

# Senate Study Bill 1200

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED GOVERNOR'S BILL)

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

## A BILL FOR

1 An Act relating to the rewriting of the state sales and use tax  
2 provisions, providing penalties, and incorporating provisions  
3 of the streamlined sales and use tax agreement and including  
4 an effective date.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 1665XL 80  
7 mg/cf/24

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1 1 DIVISION I  
1 2 DEFINITIONS  
1 3 Section 1. NEW SECTION. 423.1 DEFINITIONS.  
1 4 As used in this chapter the following words, terms, and  
1 5 phrases have the meanings ascribed to them by this section,  
1 6 except where the context clearly indicates that a different  
1 7 meaning is intended:  
1 8 1. "Agent" means a person appointed by a seller to  
1 9 represent the seller before the member states.  
1 10 2. "Agreement" means the streamlined sales and use tax  
1 11 agreement authorized by division IV of this chapter to  
1 12 provide a mechanism for establishing and maintaining a  
1 13 cooperative, simplified system for the application and  
1 14 administration of sales and use taxes.  
1 15 3. "Agricultural production" includes the production of  
1 16 flowering, ornamental, or vegetable plants in commercial  
1 17 greenhouses or otherwise, and production from aquaculture.  
1 18 "Agricultural products" includes flowering, ornamental, or  
1 19 vegetable plants and those products of aquaculture.  
1 20 4. "Business" includes any activity engaged in by any  
1 21 person or caused to be engaged in by the person with the  
1 22 object of gain, benefit, or advantage, either direct or  
1 23 indirect.  
1 24 5. "Certificate of title" means a certificate of title  
1 25 issued for a vehicle or for manufactured housing under chapter  
1 26 321.  
1 27 6. "Certified automated system" means software certified  
1 28 under the agreement to calculate the tax imposed by each  
1 29 jurisdiction on a transaction, determine the amount of tax to  
1 30 remit to the appropriate state, and maintain a record of the  
1 31 transaction.  
1 32 7. "Certified service provider" means an agent certified  
1 33 under the agreement to perform all of a seller's sales or use  
1 34 tax functions, other than the seller's obligation to remit tax  
1 35 on its own purchases.  
2 1 8. "Computer" means an electronic device that accepts  
2 2 information in digital or similar form and manipulates the  
2 3 information for a result based on a sequence of instructions.  
2 4 9. "Computer software" means a set of coded instructions  
2 5 designed to cause a computer or automatic data processing  
2 6 equipment to perform a task.  
2 7 10. "Delivered electronically" means delivered to the  
2 8 purchaser by means other than tangible storage media.  
2 9 11. "Delivery charges" means charges assessed by a seller  
2 10 of personal property or services for preparation and delivery  
2 11 to a location designated by the purchaser of personal property  
2 12 or services including, but not limited to, transportation,  
2 13 shipping, postage, handling, crating, and packing charges.  
2 14 12. "Department" means the department of revenue and  
2 15 finance.  
2 16 13. "Direct mail" means printed material delivered or  
2 17 distributed by United States mail or other delivery service to  
2 18 a mass audience or to addressees on a mailing list provided by  
2 19 the purchaser or at the direction of the purchaser when the  
2 20 cost of the items is not billed directly to the recipients.  
2 21 "Direct mail" includes tangible personal property supplied  
2 22 directly or indirectly by the purchaser to the direct mail

2 23 seller for inclusion in the package containing the printed  
2 24 material. "Direct mail" does not include multiple items of  
2 25 printed material delivered to a single address.

2 26 14. "Director" means the director of revenue and finance.  
2 27 15. "Electronic" means relating to technology having  
2 28 electrical, digital, magnetic, wireless, optical,  
2 29 electromagnetic, or similar capabilities.

2 30 16. "Farm deer" means the same as defined in section  
2 31 189A.2.

2 32 17. "Farm machinery and equipment" means machinery and  
2 33 equipment used in agricultural production.

2 34 18. "First use of a service". A "first use of a service"  
2 35 occurs, for the purposes of this chapter, when a service is  
3 1 rendered, furnished, or performed in Iowa or if rendered,  
3 2 furnished, or performed outside of Iowa, when the product or  
3 3 result of the service is used in Iowa.

3 4 19. "Goods, wares, or merchandise" means the same as  
3 5 tangible personal property.

3 6 20. "Governing board" means the group comprised of  
3 7 representatives of the member states of the agreement which is  
3 8 created by the agreement to be responsible for the agreement's  
3 9 administration and operation.

3 10 21. "Installed purchase price" is the amount charged,  
3 11 valued in money whether paid in money or otherwise, by a  
3 12 building contractor to convert manufactured housing from  
3 13 tangible personal property into realty. "Installed purchase  
3 14 price" includes, but is not limited to, amounts charged for  
3 15 installing a foundation and electrical and plumbing hookups.  
3 16 "Installed purchase price" excludes any amount charged for  
3 17 landscaping in connection with the conversion.

3 18 22. "Lease or rental".  
3 19 a. "Lease or rental" means any transfer of possession or  
3 20 control of tangible personal property for a fixed or  
3 21 indeterminate term for consideration. A "lease or rental" may  
3 22 include future options to purchase or extend.

3 23 b. "Lease or rental" includes agreements covering motor  
3 24 vehicles and trailers when the amount of consideration may be  
3 25 increased or decreased by reference to the amount realized  
3 26 upon sale or disposition of the property as defined in 26  
3 27 U.S.C. } 7701(h)(1).

3 28 c. "Lease or rental" does not include any of the  
3 29 following:  
3 30 (1) A transfer of possession or control of property under  
3 31 a security agreement or deferred payment plan that requires  
3 32 the transfer of title upon completion of the required  
3 33 payments.  
3 34 (2) A transfer of possession or control of property under  
3 35 an agreement that requires the transfer of title upon  
4 1 completion of required payments, and payment of any option  
4 2 price does not exceed the greater of one hundred dollars or  
4 3 one percent of the total required payments.

4 4 (3) Providing tangible personal property along with an  
4 5 operator for a fixed or indeterminate period of time. A  
4 6 condition of this exclusion is that the operator is necessary  
4 7 for the equipment to perform as designed. For the purpose of  
4 8 this subparagraph, an operator must do more than maintain,  
4 9 inspect, or set up the tangible personal property.

4 10 d. This definition shall be used for sales and use tax  
4 11 purposes regardless of whether a transaction is characterized  
4 12 as a lease or rental under generally accepted accounting  
4 13 principles, the Internal Revenue Code, the Uniform Commercial  
4 14 Code, or other provisions of federal, state, or local law.

4 15 23. "Livestock" includes but is not limited to an animal  
4 16 classified as an ostrich, rhea, emu, bison, or farm deer.

4 17 24. "Manufactured housing" means "manufactured home" as  
4 18 defined in section 321.1.

4 19 25. "Member state" is any state which has signed the  
4 20 agreement.

4 21 26. "Mobile home" means "manufactured or mobile home" as  
4 22 defined in section 321.1.

4 23 27. "Model 1 seller" is a seller that has selected a  
4 24 certified service provider as its agent to perform all the  
4 25 seller's sales and use tax functions, other than the seller's  
4 26 obligation to remit tax on its own purchases.

4 27 28. "Model 2 seller" is a seller that has selected a  
4 28 certified automated system to perform part of its sales and  
4 29 use tax functions, but retains responsibility for remitting  
4 30 the tax.

4 31 29. "Model 3 seller" is a seller that has sales in at  
4 32 least five member states, has total annual sales revenue of at  
4 33 least five hundred million dollars, has a proprietary system

4 34 that calculates the amount of tax due each jurisdiction, and  
4 35 has entered into a performance agreement with the member  
5 1 states that establishes a tax performance standard for the  
5 2 seller. As used in this definition, a "seller" includes an  
5 3 affiliated group of sellers using the same proprietary system.  
5 4 30. "Nonresidential commercial operations" means  
5 5 industrial, commercial, mining, or agricultural operations,  
5 6 whether for profit or not, but does not include apartment  
5 7 complexes or mobile home parks.  
5 8 31. "Not registered under the agreement" means lack of  
5 9 registration by a seller with the member states under the  
5 10 central registration system provided by section 423.48.  
5 11 32. "Person" means an individual, trust, estate,  
5 12 fiduciary, partnership, limited liability company, limited  
5 13 liability partnership, corporation, or any other legal entity.  
5 14 33. "Place of business" means any warehouse, store, place,  
5 15 office, building, or structure where goods, wares, or  
5 16 merchandise are offered for sale at retail or where any  
5 17 taxable amusement is conducted, or each office where gas,  
5 18 water, heat, communication, or electric services are offered  
5 19 for sale at retail.  
5 20 When a retailer or amusement operator sells merchandise by  
5 21 means of vending machines or operates music or amusement  
5 22 devices by coin-operated machines at more than one location  
5 23 within the state, the office, building, or place where the  
5 24 books, papers, and records of the taxpayer are kept shall be  
5 25 deemed to be the taxpayer's place of business.  
5 26 34. "Prewritten computer software" includes software  
5 27 designed and developed by the author or other creator to the  
5 28 specifications of a specific purchaser when it is sold to a  
5 29 person other than the purchaser. The combining of two or more  
5 30 prewritten computer software programs or prewritten portions  
5 31 of prewritten programs does not cause the combination to be  
5 32 other than prewritten computer software. "Prewritten computer  
5 33 software" also means computer software, including prewritten  
5 34 upgrades, which is not designed and developed by the author or  
5 35 other creator to the specifications of a specific purchaser.  
6 1 When a person modifies or enhances computer software of  
6 2 which the person is not the author or creator, the person  
6 3 shall be deemed to be the author or creator only of such  
6 4 person's modifications or enhancements. Prewritten computer  
6 5 software or a prewritten portion of the prewritten software  
6 6 that is modified or enhanced to any degree, when such  
6 7 modification or enhancement is designed and developed to the  
6 8 specifications of a specific purchaser, remains prewritten  
6 9 computer software. However, when there is a reasonable,  
6 10 separately stated charge or an invoice or other statement of  
6 11 the price given to the purchaser for such modification or  
6 12 enhancement, such modification or enhancement shall not  
6 13 constitute prewritten computer software.  
6 14 35. "Property purchased for resale in connection with the  
6 15 performance of a service" means property which is purchased  
6 16 for resale in connection with the rendition, furnishing, or  
6 17 performance of a service by a person who renders, furnishes,  
6 18 or performs the service if all of the following occur:  
6 19 a. The provider and user of the service intend that a sale  
6 20 of the property will occur.  
6 21 b. The property is transferred to the user of the service  
6 22 in connection with the performance of the service in a form or  
6 23 quantity capable of a fixed or definite price value.  
6 24 c. The sale is evidenced by a separate charge for the  
6 25 identifiable piece of property.  
6 26 36. "Purchase" means any transfer, exchange, or barter,  
6 27 conditional or otherwise, in any manner or by any means  
6 28 whatsoever, for a consideration.  
6 29 37. "Purchase price" means the same as "sales price" as  
6 30 defined in this section.  
6 31 38. "Purchaser" is a person to whom a sale of personal  
6 32 property is made or to whom a service is furnished.  
6 33 39. "Receive" and "receipt" mean any of the following:  
6 34 a. Taking possession of tangible personal property.  
6 35 b. Making first use of a service.  
7 1 c. Taking possession or making first use of digital goods,  
7 2 whichever comes first.  
7 3 "Receive" and "receipt" do not include possession by a  
7 4 shipping company on behalf of a purchaser.  
7 5 40. "Registered under the agreement" means registration by  
7 6 a seller under the central registration system referenced in  
7 7 section 423.11, subsection 4.  
7 8 41. "Relief agency" means the state, any county, city and  
7 9 county, city, or district thereof, or any agency engaged in

7 10 actual relief work.

7 11 42. "Retailer" means and includes every person engaged in  
7 12 the business of selling tangible personal property or taxable  
7 13 services at retail, or the furnishing of gas, electricity,  
7 14 water, or communication service, and tickets or admissions to  
7 15 places of amusement and athletic events or operating amusement  
7 16 devices or other forms of commercial amusement from which  
7 17 revenues are derived. However, when in the opinion of the  
7 18 director it is necessary for the efficient administration of  
7 19 this chapter to regard any salespersons, representatives,  
7 20 truckers, peddlers, or canvassers as agents of the dealers,  
7 21 distributors, supervisors, employers, or persons under whom  
7 22 they operate or from whom they obtain tangible personal  
7 23 property sold by them irrespective of whether or not they are  
7 24 making sales on their own behalf or on behalf of such dealers,  
7 25 distributors, supervisors, employers, or persons, the director  
7 26 may so regard them, and may regard such dealers, distributors,  
7 27 supervisors, employers, or persons as retailers for the  
7 28 purposes of this chapter. "Retailer" includes a seller  
7 29 obligated to collect sales or use tax.

7 30 43. "Retailer maintaining a place of business in this  
7 31 state" or any like term includes any retailer having or  
7 32 maintaining within this state, directly or by a subsidiary, an  
7 33 office, distribution house, sales house, warehouse, or other  
7 34 place of business, or any representative operating within this  
7 35 state under the authority of the retailer or its subsidiary,  
8 1 irrespective of whether that place of business or  
8 2 representative is located here permanently or temporarily, or  
8 3 whether the retailer or subsidiary is admitted to do business  
8 4 within this state pursuant to chapter 490.

8 5 44. "Retailers who are not model sellers" means all  
8 6 retailers other than model 1, model 2, or model 3 sellers.

8 7 45. "Retail sale" or "sale at retail" means any sale,  
8 8 lease, or rental for any purpose other than resale, sublease,  
8 9 or subrent.

8 10 46. "Sales" or "sale" means any transfer, exchange, or  
8 11 barter, conditional or otherwise, in any manner or by any  
8 12 means whatsoever, for consideration.

8 13 47. "Sales price" applies to the measure subject to sales  
8 14 tax.

8 15 a. "Sales price" means the total amount of consideration,  
8 16 including cash, credit, property, and services, for which  
8 17 personal property or services are sold, leased, or rented,  
8 18 valued in money, whether received in money or otherwise,  
8 19 without any deduction for any of the following:

8 20 (1) The seller's cost of the property sold.

8 21 (2) The cost of materials used, labor or service cost,  
8 22 interest, losses, all costs of transportation to the seller,  
8 23 all taxes imposed on the seller, and any other expenses of the  
8 24 seller.

8 25 (3) Charges by the seller for any services necessary to  
8 26 complete the sale, other than delivery and installation  
8 27 charges.

8 28 (4) Delivery charges.

8 29 (5) Installation charges.

8 30 (6) The value of exempt personal property given to the  
8 31 purchaser where taxable and exempt personal property have been  
8 32 bundled together and sold by the seller as a single product or  
8 33 piece of merchandise.

8 34 (7) Credit for any trade-in authorized by section 423.3,  
8 35 subsection 58.

9 1 b. "Sales price" does not include:

9 2 (1) Discounts, including cash, term, or coupons that are  
9 3 not reimbursed by a third party that are allowed by a seller  
9 4 and taken by a purchaser on a sale.

9 5 (2) Interest, financing, and carrying charges from credit  
9 6 extended on the sale of personal property or services, if the  
9 7 amount is separately stated on the invoice, bill of sale, or  
9 8 similar document given to the purchaser.

9 9 (3) Any taxes legally imposed directly on the consumer  
9 10 that are separately stated on the invoice, bill of sale, or  
9 11 similar document given to the purchaser.

9 12 (4) The amounts received for charges included in paragraph  
9 13 "a", subparagraphs (3) through (7), if they are separately  
9 14 contracted for and separately stated on the invoice, billing,  
9 15 or similar document given to the purchaser.

9 16 48. "Sales tax" means the tax levied under division II of  
9 17 this chapter.

9 18 49. "Seller" means any person making sales, leases, or  
9 19 rentals of personal property or services.

9 20 50. "Services" means all acts or services rendered,

9 21 furnished, or performed, other than services used in  
9 22 processing of tangible personal property for use in retail  
9 23 sales or services, for an employer, as defined in section  
9 24 422.4, subsection 3, for a valuable consideration by any  
9 25 person engaged in any business or occupation specifically  
9 26 enumerated in section 423.2. The tax shall be due and  
9 27 collectible when the service is rendered, furnished, or  
9 28 performed for the ultimate user of the service.  
9 29 51. "Services used in the processing of tangible personal  
9 30 property" includes the reconditioning or repairing of tangible  
9 31 personal property of the type normally sold in the regular  
9 32 course of the retailer's business and which is held for sale.  
9 33 52. "State" means any state of the United States and the  
9 34 District of Columbia.  
9 35 53. "System" means the central electronic registration  
10 1 system maintained by Iowa and other states which are  
10 2 signatories to the agreement.  
10 3 54. "Tangible personal property" means personal property  
10 4 that can be seen, weighed, measured, felt, or touched, or that  
10 5 is in any other manner perceptible to the senses. "Tangible  
10 6 personal property" includes electricity, water, gas, steam,  
10 7 and prewritten computer software.  
10 8 55. "Taxpayer" includes any person who is subject to a tax  
10 9 imposed by this chapter, whether acting on the person's own  
10 10 behalf or as a fiduciary.  
10 11 56. "Trailer" shall mean every trailer, as is now or may  
10 12 be hereafter so defined by chapter 321, which is required to  
10 13 be registered or is subject only to the issuance of a  
10 14 certificate of title under chapter 321.  
10 15 57. "Use" means and includes the exercise by any person of  
10 16 any right or power over tangible personal property incident to  
10 17 the ownership of that property. A retailer's or building  
10 18 contractor's sale of manufactured housing for use in this  
10 19 state, whether in the form of tangible personal property or of  
10 20 realty, is a use of that property for the purposes of this  
10 21 chapter.  
10 22 58. "Use tax" means the tax levied under division III of  
10 23 this chapter for which the retailer collects and remits tax to  
10 24 the department.  
10 25 59. "User" means the immediate recipient of the services  
10 26 who is entitled to exercise a right of power over the product  
10 27 of such services.  
10 28 60. "Value of services" means the price to the user  
10 29 exclusive of any direct tax imposed by the federal government  
10 30 or by this chapter.  
10 31 61. "Vehicles subject to registration" means any vehicle  
10 32 subject to registration pursuant to section 321.18.

10 33 DIVISION II  
10 34 SALES TAX

10 35 Sec. 2. NEW SECTION. 423.2 TAX IMPOSED.

11 1 1. There is imposed a tax of five percent upon the sales  
11 2 price of all sales of tangible personal property, consisting  
11 3 of goods, wares, or merchandise, sold at retail in the state  
11 4 to consumers or users except as otherwise provided in this  
11 5 division.  
11 6 a. For the purposes of this division, sales of the  
11 7 following services are treated as if they were sales of  
11 8 tangible personal property:  
11 9 (1) Sales of engraving, photography, retouching, printing,  
11 10 and binding services.  
11 11 (2) Sales of vulcanizing, recapping, and retreading  
11 12 services.  
11 13 (3) Sales of prepaid telephone calling cards and prepaid  
11 14 authorization numbers.  
11 15 (4) Sales of optional service or warranty contracts,  
11 16 except residential service contracts regulated under chapter  
11 17 523C, which provide for the furnishing of labor and materials  
11 18 and require the furnishing of any taxable service enumerated  
11 19 under this section. The sales price is subject to tax even if  
11 20 some of the services furnished are not enumerated under this  
11 21 section. Additional sales, services, or use taxes shall not  
11 22 be levied on services, parts, or labor provided under optional  
11 23 service or warranty contracts which are subject to tax under  
11 24 this subsection.  
11 25 If the optional service or warranty contract is a computer  
11 26 software maintenance or support service contract and there is  
11 27 no separately stated fee for the taxable personal property or  
11 28 for the nontaxable service, the tax imposed by this subsection  
11 29 shall be imposed on fifty percent of the sales price from the  
11 30 sale of such contract. If the contract provides for technical  
11 31 support services only, no tax shall be imposed under this

11 32 subsection. The provisions of this subparagraph (4) also  
11 33 apply to the use tax.

11 34 (5) Renting of rooms, apartments, or sleeping quarters in  
11 35 a hotel, motel, inn, public lodging house, rooming house,  
12 1 mobile home which is tangible personal property, or tourist  
12 2 court, or in any place where sleeping accommodations are  
12 3 furnished to transient guests for rent, whether with or  
12 4 without meals. "Renting" and "rent" include any kind of  
12 5 direct or indirect charge for such rooms, apartments, or  
12 6 sleeping quarters, or their use. However, the tax does not  
12 7 apply to the sales price from the renting of a room,  
12 8 apartment, or sleeping quarters while rented by the same  
12 9 person for a period of more than thirty-one consecutive days.

12 10 b. Sales of building materials, supplies, and equipment to  
12 11 owners, contractors, subcontractors, or builders for the  
12 12 erection of buildings or the alteration, repair, or  
12 13 improvement of real property are retail sales of tangible  
12 14 personal property in whatever quantity sold. Where the owner,  
12 15 contractor, subcontractor, or builder is also a retailer  
12 16 holding a retail sales tax permit and transacting retail sales  
12 17 of building materials, supplies, and equipment, the person  
12 18 shall purchase such items of tangible personal property  
12 19 without liability for the tax if such property will be subject  
12 20 to the tax at the time of resale or at the time it is  
12 21 withdrawn from inventory for construction purposes. The sales  
12 22 tax shall be due in the reporting period when the materials,  
12 23 supplies, and equipment are withdrawn from inventory for  
12 24 construction purposes or when sold at retail. The tax shall  
12 25 not be due when materials are withdrawn from inventory for use  
12 26 in construction outside of Iowa and the tax shall not apply to  
12 27 tangible personal property purchased and consumed by the  
12 28 manufacturer as building materials in the performance by the  
12 29 manufacturer or its subcontractor of construction outside of  
12 30 Iowa. The sale of carpeting is not a sale of building  
12 31 materials. The sale of carpeting to owners, contractors,  
12 32 subcontractors, or builders shall be treated as the sale of  
12 33 ordinary tangible personal property and subject to the tax  
12 34 imposed under this subsection and the use tax.

12 35 c. The use within this state of tangible personal property  
13 1 by the manufacturer thereof, as building materials, supplies,  
13 2 or equipment, in the performance of construction contracts in  
13 3 Iowa, shall, for the purpose of this division, be construed as  
13 4 a sale at retail of tangible personal property by the  
13 5 manufacturer who shall be deemed to be the consumer of such  
13 6 tangible personal property. The tax shall be computed upon  
13 7 the cost to the manufacturer of the fabrication or production  
13 8 of the tangible personal property.

13 9 2. A tax of five percent is imposed upon the sales price  
13 10 of the sale or furnishing of gas, electricity, water, heat,  
13 11 pay television service, and communication service, including  
13 12 the sales price from such sales by any municipal corporation  
13 13 or joint water utility furnishing gas, electricity, water,  
13 14 heat, pay television service, and communication service to the  
13 15 public in its proprietary capacity, except as otherwise  
13 16 provided in this division, when sold at retail in the state to  
13 17 consumers or users.

13 18 3. A tax of five percent is imposed upon the sales price  
13 19 of all sales of tickets or admissions to places of amusement,  
13 20 fairs, and athletic events except those of elementary and  
13 21 secondary educational institutions. A tax of five percent is  
13 22 imposed on the sales price of an entry fee or like charge  
13 23 imposed solely for the privilege of participating in an  
13 24 activity at a place of amusement, fair, or athletic event  
13 25 unless the sales price of tickets or admissions charges for  
13 26 observing the same activity are taxable under this division.  
13 27 A tax of five percent is imposed upon that part of private  
13 28 club membership fees or charges paid for the privilege of  
13 29 participating in any athletic sports provided club members.

13 30 4. A tax of five percent is imposed upon the sales price  
13 31 derived from the operation of all forms of amusement devices  
13 32 and games of skill, games of chance, raffles, and bingo games  
13 33 as defined in chapter 99B, operated or conducted within the  
13 34 state, the tax to be collected from the operator in the same  
13 35 manner as for the collection of taxes upon the sales price of  
14 1 tickets or admission as provided in this section. The tax  
14 2 shall also be imposed upon the sales price derived from the  
14 3 sale of lottery tickets or shares pursuant to chapter 99E.  
14 4 The tax on the lottery tickets or shares shall be included in  
14 5 the sales price and distributed to the general fund of the  
14 6 state as provided in section 99E.10. Nothing in this  
14 7 subsection shall legalize any games of skill or chance or

14 8 slot-operated devices which are now prohibited by law.

14 9 The tax imposed under this subsection covers the total  
14 10 amount from the operation of games of skill, games of chance,  
14 11 raffles, and bingo games as defined in chapter 99B, and  
14 12 musical devices, weighing machines, shooting galleries,  
14 13 billiard and pool tables, bowling alleys, pinball machines,  
14 14 slot-operated devices selling merchandise not subject to the  
14 15 general sales taxes and on the total amount from devices or  
14 16 systems where prizes are in any manner awarded to patrons and  
14 17 upon the receipts from fees charged for participation in any  
14 18 game or other form of amusement, and generally upon the sales  
14 19 price from any source of amusement operated for profit, not  
14 20 specified in this section, and upon the sales price from which  
14 21 tax is not collected for tickets or admission, but tax shall  
14 22 not be imposed upon any activity exempt from sales tax under  
14 23 section 423.3, subsection 78. Every person receiving any  
14 24 sales price from the sources described in this section is  
14 25 subject to all provisions of this division relating to retail  
14 26 sales tax and other provisions of this chapter as applicable.

14 27 5. There is imposed a tax of five percent upon the sales  
14 28 price from the furnishing of services as defined in section  
14 29 423.1.

14 30 6. The sales price of any of the following enumerated  
14 31 services is subject to the tax imposed by subsection 5:  
14 32 alteration and garment repair; armored car; vehicle repair;  
14 33 battery, tire, and allied; investment counseling; service  
14 34 charges of all financial institutions; barber and beauty; boat  
14 35 repair; vehicle wash and wax; campgrounds; carpentry; roof,  
15 1 shingle, and glass repair; dance schools and dance studios;  
15 2 dating services; dry cleaning, pressing, dyeing, and  
15 3 laundering; electrical and electronic repair and installation;  
15 4 excavating and grading; farm implement repair of all kinds;  
15 5 flying service; furniture, rug, carpet, and upholstery repair  
15 6 and cleaning; fur storage and repair; golf and country clubs  
15 7 and all commercial recreation; gun and camera repair; house  
15 8 and building moving; household appliance, television, and  
15 9 radio repair; janitorial and building maintenance or cleaning;  
15 10 jewelry and watch repair; lawn care, landscaping, and tree  
15 11 trimming and removal; limousine service, including driver;  
15 12 machine operator; machine repair of all kinds; motor repair;  
15 13 motorcycle, scooter, and bicycle repair; oilers and  
15 14 lubricators; office and business machine repair; painting,  
15 15 papering, and interior decorating; parking facilities; pay  
15 16 television; pet grooming; pipe fitting and plumbing; wood  
15 17 preparation; executive search agencies; private employment  
15 18 agencies, excluding services for placing a person in  
15 19 employment where the principal place of employment of that  
15 20 person is to be located outside of the state; reflexology;  
15 21 security and detective services; sewage services for  
15 22 nonresidential commercial operations; sewing and stitching;  
15 23 shoe repair and shoeshine; sign construction and installation;  
15 24 storage of household goods, mini-storage, and warehousing of  
15 25 raw agricultural products; swimming pool cleaning and  
15 26 maintenance; tanning beds or salons; taxidermy services;  
15 27 telephone answering service; test laboratories, including  
15 28 mobile testing laboratories and field testing by testing  
15 29 laboratories, and excluding tests on humans or animals;  
15 30 termite, bug, roach, and pest eradicators; tin and sheet metal  
15 31 repair; Turkish baths, massage, and reducing salons, excluding  
15 32 services provided by massage therapists licensed under chapter  
15 33 152C; water conditioning and softening; weighing; welding;  
15 34 well drilling; wrapping, packing, and packaging of merchandise  
15 35 other than processed meat, fish, fowl, and vegetables;  
16 1 wrecking service; wrecker and towing.

16 2 For the purposes of this subsection, the sales price of a  
16 3 lease or rental includes rents, royalties, and copyright and  
16 4 license fees. For the purposes of this subsection, "financial  
16 5 institutions" means all national banks, federally chartered  
16 6 savings and loan associations, federally chartered savings  
16 7 banks, federally chartered credit unions, banks organized  
16 8 under chapter 524, savings and loan associations and savings  
16 9 banks organized under chapter 534, and credit unions organized  
16 10 under chapter 533.

16 11 7. a. A tax of five percent is imposed upon the sales  
16 12 price from the sales, furnishing, or service of solid waste  
16 13 collection and disposal service.

16 14 For purposes of this subsection, "solid waste" means  
16 15 garbage, refuse, sludge from a water supply treatment plant or  
16 16 air contaminant treatment facility, and other discarded waste  
16 17 materials and sludges, in solid, semisolid, liquid, or  
16 18 contained gaseous form, resulting from nonresidential

16 19 commercial operations, but does not include auto hulks; street  
16 20 sweepings; ash; construction debris; mining waste; trees;  
16 21 tires; lead acid batteries; used oil; hazardous waste; animal  
16 22 waste used as fertilizer; earthen fill, boulders, or rock;  
16 23 foundry sand used for daily cover at a sanitary landfill;  
16 24 sewage sludge; solid or dissolved material in domestic sewage  
16 25 or other common pollutants in water resources, such as silt,  
16 26 dissolved or suspended solids in industrial waste water  
16 27 effluents or discharges which are point sources subject to  
16 28 permits under section 402 of the federal Water Pollution  
16 29 Control Act, or dissolved materials in irrigation return  
16 30 flows; or source, special nuclear, or by-product material  
16 31 defined by the federal Atomic Energy Act of 1954.

16 32 A recycling facility that separates or processes recyclable  
16 33 materials and that reduces the volume of the waste by at least  
16 34 eighty-five percent is exempt from the tax imposed by this  
16 35 subsection if the waste exempted is collected and disposed of

17 1 separately from other solid waste.  
17 2 b. A person who transports solid waste generated by that  
17 3 person or another person without compensation shall pay the  
17 4 tax imposed by this subsection at the collection or disposal  
17 5 facility based on the disposal charge or tipping fee.  
17 6 However, the costs of a service or portion of a service to  
17 7 collect and manage recyclable materials separated from solid  
17 8 waste by the waste generator are exempt from the tax imposed  
17 9 by this subsection.

17 10 8. a. A tax of five percent is imposed upon the sales  
17 11 price from sales of bundled services contracts. For purposes  
17 12 of this subsection, a "bundled services contract" means an  
17 13 agreement providing for a retailer's performance of services,  
17 14 one or more of which is a taxable service enumerated in this  
17 15 section and one or more of which is not, in return for a  
17 16 consumer's or user's single payment for the performance of the  
17 17 services, with no separate statement to the consumer or user  
17 18 of what portion of that payment is attributable to any one  
17 19 service which is a part of the contract.

17 20 b. For purposes of the administration of the tax on  
17 21 bundled services contracts, the director may enter into  
17 22 agreements of limited duration with individual retailers,  
17 23 groups of retailers, or organizations representing retailers  
17 24 of bundled services contracts. Such an agreement shall impose  
17 25 the tax rate only upon that portion of the sales price from a  
17 26 bundled services contract which is attributable to taxable  
17 27 services provided under the contract.

17 28 9. A tax of five percent is imposed upon the sales price  
17 29 from any mobile telecommunications service which this state is  
17 30 allowed to tax by the provisions of the federal Mobile  
17 31 Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C.  
17 32 } 116 et seq. For purposes of this subsection, taxes on  
17 33 mobile telecommunications service, as defined under the  
17 34 federal Mobile Telecommunications Sourcing Act that are deemed  
17 35 to be provided by the customer's home service provider, shall  
18 1 be paid to the taxing jurisdiction whose territorial limits  
18 2 encompass the customer's place of primary use, regardless of  
18 3 where the mobile telecommunications service originates,  
18 4 terminates, or passes through and shall in all other respects  
18 5 be taxed in conformity with the federal Mobile  
18 6 Telecommunications Sourcing Act. All other provisions of the  
18 7 federal Mobile Telecommunications Sourcing Act are adopted by  
18 8 the state of Iowa and incorporated into this subsection by  
18 9 reference. With respect to mobile telecommunications service  
18 10 under the federal Mobile Telecommunications Sourcing Act, the  
18 11 director shall, if requested, enter into agreements consistent  
18 12 with the provisions of the federal Act.

18 13 10. All revenues arising under the operation of the  
18 14 provisions of this section shall be deposited into the general  
18 15 fund of the state.

18 16 Sec. 3. NEW SECTION. 423.3 EXEMPTIONS.

