

House File 854 - Introduced

HOUSE FILE _____
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HSB 250)

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

A BILL FOR

1 An Act increasing the state sales and use tax rates and using
2 revenues to replace the local option sales and services tax
3 for school infrastructure purposes, providing a penalty and
4 including an effective date.

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

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1 1 Section 1. Section 8.57, subsection 6, paragraph f, Code
1 2 2007, is amended to read as follows:

1 3 f. There is appropriated from the rebuild Iowa
1 4 infrastructure fund to the secure an advanced vision for
1 5 education fund created in section ~~423E.4~~ 423F.1, for each
1 6 fiscal year of the fiscal period beginning July 1, ~~2004~~ 2007,
1 7 and ending June 30, 2014, the amount of the moneys in excess
1 8 of the first forty-seven million dollars credited to the
1 9 rebuild Iowa infrastructure fund during the fiscal year, not
1 10 to exceed ten million dollars.

1 11 Sec. 2. Section 76.4, Code 2007, is amended to read as
1 12 follows:

1 13 76.4 PERMISSIVE APPLICATION OF FUNDS.

1 14 Whenever the governing authority of such political
1 15 subdivision shall have on hand funds derived from any other
1 16 source than taxation which may be appropriated to the payment
1 17 either of interest or principal, or both principal and
1 18 interest of such bonds, such funds may be so appropriated and
1 19 used and the levy for the payment of the bonds correspondingly
1 20 reduced. This section shall not restrict the authority of a
1 21 political subdivision to apply sales and services tax receipts
1 22 collected pursuant to chapter 423B for such purpose.

1 23 Notwithstanding section ~~423E.1, subsection 3~~ 423F.2, a school
1 24 district may apply ~~local sales and services~~ tax receipts
1 25 ~~collected received~~ pursuant to chapter ~~423E~~ 423F for the
1 26 purposes of this section.

1 27 Sec. 3. Section 292.1, subsection 8, Code 2007, is amended
1 28 to read as follows:

1 29 8. "Sales tax capacity per pupil" means the estimated
1 30 amount of revenues that a school district receives or would
1 31 receive ~~if a local sales and services tax for school~~
1 32 ~~infrastructure is imposed at one percent from the secure an~~
1 33 ~~advanced vision for education fund pursuant to section 423E.2~~
1 34 ~~423F.1~~, divided by the school district's basic enrollment for
1 35 the budget year. For the budget year beginning July 1, 2000,
2 1 the school district's actual enrollment shall be used in the
2 2 calculation in place of the school district's basic enrollment
2 3 for the budget year.

2 4 Sec. 4. Section 292.2, subsection 1, paragraph c, Code
2 5 2007, is amended to read as follows:

2 6 c. The department of education, in consultation with the
2 7 department of revenue and the legislative services agency,
2 8 shall annually calculate the estimated ~~sales and services~~ tax
2 9 for school infrastructure, ~~if imposed at one percent~~, that is
2 10 or would be received by each school district in the state
2 11 pursuant to section ~~423E.3~~ 423F.1. These calculations shall
2 12 be made on a total tax and on a tax per pupil basis for each
2 13 school district.

2 14 Sec. 5. Section 292.2, subsection 2, paragraph a,
2 15 subparagraph (2), Code 2007, is amended to read as follows:

2 16 (2) ~~Local sales and services tax~~ Tax moneys received

2 17 pursuant to section 423E.3 423F.1.

2 18 Sec. 6. Section 292.2, subsection 3, paragraph i, Code
2 19 2007, is amended by striking the paragraph.

2 20 Sec. 7. Section 292.2, subsection 7, paragraph d, Code
2 21 2007, is amended to read as follows:

2 22 d. A school district ~~for which a sales and services tax~~
2 23 ~~for school infrastructure has not been imposed pursuant to~~
2 24 ~~section 423E.2 or a school district receiving minimal revenues~~
2 25 ~~under section 423E.3~~ 423F.1 when the total enrollment of the
2 26 school district is considered.

2 27 Sec. 8. Section 292.2, subsection 10, Code 2007, is
2 28 amended to read as follows:

2 29 10. A school district ~~located in whole or in part in a~~
2 30 ~~county which has imposed the maximum rate of sales and~~
2 31 ~~services tax for school infrastructure pursuant to section~~
2 32 ~~423E.2 and has sales and services tax for that receives school~~
2 33 ~~infrastructure revenue under section 423F.1~~ of more than the
2 34 statewide average of sales tax capacity per pupil, as defined
2 35 in section 292.1, subsection 8, shall not be eligible for
3 1 financial assistance under the program. For purposes of this
3 2 subsection, an individual school district's sales tax capacity
3 3 per pupil is the estimated total ~~sales and services~~ tax for
3 4 infrastructure revenue under section 423F.1 to be actually
3 5 received by the school district divided by the school
3 6 district's enrollment as specified in section 292.1,
3 7 subsection 8.

