

House Study Bill 727

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

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

A BILL FOR

1 An Act relating to the technical administration of the tax and
2 related laws by the department of revenue, including
3 administration of state individual income, corporate income,
4 insurance premiums, sales, use, property, motor fuel, special
5 fuel, cigarette, and tobacco taxes, and making penalties
6 applicable and providing a retroactive applicability date
7 provision.
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
9 TLSB 6925YC 80
10 sc/pj/5

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1 1 Section 1. Section 422.9, subsection 1, Code Supplement
1 2 2003, is amended to read as follows:
1 3 1. An optional standard deduction, after deduction of
1 4 federal income tax, equal to one thousand two hundred thirty
1 5 dollars for a married person who files separately or a single
1 6 person or equal to three thousand thirty dollars for a husband
1 7 and wife who file a joint return, a surviving spouse, or an
1 8 unmarried head of household. The optional standard deduction
1 9 shall not exceed the amount remaining after deduction of the
1 10 federal income tax. The amount of federal income tax deducted
1 11 shall be computed as provided in subsection 2, paragraph "b".
1 12 Sec. 2. Section 422.9, subsection 2, paragraph b, Code
1 13 Supplement 2003, is amended to read as follows:
1 14 b. Add the amount of federal income taxes paid or accrued
1 15 as the case may be, during the tax year, adjusted by and
1 16 subtract any federal income tax refunds received during the
1 17 tax year. Provided, however, that where Where married
1 18 persons, who have filed a joint federal income tax return,
1 19 file separately, such total shall be divided between them
1 20 according to the portion thereof of the total paid or accrued,
1 21 as the case may be, by each. Federal income taxes paid for a
1 22 tax year in which an Iowa return was not required to be filed
1 23 shall not be added, and federal income tax refunds received
1 24 from a tax year in which an Iowa return was not required to be
1 25 filed shall not be subtracted.
1 26 Sec. 3. Section 422.35, Code Supplement 2003, is amended
1 27 by adding the following new subsection:
1 28 NEW SUBSECTION. 20. Subtract the amount of foreign
1 29 dividend income, including Subpart F income as defined in
1 30 section 952 of the Internal Revenue Code, based upon the
1 31 percentage of ownership as set forth in section 243 of the
1 32 Internal Revenue Code.
1 33 Sec. 4. Section 422A.1, unnumbered paragraph 3, Code
1 34 Supplement 2003, is amended to read as follows:
1 35 A local hotel and motel tax shall be imposed on January 1-
2 1 ~~April 1, or July 1, or October 1,~~ following the notification
2 2 of the director of revenue. Once imposed, the tax shall
2 3 remain in effect at the rate imposed for a minimum of one
2 4 year. A local hotel and motel tax shall terminate only on
2 5 ~~March 31, June 30, September 30,~~ or December 31. At least
2 6 forty-five days prior to the tax being effective or prior to a
2 7 revision in the tax rate, or prior to the repeal of the tax, a
2 8 city or county shall provide notice by mail of such action to
2 9 the director of revenue.
2 10 Sec. 5. Section 422E.3A, subsection 3, paragraph a, Code
2 11 Supplement 2003, is amended to read as follows:
2 12 a. The director of revenue by ~~June 1~~ August 15 preceding
2 13 each fiscal year shall compute the guaranteed school
2 14 infrastructure amount for each school district, each school
2 15 district's sales tax capacity per student for each county, and
2 16 the supplemental school infrastructure amount for the coming
2 17 fiscal year.

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

2 21 50. "Services" means all acts or services rendered,
2 22 furnished, or performed, other than services used in
2 23 processing of tangible personal property for use in retail
2 24 sales or services, for an employer, ~~as defined in section~~
2 25 ~~422.4, subsection 3 who pays the wages of an employee~~, for a
2 26 valuable consideration by any person engaged in any business
2 27 or occupation specifically enumerated in section 423.2. The
2 28 tax shall be due and collectible when the service is rendered,
2 29 furnished, or performed for the ultimate user of the service.

