

APR 29 2003  
WAYS & MEANS CALENDAR

HOUSE FILE 697  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 317)

Passed House, Date 4/30/03 Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the administration of the tax and related laws  
2 by the department of revenue and finance, including  
3 administration of state individual income, sales, property,  
4 motor fuel, special fuel, cigarette, tobacco, inheritance  
5 taxes, and local hotel and motel taxes, and the premiums tax  
6 on mutual insurance associations, and including effective and  
7 retroactive applicability date provisions.

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

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HF 697

1 Section 1. Section 15E.42, subsection 3, Code 2003, is  
2 amended to read as follows:

3 3. "Investor" means an individual making a cash investment  
4 in a qualifying business or an individual taxed on income from  
5 a revocable trust's cash investment in a qualifying business  
6 or a person making a cash investment in a community-based seed  
7 capital fund. "Investor" does not include a person which is a  
8 current or previous owner, member, or shareholder in a  
9 qualifying business.

10 Sec. 2. Section 15E.43, subsection 1, paragraph a, Code  
11 2003, is amended to read as follows:

12 a. For tax years beginning on or after January 1, 2002, a  
13 tax credit shall be allowed against the taxes imposed in  
14 chapter 422, division II, for a portion of an individual  
15 taxpayer's equity investment, as provided in subsection 2, in  
16 a qualifying business. An individual shall not claim a tax  
17 credit under this paragraph of a partnership, limited  
18 liability company, S corporation, estate, or trust electing to  
19 have income taxed directly to the individual. However, an  
20 individual receiving income from a revocable trust's  
21 investment in a qualified business may claim a tax credit  
22 under this paragraph against the taxes imposed in chapter 422,  
23 division II, for a portion of the revocable trust's equity  
24 investment, as provided in subsection 2, in a qualified  
25 business.

26 Sec. 3. Section 15E.43, subsection 1, Code 2003, is  
27 amended by adding the following new paragraph:

28 NEW PARAGRAPH. d. In the case of a tax credit allowed  
29 against the taxes imposed in chapter 422, division II, where  
30 the taxpayer died prior to redeeming the entire tax credit,  
31 the remaining credit can be redeemed on the decedent's final  
32 income tax return.

33 Sec. 4. Section 15E.45, subsection 2, paragraph c, Code  
34 2003, is amended to read as follows:

35 c. The fund has no fewer than ten ~~individual~~ investors who

1 are not affiliates, with no single investor and affiliates of  
2 that investor together owning a total of more than twenty-five  
3 percent of the ownership interests outstanding in the fund.

4 Sec. 5. Section 15E.51, subsection 4, Code 2003, is  
5 amended to read as follows:

6 4. A taxpayer shall not claim a tax credit under this  
7 section if the taxpayer is a venture capital investment fund  
8 allocation manager for the Iowa fund of funds created in  
9 section 15E.65 or an investor that receives a tax credit for  
10 an the same investment in a community-based seed capital fund  
11 as defined in 2002 Iowa Acts, House File 2271.

12 Sec. 6. Section 99E.10, subsection 1, unnumbered paragraph  
13 1, Code 2003, is amended to read as follows:

14 Upon receipt of any revenue, the commissioner shall deposit  
15 the moneys in the lottery fund created pursuant to section  
16 99E.20. As nearly as is practicable, at least fifty percent  
17 of the projected annual revenue, ~~after deduction of the amount~~  
18 ~~of the sales tax~~, accruing from the sale of tickets or shares  
19 is appropriated for payment of prizes to the holders of  
20 winning tickets. After the payment of prizes, all of the  
21 following shall be deducted from lottery revenue prior to  
22 disbursement:

23 Sec. 7. Section 99E.10, subsection 1, paragraph b, Code  
24 2003, is amended by striking the paragraph.

25 Sec. 8. Section 422.9, subsection 1, Code 2003, is amended  
26 to read as follows:

27 1. An optional standard deduction, after deduction of  
28 federal income tax, equal to one thousand two hundred thirty  
29 dollars for a married person who files separately or a single  
30 person or equal to three thousand thirty dollars for a husband  
31 and wife who file a joint return, a surviving spouse, or an  
32 unmarried head of household. The optional standard deduction  
33 shall not exceed the amount remaining after deduction of the  
34 federal income tax. The amount of federal income taxes  
35 deducted shall be computed as provided under subsection 2,

1 paragraph "b".

2 Sec. 9. Section 422.9, subsection 2, paragraph b, Code  
3 2003, is amended to read as follows:

4 b. Add the amount of federal income taxes paid or accrued  
5 as the case may be, during the tax year, ~~adjusted-by and~~  
6 subtract any federal income tax refunds received during the  
7 tax year. Provided, however, that where Where married  
8 persons, who have filed a joint federal income tax return,  
9 file separately, such total shall be divided between them  
10 according to the portion ~~thereof~~ paid or accrued, as the case  
11 may be, by each. However, federal income taxes paid for a tax  
12 year in which an Iowa return was not required to be filed  
13 shall not be added, and federal income tax refunds received  
14 from a tax year in which an Iowa return was not required to be  
15 filed shall not be subtracted.

16 Sec. 10. Section 422.42, subsection 19, Code 2003, is  
17 amended to read as follows:

18 19. "Services" means all acts or services rendered,  
19 furnished, or performed, other than services used in  
20 processing of tangible personal property for use in retail  
21 sales or services, for an ~~"employer"-as-defined-in-section~~  
22 ~~422.47-subsection-3~~ employer who pays the wages of an  
23 employee, for a valuable consideration by any person engaged  
24 in any business or occupation specifically enumerated in this  
25 division. The tax shall be due and collectible when the  
26 service is rendered, furnished, or performed for the ultimate  
27 user of the service.

28 Sec. 11. Section 422.43, subsection 2, Code 2003, is  
29 amended to read as follows:

30 2. There is imposed a tax of five percent upon the gross  
31 receipts derived from the operation of all forms of amusement  
32 devices and games of skill, games of chance, raffles, and  
33 bingo games as defined in chapter 99B, operated or conducted  
34 within the state, the tax to be collected from the operator in  
35 the same manner as for the collection of taxes upon the gross

1 receipts of tickets or admission as provided in this section.  
2 ~~The tax shall also be imposed upon the gross receipts derived~~  
3 ~~from the sale of lottery tickets or shares pursuant to chapter~~  
4 ~~99E. The tax on the lottery tickets or shares shall be~~  
5 ~~included in the sales price and distributed to the general~~  
6 ~~fund as provided in section 99E.10.~~

7 Sec. 12. Section 422.45, Code 2003, is amended by adding  
8 the following new subsection:

9 NEW SUBSECTION. 31. Gross receipts from the sale of a  
10 lottery ticket or share pursuant to chapter 99E.

11 Sec. 13. Section 422.45, Code 2003, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 64. The gross receipts from noncustomer  
14 point of sale or noncustomer automated teller machine access  
15 or service charges assessed by a financial institution. For  
16 purposes of this subsection, "financial institution" means the  
17 same as defined in section 527.2.

18 Sec. 14. Section 422A.1, unnumbered paragraph 3, Code  
19 2003, is amended to read as follows:

20 A local hotel and motel tax shall be imposed on January 17  
21 ~~April 17~~ or July 17 ~~or October 17~~ following the notification  
22 of the director of revenue and finance. Once imposed, the tax  
23 shall remain in effect at the rate imposed for a minimum of  
24 one year. A local hotel and motel tax shall terminate only on  
25 ~~March 31~~ June 30 ~~September 30~~ or December 31. At least  
26 forty-five days prior to the tax being effective or prior to a  
27 revision in the tax rate, or prior to the repeal of the tax, a  
28 city or county shall provide notice by mail of such action to  
29 the director of revenue and finance.

