically at the claimant, or at the person from which the claimant's claim is derived.~~

b. Whether, by a preponderance of clear and convincing evidence, the conduct of the defendant from which the claim arose constituted actual malice.

Sec. 118. NEW SECTION. 668A.2 DEFINITIONS.

As used in this chapter, the following terms shall have the following meanings:

1. "Clear and convincing evidence" means evidence which leaves no serious or substantial doubt about the correctness of the conclusions drawn from the evidence. It is more than a preponderance of evidence, but less than beyond a reasonable doubt.

2. "Malice" means either conduct which is specifically intended by the defendant to cause tangible or intangible serious injury to the plaintiff or conduct that is carried out by the defendant both with a flagrant indifference to the rights of the plaintiff and with a subjective awareness that such conduct will result in tangible serious injury.

Sec. 119. NEW SECTION. 668A.3 AWARD OF PUNITIVE OR EXEMPLARY DAMAGES -- PROOF -- STANDARD.

Punitive or exemplary damages shall only be awarded where the plaintiff proves by clear and convincing evidence that the plaintiff's harm was the result of actual malice. This burden of proof shall not be satisfied by proof of any degree of negligence, including gross negligence.

Sec. 120. APPLICABILITY. This division of this Act, relating to liability reform, applies to cases filed on or after July 1, 2003.

DIVISION XVI

WORKERS' COMPENSATION

Sec. 121. Section 85.34, subsection 2, paragraph u, Code 2003, is amended by adding the following new unnumbered paragraph after unnumbered paragraph 2:

NEW UNNUMBERED PARAGRAPH. When an employee makes a claim for benefits under this subsection, the employer is not liable for that portion of the employee's present disability caused by a prior work-related injury or illness that was sustained by the employee while the employee was employed by a different employer. When an employee's present disability includes disability caused by a prior work-related injury or illness that was sustained by the employee while in the employ of the same employer, the employer is liable for compensating all of the employee's work-related disability sustained by the employee while in the employ of the employer, except that any portion of the disability that was previously compensated by the employer shall be deducted from the employer's obligation to pay benefits for the employee's present disability. If an employee's present disability is reduced by a portion of disability sustained from prior work-related injuries or

illnesses for which the employee has already been compensated by the same employer, then the employee shall receive compensation for the remaining disability caused by the present work-related injury or illness plus an additional ten percent of the amount of the increase in disability.

Sec. 122. Section 86.12, Code 2003, is amended to read as follows:

86.12 FAILURE TO REPORT.

The workers' compensation commissioner may require any employer to supply the information required by section 86.10 or to file a report required by section 86.11 or 86.13 or by agency rule, by written demand sent to the employer's last known address. Upon failure to supply such information or file such report within twenty thirty days, the employer may be ordered to appear and show cause why the employer should not be subject to civil-penalty assessment of one hundred thousand dollars for each occurrence. Upon such hearing, the workers' compensation commissioner shall enter a finding of fact and may enter an order requiring such penalty assessment to be paid into the second injury fund created by sections 85.63 to 85.69. In the event the civil-penalty-assessed assessment is not voluntarily paid within thirty days the workers' compensation commissioner may file a certified copy of such finding and order with the clerk of the court for the district in which the employer maintains a place of business. If the employer maintains no place of business in this state service shall be made as provided in chapter 85 for nonresident employers. In such case the finding and order may be filed in any court of competent jurisdiction within this state.

The workers' compensation commissioner may thereafter petition the court for entry of judgment upon such order, serving notice of such petition on the employer and any other person in default. If the court finds the order valid, the court shall enter judgment against the person or persons in default for the amount due under the order. No fees shall be required for the filing of the order or for the petition for

judgment, or for the entry of judgment or for any enforcement procedure thereupon. No supersedeas shall be granted by any court to a judgment entered under this section.

When a report is required under section 86.11 or 86.13 or by agency rule, and ~~that report has been submitted to the employer's insurance carrier and no report of injury has been filed with the workers' compensation commissioner~~ possesses the information necessary to file the report, the insurance carrier shall be responsible for filing the report ~~of injury~~ in the same manner and to the same extent as an employer under this section.

Sec. 123. NEW SECTION. 86.13A COMPLIANCE MONITORING AND ENFORCEMENT.

The workers' compensation commissioner shall monitor the rate of compliance of each employer and each insurer with the requirement to commence benefit payments within the time specified in section 85.30. The commissioner shall determine the percentage of reported injuries where the statutory standard was met and the average number of days that commencement of voluntary benefits was delayed for each employer and each insurer individually, and for all employers and all insurers as separate groups.