2 30 Sec. 7. Section 425.1, subsection 4, Code Supplement 2003,
2 31 is amended to read as follows:

2 32 4. Annually the department of revenue shall ~~estimate the~~
2 33 ~~credit not to exceed the actual levy on the first four~~
2 34 ~~thousand eight hundred fifty dollars of actual value of each~~
2 35 ~~eligible homestead~~, and shall certify to the county auditor of
3 1 each county the credit and its amount in dollars. Each county
3 2 auditor shall then enter the credit against the tax levied on
3 3 each eligible homestead in each county payable during the
3 4 ensuing year, designating on the tax lists the credit as being
3 5 from the homestead credit fund, and credit shall then be given
3 6 to the several taxing districts in which eligible homesteads
3 7 are located in an amount equal to the credits allowed on the
3 8 taxes of the homesteads. The amount of credits shall be
3 9 apportioned by each county treasurer to the several taxing
3 10 districts as provided by law, in the same manner as though the
3 11 amount of the credit had been paid by the owners of the
3 12 homesteads. However, the several taxing districts shall not
3 13 draw the funds so credited until after the semiannual
3 14 allocations have been received by the county treasurer, as
3 15 provided in this chapter. Each county treasurer shall show on
3 16 each tax receipt the amount of credit received from the
3 17 homestead credit fund.

3 18 Sec. 8. Section 432.1, subsection 6, paragraph b,
3 19 unnumbered paragraph 1, Code Supplement 2003, is amended to
3 20 read as follows:

3 21 In addition to the prepayment amount in paragraph "a", each
3 22 life insurance company or association which is subject to tax
3 23 under subsection 1 of this section and each mutual health
3 24 service corporation which is subject to tax under section
3 25 432.2 shall remit on or before ~~June 30~~ August 15, on a
3 26 prepayment basis, an additional amount equal to the following
3 27 percent of the premium tax liability for the preceding
3 28 calendar year as follows:

3 29 Sec. 9. Section 432.1, subsection 6, paragraph c,
3 30 unnumbered paragraph 1, Code Supplement 2003, is amended to
3 31 read as follows:

3 32 In addition to the prepayment amount in paragraph "a", each
3 33 insurance company or association, other than a life insurance
3 34 company or association, which is subject to tax under
3 35 subsection 3 shall remit on or before ~~June 30~~ August 15, on a
4 1 prepayment basis, an additional amount equal to the following
4 2 percent of the premium tax liability for the preceding
4 3 calendar year as follows:

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

4 6 Upon receipt of the report of the examining board, the
4 7 chairperson of the conference board shall by written notice
4 8 call a meeting of the conference board to appoint an assessor.
4 9 The meeting shall be held not later than seven days after the
4 10 receipt of the report of the examining board by the conference
4 11 board. ~~The physical condition, general reputation of the~~
4 12 ~~applicants, and their fitness for the position as determined~~
4 13 ~~by the examining board shall be taken into consideration in~~
4 14 ~~making the appointment.~~ At the meeting, the conference board
4 15 shall appoint an assessor from the register of eligible
4 16 candidates. However, if a special examination has not been
4 17 conducted previously for the same vacancy, the conference
4 18 board may request the director of revenue to hold a special
4 19 examination pursuant to section 441.7. The chairperson of the
4 20 conference board shall give written notice to the director of
4 21 revenue of the appointment and its effective date within ten
4 22 days of the decision of the board.

4 23 Sec. 11. Section 441.8, unnumbered paragraph 1, Code
4 24 Supplement 2003, is amended to read as follows:

4 25 The term of office of an assessor appointed under this
4 26 chapter shall be for six years. Appointments for each
4 27 succeeding term shall be made in the same manner as the
4 28 original appointment except that not less than ninety days

4 29 before the expiration of the term of the assessor the
4 30 conference board shall hold a meeting to determine whether or
4 31 not it desires to reappoint the incumbent assessor to a new
4 32 term. If the decision is made not to reappoint the assessor,
4 33 the assessor shall be notified, in writing, of such decision
4 34 not less than ninety days prior to the expiration of the
4 35 assessor's term of office. Failure of the conference board to

5 1 provide timely notification of the decision not to reappoint
5 2 the assessor shall result in the assessor being reappointed.