30 Sec. 15. Section 423.4, Code 2003, is amended by adding  
31 the following new subsection:

32 NEW SUBSECTION. 9A. Vehicles subject to registration  
33 which are transferred from a corporation that is primarily  
34 engaged in the business of leasing vehicles subject to  
35 registration to a corporation that is primarily engaged in the

1 business of leasing vehicles subject to registration when the  
2 transferor and transferee corporations are part of the same  
3 controlled group for federal income tax purposes.

4 Sec. 16. Section 425.1, subsection 4, Code 2003, is  
5 amended to read as follows:

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

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

29 Upon receiving credit equal to one hundred fifty hours of  
30 classroom instruction during the assessor's current term of  
31 office of which at least ninety of the one hundred fifty hours  
32 are from courses requiring an examination upon conclusion of  
33 the course, the director of revenue and finance shall certify  
34 to the assessor's conference board that the assessor is  
35 eligible to be reappointed to the position. For persons

1 appointed to complete an unexpired term, the number of credits  
2 required to be certified as eligible for reappointment shall  
3 be prorated according to the amount of time remaining in the  
4 present term of the assessor. The director of revenue and  
5 finance may extend the period of time for an assessor to  
6 obtain the required hours of credit if the committee finds  
7 sufficient reason for granting an extension. If the person  
8 was an assessor in another jurisdiction, the assessor may  
9 carry forward any credit hours received in the previous  
10 position in excess of the number that would be necessary to be  
11 considered current in that position.

12 Within each six-year period following the appointment of a  
13 deputy assessor, the deputy assessor shall comply with this  
14 section except that upon the successful completion of ninety  
15 hours of classroom instruction of which at least sixty of the  
16 ninety hours are from courses requiring an examination upon  
17 conclusion of the course, the deputy assessor shall be  
18 certified by the director of revenue and finance as being  
19 eligible to remain in the position. If a deputy assessor  
20 fails to comply with this section, the deputy assessor shall  
21 be removed from the position until successful completion of  
22 the required hours of credit. The director of revenue and  
23 finance may extend the period of time for a deputy assessor to  
24 obtain the required hours of credit if the committee finds  
25 sufficient reason for granting an extension. If a deputy is  
26 appointed to the office of assessor, the hours of credit  
27 obtained as deputy pursuant to this section shall be credited  
28 to that individual as assessor and for the individual to be  
29 reappointed at the expiration of the term as assessor, that  
30 individual must obtain the credits which are necessary to  
31 total the number of hours for reappointment.

32 Sec. 18. Section 450.37, subsection 2, paragraph a, Code  
33 2003, is amended to read as follows:

34 a. If an agreement has not been reached on the fair market  
35 value of real property in the ordinary course of trade, the

1 director of revenue and finance has ~~thirty~~ sixty days after  
2 the return is filed to request an appraisal under section  
3 450.27. If an appraisal request is not made within the  
4 ~~thirty-day~~ sixty-day period, the value listed on the return is  
5 the agreed value of the real property.

6 Sec. 19. Section 452A.2, Code 2003, is amended by adding  
7 the following new subsection:

8 NEW SUBSECTION. 20A. "Nonterminal storage facility" means  
9 a facility where motor fuel or special fuel, other than  
10 liquefied petroleum gas, is stored that is not supplied by a  
11 pipeline or a marine vessel. "Nonterminal storage facility"  
12 includes a facility that manufactures products such as  
13 alcohol, biofuel, blend stocks, or additives which may be used  
14 as motor fuel or special fuel, other than liquefied petroleum  
15 gas, for operating motor vehicles or aircraft.

16 Sec. 20. Section 452A.2, subsection 24, Code 2003, is  
17 amended to read as follows:

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

30 Sec. 21. Section 452A.10, unnumbered paragraphs 1, 2, and  
31 4, Code 2003, are amended to read as follows:

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

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

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

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

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

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

29 Sec. 23. Section 452A.62, subsection 2, Code 2003, is  
30 amended to read as follows:

31 2. To examine the records, books, papers, receipts, and  
32 invoices of any distributor, supplier, restrictive supplier,  
33 importer, blender, exporter, terminal operator, nonterminal  
34 storage facility, licensed compressed natural gas or liquefied  
35 petroleum gas dealer or user, or any other person who

1 possesses fuel upon which the tax has not been paid to  
2 determine financial responsibility for the payment of the  
3 taxes imposed by this chapter.

4 Sec. 24. Section 452A.85, Code 2003, is amended by adding  
5 the following new subsection:

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

10 Sec. 25. Section 453A.11, Code 2003, is amended to read as  
11 follows:

12 453A.11 CANCELLATION OF STAMPS.

13 Stamps affixed to a package of cigarettes shall not be  
14 canceled by any letter, numeral, or other mark of  
15 identification or otherwise mutilated in any manner that will  
16 prevent or hinder the department in making an examination as  
17 to the genuineness of the stamp. However, the director may  
18 require ~~such~~ cancellation of the tax stamps affixed to  
19 packages of cigarettes which is necessary to carry out  
20 properly the provisions of this division. A person in  
21 violation of this section shall be considered in possession of  
22 unstamped cigarettes and is subject to the penalty provided in  
23 section 453A.31, subsection 1.

24 Sec. 26. Section 453A.15, Code 2003, is amended by adding  
25 the following new subsection:

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

29 Sec. 27. Section 453A.18, Code 2003, is amended to read as  
30 follows:

31 453A.18 FORMS FOR RECORDS AND REPORTS.

32 The department shall furnish or make available in  
33 electronic form, without charge, to holders of the various  
34 permits, forms in sufficient quantities to enable permit  
35 holders to make the reports required to be made under this

1 division. The permit holders shall furnish at their own  
2 expense the books, records, and invoices, required to be used  
3 and kept, but the books, records, and invoices shall be in  
4 exact conformity to the forms prescribed for that purpose by  
5 the director, and shall be kept and used in the manner  
6 prescribed by the director. However, the director may, by  
7 express order in certain cases, authorize permit holders to  
8 keep their records in a manner and upon forms other than those  
9 so prescribed. The authorization may be revoked at any time.

10 Sec. 28. Section 453A.32, subsections 1, 4, and 5, Code  
11 2003, are amended to read as follows:

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

1 law, are not subject to replevin.

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

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

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

28 NEW SUBSECTION. 9. a. It is unlawful for a person to  
29 ship or import into this state or to offer for sale, sell,  
30 distribute, transport, or possess counterfeit cigarettes,  
31 knowing such cigarettes are counterfeit cigarettes or having  
32 reasonable cause to believe that such cigarettes are  
33 counterfeit cigarettes.

34 b. For purposes of this subsection and section 453A.32,  
35 "counterfeit cigarettes" means cigarettes, packages of

1 cigarettes, cartons of cigarettes or other containers of  
2 cigarettes with a label, trademark, service mark, trade name,  
3 device, design, or word adopted or used by a cigarette  
4 manufacturer to identify its product that is false or used  
5 without authority of the cigarette manufacturer.

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

8 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

9 Any person who shall print, engrave, make, issue, sell, or  
10 circulate, or shall possess or have in the person's possession  
11 with intent to use, sell, circulate, or pass, any counterfeit  
12 stamp or previously used stamp, or who shall use, or consent  
13 to the use of, any counterfeit stamp or previously used stamp  
14 in connection with the sale, or offering for sale, of any  
15 cigarettes, or who shall place, or cause to be placed, on any  
16 individual package of cigarettes, any counterfeit stamp or  
17 previously used stamp, shall be guilty of an aggravated  
18 misdemeanor. A person in violation of this section shall also  
19 be subject to the penalty provided in section 453A.31,  
20 subsection 1.