If during any fiscal year commencing after June 30, 2005, the general business practices of an employer or insurer result in the delay of the commencement of voluntary weekly compensation payments after the date specified in section 85.30 more frequently and for a longer number of days than the average number of days for the entire group of employers or insurers, the commissioner may impose an assessment on the employer or insurer payable to the second injury fund created in section 85.66. The amount of the assessment shall be ten dollars, multiplied by the average number of days that weekly compensation payments were delayed after the date specified in section 85.30, and multiplied by the number of injuries the employer or insurer reported during the fiscal year. Notwithstanding the foregoing, an assessment shall not be imposed if the employer or insurer commenced voluntary weekly

compensation benefits within the time specified in section 85.30 for more than seventy-five percent of the injuries reported by the employer or insurer.

The commissioner may waive or reduce an assessment under this section if an employer or insurer demonstrates to the commissioner that atypical events during the fiscal year, including but not limited to a small number of cases, made the statistical data for that employer or insurer unrepresentative of the actual payout practices of the employer or insurer for that year.

Sec. 124. APPLICABILITY. This division of this Act, relating to workers' compensation, applies to an injury occurring on or after July 1, 2003.

DIVISION XVII

FINANCIAL SERVICES

Sec. 125. Section 537.2502, subsections 3 and 6, Code 2003, are amended to read as follows:

3. A delinquency charge shall not be collected under subsection 1, paragraph "a", on an installment which that is paid in full within ten days after its scheduled or deferred installment due date even though an earlier maturing installment or a delinquency or deferral charge on an earlier installment may not have been paid in full. For purposes of this subsection, payments associated with a precomputed transaction are applied first to current installments and then to delinquent installments.

6. A delinquency charge shall not be collected under subsection 4 on a payment which associated with a precomputed transaction that is paid in full on or before its scheduled or deferred due date even though an earlier maturing payment or a delinquency or deferred charge on an earlier payment has not been paid in full. For purposes of this subsection, payments are applied first to amounts due for the current billing cycle and then to delinquent payments.

Sec. 126. Section 537.2601, subsection 1, Code 2003, is amended to read as follows:

1. ~~Except as provided in subsection 27 with~~ With respect to a credit transaction other than a consumer credit transaction, the parties may contract for the payment by the debtor of any finance or other charge as permitted by law. ~~Except with respect to debt obligations issued by a government, governmental agency or instrumentality, in calculating any finance charge contracted for, any month may be counted as one-twelfth of a year, but a day is to be counted as one-three-hundred-sixty-fifth of a year.~~

DIVISION XVIII

UNEMPLOYMENT COMPENSATION SURCHARGE

Sec. 127. Section 96.7, subsection 12, paragraph a, Code 2003, is amended to read as follows:

a. An employer other than a governmental entity or a nonprofit organization, subject to this chapter, shall pay an administrative contribution surcharge equal in amount to one-tenth of one percent of federal taxable wages, as defined in section 96.19, subsection 37, paragraph "b", subject to the surcharge formula to be developed by the department under this paragraph. The department shall develop a surcharge formula that provides a target revenue level of no greater than six million five hundred twenty-five thousand dollars annually for calendar years 2003, 2004, and 2005 and a target revenue level of no greater than three million two hundred sixty-two thousand five hundred dollars for calendar year 2006 and each subsequent calendar year. The department shall reduce the administrative contribution surcharge established for any calendar year proportionate to any federal government funding that provides an increased allocation of moneys for workforce development offices, under the federal employment services financing reform legislation. Any administrative contribution surcharge revenue that is collected in calendar year ~~2002~~ 2003, 2004, or 2005 in excess of six million five hundred twenty-five thousand dollars or in calendar year 2006 or a subsequent calendar year in excess of three million two hundred sixty-two thousand five hundred dollars shall be deducted from the amount to be collected in the subsequent

calendar year 2003 before the department establishes the administrative contribution surcharge. The department shall recompute the amount as a percentage of taxable wages, as defined in section 96.19, subsection 37, and shall add the percentage surcharge to the employer's contribution rate determined under this section. The percentage surcharge shall be capped at a maximum of seven dollars per employee. The department shall adopt rules prescribing the manner in which the surcharge will be collected. Interest shall accrue on all unpaid surcharges under this subsection at the same rate as on regular contributions and shall be collectible in the same manner. Interest accrued and collected under this paragraph and interest earned and credited to the fund under paragraph "b" shall be used by the department only for the purposes set forth in paragraph "c".