18 17 There is exempted from the provisions of this division and  
18 18 from the computation of the amount of tax imposed by it the  
18 19 following:

18 20 1. The sales price from sales of tangible personal  
18 21 property and services furnished which this state is prohibited  
18 22 from taxing under the Constitution or laws of the United  
18 23 States or under the Constitution of this state.

18 24 2. The sales price of sales for resale of tangible  
18 25 personal property or taxable services, or for resale of  
18 26 tangible personal property in connection with the furnishing  
18 27 of taxable services.

18 28 3. The sales price of agricultural breeding livestock and  
18 29 domesticated fowl.

18 30 4. The sales price of commercial fertilizer.  
18 31 5. The sales price of agricultural limestone, herbicide,  
18 32 pesticide, insecticide, including adjuvants, surfactants, and  
18 33 other products directly related to the application enhancement  
18 34 of those products, food, medication, or agricultural drain  
18 35 tile, including installation of agricultural drain tile, any  
19 1 of which are to be used in disease control, weed control,  
19 2 insect control, or health promotion of plants or livestock  
19 3 produced as part of agricultural production for market.  
19 4 6. The sales price of tangible personal property which  
19 5 will be consumed as fuel in creating heat, power, or steam for  
19 6 grain drying, or for providing heat or cooling for livestock  
19 7 buildings or for greenhouses or buildings or parts of  
19 8 buildings dedicated to the production of flowering,  
19 9 ornamental, or vegetable plants intended for sale in the  
19 10 ordinary course of business, or for use in cultivation of  
19 11 agricultural products by aquaculture, or in implements of  
19 12 husbandry engaged in agricultural production.  
19 13 7. The sales price of services furnished by specialized  
19 14 flying implements of husbandry used for agricultural aerial  
19 15 spraying.  
19 16 8. The sales price exclusive of services of farm machinery  
19 17 and equipment, including auxiliary attachments which improve  
19 18 the performance, safety, operation, or efficiency of the  
19 19 machinery and equipment and replacement parts, if the  
19 20 following conditions are met:  
19 21 a. The farm machinery and equipment shall be directly and  
19 22 primarily used in production of agricultural products.  
19 23 b. The farm machinery and equipment shall constitute self=  
19 24 propelled implements or implements customarily drawn or  
19 25 attached to self-propelled implements or the farm machinery or  
19 26 equipment is a grain dryer.  
19 27 c. The replacement part is essential to any repair or  
19 28 reconstruction necessary to the farm machinery's or  
19 29 equipment's exempt use in the production of agricultural  
19 30 products.  
19 31 Vehicles subject to registration, as defined in section  
19 32 423.1, or replacement parts for such vehicles, are not  
19 33 eligible for this exemption.  
19 34 9. The sales price of wood chips, sawdust, hay, straw,  
19 35 paper, or other materials used for bedding in the production  
20 1 of agricultural livestock or fowl.  
20 2 10. The sales price of gas, electricity, water, or heat to  
20 3 be used in implements of husbandry engaged in agricultural  
20 4 production.  
20 5 11. The sales price exclusive of services of farm  
20 6 machinery and equipment, including auxiliary attachments which  
20 7 improve the performance, safety, operation, or efficiency of  
20 8 the machinery and equipment and replacement parts, if all of  
20 9 the following conditions are met:  
20 10 a. The implement, machinery, or equipment is directly and  
20 11 primarily used in livestock or dairy production, aquaculture  
20 12 production, or the production of flowering, ornamental, or  
20 13 vegetable plants.  
20 14 b. The implement is not a self-propelled implement or  
20 15 implement customarily drawn or attached to self-propelled  
20 16 implements.  
20 17 c. The replacement part is essential to any repair or  
20 18 reconstruction necessary to the farm machinery's or  
20 19 equipment's exempt use in livestock or dairy production,  
20 20 aquaculture production, or the production of flowering,  
20 21 ornamental, or vegetable plants.  
20 22 12. The sales price, exclusive of services, from sales of  
20 23 irrigation equipment used in farming operations.  
20 24 13. The sales price from the sale or rental of irrigation  
20 25 equipment, whether installed above or below ground, to a  
20 26 contractor or farmer if the equipment will be primarily used  
20 27 in agricultural operations.  
20 28 14. The sales price from the sales of horses, commonly  
20 29 known as draft horses, when purchased for use and so used as  
20 30 draft horses.  
20 31 15. The sales price from the sale of property which is a  
20 32 container, label, carton, pallet, packing case, wrapping,  
20 33 baling wire, twine, bag, bottle, shipping case, or other  
20 34 similar article or receptacle sold for use in agricultural,  
20 35 livestock, or dairy production.  
21 1 16. The sales price from the sale of feed and feed  
21 2 supplements and additives when used for consumption by farm  
21 3 deer or bison.  
21 4 17. The sales price of all goods, wares, or merchandise,  
21 5 or services, used for educational purposes sold to any private

21 6 nonprofit educational institution in this state. For the  
21 7 purpose of this subsection, "educational institution" means an  
21 8 institution which primarily functions as a school, college, or  
21 9 university with students, faculty, and an established  
21 10 curriculum. The faculty of an educational institution must be  
21 11 associated with the institution and the curriculum must  
21 12 include basic courses which are offered every year.

21 13 "Educational institution" includes an institution primarily  
21 14 functioning as a library.

21 15 18. The sales price of tangible personal property sold, or  
21 16 of services furnished, to the following nonprofit  
21 17 corporations:

21 18 a. Residential care facilities and intermediate care  
21 19 facilities for persons with mental retardation and residential  
21 20 care facilities for persons with mental illness licensed by  
21 21 the department of inspections and appeals under chapter 135C.

21 22 b. Residential facilities licensed by the department of  
21 23 human services pursuant to chapter 237, other than those  
21 24 maintained by individuals as defined in section 237.1,  
21 25 subsection 7.

21 26 c. Rehabilitation facilities that provide accredited  
21 27 rehabilitation services to persons with disabilities which are  
21 28 accredited by the commission on accreditation of  
21 29 rehabilitation facilities or the accreditation council for  
21 30 services for persons with mental retardation and other persons  
21 31 with developmental disabilities and adult day care services  
21 32 approved for reimbursement by the state department of human  
21 33 services.

21 34 d. Community mental health centers accredited by the  
21 35 department of human services pursuant to chapter 225C.

22 1 e. Community health centers as defined in 42 U.S.C. }  
22 2 254(c) and migrant health centers as defined in 42 U.S.C. }  
22 3 254(b).

22 4 19. The sales price of tangible personal property sold to  
22 5 a nonprofit organization which was organized for the purpose  
22 6 of lending the tangible personal property to the general  
22 7 public for use by them for nonprofit purposes.

22 8 20. The sales price of tangible personal property sold, or  
22 9 of services furnished, to nonprofit legal aid organizations.

22 10 21. The sales price of goods, wares, or merchandise, or of  
22 11 services, used for educational, scientific, historic  
22 12 preservation, or aesthetic purpose sold to a nonprofit private  
22 13 museum.

22 14 22. The sales price from sales of goods, wares, or  
22 15 merchandise, or from services furnished, to a nonprofit  
22 16 private art center to be used in the operation of the art  
22 17 center.

22 18 23. The sales price of tangible personal property sold, or  
22 19 of services furnished, by a fair society organized under  
22 20 chapter 174.

22 21 24. The sales price from services furnished by the  
22 22 notification center established pursuant to section 480.3, and  
22 23 the vendor selected pursuant to section 480.3 to provide the  
22 24 notification service.

22 25 25. The sales price of food and beverages sold for human  
22 26 consumption by a nonprofit organization which principally  
22 27 promotes a food or beverage product for human consumption  
22 28 produced, grown, or raised in this state and whose income is  
22 29 exempt from federal taxation under section 501(c) of the  
22 30 Internal Revenue Code.

22 31 26. The sales price of tangible personal property sold, or  
22 32 of services furnished, to a statewide nonprofit organ  
22 33 procurement organization, as defined in section 142C.2.

22 34 27. The sales price of tangible personal property sold, or  
22 35 of services furnished, to a nonprofit hospital licensed  
23 1 pursuant to chapter 135B to be used in the operation of the  
23 2 hospital.

23 3 28. The sales price of tangible personal property sold, or  
23 4 of services furnished, to a freestanding nonprofit hospice  
23 5 facility which operates a hospice program as defined in 42  
23 6 C.F.R., ch. IV, } 418.3, which property or services are to be  
23 7 used in the hospice program.

23 8 29. The sales price of all goods, wares, or merchandise  
23 9 sold, or of services furnished, which are used in the  
23 10 fulfillment of a written construction contract with a  
23 11 nonprofit hospital licensed pursuant to chapter 135B if all of  
23 12 the following apply:

23 13 a. The sales and delivery of the goods, wares, or  
23 14 merchandise, or the services furnished occurred between July  
23 15 1, 1998, and December 31, 2001.

23 16 b. The written construction contract was entered into

23 17 prior to December 31, 1999, or bonds to fund the construction  
23 18 were issued prior to December 31, 1999.

23 19 c. The sales or services were purchased by a contractor as  
23 20 the agent for the hospital or were purchased directly by the  
23 21 hospital.

23 22 30. The sales price of livestock ear tags sold by a  
23 23 nonprofit organization whose income is exempt from federal  
23 24 taxation under section 501(c)(6) of the Internal Revenue Code  
23 25 where the proceeds are used in bovine research programs  
23 26 selected or approved by such organization.

23 27 31. The sales price of goods, wares, or merchandise sold  
23 28 to and of services furnished, and used for public purposes  
23 29 sold to a tax-certifying or tax-levying body of the state or a  
23 30 governmental subdivision of the state, including regional  
23 31 transit systems, as defined in section 324A.1, the state board  
23 32 of regents, department of human services, state department of  
23 33 transportation, any municipally owned solid waste facility  
23 34 which sells all or part of its processed waste as fuel to a  
23 35 municipally owned public utility, and all divisions, boards,  
24 1 commissions, agencies, or instrumentalities of state, federal,  
24 2 county, or municipal government which have no earnings going  
24 3 to the benefit of an equity investor or stockholder, except  
24 4 any of the following:

24 5 a. The sales price of goods, wares, or merchandise sold  
24 6 to, or of services furnished, and used by or in connection  
24 7 with the operation of any municipally owned public utility  
24 8 engaged in selling gas, electricity, heat, or pay television  
24 9 service to the general public.

24 10 b. The sales price of furnishing of sewage services to a  
24 11 county or municipality on behalf of nonresidential commercial  
24 12 operations.

24 13 c. The furnishing of solid waste collection and disposal  
24 14 service to a county or municipality on behalf of  
24 15 nonresidential commercial operations located within the county  
24 16 or municipality.

24 17 The exemption provided by this subsection shall also apply  
24 18 to all such sales of goods, wares, or merchandise or of  
24 19 services furnished and subject to use tax.

24 20 32. The sales price of tangible personal property sold, or  
24 21 of services furnished, by a county or city. This exemption  
24 22 does not apply to any of the following:

24 23 a. The tax specifically imposed under section 423.2 on the  
24 24 sales price from sales or furnishing of gas, electricity,  
24 25 water, heat, pay television service, or communication service  
24 26 to the public by a municipal corporation in its proprietary  
24 27 capacity.

24 28 b. The sale or furnishing of solid waste collection and  
24 29 disposal service to nonresidential commercial operations.

24 30 c. The sale or furnishing of sewage service for  
24 31 nonresidential commercial operations.

24 32 d. Fees paid to cities and counties for the privilege of  
24 33 participating in any athletic sports.

24 34 33. The sales price of mementos and other items relating  
24 35 to Iowa history and historic sites, the general assembly, and  
25 1 the state capitol, sold by the legislative service bureau and  
25 2 its legislative information office on the premises of property  
25 3 under the control of the legislative council, at the state  
25 4 capitol, and on other state property.

25 5 34. The sales price from sales of mementos and other items  
25 6 relating to Iowa history and historic sites by the department  
25 7 of cultural affairs on the premises of property under its  
25 8 control and at the state capitol.

25 9 35. The sales price from sales or services furnished by  
25 10 the state fair organized under chapter 173.

25 11 36. The sales price from sales of tangible personal  
25 12 property or of the sale or furnishing of electrical energy,  
25 13 natural or artificial gas, or communication service to another  
25 14 state or political subdivision of another state if the other  
25 15 state provides a similar reciprocal exemption for this state  
25 16 and political subdivisions of this state.

25 17 37. The sales price of services on or connected with new  
25 18 construction, reconstruction, alteration, expansion,  
25 19 remodeling, or the services of a general building contractor,  
25 20 architect, or engineer.

25 21 38. The sales price from the sale of building materials,  
25 22 supplies, or equipment sold to rural water districts organized  
25 23 under chapter 504A as provided in chapter 357A and used for  
25 24 the construction of facilities of a rural water district.

25 25 39. The sales price from "casual sales".

25 26 "Casual sales" means:

25 27 a. Sales of tangible personal property, or the furnishing

25 28 of services, of a nonrecurring nature, by the owner, if the  
25 29 seller, at the time of the sale, is not engaged for profit in  
25 30 the business of selling tangible personal property or services  
25 31 taxed under section 423.2.

25 32 b. The sale of all or substantially all of the tangible  
25 33 personal property or services held or used by a seller in the  
25 34 course of the seller's trade or business for which the seller  
25 35 is required to hold a sales tax permit when the seller sells  
26 1 or otherwise transfers the trade or business to another person  
26 2 who shall engage in a similar trade or business.

26 3 40. The sales price from the sale of automotive fluids to  
26 4 a retailer to be used either in providing a service which  
26 5 includes the installation or application of the fluids in or  
26 6 on a motor vehicle, which service is subject to section 423.2,  
26 7 subsection 6, or to be installed in or applied to a motor  
26 8 vehicle which the retailer intends to sell, which sale is  
26 9 subject to section 423.26. For purposes of this subsection,  
26 10 automotive fluids are all those which are refined,  
26 11 manufactured, or otherwise processed and packaged for sale  
26 12 prior to their installation in or application to a motor  
26 13 vehicle. They include but are not limited to motor oil and  
26 14 other lubricants, hydraulic fluids, brake fluid, transmission  
26 15 fluid, sealants, undercoatings, antifreeze, and gasoline  
26 16 additives.

26 17 41. The sales price from the rental of motion picture  
26 18 films, video and audio tapes, video and audio discs, records,  
26 19 photos, copy, scripts, or other media used for the purpose of  
26 20 transmitting that which can be seen, heard, or read, if either  
26 21 of the following conditions are met:

26 22 a. The lessee imposes a charge for the viewing of such  
26 23 media and the charge for the viewing is subject to taxation  
26 24 under this division or is subject to use tax.

26 25 b. The lessee broadcasts the contents of such media for  
26 26 public viewing or listening.

26 27 42. The sales price from the sale of tangible personal  
26 28 property consisting of advertising material including paper to  
26 29 a person in Iowa if that person or that person's agent will,  
26 30 subsequent to the sale, send that advertising material outside  
26 31 this state and the material is subsequently used solely  
26 32 outside of Iowa. For the purpose of this subsection,  
26 33 "advertising material" means any brochure, catalog, leaflet,  
26 34 flyer, order form, return envelope, or similar item used to  
26 35 promote sales of property or services.

27 1 43. The sales price from the sale of property or of  
27 2 services performed on property which the retailer transfers to  
27 3 a carrier for shipment to a point outside of Iowa, places in  
27 4 the United States mail or parcel post directed to a point  
27 5 outside of Iowa, or transports to a point outside of Iowa by  
27 6 means of the retailer's own vehicles, and which is not  
27 7 thereafter returned to a point within Iowa, except solely in  
27 8 the course of interstate commerce or transportation. This  
27 9 exemption shall not apply if the purchaser, consumer, or their  
27 10 agent, other than a carrier, takes physical possession of the  
27 11 property in Iowa.

27 12 44. The sales price from the sale of property which is a  
27 13 container, label, carton, pallet, packing case, wrapping  
27 14 paper, twine, bag, bottle, shipping case, or other similar  
27 15 article or receptacle sold to retailers or manufacturers for  
27 16 the purpose of packaging or facilitating the transportation of  
27 17 tangible personal property sold at retail or transferred in  
27 18 association with the maintenance or repair of fabric or  
27 19 clothing.

27 20 45. The sales price from sales or rentals to a printer or  
27 21 publisher of the following: acetate; anti-halation backing;  
27 22 antistatic spray; back lining; base material used as a carrier  
27 23 for light sensitive emulsions; blankets; blow-ups; bronze  
27 24 powder; carbon tissue; codas; color filters; color  
27 25 separations; contacts; continuous tone separations; creative  
27 26 art; custom dies and die cutting materials; dampener sleeves;  
27 27 dampening solution; design and styling; diazo coating; dot  
27 28 etching; dot etching solutions; drawings; drawsheets; driers;  
27 29 duplicate films or prints; electronically digitized images;  
27 30 electrotypes; end product of image modulation; engravings;  
27 31 etch solutions; film; finished art or final art; fix; fixative  
27 32 spray; flats; flying pasters; foils; goldenrod paper; gum;  
27 33 halftones; illustrations; ink; ink paste; keylines; lacquer;  
27 34 lasering images; layouts; lettering; line negatives and  
27 35 positives; linotypes; lithographic offset plates; magnesium  
28 1 and zinc etchings; masking paper; masks; masters; mats; mat  
28 2 service; metal toner; models and modeling; mylar; negatives;  
28 3 nonoffset spray; opaque film process paper; opaquing; padding

28 4 compound; paper stock; photographic materials: acids, plastic  
28 5 film, desensitizer emulsion, exposure chemicals, fix,  
28 6 developers, and paper; photography, day rate; photopolymer  
28 7 coating; photographs; photostats; photo=display tape;  
28 8 phototypesetter materials; ph=indicator sticks; positives;  
28 9 press pack; printing cylinders; printing plates, all types;  
28 10 process lettering; proof paper; proofs and proof processes,  
28 11 all types; pumice powder; purchased author alterations;  
28 12 purchased composition; purchased phototypesetting; purchased  
28 13 stripping and pasteups; red litho tape; reducers; roller  
28 14 covering; screen tints; sketches; stepped plates; stereotypes;  
28 15 strip types; substrate; tints; tissue overlays; toners;  
28 16 transparencies; tympan; typesetting; typography; varnishes;  
28 17 veloxes; wood mounts; and any other items used in a like  
28 18 capacity to any of the above enumerated items by the printer  
28 19 or publisher to complete a finished product for sale at  
28 20 retail. Expendable tools and supplies which are not  
28 21 enumerated in this subsection are excluded from the exemption.  
28 22 "Printer" means that portion of a person's business engaged in  
28 23 printing that completes a finished product for ultimate sale  
28 24 at retail or means that portion of a person's business used to  
28 25 complete a finished printed packaging material used to package  
28 26 a product for ultimate sale at retail. "Printer" does not  
28 27 mean an in-house printer who prints or copyrights its own  
28 28 materials.

28 29 46. a. The sales price from the sale or rental of  
28 30 computers, machinery, and equipment, including replacement  
28 31 parts, and materials used to construct or self=construct  
28 32 computers, machinery, and equipment if such items are any of  
28 33 the following:

28 34 (1) Directly and primarily used in processing by a  
28 35 manufacturer.

29 1 (2) Directly and primarily used to maintain the integrity  
29 2 of the product or to maintain unique environmental conditions  
29 3 required for either the product or the computers, machinery,  
29 4 and equipment used in processing by a manufacturer, including  
29 5 test equipment used to control quality and specifications of  
29 6 the product.

29 7 (3) Directly and primarily used in research and  
29 8 development of new products or processes of processing.

29 9 (4) Computers used in processing or storage of data or  
29 10 information by an insurance company, financial institution, or  
29 11 commercial enterprise.

29 12 (5) Directly and primarily used in recycling or  
29 13 reprocessing of waste products.

29 14 (6) Pollution=control equipment used by a manufacturer,  
29 15 including but not limited to that required or certified by an  
29 16 agency of this state or of the United States government.

29 17 b. The sales price from the sale of fuel used in creating  
29 18 heat, power, steam, or for generating electrical current, or  
29 19 from the sale of electricity, consumed by computers,  
29 20 machinery, or equipment used in an exempt manner described in  
29 21 paragraph "a", subparagraph (1), (2), (3), (5), or (6).

29 22 c. The sales price from the sale or rental of the  
29 23 following shall not be exempt from the tax imposed by this  
29 24 division:

29 25 (1) Hand tools.

29 26 (2) Point=of=sale equipment and computers.

29 27 (3) Industrial machinery, equipment, and computers,  
29 28 including pollution=control equipment within the scope of  
29 29 section 427A.1, subsection 1, paragraphs "h" and "i".

29 30 (4) Vehicles subject to registration, except vehicles  
29 31 subject to registration which are directly and primarily used  
29 32 in recycling or reprocessing of waste products.

29 33 d. As used in this subsection:

29 34 (1) "Commercial enterprise" includes businesses and  
29 35 manufacturers conducted for profit and centers for data

30 1 processing services to insurance companies, financial  
30 2 institutions, businesses, and manufacturers, but excludes  
30 3 professions and occupations and nonprofit organizations.

30 4 (2) "Financial institution" means as defined in section  
30 5 527.2.

30 6 (3) "Insurance company" means an insurer organized or  
30 7 operating under chapter 508, 514, 515, 518, 518A, 519, or 520,  
30 8 or authorized to do business in Iowa as an insurer or an  
30 9 insurance producer under chapter 522B.

30 10 (4) "Manufacturer" means as defined in section 428.20, but  
30 11 also includes contract manufacturers. A contract manufacturer  
30 12 is a manufacturer that otherwise falls within the definition  
30 13 of manufacturer under section 428.20, except that a contract  
30 14 manufacturer does not sell the tangible personal property the

30 15 contract manufacturer processes on behalf of other  
30 16 manufacturers. A business engaged in activities subsequent to  
30 17 the extractive process of quarrying or mining, such as  
30 18 crushing, washing, sizing, or blending of aggregate materials,  
30 19 is a manufacturer with respect to these activities.

30 20 (5) "Processing" means a series of operations in which  
30 21 materials are manufactured, refined, purified, created,  
30 22 combined, or transformed by a manufacturer, ultimately into  
30 23 tangible personal property. Processing encompasses all  
30 24 activities commencing with the receipt or producing of raw  
30 25 materials by the manufacturer and ending at the point products  
30 26 are delivered for shipment or transferred from the  
30 27 manufacturer. Processing includes but is not limited to  
30 28 refinement or purification of materials; treatment of  
30 29 materials to change their form, context, or condition;  
30 30 maintenance of the quality or integrity of materials,  
30 31 components, or products; maintenance of environmental  
30 32 conditions necessary for materials, components, or products;  
30 33 quality control activities; and construction of packaging and  
30 34 shipping devices, placement into shipping containers or any  
30 35 type of shipping devices or medium, and the movement of  
31 1 materials, components, or products until shipment from the  
31 2 processor.

31 3 (6) "Receipt or producing of raw materials" means  
31 4 activities performed upon tangible personal property only.  
31 5 With respect to raw materials produced from or upon real  
31 6 estate, the receipt or producing of raw materials is deemed to  
31 7 occur immediately following the severance of the raw materials  
31 8 from the real estate.

31 9 47. The sales price from the furnishing of the design and  
31 10 installation of new industrial machinery or equipment,  
31 11 including electrical and electronic installation.

31 12 48. The sales price from the sale of carbon dioxide in a  
31 13 liquid, solid, or gaseous form, electricity, steam, and other  
31 14 taxable services when used by a manufacturer of food products  
31 15 to produce marketable food products for human consumption,  
31 16 including but not limited to treatment of material to change  
31 17 its form, context, or condition, in order to produce the food  
31 18 product, maintenance of quality or integrity of the food  
31 19 product, changing or maintenance of temperature levels  
31 20 necessary to avoid spoilage or to hold the food product in  
31 21 marketable condition, maintenance of environmental conditions  
31 22 necessary for the safe or efficient use of machinery and  
31 23 material used to produce the food product, sanitation and  
31 24 quality control activities, formation of packaging, placement  
31 25 into shipping containers, and movement of the material or food  
31 26 product until shipment from the building of manufacture.

31 27 49. The sales price of sales of electricity, steam, or any  
31 28 taxable service when purchased and used in the processing of  
31 29 tangible personal property intended to be sold ultimately at  
31 30 retail.

31 31 50. The sales price of tangible personal property sold for  
31 32 processing. Tangible personal property is sold for processing  
31 33 within the meaning of this subsection only when it is intended  
31 34 that the property will, by means of fabrication, compounding,  
31 35 manufacturing, or germination, become an integral part of  
32 1 other tangible personal property intended to be sold  
32 2 ultimately at retail; or for generating electric current; or  
32 3 the property is a chemical, solvent, sorbent, or reagent,  
32 4 which is directly used and is consumed, dissipated, or  
32 5 depleted, in processing tangible personal property which is  
32 6 intended to be sold ultimately at retail or consumed in the  
32 7 maintenance or repair of fabric or clothing, and which may not  
32 8 become a component or integral part of the finished product.  
32 9 The distribution to the public of free newspapers or shoppers  
32 10 guides is a retail sale for purposes of the processing  
32 11 exemption set out in this subsection and in subsection 49.

32 12 51. The sales price from the sale of argon and other  
32 13 similar gases to be used in the manufacturing process.

32 14 52. The sales price from the sale of electricity to water  
32 15 companies assessed for property tax pursuant to sections  
32 16 428.24, 428.26, and 428.28 which is used solely for the  
32 17 purpose of pumping water from a river or well.

32 18 53. The sales price from the sale of wind energy  
32 19 conversion property to be used as an electric power source and  
32 20 the sale of the materials used to manufacture, install, or  
32 21 construct wind energy conversion property used or to be used  
32 22 as an electric power source.

32 23 For purposes of this subsection, "wind energy conversion  
32 24 property" means any device, including, but not limited to, a  
32 25 wind charger, windmill, wind turbine, tower and electrical

32 26 equipment, pad mount transformers, power lines, and  
32 27 substation, which converts wind energy to a form of usable  
32 28 energy.

32 29 54. The sales price from the sales of newspapers, free  
32 30 newspapers, or shoppers guides and the printing and publishing  
32 31 of such newspapers and shoppers guides, and envelopes for  
32 32 advertising.

32 33 55. The sales price from the sale of motor fuel and  
32 34 special fuel consumed for highway use or in watercraft or  
32 35 aircraft where the fuel tax has been imposed and paid and no  
33 1 refund has been or will be allowed and the sales price from  
33 2 the sales of ethanol blended gasoline, as defined in section  
33 3 452A.2.

33 4 56. The sales price from all sales of food and food  
33 5 ingredients. However, as used in this subsection, "food" does  
33 6 not include alcoholic beverages, candy, dietary supplements,  
33 7 food sold through vending machines, prepared food, soft  
33 8 drinks, and tobacco.

33 9 For the purposes of this subsection:

33 10 a. "Alcoholic beverages" means beverages that are suitable  
33 11 for human consumption and contain one-half of one percent or  
33 12 more of alcohol by volume.

33 13 b. "Candy" means a preparation of sugar, honey, or other  
33 14 natural or artificial sweeteners in combination with  
33 15 chocolate, fruits, nuts, or other ingredients or flavorings in  
33 16 the form of bars, drops, or pieces. Candy shall not include  
33 17 any preparation containing flour and shall require no  
33 18 refrigeration.

33 19 c. "Dietary supplement" means any product, other than  
33 20 tobacco, intended to supplement the diet that contains one or  
33 21 more of the following dietary ingredients:

33 22 (1) A vitamin.  
33 23 (2) A mineral.  
33 24 (3) An herb or other botanical.  
33 25 (4) An amino acid.  
33 26 (5) A dietary substance for use by humans to supplement  
33 27 the diet by increasing the total dietary intake.  
33 28 (6) A concentrate, metabolite, constituent, extract, or  
33 29 combination of any of the ingredients in subparagraphs (1)  
33 30 through (5) that is intended for ingestion in tablet, capsule,  
33 31 powder, softgel, gelcap, or liquid form, or if not intended  
33 32 for ingestion in such a form, is not represented as  
33 33 conventional food and is not represented for use as a sole  
33 34 item of a meal or of the diet; and is required to be labeled  
33 35 as a dietary supplement, identifiable by the "supplement  
34 1 facts" box found on the label and as required pursuant to 21  
34 2 C.F.R. } 101.36.

34 3 d. "Food and food ingredients" means substances, whether  
34 4 in liquid, concentrated, solid, frozen, dried, or dehydrated  
34 5 form, that are sold for ingestion or chewing by humans and are  
34 6 consumed for their taste or nutritional value.

34 7 e. "Food sold through vending machines" means food  
34 8 dispensed from a machine or other mechanical device that  
34 9 accepts payment.

34 10 f. "Prepared food" means any of following:

34 11 (1) Food sold in a heated state or heated by the seller.  
34 12 (2) Two or more food ingredients mixed or combined by the  
34 13 seller for sale as a single item. "Prepared food", for the  
34 14 purposes of this subparagraph, does not include food that is  
34 15 only cut, repackaged, or pasteurized by the seller, and eggs,  
34 16 fish, meat, poultry, and foods containing these raw animal  
34 17 foods requiring cooking by the consumer as recommended by the  
34 18 United States food and drug administration in chapter 3, part  
34 19 401.11 of its food code so as to prevent food borne illnesses.

34 20 (3) Food sold with eating utensils provided by the seller,  
34 21 including plates, knives, forks, spoons, glasses, cups,  
34 22 napkins, or straws. A plate does not include a container or  
34 23 packaging used to transport food.

34 24 g. "Soft drinks" means nonalcoholic beverages that contain  
34 25 natural or artificial sweeteners. "Soft drinks" does not  
34 26 include beverages that contain milk or milk products; soy,  
34 27 rice, or similar milk substitutes; or greater than fifty  
34 28 percent of vegetable or fruit juice by volume.

34 29 f. "Tobacco" means cigarettes, cigars, chewing or pipe  
34 30 tobacco, or any other item that contains tobacco.

34 31 57. The sales price from the sale of items purchased with  
34 32 coupons issued under the federal Food Stamp Act of 1977, 7  
34 33 U.S.C. } 2011 et seq.

34 34 58. In transactions in which tangible personal property is  
34 35 traded toward the sales price of other tangible personal  
35 1 property, that portion of the sales price which is not payable

35 2 in money to the retailer is exempted from the taxable amount  
35 3 if the following conditions are met:

35 4 a. The tangible personal property traded to the retailer  
35 5 is the type of property normally sold in the regular course of  
35 6 the retailer's business.

35 7 b. The tangible personal property traded to the retailer  
35 8 is intended by the retailer to be ultimately sold at retail or  
35 9 is intended to be used by the retailer or another in the  
35 10 remanufacturing of a like item.

35 11 59. The sales price from the sale or rental of  
35 12 prescription drugs or medical devices intended for human use  
35 13 or consumption.

35 14 For the purposes of this subsection:

35 15 a. "Drug" means a compound, substance, or preparation, and  
35 16 any component of a compound, substance, or preparation, other  
35 17 than food and food ingredients, dietary supplements, or  
35 18 alcoholic beverages which is any of the following:

35 19 (1) Recognized in the official United States  
35 20 pharmacopoeia, official homeopathic pharmacopoeia of the  
35 21 United States, or official national formulary, and supplement  
35 22 to any of them.

35 23 (2) Intended for use in the diagnosis, cure, mitigation,  
35 24 treatment, or prevention of disease.

35 25 (3) Intended to affect the structure or any function of  
35 26 the body.

35 27 b. "Medical device" means equipment or a supply, intended  
35 28 to be prescribed by a practitioner, including orthopedic or  
35 29 orthotic devices. However, "medical device" also includes  
35 30 prosthetic devices, ostomy, urological, and tracheostomy  
35 31 equipment and supplies, and diabetic testing materials,  
35 32 hypodermic syringes and needles, anesthesia trays, biopsy  
35 33 trays and biopsy needles, cannula systems, catheter trays and  
35 34 invasive catheters, dialyzers, drug infusion devices, fistula  
35 35 sets, hemodialysis devices, insulin infusion devices,  
36 1 intraocular lenses, irrigation solutions, intravenous  
36 2 administering sets, solutions and stopcocks, myelogram trays,  
36 3 nebulizers, small vein infusion kits, spinal puncture trays,  
36 4 transfusion sets, venous blood sets, and oxygen equipment,  
36 5 intended to be dispensed for human use with or without a  
36 6 prescription to an ultimate user.

36 7 c. "Practitioner" means a practitioner as defined in  
36 8 section 155A.3, or a person licensed to prescribe drugs.

36 9 d. "Prescription drug" means a drug intended to be  
36 10 dispensed to an ultimate user pursuant to a prescription drug  
36 11 order, formula, or recipe issued in any form of oral, written,  
36 12 electronic, or other means of transmission by a duly licensed  
36 13 practitioner, or oxygen or insulin dispensed for human  
36 14 consumption with or without a prescription drug order or  
36 15 medication order.