21 Sec. 31. Section 453A.45, subsection 5, unnumbered  
22 paragraph 2, Code 2003, is amended to read as follows:

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

26 Sec. 32. Section 453A.46, Code 2003, is amended by adding  
27 the following new subsection:

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

30 Sec. 33. Section 453C.1, subsection 10, Code 2003, is  
31 amended to read as follows:

32 10. "Units sold" means the number of individual cigarettes  
33 sold in the state by the applicable tobacco product  
34 manufacturer, whether directly or through a distributor,  
35 retailer, or similar intermediary or intermediaries, during

1 the year in question, as measured by excise taxes collected by  
2 the state on packs or roll-your-own tobacco containers bearing  
3 ~~the excise tax stamp of the state~~. The department of revenue  
4 and finance shall adopt rules as are necessary to ascertain  
5 the amount of state excise tax paid on the cigarettes of such  
6 tobacco product manufacturer for each year.

7 Sec. 34. Section 453C.2, subsection 2, paragraph b,  
8 subparagraph (2), Code 2003, is amended to read as follows:

9 (2) To the extent that a tobacco product manufacturer  
10 establishes that the amount the manufacturer was required to  
11 place into escrow on account of units sold in the state in a  
12 particular year was greater than the state's allocable share  
13 of the total payments that such manufacturer would have been  
14 required to make in that year under the master settlement  
15 agreement the master settlement agreement payments, as  
16 determined pursuant to section IX(i) of that agreement  
17 including after final determination of all adjustments, that  
18 such manufacturer would have been required to make on account  
19 of such units sold had such manufacturer been a participating  
20 manufacturer, as such payments are determined pursuant to  
21 section IX(i)(2) of the master settlement agreement and before  
22 any of the adjustments or offsets described in section  
23 IX(i)(3) of that agreement other than the inflation  
24 adjustment, the excess shall be released from escrow and  
25 revert back to such tobacco product manufacturer.

26 Sec. 35. SEVERABILITY.

27 1. If this entire Act or any portion of section 453C.2,  
28 subsection 2, paragraph "b", subparagraph (2), as amended in  
29 this Act, is held by a court of competent jurisdiction to be  
30 unconstitutional, section 453C.2, subsection 2, paragraph "b",  
31 subparagraph (2), is repealed in its entirety.

32 2. If section 453C.2, subsection 2, paragraph "b",  
33 subparagraph (2), is repealed pursuant to subsection 1 and a  
34 court of competent jurisdiction subsequently finds that  
35 section 453C.2, subsection 2, paragraph "b", is

1 unconstitutional due to such repeal, section 453C.2,  
2 subsection 2, paragraph "b", subparagraph (2), Code 2003,  
3 shall be restored.

4 3. Any holding of unconstitutionality or any repeal of  
5 section 453C.2, subsection 2, paragraph "b", subparagraph (2),  
6 as amended in this Act, or of section 453C.2, subsection 2,  
7 paragraph "b", subparagraph (2), Code 2003, shall not affect,  
8 impair, or invalidate any other portion of section 453C.2 or  
9 the application of that section to any other person or  
10 circumstance, and the remaining portions of section 453C.2,  
11 shall continue in full force and effect.

12 Sec. 36. Section 518.18, unnumbered paragraph 2, Code  
13 2003, is amended to read as follows:

14 1. ~~Two~~ The applicable percent of the gross amount of  
15 premiums received during the preceding calendar year, after  
16 deducting the amount returned upon the canceled policies,  
17 certificates, and rejected applications; and after deducting  
18 premiums paid for windstorm or hail reinsurance on properties  
19 specifically reinsured, ~~provided, however, that.~~ However, the  
20 reinsurer of such windstorm or hail risks shall pay ~~two~~ the  
21 applicable percent of the gross amount of reinsurance premiums  
22 received upon such risks after deducting the amounts returned  
23 upon canceled policies, certificates, and rejected  
24 applications. For purposes of this section, "applicable  
25 percent" means the same as specified in section 432.1,  
26 subsection 4.

27 2. Except as provided in subsection 3, the premium tax  
28 shall be paid on or before March 1 of the year following the  
29 calendar year for which the tax is due. The commissioner of  
30 insurance may suspend the certificate of authority of a county  
31 mutual insurance association that fails to pay its premium tax  
32 on or before the due date.

33 3. a. Each county mutual insurance association  
34 transacting business in this state whose Iowa premium tax  
35 liability for the preceding calendar year was one thousand

1 dollars or more shall remit on or before June 1, on a  
2 prepayment basis, an amount equal to one-half of the premium  
3 tax liability for the preceding calendar year.

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

9 (1) For prepayment in the 2003 and 2004 calendar years,  
10 eleven percent.

11 (2) For prepayment in the 2005 calendar year, twenty-six  
12 percent.

13 (3) For prepayment in the 2006 and subsequent calendar  
14 years, fifty percent.

15 c. The sums prepaid by a county mutual insurance  
16 association under this subsection shall be allowed as credits  
17 against its premium tax liability for the calendar year during  
18 which the payments are made. If a prepayment made under this  
19 subsection exceeds the annual premium tax liability, the  
20 excess shall be allowed as a credit against subsequent  
21 prepayment or tax liabilities. The commissioner of insurance  
22 may suspend the certificate of authority of an association  
23 that fails to make a prepayment on or before the due date.

24 Sec. 37. Section 518A.35, Code 2003, is amended to read as  
25 follows:

26 518A.35 ANNUAL TAX.

27 1. A state mutual insurance association doing business  
28 under this chapter shall on or before the first day of March,  
29 each year, pay to the director of revenue and finance, or a  
30 depository designated by the director, a sum equivalent to two  
31 the applicable percent of the gross receipts from premiums and  
32 fees for business done within the state, including all  
33 insurance upon property situated in the state without  
34 including or deducting any amounts received or paid for  
35 reinsurance. However, a company reinsuring windstorm or hail

1 risks written by county mutual insurance associations is  
2 required to pay ~~a-two~~ the applicable percent tax on the gross  
3 amount of reinsurance premiums received upon such risks, but  
4 after deducting the amount returned upon canceled policies and  
5 rejected applications covering property situated within the  
6 state, and dividends returned to policyholders on property  
7 situated within the state. For purposes of this section,  
8 "applicable percent" means the same as specified in section  
9 432.1, subsection 4.

10 2. Except as provided in subsection 3, the premium tax  
11 shall be paid on or before March 1 of the year following the  
12 calendar year for which the tax is due. The commissioner of  
13 insurance may suspend the certificate of authority of a state  
14 mutual insurance association that fails to pay its premium tax  
15 on or before the due date.

16 3. a. Each state mutual insurance association transacting  
17 business in this state whose Iowa premium tax liability for  
18 the preceding calendar year was one thousand dollars or more  
19 shall remit on or before June 1, on a prepayment basis, an  
20 amount equal to one-half of the premium tax liability for the  
21 preceding calendar year.

22 b. In addition to the prepayment amount in paragraph "a",  
23 each association shall remit on or before June 30, on a  
24 prepayment basis, an additional amount equal to the following  
25 percent of the premium tax liability for the preceding  
26 calendar year as follows:

27 (1) For prepayment in the 2003 and 2004 calendar years,  
28 eleven percent.

29 (2) For prepayment in the 2005 calendar year, twenty-six  
30 percent.

31 (3) For prepayment in the 2006 and subsequent calendar  
32 years, fifty percent.

33 c. The sums prepaid by a state mutual insurance  
34 association under this subsection shall be allowed as credits  
35 against its premium tax liability for the calendar year during



1 amended to add individuals receiving income from a revocable  
2 trust which invests in a qualified business to qualify for a  
3 tax credit for an equity investment in a qualifying business.