3 8 Sec. 9. Section 423.2, subsection 1, unnumbered paragraph
3 9 1, Code 2007, is amended to read as follows:

3 10 There is imposed a tax of ~~five~~ six percent upon the sales
3 11 price of all sales of tangible personal property, consisting
3 12 of goods, wares, or merchandise, sold at retail in the state
3 13 to consumers or users except as otherwise provided in this
3 14 subchapter.

3 15 Sec. 10. Section 423.2, subsections 2, 3, 4, and 5, Code
3 16 2007, are amended to read as follows:

3 17 2. A tax of ~~five~~ six percent is imposed upon the sales
3 18 price of the sale or furnishing of gas, electricity, water,
3 19 heat, pay television service, and communication service,
3 20 including the sales price from such sales by any municipal
3 21 corporation or joint water utility furnishing gas,
3 22 electricity, water, heat, pay television service, and
3 23 communication service to the public in its proprietary
3 24 capacity, except as otherwise provided in this subchapter,
3 25 when sold at retail in the state to consumers or users.

3 26 3. A tax of ~~five~~ six percent is imposed upon the sales
3 27 price of all sales of tickets or admissions to places of
3 28 amusement, fairs, and athletic events except those of
3 29 elementary and secondary educational institutions. A tax of
3 30 ~~five~~ six percent is imposed on the sales price of an entry fee
3 31 or like charge imposed solely for the privilege of
3 32 participating in an activity at a place of amusement, fair, or
3 33 athletic event unless the sales price of tickets or admissions
3 34 charges for observing the same activity are taxable under this
3 35 subchapter. A tax of ~~five~~ six percent is imposed upon that
4 1 part of private club membership fees or charges paid for the
4 2 privilege of participating in any athletic sports provided
4 3 club members.

4 4 4. A tax of ~~five~~ six percent is imposed upon the sales
4 5 price derived from the operation of all forms of amusement
4 6 devices and games of skill, games of chance, raffles, and
4 7 bingo games as defined in chapter 99B, operated or conducted
4 8 within the state, the tax to be collected from the operator in
4 9 the same manner as for the collection of taxes upon the sales
4 10 price of tickets or admission as provided in this section.
4 11 Nothing in this subsection shall legalize any games of skill
4 12 or chance or slot-operated devices which are now prohibited by
4 13 law.

4 14 The tax imposed under this subsection covers the total
4 15 amount from the operation of games of skill, games of chance,
4 16 raffles, and bingo games as defined in chapter 99B, and
4 17 musical devices, weighing machines, shooting galleries,
4 18 billiard and pool tables, bowling alleys, pinball machines,
4 19 slot-operated devices selling merchandise not subject to the
4 20 general sales taxes and on the total amount from devices or
4 21 systems where prizes are in any manner awarded to patrons and
4 22 upon the receipts from fees charged for participation in any
4 23 game or other form of amusement, and generally upon the sales
4 24 price from any source of amusement operated for profit, not
4 25 specified in this section, and upon the sales price from which
4 26 tax is not collected for tickets or admission, but tax shall
4 27 not be imposed upon any activity exempt from sales tax under

4 28 section 423.3, subsection 78. Every person receiving any
4 29 sales price from the sources described in this section is
4 30 subject to all provisions of this subchapter relating to
4 31 retail sales tax and other provisions of this chapter as
4 32 applicable.

4 33 5. There is imposed a tax of ~~five six~~ percent upon the
4 34 sales price from the furnishing of services as defined in
4 35 section 423.1.

5 1 Sec. 11. Section 423.2, subsection 7, paragraph a,
5 2 unnumbered paragraph 1, Code 2007, is amended to read as
5 3 follows:

5 4 A tax of ~~five six~~ percent is imposed upon the sales price
5 5 from the sales, furnishing, or service of solid waste
5 6 collection and disposal service.

5 7 Sec. 12. Section 423.2, subsections 8 and 9, Code 2007,
5 8 are amended to read as follows:

5 9 8. a. A tax of ~~five six~~ percent is imposed upon the sales
5 10 price from sales of bundled services contracts. For purposes
5 11 of this subsection, a "bundled services contract" means an
5 12 agreement providing for a retailer's performance of services,
5 13 one or more of which is a taxable service enumerated in this
5 14 section and one or more of which is not, in return for a
5 15 consumer's or user's single payment for the performance of the
5 16 services, with no separate statement to the consumer or user
5 17 of what portion of that payment is attributable to any one
5 18 service which is a part of the contract.