36 16 e. "Prosthetic device" means a replacement, corrective, or  
36 17 supportive device including repair and replacement parts for  
36 18 the same worn on or in the body to do any of the following:

36 19 (1) Artificially replace a missing portion of the body.  
36 20 (2) Prevent or correct physical deformity or malfunction.  
36 21 (3) Support a weak or deformed portion of the body.

36 22 f. "Ultimate user" means an individual who has lawfully  
36 23 obtained and possesses a prescription drug or medical device  
36 24 for the individual's own use or for the use of a member of the  
36 25 individual's household, or an individual to whom a  
36 26 prescription drug or medical device has been lawfully  
36 27 supplied, administered, dispensed, or prescribed.

36 28 60. The sales price from services furnished by aerial  
36 29 commercial and charter transportation services.

36 30 61. The sales price from the sale of raffle tickets for a  
36 31 raffle licensed pursuant to section 99B.5.

36 32 62. The sales price from the sale of tangible personal  
36 33 property which will be given as prizes to players in games of  
36 34 skill, games of chance, raffles, and bingo games as defined in  
36 35 chapter 99B.

37 1 63. The sales price from the sale of a modular home, as  
37 2 defined in section 435.1, to the extent of the portion of the  
37 3 purchase price of the modular home which is not attributable  
37 4 to the cost of the tangible personal property used in the  
37 5 processing of the modular home. For purposes of this  
37 6 exemption, the portion of the purchase price which is not  
37 7 attributable to the cost of the tangible personal property  
37 8 used in the processing of the modular home is forty percent.

37 9 64. The sales price from charges paid to a provider for  
37 10 access to on-line computer services. For purposes of this  
37 11 subsection, "on-line computer service" means a service that  
37 12 provides or enables computer access by multiple users to the

37 13 internet or to other information made available through a  
37 14 computer server.

37 15 65. The sales price from the sale or rental of information  
37 16 services. "Information services" means every business  
37 17 activity, process, or function by which a seller or its agent  
37 18 accumulates, prepares, organizes, or conveys data, facts,  
37 19 knowledge, procedures, and like services to a buyer or its  
37 20 agent of such information through any tangible or intangible  
37 21 medium. Information accumulated, prepared, or organized for a  
37 22 buyer or its agent is an information service even though it  
37 23 may incorporate preexisting components of data or other  
37 24 information. "Information services" includes, but is not  
37 25 limited to, database files, mailing lists, subscription files,  
37 26 market research, credit reports, surveys, real estate  
37 27 listings, bond rating reports, abstracts of title, bad check  
37 28 lists, broadcasting rating services, wire services, and  
37 29 scouting reports, or other similar items.

37 30 66. The sales price of a sale at retail if the substance  
37 31 of the transaction is delivered to the purchaser digitally,  
37 32 electronically, or utilizing cable, or by radio waves,  
37 33 microwaves, satellites, or fiber optics.

37 34 67. a. The sales price from the sale of an article of  
37 35 clothing designed to be worn on or about the human body if all  
38 1 of the following apply:

38 2 (1) The sales price of the article is less than one  
38 3 hundred dollars.

38 4 (2) The sale takes place during a period beginning at  
38 5 12:01 a.m. on the first Friday in August and ending at  
38 6 midnight on the following Saturday.

38 7 b. This subsection does not apply to any of the following:

38 8 (1) Sport or recreational equipment and protective  
38 9 equipment.

38 10 (2) Clothing accessories or equipment.

38 11 (3) The rental of clothing.

38 12 c. For purposes of this subsection:

38 13 (1) "Clothing" means all human wearing apparel suitable  
38 14 for general use. "Clothing" includes, but is not limited to  
38 15 the following: aprons, household and shop; athletic  
38 16 supporters; baby receiving blankets; bathing suits and caps;  
38 17 beach capes and coats; belts and suspenders; boots; coats and  
38 18 jackets; costumes; diapers (children and adults, including  
38 19 disposable diapers); earmuffs; footlets; formal wear; garters  
38 20 and garter belts; girdles; gloves and mittens for general use;  
38 21 hats and caps; hosiery; insoles for shoes; lab coats;  
38 22 neckties; overshoes; pantyhose; rainwear; rubber pants;  
38 23 sandals; scarves; shoes and shoelaces; slippers; sneakers;  
38 24 socks and stockings; steel-toed shoes; underwear; uniforms,  
38 25 athletic and nonathletic; and wedding apparel.

38 26 "Clothing" does not include the following: belt buckles  
38 27 sold separately; costume masks sold separately; patches and  
38 28 emblems sold separately; sewing equipment and supplies  
38 29 (including, but not limited to, knitting needles, patterns,  
38 30 pins, scissors, sewing machines, sewing needles, tape  
38 31 measures, and thimbles); and sewing materials that become part  
38 32 of clothing (including, but not limited to, buttons, fabric,  
38 33 lace, thread, yarn, and zippers).

38 34 (2) "Clothing accessories or equipment" means incidental  
38 35 items worn on the person or in conjunction with clothing.

39 1 "Clothing accessories or equipment" includes, but is not  
39 2 limited to, the following: briefcases; cosmetics; hair  
39 3 notions (including, but not limited to, barrettes, hair bows,  
39 4 and hair nets); handbags; handkerchiefs; jewelry; sunglasses,  
39 5 nonprescription; umbrellas; wallets; watches; and wigs and  
39 6 hairpieces.

39 7 (3) "Protective equipment" means items for human wear and  
39 8 designed as protection for the wearer against injury or  
39 9 disease or as protection against damage or injury of other  
39 10 persons or property but not suitable for general use.  
39 11 "Protective equipment" includes, but is not limited to, the  
39 12 following: breathing masks; clean room apparel and equipment;  
39 13 ear and hearing protectors; face shields; hard hats; helmets;  
39 14 paint or dust respirators; protective gloves; safety glasses  
39 15 and goggles; safety belts; tool belts; and welders gloves and  
39 16 masks.

39 17 (4) "Sport or recreational equipment" means items designed  
39 18 for human use and worn in conjunction with an athletic or  
39 19 recreational activity that are not suitable for general use.  
39 20 "Sport or recreational equipment" includes, but is not limited  
39 21 to, the following: ballet and tap shoes; cleated or spiked  
39 22 athletic shoes; gloves (including, but not limited to,  
39 23 baseball, bowling, boxing, hockey, and golf); goggles; hand

39 24 and elbow guards; life preservers and vests; mouth guards;  
39 25 roller and ice skates; shin guards; shoulder pads; ski boots;  
39 26 waders; and wetsuits and fins.

39 27 68. a. Subject to paragraph "b", the sales price from the  
39 28 sale or furnishing of metered gas, electricity, and fuel,  
39 29 including propane and heating oil, to residential customers  
39 30 which is used to provide energy for residential dwellings and  
39 31 units of apartment and condominium complexes used for human  
39 32 occupancy.

39 33 b. The exemption in this subsection shall be phased in by  
39 34 means of a reduction in the tax rate as follows:

39 35 (1) If the date of the utility billing or meter reading  
40 1 cycle of the residential customer for the sale or furnishing  
40 2 of metered gas and electricity is on or after January 1, 2002,  
40 3 through December 31, 2002, or if the sale or furnishing of  
40 4 fuel for purposes of residential energy and the delivery of  
40 5 the fuel occurs on or after January 1, 2002, through December  
40 6 31, 2002, the rate of tax is four percent of the sales price.

40 7 (2) If the date of the utility billing or meter reading  
40 8 cycle of the residential customer for the sale or furnishing  
40 9 of metered gas and electricity is on or after January 1, 2003,  
40 10 through December 31, 2003, or if the sale or furnishing of  
40 11 fuel for purposes of residential energy and the delivery of  
40 12 the fuel occurs on or after January 1, 2003, through December  
40 13 31, 2003, the rate of tax is three percent of the sales price.

40 14 (3) If the date of the utility billing or meter reading  
40 15 cycle of the residential customer for the sale or furnishing  
40 16 of metered gas and electricity is on or after January 1, 2004,  
40 17 through December 31, 2004, or if the sale or furnishing of  
40 18 fuel for purposes of residential energy and the delivery of  
40 19 the fuel occurs on or after January 1, 2004, through December  
40 20 31, 2004, the rate of tax is two percent of the sales price.

40 21 (4) If the date of the utility billing or meter reading  
40 22 cycle of the residential customer for the sale or furnishing  
40 23 of metered gas and electricity is on or after January 1, 2005,  
40 24 through December 31, 2005, or if the sale or furnishing of  
40 25 fuel for purposes of residential energy and the delivery of  
40 26 the fuel occurs on or after January 1, 2005, through December  
40 27 31, 2005, the rate of tax is one percent of the sales price.

40 28 (5) If the date of the utility billing or meter reading  
40 29 cycle of the residential customer for the sale or furnishing  
40 30 of metered gas and electricity is on or after January 1, 2006,  
40 31 or if the sale, furnishing, or service of fuel for purposes of  
40 32 residential energy and the delivery of the fuel occurs on or  
40 33 after January 1, 2006, the rate of tax is zero percent of the  
40 34 sales price.

40 35 c. The exemption in this subsection does not apply to  
41 1 local option sales and services tax imposed pursuant to  
41 2 chapters 423B and 423E.

41 3 69. The sales price from charges paid for the delivery of  
41 4 electricity or natural gas if the sale or furnishing of the  
41 5 electricity or natural gas or its use is exempt from the tax  
41 6 on sales prices imposed under this division or from the use  
41 7 tax imposed under division III.

41 8 70. The sales price from the sales, furnishing, or service  
41 9 of transportation service except the rental of recreational  
41 10 vehicles or recreational boats, except the rental of motor  
41 11 vehicles subject to registration which are registered for a  
41 12 gross weight of thirteen tons or less for a period of sixty  
41 13 days or less, and except the rental of aircraft for a period  
41 14 of sixty days or less. This exemption does not apply to the  
41 15 transportation of electric energy or natural gas.

41 16 71. The sales price from sales of tangible personal  
41 17 property used or to be used as railroad rolling stock for  
41 18 transporting persons or property, or as materials or parts  
41 19 therefor.

41 20 72. The sales price from the sales of special fuel for  
41 21 diesel engines consumed or used in the operation of ships,  
41 22 barges, or waterborne vessels which are used primarily in or  
41 23 for the transportation of property or cargo, or the conveyance  
41 24 of persons for hire on rivers bordering on the state if the  
41 25 fuel is delivered by the seller to the purchaser's barge,  
41 26 ship, or waterborne vessel while it is afloat upon such a  
41 27 river.

41 28 73. The sales price from sales of vehicles subject to  
41 29 registration or subject only to the issuance of a certificate  
41 30 of title and sales of aircraft subject to registration under  
41 31 section 328.20.

41 32 74. The sales price from the sale of aircraft for use in a  
41 33 scheduled interstate federal aviation administration  
41 34 certificated air carrier operation.

41 35 75. The sales price from the sale or rental of aircraft;  
42 1 the sale or rental of tangible personal property permanently  
42 2 affixed or attached as a component part of the aircraft,  
42 3 including but not limited to repair or replacement materials  
42 4 or parts; and the sales price of all services used for  
42 5 aircraft repair, remodeling, and maintenance services when  
42 6 such services are performed on aircraft, aircraft engines, or  
42 7 aircraft component materials or parts. For the purposes of  
42 8 this exemption, "aircraft" means aircraft used in a scheduled  
42 9 interstate federal aviation administration certificated air  
42 10 carrier operation.

42 11 76. The sales price from the sale or rental of tangible  
42 12 personal property permanently affixed or attached as a  
42 13 component part of the aircraft, including but not limited to  
42 14 repair or replacement materials or parts; and the sales price  
42 15 of all services used for aircraft repair, remodeling, and  
42 16 maintenance services when such services are performed on  
42 17 aircraft, aircraft engines, or aircraft component materials or  
42 18 parts. For the purposes of this exemption, "aircraft" means  
42 19 aircraft used in nonscheduled interstate federal aviation  
42 20 administration certificated air carrier operation operating  
42 21 under 14 C.F.R. ch. 1, pt. 135.

42 22 77. The sales price from the sale of aircraft to an  
42 23 aircraft dealer who in turn rents or leases the aircraft if  
42 24 all of the following apply:

42 25 a. The aircraft is kept in the inventory of the dealer for  
42 26 sale at all times.

42 27 b. The dealer reserves the right to immediately take the  
42 28 aircraft from the renter or lessee when a buyer is found.

42 29 c. The renter or lessee is aware that the dealer will  
42 30 immediately take the aircraft when a buyer is found.

42 31 If an aircraft exempt under this subsection is used for any  
42 32 purpose other than leasing or renting, or the conditions in  
42 33 paragraphs "a", "b", and "c" are not continuously met, the  
42 34 dealer claiming the exemption under this subsection is liable  
42 35 for the tax that would have been due except for this  
43 1 subsection. The tax shall be computed upon the original  
43 2 purchase price.

43 3 78. The sales price from sales or rental of tangible  
43 4 personal property, or services rendered by any entity where  
43 5 the profits from the sales or rental of the tangible personal  
43 6 property, or services rendered are used by or donated to a  
43 7 nonprofit entity which is exempt from federal income taxation  
43 8 pursuant to section 501(c)(3) of the Internal Revenue Code, a  
43 9 government entity, or a nonprofit private educational  
43 10 institution, and where the entire proceeds from the sales,  
43 11 rental, or services are expended for any of the following  
43 12 purposes:

43 13 a. Educational.

43 14 b. Religious.

43 15 c. Charitable. A charitable act is an act done out of  
43 16 goodwill, benevolence, and a desire to add or improve the good  
43 17 of humankind in general or any class or portion of humankind,  
43 18 with no pecuniary profit inuring to the person performing the  
43 19 service or giving the gift.

43 20 This exemption does not apply to the sales price from games  
43 21 of skill, games of chance, raffles, and bingo games as defined  
43 22 in chapter 99B. This exemption is disallowed on the amount of  
43 23 the sales price only to the extent the profits from the sales,  
43 24 rental, or services are not used by or donated to the  
43 25 appropriate entity and expended for educational, religious, or  
43 26 charitable purposes.

43 27 79. The sales price from the sale or rental of tangible  
43 28 personal property or from services furnished to a recognized  
43 29 community action agency as provided in section 216A.93 to be  
43 30 used for the purposes of the agency.

43 31 80. a. For purposes of this subsection, "designated  
43 32 exempt entity" means an entity which is designated in section  
43 33 423.4, subsection 1.

43 34 b. If a contractor, subcontractor, or builder is to use  
43 35 building materials, supplies, and equipment in the performance  
44 1 of a construction contract with a designated exempt entity,  
44 2 the person shall purchase such items of tangible personal  
44 3 property without liability for the tax if such property will  
44 4 be used in the performance of the construction contract and a  
44 5 purchasing agent authorization letter and an exemption  
44 6 certificate, issued by the designated exempt entity, are  
44 7 presented to the retailer.

44 8 c. Where the owner, contractor, subcontractor, or builder  
44 9 is also a retailer holding a retail sales tax permit and  
44 10 transacting retail sales of building materials, supplies, and

44 11 equipment, the tax shall not be due when materials are  
44 12 withdrawn from inventory for use in construction performed for  
44 13 a designated exempt entity if an exemption certificate is  
44 14 received from such entity.

44 15 d. Tax shall not apply to tangible personal property  
44 16 purchased and consumed by a manufacturer as building  
44 17 materials, supplies, or equipment in the performance of a  
44 18 construction contract for a designated exempt entity, if a  
44 19 purchasing agent authorization letter and an exemption  
44 20 certificate are received from such entity and presented to a  
44 21 retailer.

44 22 Sec. 4. NEW SECTION. 423.4 REFUNDS.

44 23 1. A private nonprofit educational institution in this  
44 24 state, nonprofit private museum in this state, tax-certifying  
44 25 or tax-levying body or governmental subdivision of the state,  
44 26 including the state board of regents, state department of  
44 27 human services, state department of transportation, a  
44 28 municipally owned solid waste facility which sells all or part  
44 29 of its processed waste as fuel to a municipally owned public  
44 30 utility, and all divisions, boards, commissions, agencies, or  
44 31 instrumentalities of state, federal, county, or municipal  
44 32 government which do not have earnings going to the benefit of  
44 33 an equity investor or stockholder, may make application to the  
44 34 department for the refund of the sales or use tax upon the  
44 35 sales price of all sales of goods, wares, or merchandise, or  
45 1 from services furnished to a contractor, used in the  
45 2 fulfillment of a written contract with the state of Iowa, any  
45 3 political subdivision of the state, or a division, board,  
45 4 commission, agency, or instrumentality of the state or a  
45 5 political subdivision, a private nonprofit educational  
45 6 institution in this state, or a nonprofit private museum in  
45 7 this state if the property becomes an integral part of the  
45 8 project under contract and at the completion of the project  
45 9 becomes public property, is devoted to educational uses, or  
45 10 becomes a nonprofit private museum; except goods, wares, or  
45 11 merchandise, or services furnished which are used in the  
45 12 performance of any contract in connection with the operation  
45 13 of any municipal utility engaged in selling gas, electricity,  
45 14 or heat to the general public or in connection with the  
45 15 operation of a municipal pay television system; and except  
45 16 goods, wares, and merchandise used in the performance of a  
45 17 contract for a "project" under chapter 419 as defined in that  
45 18 chapter other than goods, wares, or merchandise used in the  
45 19 performance of a contract for a "project" under chapter 419  
45 20 for which a bond issue was approved by a municipality prior to  
45 21 July 1, 1968, or for which the goods, wares, or merchandise  
45 22 becomes an integral part of the project under contract and at  
45 23 the completion of the project becomes public property or is  
45 24 devoted to educational uses.

45 25 a. Such contractor shall state under oath, on forms  
45 26 provided by the department, the amount of such sales of goods,  
45 27 wares, or merchandise, or services furnished and used in the  
45 28 performance of such contract, and upon which sales or use tax  
45 29 has been paid, and shall file such forms with the governmental  
45 30 unit, private nonprofit educational institution, or nonprofit  
45 31 private museum which has made any written contract for  
45 32 performance by the contractor. The forms shall be filed by  
45 33 the contractor with the governmental unit, educational  
45 34 institution, or nonprofit private museum before final  
45 35 settlement is made.

46 1 b. Such governmental unit, educational institution, or  
46 2 nonprofit private museum shall, not more than one year after  
46 3 the final settlement has been made, make application to the  
46 4 department for any refund of the amount of the sales or use  
46 5 tax which shall have been paid upon any goods, wares, or  
46 6 merchandise, or services furnished, the application to be made  
46 7 in the manner and upon forms to be provided by the department,  
46 8 and the department shall forthwith audit the claim and, if  
46 9 approved, issue a warrant to the governmental unit,  
46 10 educational institution, or nonprofit private museum in the  
46 11 amount of the sales or use tax which has been paid to the  
46 12 state of Iowa under the contract.

46 13 Refunds authorized under this subsection shall accrue  
46 14 interest at the rate in effect under section 421.7 from the  
46 15 first day of the second calendar month following the date the  
46 16 refund claim is received by the department.

46 17 c. Any contractor who willfully makes a false report of  
46 18 tax paid under the provisions of this subsection is guilty of  
46 19 a simple misdemeanor and in addition shall be liable for the  
46 20 payment of the tax and any applicable penalty and interest.

46 21 2. The refund of sales and use tax paid on transportation

46 22 construction projects let by the state department of  
46 23 transportation is subject to the special provisions of this  
46 24 subsection.

46 25 a. A contractor awarded a contract for a transportation  
46 26 construction project is considered the consumer of all  
46 27 building materials, building supplies, and equipment and shall  
46 28 pay sales tax to the supplier or remit consumer use tax  
46 29 directly to the department.

46 30 b. The contractor is not required to file information with  
46 31 the state department of transportation stating the amount of  
46 32 goods, wares, or merchandise, or services rendered, furnished,  
46 33 or performed and used in the performance of the contract or  
46 34 the amount of sales or use tax paid.

46 35 c. The state department of transportation shall file a  
47 1 refund claim based on a formula that considers the following:

47 2 (1) The quantity of material to complete the contract, and  
47 3 quantities of items of work.

47 4 (2) The estimated cost of these materials included in the  
47 5 items of work, and the state sales or use tax to be paid on  
47 6 the tax rate in effect in section 423.2. The quantity of  
47 7 materials shall be determined after each letting based on the  
47 8 contract quantities of all items of work let to contract. The  
47 9 quantity of individual component materials required for each  
47 10 item shall be determined and maintained in a database. The  
47 11 total quantities of materials shall be determined by  
47 12 multiplying the quantities of component materials for each  
47 13 contract item of work by the total quantities of each contract  
47 14 item for each letting. Where variances exist in the cost of  
47 15 materials, the lowest cost shall be used as the base cost.

47 16 d. Only the state sales or use tax is refundable. Local  
47 17 option taxes paid by the contractor are not refundable.

47 18 3. A relief agency may apply to the director for refund of  
47 19 the amount of sales or use tax imposed and paid upon sales to  
47 20 it of any goods, wares, merchandise, or services furnished,  
47 21 used for free distribution to the poor and needy.

47 22 a. The refunds may be obtained only in the following  
47 23 amounts and manner and only under the following conditions:

47 24 (1) On forms furnished by the department, and filed within  
47 25 the time as the director shall provide by rule, the relief  
47 26 agency shall report to the department the total amount or  
47 27 amounts, valued in money, expended directly or indirectly for  
47 28 goods, wares, merchandise, or services furnished, used for  
47 29 free distribution to the poor and needy.

47 30 (2) On these forms the relief agency shall separately list  
47 31 the persons making the sales to it or to its order, together  
47 32 with the dates of the sales, and the total amount so expended  
47 33 by the relief agency.

47 34 (3) The relief agency must prove to the satisfaction of  
47 35 the director that the person making the sales has included the  
48 1 amount thereof in the computation of the sales price of such  
48 2 person and that such person has paid the tax levied by this  
48 3 division or division III, based upon such computation of sales  
48 4 price.

48 5 b. If satisfied that the foregoing conditions and  
48 6 requirements have been complied with, the director shall  
48 7 refund the amount claimed by the relief agency.

#### 48 8 DIVISION III

#### 48 9 USE TAX

48 10 Sec. 5. NEW SECTION. 423.5 IMPOSITION OF TAX.

48 11 An excise tax at the rate of five percent of the purchase  
48 12 price or installed purchase price is imposed on the following:

48 13 1. The use in this state of tangible personal property as  
48 14 defined in section 423.1, including aircraft subject to  
48 15 registration under section 328.20, purchased for use in this  
48 16 state. For the purposes of this division, the furnishing or  
48 17 use of the following services is also treated as the use of  
48 18 tangible personal property: optional service or warranty  
48 19 contracts, except residential service contracts regulated  
48 20 under chapter 523C, vulcanizing, recapping, or retreading  
48 21 services, engraving, photography, retouching, printing, or  
48 22 binding services, and communication service when furnished or  
48 23 delivered to consumers or users within this state.

48 24 2. The use of manufactured housing in this state, on the  
48 25 purchase price if the manufactured housing is sold in the form  
48 26 of tangible personal property or on the installed purchase  
48 27 price if the manufactured housing is sold in the form of  
48 28 realty.

48 29 3. The use of leased vehicles, on the amount subject to  
48 30 tax as calculated pursuant to section 423.27.

48 31 4. Purchases of tangible personal property made from the  
48 32 government of the United States or any of its agencies by

48 33 ultimate consumers shall be subject to the tax imposed by this  
48 34 section. Services purchased from the same source or sources  
48 35 shall be subject to the service tax imposed by this division  
49 1 and apply to the user of the services.

49 2 5. The use in this state of services enumerated in section  
49 3 423.2. This tax is applicable where services are furnished in  
49 4 this state or where the product or result of the service is  
49 5 used in this state.

49 6 6. The excise tax is imposed upon every person using the  
49 7 property within this state until the tax has been paid  
49 8 directly to the county treasurer, the state department of  
49 9 transportation, a retailer, or the department. This tax is  
49 10 imposed on every person using the services or the product of  
49 11 the services in this state until the user has paid the tax  
49 12 either to an Iowa use tax permit holder or to the department.

49 13 7. For the purpose of the proper administration of the use  
49 14 tax and to prevent its evasion, evidence that tangible  
49 15 personal property was sold by any person for delivery in this  
49 16 state shall be prima facie evidence that such tangible  
49 17 personal property was sold for use in this state.

49 18 Sec. 6. NEW SECTION. 423.6 EXEMPTIONS.

49 19 The use in this state of the following tangible personal  
49 20 property and services is exempted from the tax imposed by this  
49 21 division:

49 22 1. Tangible personal property and enumerated services, the  
49 23 sales price from the sale of which are required to be included  
49 24 in the measure of the sales tax, if that tax has been paid to  
49 25 the department or the retailer. This exemption does not  
49 26 include vehicles subject to registration or subject only to  
49 27 the issuance of a certificate of title.

49 28 2. The sale of tangible personal property or the  
49 29 furnishing of services in the regular course of business.

49 30 3. Property used in processing. The use of property in  
49 31 processing within the meaning of this subsection shall mean  
49 32 and include any of the following:

49 33 a. Any tangible personal property including containers  
49 34 which it is intended shall, by means of fabrication,  
49 35 compounding, manufacturing, or germination, become an integral  
50 1 part of other tangible personal property intended to be sold  
50 2 ultimately at retail, and containers used in the collection,  
50 3 recovery, or return of empty beverage containers subject to  
50 4 chapter 455C.

50 5 b. Fuel which is consumed in creating power, heat, or  
50 6 steam for processing or for generating electric current.

50 7 c. Chemicals, solvents, sorbents, or reagents, which are  
50 8 directly used and are consumed, dissipated, or depleted in  
50 9 processing tangible personal property which is intended to be  
50 10 sold ultimately at retail, and which may not become a  
50 11 component or integral part of the finished product.

50 12 d. The distribution to the public of free newspapers or  
50 13 shoppers guides shall be deemed a retail sale for purposes of  
50 14 the processing exemption in this subsection.

50 15 4. All articles of tangible personal property brought into  
50 16 the state of Iowa by a nonresident individual for the  
50 17 individual's use or enjoyment while within the state.

50 18 5. Services exempt from taxation by the provisions of  
50 19 section 423.3.

50 20 6. Tangible personal property or services the sales price  
50 21 of which is exempt from the sales tax under section 423.3,  
50 22 except subsections 39 and 73, as it relates to the sale, but  
50 23 not the lease or rental, of vehicles subject to registration  
50 24 or subject only to the issuance of a certificate of title and  
50 25 as it relates to aircraft subject to registration under  
50 26 section 328.20.

50 27 7. Advertisement and promotional material and matter, seed  
50 28 catalogs, envelopes for same, and other similar material  
50 29 temporarily stored in this state which are acquired outside of  
50 30 Iowa and which, subsequent to being brought into this state,  
50 31 are sent outside of Iowa, either singly or physically attached  
50 32 to other tangible personal property sent outside of Iowa.

50 33 8. Vehicles, as defined in section 321.1, subsections 41,  
50 34 64A, 71, 85, and 88, except such vehicles subject to  
50 35 registration which are designed primarily for carrying  
51 1 persons, when purchased for lease and actually leased to a  
51 2 lessee for use outside the state of Iowa and the subsequent  
51 3 sole use in Iowa is in interstate commerce or interstate  
51 4 transportation.

51 5 9. Tangible personal property which, by means of  
51 6 fabrication, compounding, or manufacturing, becomes an  
51 7 integral part of vehicles, as defined in section 321.1,  
51 8 subsections 41, 64A, 71, 85, and 88, manufactured for lease

51 9 and actually leased to a lessee for use outside the state of  
51 10 Iowa and the subsequent sole use in Iowa is in interstate  
51 11 commerce or interstate transportation. Vehicles subject to  
51 12 registration which are designed primarily for carrying persons  
51 13 are excluded from this subsection.

51 14 10. Vehicles subject to registration which are transferred  
51 15 from a business or individual conducting a business within  
51 16 this state as a sole proprietorship, partnership, or limited  
51 17 liability company to a corporation formed by the sole  
51 18 proprietorship, partnership, or limited liability company for  
51 19 the purpose of continuing the business when all of the stock  
51 20 of the corporation so formed is owned by the sole proprietor  
51 21 and the sole proprietor's spouse, by all the partners in the  
51 22 case of a partnership, or by all the members in the case of a  
51 23 limited liability company. This exemption is equally  
51 24 available where the vehicles subject to registration are  
51 25 transferred from a corporation to a sole proprietorship,  
51 26 partnership, or limited liability company formed by that  
51 27 corporation for the purpose of continuing the business when  
51 28 all of the incidents of ownership are owned by the same person  
51 29 or persons who were stockholders of the corporation.

51 30 This exemption also applies where the vehicles subject to  
51 31 registration are transferred from a corporation as part of the  
51 32 liquidation of the corporation to its stockholders if within  
51 33 three months of such transfer the stockholders retransfer  
51 34 those vehicles subject to registration to a sole  
51 35 proprietorship, partnership, or limited liability company for  
52 1 the purpose of continuing the business of the corporation when  
52 2 all of the incidents of ownership are owned by the same person  
52 3 or persons who were stockholders of the corporation.

52 4 11. Vehicles registered or operated under chapter 326 and  
52 5 used substantially in interstate commerce, section 423.5,  
52 6 subsection 7, notwithstanding. For purposes of this  
52 7 subsection, "substantially in interstate commerce" means that  
52 8 a minimum of twenty-five percent of the miles operated by the  
52 9 vehicle accrues in states other than Iowa. This subsection  
52 10 applies only to vehicles which are registered for a gross  
52 11 weight of thirteen tons or more.

52 12 For purposes of this subsection, trailers and semitrailers  
52 13 registered or operated under chapter 326 are deemed to be used  
52 14 substantially in interstate commerce and to be registered for  
52 15 a gross weight of thirteen tons or more.

52 16 For the purposes of this subsection, if a vehicle meets the  
52 17 requirement that twenty-five percent of the miles operated  
52 18 accrues in states other than Iowa in each year of the first  
52 19 four-year period of operation, the exemption from use tax  
52 20 shall continue until the vehicle is sold or transferred. If  
52 21 the vehicle is found to have not met the exemption  
52 22 requirements or the exemption was revoked, the value of the  
52 23 vehicle upon which the use tax shall be imposed is the book or  
52 24 market value, whichever is less, at the time the exemption  
52 25 requirements were not met or the exemption was revoked.

52 26 12. Mobile homes and manufactured housing the use of which  
52 27 has previously been subject to the tax imposed under this  
52 28 division and for which that tax has been paid.

52 29 13. Mobile homes to the extent of the portion of the  
52 30 purchase price of the mobile home which is not attributable to  
52 31 the cost of the tangible personal property used in the  
52 32 processing of the mobile home, and manufactured housing to the  
52 33 extent of the purchase price or the installed purchase price  
52 34 of the manufactured housing which is not attributable to the  
52 35 cost of the tangible personal property used in the processing  
53 1 of the manufactured housing. For purposes of this exemption,  
53 2 the portion of the purchase price which is not attributable to  
53 3 the cost of the tangible personal property used in the  
53 4 processing of the mobile home is forty percent and the portion  
53 5 of the purchase price or installed purchase price which is not  
53 6 attributable to the cost of the tangible personal property  
53 7 used in the processing of the manufactured housing is forty  
53 8 percent.

53 9 14. Tangible personal property used or to be used as a  
53 10 ship, barge, or waterborne vessel which is used or to be used  
53 11 primarily in or for the transportation of property or cargo  
53 12 for hire on the rivers bordering the state or as materials or  
53 13 parts of such ship, barge, or waterborne vessel.

53 14 15. Vehicles subject to registration in any state when  
53 15 purchased for rental or registered and titled by a motor  
53 16 vehicle dealer licensed pursuant to chapter 322 for rental  
53 17 use, and held for rental for a period of one hundred twenty  
53 18 days or more and actually rented for periods of sixty days or  
53 19 less by a person regularly engaged in the business of renting

53 20 vehicles including, but not limited to, motor vehicle dealers  
53 21 licensed pursuant to chapter 322 who rent automobiles to  
53 22 users, if the rental of the vehicles is subject to taxation  
53 23 under chapter 423C.

53 24 16. Motor vehicles subject to registration which were  
53 25 registered and titled between July 1, 1982, and July 1, 1992,  
53 26 to a motor vehicle dealer licensed under chapter 322 and which  
53 27 were rented to a user as defined in section 423C.2 if the  
53 28 following occurred:

53 29 a. The dealer kept the vehicle on the inventory of  
53 30 vehicles for sale at all times.

53 31 b. The vehicle was to be immediately taken from the user  
53 32 of the vehicle when a buyer was found.

53 33 c. The user was aware of this situation.