Sec. 128. Section 96.7, subsection 12, paragraph d, Code 2003, is amended to read as follows:

d. This subsection is repealed July 1, ~~2003~~ 2006, and the repeal is applicable to contribution rates for calendar year ~~2004~~ 2007 and subsequent calendar years.

Sec. 129. EFFECTIVE DATE. This division of this Act, concerning the unemployment compensation surcharge, being deemed of immediate importance, takes effect upon enactment.

DIVISION XIX

ECONOMIC DEVELOPMENT

Sec. 130. NEW SECTION. 15E.18 CITIES, COUNTIES, AND REGIONS -- SITE PREPARATION FOR TARGETED ECONOMIC DEVELOPMENT.

1. For purposes of this section, "region" means a group of two or more contiguous counties that establishes a single, focused economic development effort.

2. A city, county, or region, subject to the approval of the property owner, may designate an area within the boundaries of the city, county, or region for a specific type of targeted economic development. The specific type of targeted economic development shall be one of the following:

- a. Manufacturing.
- b. Light industrial.

- c. Warehouse and distribution.
- d. Office parks.
- e. Business and commerce parks.
- f. Research and development.

3. A city, county, or region that designates an area for a specific type of targeted economic development may apply to the department for purposes of certifying the area as a preapproved development site. The department shall develop criteria for the certification process.

4. Prior to a specific project being developed, a city, county, or region designating the area for targeted economic development pursuant to this section may apply for and obtain appropriate licenses, permits, and approvals for the type of targeted economic development project desired for the area.

Sec. 131. NEW SECTION. 15E.19 REGULATORY ASSISTANCE.

1. The department of economic development shall coordinate all regulatory assistance for the state of Iowa. Each state agency with regulatory programs for business shall maintain a coordinator within the office of the director or the administrative division of the state agency. Each coordinator shall do all of the following:

- a. Serve as the department of economic development's primary contact for regulatory affairs.
- b. Provide regulatory requirements to businesses and represent the agency in the private sector.
- c. Monitor permit applications and provide timely permit status information to the department of economic development.
- d. Have the ability to require regulatory staff participation in negotiations and discussions with businesses.
- e. Notify the department of economic development regarding proposed rulemaking activities that impact a regulatory program and any subsequent changes to a regulatory program.

2. The department of economic development shall, in consultation with the coordinators described in this section, examine, and to the extent permissible, assist in the implementation of methods, including the possible establishment of an electronic database, to streamline the process for issuing permits to business.

3. By January 15 of each year, the department of economic development shall submit a written report to the general assembly regarding the provision of regulatory assistance by state agencies, including the department's efforts, and its recommendations and proposed solutions, to streamline the process of issuing permits to business.

DIVISION XX

UTILITY SALES TAX EXEMPTION

Sec. 132. Section 422.45, subsection 61, paragraph b, subparagraphs (2), (3), (4), and (5), Code 2003, are amended to read as follows:

(2) If the date of the utility billing or meter reading cycle of the residential customer for the sale, furnishing, or service of metered gas and electricity is on or after January 1, 2003, through ~~December-31-2003~~ June 30, 2008, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after January 1, 2003, through ~~December-31-2003~~ June 30, 2008, the rate of tax is three percent of the gross receipts.

(3) If the date of the utility billing or meter reading cycle of the residential customer for the sale, furnishing, or service of metered gas and electricity is on or after ~~January 1-2004~~ July 1, 2008, through ~~December-31-2004~~ June 30, 2009, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after ~~January-1-2004~~ July 1, 2008, through ~~December-31-2004~~ June 30, 2009, the rate of tax is two percent of the gross receipts.

(4) If the date of the utility billing or meter reading cycle of the residential customer for the sale, furnishing, or service of metered gas and electricity is on or after ~~January 1-2005~~ July 1, 2009, through ~~December-31-2005~~ June 30, 2010, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after ~~January-1-2005~~ July 1, 2009, through ~~December-31-2005~~ June 30, 2010, the rate of tax is one percent of the gross receipts.

(5) If the date of the utility billing or meter reading cycle of the residential customer for the sale, furnishing, or service of metered gas and electricity is on or after ~~January 17-2006~~ July 1, 2010, or if the sale, furnishing, or service of fuel for purposes of residential energy and the delivery of the fuel occurs on or after ~~January-17-2006~~ July 1, 2010, the rate of tax is zero percent of the gross receipts.

DIVISION XXI

EFFECTIVE DATE

Sec. 133. EFFECTIVE DATE. Unless otherwise provided in this Act, this Act takes effect July 1, 2003.

CHRISTOPHER C. RANTS
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 692, Eightieth General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved _____, 2003

THOMAS J. VILSACK
Governor