5 19 b. For purposes of the administration of the tax on
5 20 bundled services contracts, the director may enter into
5 21 agreements of limited duration with individual retailers,
5 22 groups of retailers, or organizations representing retailers
5 23 of bundled services contracts. Such an agreement shall impose
5 24 the tax rate only upon that portion of the sales price from a
5 25 bundled services contract which is attributable to taxable
5 26 services provided under the contract.

5 27 9. A tax of ~~five six~~ percent is imposed upon the sales
5 28 price from any mobile telecommunications service which this
5 29 state is allowed to tax by the provisions of the federal
5 30 Mobile Telecommunications Sourcing Act, Pub. L. No. 106=252, 4
5 31 U.S.C. } 116 et seq. For purposes of this subsection, taxes
5 32 on mobile telecommunications service, as defined under the
5 33 federal Mobile Telecommunications Sourcing Act that are deemed
5 34 to be provided by the customer's home service provider, shall
5 35 be paid to the taxing jurisdiction whose territorial limits
6 1 encompass the customer's place of primary use, regardless of
6 2 where the mobile telecommunications service originates,
6 3 terminates, or passes through and shall in all other respects
6 4 be taxed in conformity with the federal Mobile
6 5 Telecommunications Sourcing Act. All other provisions of the
6 6 federal Mobile Telecommunications Sourcing Act are adopted by
6 7 the state of Iowa and incorporated into this subsection by
6 8 reference. With respect to mobile telecommunications service
6 9 under the federal Mobile Telecommunications Sourcing Act, the
6 10 director shall, if requested, enter into agreements consistent
6 11 with the provisions of the federal Act.

6 12 Sec. 13. Section 423.2, subsection 11, Code 2007, is
6 13 amended to read as follows:

6 14 11. All revenues arising under the operation of the
6 15 provisions of this section shall be deposited ~~into the general~~
6 16 ~~fund of the state. as follows:~~

6 17 a. ~~Five=sixths of such revenues shall be deposited into~~
6 18 ~~the general fund of the state.~~

6 19 b. ~~One=sixth of such revenues shall be deposited into the~~
6 20 ~~secure and advanced vision for education fund created in~~
6 21 ~~section 423F.1.~~

6 22 Sec. 14. Section 423.5, unnumbered paragraph 1, Code 2007,
6 23 is amended to read as follows:

6 24 An excise tax at the rate of ~~five six~~ percent of the
6 25 purchase price or installed purchase price is imposed on the
6 26 following:

6 27 Sec. 15. Section 423.36, subsection 8, paragraph a, Code
6 28 2007, is amended to read as follows:

6 29 a. Except as provided in paragraph "b", purchasers, users,
6 30 and consumers of tangible personal property or enumerated
6 31 services taxed pursuant to subchapter II or III of this
6 32 chapter or ~~chapters chapter 423B and 423E~~ may be authorized,
6 33 pursuant to rules adopted by the director, to remit tax owed
6 34 directly to the department instead of the tax being collected
6 35 and paid by the seller. To qualify for a direct pay tax
7 1 permit, the purchaser, user, or consumer must accrue a tax
7 2 liability of more than four thousand dollars in tax under
7 3 subchapters II and III in a semimonthly period and make

7 4 deposits and file returns pursuant to section 423.31. This
7 5 authority shall not be granted or exercised except upon
7 6 application to the director and then only after issuance by
7 7 the director of a direct pay tax permit.

7 8 Sec. 16. Section 423.43, Code 2007, is amended by adding
7 9 the following new subsection:
7 10 NEW SUBSECTION. 2A. One-sixth of all other revenues
7 11 arising under the operation of the use tax under subchapter
7 12 III shall be credited to the secure an advanced vision for
7 13 education fund created in section 423F.1.

7 14 Sec. 17. Section 423.43, subsection 3, Code 2007, is
7 15 amended to read as follows:
7 16 3. All other revenue arising under the operation of the
7 17 use tax under subchapter III not credited as specified in
7 18 subsections 1, 2, and 2A shall be credited to the general fund
7 19 of the state.

7 20 Sec. 18. Section 423E.3, subsections 1 and 4, Code 2007,
7 21 are amended by striking the subsections.

7 22 Sec. 19. Section 423E.3, subsection 5, paragraphs a, b,
7 23 and c, Code 2007, are amended by striking the paragraphs.