53 34 17. Vehicles subject to registration under chapter 321,  
53 35 with a gross vehicle weight rating of less than sixteen  
54 1 thousand pounds, excluding motorcycles and motorized bicycles,  
54 2 when purchased for lease and titled by the lessor licensed  
54 3 pursuant to chapter 321F and actually leased for a period of  
54 4 twelve months or more if the lease of the vehicle is subject  
54 5 to taxation under section 423.27.

54 6 A lessor may maintain the exemption from use tax under this  
54 7 subsection for a qualifying lease that terminates at the  
54 8 conclusion or prior to the contracted expiration date, if the  
54 9 lessor does not use the vehicle for any purpose other than for  
54 10 lease. Once the vehicle is used by the lessor for a purpose  
54 11 other than for lease, the exemption from use tax under this  
54 12 subsection no longer applies and, unless there is an exemption  
54 13 from the use tax, use tax is due on the fair market value of  
54 14 the vehicle determined at the time the lessor uses the vehicle  
54 15 for a purpose other than for lease, payable to the department.  
54 16 If the lessor holds the vehicle exclusively for sale, use tax  
54 17 is due and payable on the purchase price of the vehicle at the  
54 18 time of purchase pursuant to this division.

54 19 18. Aircraft for use in a scheduled interstate federal  
54 20 aviation administration certificated air carrier operation.

54 21 19. Aircraft; tangible personal property permanently  
54 22 affixed or attached as a component part of the aircraft,  
54 23 including but not limited to repair or replacement materials  
54 24 or parts; and all services used for aircraft repair,  
54 25 remodeling, and maintenance services when such services are  
54 26 performed on aircraft, aircraft engines, or aircraft component  
54 27 materials or parts. For the purposes of this exemption,  
54 28 "aircraft" means aircraft used in a scheduled interstate  
54 29 federal aviation administration certificated air carrier  
54 30 operation.

54 31 20. Tangible personal property permanently affixed or  
54 32 attached as a component part of the aircraft, including but  
54 33 not limited to repair or replacement materials or parts; and  
54 34 all services used for aircraft repair, remodeling, and  
54 35 maintenance services when such services are performed on  
55 1 aircraft, aircraft engines, or aircraft component materials or  
55 2 parts. For the purposes of this exemption, "aircraft" means  
55 3 aircraft used in a nonscheduled interstate federal aviation  
55 4 administration certificated air carrier operation operating  
55 5 under 14 C.F.R., ch. 1, pt. 135.

55 6 21. Aircraft sold to an aircraft dealer who in turn rents  
55 7 or leases the aircraft if all of the following apply:

55 8 a. The aircraft is kept in the inventory of the dealer for  
55 9 sale at all times.

55 10 b. The dealer reserves the right to immediately take the  
55 11 aircraft from the renter or lessee when a buyer is found.

55 12 c. The renter or lessee is aware that the dealer will  
55 13 immediately take the aircraft when a buyer is found.

55 14 If an aircraft exempt under this subsection is used for any  
55 15 purpose other than leasing or renting, or the conditions in  
55 16 paragraphs "a", "b", and "c" are not continuously met, the  
55 17 dealer claiming the exemption under this subsection is liable  
55 18 for the tax that would have been due except for this  
55 19 subsection. The tax shall be computed upon the original  
55 20 purchase price.

55 21 22. The use in this state of building materials, supplies,  
55 22 or equipment, the sale or use of which is not treated as a  
55 23 retail sale or a sale at retail under section 423.2,  
55 24 subsection 1.

55 25 23. Exempted from the purchase price of any vehicle  
55 26 subject to registration is:

55 27 a. The amount of any cash rebate which is provided by a  
55 28 motor vehicle manufacturer to the purchaser of the vehicle  
55 29 subject to registration so long as the rebate is applied to  
55 30 the purchase price of the vehicle.

55 31 b. In a transaction between persons, neither of which is a  
55 32 retailer of vehicles subject to registration, in which a  
55 33 vehicle subject to registration is traded toward the purchase  
55 34 price of another vehicle subject to registration, the amount  
55 35 of the trade-in value allowed on the vehicle subject to  
56 1 registration traded.

#### 56 2 DIVISION IV

#### 56 3 UNIFORM SALES AND USE TAX ADMINISTRATION ACT

56 4 Sec. 7. NEW SECTION. 423.7 TITLE.

56 5 This division shall be known and may be cited as the  
56 6 "Uniform Sales and Use Tax Administration Act".

56 7 Sec. 8. NEW SECTION. 423.8 LEGISLATIVE FINDING AND  
56 8 INTENT.

56 9 The general assembly finds that Iowa should enter into an  
56 10 agreement with one or more states to simplify and modernize  
56 11 sales and use tax administration in order to substantially  
56 12 reduce the burden of tax compliance for all sellers and for  
56 13 all types of commerce. It is the intent of the general  
56 14 assembly that entering into this agreement will lead to  
56 15 simplification and modernization of the sales and use tax law  
56 16 and not to the imposition of new taxes or an increase or  
56 17 decrease in the existing number of exemptions, unless such a  
56 18 result is unavoidable under the terms of the agreement.

56 19 Sec. 9. NEW SECTION. 423.9 AUTHORITY TO ENTER AGREEMENT  
56 20 AND TO REPRESENT THE STATE.

56 21 The director is authorized and directed to enter into the  
56 22 streamlined sales and use tax agreement with one or more  
56 23 states to simplify and modernize sales and use tax  
56 24 administration in order to substantially reduce the burden of  
56 25 tax compliance for all sellers and for all types of commerce.

56 26 The director is further authorized to take other actions  
56 27 reasonably required to implement the provisions set forth in  
56 28 this chapter. Other actions authorized by this section  
56 29 include, but are not limited to, the adoption of rules and the  
56 30 joint procurement, with other member states, of goods and  
56 31 services in furtherance of the cooperative agreement.

56 32 The director or the director's designee is authorized to be  
56 33 a member of the governing board established pursuant to the  
56 34 agreement and to represent Iowa before that body.

56 35 Sec. 10. NEW SECTION. 423.10 RELATIONSHIP TO STATE LAW.

57 1 Entry into the agreement by the director does not amend or  
57 2 modify any law of this state. Implementation of any condition  
57 3 of the agreement in this state, whether adopted before, at, or  
57 4 after membership of this state in the agreement, shall be by  
57 5 action of the general assembly.

57 6 Sec. 11. NEW SECTION. 423.11 AGREEMENT REQUIREMENTS.

57 7 The director shall not enter into the agreement unless the  
57 8 agreement requires each state to abide by the following  
57 9 requirements:

57 10 1. UNIFORM STATE RATE. The agreement must set  
57 11 restrictions to achieve more uniform state rates through the  
57 12 following:

- 57 13 a. Limiting the number of state rates.
- 57 14 b. Limiting the application of maximums on the amount of  
57 15 state tax that is due on a transaction.
- 57 16 c. Limiting the application of thresholds on the  
57 17 application of state tax.

57 18 2. UNIFORM STANDARDS. The agreement must establish  
57 19 uniform standards for the following:

- 57 20 a. The sourcing of transactions to taxing jurisdictions.
- 57 21 b. The administration of exempt sales.
- 57 22 c. The allowances a seller can take for bad debts.
- 57 23 d. Sales and use tax returns and remittances.

57 24 3. UNIFORM DEFINITIONS. The agreement must require states  
57 25 to develop and adopt uniform definitions of sales and use tax  
57 26 terms. The definitions must enable a state to preserve its  
57 27 ability to make policy choices not inconsistent with the  
57 28 uniform definitions.

57 29 4. CENTRAL REGISTRATION. The agreement must provide a  
57 30 central, electronic registration system that allows a seller  
57 31 to register to collect and remit sales and use taxes for all  
57 32 member states.

57 33 5. NO NEXUS ATTRIBUTION. The agreement must provide that  
57 34 registration with the central registration system and the  
57 35 collection of sales and use taxes in the member states must  
58 1 not be used as a factor in determining whether the seller has  
58 2 nexus with a state for any tax.

58 3 6. LOCAL SALES AND USE TAXES. The agreement must provide  
58 4 for reduction of the burdens of complying with local sales and  
58 5 use taxes through the following:

- 58 6 a. Restricting variances between the state and local tax

58 7 bases.

58 8 b. Requiring states to administer any sales and use taxes  
58 9 levied by local jurisdictions within the state so that sellers  
58 10 collecting and remitting these taxes must not have to register  
58 11 or file returns with, remit funds to, or be subject to  
58 12 independent audits from local taxing jurisdictions.

58 13 c. Restricting the frequency of changes in the local sales  
58 14 and use tax rates and setting effective dates for the  
58 15 application of local jurisdictional boundary changes to local  
58 16 sales and use taxes.

58 17 d. Providing notice of changes in local sales and use tax  
58 18 rates and of changes in the boundaries of local taxing  
58 19 jurisdictions.

58 20 7. MONETARY ALLOWANCES. The agreement must outline any  
58 21 monetary allowances that are to be provided by the states to  
58 22 sellers or certified service providers.

58 23 8. STATE COMPLIANCE. The agreement must require each  
58 24 state to certify compliance with the terms of the agreement  
58 25 prior to joining and to maintain compliance, under the laws of  
58 26 the member state, with all provisions of the agreement while a  
58 27 member.

58 28 9. CONSUMER PRIVACY. The agreement must require each  
58 29 state to adopt a uniform policy for certified service  
58 30 providers that protects the privacy of consumers and maintains  
58 31 the confidentiality of tax information.

58 32 10. ADVISORY COUNCILS. The agreement must provide for the  
58 33 appointment of an advisory council of private sector  
58 34 representatives and an advisory council of nonmember state  
58 35 representatives to consult with in the administration of the  
59 1 agreement.

59 2 Sec. 12. NEW SECTION. 423.12 LIMITED BINDING AND  
59 3 BENEFICIAL EFFECT.

59 4 1. The agreement binds and inures only to the benefit of  
59 5 Iowa and the other member states. A person, other than a  
59 6 member state, is not an intended beneficiary of the agreement.  
59 7 Any benefit to a person other than a member state is  
59 8 established by the law of Iowa and not by the terms of the  
59 9 agreement.

59 10 2. A person shall not have any cause of action or defense  
59 11 under the agreement or by virtue of this state's entry into  
59 12 the agreement. A person may not challenge, in any action  
59 13 brought under any provision of law, any action or inaction by  
59 14 any department, agency, or other instrumentality of this  
59 15 state, or any political subdivision of this state on the  
59 16 ground that the action or inaction is inconsistent with the  
59 17 agreement.

59 18 3. A law of this state, or the application of it, shall  
59 19 not be declared invalid as to any such person or circumstance  
59 20 on the ground that the provision or application is  
59 21 inconsistent with the agreement.

#### 59 22 DIVISION V

#### 59 23 SALES AND USE TAX ACT == ADMINISTRATION OF 59 24 RETAILERS NOT REGISTERED UNDER THE AGREEMENT AND OF 59 25 CONSUMERS OBLIGATED TO PAY USE TAX DIRECTLY

59 26 Sec. 13. NEW SECTION. 423.13 PURPOSE OF THIS DIVISION.

59 27 The purpose of this division is to provide for the  
59 28 administration and collection of sales or use tax on the part  
59 29 of retailers who are not registered under the agreement and  
59 30 for the collection of use tax on the part of consumers who are  
59 31 obligated to pay that tax directly. Any application of the  
59 32 sections of this division to retailers registered under the  
59 33 agreement is only by way of incorporation by reference into  
59 34 division VI of this chapter.

59 35 Sec. 14. NEW SECTION. 423.14 SALES AND USE TAX  
60 1 COLLECTION.

60 2 1. a. Sales tax, other than that described in paragraph  
60 3 "c", shall be collected by sellers who are retailers or by  
60 4 their agents. Sellers or their agents shall, as far as  
60 5 practicable, add the sales tax, or the average equivalent  
60 6 thereof, to the sales price or charge, less trade-ins allowed  
60 7 and taken and when added such tax shall constitute a part of  
60 8 the sales price or charge, shall be a debt from consumer or  
60 9 user to seller or agent until paid, and shall be recoverable  
60 10 at law in the same manner as other debts.

60 11 b. In computing the tax to be collected as the result of  
60 12 any transaction, the tax computation must be carried to the  
60 13 third decimal place. Whenever the third decimal place is  
60 14 greater than four, the tax must be rounded up to the next  
60 15 whole cent; whenever the third decimal place is less than  
60 16 four, the tax must be rounded downward to a whole cent.  
60 17 Sellers may elect to compute the tax due on transactions on an

60 18 item or invoice basis. Sellers are not required to use a  
60 19 bracket system.

60 20 c. The tax imposed upon those sales of motor vehicle fuel  
60 21 which are subject to tax and refund under chapter 452A shall  
60 22 be collected by the state treasurer by way of deduction from  
60 23 refunds otherwise allowable under that chapter. The treasurer  
60 24 shall transfer the amount of such deductions from the motor  
60 25 vehicle fuel tax fund to the special tax fund.

60 26 2. Use tax shall be collected in the following manner:

60 27 a. The tax upon the use of all vehicles subject to  
60 28 registration or subject only to the issuance of a certificate  
60 29 of title or the tax upon the use of manufactured housing shall  
60 30 be collected by the county treasurer or the state department  
60 31 of transportation pursuant to sections 423.26 and 423.27. The  
60 32 county treasurer shall retain one dollar from each tax payment  
60 33 collected, to be credited to the county general fund.

60 34 b. The tax upon the use of all tangible personal property  
60 35 other than that enumerated in paragraph "a", which is sold by  
61 1 a seller who is a retailer maintaining a place of business in  
61 2 this state, or by such other retailer or agent as the director  
61 3 shall authorize pursuant to section 423.30, shall be collected  
61 4 by the retailer or agent and remitted to the department,  
61 5 pursuant to the provisions of paragraph "e", and sections  
61 6 423.24, 423.29, 423.30, 423.32, and 423.33.

61 7 c. The tax upon the use of all tangible personal property  
61 8 not paid pursuant to paragraphs "a" and "b" shall be paid to  
61 9 the department directly by any person using the property  
61 10 within this state, pursuant to the provisions of section  
61 11 423.34.

61 12 d. The tax imposed on the use of services enumerated in  
61 13 section 423.5 shall be collected, remitted, and paid to the  
61 14 department of revenue and finance in the same manner as use  
61 15 tax on tangible personal property is collected, remitted, and  
61 16 paid under this division.

61 17 e. All persons obligated by paragraph "a", "b", or "d", to  
61 18 collect use tax shall, as far as practicable, add that tax, or  
61 19 the average equivalent thereof, to the purchase price, less  
61 20 trade-ins allowed and taken, and when added the tax shall  
61 21 constitute a part of the purchase price. Use tax which this  
61 22 section requires to be collected by a retailer and any tax  
61 23 collected pursuant to this section by a retailer shall  
61 24 constitute a debt owed by the retailer to this state. Tax  
61 25 which must be paid directly to the department, pursuant to  
61 26 paragraph "c" or "d", is to be computed and added by the  
61 27 consumer or user to the purchase price in the same manner as  
61 28 this paragraph requires a seller to compute and add the tax.  
61 29 The tax shall be a debt from the consumer or user to the  
61 30 department until paid, and shall be recoverable at law in the  
61 31 same manner as other debts.

61 32 Sec. 15. NEW SECTION. 423.15 GENERAL SOURCING RULES.

61 33 All sellers obligated to collect Iowa sales or use tax  
61 34 shall use the standards set out in this section to determine  
61 35 where sales of products occur, excluding sales enumerated in  
62 1 section 423.16. These provisions apply regardless of the  
62 2 characterization of a product as tangible personal property, a  
62 3 digital good, or a service, excluding telecommunications  
62 4 services. This section only applies to determine a seller's  
62 5 obligation to pay or collect and remit a sales or use tax with  
62 6 respect to the seller's sale of a product. This section does  
62 7 not affect the obligation of a purchaser or lessee to remit  
62 8 tax on the use of the product to the taxing jurisdictions in  
62 9 which the use occurs. A seller's obligation to collect Iowa  
62 10 sales tax or Iowa use tax only occurs if the sale is sourced  
62 11 to this state. The application of whether Iowa sales tax  
62 12 applies to sales sourced to Iowa depends upon where the sale  
62 13 is consummated by delivery.

62 14 1. Sales, excluding leases or rentals other than leases or  
62 15 rentals set out in subsection 2, of products shall be sourced  
62 16 as follows.

62 17 a. When the product is received by the purchaser at a  
62 18 business location of the seller, the sale is sourced to that  
62 19 business location.

62 20 b. When the product is not received by the purchaser at a  
62 21 business location of the seller, the sale is sourced to the  
62 22 location where receipt by the purchaser or the purchaser's  
62 23 donee, designated as such by the purchaser, occurs, including  
62 24 the location indicated by instructions for delivery to the  
62 25 purchaser or donee, known to the seller.

62 26 c. When paragraphs "a" and "b" do not apply, the sale is  
62 27 sourced to the location indicated by an address for the  
62 28 purchaser that is available from the business records of the

62 29 seller that are maintained in the ordinary course of the  
62 30 seller's business when use of this address does not constitute  
62 31 bad faith.

62 32 d. When paragraphs "a", "b", and "c" do not apply, the  
62 33 sale is sourced to the location indicated by an address for  
62 34 the purchaser obtained during the consummation of the sale,  
62 35 including the address of a purchaser's payment instrument, if  
63 1 no other address is available, when use of this address does  
63 2 not constitute bad faith.

63 3 e. When paragraphs "a", "b", "c", and "d" do not apply,  
63 4 including the circumstance where the seller is without  
63 5 sufficient information to apply the previous rules, then the  
63 6 location will be determined by the address from which tangible  
63 7 personal property was shipped, from which the digital good or  
63 8 the computer software delivered electronically was first  
63 9 available for transmission by the seller, or from which the  
63 10 service was provided disregarding for these purposes any  
63 11 location that merely provided the digital transfer of the  
63 12 product sold.

63 13 2. The lease or rental of tangible personal property,  
63 14 other than property identified in subsection 3 or section  
63 15 423.16, shall be sourced as follows:

63 16 a. For a lease or rental that requires recurring periodic  
63 17 payments, the first periodic payment is sourced the same as a  
63 18 retail sale in accordance with the provisions of subsection 1.  
63 19 Periodic payments made subsequent to the first payment are  
63 20 sourced to the primary property location for each period  
63 21 covered by the payment. The primary property location shall  
63 22 be as indicated by an address for the property provided by the  
63 23 lessee that is available to the lessor from its records  
63 24 maintained in the ordinary course of business, when use of  
63 25 this address does not constitute bad faith. The property  
63 26 location shall not be altered by intermittent use at different  
63 27 locations, such as use of business property that accompanies  
63 28 employees on business trips and service calls.

63 29 b. For a lease or rental that does not require recurring  
63 30 periodic payments, the payment is sourced the same as a retail  
63 31 sale in accordance with the provisions of subsection 1.

63 32 c. This subsection does not affect the imposition or  
63 33 computation of sales or use tax on leases or rentals based on  
63 34 a lump sum or accelerated basis, or on the acquisition of  
63 35 property for lease.

64 1 3. The retail sale, including lease or rental, of  
64 2 transportation equipment shall be sourced the same as a retail  
64 3 sale in accordance with the provisions of subsection 1,  
64 4 notwithstanding the exclusion of lease or rental in that  
64 5 subsection. "Transportation equipment" means any of the  
64 6 following:

64 7 a. Locomotives or railcars that are utilized for the  
64 8 carriage of persons or property in interstate commerce.

64 9 b. Trucks and truck=tractors with a gross vehicle weight  
64 10 rating of ten thousand one pounds or greater, trailers,  
64 11 semitrailers, or passenger buses that meet both of the  
64 12 following requirements:

64 13 (1) Are registered through the international registration  
64 14 plan.

64 15 (2) Are operated under authority of a carrier authorized  
64 16 and certificated by the United States department of  
64 17 transportation or another federal authority to engage in the  
64 18 carriage of persons or property in interstate commerce.

64 19 c. Aircraft that are operated by air carriers authorized  
64 20 and certificated by the United States department of  
64 21 transportation or another federal or a foreign authority to  
64 22 engage in the carriage of persons or property in interstate or  
64 23 foreign commerce.

64 24 d. Containers designed for use on and component parts  
64 25 attached or secured on the items set forth in paragraphs "a"  
64 26 through "c".

64 27 Sec. 16. NEW SECTION. 423.16 TRANSACTIONS TO WHICH THE  
64 28 GENERAL SOURCING RULES DO NOT APPLY.

64 29 Section 423.15 does not apply to sales or use taxes levied  
64 30 on the following:

64 31 1. The retail sale or transfer of watercraft, modular  
64 32 homes, manufactured housing, or mobile homes, and the retail  
64 33 sale, excluding lease or rental, of motor vehicles, trailers,  
64 34 semitrailers, or aircraft that do not qualify as  
64 35 transportation equipment, as defined in section 423.15,  
65 1 subsection 3.

65 2 2. The lease or rental of motor vehicles, trailers,  
65 3 semitrailers, or aircraft that do not qualify as  
65 4 transportation equipment, as defined in section 423.15,

65 5 subsection 3, which shall be sourced in accordance with  
65 6 section 423.17.

65 7 3. Transactions to which the multiple points use exemption  
65 8 is applicable, which shall be sourced in accordance with  
65 9 section 423.18.

65 10 4. Transactions to which direct mail sourcing is  
65 11 applicable, which shall be sourced in accordance with section  
65 12 423.19.

65 13 5. Telecommunications services, as set out in section  
65 14 423.20, which shall be sourced in accordance with section  
65 15 423.20, subsection 2.

65 16 Sec. 17. NEW SECTION. 423.17 SOURCING RULES FOR VARIOUS  
65 17 TYPES OF LEASED OR RENTED EQUIPMENT WHICH IS NOT  
65 18 TRANSPORTATION EQUIPMENT.

65 19 The lease or rental of motor vehicles, trailers,  
65 20 semitrailers, or aircraft that do not qualify as  
65 21 transportation equipment, as defined in section 423.15,  
65 22 subsection 3, shall be sourced as follows:

65 23 1. For a lease or rental that requires recurring periodic  
65 24 payments, each periodic payment is sourced to the primary  
65 25 property location. The primary property location shall be as  
65 26 indicated by an address for the property provided by the  
65 27 lessee that is available to the lessor from its records  
65 28 maintained in the ordinary course of business, when use of  
65 29 this address does not constitute bad faith. This location  
65 30 shall not be altered by intermittent use at different  
65 31 locations.

65 32 2. For a lease or rental that does not require recurring  
65 33 periodic payments, the payment is sourced the same as a retail  
65 34 sale in accordance with the provisions of section 423.15,  
65 35 subsection 1.

66 1 3. This section does not affect the imposition or  
66 2 computation of sales or use tax on leases or rentals based on  
66 3 a lump sum or accelerated basis, or on the acquisition of  
66 4 property for lease.

66 5 Sec. 18. NEW SECTION. 423.18 MULTIPLE POINTS OF USE  
66 6 EXEMPTION FORMS.

66 7 A business purchaser that is not a holder of a direct pay  
66 8 tax permit pursuant to section 423.36 that knows at the time  
66 9 of its purchase of a digital good, computer software delivered  
66 10 electronically, or a service that the digital good, computer  
66 11 software delivered electronically, or service will be  
66 12 concurrently available for use in more than one jurisdiction  
66 13 shall deliver to the seller in conjunction with its purchase a  
66 14 "multiple points of use" or "MPU" exemption form disclosing  
66 15 this fact.

66 16 1. Upon receipt of the MPU exemption form, the seller is  
66 17 relieved of all obligation to collect, pay, or remit the  
66 18 applicable tax and the purchaser shall be obligated to  
66 19 collect, pay, or remit the applicable tax on a direct pay  
66 20 basis.

66 21 2. A purchaser delivering the MPU exemption form may use  
66 22 any reasonable, but consistent and uniform, method of  
66 23 apportionment that is supported by the purchaser's business  
66 24 records as they exist at the time of the consummation of the  
66 25 sale.

66 26 3. The MPU exemption form will remain in effect for all  
66 27 future sales by the seller to the purchaser except as to the  
66 28 subsequent sale's specific apportionment that is governed by  
66 29 the principle of subsection 2 and the facts existing at the  
66 30 time of the sale until it is revoked in writing.

66 31 4. A holder of a direct pay tax permit under section  
66 32 423.36 shall not be required to deliver an MPU exemption form  
66 33 to the seller. A direct pay tax permit holder shall follow  
66 34 the provisions of subsection 2 in apportioning the tax due on  
66 35 a digital good, computer software delivered electronically, or  
67 1 service that will be concurrently available for use in more  
67 2 than one jurisdiction.

67 3 Sec. 19. NEW SECTION. 423.19 DIRECT MAIL SOURCING.

67 4 1. Notwithstanding section 423.15, a purchaser of direct  
67 5 mail that is not a holder of a direct pay tax permit pursuant  
67 6 to section 423.36 shall provide to the seller in conjunction  
67 7 with the purchase either a direct mail form or information to  
67 8 show the jurisdictions to which the direct mail is delivered  
67 9 to recipients.

67 10 a. Upon receipt of the direct mail form, the seller is  
67 11 relieved of all obligations to collect, pay, or remit the  
67 12 applicable tax and the purchaser is obligated to pay or remit  
67 13 the applicable tax on a direct pay basis. A direct mail form  
67 14 shall remain in effect for all future sales of direct mail by  
67 15 the seller to the purchaser until it is revoked in writing.

67 16 b. Upon receipt of information from the purchaser showing  
67 17 the jurisdictions to which the direct mail is delivered to  
67 18 recipients, the seller shall collect the tax according to the  
67 19 delivery information provided by the purchaser. In the  
67 20 absence of bad faith, the seller is relieved of any further  
67 21 obligation to collect tax on any transaction where the seller  
67 22 has collected tax pursuant to the delivery information  
67 23 provided by the purchaser.

67 24 2. If the purchaser of direct mail does not have a direct  
67 25 pay tax permit and does not provide the seller with either a  
67 26 direct mail form or delivery information, as required by  
67 27 subsection 1, the seller shall collect the tax according to  
67 28 section 423.15, subsection 1, paragraph "e". Nothing in this  
67 29 subsection shall limit a purchaser's obligation for sales or  
67 30 use tax to any state to which the direct mail is delivered.

67 31 3. If a purchaser of direct mail provides the seller with  
67 32 documentation of direct pay authority, the purchaser shall not  
67 33 be required to provide a direct mail form or delivery  
67 34 information to the seller.

67 35 Sec. 20. NEW SECTION. 423.20 TELECOMMUNICATIONS SERVICE  
68 1 SOURCING.

68 2 1. As used in this section:

68 3 a. "Air-to-ground radiotelephone service" means a radio  
68 4 service, as that term is used in 47 C.F.R. } 22.99, in which  
68 5 common carriers are authorized to offer and provide radio  
68 6 telecommunications service for hire to subscribers in  
68 7 aircraft.

68 8 b. "Call-by-call basis" means any method of charging for  
68 9 the telecommunications service where the price is measured by  
68 10 individual calls.

68 11 c. "Communications channel" means a physical or virtual  
68 12 path of communications over which signals are transmitted  
68 13 between or among customer channel termination points.

68 14 d. "Customer" means the person or entity that contracts  
68 15 with the seller of the telecommunications service. If the end  
68 16 user of the telecommunications service is not the contracting  
68 17 party, the end user of the telecommunications service is the  
68 18 customer of the telecommunications service, but this sentence  
68 19 only applies for the purpose of sourcing sales of the  
68 20 telecommunications service under this section. "Customer"  
68 21 does not include a reseller of a telecommunications service or  
68 22 for mobile telecommunications service of a serving carrier  
68 23 under an agreement to serve the customer outside the home  
68 24 service provider's licensed service area.

68 25 e. "Customer channel termination point" means the location  
68 26 where the customer either inputs or receives the  
68 27 communications.

68 28 f. "End user" means the person who utilizes the  
68 29 telecommunications service. In the case of an entity, "end  
68 30 user" means the individual who utilizes the service on behalf  
68 31 of the entity.

68 32 g. "Home service provider" means the same as that term is  
68 33 defined in the federal Mobile Telecommunications Sourcing Act,  
68 34 Pub. L. No. 106-252, 4 U.S.C. } 124(5).

68 35 h. "Mobile telecommunications service" means the same as  
69 1 that term is defined in federal Mobile Telecommunications  
69 2 Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. } 124(7).

69 3 i. "Place of primary use" means the street address  
69 4 representative of where the customer's use of the  
69 5 telecommunications service primarily occurs, which must be the  
69 6 residential street address or the primary business street  
69 7 address of the customer. In the case of mobile

69 8 telecommunications service, "place of primary use" must be  
69 9 within the licensed service area of the home service provider.

69 10 j. "Postpaid calling service" means the telecommunications  
69 11 service obtained by making a payment on a call-by-call basis  
69 12 either through the use of a credit card or payment mechanism  
69 13 such as a bank card, travel card, credit card, or debit card,  
69 14 or by charge made to which a telephone number which is not  
69 15 associated with the origination or termination of the  
69 16 telecommunications service. A "postpaid calling service"  
69 17 includes a telecommunications service that would be a prepaid  
69 18 calling service except it is not exclusively a  
69 19 telecommunications service.

69 20 k. "Prepaid calling service" means the right to access  
69 21 exclusively telecommunications services, which must be paid  
69 22 for in advance and which enables the origination of calls  
69 23 using an access number or authorization code, whether manually  
69 24 or electronically dialed, and that is sold in predetermined  
69 25 units or dollars of which the amount declines with use in a  
69 26 known amount.

69 27 1. "Private communication service" means a  
69 28 telecommunications service that entitles the customer to  
69 29 exclusive or priority use of a communications channel or group  
69 30 of channels between or among termination points, regardless of  
69 31 the manner in which such channel or channels are connected,  
69 32 and includes switching capacity, extension lines, stations,  
69 33 and any other associated services that are provided in  
69 34 connection with the use of such channel or channels.

69 35 m. "Service address" means one of the following:

70 1 (1) The location of the telecommunications equipment to  
70 2 which a customer's call is charged and from which the call  
70 3 originates or terminates, regardless of where the call is  
70 4 billed or paid.

70 5 (2) If the location in subparagraph (1) is not known,  
70 6 "service address" means the origination point of the signal of  
70 7 the telecommunications service first identified by either the  
70 8 seller's telecommunications system or in information received  
70 9 by the seller from its service provider, where the system used  
70 10 to transport such signals is not that of the seller.

70 11 (3) If the locations in subparagraphs (1) and (2) are not  
70 12 known, the "service address" means the location of the  
70 13 customer's place of primary use.

70 14 2. Sales of telecommunications services shall be sourced  
70 15 in the following manner:

70 16 a. Except for the defined telecommunications services in  
70 17 paragraph "c", the sale of telecommunications services sold on  
70 18 a call-by-call basis shall be sourced to one of the following:

70 19 (1) Each level of taxing jurisdiction where the call  
70 20 originates and terminates in that jurisdiction.

70 21 (2) Each level of taxing jurisdiction where the call  
70 22 either originates or terminates and in which the service  
70 23 address is also located.

70 24 b. Except for the defined telecommunications services in  
70 25 paragraph "c", a sale of telecommunications services sold on a  
70 26 basis other than a call-by-call basis is sourced to the  
70 27 customer's place of primary use.

70 28 c. Sale of the following telecommunications services shall  
70 29 be sourced to each level of taxing jurisdiction as follows:

70 30 (1) A sale of mobile telecommunications services other  
70 31 than air-to-ground radiotelephone service or prepaid calling  
70 32 service is sourced to the customer's place of primary use as  
70 33 required by the federal Mobile Telecommunications Sourcing  
70 34 Act.

70 35 (2) A sale of postpaid calling service is sourced to the  
71 1 origination point of the telecommunications signal as first  
71 2 identified by either of the following:

71 3 (a) The seller's telecommunications system.

71 4 (b) Information received by the seller from its service  
71 5 provider, where the system used to transport such signals is  
71 6 not that of the seller.

71 7 (3) A sale of prepaid calling service is sourced in  
71 8 accordance with section 423.15. However, in the case of a  
71 9 sale of mobile telecommunications services that is a prepaid  
71 10 telecommunications service, the rule provided in section  
71 11 423.15, subsection 1, paragraph "e", shall include as an  
71 12 option the location associated with the mobile telephone  
71 13 number.

71 14 (4) A sale of a private telecommunications service is  
71 15 sourced as follows:

71 16 (a) Service for a separate charge related to a customer  
71 17 channel termination point is sourced to each level of  
71 18 jurisdiction in which such customer channel termination point  
71 19 is located.

71 20 (b) Service where all customer termination points are  
71 21 located entirely within one jurisdiction or level of  
71 22 jurisdiction is sourced in such jurisdiction in which the  
71 23 customer channel termination points are located.