4 Code section 15E.43(1) is amended by adding a new paragraph  
5 that provides that an individual who dies before redeeming the  
6 entire investment tax credit for an equity investment in a  
7 qualifying business or community-based seed capital fund can  
8 claim the remaining credit on the decedent's final income tax  
9 return.

10 Code section 15E.45 is amended to provide that since  
11 investors in a community-based seed capital fund are not  
12 restricted to individual taxpayers, the reference to  
13 individual investors should be stricken.

14 Code section 15E.51 is amended to provide that an investor  
15 who makes separate investments into a community-based seed  
16 capital fund and a venture capital fund should be entitled to  
17 claim a tax credit for both investments.

18 The amendments to Code sections 15E.42, 15E.43, 15E.45, and  
19 15E.51 are effective upon enactment and apply retroactively to  
20 January 1, 2002.

21 Code sections 99E.10(1), 422.43(2), and 422.45 are amended  
22 to exempt the sale of lottery tickets and shares from the  
23 state sales and use taxes.

24 Code sections 422.9(1) and (2)(b) are amended to provide  
25 that no adjustment for federal income tax is allowed for a tax  
26 year in which an Iowa return was not required to be filed.  
27 This change is applicable beginning with the 2003 tax year.

28 Code section 422.42(19) is amended to define "employer" in  
29 this subsection for purposes of the state sales tax or  
30 services as the person who actually pays the wages of an  
31 employee.

32 Code section 422.45 is amended to add a new subsection 64  
33 that exempts from the sales and use taxes the access or  
34 service charges assessed by financial institutions on  
35 noncustomer point of sale or noncustomer use of automated

1 teller machines.

2 Code section 422A.1 is amended to provide that local hotel  
3 and motel tax shall be imposed on January 1 and July 1 only  
4 and terminated on June 30 and December 31 only.

5 Code section 423.4 is amended to exempt from the use tax  
6 the transfer of vehicles subject to registration from one  
7 leasing corporation to another if both corporations are part  
8 of a controlled group for federal income tax purposes.

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

12 Code section 441.8 is amended to permit the director of  
13 revenue and finance to extend for sufficient reason the period  
14 of time for an assessor or deputy assessor to meet continuing  
15 education requirements.

16 Code section 450.37(2)(a) is amended to extend from 30 to  
17 60 days the period of time the director has to request an  
18 appraisal after an inheritance tax return is filed.

19 Code section 452A.2 is amended to add a definition for  
20 "nonterminal storage facility" in the motor fuel tax statute.  
21 Code section 452A.2(24) is amended to state that for fuel tax  
22 purposes, methanol is not a special fuel or motor fuel unless  
23 blended for use in diesel engines or for use in aircraft or a  
24 motor vehicle.

25 Code sections 452A.10 and 452A.62 are amended to require  
26 nonterminal storage facilities to maintain the same records as  
27 terminals.

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

31 Code section 453A.11 is amended to impose a penalty against  
32 any person found to have altered a cigarette tax stamp.

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

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

3 Code sections 453A.32(1) and (5) are amended to strengthen  
4 the language relating to the seizure and forfeiture of  
5 unstamped cigarettes and to reflect that cigarette  
6 distributors receive a permit, not a license, to do business.

7 Code sections 453A.32 and 453A.36 are amended to make it  
8 unlawful to ship or import into Iowa or sell, distribute, or  
9 possess counterfeit cigarettes and allow for the confiscation  
10 and destruction of those cigarettes. "Counterfeit cigarettes"  
11 are cigarettes that are marked in such a manner that would  
12 lead someone to believe the cigarettes were of a specific  
13 known brand or manufacturer.

14 Code section 453A.38 is amended to subject counterfeiters  
15 to a civil penalty in addition to the current criminal  
16 penalty.

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

20 Code section 453A.46 is amended to give the director the  
21 authority to require by rule that distributors file tobacco  
22 reports electronically.

23 Code sections 453C.1 and 453C.2 are amended to allow  
24 cigarette manufacturers that are not members of the master  
25 settlement agreement and that are required to place moneys  
26 into escrow on account of cigarettes to be sold in the state  
27 to receive a refund of any excess escrow amounts remitting  
28 because of fewer cigarettes sold than anticipated. The  
29 amendments take effect upon enactment.

30 Code sections 518.18 and 518A.35 are amended to reduce the  
31 premiums tax from 2 percent to 1 percent over four years and  
32 increase the prepayment of such tax for county and state  
33 mutual insurance associations. These amendments are effective  
34 upon enactment.

35 The bill provides that the revaluation of machinery,

1 equipment, and computers authorized in Code section 427B.19B,  
2 when insufficient replacement moneys are provided by the  
3 state, is void and taxes payable based upon that revaluation  
4 during the fiscal year beginning July 1, 2003, shall not be  
5 levied or collected. This provision takes effect upon  
6 enactment and Code section 427B.19B is repealed.

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HOUSE FILE 697

H-1564

1 Amend House File 697 as follows:

2 1. Page 12, by inserting after line 20 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 453A.38A TOBACCO PRODUCT  
5 AND CIGARETTE SAMPLES -- RESTRICTIONS --  
6 ADMINISTRATION.

7 1. A manufacturer, distributor, wholesaler,  
8 retailer, or distributing agent or agent thereof shall  
9 not give away cigarettes or tobacco products at any  
10 time in connection with the manufacturer's,  
11 distributor's, wholesaler's, retailer's, or  
12 distributing agent's business or for promotion of the  
13 business or cigarettes or tobacco products, except as  
14 provided in subsection 2.

15 2. All cigarette or little cigar samples shall be  
16 shipped to a distributor that has a permit to stamp  
17 cigarettes or little cigars with Iowa tax. The  
18 manufacturer shipping samples regulated under this  
19 section shall send an affidavit to the director  
20 stating the quantity and to whom the samples were  
21 shipped. The distributor receiving the shipment shall  
22 send an affidavit to the director stating the quantity  
23 and from whom the samples were shipped. These  
24 affidavits shall be duly notarized and submitted to  
25 the director at time of shipment and receipt of the  
26 samples. The distributor shall pay the tax on samples  
27 by separate remittance along with the affidavit."

28 2. By renumbering as necessary.

By FOEGE of Linn

H-1564 FILED APRIL 30, 2003

LOST

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HF 697 - Revenue Policy Bill (LSB 2570 HV)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version — New

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**Description**

Sections 36 and 37 of HF 697 decrease the insurance premium tax rate for county and state mutual insurance associations. The premium tax rate would decrease from the current rate of 2.0% to 1.0% in four annual increments of 0.25%. The first 0.25% decrease will occur with premiums collected beginning January 1, 2004.

The Bill also provides for an accelerated pre-payment of premium taxes due June 30 of each year, beginning June 30, 2003.

**Fiscal Impact**

The tax reduction and pre-payment provisions in Sections 36 and 37 will increase General Fund receipts in FY 2003 and FY 2004 and decrease receipts thereafter.

HF 697 Fiscal Impact Mutual Insurance Premium Tax		
FY 2003	\$	248,084
FY 2004	\$	14,885
FY 2005	\$	(161,606)
FY 2006	\$	(418,120)
FY 2007	\$	(1,383,345)
FY 2008	\$	(1,864,964)
FY 2009	\$	(1,599,598)

**Source**

Mutual Insurance Association of Iowa

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/s/ Dennis C Prouty

April 30, 2003

Boal, ch  
Kramer  
Hogg

0697

HSB317  
WAYS AND MEANS

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON WAYS  
AND MEANS BILL BY  
CHAIRPERSON VAN FOSSEN)

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

**A BILL FOR**

1 An Act relating to the administration of the tax and related laws  
2 by the department of revenue and finance, including  
3 administration of state individual income, sales, property,  
4 motor fuel, special fuel, cigarette, tobacco, inheritance  
5 taxes, and local hotel and motel taxes, and the premiums tax  
6 on mutual insurance associations, and including effective and  
7 retroactive applicability date provisions.