7 24 Sec. 20. Section 423E.3, subsections 6 and 7, Code 2007,
7 25 are amended by striking the subsections.

7 26 Sec. 21. Section 423E.4, subsection 1, Code 2007, is
7 27 amended by striking the subsection.

7 28 Sec. 22. Section 423E.4, subsection 3, paragraph a, Code
7 29 2007, is amended to read as follows:
7 30 a. The director of revenue by August 15 of each fiscal
7 31 year shall compute the guaranteed school infrastructure amount
7 32 for each school district, each school district's sales tax
7 33 capacity per student for each county, the statewide tax
7 34 revenues per student, and the supplemental school
7 35 infrastructure amount for the ~~coming~~ fiscal year.

8 1 Sec. 23. Section 423E.4, subsection 3, paragraph b,
8 2 subparagraph (3), Code 2007, is amended by striking the
8 3 subparagraph and inserting in lieu thereof the following:
8 4 (3) "Statewide tax revenues per student" means the amount
8 5 determined by estimating the total revenues that would be
8 6 generated by a one percent local option sales and services tax
8 7 for school infrastructure purposes if imposed by all the
8 8 counties during the entire fiscal year and dividing this
8 9 estimated revenue amount by the sum of the combined actual
8 10 enrollment for all counties as determined in section 423E.3,
8 11 subsection 5, paragraph "d", subparagraph (2).

8 12 Sec. 24. Section 423E.4, subsection 7, Code 2007, is
8 13 amended to read as follows:
8 14 7. Notwithstanding subsection 2 of this section or any
8 15 other provision to the contrary, a school district that is
8 16 located in whole or in part in a county that has not
8 17 previously imposed the local sales and services tax for school
8 18 infrastructure, and which votes on and approves the tax at a
8 19 rate of one percent ~~on or after January 1, 2007, and~~ before
8 20 July 1, ~~2008~~ 2007, shall receive an amount equal to its pro
8 21 rata share of the local sales and services tax receipts as
8 22 provided in section 423E.3, subsection 5, paragraph "d", for a
8 23 period corresponding to one-half the duration of the tax
8 24 authorized by the voters. For the second half of the duration
8 25 of the tax authorized by the voters, local sales and services
8 26 tax receipts shall be distributed as otherwise applicable
8 27 pursuant to subsection 2 of this section.

8 28 Sec. 25. Section 423E.5, Code 2007, is amended to read as
8 29 follows:
8 30 423E.5 BONDING.
8 31 The board of directors of a school district shall be
8 32 authorized to issue negotiable, interest-bearing school bonds,
8 33 without election, and utilize tax receipts derived from the
8 34 sales and services tax for school infrastructure purposes and
8 35 the supplemental school infrastructure amount distributed
9 1 pursuant to section 423E.4, subsection 2, paragraph "b", and
9 2 revenues received pursuant to section 423F.1, for principal
9 3 and interest repayment. Proceeds of the bonds issued pursuant
9 4 to this section shall be utilized solely for school
9 5 infrastructure needs as school infrastructure is defined in
9 6 section 423E.1, subsection 3, Code 2007, and section 423F.2.
9 7 Bonds issued under this section may be sold at public sale as
9 8 provided in chapter 75, or at private sale, without notice and
9 9 hearing as provided in section 73A.12. Bonds may bear dates,
9 10 bear interest at rates not exceeding that permitted by chapter
9 11 74A, mature in one or more installments, be in registered
9 12 form, carry registration and conversion privileges, be payable
9 13 as to principal and interest at times and places, be subject
9 14 to terms of redemption prior to maturity with or without

9 15 premium, and be in one or more denominations, all as provided
9 16 by the resolution of the board of directors authorizing their
9 17 issuance. The resolution may also prescribe additional
9 18 provisions, terms, conditions, and covenants which the board
9 19 of directors deems advisable, including provisions for
9 20 creating and maintaining reserve funds, the issuance of
9 21 additional bonds ranking on a parity with such bonds and
9 22 additional bonds junior and subordinate to such bonds, and
9 23 that such bonds shall rank on a parity with or be junior and
9 24 subordinate to any bonds which may be then outstanding. Bonds
9 25 may be issued to refund outstanding and previously issued
9 26 bonds under this section. ~~Local option sales and services tax~~
~~9 27 revenue~~ The bonds are a ~~contract between contractual~~
9 28 ~~obligation of~~ the school district ~~and holders~~, and the
9 29 resolution issuing the bonds and pledging local option sales
9 30 and services tax revenues ~~or its share of the revenues~~
9 31 ~~distributed pursuant to section 423F.1~~ to the payment of
9 32 principal and interest on the bonds is a part of the contract.
9 33 Bonds issued pursuant to this section shall not constitute
9 34 indebtedness within the meaning of any constitutional or
9 35 statutory debt limitation or restriction, and shall not be
10 1 subject to any other law relating to the authorization,
10 2 issuance, or sale of bonds.