71 24 (c) Service for segments of a channel between two customer  
71 25 channel termination points located in different jurisdictions  
71 26 and which segments of a channel are separately charged is  
71 27 sourced fifty percent in each level of jurisdiction in which  
71 28 the customer channel termination points are located.

71 29 (d) Service for segments of a channel located in more than  
71 30 one jurisdiction or levels of jurisdiction and which segments  
71 31 are not separately billed is sourced in each jurisdiction  
71 32 based on the percentage determined by dividing the number of  
71 33 customer channel termination points in such jurisdiction by  
71 34 the total number of customer channel termination points.

71 35 Sec. 21. NEW SECTION. 423.21 BAD DEBT DEDUCTIONS.

72 1 1. For the purposes of this section, "bad debt" means an  
72 2 amount properly calculated pursuant to section 166 of the

72 3 Internal Revenue Code then adjusted to exclude financing  
72 4 charges or interest, sales or use taxes charged on the  
72 5 purchase price, uncollectible amounts on property that remain  
72 6 in the possession of the seller until the full purchase price  
72 7 is paid, expenses incurred in attempting to collect any debt,  
72 8 and repossessed property.

72 9 2. In computing the amount of tax due, a seller may deduct  
72 10 bad debts from the total amount upon which the tax is  
72 11 calculated for any return. Any deduction taken or refund paid  
72 12 which is attributed to bad debts shall not include interest.

72 13 3. A seller may deduct bad debts on the return for the  
72 14 period during which the bad debt is written off as  
72 15 uncollectible in the seller's books and records and is  
72 16 eligible to be deducted for federal income tax purposes. For  
72 17 purposes of this subsection, a seller who is not required to  
72 18 file federal income tax returns may deduct a bad debt on a  
72 19 return filed for the period in which the bad debt is written  
72 20 off as uncollectible in the seller's books and records and  
72 21 would be eligible for a bad debt deduction for federal income  
72 22 tax purposes if the seller were required to file a federal  
72 23 income tax return.

72 24 4. If a deduction is taken for a bad debt and the seller  
72 25 subsequently collects the debt in whole or in part, the tax on  
72 26 the amount so collected must be paid and reported on the  
72 27 return filed for the period in which the collection is made.

72 28 5. A seller may obtain a refund of tax on any amount of  
72 29 bad debt that exceeds the amount of taxable sales within the  
72 30 period allowed for refund claims by section 423.47. However,  
72 31 the period allowed for refund claims shall be measured from  
72 32 the due date of the return on which the bad debt could first  
72 33 be claimed.

72 34 6. For the purposes of computing a bad debt deduction or  
72 35 reporting a payment received on a previously claimed bad debt,  
73 1 any payments made on a debt or account shall be applied first  
73 2 to the price of the property or service and tax thereon,  
73 3 proportionally, and secondly to interest, service charges, and  
73 4 any other charges.

73 5 Sec. 22. NEW SECTION. 423.22 TAXATION IN ANOTHER STATE.

73 6 If any person who causes tangible personal property to be  
73 7 brought into this state or who uses in this state services  
73 8 enumerated in section 423.2 has already paid a tax in another  
73 9 state in respect to the sale or use of the property or the  
73 10 performance of the service, or an occupation tax in respect to  
73 11 the property or service, in an amount less than the tax  
73 12 imposed by division II or III, the provisions of those  
73 13 divisions shall apply, but at a rate measured by the  
73 14 difference only between the rate fixed by division II or III  
73 15 and the rate by which the previous tax on the sale or use, or  
73 16 the occupation tax, was computed. If the tax imposed and paid  
73 17 in the other state is equal to or more than the tax imposed by  
73 18 those divisions, then a tax is not due in this state on the  
73 19 personal property or service.

73 20 Sec. 23. NEW SECTION. 423.23 SELLERS' AGREEMENTS.

73 21 Agreements between competing sellers, or the adoption of  
73 22 appropriate rules and regulations by organizations or  
73 23 associations of sellers to provide uniform methods for adding  
73 24 sales or use tax or the average equivalent thereof, and which  
73 25 do not involve price-fixing agreements otherwise unlawful, are  
73 26 expressly authorized and shall be held not in violation of  
73 27 chapter 553 or other antitrust laws of this state. The  
73 28 director shall cooperate with sellers, organizations, or  
73 29 associations in formulating agreements and rules.

73 30 Sec. 24. NEW SECTION. 423.24 ABSORBING TAX PROHIBITED.

73 31 A seller shall not advertise or hold out or state to the  
73 32 public or to any purchaser, consumer, or user, directly or  
73 33 indirectly, that the taxes or any parts thereof imposed by  
73 34 division II or III will be assumed or absorbed by the seller  
73 35 or the taxes will not be added to the sales price of the  
74 1 property sold, or if added that the taxes or any part thereof  
74 2 will be refunded. Any person violating any of the provisions  
74 3 of this section within this state is guilty of a simple  
74 4 misdemeanor.

74 5 Sec. 25. NEW SECTION. 423.25 DIRECTOR'S POWER TO ADOPT  
74 6 RULES.

74 7 The director shall have the power to adopt rules for adding  
74 8 the taxes imposed by divisions II and III, or the average  
74 9 equivalents thereof, by providing different methods applying  
74 10 uniformly to retailers within the same general classification  
74 11 for the purpose of enabling the retailers to add and collect,  
74 12 as far as practicable, the amounts of those taxes.

74 13 Sec. 26. NEW SECTION. 423.26 VEHICLES SUBJECT TO

74 14 REGISTRATION OR ONLY TO THE ISSUANCE OF TITLE == MANUFACTURED  
74 15 HOUSING.

74 16 The use tax imposed upon the use of vehicles subject to  
74 17 registration or subject only to the issuance of a certificate  
74 18 of title or imposed upon the use of manufactured housing shall  
74 19 be paid by the owner of the vehicle or of the manufactured  
74 20 housing to the county treasurer or the state department of  
74 21 transportation from whom the registration receipt or  
74 22 certificate of title is obtained. A registration receipt for  
74 23 a vehicle subject to registration or certificate of title  
74 24 shall not be issued until the tax has been paid. The county  
74 25 treasurer or the state department of transportation shall  
74 26 require every applicant for a registration receipt for a  
74 27 vehicle subject to registration or certificate of title to  
74 28 supply information as the county treasurer or the director  
74 29 deems necessary as to the time of purchase, the purchase  
74 30 price, installed purchase price, and other information  
74 31 relative to the purchase of the vehicle or manufactured  
74 32 housing. On or before the tenth day of each month, the county  
74 33 treasurer or the state department of transportation shall  
74 34 remit to the department the amount of the taxes collected  
74 35 during the preceding month.

75 1 A person who willfully makes a false statement in regard to  
75 2 the purchase price of a vehicle subject to taxation under this  
75 3 section is guilty of a fraudulent practice. A person who  
75 4 willfully makes a false statement in regard to the purchase  
75 5 price of such a vehicle with the intent to evade the payment  
75 6 of tax shall be assessed a penalty of seventy-five percent of  
75 7 the amount of tax unpaid and required to be paid on the actual  
75 8 purchase price less trade-in allowance.

75 9 Sec. 27. NEW SECTION. 423.27 MOTOR VEHICLE LEASE TAX.

75 10 1. The use tax imposed upon the use of leased vehicles  
75 11 subject to registration under chapter 321, with gross vehicle  
75 12 weight ratings of less than sixteen thousand pounds, excluding  
75 13 motorcycles and motorized bicycles, which are leased by a  
75 14 lessor licensed pursuant to chapter 321F for a period of  
75 15 twelve months or more shall be paid by the owner of the  
75 16 vehicle to the county treasurer or state department of  
75 17 transportation from whom the registration receipt or  
75 18 certificate of title is obtained. A registration receipt for  
75 19 a vehicle subject to registration or issuance of a certificate  
75 20 of title shall not be issued until the tax is paid in the  
75 21 initial instance. Tax on the lease transaction that does not  
75 22 require titling or registration of the vehicle shall be  
75 23 remitted to the department. Tax and the reporting of tax due  
75 24 to the department shall be remitted on or before fifteen days  
75 25 from the last day of the month that the vehicle lease tax  
75 26 becomes due. Failure to timely report or remit any of the tax  
75 27 when due shall result in a penalty and interest being imposed  
75 28 on the tax due pursuant to section 423.40, subsection 1, and  
75 29 section 423.42, subsection 1.

75 30 2. The amount subject to tax shall be computed on each  
75 31 separate lease transaction by taking the total of the lease  
75 32 payments, plus the down payment, and excluding all of the  
75 33 following:

- 75 34 a. Title fee.
- 75 35 b. Registration fees.
- 76 1 c. Vehicle lease tax pursuant to this section.
- 76 2 d. Federal excise taxes attributable to the sale of the  
76 3 vehicle to the owner or to the lease of the vehicle by the  
76 4 owner.
- 76 5 e. Optional service or warranty contracts subject to tax  
76 6 pursuant to section 423.2, subsection 1.
- 76 7 f. Insurance.
- 76 8 g. Manufacturer's rebate.
- 76 9 h. Refundable deposit.
- 76 10 i. Finance charges, if any, on items listed in paragraphs  
76 11 "a" through "h".

76 12 If any or all of the items in paragraphs "a" through "i"  
76 13 are excluded from the taxable lease price, the owner shall  
76 14 maintain adequate records of the amounts of those items. If  
76 15 the parties to a lease enter into an agreement providing that  
76 16 the tax imposed under this statute is to be paid by the lessee  
76 17 or included in the monthly lease payments to be paid by the  
76 18 lessee, the total cost of the tax shall not be included in the  
76 19 computation of lease price for the purpose of taxation under  
76 20 this section. The county treasurer, the state department of  
76 21 transportation, or the department of revenue and finance shall  
76 22 require every applicant for a registration receipt for a  
76 23 vehicle subject to tax under this section to supply  
76 24 information as the county treasurer or director deems

76 25 necessary as to the date of the lease transaction, the lease  
76 26 price, and other information relative to the lease of the  
76 27 vehicle.

76 28 3. On or before the tenth day of each month, the county  
76 29 treasurer or the state department of transportation shall  
76 30 remit to the department the amount of the taxes collected  
76 31 during the preceding month.

76 32 4. If the lease is terminated prior to the termination  
76 33 date contained in the lease agreement, no refund shall be  
76 34 allowed for tax previously paid under this section, except as  
76 35 provided in section 322G.4.

77 1 Sec. 28. NEW SECTION. 423.28 SALES TAX REPORT ==  
77 2 DEDUCTION.

77 3 Motor vehicle or trailer dealers, in making their reports  
77 4 and returns to the department for the purpose of paying the  
77 5 sales tax, shall be permitted to deduct all sales prices from  
77 6 retail sales of vehicles subject to registration or subject  
77 7 only to the issuance of a certificate of title. Sales prices  
77 8 from sales of vehicles subject to registration or subject only  
77 9 to the issuance of a certificate of title are exempted from  
77 10 the sales tax, but, if required by the director, the sales  
77 11 prices shall be included in the returns made by motor vehicle  
77 12 or trailer dealers under division II, and proper deductions  
77 13 taken pursuant to this section.

77 14 Sec. 29. NEW SECTION. 423.29 COLLECTIONS BY SELLERS.

77 15 Every seller who is a retailer and who is making taxable  
77 16 sales of tangible personal property in Iowa shall, at the time  
77 17 of selling the property, collect the sales tax. Every seller  
77 18 who is a retailer maintaining a place of business in this  
77 19 state and selling tangible personal property for use in Iowa  
77 20 shall, at the time of making the sale, whether within or  
77 21 without the state, collect the use tax. Sellers required to  
77 22 collect sales or use tax shall give to any purchaser a receipt  
77 23 for the tax collected in the manner and form prescribed by the  
77 24 director.

77 25 Every seller who is a retailer furnishing taxable services  
77 26 in Iowa and every seller who is a retailer maintaining a place  
77 27 of business in this state and furnishing taxable services in  
77 28 Iowa or services outside Iowa if the product or result of the  
77 29 service is used in Iowa shall be subject to the provisions of  
77 30 the preceding paragraph.

77 31 Sec. 30. NEW SECTION. 423.30 FOREIGN SELLERS NOT  
77 32 REGISTERED UNDER THE AGREEMENT.

77 33 The director may, upon application, authorize the  
77 34 collection of the use tax by any seller who is a retailer not  
77 35 maintaining a place of business within this state and not  
78 1 registered under the agreement, who, to the satisfaction of  
78 2 the director, furnishes adequate security to ensure collection  
78 3 and payment of the tax. Such sellers shall be issued, without  
78 4 charge, permits to collect tax subject to any regulations  
78 5 which the director shall prescribe. When so authorized, it  
78 6 shall be the duty of foreign sellers to collect the tax upon  
78 7 all tangible personal property sold, to the retailer's  
78 8 knowledge, for use within this state, in the same manner and  
78 9 subject to the same requirements as a retailer maintaining a  
78 10 place of business within this state. The authority and permit  
78 11 may be canceled when, at any time, the director considers the  
78 12 security inadequate, or that tax can more effectively be  
78 13 collected from the person using property in this state.

78 14 The discretionary power granted in this section is extended  
78 15 to apply in the case of foreign retailers furnishing services  
78 16 enumerated in section 423.2.

78 17 Sec. 31. NEW SECTION. 423.31 FILING OF SALES TAX RETURNS  
78 18 AND PAYMENT OF SALES TAX.

78 19 1. Each person subject to this section and section 423.36  
78 20 and in accordance with the provisions of this section and  
78 21 section 423.36 shall, on or before the last day of the month  
78 22 following the close of each calendar quarter during which such  
78 23 person is or has become or ceased being subject to the  
78 24 provisions of this section and section 423.36, make, sign, and  
78 25 file a return for the calendar quarter in the form as may be  
78 26 required. Returns shall show information relating to sales  
78 27 prices including goods, wares, and services converted to the  
78 28 use of such person, the amounts of sales prices excluded and  
78 29 exempt from the tax, the amounts of sales prices subject to  
78 30 tax, a calculation of tax due, and any other information for  
78 31 the period covered by the return as may be required. Returns  
78 32 shall be signed by the retailer or the retailer's authorized  
78 33 agent and must be certified by the retailer to be correct in  
78 34 accordance with forms and rules prescribed by the director.

78 35 2. Persons required to file, or committed to file by

79 1 reason of voluntary action or by order of the department,  
79 2 deposits of taxes due under this division shall be entitled to  
79 3 take credit against the total quarterly amount of tax due such  
79 4 amount as shall have been deposited by such persons during  
79 5 that calendar quarter. The balance remaining due after such  
79 6 credit for deposits shall be entered on the return. However,  
79 7 such person may be granted an extension of time not exceeding  
79 8 thirty days for filing the quarterly return, upon a proper  
79 9 showing of necessity. If an extension is granted, such person  
79 10 shall have paid by the twentieth day of the month following  
79 11 the close of such quarter ninety percent of the estimated tax  
79 12 due.

79 13 3. The sales tax forms prescribed by the director shall be  
79 14 referred to as "retailers tax deposit". Deposit forms shall  
79 15 be signed by the retailer or the retailer's duly authorized  
79 16 agent, and shall be duly certified by the retailer or agent to  
79 17 be correct. The director may authorize incorporated banks and  
79 18 trust companies or other depositories authorized by law which  
79 19 are depositories or financial agents of the United States, or  
79 20 of this state, to receive any sales tax imposed under this  
79 21 chapter, in the manner, at the times, and under the conditions  
79 22 the director prescribes. The director shall prescribe the  
79 23 manner, times, and conditions under which the receipt of the  
79 24 tax by those depositories is to be treated as payment of the  
79 25 tax to the department.

79 26 4. Every retailer at the time of making any return  
79 27 required by this section shall compute and pay to the  
79 28 department the tax due for the preceding period. The tax on  
79 29 sales prices from the sale or rental of tangible personal  
79 30 property under a consumer rental purchase agreement as defined  
79 31 in section 537.3604, subsection 8, is payable in the tax  
79 32 period of receipt.

79 33 5. Upon making application and receiving approval from the  
79 34 director, a parent corporation and its affiliated corporations  
79 35 that make retail sales of tangible personal property or  
80 1 taxable enumerated services may make deposits and file a  
80 2 consolidated sales tax return for the affiliated group,  
80 3 pursuant to rules adopted by the director. A parent  
80 4 corporation and each affiliate corporation that files a  
80 5 consolidated return are jointly and severally liable for all  
80 6 tax, penalty, and interest found due for the tax period for  
80 7 which a consolidated return is filed or required to be filed.

80 8 A business required to file a consolidated sales tax return  
80 9 shall file a form entitled "schedule of consolidated business  
80 10 locations" with its quarterly sales tax return that shows the  
80 11 taxpayer's consolidated permit number, the permit number for  
80 12 each Iowa business location, the state sales tax amount by  
80 13 business location, and the amount of state sales tax due on  
80 14 goods consumed that are not assigned to a specific business  
80 15 location. Consolidated quarterly sales tax returns that are  
80 16 not accompanied by the schedule of consolidated business  
80 17 locations form are considered incomplete and are subject to  
80 18 penalty under section 421.27.

80 19 6. If necessary or advisable in order to insure the  
80 20 payment of the tax, the director may require returns and  
80 21 payment of the tax to be made for other than quarterly  
80 22 periods, the provisions of this section, or other provision to  
80 23 the contrary notwithstanding.

80 24 Sec. 32. NEW SECTION. 423.32 FILING OF USE TAX RETURNS  
80 25 AND PAYMENT OF USE TAX.

80 26 1. A retailer maintaining a place of business in this  
80 27 state who is required to collect or a user who is required to  
80 28 pay the use tax or a foreign retailer authorized, pursuant to  
80 29 section 423.30, to collect the use tax, shall remit to the  
80 30 department the amount of tax on or before the last day of the  
80 31 month following each calendar quarterly period. However, a  
80 32 retailer who collects or owes more than fifteen hundred  
80 33 dollars in use taxes in a month shall deposit with the  
80 34 department or in a depository authorized by law and designated  
80 35 by the director, the amount collected or owed, with a deposit  
81 1 form for the month as prescribed by the director.

81 2 a. The deposit form is due on or before the twentieth day  
81 3 of the month following the month of collection, except a  
81 4 deposit is not required for the third month of the calendar  
81 5 quarter, and the total quarterly amount, less the amounts  
81 6 deposited for the first two months of the quarter, is due with  
81 7 the quarterly report on the last day of the month following  
81 8 the month of collection. At that time, the retailer shall  
81 9 file with the department a return for the preceding quarterly  
81 10 period in the form prescribed by the director showing the  
81 11 purchase price of the tangible personal property sold by the

81 12 retailer during the preceding quarterly period, the use of  
81 13 which is subject to the use tax imposed by this chapter, and  
81 14 other information the director deems necessary for the proper  
81 15 administration of the use tax.

81 16 b. The return shall be accompanied by a remittance of the  
81 17 use tax for the period covered by the return. If necessary in  
81 18 order to ensure payment to the state of the tax, the director  
81 19 may in any or all cases require returns and payments to be  
81 20 made for other than quarterly periods. The director, upon  
81 21 request and a proper showing of necessity, may grant an  
81 22 extension of time not to exceed thirty days for making any  
81 23 return and payment. Returns shall be signed, in accordance  
81 24 with forms and rules prescribed by the director, by the  
81 25 retailer or the retailer's authorized agent, and shall be  
81 26 certified by the retailer or agent to be correct.

81 27 2. If it is reasonably expected, as determined by rules  
81 28 prescribed by the director, that a retailer's annual sales or  
81 29 use tax liability will not exceed one hundred twenty dollars  
81 30 for a calendar year, the retailer may request and the director  
81 31 may grant permission to the retailer, in lieu of the quarterly  
81 32 filing and remitting requirements set out elsewhere in this  
81 33 section, to file the return required by and remit the sales or  
81 34 use tax due under this section on a calendar-year basis. The  
81 35 return and tax are due and payable no later than January 31  
82 1 following each calendar year in which the retailer carries on  
82 2 business.

82 3 3. The director, in cooperation with the department of  
82 4 management, may periodically change the filing and remittance  
82 5 thresholds by administrative rule if in the best interests of  
82 6 the state and taxpayer to do so.

82 7 Sec. 33. NEW SECTION. 423.33 LIABILITY OF PERSONS OTHER  
82 8 THAN RETAILERS FOR PAYMENT OF SALES OR USE TAX.

82 9 1. LIABILITY OF PURCHASER FOR SALES TAX. If a purchaser  
82 10 fails to pay sales tax to the retailer required to collect the  
82 11 tax, then in addition to all of the rights, obligations, and  
82 12 remedies provided, the tax is payable by the purchaser  
82 13 directly to the department, and sections 423.31, 423.32,  
82 14 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to  
82 15 the purchaser. For failure to pay, the retailer and purchaser  
82 16 are liable, unless the circumstances described in section  
82 17 421.60, subsection 2, paragraph "m", or section 423.45,  
82 18 subsection 4, paragraph "b" or "e", or subsection 5, paragraph  
82 19 "c" or "e", are applicable.

82 20 2. IMMEDIATE SUCCESSOR LIABILITY FOR SALES OR USE TAX. If  
82 21 a retailer sells the retailer's business or stock of goods or  
82 22 quits the business, the retailer shall prepare a final return  
82 23 and pay all sales or use tax due within the time required by  
82 24 law. The immediate successor to the retailer, if any, shall  
82 25 withhold a sufficient portion of the purchase price, in money  
82 26 or money's worth, to pay the amount of delinquent tax,  
82 27 interest, or penalty due and unpaid. If the immediate  
82 28 successor of the business or stock of goods intentionally  
82 29 fails to withhold the amount due from the purchase price as  
82 30 provided in this subsection, the immediate successor is  
82 31 personally liable for the payment of delinquent taxes,  
82 32 interest, and penalty accrued and unpaid on account of the  
82 33 operation of the business by the immediate former retailer,  
82 34 except when the purchase is made in good faith as provided in  
82 35 section 421.28. However, a person foreclosing on a valid  
83 1 security interest or retaking possession of premises under a  
83 2 valid lease is not an "immediate successor" for purposes of  
83 3 this section. The department may waive the liability of the  
83 4 immediate successor under this subsection if the immediate  
83 5 successor exercised good faith in establishing the amount of  
83 6 the previous liability.

83 7 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A person  
83 8 sponsoring a flea market or a craft, antique, coin, or stamp  
83 9 show or similar event shall obtain from every retailer selling  
83 10 tangible personal property or taxable services at the event  
83 11 proof that the retailer possesses a valid sales tax permit or  
83 12 secure from the retailer a statement, taken in good faith,  
83 13 that property or services offered for sale are not subject to  
83 14 sales tax. Failure to do so renders a sponsor of the event  
83 15 liable for payment of any sales tax, interest, and penalty due  
83 16 and owing from any retailer selling property or services at  
83 17 the event. Sections 423.31, 423.32, 423.37, 423.38, 423.39,  
83 18 423.40, 423.41, and 423.42 apply to the sponsors. For  
83 19 purposes of this subsection, a person sponsoring a flea market  
83 20 or a craft, antique, coin, or stamp show or similar event does  
83 21 not include an organization which sponsors an event less than  
83 22 three times a year or a state, county, or district

83 23 agricultural fair.

83 24 Sec. 34. NEW SECTION. 423.34 LIABILITY OF USER.

83 25 Any person who uses any property or services enumerated in  
83 26 section 423.2 upon which the use tax has not been paid, either  
83 27 to the county treasurer or to a retailer or direct to the  
83 28 department as required by this division, shall be liable for  
83 29 the payment of tax, and shall on or before the last day of the  
83 30 month next succeeding each quarterly period pay the use tax  
83 31 upon all property or services used by the person during the  
83 32 preceding quarterly period in the manner and accompanied by  
83 33 such returns as the director shall prescribe. All of the  
83 34 provisions of sections 423.32 and 423.33 with reference to the  
83 35 returns and payments shall be applicable to the returns and  
84 1 payments required by this section.

84 2 Sec. 35. NEW SECTION. 423.35 POSTING OF BOND TO SECURE  
84 3 PAYMENT.

84 4 The director may, when necessary and advisable in order to  
84 5 secure the collection of the sales or use tax, authorize any  
84 6 person subject to either tax, and any retailer required or  
84 7 authorized to collect those taxes pursuant to the provisions  
84 8 of section 423.14, to file with the department a bond, issued  
84 9 by a surety company authorized to transact business in this  
84 10 state and approved by the insurance commissioner as to  
84 11 solvency and responsibility, in an amount as the director may  
84 12 fix, to secure the payment of any tax, interest, or penalties  
84 13 due or which may become due from such person. In lieu of a  
84 14 bond, securities approved by the director, in an amount which  
84 15 the director may prescribe, may be deposited with the  
84 16 department, which securities shall be kept in the custody of  
84 17 the department and may be sold by the director at public or  
84 18 private sale, without notice to the depositor, if it becomes  
84 19 necessary to do so in order to recover any tax, interest, or  
84 20 penalties due. Upon the sale, the surplus, if any, above the  
84 21 amounts due under this chapter shall be returned to the person  
84 22 who deposited the securities.

84 23 Sec. 36. NEW SECTION. 423.36 PERMITS REQUIRED TO COLLECT  
84 24 SALES OR USE TAX == APPLICATIONS == REVOCATION.

84 25 1. A person shall not engage in or transact business as a  
84 26 retailer making taxable sales of tangible personal property or  
84 27 furnishing services within this state or as a retailer making  
84 28 taxable sales of tangible personal property or furnishing  
84 29 services for use within this state, unless a permit has been  
84 30 issued to the retailer under this section, except as provided  
84 31 in subsection 6. Every person desiring to engage in or  
84 32 transact business as a retailer shall file with the department  
84 33 an application for a permit to collect sales or use tax.  
84 34 Every application for a sales or use tax permit shall be made  
84 35 upon a form prescribed by the director and shall set forth any  
85 1 information the director may require. The application shall  
85 2 be signed by an owner of the business if a natural person; in  
85 3 the case of a retailer which is an association or partnership,  
85 4 by a member or partner; and in the case of a retailer which is  
85 5 a corporation, by an executive officer or some person  
85 6 specifically authorized by the corporation to sign the  
85 7 application, to which shall be attached the written evidence  
85 8 of the person's authority.

85 9 2. To collect sales or use tax, the applicant must have a  
85 10 permit for each place of business in the state of Iowa. The  
85 11 department may deny a permit to an applicant who is  
85 12 substantially delinquent in paying a tax due, or the interest  
85 13 or penalty on the tax, administered by the department at the  
85 14 time of application. If the applicant is a partnership, a  
85 15 permit may be denied if a partner is substantially delinquent  
85 16 in paying any delinquent tax, penalty, or interest. If the  
85 17 applicant is a corporation, a permit may be denied if any  
85 18 officer having a substantial legal or equitable interest in  
85 19 the ownership of the corporation owes any delinquent tax,  
85 20 penalty, or interest.

85 21 3. The department shall grant and issue to each applicant  
85 22 a permit for each place of business in this state where sales  
85 23 or use tax is collected. A permit is not assignable and is  
85 24 valid only for the person in whose name it is issued and for  
85 25 the transaction of business at the place designated or at a  
85 26 place of relocation within the state if the ownership remains  
85 27 the same.

85 28 If an applicant is making sales outside Iowa for use in  
85 29 this state or furnishing services outside Iowa, the product or  
85 30 result of which will be used in this state, that applicant  
85 31 shall be issued one use tax permit by the department  
85 32 applicable to these out-of-state sales or services.

85 33 4. Permits issued under this section are valid and

85 34 effective until revoked by the department.

85 35 5. If the holder of a permit fails to comply with any of  
86 1 the provisions of this division or of division II or III or  
86 2 any order or rule of the department adopted under those  
86 3 divisions or is substantially delinquent in the payment of a  
86 4 tax administered by the department or the interest or penalty  
86 5 on the tax, or if the person is a corporation and if any  
86 6 officer having a substantial legal or equitable interest in  
86 7 the ownership of the corporation owes any delinquent tax of  
86 8 the permit-holding corporation, or interest or penalty on the  
86 9 tax, administered by the department, the director may revoke  
86 10 the permit. The director shall send notice by mail to a  
86 11 permit holder informing that person of the director's intent  
86 12 to revoke the permit and of the permit holder's right to a  
86 13 hearing on the matter. If the permit holder petitions the  
86 14 director for a hearing on the proposed revocation, after  
86 15 giving ten days' notice of the time and place of the hearing  
86 16 in accordance with section 17A.18, subsection 3, the matter  
86 17 may be heard and a decision rendered. The director may  
86 18 restore permits after revocation. The director shall adopt  
86 19 rules setting forth the period of time a retailer must wait  
86 20 before a permit may be restored or a new permit may be issued.  
86 21 The waiting period shall not exceed ninety days from the date  
86 22 of the revocation of the permit.

86 23 6. Sellers who are not regularly engaged in selling at  
86 24 retail and do not have a permanent place of business, but who  
86 25 are temporarily engaged in selling from trucks, portable  
86 26 roadside stands, concessionaires at state, county, district,  
86 27 or local fairs, carnivals, or the like, shall report and remit  
86 28 the sales tax on a temporary basis, under rules the director  
86 29 shall provide for the efficient collection of the sales tax.  
86 30 This subsection applies to sellers who are temporarily engaged  
86 31 in furnishing services.

86 32 Persons engaged in selling tangible personal property or  
86 33 furnishing services shall not be required to obtain or retain  
86 34 a sales tax permit for a place of business at which taxable  
86 35 sales of tangible personal property or taxable performance of  
87 1 services will not occur.

87 2 7. The provisions of subsection 1, dealing with the lawful  
87 3 right of a retailer to transact business, as applicable, apply  
87 4 to persons having receipts from furnishing services enumerated  
87 5 in section 423.2, except that a person holding a permit  
87 6 pursuant to subsection 1 shall not be required to obtain any  
87 7 separate sales tax permit for the purpose of engaging in  
87 8 business involving the services.

87 9 8. a. Except as provided in paragraph "b", purchasers,  
87 10 users, and consumers of tangible personal property or  
87 11 enumerated services taxed pursuant to division II or III of  
87 12 this chapter or chapters 423B and 423E may be authorized,  
87 13 pursuant to rules adopted by the director, to remit tax owed  
87 14 directly to the department instead of the tax being collected  
87 15 and paid by the seller. To qualify for a direct pay tax  
87 16 permit, the purchaser, user, or consumer must accrue a tax  
87 17 liability of more than four thousand dollars in tax under  
87 18 divisions II and III in a semimonthly period and make deposits  
87 19 and file returns pursuant to section 423.31. This authority  
87 20 shall not be granted or exercised except upon application to  
87 21 the director and then only after issuance by the director of a  
87 22 direct pay tax permit.

87 23 b. The granting of a direct pay tax permit is not  
87 24 authorized for any of the following:

87 25 (1) Taxes imposed on the sales, furnishing, or service of  
87 26 gas, electricity, water, heat, pay television service, and  
87 27 communication service.

87 28 (2) Taxes imposed under sections 423.26 and 423.27 and  
87 29 chapter 423C.

87 30 Sec. 37. NEW SECTION. 423.37 FAILURE TO FILE SALES OR  
87 31 USE TAX RETURNS == INCORRECT RETURNS.

87 32 1. As soon as practicable after a return is filed and in  
87 33 any event within three years after the return is filed, the  
87 34 department shall examine it, assess and determine the tax due  
87 35 if the return is found to be incorrect, and give notice to the  
88 1 person liable for the tax of the assessment and determination  
88 2 as provided in subsection 2. The period for the examination  
88 3 and determination of the correct amount of tax is unlimited in  
88 4 the case of a false or fraudulent return made with the intent  
88 5 to evade tax or in the case of a failure to file a return.

88 6 2. If a return required by this division is not filed, or  
88 7 if a return when filed is incorrect or insufficient and the  
88 8 maker fails to file a corrected or sufficient return within  
88 9 twenty days after the same is required by notice from the

88 10 department, the department shall determine the amount of tax  
88 11 due from information as the department may be able to obtain  
88 12 and, if necessary, may estimate the tax on the basis of  
88 13 external indices, such as number of employees of the person  
88 14 concerned, rentals paid by the person, stock on hand, or other  
88 15 factors. The department shall give notice of the  
88 16 determination to the person liable for the tax. The  
88 17 determination shall fix the tax unless the person against whom  
88 18 it is assessed shall, within sixty days after the giving of  
88 19 notice of the determination, apply to the director for a  
88 20 hearing or unless the taxpayer contests the determination by  
88 21 paying the tax, interest, and penalty and timely filing a  
88 22 claim for refund. At the hearing evidence may be offered to  
88 23 support the determination or to prove that it is incorrect.  
88 24 After the hearing the director shall give notice of the  
88 25 decision to the person liable for the tax.