5 3 Sec. 12. Section 441.8, unnumbered paragraphs 6 and 7,
5 4 Code Supplement 2003, are amended to read as follows:

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

5 23 Within each six-year period following the appointment of a
5 24 deputy assessor, the deputy assessor shall comply with this
5 25 section except that upon the successful completion of ninety
5 26 hours of classroom instruction of which at least sixty of the
5 27 ninety hours are from courses requiring an examination upon
5 28 conclusion of the course, the deputy assessor shall be
5 29 certified by the director of revenue as being eligible to
5 30 remain in the position. If a deputy assessor fails to comply
5 31 with this section, the deputy assessor shall be removed from
5 32 the position until successful completion of the required hours
5 33 of credit. If a deputy is appointed to the office of
5 34 assessor, the hours of credit obtained as deputy pursuant to
5 35 this section shall be credited to that individual as assessor
6 1 and for the individual to be reappointed at the expiration of
6 2 the term as assessor, that individual must obtain the credits
6 3 which are necessary to total the number of hours for
6 4 reappointment. Upon written request by the person seeking a
6 5 waiver of the continuing education requirements, the director
6 6 may waive the continuing education requirements if the
6 7 director determines good cause exists for the waiver.

6 8 Sec. 13. Section 441.38, subsection 2, Code 2003, is
6 9 amended to read as follows:

6 10 2. Notice of appeal shall be served as an original notice
6 11 on the chairperson, presiding officer, or clerk of the board
6 12 of review ~~after the filing of notice under subsection 1 with~~
6 13 ~~the clerk of district court within twenty days after its~~
6 14 ~~adjournment or May 31, whichever is later.~~

6 15 Sec. 14. Section 452A.2, subsection 19, unnumbered
6 16 paragraph 2, Code Supplement 2003, is amended to read as
6 17 follows:

6 18 "Motor fuel" does not include special fuel, and does not
6 19 include liquefied gases which would not exist as liquids at a
6 20 temperature of sixty degrees Fahrenheit and a pressure of
6 21 fourteen and seven-tenths pounds per square inch absolute, or
6 22 naphthas and solvents unless the liquefied gases or naphthas
6 23 and solvents are used as a component in the manufacture,
6 24 compounding, or blending of a liquid within paragraph "b", in
6 25 which event the resulting product shall be deemed to be motor
6 26 fuel. "Motor fuel" does not include methanol unless blended
6 27 with other motor fuels for use in an aircraft or for
6 28 propelling motor vehicles.

6 29 Sec. 15. Section 452A.2, subsection 25, Code Supplement
6 30 2003, is amended to read as follows:

6 31 25. "Special fuel" means fuel oils and all combustible
6 32 gases and liquids suitable for the generation of power for
6 33 propulsion of motor vehicles or turbine-powered aircraft, and
6 34 includes any substance used for that purpose, except that it
6 35 does not include motor fuel. Kerosene shall not be considered
7 1 to be a special fuel, unless blended with other special fuels
7 2 for use in a motor vehicle with a diesel engine. Methanol
7 3 shall not be considered to be a special fuel, unless blended
7 4 with other special fuels for use in a motor vehicle with a

7 5 diesel engine.

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

7 8 A motor fuel or special fuel supplier, restrictive
7 9 supplier, importer, exporter, blender, dealer, user, common
7 10 carrier, contract carrier, ~~or terminal, or nonterminal storage~~
7 11 facility shall maintain, for a period of three years, records
7 12 of all transactions by which the supplier, restrictive
7 13 supplier, or importer withdraws from a terminal or nonterminal
7 14 storage facility within this state or imports into this state
7 15 motor fuel or undyed special fuel together with invoices,
7 16 bills of lading, and other pertinent records and papers as
7 17 required by the department.

7 18 If in the normal conduct of a supplier's, restrictive
7 19 supplier's, importer's, exporter's, blender's, dealer's,
7 20 user's, common carrier's, contract carrier's, ~~or terminal's,~~
7 21 or nonterminal storage facility's business the records are
7 22 maintained and kept at an office outside this state, the
7 23 records shall be made available for audit and examination by
7 24 the department at the office outside this state, but the audit
7 25 and examination shall be without expense to this state.