10 3 ~~A school district in which a local option sales tax for~~
~~10 4 school infrastructure purposes has been imposed~~ shall be
10 5 authorized to enter into a chapter 28E agreement with one or
10 6 more cities or a county whose boundaries encompass all or a
10 7 part of the area of the school district. A city or cities
10 8 entering into a chapter 28E agreement shall be authorized to
10 9 expend its designated portion of the ~~local option sales and~~
~~10 10 services tax~~ revenues for any valid purpose permitted in this
10 11 chapter or authorized by the governing body of the city. A
10 12 county entering into a chapter 28E agreement with a school
10 13 district ~~in which a local option sales tax for school~~
~~10 14 infrastructure purposes has been imposed~~ shall be authorized
10 15 to expend its designated portion of the ~~local option sales and~~
~~10 16 services tax~~ revenues to provide property tax relief within
10 17 the boundaries of the school district located in the county.
10 18 A school district ~~where a local option sales and services tax~~
~~10 19 is imposed~~ is also authorized to enter into a chapter 28E
10 20 agreement with another school district, a community college,
10 21 or an area education agency which is located partially or
10 22 entirely in or is contiguous to the county where the ~~tax is~~
~~10 23 imposed~~ school district is located. The school district or
10 24 community college shall only expend its designated portion of
10 25 the ~~local option sales and services tax~~ revenues for
10 26 infrastructure purposes. The area education agency shall only
10 27 expend its designated portion of the ~~local option school~~
~~10 28 infrastructure sales tax~~ revenues for infrastructure and
10 29 maintenance purposes.

10 30 The governing body of a city may authorize the issuance of
10 31 bonds which are payable from its designated portion of the
10 32 revenues of the ~~local option sales and services tax to be~~
~~10 33 received under this section~~, and not from property tax, by
10 34 following the authorization procedures set forth for cities in
10 35 section 384.83. A city may pledge irrevocably any amount
11 1 derived from its designated portions of the revenues ~~of the~~
~~11 2 local option sales and services tax~~ to the support or payment
11 3 of such bonds.

11 4 Sec. 26. NEW SECTION. 423F.1 REPEAL OF LOCAL SALES AND
11 5 SERVICE TAXES == SECURE AN ADVANCED VISION FOR EDUCATION FUND.
11 6 1. a. After July 1, 2007, all local sales and services
11 7 tax for school infrastructure purposes imposed under chapter
11 8 423E are repealed. After July 1, 2007, a county no longer has
11 9 the authority under chapter 423E or any other provision of law
11 10 to impose or to extend an existing local sales and services
11 11 tax for school infrastructure purposes.
11 12 b. The increase in the state sales, services, and use
11 13 taxes under chapter 423, subchapters II and III, from five
11 14 percent to six percent shall replace the repeal of the
11 15 county's local sales and services tax for school
11 16 infrastructure purposes. However, the distribution of moneys
11 17 in the secure an advanced vision for education fund and the
11 18 use of the moneys for infrastructure purposes or property tax
11 19 relief shall continue to apply as provided in chapter 423F and
11 20 the formula for the distribution of the moneys in the fund
11 21 shall be based upon amounts that would have been received if
11 22 the local sales and services taxes continued in existence.
11 23 c. To the extent that any school district has issued bonds
11 24 anticipating the proceeds of a local sales and services tax
11 25 for school infrastructure purposes prior to July 1, 2007, the

11 26 pledge of such tax receipts for the payment of principal and
11 27 interest on such bonds shall be replaced by a pledge of its
11 28 share of the revenues the school district receives under this
11 29 section.

11 30 2. A secure an advanced vision for education fund is
11 31 created as a separate and distinct fund in the state treasury
11 32 under the control of the department of revenue. Moneys in the
11 33 fund include revenues credited to the fund pursuant to this
11 34 chapter, appropriations made to the fund, and other moneys
11 35 deposited into the fund. Subject to subsection 3, any amounts
12 1 disbursed from the fund shall be utilized for school
12 2 infrastructure purposes or property tax relief.