88 26 3. The three-year period of limitation provided in  
88 27 subsection 1 may be extended by a taxpayer by signing a waiver  
88 28 agreement form to be provided by the department. The  
88 29 agreement shall stipulate the period of extension and the tax  
88 30 period to which the extension applies. The agreement shall  
88 31 also provide that a claim for refund may be filed by the  
88 32 taxpayer at any time during the period of extension.

88 33 Sec. 38. NEW SECTION. 423.38 JUDICIAL REVIEW.

88 34 1. Judicial review of actions of the director may be  
88 35 sought in accordance with the terms of the Iowa administrative  
89 1 procedure Act.

89 2 2. For cause and upon a showing by the director that  
89 3 collection of the tax in dispute is in doubt, the court may  
89 4 order the petitioner to file with the clerk a bond for the use  
89 5 of the respondent, with sureties approved by the clerk, in the  
89 6 amount of tax appealed from, conditioned that the petitioner  
89 7 shall perform the orders of the court.

89 8 3. An appeal may be taken by the taxpayer or the director  
89 9 to the supreme court of this state irrespective of the amount  
89 10 involved.

89 11 Sec. 39. NEW SECTION. 423.39 SERVICE OF NOTICES.

89 12 1. A notice authorized or required under this division may  
89 13 be given by mailing the notice to the person for whom it is  
89 14 intended, addressed to that person at the address given in the  
89 15 last return filed by the person pursuant to this division, or  
89 16 if no return has been filed, then to any address obtainable.  
89 17 The mailing of the notice is presumptive evidence of the  
89 18 receipt of the notice by the person to whom addressed. Any  
89 19 period of time which is determined according to this division  
89 20 by the giving of notice commences to run from the date of  
89 21 mailing of the notice.

89 22 2. The provisions of the Code relative to the limitation  
89 23 of time for the enforcement of a civil remedy shall not apply  
89 24 to any proceeding or action taken to levy, appraise, assess,  
89 25 determine, or enforce the collection of any tax or penalty  
89 26 provided by this chapter.

89 27 Sec. 40. NEW SECTION. 423.40 PENALTIES == OFFENSES ==  
89 28 LIMITATION.

89 29 1. In addition to the sales or use tax or additional sales  
89 30 or use tax, the taxpayer shall pay a penalty as provided in  
89 31 section 421.27. The taxpayer shall also pay interest on the  
89 32 sales or use tax or additional sales or use tax at the rate in  
89 33 effect under section 421.7 for each month counting each  
89 34 fraction of a month as an entire month, computed from the date  
89 35 the semimonthly or monthly tax deposit form or return was  
90 1 required to be filed. The penalty and interest shall be paid  
90 2 to the department and disposed of in the same manner as other  
90 3 receipts under this division. Unpaid penalties and interest  
90 4 may be enforced in the same manner as the taxes imposed by  
90 5 this chapter.

90 6 2. a. Any person who knowingly sells tangible personal  
90 7 property, tickets or admissions to places of amusement and  
90 8 athletic events, or gas, water, electricity, or communication  
90 9 service at retail, or engages in the furnishing of services  
90 10 enumerated in section 423.2, in this state without procuring a  
90 11 permit to collect tax, as provided in section 423.36, or who  
90 12 violates section 423.24 and the officers of any corporation  
90 13 who so act are guilty of a serious misdemeanor.

90 14 b. A person who knowingly sells tangible personal  
90 15 property, tickets or admissions to places of amusement and  
90 16 athletic events, or gas, water, electricity, or communication  
90 17 service at retail, or engages in the furnishing of services  
90 18 enumerated in section 423.2, in this state after the person's  
90 19 sales tax permit has been revoked and before it has been  
90 20 restored as provided in section 423.36, subsection 5, and the

90 21 officers of any corporation who so act are guilty of an  
90 22 aggravated misdemeanor.

90 23 3. A person who willfully attempts in any manner to evade  
90 24 any tax imposed by this chapter or the payment of the tax or a  
90 25 person who makes or causes to be made a false or fraudulent  
90 26 semimonthly or monthly tax deposit form or return with intent  
90 27 to evade any tax imposed by division II or III or the payment  
90 28 of the tax is guilty of a class "D" felony.

90 29 4. The certificate of the director to the effect that a  
90 30 tax has not been paid, that a return has not been filed, or  
90 31 that information has not been supplied pursuant to the  
90 32 provisions of this division shall be prima facie evidence  
90 33 thereof.

90 34 5. A person required to pay sales or use tax, or to make,  
90 35 sign, or file a tax deposit form or return or supplemental  
91 1 return, who willfully makes a false or fraudulent tax deposit  
91 2 form or return, or willfully fails to pay at least ninety  
91 3 percent of the tax or willfully fails to make, sign, or file  
91 4 the tax deposit form or return, at the time required by law,  
91 5 is guilty of a fraudulent practice.

91 6 6. A prosecution for an offense specified in this section  
91 7 shall be commenced within six years after its commission.

91 8 Sec. 41. NEW SECTION. 423.41 BOOKS == EXAMINATION.

91 9 Every retailer required or authorized to collect taxes  
91 10 imposed by this chapter and every person using in this state  
91 11 tangible personal property, services, or the product of  
91 12 services shall keep records, receipts, invoices, and other  
91 13 pertinent papers as the director shall require, in the form  
91 14 that the director shall require, for as long as the director  
91 15 has the authority to examine and determine tax due. The  
91 16 director or any duly authorized agent of the department may  
91 17 examine the books, papers, records, and equipment of any  
91 18 person either selling tangible personal property or services  
91 19 or liable for the tax imposed by this chapter, and investigate  
91 20 the character of the business of any person in order to verify  
91 21 the accuracy of any return made, or if a return was not made  
91 22 by the person, ascertain and determine the amount due under  
91 23 this chapter. These books, papers, and records shall be made  
91 24 available within this state for examination upon reasonable  
91 25 notice when the director deems it advisable and so orders.  
91 26 The preceding requirements shall likewise apply to users and  
91 27 persons furnishing services enumerated in section 423.2.

91 28 Sec. 42. NEW SECTION. 423.42 STATUTES APPLICABLE.

91 29 1. The director shall administer the taxes imposed by  
91 30 divisions II and III in the same manner and subject to all the  
91 31 provisions of, and all of the powers, duties, authority, and  
91 32 restrictions contained in, section 422.25, subsection 4,  
91 33 section 422.30, and sections 422.67 through 422.75.

91 34 2. All the provisions of section 422.26 shall apply in  
91 35 respect to the taxes and penalties imposed by divisions II and  
92 1 III and this division, except that, as applied to any tax  
92 2 imposed by divisions II and III, the lien provided in section  
92 3 422.26 shall be prior and paramount over all subsequent liens  
92 4 upon any personal property within this state, or right to such  
92 5 personal property, belonging to the taxpayer without the  
92 6 necessity of recording as provided in section 422.26. The  
92 7 requirements for recording shall, as applied to the taxes  
92 8 imposed by divisions II and III, apply only to the liens upon  
92 9 real property. When requested to do so by any person from  
92 10 whom a taxpayer is seeking credit, or with whom the taxpayer  
92 11 is negotiating the sale of any personal property, or by any  
92 12 other person having a legitimate interest in such information,  
92 13 the director shall, upon being satisfied that such a situation  
92 14 exists, inform that person as to the amount of unpaid taxes  
92 15 due by such taxpayer under the provisions of divisions II and  
92 16 III. The giving of this information under these circumstances  
92 17 shall not be deemed a violation of section 422.72 as applied  
92 18 to divisions II and III.

92 19 Sec. 43. NEW SECTION. 423.43 DEPOSIT OF REVENUE ==  
92 20 APPROPRIATIONS.

92 21 Except as otherwise provided in section 312.2, subsection  
92 22 15, all revenues derived from the use tax on motor vehicles,  
92 23 trailers, and motor vehicle accessories and equipment as  
92 24 collected pursuant to sections 423.26 and 423.27 shall be  
92 25 deposited and credited to the road use tax fund and shall be  
92 26 used exclusively for the construction, maintenance, and  
92 27 supervision of public highways.

92 28 1. Notwithstanding any provision of this section which  
92 29 provides that all revenues derived from the use tax on motor  
92 30 vehicles, trailers, and motor vehicle accessories and  
92 31 equipment as collected pursuant to sections 423.26 and 423.27

92 32 shall be deposited and credited to the road use tax fund,  
92 33 eighty percent of the revenues shall be deposited and credited  
92 34 as follows:

92 35 a. Twenty=five percent of all such revenue, up to a  
93 1 maximum of four million two hundred fifty thousand dollars per  
93 2 quarter, shall be deposited into and credited to the Iowa  
93 3 comprehensive petroleum underground storage tank fund created  
93 4 in section 455G.3, and the moneys so deposited are a  
93 5 continuing appropriation for expenditure under chapter 455G,  
93 6 and moneys so appropriated shall not be used for other  
93 7 purposes.

93 8 b. Any such revenues remaining shall be credited to the  
93 9 road use tax fund.

93 10 2. Notwithstanding any other provision of this section  
93 11 that provides that all revenue derived from the use tax on  
93 12 motor vehicles, trailers, and motor vehicle accessories and  
93 13 equipment as collected pursuant to section 423.26 shall be  
93 14 deposited and credited to the road use tax fund, twenty  
93 15 percent of the revenues shall be credited and deposited as  
93 16 follows: one-half to the road use tax fund and one-half to  
93 17 the primary road fund to be used for the commercial and  
93 18 industrial highway network.

93 19 3. All other revenue arising under the operation of this  
93 20 chapter shall be credited to the general fund of the state.

93 21 Sec. 44. NEW SECTION. 423.44 REIMBURSEMENT FOR PRIMARY  
93 22 ROAD FUND.

93 23 From moneys deposited into the road use tax fund, the  
93 24 department may credit to the primary road fund any amount of  
93 25 revenues derived from the use tax on motor vehicles, trailers,  
93 26 and motor vehicle accessories and equipment as collected  
93 27 pursuant to sections 423.26 and 423.27 to the extent necessary  
93 28 to reimburse that fund for the expenditures not otherwise  
93 29 eligible to be made from the primary road fund, which are made  
93 30 for repairing, improving, and maintaining bridges over the  
93 31 rivers bordering the state. Expenditures for those portions  
93 32 of bridges within adjacent states may be included when they  
93 33 are made pursuant to an agreement entered into under section  
93 34 313.63, 313A.34, or 314.10.

93 35 Sec. 45. NEW SECTION. 423.45 REFUNDS == EXEMPTION  
94 1 CERTIFICATES.

94 2 1. If an amount of tax represented by a retailer to a  
94 3 consumer or user as constituting tax due is computed upon a  
94 4 sales price that is not taxable or the amount represented is  
94 5 in excess of the actual taxable amount and the amount  
94 6 represented is actually paid by the consumer or user to the  
94 7 retailer, the excess amount of tax paid shall be returned to  
94 8 the consumer or user upon notification to the retailer by the  
94 9 department that an excess payment exists.

94 10 2. If an amount of tax represented by a retailer to a  
94 11 consumer or user as constituting tax due is computed upon a  
94 12 sales price that is not taxable or the amount represented is  
94 13 in excess of the actual taxable amount and the amount  
94 14 represented is actually paid by the consumer or user to the  
94 15 retailer, the excess amount of tax paid shall be returned to  
94 16 the consumer or user upon proper notification to the retailer  
94 17 by the consumer or user that an excess payment exists.  
94 18 "Proper" notification is written notification which allows a  
94 19 retailer at least sixty days to respond and which contains  
94 20 enough information to allow a retailer to determine the  
94 21 validity of a consumer's or user's claim that an excess amount  
94 22 of tax has been paid. No cause of action shall accrue against  
94 23 a retailer for excess tax paid until sixty days after proper  
94 24 notice has been given the retailer by the consumer or user.

94 25 3. In the circumstances described in subsections 1 and 2,  
94 26 a retailer has the option to either return any excess amount  
94 27 of tax paid to a consumer or user, or to remit the amount  
94 28 which a consumer or user has paid to the retailer to the  
94 29 department.

94 30 4. a. The department shall issue or the seller may  
94 31 separately provide exemption certificates in the form  
94 32 prescribed by the director, including certificates not made of  
94 33 paper, which conform to the requirements of paragraph "c", to  
94 34 assist retailers in properly accounting for nontaxable sales  
94 35 of tangible personal property or services to purchasers for a  
95 1 nontaxable purpose. The department shall also allow the use  
95 2 of exemption certificates for those circumstances in which a  
95 3 sale is taxable but the seller is not obligated to collect tax  
95 4 from the buyer.

95 5 b. The sales tax liability for all sales of tangible  
95 6 personal property and all sales of services is upon the seller  
95 7 and the purchaser unless the seller takes in good faith from

95 8 the purchaser a valid exemption certificate stating under  
95 9 penalty of perjury that the purchase is for a nontaxable  
95 10 purpose and is not a retail sale as defined in section 423.1,  
95 11 or the seller is not obligated to collect tax due, or unless  
95 12 the seller takes a fuel exemption certificate pursuant to  
95 13 subsection 5. If the tangible personal property or services  
95 14 are purchased tax free pursuant to a valid exemption  
95 15 certificate which is taken in good faith by the seller, and  
95 16 the tangible personal property or services are used or  
95 17 disposed of by the purchaser in a nonexempt manner, the  
95 18 purchaser is solely liable for the taxes and shall remit the  
95 19 taxes directly to the department and sections 423.31, 423.32,  
95 20 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply  
95 21 to the purchaser.

95 22 c. A valid exemption certificate is an exemption  
95 23 certificate which is complete and correct according to the  
95 24 requirements of the director.

95 25 d. A valid exemption certificate is taken in good faith by  
95 26 the seller when the seller has exercised that caution and  
95 27 diligence which honest persons of ordinary prudence would  
95 28 exercise in handling their own business affairs, and includes  
95 29 an honesty of intention and freedom from knowledge of  
95 30 circumstances which ought to put one upon inquiry as to the  
95 31 facts. In order for a seller to take a valid exemption  
95 32 certificate in good faith, the seller must exercise reasonable  
95 33 prudence to determine the facts supporting the valid exemption  
95 34 certificate, and if any facts upon such certificate would lead  
95 35 a reasonable person to further inquiry, such inquiry must be  
96 1 made with an honest intent to discover the facts.

96 2 e. If the circumstances change and as a result the  
96 3 tangible personal property or services are used or disposed of  
96 4 by the purchaser in a nonexempt manner or the purchaser  
96 5 becomes obligated to pay the tax, the purchaser is liable  
96 6 solely for the taxes and shall remit the taxes directly to the  
96 7 department in accordance with this subsection.

96 8 5. a. The department shall issue or the seller may  
96 9 separately provide fuel exemption certificates in the form  
96 10 prescribed by the director.

96 11 b. For purposes of this subsection:

96 12 (1) "Fuel" includes gas, electricity, water, heat, steam,  
96 13 and any other tangible personal property consumed in creating  
96 14 heat, power, or steam.

96 15 (2) "Fuel consumed in processing" means fuel used or  
96 16 consumed for processing including grain drying, for providing  
96 17 heat or cooling for livestock buildings or for greenhouses or  
96 18 buildings or parts of buildings dedicated to the production of  
96 19 flowering, ornamental, or vegetable plants intended for sale  
96 20 in the ordinary course of business, for use in aquaculture  
96 21 production, or for generating electric current, or in  
96 22 implements of husbandry engaged in agricultural production.

96 23 (3) "Fuel exemption certificate" means an exemption  
96 24 certificate given by the purchaser under penalty of perjury to  
96 25 assist retailers in properly accounting for nontaxable sales  
96 26 of fuel consumed in processing.

96 27 (4) "Substantial change" means a change in the use or  
96 28 disposition of tangible personal property and services by the  
96 29 purchaser such that the purchaser pays less than ninety  
96 30 percent of the purchaser's actual sales tax liability. A  
96 31 change includes a misstatement of facts in an application made  
96 32 pursuant to paragraph "d" or in a fuel exemption certificate.

96 33 c. The seller may accept a completed fuel exemption  
96 34 certificate, as prepared by the purchaser, for three years  
96 35 unless the purchaser files a new completed exemption

97 1 certificate. If the fuel is purchased tax free pursuant to a  
97 2 fuel exemption certificate which is taken by the seller, and  
97 3 the fuel is used or disposed of by the purchaser in a  
97 4 nonexempt manner, the purchaser is solely liable for the  
97 5 taxes, and shall remit the taxes directly to the department  
97 6 and sections 423.31, 423.32, 423.37, 423.38, 423.39, 423.40,  
97 7 423.41, and 423.42 shall apply to the purchaser.

97 8 d. The purchaser may apply to the department for its  
97 9 review of the fuel exemption certificate. In this event, the  
97 10 department shall review the fuel exemption certificate within  
97 11 twelve months from the date of application and determine the  
97 12 correct amount of the exemption. If the amount determined by  
97 13 the department is different than the amount that the purchaser  
97 14 claims is exempt, the department shall promptly notify the  
97 15 purchaser of the determination. Failure of the department to  
97 16 make a determination within twelve months from the date of  
97 17 application shall constitute a determination that the fuel  
97 18 exemption certificate is correct as submitted. A

97 19 determination of exemption by the department is final unless  
97 20 the purchaser appeals to the director for a revision of the  
97 21 determination within sixty days after the date of the notice  
97 22 of determination. The director shall grant a hearing, and  
97 23 upon the hearing, the director shall determine the correct  
97 24 exemption and notify the purchaser of the decision by mail.  
97 25 The decision of the director is final unless the purchaser  
97 26 seeks judicial review of the director's decision under section  
97 27 423.38 within sixty days after the date of the notice of the  
97 28 director's decision. Unless there is a substantial change,  
97 29 the department shall not impose penalties pursuant to section  
97 30 423.40 both retroactively to purchases made after the date of  
97 31 application and prospectively until the department gives  
97 32 notice to the purchaser that a tax or additional tax is due,  
97 33 for failure to remit any tax due which is in excess of a  
97 34 determination made under this section. A determination made  
97 35 by the department pursuant to this subsection does not

98 1 constitute an audit for purposes of section 423.37.  
98 2 e. If the circumstances change and the fuel is used or  
98 3 disposed of by the purchaser in a nonexempt manner, the  
98 4 purchaser is solely liable for the taxes and shall remit the  
98 5 taxes directly to the department in accordance with paragraph  
98 6 "c".

98 7 f. The purchaser shall attach documentation to the fuel  
98 8 exemption certificate which is reasonably necessary to support  
98 9 the exemption for fuel consumed in processing. If the  
98 10 purchaser files a new exemption certificate with the seller,  
98 11 documentation shall not be required if the purchaser  
98 12 previously furnished the seller with this documentation and  
98 13 substantial change has not occurred since that documentation  
98 14 was furnished or if fuel consumed in processing is separately  
98 15 metered and billed by the seller.

98 16 6. Nothing in this section authorizes any cause of action  
98 17 by any person to recover sales or use taxes directly from the  
98 18 state or extends any person's time to seek a refund of sales  
98 19 or use taxes which have been collected and remitted to the  
98 20 state.

98 21 Sec. 46. NEW SECTION. 423.46 RATE AND BASE CHANGES.

98 22 The department shall make a reasonable effort to provide  
98 23 sellers with as much advance notice as practicable of a rate  
98 24 change and to notify sellers of legislative changes in the tax  
98 25 base and amendments to sales and use tax rules. Failure of a  
98 26 seller to receive notice or failure of this state to provide  
98 27 notice or limit the effective date of a rate change shall not  
98 28 relieve the seller of its obligation to collect sales or use  
98 29 taxes for this state.

98 30 Sec. 47. NEW SECTION. 423.47 REFUNDS AND CREDITS.

98 31 If it shall appear that, as a result of mistake, an amount  
98 32 of tax, penalty, or interest has been paid which was not due  
98 33 under the provisions of this chapter, such amount shall be  
98 34 credited against any tax due, or to become due, on the books  
98 35 of the department from the person who made the erroneous  
99 1 payment, or such amount shall be refunded to such person by  
99 2 the department. A claim for refund or credit that has not  
99 3 been filed with the department within three years after the  
99 4 tax payment for which a refund or credit is claimed became  
99 5 due, or one year after such tax payment was made, whichever  
99 6 time is the later, shall not be allowed by the director.

#### 99 7 DIVISION VI

#### 99 8 SALES AND USE TAX ACT == ADMINISTRATION OF 99 9 RETAILERS REGISTERED VOLUNTARILY UNDER THE 99 10 AGREEMENT

99 11 Sec. 48. NEW SECTION. 423.48 RESPONSIBILITIES AND RIGHTS  
99 12 OF SELLERS REGISTERED UNDER THE AGREEMENT.

99 13 1. By registering under the agreement, the seller agrees  
99 14 to collect and remit sales and use taxes for all its taxable  
99 15 Iowa sales. Iowa's withdrawal from the agreement or  
99 16 revocation of its membership in the agreement shall not  
99 17 relieve a seller from its responsibility to remit taxes  
99 18 previously collected on behalf of this state.

99 19 2. The following provisions apply to any seller who  
99 20 registers under the agreement:

99 21 a. The seller may register on-line.

99 22 b. Registration under the agreement and the collection of  
99 23 Iowa sales and use taxes shall not be used as factors in  
99 24 determining whether the seller has nexus with Iowa for any  
99 25 tax.

99 26 c. If registered under the agreement with any other member  
99 27 state, the seller is considered to be registered in Iowa.

99 28 d. The seller is not required to pay registration fees or  
99 29 other charges.

99 30 e. A written signature from the seller is not required.  
99 31 f. The seller may register by way of an agent. The  
99 32 agent's appointment shall be in writing and submitted to the  
99 33 department if requested by the department.  
99 34 g. The seller may cancel its registration at any time  
99 35 under procedures adopted by the governing board established  
100 1 pursuant to the agreement. Cancellation does not relieve the  
100 2 seller of its liability for remitting any Iowa taxes  
100 3 collected.

100 4 3. The following additional responsibilities and rights  
100 5 apply to model sellers:

100 6 a. A model 1 seller's obligation to calculate, collect,  
100 7 and remit sales and use taxes shall be performed by its  
100 8 certified service provider, except for the seller's obligation  
100 9 to remit tax on its own purchases. As the seller's agent, the  
100 10 certified service provider is liable for its model 1 seller's  
100 11 sales and use tax due Iowa on all sales transactions it  
100 12 processes for the seller except as set out in this section. A  
100 13 seller that contracts with a certified service provider is not  
100 14 liable to the state for sales or use tax due on transactions  
100 15 processed by the certified service provider unless the seller  
100 16 misrepresents the types of items or services it sells or  
100 17 commits fraud. In the absence of probable cause to believe  
100 18 that the seller has committed fraud or made a material  
100 19 misrepresentation, the seller is not subject to audit on the  
100 20 transactions processed by the certified service provider. A  
100 21 model 1 seller is subject to audit for transactions not  
100 22 processed by the certified service provider. The director is  
100 23 authorized to perform a system check of the model 1 seller and  
100 24 review the seller's procedures to determine if the certified  
100 25 service provider's system is functioning properly and the  
100 26 extent to which the seller's transactions are being processed  
100 27 by the certified service provider.

100 28 b. A model 2 seller shall calculate the amount of tax due  
100 29 on a transaction by the use of a certified automated system,  
100 30 but shall collect and remit tax on its own sales. A person  
100 31 that provides a certified automated system is responsible for  
100 32 the proper functioning of that system and is liable to this  
100 33 state for underpayments of tax attributable to errors in the  
100 34 functioning of the certified automated system. A seller that  
100 35 uses a certified automated system remains responsible and is  
101 1 liable to the state for reporting and remitting tax.

101 2 c. A model 3 seller shall use its own proprietary  
101 3 automated system to calculate tax due and collect and remit  
101 4 tax on its own sales. A model 3 seller is liable for the  
101 5 failure of its proprietary automated system to meet the  
101 6 applicable performance standard.

101 7 Sec. 49. NEW SECTION. 423.49 RETURNS.

101 8 1. All model 1, 2, or 3 sellers are subject to all of the  
101 9 following return requirements:

101 10 a. The seller is required to file only one return per  
101 11 month for this state and for all taxing jurisdictions within  
101 12 this state.

101 13 b. The date for filing returns shall be determined under  
101 14 rules adopted by the director. However, in no case shall the  
101 15 return be due earlier than the twentieth day of the following  
101 16 month.

101 17 c. The director shall request additional information  
101 18 returns. These returns shall not be required more frequently  
101 19 than every six months.

101 20 2. Any registered seller which does not have a legal  
101 21 obligation to register in this state and is not a model 1, 2,  
101 22 or 3 seller is subject to all of the following return  
101 23 requirements:

101 24 a. The seller is required to file a return within one year  
101 25 of the month of initial registration and shall file a return  
101 26 on an annual basis in succeeding years.

101 27 b. In addition to the return required in paragraph "a", if  
101 28 the seller accumulates more than one thousand dollars in total  
101 29 state and local tax, the seller is required to file a return  
101 30 in the following month.

101 31 c. The format of the return and the due date of the  
101 32 initial return and the annual return shall be determined under  
101 33 rules adopted by the department.

101 34 Sec. 50. NEW SECTION. 423.50 REMITTANCE OF FUNDS.

101 35 1. Only one remittance of tax per return is required  
102 1 except as provided in this subsection. Sellers that collect  
102 2 more than thirty thousand dollars in sales and use taxes for  
102 3 this state during the preceding calendar year shall be  
102 4 required to make additional remittances as required under  
102 5 rules adopted by the director. The filing of a return is not

102 6 required with an additional remittance.  
102 7 2. All remittances shall be remitted electronically.  
102 8 3. Electronic payments may be made either by automated  
102 9 clearinghouse credit or automated clearinghouse debit. Any  
102 10 data accompanying a remittance must be formatted using uniform  
102 11 tax type and payment codes approved by the governing board  
102 12 established pursuant to the agreement. An alternative method  
102 13 for making same-day payments shall be determined under rules  
102 14 adopted by the director.

102 15 4. If a due date falls on a legal banking holiday in this  
102 16 state, the taxes are due on the succeeding business day.

102 17 Sec. 51. NEW SECTION. 423.51 ADMINISTRATION OF  
102 18 EXEMPTIONS.

102 19 1. The following provisions shall apply when a purchaser  
102 20 claims an exemption:

102 21 a. The seller shall obtain identifying information of the  
102 22 purchaser and the reason for claiming a tax exemption at the  
102 23 time of the purchase as determined by the member states acting  
102 24 jointly.

102 25 b. A purchaser is not required to provide a signature to  
102 26 claim an exemption from tax unless a paper certificate is  
102 27 used.

102 28 c. The seller shall use the standard form for claiming an  
102 29 exemption electronically as adopted jointly by the member  
102 30 states.

102 31 d. The seller shall obtain the same information for proof  
102 32 of a claimed exemption regardless of the medium in which the  
102 33 transaction occurred.

102 34 e. The department may authorize a system wherein the  
102 35 purchaser exempt from the payment of the tax is issued an  
103 1 identification number which shall be presented to the seller  
103 2 at the time of the sale.

103 3 f. The seller shall maintain proper records of exempt  
103 4 transactions and provide them to the department when  
103 5 requested.

103 6 g. The department shall administer entity-based and use-  
103 7 based exemptions when practicable through a direct pay tax  
103 8 permit, an exemption certificate, or another means that does  
103 9 not burden sellers. For the purposes of this paragraph:

103 10 (1) An "entity-based exemption" is an exemption based on  
103 11 who purchases the product or who sells the product.

103 12 (2) A "use-based exemption" is an exemption based on the  
103 13 purchaser's use of the product.

103 14 2. Sellers that follow the requirements of this section  
103 15 are relieved from any tax otherwise applicable if it is  
103 16 determined that the purchaser improperly claimed an exemption  
103 17 and that the purchaser is liable for the nonpayment of tax.  
103 18 This relief from liability does not apply to a seller who  
103 19 fraudulently fails to collect the tax or solicits purchasers  
103 20 to participate in the unlawful claim of an exemption.

103 21 Sec. 52. NEW SECTION. 423.52 RELIEF FROM LIABILITY FOR  
103 22 SELLERS AND CERTIFIED SERVICE PROVIDERS.

103 23 Sellers and certified service providers are relieved from  
103 24 liability to this state or its local taxing jurisdictions for  
103 25 having charged and collected the incorrect amount of sales or  
103 26 use tax resulting from the seller or certified service  
103 27 provider relying on erroneous data provided by this state on  
103 28 tax rates, boundaries, or taxing jurisdiction assignments. If  
103 29 this state provides an address-based system for assigning  
103 30 taxing jurisdictions whether or not pursuant to the federal  
103 31 Mobile Telecommunications Sourcing Act, the director is not  
103 32 required to provide liability relief for errors resulting from  
103 33 reliance on the information provided by this state.

103 34 Sec. 53. NEW SECTION. 423.53 BAD DEBTS AND MODEL 1  
103 35 SELLERS.

104 1 A certified service provider may claim, on behalf of a  
104 2 model 1 seller, any bad debt deduction as provided in section  
104 3 423.21. The certified service provider must credit or refund  
104 4 the full amount of any bad debt deduction or refund received  
104 5 to the seller.

104 6 Sec. 54. NEW SECTION. 423.54 AMNESTY FOR REGISTERED  
104 7 SELLERS.

104 8 1. Subject to the limitations in subsections 2 through 6,  
104 9 the following provisions apply:

104 10 a. Amnesty is provided for uncollected or unpaid sales or  
104 11 use tax to a seller who registers to pay or to collect and  
104 12 remit applicable sales or use tax on sales made to purchasers  
104 13 in this state in accordance with the terms of the agreement,  
104 14 provided the seller was not so registered in this state in the  
104 15 twelve-month period preceding the commencement of Iowa's  
104 16 participation in the agreement.

104 17 b. Amnesty precludes assessment of the seller for  
104 18 uncollected or unpaid sales or use tax together with penalty  
104 19 or interest for sales made during the period the seller was  
104 20 not registered in this state, provided registration occurs  
104 21 within twelve months of the commencement of Iowa's  
104 22 participation in the agreement.

104 23 c. Amnesty shall be provided to any seller lawfully  
104 24 registered under the agreement by any other member state prior  
104 25 to the date of the commencement of Iowa's participation in the  
104 26 agreement.

104 27 2. Amnesty is not available to a seller with respect to  
104 28 any matter or matters for which the seller received notice of  
104 29 the commencement of an audit and which audit is not yet  
104 30 finally resolved, including any related administrative and  
104 31 judicial processes.

104 32 3. Amnesty is not available for sales or use taxes already  
104 33 paid or remitted or to taxes collected by the seller.

104 34 4. Amnesty is fully effective absent the seller's fraud or  
104 35 intentional misrepresentation of a material fact as long as  
105 1 the seller continues registration and continues payment or  
105 2 collection and remittance of applicable sales or use taxes for  
105 3 a period of at least thirty=six months. The statute of  
105 4 limitations applicable to asserting a tax liability is tolled  
105 5 during this thirty=six month period.

105 6 5. Amnesty is applicable only to sales or use taxes due  
105 7 from a seller in its capacity as a seller and not to sales or  
105 8 use taxes due from a seller in its capacity as a buyer.

105 9 6. The director may allow amnesty on terms and conditions  
105 10 more favorable to a seller than the terms required by this  
105 11 section.

105 12 Sec. 55. NEW SECTION. 423.55 DATABASES.  
105 13 The department shall provide and maintain databases  
105 14 required by the agreement for the benefit of sellers  
105 15 registered under the agreement.

105 16 Sec. 56. NEW SECTION. 423.56 CONFIDENTIALITY AND PRIVACY  
105 17 PROTECTIONS UNDER MODEL 1.

105 18 1. As used in this section:

105 19 a. "Anonymous data" means information that does not  
105 20 identify a person.

105 21 b. "Confidential taxpayer information" means all  
105 22 information that is protected under this state's laws, rules,  
105 23 and privileges.

105 24 c. "Personally identifiable information" means information  
105 25 that identifies a person.

105 26 2. With very limited exceptions, a certified service  
105 27 provider shall perform its tax calculation, remittance, and  
105 28 reporting functions without retaining the personally  
105 29 identifiable information of consumers.

105 30 3. A certified service provider may perform its services  
105 31 in this state only if the certified service provider certifies  
105 32 that:

105 33 a. Its system has been designed and tested to ensure that  
105 34 the fundamental precept of anonymity is respected.

105 35 b. Personally identifiable information is only used and  
106 1 retained to the extent necessary for the administration of  
106 2 model 1 sellers with respect to exempt purchasers.