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

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1 Section 1. Section 15E.42, subsection 3, Code 2003, is  
2 amended to read as follows:

3 3. "Investor" means an individual making a cash investment  
4 in a qualifying business or an individual taxed on income from  
5 a revocable trust's cash investment in a qualifying business  
6 or a person making a cash investment in a community-based seed  
7 capital fund. "Investor" does not include a person which is a  
8 current or previous owner, member, or shareholder in a  
9 qualifying business.

10 Sec. 2. Section 15E.43, subsection 1, paragraph a, Code  
11 2003, is amended to read as follows:

12 a. For tax years beginning on or after January 1, 2002, a  
13 tax credit shall be allowed against the taxes imposed in  
14 chapter 422, division II, for a portion of an individual  
15 taxpayer's equity investment, as provided in subsection 2, in  
16 a qualifying business. An individual shall not claim a tax  
17 credit under this paragraph of a partnership, limited  
18 liability company, S corporation, estate, or trust electing to  
19 have income taxed directly to the individual. However, an  
20 individual receiving income from a revocable trust's  
21 investment in a qualified business may claim a tax credit  
22 under this paragraph against the taxes imposed in chapter 422,  
23 division II, for a portion of the revocable trust's equity  
24 investment, as provided in subsection 2, in a qualified  
25 business.

26 Sec. 3. Section 15E.43, subsection 1, Code 2003, is  
27 amended by adding the following new paragraph:

28 NEW PARAGRAPH. d. In the case of a tax credit allowed  
29 against the taxes imposed in chapter 422, division II, where  
30 the taxpayer died prior to redeeming the entire tax credit,  
31 the remaining credit can be redeemed on the decedent's final  
32 income tax return.

33 Sec. 4. Section 15E.45, subsection 2, paragraph c, Code  
34 2003, is amended to read as follows:

35 c. The fund has no fewer than ten ~~individual~~ investors who

1 are not affiliates, with no single investor and affiliates of  
2 that investor together owning a total of more than twenty-five  
3 percent of the ownership interests outstanding in the fund.

4 Sec. 5. Section 15E.51, subsection 4, Code 2003, is  
5 amended to read as follows:

6 4. A taxpayer shall not claim a tax credit under this  
7 section if the taxpayer is a venture capital investment fund  
8 allocation manager for the Iowa fund of funds created in  
9 section 15E.65 or an investor that receives a tax credit for  
10 an the same investment in a community-based seed capital fund  
11 as defined in 2002 Iowa Acts, House File 2271.

12 Sec. 6. Section 99E.10, subsection 1, unnumbered paragraph  
13 1, Code 2003, is amended to read as follows:

14 Upon receipt of any revenue, the commissioner shall deposit  
15 the moneys in the lottery fund created pursuant to section  
16 99E.20. As nearly as is practicable, at least fifty percent  
17 of the projected annual revenue~~7-after-deduction-of-the-amount~~  
18 ~~of-the-sales-tax~~7 accruing from the sale of tickets or shares  
19 is appropriated for payment of prizes to the holders of  
20 winning tickets. After the payment of prizes, all of the  
21 following shall be deducted from lottery revenue prior to  
22 disbursement:

23 Sec. 7. Section 99E.10, subsection 1, paragraph b, Code  
24 2003, is amended by striking the paragraph.

25 Sec. 8. Section 422.9, subsection 1, Code 2003, is amended  
26 to read as follows:

27 1. An optional standard deduction, after deduction of  
28 federal income tax, equal to one thousand two hundred thirty  
29 dollars for a married person who files separately or a single  
30 person or equal to three thousand thirty dollars for a husband  
31 and wife who file a joint return, a surviving spouse, or an  
32 unmarried head of household. The optional standard deduction  
33 shall not exceed the amount remaining after deduction of the  
34 federal income tax. The amount of federal income taxes  
35 deducted shall be computed as provided under subsection 2,

1 paragraph "b".

2 Sec. 9. Section 422.9, subsection 2, paragraph b, Code  
3 2003, is amended to read as follows:

4 b. Add the amount of federal income taxes paid or accrued  
5 as the case may be, during the tax year, adjusted-by and  
6 subtract any federal income tax refunds received during the  
7 tax year. ~~Provided, however, that where~~ Where married  
8 persons, who have filed a joint federal income tax return,  
9 file separately, such total shall be divided between them  
10 according to the portion ~~thereof~~ paid or accrued, as the case  
11 may be, by each. However, federal income taxes paid for a tax  
12 year in which an Iowa return was not required to be filed  
13 shall not be added, and federal income tax refunds received  
14 from a tax year in which an Iowa return was not required to be  
15 filed shall not be subtracted.

16 Sec. 10. Section 422.42, subsection 19, Code 2003, is  
17 amended to read as follows:

18 19. "Services" means all acts or services rendered,  
19 furnished, or performed, other than services used in  
20 processing of tangible personal property for use in retail  
21 sales or services, for an ~~"employer"~~ as-defined-in-section  
22 ~~422.4, subsection 3~~ employer who pays the wages of an  
23 employee, for a valuable consideration by any person engaged  
24 in any business or occupation specifically enumerated in this  
25 division. The tax shall be due and collectible when the  
26 service is rendered, furnished, or performed for the ultimate  
27 user of the service.

28 Sec. 11. Section 422.43, subsection 2, Code 2003, is  
29 amended to read as follows:

30 2. There is imposed a tax of five percent upon the gross  
31 receipts derived from the operation of all forms of amusement  
32 devices and games of skill, games of chance, raffles, and  
33 bingo games as defined in chapter 99B, operated or conducted  
34 within the state, the tax to be collected from the operator in  
35 the same manner as for the collection of taxes upon the gross

1 receipts of tickets or admission as provided in this section.  
2 ~~The tax shall also be imposed upon the gross receipts derived~~  
3 ~~from the sale of lottery tickets or shares pursuant to chapter~~  
4 ~~99E.---The tax on the lottery tickets or shares shall be~~  
5 ~~included in the sales price and distributed to the general~~  
6 ~~fund as provided in section 99E.10.~~

7 Sec. 12. Section 422.45, Code 2003, is amended by adding  
8 the following new subsection:

9 NEW SUBSECTION. 31. Gross receipts from the sale of a  
10 lottery ticket or share pursuant to chapter 99E.

11 Sec. 13. Section 422.45, Code 2003, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 64. The gross receipts from noncustomer  
14 point of sale or noncustomer automated teller machine access  
15 or service charges assessed by a financial institution. For  
16 purposes of this subsection, "financial institution" means the  
17 same as defined in section 527.2.

18 Sec. 14. Section 422A.1, unnumbered paragraph 3, Code  
19 2003, is amended to read as follows:

20 A local hotel and motel tax shall be imposed on January 17  
21 ~~April 17~~ or July 17 ~~or October 17~~ following the notification  
22 of the director of revenue and finance. Once imposed, the tax  
23 shall remain in effect at the rate imposed for a minimum of  
24 one year. A local hotel and motel tax shall terminate only on  
25 ~~March 31~~ June 30 ~~September 30~~ or December 31. At least  
26 forty-five days prior to the tax being effective or prior to a  
27 revision in the tax rate, or prior to the repeal of the tax, a  
28 city or county shall provide notice by mail of such action to  
29 the director of revenue and finance.

30 Sec. 15. Section 423.4, Code 2003, is amended by adding  
31 the following new subsection:

32 NEW SUBSECTION. 9A. Vehicles subject to registration  
33 which are transferred from a corporation that is primarily  
34 engaged in the business of leasing vehicles subject to  
35 registration to a corporation that is primarily engaged in the

1 business of leasing vehicles subject to registration when the  
2 transferor and transferee corporations are part of the same  
3 controlled group for federal income tax purposes.