12 3 3. The moneys available in a fiscal year in the secure an
12 4 advanced vision for education fund shall be distributed by the
12 5 department of revenue to each school district in an amount
12 6 equal to the amount the school district would have received
12 7 pursuant to the formula in section 423E.4 as if the local
12 8 sales and services tax for school infrastructure purposes was
12 9 imposed. Moneys in a fiscal year that are in excess of that
12 10 needed to provide each school district with its formula amount
12 11 shall be distributed to each school district based upon the
12 12 school district's actual enrollment as determined in section
12 13 423E.3, subsection 5, paragraph "d", with each school district
12 14 receiving an equal amount per student.

12 15 4. a. The director of revenue by August 15 of each fiscal
12 16 year shall send to each school district an estimate of the
12 17 amount of tax moneys each school district will receive for the
12 18 year and for each month of the year. At the end of each
12 19 month, the director may revise the estimates for the year and
12 20 remaining months.

12 21 b. The director shall remit ninety-five percent of the
12 22 estimated tax receipts for the school district to the school
12 23 district on or before August 31 of the fiscal year and on or
12 24 before the last day of each following month.

12 25 c. The director shall remit a final payment of the
12 26 remainder of tax moneys due for the fiscal year before
12 27 November 10 of the next fiscal year. If an overpayment has
12 28 resulted during the previous fiscal year, the November payment
12 29 shall be adjusted to reflect any overpayment.

12 30 Sec. 27. NEW SECTION. 423F.2 USE OF REVENUES.

12 31 1. A school district receiving revenues from the secure an
12 32 advanced vision for education fund under this chapter shall
12 33 expend the revenues subject to this section for the following
12 34 purposes:

12 35 a. Reduction of bond levies under sections 298.18 and
13 1 298.18A and all other debt levies.

13 2 b. Reduction of the regular and voter-approved physical
13 3 plant and equipment levy under section 298.2.

13 4 c. Reduction of the public educational and recreational
13 5 levy under section 300.2.

13 6 d. Reduction of the schoolhouse tax levy under section
13 7 278.1, subsection 7, Code 1989.

13 8 e. For any authorized infrastructure purpose of the school
13 9 district as defined in section 423E.1, subsection 3, Code
13 10 2007.

13 11 f. For the payment of principal and interest on bonds
13 12 issued under sections 423E.5 and 423F.3.

13 13 2. A revenue purpose statement in existence for the
13 14 expenditure of local sales and services tax for school
13 15 infrastructure purposes imposed by a county pursuant to
13 16 section 423E.2, Code 2007, prior to July 1, 2007, shall remain
13 17 in effect until amended or extended. The board of directors
13 18 of a school district may take action to adopt or amend a
13 19 revenue purpose statement specifying the specific purposes for
13 20 which the revenues received from the secure an advanced vision
13 21 for education fund will be expended. If a school district is
13 22 located in a county which has imposed a local sales and
13 23 services tax for school infrastructure purposes on July 1,
13 24 2007, this action shall be taken before expending or
13 25 anticipating revenues to be received after the unextended term
13 26 of the tax unless the school district elects to adopt a
13 27 revenue purpose statement as provided in this section.
13 28 Approval by the electors of an extended tax shall constitute
13 29 approval under this section.

13 30 3. The governing body shall institute proceedings to
13 31 approve a revenue purpose statement by causing a notice of the
13 32 meeting to discuss approval of a revenue purpose statement to
13 33 be published at least once in a newspaper of general
13 34 circulation within the school district at least ten days prior
13 35 to the meeting. Within thirty days following the meeting, the
14 1 board of directors shall take action to approve a revenue

14 2 purpose statement. If at any time before the end of the
14 3 thirty-day period after the meeting approving a revenue
14 4 purpose statement a petition is filed with the secretary of
14 5 the board asking that the question of approving the revenue
14 6 purpose statement be submitted to the registered voters of the
14 7 school district, the board shall either by resolution repeal
14 8 the action approving a revenue purpose statement or direct the
14 9 county commissioner of elections to call a special election
14 10 upon the question of approving the revenue purpose statement.
14 11 The petition must be signed by eligible electors equal to not
14 12 less than one hundred or thirty percent of the number of
14 13 voters at the last preceding regular school election. A
14 14 majority of those voting on the question must favor approval
14 15 of the revenue purpose statement.

14 16 4. The revenues received pursuant to this chapter shall be
14 17 expended for the purposes specified in the revenue purpose
14 18 statement. In the event that a board of directors has not
14 19 approved a revenue purpose statement, the revenues shall be
14 20 expended in the order listed in subsection 1 except that the
14 21 payment of bonds for which the revenues have been pledged
14 22 shall be paid first. Once approved, a revenue purpose
14 23 statement is effective until amended or repealed by the
14 24 foregoing procedures. A revenue purpose statement shall not
14 25 be amended or repealed to reduce the amount of revenue pledged
14 26 to the payment of principal and interest on bonds as long as
14 27 any bonds authorized by sections 423E.5 and 423F.3 are
14 28 outstanding unless funds sufficient to pay principal,
14 29 interest, and premium, if any, on the outstanding obligations
14 30 at or prior to maturity have been properly set aside and
14 31 pledged for that purpose.