7 26 The department, after an audit and examination of records
7 27 required to be maintained under this section, may authorize
7 28 their disposal upon the written request of the supplier,
7 29 restrictive supplier, importer, exporter, blender, dealer,
7 30 user, carrier, terminal, nonterminal storage facility, or
7 31 distributor.

7 32 Sec. 17. Section 452A.62, subsection 1, paragraph a, Code
7 33 Supplement 2003, is amended to read as follows:

7 34 a. A distributor, supplier, restrictive supplier,
7 35 importer, exporter, blender, terminal operator, nonterminal
8 1 storage facility, common carrier, or contract carrier,
8 2 pertaining to motor fuel or undyed special fuel withdrawn from
8 3 a terminal or nonterminal storage facility, or brought into
8 4 this state.

8 5 Sec. 18. Section 452A.62, subsection 2, unnumbered
8 6 paragraph 1, Code Supplement 2003, is amended to read as
8 7 follows:

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

8 16 Sec. 19. Section 452A.85, Code Supplement 2003, is amended
8 17 by adding the following new subsection:

8 18 NEW SUBSECTION. 4. This section does not apply to an
8 19 increase in the tax rate of a specified fuel, except for
8 20 compressed natural gas, unless the increase in the tax rate of
8 21 that fuel is in excess of one-half cent per gallon.

8 22 Sec. 20. Section 453A.1, Code Supplement 2003, is amended
8 23 by adding the following new subsection:

8 24 NEW SUBSECTION. 5A. "Counterfeit cigarettes" means
8 25 cigarettes, packages of cigarettes, cartons of cigarettes, or
8 26 other containers of cigarettes with a label, trademark,
8 27 service mark, trade name, device, design, or word adopted or
8 28 used by a cigarette manufacturer to identify its product that
8 29 is false or used without authority of the cigarette
8 30 manufacturer.

8 31 Sec. 21. Section 453A.13, subsection 5, Code 2003, is
8 32 amended to read as follows:

8 33 5. APPLICATION == BOND. ~~Said permits~~ Permits shall be
8 34 issued only upon applications accompanied by the fee indicated
8 35 above, and by an adequate bond as provided in section 453A.14,
9 1 and upon forms furnished by the department upon written
9 2 request. The failure to furnish such forms shall be no excuse
9 3 for the failure to file the ~~same forms~~ unless absolute refusal
9 4 is shown. ~~Said~~ The forms shall set forth:

9 5 a. The manner under which ~~such the~~ distributor,
9 6 wholesaler, or retailer, transacts or intends to transact such
9 7 business as a distributor, wholesaler, or retailer.

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

9 10 c. If the applicant is not an individual, the principal
9 11 officers or members ~~thereof, not to exceed three,~~ and their
9 12 addresses.

9 13 d. ~~Such~~ Any other information as the director shall by
9 14 rules prescribe.

9 15 Sec. 22. Section 453A.15, Code 2003, is amended by adding

9 16 the following new subsection:

9 17 NEW SUBSECTION. 7. The director may require by rule that
9 18 reports required to be made under this division be filed by
9 19 electronic transmission.

9 20 Sec. 23. Section 453A.18, Code 2003, is amended to read as
9 21 follows:

9 22 453A.18 FORMS FOR RECORDS AND REPORTS.

9 23 The department shall furnish or make available in
9 24 electronic form, without charge, to holders of the various
9 25 permits, forms in sufficient quantities to enable permit
9 26 holders to make the reports required to be made under this
9 27 division. The permit holders shall furnish at their own
9 28 expense the books, records, and invoices, required to be used
9 29 and kept, but the books, records, and invoices shall be in
9 30 exact conformity to the forms prescribed for that purpose by
9 31 the director, and shall be kept and used in the manner
9 32 prescribed by the director. However, the director may, by
9 33 express order in certain cases, authorize permit holders to
9 34 keep their records in a manner and upon forms other than those
9 35 so prescribed. The authorization may be revoked at any time.