4 Sec. 16. Section 425.1, subsection 4, Code 2003, is  
5 amended to read as follows:

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

27 Sec. 17. Section 427B.19B, Code 2003, is amended to read  
28 as follows:

29 427B.19B GUARANTEE OF STATE REPLACEMENT FUNDS.

30 For the fiscal years beginning July 1, 1996, and ending  
31 June 30, 2006, if the industrial machinery, equipment and  
32 computers property tax replacement fund is insufficient to pay  
33 in full the total of the amounts certified to the director of  
34 revenue and finance as a result of action by the general  
35 assembly limiting the amount appropriated to the fund, the

1 director shall compute for each county the difference between  
2 the total of all replacement claims for each taxing district  
3 within the county and the amount paid to the county treasurer  
4 for disbursement to each taxing district in the county. The  
5 assessor, for the assessment year for which taxes are due and  
6 payable in the fiscal year for which a sufficient  
7 appropriation was not made as a result of action by the  
8 general assembly limiting the amount appropriated to the fund,  
9 ~~shall~~ may, upon recommendation by the conference board,  
10 revalue all industrial machinery, equipment and computers  
11 described in section 427B.17, subsections 2 and 3, in the  
12 county at a percentage of net acquisition cost which will  
13 yield from each taxing district its shortfall and the property  
14 shall be assessed and taxed in such manner for taxes due and  
15 payable in the following fiscal year in addition to being  
16 assessed and taxed in the applicable manner under section  
17 427B.17. When conducting the revaluation, the assessor shall  
18 increase the percentage of net acquisition cost of such  
19 property by the same percentage point. Property tax dollar  
20 amounts certified pursuant to this section shall not be  
21 considered property tax dollars certified for purposes of the  
22 property tax limitation in chapter 444.

23 Sec. 18. Section 441.8, unnumbered paragraphs 6 and 7,  
24 Code 2003, are amended to read as follows:

25 Upon receiving credit equal to one hundred fifty hours of  
26 classroom instruction during the assessor's current term of  
27 office of which at least ninety of the one hundred fifty hours  
28 are from courses requiring an examination upon conclusion of  
29 the course, the director of revenue and finance shall certify  
30 to the assessor's conference board that the assessor is  
31 eligible to be reappointed to the position. For persons  
32 appointed to complete an unexpired term, the number of credits  
33 required to be certified as eligible for reappointment shall  
34 be prorated according to the amount of time remaining in the  
35 present term of the assessor. The director of revenue and

1 finance may extend the period of time for an assessor to  
2 obtain the required hours of credit if the committee finds  
3 sufficient reason for granting an extension. If the person  
4 was an assessor in another jurisdiction, the assessor may  
5 carry forward any credit hours received in the previous  
6 position in excess of the number that would be necessary to be  
7 considered current in that position.

8 Within each six-year period following the appointment of a  
9 deputy assessor, the deputy assessor shall comply with this  
10 section except that upon the successful completion of ninety  
11 hours of classroom instruction of which at least sixty of the  
12 ninety hours are from courses requiring an examination upon  
13 conclusion of the course, the deputy assessor shall be  
14 certified by the director of revenue and finance as being  
15 eligible to remain in the position. If a deputy assessor  
16 fails to comply with this section, the deputy assessor shall  
17 be removed from the position until successful completion of  
18 the required hours of credit. The director of revenue and  
19 finance may extend the period of time for a deputy assessor to  
20 obtain the required hours of credit if the committee finds  
21 sufficient reason for granting an extension. If a deputy is  
22 appointed to the office of assessor, the hours of credit  
23 obtained as deputy pursuant to this section shall be credited  
24 to that individual as assessor and for the individual to be  
25 reappointed at the expiration of the term as assessor, that  
26 individual must obtain the credits which are necessary to  
27 total the number of hours for reappointment.

28 Sec. 19. Section 450.37, subsection 2, paragraph a, Code  
29 2003, is amended to read as follows:

30 a. If an agreement has not been reached on the fair market  
31 value of real property in the ordinary course of trade, the  
32 director of revenue and finance has thirty ninety days after  
33 the return is filed to request an appraisal under section  
34 450.27. If an appraisal request is not made within the  
35 thirty-day ninety-day period, the value listed on the return

1 is the agreed value of the real property.

2 Sec. 20. Section 452A.2, Code 2003, is amended by adding  
3 the following new subsection:

4 NEW SUBSECTION. 20A. "Nonterminal storage facility" means  
5 a facility where motor fuel or special fuel is stored that is  
6 not supplied by a pipeline or a marine vessel. "Nonterminal  
7 storage facility" includes a facility that manufactures  
8 products such as alcohol, biofuel, blend stocks, or additives  
9 which may be used as motor fuel or special fuel for operating  
10 motor vehicles or aircraft.

11 Sec. 21. Section 452A.2, subsection 24, Code 2003, is  
12 amended to read as follows:

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

25 Sec. 22. Section 452A.10, unnumbered paragraphs 1, 2, and  
26 4, Code 2003, are amended to read as follows:

27 A motor fuel or special fuel supplier, restrictive  
28 supplier, importer, exporter, blender, dealer, user, common  
29 carrier, contract carrier, ~~or~~ terminal or nonterminal storage  
30 facility shall maintain, for a period of three years, records  
31 of all transactions by which the supplier, restrictive  
32 supplier, or importer withdraws from a terminal or nonterminal  
33 storage facility within this state or imports into this state  
34 motor fuel or undyed special fuel together with invoices,  
35 bills of lading, and other pertinent records and papers as

1 required by the department.

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

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

16 Sec. 23. Section 452A.62, subsection 1, paragraph a, Code  
17 2003, is amended to read as follows:

18 a. A distributor, supplier, restrictive supplier,  
19 importer, exporter, blender, terminal operator, nonterminal  
20 storage facility, common carrier, or contract carrier,  
21 pertaining to motor fuel or undyed special fuel withdrawn from  
22 a terminal or nonterminal storage facility or brought into  
23 this state.

24 Sec. 24. Section 452A.62, subsection 2, Code 2003, is  
25 amended to read as follows:

26 2. To examine the records, books, papers, receipts, and  
27 invoices of any distributor, supplier, restrictive supplier,  
28 importer, blender, exporter, terminal operator, nonterminal  
29 storage facility, licensed compressed natural gas or liquefied  
30 petroleum gas dealer or user, or any other person who  
31 possesses fuel upon which the tax has not been paid to  
32 determine financial responsibility for the payment of the  
33 taxes imposed by this chapter.

34 Sec. 25. Section 452A.85, Code 2003, is amended by adding  
35 the following new subsection:

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

5 Sec. 26. Section 453A.11, Code 2003, is amended to read as  
6 follows:

7 453A.11 CANCELLATION OF STAMPS.

8 Stamps affixed to a package of cigarettes shall not be  
9 canceled by any letter, numeral, or other mark of  
10 identification or otherwise mutilated in any manner that will  
11 prevent or hinder the department in making an examination as  
12 to the genuineness of the stamp. However, the director may  
13 require such cancellation of the tax stamps affixed to  
14 packages of cigarettes which is necessary to carry out  
15 properly the provisions of this division. A person in  
16 violation of this section shall be considered in possession of  
17 unstamped cigarettes and is subject to the penalty provided in  
18 section 453A.31, subsection 1.

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

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

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

26 453A.18 FORMS FOR RECORDS AND REPORTS.

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

1 prescribed by the director. However, the director may, by  
2 express order in certain cases, authorize permit holders to  
3 keep their records in a manner and upon forms other than those  
4 so prescribed. The authorization may be revoked at any time.