14 32 5. A school district with a certified enrollment of fewer
14 33 than two hundred fifty pupils in the entire district or
14 34 certified enrollment of fewer than one hundred pupils in high
14 35 school shall not expend the amount received for new
15 1 construction without prior application to the department of
15 2 education and receipt of a certificate of need pursuant to
15 3 this subsection. A certificate of need is not required for
15 4 repairing schoolhouses or buildings, equipment, technology, or
15 5 transportation equipment for transporting students as provided
15 6 in section 298.3, or for construction necessary for compliance
15 7 with the federal Americans With Disabilities Act pursuant to
15 8 42 U.S.C. } 12101==12117. In determining whether a
15 9 certificate of need shall be issued or denied, the department
15 10 shall consider all of the following:

15 11 a. Enrollment trends in the grades that will be served at
15 12 the new construction site.

15 13 b. The infeasibility of remodeling, reconstructing, or
15 14 repairing existing buildings.

15 15 c. The fire and health safety needs of the school
15 16 district.

15 17 d. The distance, convenience, cost of transportation, and
15 18 accessibility of the new construction site to the students to
15 19 be served at the new construction site.

15 20 e. Availability of alternative, less costly, or more
15 21 effective means of serving the needs of the students.

15 22 f. The financial condition of the district, including the
15 23 effect of the decline of the budget guarantee and unspent
15 24 balance.

15 25 g. Broad and long-term ability of the district to support
15 26 the facility and the quality of the academic program.

15 27 h. Cooperation with other educational entities including
15 28 other school districts, area education agencies, postsecondary
15 29 institutions, and local communities.

15 30 Sec. 28. NEW SECTION. 423F.3 BORROWING AUTHORITY FOR
15 31 SCHOOL DISTRICTS.

15 32 A school district may anticipate its share of the revenues
15 33 under section 423F.1 by issuing bonds in the manner provided
15 34 in section 423E.5. However, to the extent any school district
15 35 has issued bonds anticipating the proceeds of an extended
16 1 local sales and services tax for school infrastructure
16 2 purposes imposed by a county pursuant to chapter 423E prior to
16 3 July 1, 2007, the pledge of such revenues for the payment of
16 4 principal and interest on such bonds shall be replaced by a
16 5 pledge of its share of the revenues under section 423F.1.

16 6 Sec. 29. 2006 Iowa Acts, chapter 1158, section 70, is
16 7 amended to read as follows:

16 8 SEC. 70. Section 423.2, subsection 8, Code Supplement
16 9 2005, is amended by striking the subsection and inserting in
16 10 lieu thereof the following:

16 11 8. a. A tax of ~~five~~ six percent is imposed on the sales
16 12 price from sales of bundled transactions. For the purposes of

16 13 this subsection, a "bundled transaction" is the retail sale of
16 14 two or more distinct and identifiable products, except real
16 15 property and services to real property, which are sold for one
16 16 nonitemized price. A "bundled transaction" does not include
16 17 the sale of any products in which the sales price varies, or
16 18 is negotiable, based on the selection by the purchaser of the
16 19 products included in the transaction.

16 20 b. "Distinct and identifiable products" does not include
16 21 any of the following:

16 22 (1) Packaging or other materials that accompany the retail
16 23 sale of the products and are incidental or immaterial to the
16 24 retail sale of the products.

16 25 (2) A product provided free of charge with the required
16 26 purchase of another product. A product is "provided free of
16 27 charge" if the sales price of the product purchased does not
16 28 vary depending on the inclusion of the product which is
16 29 provided free of charge.

16 30 (3) Items included in the definition of "sales price"
16 31 pursuant to section 423.1.

16 32 c. "One nonitemized price" does not include a price that
16 33 is separately identified by product on binding sales or other
16 34 supporting sales-related documentation made available to the
16 35 customer in paper or electronic form.

17 1 Sec. 30. Sections 423E.1 and 423E.2, Code 2007, are
17 2 repealed.

17 3 Sec. 31. CONSTRUCTION CONTRACTORS.