106 3 c. It provides consumers clear and conspicuous notice of  
106 4 its information practices, including what information it  
106 5 collects, how it collects the information, how it uses the  
106 6 information, how long, if at all, it retains the information,  
106 7 and whether it discloses the information to member states.  
106 8 This notice shall be satisfied by a written privacy policy  
106 9 statement accessible by the public on the official web site of  
106 10 the certified service provider.

106 11 d. Its collection, use, and retention of personally  
106 12 identifiable information is limited to that required by the  
106 13 member states to ensure the validity of exemptions from  
106 14 taxation that are claimed by reason of a consumer's status or  
106 15 the intended use of the goods or services purchased.

106 16 e. It provides adequate technical, physical, and  
106 17 administrative safeguards so as to protect personally  
106 18 identifiable information from unauthorized access and  
106 19 disclosure.

106 20 4. The department shall provide public notification of its  
106 21 practices relating to the collection, use, and retention of  
106 22 personally identifiable information.

106 23 5. When any personally identifiable information that has  
106 24 been collected and retained by the department or certified  
106 25 service provider is no longer required for the purposes set  
106 26 forth in subsection 3, paragraph "d", that information shall  
106 27 no longer be retained by the department or certified service

106 28 provider.

106 29 6. When personally identifiable information regarding an  
106 30 individual is retained by or on behalf of this state, this  
106 31 state shall provide reasonable access by such individual to  
106 32 his or her own information in the state's possession and a  
106 33 right to correct any inaccurately recorded information.

106 34 7. This privacy policy is subject to enforcement by the  
106 35 department and the attorney general.

107 1 8. This state's laws and rules regarding the collection,  
107 2 use, and maintenance of confidential taxpayer information  
107 3 remain fully applicable and binding. Without limitation, the  
107 4 agreement does not enlarge or limit the state's or  
107 5 department's authority to:

107 6 a. Conduct audits or other review as provided under the  
107 7 agreement and state law.

107 8 b. Provide records pursuant to its examination of public  
107 9 records law, disclosure laws of individual governmental  
107 10 agencies, or other regulations.

107 11 c. Prevent, consistent with state law, disclosures of  
107 12 confidential taxpayer information.

107 13 d. Prevent, consistent with federal law, disclosures or  
107 14 misuse of federal return information obtained under a  
107 15 disclosure agreement with the internal revenue service.

107 16 e. Collect, disclose, disseminate, or otherwise use  
107 17 anonymous data for governmental purposes.

107 18 9. This privacy policy does not preclude the certification  
107 19 of a certified service provider whose privacy policy is more  
107 20 protective of confidential taxpayer information or personally  
107 21 identifiable information than is required by the agreement.

107 22 Sec. 57. NEW SECTION. 423.57 STATUTES APPLICABLE.

107 23 The director shall administer this division as it relates  
107 24 to the taxes imposed in this chapter in the same manner and  
107 25 subject to all the provisions of, and all of the powers,  
107 26 duties, authority, and restrictions contained in sections  
107 27 423.14, 423.15, 423.16, 423.17, 423.18, 423.19, 423.20,  
107 28 423.21, 423.22, 423.23, 423.24, 423.25, 423.28, 423.29,  
107 29 423.31, 423.32, 423.33, 423.34, 423.35, 423.37, 423.38,  
107 30 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection  
107 31 3, and sections 423.45, 423.46, and 423.47.

107 32 Sec. 58.

107 33 1. Sections 422.42 through 422.59, Code 2003, are repealed.

107 34 2. Chapter 423, Code 2003, is repealed.

107 35 COORDINATING AMENDMENTS

108 1 Sec. 59. Section 15.331A, Code 2003, is amended to read as  
108 2 follows:

108 3 15.331A SALES, SERVICES, AND USE TAX REFUND == CONTRACTOR  
108 4 OR SUBCONTRACTOR.

108 5 The eligible business or a supporting business shall be  
108 6 entitled to a refund of the sales and use taxes paid under  
108 7 ~~chapters 422 and chapter~~ 423 for gas, electricity, water, or  
108 8 sewer utility services, goods, wares, or merchandise, or on  
108 9 services rendered, furnished, or performed to or for a  
108 10 contractor or subcontractor and used in the fulfillment of a  
108 11 written contract relating to the construction or equipping of  
108 12 a facility within the economic development area of the  
108 13 eligible business or a supporting business. Taxes  
108 14 attributable to intangible property and furniture and  
108 15 furnishings shall not be refunded.

108 16 To receive the refund a claim shall be filed by the  
108 17 eligible business or a supporting business with the department  
108 18 of revenue and finance as follows:

108 19 1. The contractor or subcontractor shall state under oath,  
108 20 on forms provided by the department, the amount of the sales  
108 21 of goods, wares, or merchandise or services rendered,  
108 22 furnished, or performed including water, sewer, gas, and  
108 23 electric utility services for use in the economic development  
108 24 area upon which sales or use tax has been paid prior to the  
108 25 project completion, and shall file the forms with the eligible  
108 26 business or supporting business before final settlement is  
108 27 made.

108 28 2. The eligible business or a supporting business shall,  
108 29 not more than one year after project completion, make  
108 30 application to the department for any refund of the amount of  
108 31 the sales and use taxes paid pursuant to chapter ~~422 or~~ 423  
108 32 upon any goods, wares, or merchandise, or services rendered,  
108 33 furnished, or performed, including water, sewer, gas, and  
108 34 electric utility services. The application shall be made in  
108 35 the manner and upon forms to be provided by the department,  
109 1 and the department shall audit the claim and, if approved,  
109 2 issue a warrant to the eligible business or supporting  
109 3 business in the amount of the sales or use tax which has been

109 4 paid to the state of Iowa under a contract. A claim filed by  
109 5 the eligible business or a supporting business in accordance  
109 6 with this section shall not be denied by reason of a  
109 7 limitation provision set forth in chapter ~~421, 422,~~ or 423.  
109 8 3. A contractor or subcontractor who willfully makes a  
109 9 false report of tax paid under the provisions of this section  
109 10 is guilty of a simple misdemeanor and in addition is liable  
109 11 for the payment of the tax and any applicable penalty and  
109 12 interest.

109 13 Sec. 60. Section 15.334A, Code 2003, is amended to read as  
109 14 follows:

109 15 15.334A SALES AND USE TAX EXEMPTION.

109 16 An eligible business may claim an exemption from sales and  
109 17 use taxation under section ~~422.45~~ 423.3, subsection ~~27 46~~, for  
109 18 property which is exempt from taxation under section 15.334,  
109 19 notwithstanding the requirements of section ~~422.45~~ 423.3,  
109 20 subsection ~~27 46~~, or any other provision of the Code to the  
109 21 contrary.

109 22 Sec. 61. Section 15A.9, subsections 5, 6, and 7, Code  
109 23 2003, are amended to read as follows:

109 24 5. PROPERTY TAX EXEMPTION.

109 25 a. All property, as defined in section 427A.1, subsection  
109 26 1, paragraphs "e" and "j", Code 1993, used by the primary  
109 27 business or a supporting business and located within the zone,  
109 28 shall be exempt from property taxation for a period of twenty  
109 29 years beginning with the year it is first assessed for  
109 30 taxation. In order to be eligible for this exemption, the  
109 31 property shall be acquired or leased by the primary business  
109 32 or a supporting business or relocated by the primary business  
109 33 or a supporting business to the zone from outside the state  
109 34 prior to project completion.

109 35 b. Property which is exempt for property tax purposes  
110 1 under this subsection is eligible for the sales and use tax  
110 2 exemption under section ~~422.45~~ 423.3, subsection ~~27 46~~,  
110 3 notwithstanding that subsection or any other provision of the  
110 4 Code to the contrary.

110 5 6. SALES, SERVICES, AND USE TAX REFUND. Taxes paid  
110 6 pursuant to chapter ~~422~~ or 423 on the ~~gross receipts~~ sales  
110 7 price or rental price of property purchased or rented by the  
110 8 primary business or a supporting business for use by the  
110 9 primary business or a supporting business within the zone or  
110 10 on gas, electricity, water, and sewer utility services prior  
110 11 to project completion shall be refunded to the primary  
110 12 business or supporting business if the item was purchased or  
110 13 the service was performed or received prior to project  
110 14 completion. Claims under this section shall be submitted on  
110 15 forms provided by the department of revenue and finance not  
110 16 later than six months after project completion. The refund in  
110 17 this subsection shall not apply to furniture or furnishings,  
110 18 or intangible property.

110 19 7. SALES, SERVICES, AND USE TAX REFUND == CONTRACTOR OR  
110 20 SUBCONTRACTOR. The primary business or a supporting business  
110 21 shall be entitled to a refund of the sales and use taxes paid  
110 22 under ~~chapters 422 and~~ chapter 423 for gas, electricity,  
110 23 water, or sewer utility services, goods, wares, or  
110 24 merchandise, or on services rendered, furnished, or performed  
110 25 to or for a contractor or subcontractor and used in the  
110 26 fulfillment of a written contract relating to the construction  
110 27 or equipping of a facility within the zone of the primary  
110 28 business or a supporting business. Taxes attributable to  
110 29 intangible property and furniture and furnishings shall not be  
110 30 refunded.

110 31 To receive the refund a claim shall be filed by the primary  
110 32 business or a supporting business with the department of  
110 33 revenue and finance as follows:

110 34 a. The contractor or subcontractor shall state under oath,  
110 35 on forms provided by the department, the amount of the sales  
111 1 of goods, wares, or merchandise or services rendered,  
111 2 furnished, or performed including water, sewer, gas, and  
111 3 electric utility services for use in the zone upon which sales  
111 4 or use tax has been paid prior to the project completion, and  
111 5 shall file the forms with the primary business or supporting  
111 6 business before final settlement is made.

111 7 b. The primary business or a supporting business shall,  
111 8 not more than six months after project completion, make  
111 9 application to the department for any refund of the amount of  
111 10 the sales and use taxes paid pursuant to chapter ~~422~~ or 423  
111 11 upon any goods, wares, or merchandise, or services rendered,  
111 12 furnished, or performed, including water, sewer, gas, and  
111 13 electric utility services. The application shall be made in  
111 14 the manner and upon forms to be provided by the department,

111 15 and the department shall audit the claim and, if approved,  
111 16 issue a warrant to the primary business or supporting business  
111 17 in the amount of the sales or use tax which has been paid to  
111 18 the state of Iowa under a contract. A claim filed by the  
111 19 primary business or a supporting business in accordance with  
111 20 this subsection shall not be denied by reason of a limitation  
111 21 provision set forth in chapter 421, 422, or 423.

111 22 c. A contractor or subcontractor who willfully makes a  
111 23 false report of tax paid under the provisions of this  
111 24 subsection is guilty of a simple misdemeanor and in addition  
111 25 is liable for the payment of the tax and any applicable  
111 26 penalty and interest.

111 27 Sec. 62. Section 28A.17, unnumbered paragraph 1, Code  
111 28 2003, is amended to read as follows:

111 29 If an authority is established as provided in section 28A.6  
111 30 and after approval of a referendum by a simple majority of  
111 31 votes cast in each metropolitan area in favor of the sales and  
111 32 services tax, the governing board of a county in this state  
111 33 within a metropolitan area which is part of the authority  
111 34 shall impose, at the request of the authority, a local sales  
111 35 and services tax at the rate of one-fourth of one percent on  
112 1 ~~gross receipts~~ the sales price taxed by this state under  
112 2 ~~chapter 422, division IV section 423.2~~, within the  
112 3 metropolitan area located in this state. The referendum shall  
112 4 be called by resolution of the board and shall be held as  
112 5 provided in section 28A.6 to the extent applicable. The  
112 6 ballot proposition shall contain a statement as to the  
112 7 specific purpose or purposes for which the revenues shall be  
112 8 expended and the date of expiration of the tax. The local  
112 9 sales and services tax shall be imposed on the same basis,  
112 10 with the same exceptions, and following the same  
112 11 administrative procedures as provided for a county under  
112 12 sections 422B.8 and 422B.9. The amount of the sale, for the  
112 13 purposes of determining the amount of the local sales and  
112 14 services tax under this section, does not include the amount  
112 15 of any local sales and services tax imposed under sections  
112 16 422B.8 and 422B.9.

112 17 Sec. 63. Section 29C.15, Code 2003, is amended to read as  
112 18 follows:

112 19 29C.15 TAX=EXEMPT PURCHASES.

112 20 All purchases under the provisions of this chapter shall be  
112 21 exempt from the taxes imposed by sections ~~422.43~~ 423.2 and  
112 22 ~~423.2~~ 423.5.

112 23 Sec. 64. Section 99E.10, subsection 1, paragraph b, Code  
112 24 2003, is amended to read as follows:

112 25 b. An amount equal to the product of the state sales tax  
112 26 rate under section ~~422.43~~ 423.2 multiplied by the gross sales  
112 27 price of each ticket or share sold shall be deducted as the  
112 28 sales tax on the sale of that ticket or share, remitted to the  
112 29 treasurer of state and deposited into the state general fund.

112 30 Sec. 65. Section 123.187, subsection 2, Code 2003, is  
112 31 amended to read as follows:

112 32 2. A winery licensed or permitted pursuant to laws  
112 33 regulating alcoholic beverages in a state which affords this  
112 34 state an equal reciprocal shipping privilege may ship into  
112 35 this state by private common carrier, to a person twenty-one  
113 1 years of age or older, not more than eighteen liters of wine  
113 2 per month, for consumption or use by the person. Such wine  
113 3 shall not be resold. Shipment of wine pursuant to this  
113 4 subsection is not subject to sales tax under section ~~422.43~~  
113 5 423.2, use tax under section ~~423.2~~ 423.5, or the wine  
113 6 gallonage tax under section 123.183, and does not require a  
113 7 refund value for beverage container control purposes under  
113 8 chapter 455C.

113 9 Sec. 66. Section 262.54, Code 2003, is amended to read as  
113 10 follows:

113 11 262.54 COMPUTER SALES.

113 12 Sales, by an institution under the control of the board of  
113 13 regents, of computer equipment, computer software, and  
113 14 computer supplies to students and faculty at the institution  
113 15 are retail sales under chapter ~~422, division IV~~ 423.

113 16 Sec. 67. Section 303.9, subsection 2, Code 2003, is  
113 17 amended to read as follows:

113 18 2. The department may sell mementos and other items  
113 19 relating to Iowa history and historic sites on the premises of  
113 20 property under control of the department and at the state  
113 21 capitol. Notwithstanding sections 18.12 and 18.16, the  
113 22 department may directly and independently enter into rental  
113 23 and lease agreements with private vendors for the purpose of  
113 24 selling mementos. All fees and income produced by the sales  
113 25 and rental or lease agreements shall be credited to the

113 26 account of the department. The mementos and other items sold  
113 27 by the department or vendors under this subsection are exempt  
113 28 from section 18.6. ~~The department is not a retailer under~~  
~~113 29 chapter 422 and the sale of such mementos and other items by~~  
~~113 30 the department is not a retail sale under chapter 422 and is~~  
~~113 31 exempt from the sales tax.~~

113 32 Sec. 68. Section 312.1, subsection 4, Code 2003, is  
113 33 amended to read as follows:

113 34 4. To the extent provided in section ~~423.24~~ 423.43,  
113 35 subsection 1, paragraph "b", from revenue derived from the use  
114 1 tax, under chapter 423 on motor vehicles, trailers, and motor  
114 2 vehicle accessories and equipment.

114 3 Sec. 69. Section 312.2, subsections 14 and 16, Code 2003,  
114 4 are amended to read as follows:

114 5 14. The treasurer of state, before making the allotments  
114 6 provided for in this section, shall credit monthly from the  
114 7 road use tax fund to the general fund of the state from  
114 8 revenue credited to the road use tax fund under section ~~423.24~~  
114 9 423.43, subsection 1, paragraph "b", an amount equal to one=  
114 10 twentieth of eighty percent of the revenue from the operation  
114 11 of section ~~423.7~~ 423.26.

114 12 There is appropriated from the general fund of the state  
114 13 for each fiscal year to the state department of transportation  
114 14 the amount of revenues credited to the general fund of the  
114 15 state during the fiscal year under this subsection to be used  
114 16 for purposes of public transit assistance under chapter 324A.

114 17 16. The treasurer of state, before making the allotments  
114 18 provided for in this section, shall credit monthly from the  
114 19 road use tax fund to the motorcycle rider education fund  
114 20 established in section 321.180B, an amount equal to one dollar  
114 21 per year of license validity for each issued or renewed  
114 22 driver's license which is valid for the operation of a  
114 23 motorcycle. Moneys credited to the motorcycle rider education  
114 24 fund under this subsection shall be taken from moneys credited  
114 25 to the road use tax fund under section ~~423.24~~ 423.43.

114 26 Sec. 70. Section 321.20, subsection 5, Code 2003, is  
114 27 amended to read as follows:

114 28 5. The amount of tax to be paid under section ~~423.7~~  
114 29 423.26.

114 30 Sec. 71. Section 321.24, subsections 1 and 3, Code 2003,  
114 31 are amended to read as follows:

114 32 1. Upon receipt of the application for title and payment  
114 33 of the required fees for a motor vehicle, trailer, or  
114 34 semitrailer, the county treasurer or the department shall,  
114 35 when satisfied as to the application's genuineness and  
115 1 regularity, and, in the case of a mobile home or manufactured  
115 2 home, that taxes are not owing under chapter 435, issue a  
115 3 certificate of title and, except for a mobile home or  
115 4 manufactured home, a registration receipt, and shall file the  
115 5 application, the manufacturer's or importer's certificate, the  
115 6 certificate of title, or other evidence of ownership, as  
115 7 prescribed by the department. The registration receipt shall  
115 8 be delivered to the owner and shall contain upon its face the  
115 9 date issued, the name and address of the owner, the  
115 10 registration number assigned to the vehicle, the amount of the  
115 11 fee paid, the amount of tax paid pursuant to section ~~423.7~~  
115 12 423.26, the type of fuel used, and a description of the  
115 13 vehicle as determined by the department, and upon the reverse  
115 14 side a form for notice of transfer of the vehicle. The name  
115 15 and address of any lessee of the vehicle shall not be printed  
115 16 on the registration receipt or certificate of title. Up to  
115 17 three owners may be listed on the registration receipt and  
115 18 certificate of title.

115 19 3. The certificate of title shall contain upon its face  
115 20 the identical information required upon the face of the  
115 21 registration receipt. In addition, the certificate of title  
115 22 shall contain a statement of the owner's title, the title  
115 23 number assigned to the owner or owners of the vehicle, the  
115 24 amount of tax paid pursuant to section ~~423.7~~ 423.26, the name  
115 25 and address of the previous owner, and a statement of all  
115 26 security interests and encumbrances as shown in the  
115 27 application, upon the vehicle described, including the nature  
115 28 of the security interest, date of notation, and name and  
115 29 address of the secured party.

115 30 Sec. 72. Section 321.34, subsection 7, paragraph c, Code  
115 31 2003, is amended to read as follows:

115 32 c. The fees for a collegiate registration plate are as  
115 33 follows:

- 115 34 (1) A registration fee of twenty-five dollars.
- 115 35 (2) A special collegiate registration fee of twenty-five  
116 1 dollars.

116 2 These fees are in addition to the regular annual  
116 3 registration fee. The fees collected by the director under  
116 4 this subsection shall be paid monthly to the treasurer of  
116 5 state and credited by the treasurer of state to the road use  
116 6 tax fund. Notwithstanding section ~~423.24~~ 423.43 and prior to  
116 7 the revenues being credited to the road use tax fund under  
116 8 section ~~423.24~~ 423.43, subsection 1, paragraph "b", the  
116 9 treasurer of state shall credit monthly from those revenues  
116 10 respectively, to Iowa state university of science and  
116 11 technology, the university of northern Iowa, and the state  
116 12 university of Iowa, the amount of the special collegiate  
116 13 registration fees collected in the previous month for  
116 14 collegiate registration plates designed for the university.  
116 15 The moneys credited are appropriated to the respective  
116 16 universities to be used for scholarships for students  
116 17 attending the universities.

116 18 Sec. 73. Section 321.34, subsection 11, paragraph c, Code  
116 19 2003, is amended to read as follows:

116 20 c. The special natural resources fee for letter number  
116 21 designated natural resources plates is thirty-five dollars.  
116 22 The fee for personalized natural resources plates is forty=  
116 23 five dollars which shall be paid in addition to the special  
116 24 natural resources fee of thirty-five dollars. The fees  
116 25 collected by the director under this subsection shall be paid  
116 26 monthly to the treasurer of state and credited to the road use  
116 27 tax fund. Notwithstanding section ~~423.24~~ 423.43, and prior to  
116 28 the crediting of revenues to the road use tax fund under  
116 29 section ~~423.24~~ 423.43, subsection 1, paragraph "b", the  
116 30 treasurer of state shall credit monthly from those revenues to  
116 31 the Iowa resources enhancement and protection fund created  
116 32 pursuant to section 455A.18, the amount of the special natural  
116 33 resources fees collected in the previous month for the natural  
116 34 resources plates.

116 35 Sec. 74. Section 321.34, subsection 11A, paragraph c, Code  
117 1 2003, is amended to read as follows:

117 2 c. The special fee for letter number designated love our  
117 3 kids plates is thirty-five dollars. The fee for personalized  
117 4 love our kids plates is twenty-five dollars, which shall be  
117 5 paid in addition to the special love our kids fee of thirty=  
117 6 five dollars. The fees collected by the director under this  
117 7 subsection shall be paid monthly to the treasurer of state and  
117 8 credited to the road use tax fund. Notwithstanding section  
117 9 ~~423.24~~ 423.43, and prior to the crediting of revenues to the  
117 10 road use tax fund under section ~~423.24~~ 423.43, subsection 1,  
117 11 paragraph "b", the treasurer of state shall transfer monthly  
117 12 from those revenues to the Iowa department of public health  
117 13 the amount of the special fees collected in the previous month  
117 14 for the love our kids plates. Notwithstanding section 8.33,  
117 15 moneys transferred under this subsection shall not revert to  
117 16 the general fund of the state.

117 17 Sec. 75. Section 321.34, subsection 11B, paragraph c, Code  
117 18 2003, is amended to read as follows:

117 19 c. The special fee for letter number designated motorcycle  
117 20 rider education plates is thirty-five dollars. The fee for  
117 21 personalized motorcycle rider education plates is twenty-five  
117 22 dollars, which shall be paid in addition to the special  
117 23 motorcycle rider education fee of thirty-five dollars. The  
117 24 fees collected by the director under this subsection shall be  
117 25 paid monthly to the treasurer of state and credited to the  
117 26 road use tax fund. Notwithstanding section ~~423.24~~ 423.43, and  
117 27 prior to the crediting of revenues to the road use tax fund  
117 28 under section ~~423.24~~ 423.43, subsection 1, paragraph "b", the  
117 29 treasurer of state shall transfer monthly from those revenues  
117 30 to the department for use in accordance with section 321.180B,  
117 31 subsection 6, the amount of the special fees collected in the  
117 32 previous month for the motorcycle rider education plates.

117 33 Sec. 76. Section 321.34, subsection 13, paragraph d, Code  
117 34 2003, is amended to read as follows:

117 35 d. A state agency may submit a request to the department  
118 1 recommending a special registration plate. The alternate fee  
118 2 for letter number designated plates is thirty-five dollars  
118 3 with a ten dollar annual special renewal fee. The fee for  
118 4 personalized plates is twenty-five dollars which is in  
118 5 addition to the alternative fee of thirty-five dollars with an  
118 6 annual personalized plate renewal fee of five dollars which is  
118 7 in addition to the special renewal fee of ten dollars. The  
118 8 alternate fees are in addition to the regular annual  
118 9 registration fee. The alternate fees collected under this  
118 10 paragraph shall be paid monthly to the treasurer of state and  
118 11 credited to the road use tax fund. Notwithstanding section  
118 12 ~~423.24~~ 423.43, and prior to the crediting of the revenues to

118 13 the road use tax fund under section ~~423.24~~ 423.43, subsection  
118 14 1, paragraph "b", the treasurer of state shall credit monthly  
118 15 the amount of the alternate fees collected in the previous  
118 16 month to the state agency that recommended the special  
118 17 registration plate.

118 18 Sec. 77. Section 321.34, subsection 21, paragraph c, Code  
118 19 2003, is amended to read as follows:

118 20 c. The special fees collected by the director under this  
118 21 subsection shall be paid monthly to the treasurer of state and  
118 22 credited to the road use tax fund. Notwithstanding section  
118 23 ~~423.24~~ 423.43, and prior to the crediting of revenues to the  
118 24 road use tax fund under section ~~423.24~~ 423.43, subsection 1,  
118 25 paragraph "b", the treasurer of state shall credit monthly to  
118 26 the Iowa heritage fund created under section 303.9A the amount  
118 27 of the special fees collected in the previous month for the  
118 28 Iowa heritage plates.

118 29 Sec. 78. Section 321.34, subsection 22, paragraph b, Code  
118 30 2003, is amended to read as follows:

118 31 b. The special school transportation fee for letter number  
118 32 designated education plates is thirty-five dollars. The fee  
118 33 for personalized education plates is twenty-five dollars,  
118 34 which shall be paid in addition to the special school  
118 35 transportation fee of thirty-five dollars. The annual special  
119 1 school transportation fee is ten dollars for letter number  
119 2 designated registration plates and is fifteen dollars for  
119 3 personalized registration plates which shall be paid in  
119 4 addition to the regular annual registration fee. The fees  
119 5 collected by the director under this subsection shall be paid  
119 6 monthly to the treasurer of state and credited to the road use  
119 7 tax fund. Notwithstanding section ~~423.24~~ 423.43, and prior to  
119 8 the crediting of revenues to the road use tax fund under  
119 9 section ~~423.24~~ 423.43, subsection 1, paragraph "b", the  
119 10 treasurer of state shall transfer monthly from those revenues  
119 11 to the school budget review committee in accordance with  
119 12 section 257.31, subsection 17, the amount of the special  
119 13 school transportation fees collected in the previous month for  
119 14 the education plates.

119 15 Sec. 79. Section 321F.9, Code 2003, is amended to read as  
119 16 follows:

119 17 321F.9 OPTION TO PURCHASE == DEALER'S LICENSE.

119 18 Any person engaged in business in this state shall not  
119 19 enter into any agreement for the use of a motor vehicle under  
119 20 the terms of which ~~such that~~ person grants to another an  
119 21 option to purchase ~~such the~~ motor vehicle without first having  
119 22 obtained a motor vehicle dealer's license under the provisions  
119 23 of chapter 322, and all sales of motor vehicles under such  
119 24 options shall be subject to sales or use taxes imposed under  
119 25 the provisions of ~~chapters 422 and~~ chapter 423. Nothing  
119 26 contained in this section shall require such person to have a  
119 27 place of business as provided by section 322.6, subsection 8.

119 28 Sec. 80. Section 327I.26, Code 2003, is amended to read as  
119 29 follows:

119 30 327I.26 APPROPRIATION TO AUTHORITY.

119 31 Notwithstanding section ~~423.24~~ 423.43, and prior to the  
119 32 application of section ~~423.24~~ 423.43, subsection 1, paragraph  
119 33 "b", there shall be deposited into the general fund of the  
119 34 state and is appropriated to the authority from eighty percent  
119 35 of the revenues derived from the operation of section ~~423.7~~  
120 1 423.26, the amounts certified by the authority under section  
120 2 327I.25. However, the total amount deposited into the general  
120 3 fund and appropriated to the Iowa railway finance authority  
120 4 under this section shall not exceed two million dollars  
120 5 annually. Moneys appropriated to the Iowa railway finance  
120 6 authority under this section are appropriated only for the  
120 7 payment of principal and interest on obligations or the  
120 8 payment of leases guaranteed by the authority as provided  
120 9 under section 327I.25.

120 10 Sec. 81. Section 328.26, unnumbered paragraph 2, Code  
120 11 2003, is amended to read as follows:

120 12 When an aircraft is registered to a person for the first  
120 13 time the fee submitted to the department shall include the tax  
120 14 imposed by section ~~422.43~~ 423.2 or section ~~423.2~~ 423.5 or  
120 15 evidence of the exemption of the aircraft from the tax imposed  
120 16 under section ~~422.43~~ 423.2 or ~~423.2~~ 423.5.

120 17 Sec. 82. Section 331.557, subsection 3, Code 2003, is  
120 18 amended to read as follows:

120 19 3. Collect the use tax on vehicles subject to registration  
120 20 as provided in sections ~~423.6, 423.7, and 423.7A~~ 423.14,  
120 21 423.26, and 423.27.

120 22 Sec. 83. Section 357A.15, unnumbered paragraph 2, Code  
120 23 2003, is amended to read as follows:

120 24 A rural water district organized under chapter 504A shall  
120 25 receive a refund of sales or use taxes upon submitting an  
120 26 application to the department of revenue and finance for ~~such~~  
120 27 ~~the~~ refund of taxes imposed upon the ~~gross receipts sales~~  
120 28 ~~price~~ of all sales of building materials, supplies, or  
120 29 equipment sold to a contractor or used in the fulfillment of a  
120 30 written contract for the construction of facilities for ~~such~~  
120 31 ~~the~~ rural water district to the same extent as a rural water  
120 32 district organized under this chapter may obtain a refund  
120 33 under section ~~422.45~~ 423.4, subsection 7 1.

120 34 Sec. 84. Section 421.10, Code 2003, is amended to read as  
120 35 follows:

121 1 421.10 APPEAL PERIOD == APPLICABILITY.

121 2 The appeal period for revision of assessment of tax,  
121 3 interest, and penalties set out under section 422.28, ~~422.54~~  
121 4 ~~423.37~~, 437A.9, 437A.22, 452A.64, 453A.29, or 453A.46 applies  
121 5 to appeals to notices from the department denying changes in  
121 6 filing methods, denying refund claims, and denying portions of  
121 7 refund claims for the tax covered by that section, and notices  
121 8 of any department action directed to a specific taxpayer,  
121 9 other than licensing, which involves a calculation.

121 10 Sec. 85. Section 421.17, subsection 22B, Code 2003, is  
121 11 amended to read as follows:

121 12 22B. ~~Enter~~ To enter into agreements or compacts with  
121 13 remote sellers, retailers, or third-party providers for the  
121 14 voluntary collection of Iowa sales or use taxes attributable  
121 15 to sales into Iowa ~~and to enter~~. The director has the  
121 16 authority to enter into and perform all duties required of the  
121 17 office of director by multistate agreements or compacts that  
121 18 provide for the ~~voluntary~~ collection of sales and use taxes,  
121 19 including joint audits with other states or audits on behalf  
121 20 of other states. The agreements or compacts shall generally

121 21 conform to the provisions of Iowa sales and use tax statutes.  
121 22 All fees for services, reimbursements, remuneration,  
121 23 incentives, and costs incurred by the department associated  
121 24 with these agreements or compacts may be paid or reimbursed  
121 25 from the additional revenue generated. An amount is  
121 26 appropriated from amounts generated to pay or reimburse all  
121 27 costs associated with this subsection. Persons entering into  
121 28 an agreement or compact with the department pursuant to this  
121 29 subsection are subject to the requirements and penalties of  
121 30 the confidentiality laws of this state regarding tax  
121 31 information. Notwithstanding any other provisions of law, the  
121 32 contract, agreement, or compact shall provide for the  
121 33 registration, collection, report, and verification of amounts  
121 34 subject to this subsection.

121 35 Sec. 86. Section 421.17, subsection 29, paragraph j, Code  
122 1 2003, is amended to read as follows:

122 2 j. The department's existing right to credit against tax  
122 3 due or to become due under section 422.73 or 423.47 is not to  
122 4 be impaired by a right granted to or a duty imposed upon the  
122 5 department or other state agency by this subsection. This  
122 6 subsection is not intended to impose upon the department any  
122 7 additional requirement of notice, hearing, or appeal  
122 8 concerning the right to credit against tax due under section  
122 9 ~~422.73~~ or 423.47.

122 10 Sec. 87. Section 421.17, subsection 34, paragraph i, Code  
122 11 2003, is amended to read as follows:

122 12 i. The director may distribute to credit reporting  
122 13 entities and for publication the names, addresses, and amounts  
122 14 of indebtedness owed to or being collected by the state if the  
122 15 indebtedness is subject to the centralized debt collection  
122 16 procedure established in this subsection. The director shall  
122 17 adopt rules to administer this paragraph, and the rules shall  
122 18 provide guidelines by which the director shall determine which  
122 19 names, addresses, and amounts of indebtedness may be  
122 20 distributed for publication. The director may distribute  
122 21 information for publication pursuant to this paragraph,  
122 22 notwithstanding sections 422.20, 422.72, and ~~423.23~~ 423.42, or  
122 23 any other provision of state law to the contrary pertaining to  
122 24 confidentiality of information.

122 25 Sec. 88. Section 421.26, Code 2003, is amended to read as  
122 26 follows:

122 27 421.26 PERSONAL LIABILITY FOR TAX DUE.