10 1 Sec. 24. Section 453A.25, subsection 3, Code 2003, is
10 2 amended to read as follows:

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

10 13 Sec. 25. Section 453A.32, subsections 1, 4, and 5, Code
10 14 2003, are amended to read as follows:

10 15 1. All cigarettes on which taxes are imposed or required
10 16 to be imposed by this division, which are found in the
10 17 possession or custody, or within the control of any person,
10 18 for the purpose of being sold, distributed, or removed by the
10 19 person in violation of this division, and all cigarettes which
10 20 are removed or are, stored, transported, deposited, or
10 21 concealed in any place with intent to avoid payment of taxes
10 22 without the proper taxes paid, and any automobile, truck,
10 23 boat, conveyance, or other vehicle whatsoever, used in the
10 24 removal, storage, deposit, concealment, or transportation of
10 25 cigarettes for such the purpose of avoiding the payment of the
10 26 proper tax, and all equipment or other tangible personal
10 27 property incident to and used for such the purpose of avoiding
10 28 the payment of the proper tax, found in the place, building,
10 29 or vehicle where cigarettes are found, and all counterfeit
10 30 cigarettes, may be seized by the department, with or without
10 31 process and shall be from the time of the seizure forfeited to
10 32 the state of Iowa. A proceeding in the nature of a proceeding
10 33 in rem shall be filed in a court of competent jurisdiction in
10 34 the county of seizure to maintain the seizure and declare and
10 35 perfect the forfeiture. All cigarettes, counterfeit
11 1 cigarettes, vehicles, and property seized, remaining in the
11 2 possession or custody of the department, sheriff or other
11 3 officer for forfeiture or other disposition as provided by
11 4 law, are not subject to replevin.

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

11 17 5. In the event the cigarettes seized hereunder and sought
11 18 to be sold upon forfeiture shall be are unstamped, the
11 19 cigarettes shall be sold by the director or the director's
11 20 designee to the highest bidder among the licensed distributors
11 21 holding a permit in this state after written notice has been
11 22 mailed to all such distributors. If there is no bidder, or in
11 23 the opinion of the director the quantity of cigarettes to be
11 24 sold is insufficient, or for any other reason such disposition
11 25 of the cigarettes is impractical, the cigarettes shall be
11 26 destroyed or disposed of in a manner as determined by the

11 27 director. The proceeds of ~~such from the~~ sales shall be paid
11 28 into the state treasury.

11 29 Sec. 26. Section 453A.36, subsection 6, Code 2003, is
11 30 amended to read as follows:

11 31 6. Any sales of cigarettes or tobacco products made
11 32 through a cigarette vending machine are subject to rules and
11 33 penalties relative to retail sales of cigarettes and tobacco
11 34 products provided for in this chapter. ~~No cigarettes shall~~
11 35 Cigarettes shall not be sold through any cigarette vending
12 1 machine unless the cigarettes have been properly stamped or
12 2 metered as provided by this division, and in case of violation
12 3 of this provision, the permit of the dealer authorizing retail
12 4 sales of cigarettes shall be ~~canceled~~ revoked. Payment of the
12 5 license permit fee as provided in section 453A.13 authorizes a
12 6 cigarette vendor to sell cigarettes or tobacco products
12 7 through vending machines. However, cigarettes or tobacco
12 8 products shall not be sold through a vending machine unless
12 9 the vending machine is located in a place where the retailer
12 10 ensures that no person younger than eighteen years of age is
12 11 present or permitted to enter at any time. This section does
12 12 not require a retail ~~licensee~~ permit holder to buy a cigarette
12 13 vendor's permit if the retail ~~licensee~~ permit holder is in
12 14 fact the owner of the cigarette vending machines and the
12 15 machines are operated in the location described in the retail
12 16 permit.

12 17 Sec. 27. Section 453A.36, Code 2003, is amended by adding
12 18 the following new subsection:

12 19 NEW SUBSECTION. 9. It is unlawful for a person to ship or
12 20 import into this state or to offer for sale, sell, distribute,
12 21 transport, or possess counterfeit cigarettes, knowing such
12 22 cigarettes are counterfeit cigarettes or having reasonable
12 23 cause to believe that such cigarettes are counterfeit
12 24 cigarettes.