17 4 1. Construction contractors may make application to the
17 5 department of revenue for a refund of the additional one
17 6 percent tax paid under chapter 423 by reason of the increase
17 7 in the sales and use taxes from five to six percent for taxes
17 8 paid on goods, wares, or merchandise under the following
17 9 conditions:

17 10 a. The goods, wares, or merchandise are incorporated into
17 11 an improvement to real estate in fulfillment of a written
17 12 contract fully executed prior to July 1, 2007. The refund
17 13 shall not apply to equipment transferred in fulfillment of a
17 14 mixed construction contract.

17 15 b. The contractor has paid to the department of revenue or
17 16 to a retailer the full six percent tax.

17 17 c. The claim is filed on forms provided by the department
17 18 of revenue and is filed within one year of the date the tax is
17 19 paid.

17 20 2. A contractor who makes an erroneous application for
17 21 refund shall be liable for payment of the excess refund paid
17 22 plus interest at the rate in effect under section 421.7. In
17 23 addition, a contractor who willfully makes a false application
17 24 for refund is guilty of a simple misdemeanor and is liable for
17 25 a penalty equal to fifty percent of the excess refund claimed.
17 26 Excess refunds, penalties, and interest due under this section
17 27 may be enforced and collected in the same manner as the tax
17 28 imposed by chapter 423.

17 29 Sec. 32. APPLICABILITY. This section applies in regard to
17 30 the increase in the state sales and use taxes from five to six
17 31 percent. The six percent rate applies to all sales of taxable
17 32 personal property, consisting of goods, wares, or merchandise
17 33 if delivery occurs on or after July 1, 2007. The six percent
17 34 use tax rate applies to the use of property when the first
17 35 taxable use in this state occurs on or after July 1, 2007.

18 1 The six percent rate applies to the gross receipts from the
18 2 sale, furnishing, or service of gas, electricity, water, heat,
18 3 pay television service, and communication service if the date
18 4 of billing the customer is on or after July 1, 2007. In the
18 5 case of a service contract entered into prior to July 1, 2007,
18 6 which contract calls for periodic payments, the six percent
18 7 rate applies to those payments made or due on or after July 1,
18 8 2007. This periodic payment applies but is not limited to
18 9 tickets or admissions, private club membership fees, sources
18 10 of amusement, equipment rental, dry cleaning, reducing salons,
18 11 dance schools, and all other services subject to tax, except
18 12 the aforementioned utility services which are subject to a
18 13 special transitional rule. Unlike periodic payments under
18 14 service contracts, installment sales of goods, wares, and
18 15 merchandise are subject to the full amount of sales or use tax
18 16 when the sales contract is entered into or the property is
18 17 first used in Iowa.

18 18 Sec. 33. EFFECTIVE DATE. The section of this Act amending
18 19 2006 Iowa Acts, chapter 1158, section 70, takes effect January
18 20 1, 2008.

18 21 EXPLANATION

18 22 This bill increases the state sales and use taxes from 5
18 23 percent to 6 percent. The increased revenues are deposited

18 24 into a new secure an advanced vision for education fund to be
18 25 distributed to all school districts. Those state revenues are
18 26 to replace the local sales and services tax for school
18 27 infrastructure purposes. All existing local sales and
18 28 services tax are repealed. A statewide amount per pupil is
18 29 computed each fiscal year based upon the estimated amount that
18 30 would have been generated by a 1 percent local sales and
18 31 services tax divided by combined enrollment of all school
18 32 districts. Each district will receive an amount equal to the
18 33 amount that it would have received under the formula if the
18 34 local sales and services tax for school infrastructure was
18 35 imposed. Any funds leftover after distribution under the
19 1 formula are to be distributed to school districts on an equal
19 2 per pupil basis.

19 3 Revenues received are to be used according to a revenue
19 4 purpose statement that was in existence under the replaced
19 5 tax. Prior to use of any revenues after the replaced tax
19 6 revenue purpose statement expires, the school district may
19 7 hold a public meeting on the adoption of a new revenue purpose
19 8 statement. If a valid petition to hold an election is
19 9 submitted, then the school district either withdraws the
19 10 revenue purpose statement or an election is held. A valid
19 11 petition must have signatures equal to 100 eligible voters or
19 12 30 percent of the number of voters at the last regular school
19 13 election.

19 14 The purposes for which the revenues may be used are the
19 15 reduction of bond levies, regular and voter approved physical
19 16 plant and equipment levy, public educational and recreational
19 17 levy, and schoolhouse tax levy, authorized infrastructure
19 18 purposes as defined in Code section 423E.1, and payment of
19 19 principal and interest of bonds issued under Code chapter 423E
19 20 or 423F. If a revenue purpose statement is not approved, the
19 21 revenues are to be used in the order listed for the above
19 22 purposes.

19 23 The bill provides an effective date.

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19 25 mg:rj/je/5