122 28 If a licensee or other person under section 452A.65, a  
122 29 retailer or purchaser under chapter 422A or 422B, or section  
122 30 ~~422.52~~ 423.31 or 423.33, or a retailer or purchaser under  
122 31 section ~~423.13~~ 423.32 or a user under section ~~423.14~~ 423.34  
122 32 fails to pay a tax under those sections when due, an officer  
122 33 of a corporation or association, notwithstanding sections  
122 34 490A.601 and 490A.602, a member or manager of a limited

122 35 liability company, or a partner of a partnership, having  
123 1 control or supervision of or the authority for remitting the  
123 2 tax payments and having a substantial legal or equitable  
123 3 interest in the ownership of the corporation, association,  
123 4 limited liability company, or partnership, who has  
123 5 intentionally failed to pay the tax is personally liable for  
123 6 the payment of the tax, interest, and penalty due and unpaid.  
123 7 However, this section shall not apply to taxes on accounts  
123 8 receivable. The dissolution of a corporation, association,  
123 9 limited liability company, or partnership shall not discharge  
123 10 a person's liability for failure to remit the tax due.

123 11 Sec. 89. Section 421.28, Code 2003, is amended to read as  
123 12 follows:

123 13 421.28 EXCEPTIONS TO SUCCESSOR LIABILITY.

123 14 The immediate successor to a licensee's or retailer's  
123 15 business or stock of goods under chapter 422A or 422B, or  
123 16 section ~~422.52, 423.13, 423.14, 423.33~~ or 452A.65, is not  
123 17 personally liable for the amount of delinquent tax, interest,  
123 18 or penalty due and unpaid if the immediate successor shows  
123 19 that the purchase of the business or stock of goods was made  
123 20 in good faith that no delinquent tax, interest, or penalty was  
123 21 due and unpaid. For purposes of this section the immediate  
123 22 successor shows good faith by evidence that the department had  
123 23 provided the immediate successor with a certified statement  
123 24 that no delinquent tax, interest, or penalty is unpaid, or  
123 25 that the immediate successor had taken in good faith a  
123 26 certified statement from the licensee, retailer, or seller  
123 27 that no delinquent tax, interest, or penalty is unpaid. When  
123 28 requested to do so by a person with whom the licensee or  
123 29 retailer is negotiating the sale of the business or stock of  
123 30 goods, the director of revenue and finance shall, upon being  
123 31 satisfied that such a situation exists, inform that person as  
123 32 to the amount of unpaid delinquent tax, interest, or penalty  
123 33 due by the licensee or the retailer. The giving of the  
123 34 information under this circumstance is not a violation of  
123 35 section 422.20, 422.72, or 452A.63.

124 1 Sec. 90. Section 421B.11, unnumbered paragraph 3, Code  
124 2 2003, is amended to read as follows:

124 3 Judicial review of the actions of the director may be  
124 4 sought in accordance with the terms of the Iowa administrative  
124 5 procedure Act, and section ~~422.55~~ 423.38.

124 6 Sec. 91. Section 422.7, subsection 21, paragraph a,  
124 7 subparagraph (1), unnumbered paragraph 1, Code 2003, is  
124 8 amended to read as follows:

124 9 Net capital gain from the sale of real property used in a  
124 10 business, in which the taxpayer materially participated for  
124 11 ten years, as defined in section 469(h) of the Internal  
124 12 Revenue Code, and which has been held for a minimum of ten  
124 13 years, or from the sale of a business, as defined in section  
124 14 ~~422.42~~ 423.1, in which the taxpayer was employed or in which  
124 15 the taxpayer materially participated for ten years, as defined  
124 16 in section 469(h) of the Internal Revenue Code, and which has  
124 17 been held for a minimum of ten years. The sale of a business  
124 18 means the sale of all or substantially all of the tangible  
124 19 personal property or service of the business.

124 20 Sec. 92. Section 422.73, subsection 1, Code 2003, is  
124 21 amended by striking the subsection.

124 22 Sec. 93. Section 422A.1, unnumbered paragraphs 1, 3, 7,  
124 23 and 8, Code 2003, are amended to read as follows:

124 24 A city or county may impose by ordinance of the city  
124 25 council or by resolution of the board of supervisors a hotel  
124 26 and motel tax, at a rate not to exceed seven percent, which  
124 27 shall be imposed in increments of one or more full percentage  
124 28 points upon the ~~gross receipts~~ sales price from the renting of  
124 29 sleeping rooms, apartments, or sleeping quarters in a hotel,  
124 30 motel, inn, public lodging house, rooming house, manufactured  
124 31 or mobile home which is tangible personal property, or tourist  
124 32 court, or in any place where sleeping accommodations are  
124 33 furnished to transient guests for rent, whether with or  
124 34 without meals; except the ~~gross receipts~~ sales price from the  
124 35 renting of sleeping rooms in dormitories and in memorial  
125 1 unions at all universities and colleges located in the state  
125 2 of Iowa and the guests of a religious institution if the  
125 3 property is exempt under section 427.1, subsection 8, and the  
125 4 purpose of renting is to provide a place for a religious  
125 5 retreat or function and not a place for transient guests  
125 6 generally. The tax when imposed by a city shall apply only  
125 7 within the corporate boundaries of that city and when imposed  
125 8 by a county shall apply only outside incorporated areas within  
125 9 that county. "Renting" and "rent" include any kind of direct  
125 10 or indirect charge for such sleeping rooms, apartments, or

125 11 sleeping quarters, or their use. However, the tax does not  
125 12 apply to the ~~gross receipts~~ sales price from the renting of a  
125 13 sleeping room, apartment, or sleeping quarters while rented by  
125 14 the same person for a period of more than thirty-one  
125 15 consecutive days.

125 16 A local hotel and motel tax shall be imposed on January 1,  
125 17 April 1, July 1, or October 1, following the notification of  
125 18 the director of revenue and finance. Once imposed, the tax  
125 19 shall remain in effect at the rate imposed for a minimum of  
125 20 one year. A local hotel and motel tax shall terminate only on  
125 21 March 31, June 30, September 30, or December 31. At least  
125 22 ~~forty-five~~ sixty days prior to the tax being effective or  
125 23 prior to a revision in the tax rate, or prior to the repeal of  
125 24 the tax, a city or county shall provide notice by mail of such  
125 25 action to the director of revenue and finance.

125 26 No tax permit other than the state sales tax permit  
125 27 required under section ~~422.53~~ 423.36 may be required by local  
125 28 authorities.

125 29 The tax levied shall be in addition to any state sales tax  
125 30 imposed under section ~~422.43~~ 423.2. Section 422.25,  
125 31 subsection 4, sections 422.30, ~~422.48 to 422.52, 422.54 to~~  
~~125 32 422.58, 422.67, and 422.68, section 422.69, subsection 1, and~~  
125 33 sections 422.70 to 422.75, section 423.14, subsection 1, and  
125 34 sections 423.23, 423.24, 423.25, 423.31, 423.33, 423.35,

125 35 423.37 to 423.42, and 423.47, consistent with the provisions  
126 1 of this chapter, apply with respect to the taxes authorized  
126 2 under this chapter, in the same manner and with the same  
126 3 effect as if the hotel and motel taxes were retail sales taxes  
126 4 within the meaning of those statutes. Notwithstanding this  
126 5 paragraph, the director shall provide for quarterly filing of  
126 6 returns ~~as prescribed in section 422.51~~ and for other than  
126 7 quarterly filing of returns ~~both as prescribed in section~~  
126 8 ~~422.51, subsection 2~~ 423.31. The director may require all  
126 9 persons, as defined in section ~~422.42~~ 423.1, who are engaged  
126 10 in the business of deriving ~~gross receipts~~ any sales price  
126 11 subject to tax under this chapter, to register with the  
126 12 department.

126 13 Sec. 94. Section 422B.8, Code 2003, is amended to read as  
126 14 follows:

126 15 422B.8 LOCAL SALES AND SERVICES TAX.

126 16 A local sales and services tax at the rate of not more than  
126 17 one percent may be imposed by a county on the ~~gross receipts~~  
126 18 sales price taxed by the state under chapter ~~422~~ 423, division  
126 19 IV II. A local sales and services tax shall be imposed on the  
126 20 same basis as the state sales and services tax or in the case  
126 21 of the use of natural gas, natural gas service, electricity,  
126 22 or electric service on the same basis as the state use tax and  
126 23 shall not be imposed on the sale of any property or on any  
126 24 service not taxed by the state, except the tax shall not be  
126 25 imposed on the ~~gross receipts~~ sales price from the sale of  
126 26 motor fuel or special fuel as defined in chapter 452A which is  
126 27 consumed for highway use or in watercraft or aircraft if the  
126 28 fuel tax is paid on the transaction and a refund has not or  
126 29 will not be allowed, on the ~~gross receipts~~ sales price from  
126 30 the rental of rooms, apartments, or sleeping quarters which  
126 31 are taxed under chapter 422A during the period the hotel and  
126 32 motel tax is imposed, on the ~~gross receipts~~ sales price from  
126 33 the sale of equipment by the state department of  
126 34 transportation, on the ~~gross receipts~~ sales price from the  
126 35 sale of self-propelled building equipment, pile drivers,  
127 1 motorized scaffolding, or attachments customarily drawn or  
127 2 attached to self-propelled building equipment, pile drivers,  
127 3 and motorized scaffolding, including auxiliary attachments  
127 4 which improve the performance, safety, operation, or  
127 5 efficiency of the equipment and replacement parts and are  
127 6 directly and primarily used by contractors, subcontractors,  
127 7 and builders for new construction, reconstruction,  
127 8 alterations, expansion, or remodeling of real property or  
127 9 structures, and on the ~~gross receipts~~ sales price from the  
127 10 sale of a lottery ticket or share in a lottery game conducted  
127 11 pursuant to chapter 99E and except the tax shall not be  
127 12 imposed on the ~~gross receipts~~ sales price from the sale or use  
127 13 of natural gas, natural gas service, electricity, or electric  
127 14 service in a city or county where the ~~gross receipts~~ sales  
127 15 price from the sale of natural gas or electric energy are  
127 16 subject to a franchise fee or user fee during the period the  
127 17 franchise or user fee is imposed. A local sales and services  
127 18 tax is applicable to transactions within those incorporated  
127 19 and unincorporated areas of the county where it is imposed and  
127 20 shall be collected by all persons required to collect state  
127 21 ~~gross receipts~~ sales taxes. However, a person required to

127 22 collect state retail sales tax under chapter ~~422~~ 423, division  
127 23 ~~IV V or VI~~, is not required to collect local sales and  
127 24 services tax on transactions delivered within the area where  
127 25 the local sales and services tax is imposed unless the person  
127 26 has physical presence in that taxing area. All cities  
127 27 contiguous to each other shall be treated as part of one  
127 28 incorporated area and the tax would be imposed in each of  
127 29 those contiguous cities only if the majority of those voting  
127 30 in the total area covered by the contiguous cities favor its  
127 31 imposition.

127 32 The amount of the sale, for purposes of determining the  
127 33 amount of the local sales and services tax, does not include  
127 34 the amount of any state ~~gross receipts taxes~~ sales tax.

127 35 A tax permit other than the state sales tax permit required  
128 1 under section ~~422.53 or 423.10~~ 423.36 shall not be required by  
128 2 local authorities.

128 3 If a local sales and services tax is imposed by a county  
128 4 pursuant to this chapter, a local excise tax at the same rate  
128 5 shall be imposed by the county on the purchase price of  
128 6 natural gas, natural gas service, electricity, or electric  
128 7 service subject to tax under chapter 423, division III, and  
128 8 not exempted from tax by any provision of chapter 423,  
128 9 division III. The local excise tax is applicable only to the  
128 10 use of natural gas, natural gas service, electricity, or  
128 11 electric service within those incorporated and unincorporated  
128 12 areas of the county where it is imposed and, except as  
128 13 otherwise provided in this chapter, shall be collected and  
128 14 administered in the same manner as the local sales and  
128 15 services tax. For purposes of this chapter, "local sales and  
128 16 services tax" shall also include the local excise tax.

128 17 Sec. 95. Section 422B.9, subsections 1 and 2, Code 2003,  
128 18 are amended to read as follows:

128 19 1. a. A local sales and services tax shall be imposed  
128 20 either January 1 or July 1 following the notification of the  
128 21 director of revenue and finance but not sooner than ninety  
128 22 days following the favorable election and not sooner than  
128 23 sixty days following notice to sellers, as defined in section  
128 24 423.1. However, a jurisdiction which has voted to continue  
128 25 imposition of the tax may impose that tax without repeal of  
128 26 the prior tax.

128 27 b. A local sales and services tax shall be repealed only  
128 28 on June 30 or December 31 but not sooner than ninety days  
128 29 following the favorable election if one is held. However, a  
128 30 local sales and services tax shall not be repealed before the  
128 31 tax has been in effect for one year. At least forty days  
128 32 before the imposition or repeal of the tax, a county shall  
128 33 provide notice of the action by certified mail to the director  
128 34 of revenue and finance.

128 35 c. The imposition of or a rate change for a local sales  
129 1 and service tax shall not be applied to purchases from a  
129 2 printed catalog wherein a purchaser computes the local tax  
129 3 based on rates published in the catalog unless a minimum of  
129 4 one hundred twenty days' notice of the imposition or rate  
129 5 change has been given to the seller from the catalog and the  
129 6 first day of a calendar quarter has occurred on or after the  
129 7 one hundred twentieth day.

129 8 e- d. If a local sales and services tax has been imposed  
129 9 prior to April 1, 2000, and at the time of the election a date  
129 10 for repeal was specified on the ballot, the local sales and  
129 11 services tax may be repealed on that date, notwithstanding  
129 12 paragraph "b".

129 13 2. a. The director of revenue and finance shall  
129 14 administer a local sales and services tax as nearly as  
129 15 possible in conjunction with the administration of state ~~gross~~  
129 16 ~~receipts sales~~ tax laws. The director shall provide  
129 17 appropriate forms or provide on the regular state tax forms  
129 18 for reporting local sales and services tax liability.

129 19 b. The ordinance of a county board of supervisors imposing  
129 20 a local sales and services tax shall adopt by reference the  
129 21 applicable provisions of the appropriate sections of ~~chapter~~  
129 22 ~~422, division IV, and~~ chapter 423. All powers and  
129 23 requirements of the director to administer the state ~~gross~~  
129 24 ~~receipts sales~~ tax law and use tax law are applicable to the  
129 25 administration of a local sales and services tax law and the  
129 26 local excise tax, including but not limited to, the provisions  
129 27 of section 422.25, subsection 4, sections 422.30, ~~422.48 to~~  
129 28 ~~422.52, 422.54 to 422.58,~~ 422.67, and 422.68, section 422.69,  
129 29 subsection 1, sections 422.70 to 422.75, 423.6, subsections 2  
129 30 to 4, and sections 423.11 to 423.18, and 423.21 section  
129 31 423.14, subsection 1 and subsection 2, paragraphs "b" through  
129 32 "e", and sections 423.15, 423.23, 423.24, 423.25, 423.31 to

129 33 ~~423.35, 423.37 to 423.42, 423.46, and 423.47.~~ Local officials  
129 34 shall confer with the director of revenue and finance for  
129 35 assistance in drafting the ordinance imposing a local sales  
130 1 and services tax. A certified copy of the ordinance shall be  
130 2 filed with the director as soon as possible after passage.  
130 3 c. Frequency of deposits and quarterly reports of a local  
130 4 sales and services tax with the department of revenue and  
130 5 finance are governed by the tax provisions in section ~~422.52~~  
130 6 423.31. Local tax collections shall not be included in  
130 7 computation of the total tax to determine frequency of filing  
130 8 under section ~~422.52~~ 423.31.  
130 9 d. The director shall apply a boundary change of a county  
130 10 or city imposing or collecting the local sales and service tax  
130 11 to the imposition or collection of that tax only on the first  
130 12 day of a calendar quarter which occurs sixty days or more  
130 13 after the director has given notice of the boundary change to  
130 14 sellers.

130 15 Sec. 96. Section 422C.2, subsections 4 and 6, Code 2003,  
130 16 are amended to read as follows:

130 17 4. "Person" means person as defined in section ~~422.42~~  
130 18 423.1.

130 19 6. "Rental price" means the consideration for renting an  
130 20 automobile valued in money, and means the same as "~~gross~~  
~~taxable services~~" "sales price" as defined in section ~~422.42~~  
130 22 423.1.

130 23 Sec. 97. Section 422C.3, Code 2003, is amended to read as  
130 24 follows:

130 25 422C.3 TAX ON RENTAL OF AUTOMOBILES.

130 26 1. A tax of five percent is imposed upon the rental price  
130 27 of an automobile if the rental transaction is subject to the  
130 28 sales and services tax under chapter ~~422~~ 423, division ~~IV~~ II,  
130 29 or the use tax under chapter 423, division III. The tax shall  
130 30 not be imposed on any rental transaction not taxable under the  
130 31 state sales and services tax, as provided in section ~~422.45~~  
130 32 423.3, or the state use tax, as provided in section ~~423.4~~  
130 33 423.6, on automobile rental receipts.

130 34 2. The lessor shall collect the tax by adding the tax to  
130 35 the rental price of the automobile.

131 1 3. The tax, when collected, shall be stated as a distinct  
131 2 item separate and apart from the rental price of the  
131 3 automobile and the sales and services tax imposed under  
131 4 chapter ~~422~~ 423, division ~~IV~~ II, or the use tax imposed under  
131 5 chapter 423, division III.

131 6 Sec. 98. Section 422C.4, Code 2003, is amended to read as  
131 7 follows:

131 8 422C.4 ADMINISTRATION AND ENFORCEMENT.

131 9 All powers and requirements of the director of revenue and  
131 10 finance to administer the state ~~gross receipts~~ sales tax law  
131 11 under chapter ~~422~~, division IV, 423 are applicable to the  
131 12 administration of the tax imposed under section 422C.3,  
131 13 including but not limited to section 422.25, subsection 4,  
131 14 sections 422.30, ~~422.48 through 422.52, 422.54 through 422.58,~~  
131 15 422.67, and 422.68, section 422.69, subsection 1, and sections  
131 16 422.70 through 422.75, section 423.14, subsection 1, and  
131 17 sections 423.15, 423.23, 423.24, 423.25, 423.31, 423.33,  
131 18 423.35 and 423.37 through 423.42, 423.45, 423.46, and 423.47.

131 19 However, as an exception to the powers specified in section  
131 20 ~~422.52, subsection 1~~ 423.31, the director shall only require  
131 21 the filing of quarterly reports.

131 22 Sec. 99. Section 422E.1, subsection 1, is amended to read  
131 23 as follows:

131 24 1. A local sales and services tax for school  
131 25 infrastructure purposes may be imposed by a county on behalf  
131 26 of school districts as provided in this chapter.

131 27 If a local sales and services tax for school infrastructure  
131 28 is imposed by a county pursuant to this chapter, a local  
131 29 excise tax for school infrastructure at the same rate shall be  
131 30 imposed by the county on the purchase price of natural gas,  
131 31 natural gas service, electricity, or electric service subject  
131 32 to tax under chapter 423, division III, and not exempted from  
131 33 tax by any provision of chapter 423, division III. The local  
131 34 excise tax for school infrastructure is applicable only to the  
131 35 use of natural gas, natural gas service, electricity, or  
132 1 electric service within those incorporated and unincorporated  
132 2 areas of the county where it is imposed and, except as  
132 3 otherwise provided in this chapter, shall be collected and  
132 4 administered in the same manner as the local sales and  
132 5 services tax for school infrastructure. For purposes of this  
132 6 chapter, "local sales and services tax for school  
132 7 infrastructure" shall also include the local excise tax for  
132 8 school infrastructure.

132 9 Sec. 100. Section 422E.3, subsections 1, 2, and 3, Code  
132 10 2003, are amended to read as follows:

132 11 1. If a majority of those voting on the question of  
132 12 imposition of a local sales and services tax for school  
132 13 infrastructure purposes favors imposition of the tax, the tax  
132 14 shall be imposed by the county board of supervisors within the  
132 15 county pursuant to section 422E.2, at the rate specified for a  
132 16 ten-year duration on the ~~gross receipts sales price~~ taxed by  
132 17 the state under chapter ~~422~~ 423, division ~~IV~~ II.

132 18 2. The tax shall be imposed on the same basis as the state  
132 19 sales and services tax or in the case of the use of natural  
132 20 gas, natural gas service, electricity, or electric service on  
132 21 the same basis as the state use tax and shall not be imposed  
132 22 on the sale of any property or on any service not taxed by the  
132 23 state, except the tax shall not be imposed on the ~~gross~~  
~~132 24 receipts sales price~~ from the sale of motor fuel or special  
132 25 fuel as defined in chapter 452A which is consumed for highway  
132 26 use or in watercraft or aircraft if the fuel tax is paid on  
132 27 the transaction and a refund has not or will not be allowed,  
132 28 on the ~~gross receipts sales price~~ from the rental of rooms,  
132 29 apartments, or sleeping quarters which are taxed under chapter  
132 30 422A during the period the hotel and motel tax is imposed, on  
132 31 the ~~gross receipts sales price~~ from the sale of equipment by  
132 32 the state department of transportation, on the ~~gross receipts~~  
132 33 ~~sales price~~ from the sale of self-propelled building  
132 34 equipment, pile drivers, motorized scaffolding, or attachments  
132 35 customarily drawn or attached to self-propelled building  
133 1 equipment, pile drivers, and motorized scaffolding, including  
133 2 auxiliary attachments which improve the performance, safety,  
133 3 operation, or efficiency of the equipment, and replacement  
133 4 parts and are directly and primarily used by contractors,  
133 5 subcontractors, and builders for new construction,  
133 6 reconstruction, alterations, expansion, or remodeling of real  
133 7 property or structures, and on the ~~gross receipts sales price~~  
133 8 from the sale of a lottery ticket or share in a lottery game  
133 9 conducted pursuant to chapter 99E and except the tax shall not  
133 10 be imposed on the ~~gross receipts sales price~~ from the sale or  
133 11 use of natural gas, natural gas service, electricity, or  
133 12 electric service in a city or county where the ~~gross receipts~~  
133 13 ~~sales price~~ from the sale of natural gas or electric energy  
133 14 are subject to a franchise fee or user fee during the period  
133 15 the franchise or user fee is imposed.

133 16 3. The tax is applicable to transactions within the county  
133 17 where it is imposed and shall be collected by all persons  
133 18 required to collect state ~~gross receipts sales~~ or local excise  
133 19 taxes. However, a person required to collect state ~~retail~~  
133 20 sales tax under chapter ~~422, division IV, 423~~ is not required  
133 21 to collect local sales and services tax on transactions  
133 22 delivered within the area where the local sales and services  
133 23 tax is imposed unless the person has physical presence in that  
133 24 taxing area. The amount of the sale, for purposes of  
133 25 determining the amount of the tax, does not include the amount  
133 26 of any state ~~gross receipts sales taxes~~ or excise taxes or  
133 27 other local option sales or excise taxes. A tax permit other  
133 28 than the state tax permit required under section ~~422.53 or~~  
~~133 29 423.10 423.36~~ shall not be required by local authorities.

133 30 Sec. 101. Section 425.30, Code 2003, is amended to read as  
133 31 follows:

133 32 425.30 NOTICES.

133 33 Section ~~422.57~~ 423.39, subsection 1, shall apply to all  
133 34 notices under this division.

133 35 Sec. 102. Section 425.31, Code 2003, is amended to read as  
134 1 follows:

134 2 425.31 APPEALS.

134 3 Any person aggrieved by an act or decision of the director  
134 4 of revenue and finance or the department of revenue and  
134 5 finance under this division shall have the same rights of  
134 6 appeal and review as provided in sections 421.1 and ~~422.55~~  
134 7 423.38 and the rules of the department of revenue and finance.

134 8 Sec. 103. Section 452A.66, unnumbered paragraph 1, Code  
134 9 2003, is amended to read as follows:

134 10 The appropriate state agency shall administer the taxes  
134 11 imposed by this chapter in the same manner as and subject to  
134 12 section 422.25, subsection 4 and section ~~422.52, subsection 3~~  
134 13 423.35.

134 14 Sec. 104. Section 455B.455, Code 2003, is amended to read  
134 15 as follows:

134 16 455B.455 SURCHARGE IMPOSED.

134 17 A land burial surcharge tax of two percent is imposed on  
134 18 the fee for land burial of a hazardous waste. The owner of  
134 19 the land burial facility shall remit the tax collected to the

134 20 director of revenue and finance after consultation with the  
134 21 director according to rules that the director shall adopt.  
134 22 The director shall forward a copy of the site license to the  
134 23 director of revenue and finance which shall be the appropriate  
134 24 license for the collection of the land burial surcharge tax  
134 25 and shall be subject to suspension or revocation if the site  
134 26 license holder fails to collect or remit the tax collected  
134 27 under this section. The provisions of ~~sections~~ section  
134 28 422.25, subsection 4, sections 422.30, ~~422.48 to 422.52,~~  
~~134 29 422.54 to 422.58,~~ 422.67, and 422.68, section 422.69,  
134 30 subsection 1, and sections 422.70 to 422.75, section 423.14,  
134 31 subsection 1, and sections 423.23, 423.24, 423.25, 423.31,  
~~134 32 423.33, 423.35, 423.37 to 423.42, and 423.47,~~ consistent with  
134 33 the provisions of this part 6 of division IV, shall apply with  
134 34 respect to the taxes authorized under this part, in the same  
134 35 manner and with the same effect as if the land burial  
135 1 surcharge tax were ~~retail~~ sales taxes within the meaning of  
135 2 those statutes. Notwithstanding the provisions of this  
135 3 ~~paragraph~~ section, the director shall provide for only  
135 4 quarterly filing of returns as prescribed in section ~~422.51~~  
135 5 423.31. Taxes collected by the director of revenue and  
135 6 finance under this section shall be deposited in the general  
135 7 fund of the state.

135 8 Sec. 105. Section 455G.3, subsection 1, Code 2003, is  
135 9 amended to read as follows:

135 10 1. The Iowa comprehensive petroleum underground storage  
135 11 tank fund is created as a separate fund in the state treasury,  
135 12 and any funds remaining in the fund at the end of each fiscal  
135 13 year shall not revert to the general fund but shall remain in  
135 14 the Iowa comprehensive petroleum underground storage tank  
135 15 fund. Interest or other income earned by the fund shall be  
135 16 deposited in the fund. The fund shall include moneys credited  
135 17 to the fund under this section, ~~section 423.24~~ 423.43,  
135 18 subsection 1, paragraph "a", and sections 455G.8, 455G.9, and  
135 19 455G.11, and other funds which by law may be credited to the  
135 20 fund. The moneys in the fund are appropriated to and for the  
135 21 purposes of the board as provided in this chapter. Amounts in  
135 22 the fund shall not be subject to appropriation for any other  
135 23 purpose by the general assembly, but shall be used only for  
135 24 the purposes set forth in this chapter. The treasurer of  
135 25 state shall act as custodian of the fund and disburse amounts  
135 26 contained in it as directed by the board including automatic  
135 27 disbursements of funds as received pursuant to the terms of  
135 28 bond indentures and documents and security provisions to  
135 29 trustees and custodians. The treasurer of state is authorized  
135 30 to invest the funds deposited in the fund at the direction of  
135 31 the board and subject to any limitations contained in any  
135 32 applicable bond proceedings. The income from such investment  
135 33 shall be credited to and deposited in the fund. The fund  
135 34 shall be administered by the board which shall make  
135 35 expenditures from the fund consistent with the purposes of the  
136 1 programs set out in this chapter without further  
136 2 appropriation. The fund may be divided into different  
136 3 accounts with different depositories as determined by the  
136 4 board and to fulfill the purposes of this chapter.

136 5 Sec. 106. Section 455G.6, subsection 4, Code 2003, is  
136 6 amended to read as follows:

136 7 4. Grant a mortgage, lien, pledge, assignment, or other  
136 8 encumbrance on one or more improvements, revenues, asset of  
136 9 right, accounts, or funds established or received in  
136 10 connection with the fund, including revenues derived from the  
136 11 use tax under section ~~423.24~~ 423.43, subsection 1, paragraph  
136 12 "a", and deposited in the fund or an account of the fund.

136 13 Sec. 107. Section 455G.8, subsection 2, Code 2003, is  
136 14 amended to read as follows:

136 15 2. USE TAX. The revenues derived from the use tax imposed  
136 16 under chapter 423, division III. The proceeds of the use tax  
136 17 under section ~~423.24~~ 423.43, subsection 1, paragraph "a",  
136 18 shall be allocated, consistent with this chapter, among the  
136 19 fund's accounts, for debt service and other fund expenses,  
136 20 according to the fund budget, resolution, trust agreement, or  
136 21 other instrument prepared or entered into by the board or  
136 22 authority under direction of the board.

136 23 Sec. 108. Section 455G.9, subsection 2, Code 2003, is  
136 24 amended to read as follows:

136 25 2. REMEDIAL ACCOUNT FUNDING. The remedial account shall  
136 26 be funded by that portion of the proceeds of the use tax  
136 27 imposed under chapter 423, division III, and other moneys and  
136 28 revenues budgeted to the remedial account by the board.

136 29 Sec. 109. Section 2.67, Code 2003, is repealed.

136 30 Sec. 110. CODE EDITOR DIRECTIVE. The Code editor is

136 31 directed to transfer Code chapter 423A to Code chapter 421A  
136 32 and to transfer Code chapters 422A, 422B, 422C, and 422E to  
136 33 Code chapters 423A, 423B, 423C, and 423E, respectively. The  
136 34 Code editor is directed to correct Code references as required  
136 35 due to the changes made in this Act.

137 1 Sec. 111. EFFECTIVE DATE. This Act takes effect January  
137 2 1, 2004.

137 3 EXPLANATION

137 4 This bill rewrites the state sales and use taxes by  
137 5 combining Code chapter 422, division IV (sales tax), Code  
137 6 chapter 423 (use tax), and provisions of the multistate  
137 7 streamlined sales and use tax agreement (agreement) into a new  
137 8 Code chapter 423.

137 9 Division I of the new Code chapter sets out the definitions  
137 10 applicable to the new Code chapter. These definitions are  
137 11 from the definitions used in the present sales and use taxes  
137 12 and others needed for provisions under the agreement.

137 13 Division II of the new Code chapter imposes the sales tax,  
137 14 provides sales tax exemptions, and provides for sales tax  
137 15 refunds. These provisions are presently part of the current  
137 16 sales tax. However, this division puts all exemptions in the  
137 17 same Code section while current Code had them located in  
137 18 numerous places, e.g., many agriculture-related exemptions  
137 19 were listed under the definition of "retail sale".

137 20 Division III of the new Code chapter imposes the use tax  
137 21 and provides use tax exemptions. These provisions are  
137 22 presently part of the current use tax.

137 23 Division IV of the new Code chapter establishes the uniform  
137 24 sales and use tax administration Act which is part of the  
137 25 agreement and authorizes the director of revenue and finance  
137 26 to enter into the agreement on behalf of the state; provides  
137 27 that entry into the agreement does not amend or modify Iowa  
137 28 law; establishes certain agreement requirements including  
137 29 striving to achieve uniform tax rates, uniform standards,  
137 30 central registration, no change in nexus status as a result of  
137 31 registration, monetary allowances for retailers, and consumer  
137 32 privacy; and provides that the agreement only binds and  
137 33 provides benefits to those states that are members of it.

137 34 Division V of the new Code chapter provides for the  
138 35 administration of the sales and use tax as it relates to  
138 1 retailers not registered under the agreement. This division  
138 2 incorporates the current sales and use tax provisions related  
138 3 to the liability and collection of tax, penalties, filing of  
138 4 returns, and refunds. The division also incorporates the  
138 5 sourcing rules contained in the agreement. These rules  
138 6 establish the manner of determining in which state the  
138 7 transaction upon which the sales tax is imposed occurs, or if,  
138 8 as in telecommunications services, the transaction occurs in  
138 9 more than one state, how the tax is to be divided up.

138 10 Division VI of the new chapter provides for the  
138 11 administration of the sales and use tax as it relates to  
138 12 retailers registered under the agreement. The provisions of  
138 13 division VI apply to these retailers. In addition, the  
138 14 division specifies the benefits and obligations of retailers  
138 15 that register under the agreement, including the filing of  
138 16 returns and paying of the taxes by a certified service  
138 17 provider who is the retailer's agent with authority to perform  
138 18 all use tax functions, by a certified automated system which  
138 19 is software that calculates the taxes owed the various  
138 20 jurisdictions, and by a proprietary automated system which is  
138 21 software-owned by the retailer that calculates the taxes owed  
138 22 the various jurisdictions.

138 23 The bill also contains coordinating amendments.

138 24 The bill takes effect January 1, 2004.

138 25 LSB 1665XL 80

138 26 mg/cf/24.1