12 25 Sec. 28. Section 453A.38, Code 2003, is amended to read as
12 26 follows:

12 27 453A.38 COUNTERFEITING AND PREVIOUSLY USED STAMPS.

12 28 Any person who shall print, engrave, make, issue, sell, or
12 29 circulate, or shall possess or have in the person's possession
12 30 with intent to use, sell, circulate, or pass, any counterfeit
12 31 stamp or previously used stamp, or who shall use, or consent
12 32 to the use of, any counterfeit stamp or previously used stamp
12 33 in connection with the sale, or offering for sale, of any
12 34 cigarettes, or who shall place, or cause to be placed, on any
12 35 individual package of cigarettes, any counterfeit stamp or
13 1 previously used stamp, ~~shall be~~ is guilty of an aggravated
13 2 misdemeanor. A person in violation of this section is also
13 3 subject to the penalty provided in section 453A.31, subsection
13 4 1.

13 5 Sec. 29. Section 453A.40, subsection 1, Code Supplement
13 6 2003, is amended to read as follows:

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

13 17 Sec. 30. Section 453A.45, subsection 5, unnumbered
13 18 paragraph 2, Code 2003, is amended to read as follows:

13 19 Such report shall be made on forms provided by the director
13 20 ~~or the director may require by rule that the report be filed~~
13 21 by electronic transmission.

13 22 Sec. 31. Section 453A.46, Code 2003, is amended by adding
13 23 the following new subsection:

13 24 NEW SUBSECTION. 7. The director may require by rule that
13 25 reports be filed by electronic transmission.

13 26 Sec. 32. Section 518.18, subsection 3, paragraph b,
13 27 unnumbered paragraph 1, Code Supplement 2003, is amended to
13 28 read as follows:

13 29 In addition to the prepayment amount in paragraph "a", each
13 30 association shall remit on or before ~~June 30~~ August 15, on a
13 31 prepayment basis, an additional amount equal to the following
13 32 percent of the premium tax liability for the preceding
13 33 calendar year as follows:

13 34 Sec. 33. Section 518A.35, subsection 3, paragraph b,
13 35 unnumbered 1, Code Supplement 2003, is amended to read as
14 1 follows:

14 2 In addition to the prepayment amount in paragraph "a", each

14 3 association shall remit on or before ~~June 30~~ August 15, on a
14 4 prepayment basis, an additional amount equal to the following
14 5 percent of the premium tax liability for the preceding
14 6 calendar year as follows:
14 7 Sec. 34. Section 25B.7, Code Supplement 2003, is repealed.
14 8 Sec. 35. EFFECTIVE DATE. The sections of this Act
14 9 amending sections 422.35, 432.1, 518.18, 518A.35, and
14 10 repealing section 25B.7, being deemed of immediate importance,
14 11 take effect upon enactment.
14 12 Sec. 36. RETROACTIVE APPLICABILITY. Sections 1 and 2 of
14 13 this Act, amending Code section 422.9, apply retroactively to
14 14 January 1, 2004, for tax years beginning on or after that
14 15 date.