5 Sec. 29. Section 453A.32, subsections 1, 4, and 5, Code  
6 2003, are amended to read as follows:

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

32 4. In the event final judgment is rendered in the  
33 forfeiture proceedings aforesaid, maintaining the seizure, and  
34 declaring and perfecting the forfeiture of said seized  
35 property, the court shall order and decree the sale thereof of

1 the seized property, other than the counterfeit cigarettes, to  
2 the highest bidder, by the sheriff at public auction in the  
3 county of seizure after notice is given in the manner provided  
4 in the case of the sale of personal property under execution,  
5 and the proceeds of such sale, less expense of seizure and  
6 court costs, shall be paid into the state treasury.

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

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

21 Sec. 30. Section 453A.36, Code 2003, is amended by adding  
22 the following new subsection:

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

29 b. For purposes of this subsection and section 453A.32,  
30 "counterfeit cigarettes" means cigarettes, packages of  
31 cigarettes, cartons of cigarettes or other containers of  
32 cigarettes with a label, trademark, service mark, trade name,  
33 device, design, or word adopted or used by a cigarette  
34 manufacturer to identify its product that is false or used  
35 without authority of the cigarette manufacturer.

1 Sec. 31. Section 453A.38, Code 2003, is amended to read as  
2 follows:

3 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

4 Any person who shall print, engrave, make, issue, sell, or  
5 circulate, or shall possess or have in the person's possession  
6 with intent to use, sell, circulate, or pass, any counterfeit  
7 stamp or previously used stamp, or who shall use, or consent  
8 to the use of, any counterfeit stamp or previously used stamp  
9 in connection with the sale, or offering for sale, of any  
10 cigarettes, or who shall place, or cause to be placed, on any  
11 individual package of cigarettes, any counterfeit stamp or  
12 previously used stamp, shall be guilty of an aggravated  
13 misdemeanor if the violation consists of less than one  
14 thousand stamps. If the violation consists of one thousand or  
15 more stamps, the person shall be guilty of a class "D" felony.  
16 A person in violation of this section shall also be subject to  
17 the penalty provided in section 453A.31, subsection 1.

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

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

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

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

27 Sec. 34. Section 453C.1, subsection 10, Code 2003, is  
28 amended to read as follows:

29 10. "Units sold" means the number of individual cigarettes  
30 sold in the state by the applicable tobacco product  
31 manufacturer, whether directly or through a distributor,  
32 retailer, or similar intermediary or intermediaries, during  
33 the year in question, as measured by excise taxes collected by  
34 the state on packs or roll-your-own tobacco containers bearing  
35 ~~the-excise-tax-stamp-of-the-state.~~ The department of revenue

1 and finance shall adopt rules as are necessary to ascertain  
2 the amount of state excise tax paid on the cigarettes of such  
3 tobacco product manufacturer for each year.

4 Sec. 35. Section 453C.2, subsection 2, paragraph b,  
5 subparagraph (2), Code 2003, is amended to read as follows:

6 (2) To the extent that a tobacco product manufacturer  
7 establishes that the amount the manufacturer was required to  
8 place into escrow on account of units sold in the state in a  
9 particular year was greater than the state's allocable share  
10 of the total payments that such manufacturer would have been  
11 required to make in that year under the master settlement  
12 agreement the master settlement agreement payments, as  
13 determined pursuant to section IX(i) of that agreement  
14 including after final determination of all adjustments, that  
15 such manufacturer would have been required to make on account  
16 of such units sold had such manufacturer been a participating  
17 manufacturer, as such payments are determined pursuant to  
18 section IX(i)(2) of the master settlement agreement and before  
19 any of the adjustments or offsets described in section  
20 IX(i)(3) of that agreement other than the inflation  
21 adjustment, the excess shall be released from escrow and  
22 revert back to such tobacco product manufacturer.

23 Sec. 36. SEVERABILITY.

24 1. If any portion of section 453C.2, subsection 2,  
25 paragraph "b", subparagraph (2), as amended in this Act, is  
26 held by a court of competent jurisdiction to be  
27 unconstitutional, section 453C.2, subsection 2, paragraph "b",  
28 subparagraph (2), is repealed in its entirety.

29 2. If section 453C.2, subsection 2, paragraph "b",  
30 subparagraph (2), is repealed pursuant to subsection 1 and a  
31 court of competent jurisdiction subsequently finds that  
32 section 453C.2, subsection 2, paragraph "b", is  
33 unconstitutional due to such repeal, section 453C.2,  
34 subsection 2, paragraph "b", subparagraph (2), Code 2003,  
35 shall be restored.

1 3. Any holding of unconstitutionality or any repeal of  
2 section 453C.2, subsection 2, paragraph "b", subparagraph (2),  
3 as amended in this Act, or of section 453C.2, subsection 2,  
4 paragraph "b", subparagraph (2), Code 2003, shall not affect,  
5 impair, or invalidate any other portion of section 453C.2 or  
6 the application of that section to any other person or  
7 circumstance, and the remaining portions of section 453C.2,  
8 shall continue in full force and effect.

9 Sec. 37. Section 518.18, unnumbered paragraph 2, Code  
10 2003, is amended to read as follows:

11 1. Two The applicable percent of the gross amount of  
12 premiums received during the preceding calendar year, after  
13 deducting the amount returned upon the canceled policies,  
14 certificates, and rejected applications; and after deducting  
15 premiums paid for windstorm or hail reinsurance on properties  
16 specifically reinsured; ~~provided; however; that.~~ However, the  
17 reinsurer of such windstorm or hail risks shall pay two the  
18 applicable percent of the gross amount of reinsurance premiums  
19 received upon such risks after deducting the amounts returned  
20 upon canceled policies, certificates, and rejected  
21 applications. For purposes of this section, "applicable  
22 percent" means the same as specified in section 432.1,  
23 subsection 4.

24 2. Except as provided in subsection 3, the premium tax  
25 shall be paid on or before March 1 of the year following the  
26 calendar year for which the tax is due. The commissioner of  
27 insurance may suspend the certificate of authority of a county  
28 mutual insurance association that fails to pay its premium tax  
29 on or before the due date.

30 3. a. Each county mutual insurance association  
31 transacting business in this state whose Iowa premium tax  
32 liability for the preceding calendar year was one thousand  
33 dollars or more shall remit on or before June 1, on a  
34 prepayment basis, an amount equal to one-half of the premium  
35 tax liability for the preceding calendar year.

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

6 (1) For prepayment in the 2003 and 2004 calendar years,  
7 eleven percent.

8 (2) For prepayment in the 2005 calendar year, twenty-six  
9 percent.

10 (3) For prepayment in the 2006 and subsequent calendar  
11 years, fifty percent.

12 c. The sums prepaid by a county mutual insurance  
13 association under this subsection shall be allowed as credits  
14 against its premium tax liability for the calendar year during  
15 which the payments are made. If a prepayment made under this  
16 subsection exceeds the annual premium tax liability, the  
17 excess shall be allowed as a credit against subsequent  
18 prepayment or tax liabilities. The commissioner of insurance  
19 may suspend the certificate of authority of an association  
20 that fails to make a prepayment on or before the due date.

21 Sec. 38. Section 518A.35, Code 2003, is amended to read as  
22 follows:

23 518A.35 ANNUAL TAX.

24 1. A state mutual insurance association doing business  
25 under this chapter shall on or before the first day of March,  
26 each year, pay to the director of revenue and finance, or a  
27 depository designated by the director, a sum equivalent to two  
28 the applicable percent of the gross receipts from premiums and  
29 fees for business done within the state, including all  
30 insurance upon property situated in the state without  
31 including or deducting any amounts received or paid for  
32 reinsurance. However, a company reinsuring windstorm or hail  
33 risks written by county mutual insurance associations is  
34 required to pay a-two the applicable percent tax on the gross  
35 amount of reinsurance premiums received upon such risks, but

1 after deducting the amount returned upon canceled policies and  
2 rejected applications covering property situated within the  
3 state, and dividends returned to policyholders on property  
4 situated within the state. For purposes of this section,  
5 "applicable percent" means the same as specified in section  
6 432.1, subsection 4.

7 2. Except as provided in subsection 3, the premium tax  
8 shall be paid on or before March 1 of the year following the  
9 calendar year for which the tax is due. The commissioner of  
10 insurance may suspend the certificate of authority of a state  
11 mutual insurance association that fails to pay its premium tax  
12 on or before the due date.

13 3. a. Each state mutual insurance association transacting  
14 business in this state whose Iowa premium tax liability for  
15 the preceding calendar year was one thousand dollars or more  
16 shall remit on or before June 1, on a prepayment basis, an  
17 amount equal to one-half of the premium tax liability for the  
18 preceding calendar year.

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

24 (1) For prepayment in the 2003 and 2004 calendar years,  
25 eleven percent.

26 (2) For prepayment in the 2005 calendar year, twenty-six  
27 percent.

28 (3) For prepayment in the 2006 and subsequent calendar  
29 years, fifty percent.

30 c. The sums prepaid by a state mutual insurance  
31 association under this subsection shall be allowed as credits  
32 against its premium tax liability for the calendar year during  
33 which the payments are made. If a prepayment made under this  
34 subsection exceeds the annual premium tax liability, the  
35 excess shall be allowed as a credit against subsequent

1 prepayment or tax liabilities. The commissioner of insurance  
2 may suspend the certificate of authority of an association  
3 that fails to make a prepayment on or before the due date.

4 Sec. 39. EFFECTIVE AND RETROACTIVE APPLICABILITY  
5 PROVISION.

6 1. Sections 1 through 5 of this Act, amending sections  
7 15E.42, 15E.43, 15E.45, and 15E.51, apply retroactively to  
8 January 1, 2002, for tax years beginning on or after that  
9 date.

10 2. Sections 8 and 9 of this Act, amending section 422.9,  
11 apply retroactively to January 1, 2003, for tax years  
12 beginning on or after that date.

13 3. Section 17 of this Act, amending section 427B.19B,  
14 applies retroactively to assessments made on or after January  
15 1, 2001.

16 4. Sections 34, 35, and 36 of this Act, amending sections  
17 453C.1 and 453C.2 and relating to severability, being deemed  
18 of immediate importance, take effect upon enactment.

19 5. Sections 37 and 38 of this Act, amending sections  
20 518.18 and 518A.35, being deemed of immediate importance, take  
21 effect upon enactment.

22 EXPLANATION

23 Code sections 15E.42 and 15E.43(1), paragraph "a", are  
24 amended to add individuals receiving income from a revocable  
25 trust which invests in a qualified business to qualify for a  
26 tax credit for an equity investment in a qualifying business.

27 Code section 15E.43(1) is amended by adding a new paragraph  
28 that provides that an individual who dies before redeeming the  
29 entire investment tax credit for an equity investment in a  
30 qualifying business or community-based seed capital fund can  
31 claim the remaining credit on the decedent's final income tax  
32 return.

33 Code section 15E.45 is amended to provide that since  
34 investors in a community-based seed capital fund are not  
35 restricted to individual taxpayers, the reference to

1 individual investors should be stricken.

2 Code section 15E.51 is amended to provide that an investor  
3 who makes separate investments into a community-based seed  
4 capital fund and a venture capital fund should be entitled to  
5 claim a tax credit for both investments.

6 The amendments to Code sections 15E.42, 15E.43, 15E.45, and  
7 15E.51 are effective upon enactment and apply retroactively to  
8 January 1, 2002.

9 Code sections 99E.10(1), 422.43(2), and 422.45 are amended  
10 to exempt the sale of lottery tickets and shares from the  
11 state sales and use taxes.

12 Code sections 422.9(1) and (2)(b) are amended to provide  
13 that no adjustment for federal income tax is allowed for a tax  
14 year in which an Iowa return was not required to be filed.  
15 This change is applicable beginning with the 2003 tax year.

16 Code section 422.42(19) is amended to define "employer" in  
17 this subsection for purposes of the state sales tax or  
18 services as the person who actually pays the wages of an  
19 employee.

20 Code section 422.45 is amended to add a new subsection 64  
21 that exempts from the sales and use taxes the access or  
22 service charges assessed by financial institutions on  
23 noncustomer point of sale or noncustomer use of automated  
24 teller machines.

25 Code section 422A.1 is amended to provide that local hotel  
26 and motel tax shall be imposed on January 1 and July 1 only  
27 and terminated on June 30 and December 31 only.

28 Code section 423.4 is amended to exempt from the use tax  
29 the transfer of vehicles subject to registration from one  
30 leasing corporation to another if both corporations are part  
31 of a controlled group for federal income tax purposes.

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

35 Code section 427B.19B is amended to make it optional for

1 the assessor to revalue machinery and equipment if there is  
2 insufficient funding by the state to reimburse local taxing  
3 districts for lost taxes as a result of the reduced value for  
4 machinery and equipment. This change applies retroactively to  
5 assessments made on or after January 1, 2001.

6 Code section 441.8 is amended to permit the director of  
7 revenue and finance to extend for sufficient reason the period  
8 of time for an assessor or deputy assessor to meet continuing  
9 education requirements.

10 Code section 450.37(2)(a) is amended to extend from 30 to  
11 90 days the period of time the director has to request an  
12 appraisal after an inheritance tax return is filed.

13 Code section 452A.2 is amended to add a definition for  
14 "nonterminal storage facility" in the motor fuel tax statute.  
15 Code section 452A.2(24) is amended to state that for fuel tax  
16 purposes, methanol is not a special fuel or motor fuel unless  
17 blended for use in diesel engines or for use in aircraft or a  
18 motor vehicle.

19 Code sections 452A.10 and 452A.62 are amended to require  
20 nonterminal storage facilities to maintain the same records as  
21 terminals.

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

25 Code section 453A.11 is amended to impose a penalty against  
26 any person found to have altered a cigarette tax stamp.

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

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

32 Code sections 453A.32(1) and (5) are amended to strengthen  
33 the language relating to the seizure and forfeiture of  
34 unstamped cigarettes and to reflect that cigarette  
35 distributors receive a permit, not a license, to do business.

1 Code sections 453A.32 and 453A.36 are amended to make it  
2 unlawful to ship or import into Iowa or sell, distribute, or  
3 possess counterfeit cigarettes and allow for the confiscation  
4 and destruction of those cigarettes. "Counterfeit cigarettes"  
5 are cigarettes that are marked in such a manner that would  
6 lead someone to believe the cigarettes were of a specific  
7 known brand or manufacturer.

8 Code section 453A.38 is amended to make the penalty for  
9 counterfeiting 1,000 or more cigarette tax stamps a class "D"  
10 felony and to subject such violation to a civil penalty.

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

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

17 Code sections 453C.1 and 453C.2 are amended to allow  
18 cigarette manufacturers that are not members of the master  
19 settlement agreement and that are required to place moneys  
20 into escrow on account of cigarettes to be sold in the state  
21 to receive a refund of any excess escrow amounts remitting  
22 because of fewer cigarettes sold than anticipated. The  
23 amendments take effect upon enactment.

24 Code sections 518.18 and 518A.35 are amended to reduce the  
25 premiums tax from 2 percent to 1 percent over four years and  
26 increase the prepayment of such tax for county and state  
27 mutual insurance associations. These amendments are effective  
28 upon enactment.

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