14 16 EXPLANATION

14 17 This bill relates to the technical administration of the
14 18 tax and related laws by the department of revenue.
14 19 Code sections 422.9(1) and 422.9(2)(b) are amended to
14 20 provide that no adjustment for federal income tax is allowed
14 21 for a tax year in which an Iowa return was not required to be
14 22 filed. This change is applicable beginning with the 2004 tax
14 23 year.
14 24 Code section 422.35 is amended to provide for an exclusion
14 25 for foreign dividend income. This codifies current practice
14 26 and administrative rules of the Iowa department of revenue
14 27 based on the United States Supreme Court decision in Kraft
14 28 General Foods, Inc. v. Iowa Department of Revenue and Finance,
14 29 505 U.S. 71 (1992). This section of the bill takes effect
14 30 upon enactment.
14 31 Code section 422A.1 is amended to provide that local hotel
14 32 and motel tax shall be imposed beginning on January 1 and July
14 33 1 only and terminated as of June 30 and December 31 only.
14 34 Code section 422E.3A(3)(a) is amended to change the date
14 35 for the department of revenue to estimate the school
15 1 infrastructure local option tax from June 1 to August 15.
15 2 Currently, all other local option estimates are required to be
15 3 made by August 15.
15 4 Code section 423.1(50) is amended to define "employer" for
15 5 purposes of the state sales tax on services as the person who
15 6 actually pays the wages of an employee.
15 7 Code section 425.1(4) is amended to rescind the requirement
15 8 that the department estimate the amount of homestead tax
15 9 credits payable to the counties each year.
15 10 Code section 432.1 is amended to change from June 30 to
15 11 August 15 the date that insurance premium prepayments payable
15 12 by insurance companies are due. Code sections 518.18 and
15 13 518.18A are amended to change from June 30 to August 15 the
15 14 date that insurance premium prepayments payable by county and
15 15 state mutual insurance associations are due. These sections
15 16 of the bill are effective upon enactment.
15 17 Code section 441.6 is amended to strike the physical
15 18 condition and reputation of a person as criteria used by the
15 19 examining board in determining the person's qualifications for
15 20 appointment to the position of county or city assessor.
15 21 Code section 441.8 is amended to permit the director of
15 22 revenue to waive the assessor and deputy assessor continuing
15 23 education requirements for good cause. Code section 441.8 is
15 24 also amended to require the conference board to notify the
15 25 assessor at least 90 days prior to the expiration of the
15 26 assessor's term of office if the assessor is not to be
15 27 reappointed.
15 28 Code section 441.38(2) is amended to require the property
15 29 owner to file notice of appeal to district court with the
15 30 local board of review within 20 days after the board's
15 31 adjournment or May 31, whichever is later.
15 32 Code section 452A.2(19) and (25) is amended to state that,
15 33 for fuel tax purposes, methanol is not a special fuel unless
15 34 blended for use in a motor vehicle with a diesel engine and is
15 35 not a motor fuel unless blended for use in aircraft or a motor
16 1 vehicle.
16 2 Code sections 452A.10, 452A.62(1)(a), and 452A.62(2) are
16 3 amended to require nonterminal storage facilities to maintain
16 4 the same records as terminals for withdrawals and importation
16 5 of certain motor and special fuels.
16 6 Code section 452A.85 is amended to provide that the
16 7 inventory tax does not apply unless the increase in the fuel
16 8 tax rate is more than one-half cent per gallon.
16 9 Code section 453A.1 is amended to define "counterfeit
16 10 cigarettes".
16 11 Code section 453A.13(5) is amended to require furnishing of
16 12 the names and addresses of all officers of the business
16 13 applying for a bond to obtain a cigarette permit.

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

16 17 Code section 453A.18 authorizes the department to furnish
16 18 permit holders with electronic forms in lieu of paper forms.

16 19 Code section 453A.25(3) is amended to delete the
16 20 requirement that the director appoint a person whose only
16 21 responsibility is to administer cigarette and tobacco taxes.

16 22 Code section 453A.32, subsections (1), (4), and (5), are
16 23 amended to strengthen the language relating to the seizure and
16 24 forfeiture of unstamped cigarettes and to reflect that
16 25 cigarette distributors receive a permit, not a license, to do
16 26 business in Iowa. The section is also amended to include
16 27 counterfeit cigarettes in these provisions.

16 28 Code section 453A.36(6) is amended to clarify that
16 29 cigarette retailers receive a permit, not a license, to do
16 30 business in Iowa.

16 31 Code section 453A.36 is amended to make it unlawful to ship
16 32 or import into Iowa or sell, distribute, transport, or possess
16 33 counterfeit cigarettes and allows for the confiscation and
16 34 destruction of those cigarettes.

16 35 Code section 453A.38 is amended to subject cigarette
17 1 counterfeiters to a civil penalty in addition to the current
17 2 criminal penalty.

17 3 Code section 453A.40(1) is amended to reflect that
17 4 cigarette distributors receive a permit rather than a license
17 5 to do business in Iowa.

17 6 Code section 453A.45(5) is amended to give the director the
17 7 authority to require by rule that tobacco transportation
17 8 reports be filed electronically.

17 9 Code section 453A.46 is amended to give the director the
17 10 authority to require by rule that distributors file tobacco
17 11 reports electronically.

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

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