

# Senate File 2421 - Introduced

SENATE FILE \_\_\_\_\_  
BY COMMITTEE ON WAYS AND  
MEANS

(SUCCESSOR TO SSB 3287)

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

## A BILL FOR

1 An Act authorizing certain special charter cities to impose a  
2 special charter city sales and services tax.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 6595SV 82  
5 tw/sc/5

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1 1 Section 1. NEW SECTION. 423F.1 SPECIAL CHARTER CITY  
1 2 SALES AND SERVICES TAX.  
1 3 1. Subject to the provisions of this chapter, a special  
1 4 charter city with a population greater than seventy-five  
1 5 thousand may impose by ordinance a special charter city sales  
1 6 and services tax at the rate of one percent on the sales price  
1 7 taxed by the state under chapter 423, subchapter II.  
1 8 a. A special charter city sales and services tax shall be  
1 9 imposed on the same basis as the state sales and services tax  
1 10 or, in the case of the use of natural gas, natural gas  
1 11 service, electricity, or electric service, on the same basis  
1 12 as the state use tax.  
1 13 b. A special charter city sales and services tax shall not  
1 14 be imposed on the sale of any property or on any service not  
1 15 taxed by the state, except the tax shall not be imposed on the  
1 16 sales price from the sale of motor fuel or special fuel as  
1 17 defined in chapter 452A which is consumed for highway use or  
1 18 in watercraft or aircraft if the fuel tax is paid on the  
1 19 transaction and a refund has not or will not be allowed, on  
1 20 the sales price from the sale of equipment by the state  
1 21 department of transportation, or on the sales price from the  
1 22 sale or use of natural gas, natural gas service, electricity,  
1 23 or electric service in a city where the sales price from the  
1 24 sale of natural gas or electric energy is subject to a  
1 25 franchise fee or user fee during the period the franchise or  
1 26 user fee is imposed.  
1 27 c. A special charter city sales and services tax is  
1 28 applicable to transactions within the incorporated areas of  
1 29 the special charter city where it is imposed and shall be  
1 30 collected by all persons required to collect state sales  
1 31 taxes.  
1 32 d. The amount of the sale, for purposes of determining the  
1 33 amount of the special charter city sales and services tax,  
1 34 does not include the amount of any state sales tax or other  
1 35 local option sales and services taxes.  
2 1 e. A tax permit other than the state sales tax permit  
2 2 required under section 423.36 shall not be required by local  
2 3 authorities.  
2 4 2. If a special charter city sales and services tax is  
2 5 imposed by a city pursuant to this chapter, a local excise tax  
2 6 at the same rate shall be imposed by the city on the purchase  
2 7 price of natural gas, natural gas service, electricity, or  
2 8 electric service subject to tax under chapter 423, subchapter  
2 9 III, and not exempted from tax by any provision of chapter  
2 10 423, subchapter III. The local excise tax is applicable only  
2 11 to the use of natural gas, natural gas service, electricity,  
2 12 or electric service within the incorporated areas of the city  
2 13 where it is imposed and, except as otherwise provided in this  
2 14 chapter, shall be collected and administered in the same  
2 15 manner as the special charter city sales and services tax.  
2 16 For purposes of this chapter, "special charter city sales and  
2 17 services tax" shall also include the local excise tax.

2 18 3. A special charter city sales and services tax under  
2 19 this chapter may be imposed in addition to any local sales and  
2 20 services tax imposed under chapter 423B in an area of the  
2 21 city.

2 22 Sec. 2. NEW SECTION. 423F.2 ELECTION == IMPOSITION ==  
2 23 REPEAL.

2 24 1. ELECTION REQUIREMENT. A special charter city sales and  
2 25 services tax shall be imposed pursuant to this chapter only  
2 26 after an election at which a majority of those voting on the  
2 27 question favors imposition and shall then be imposed until  
2 28 repealed as provided in this section.

2 29 2. MANNER OF ELECTION. The question of whether a special  
2 30 charter city sales and services tax shall be imposed in a  
2 31 special charter city shall be submitted to the voters by one  
2 32 of the following methods:

2 33 a. Upon its own motion, the governing body of the city may  
2 34 within thirty days of adoption of the motion direct the county  
2 35 commissioner of elections to submit the question of the  
3 1 imposition of a special charter city sales and services tax to  
3 2 the registered voters of the city.

3 3 b. Upon the receipt of a petition signed by the residents  
3 4 of the city, the governing body of the city shall within  
3 5 thirty days direct the county commissioner of elections to  
3 6 submit the question of the imposition of a special charter  
3 7 city sales and services tax to the registered voters of the  
3 8 city. A petition requesting imposition of a special charter  
3 9 city sales and services tax shall be signed by a number of  
3 10 eligible electors of the city equal to five percent of the  
3 11 persons in the city who voted in the most recent general  
3 12 election.

3 13 3. TIMING AND BALLOT REQUIREMENTS.

3 14 a. The county commissioner of elections shall submit the  
3 15 question of imposition of a special charter city sales and  
3 16 services tax at the general election, at the regular city  
3 17 election, or at a special election called for that purpose.  
3 18 The election shall not be held sooner than sixty days after  
3 19 publication of notice of the ballot proposition.

3 20 b. The ballot proposition shall specify the date the tax  
3 21 will be imposed. The date of imposition shall be as provided  
3 22 in section 423F.3, subsection 1.

3 23 c. The ballot proposition shall contain a statement of the  
3 24 purposes for which the revenues shall be expended. Moneys  
3 25 collected from a special charter city sales and services tax  
3 26 shall be expended pursuant to section 423F.4, subsection 3.

3 27 d. When submitting the question of the imposition of a  
3 28 special charter city sales and services tax, the governing  
3 29 body of the city may direct that the ballot question contain a  
3 30 provision for the repeal, without election, of the tax on a  
3 31 specific date, which date shall be as provided in section  
3 32 423F.3, subsection 1.

3 33 e. If a majority of those voting on the question of  
3 34 imposition of the special charter city sales and services tax  
3 35 favors imposition of the tax, the governing body of the city  
4 1 shall impose the tax at the rate specified in section 423F.1,  
4 2 subsection 1, for an unlimited period.

4 3 4. REPEAL BY ELECTION.

4 4 a. A special charter city sales and services tax may be  
4 5 repealed after an election at which a majority of those voting  
4 6 on the question of repeal favored the repeal. The date on  
4 7 which the repeal takes effect shall not be earlier than ninety  
4 8 days following the election.

4 9 b. The election at which the question of a repeal of the  
4 10 special charter city sales and services tax is submitted to  
4 11 the registered voters shall be called and held in the same  
4 12 manner and under the same conditions as provided in  
4 13 subsections 2 and 3.

4 14 c. An election to repeal a special charter city sales and  
4 15 services tax shall not be submitted to the registered voters  
4 16 of a city more than once every four years.

4 17 5. NOTICE TO THE DIRECTOR OF REVENUE. Within ten days of  
4 18 the election at which a majority of those voting on the  
4 19 question favors the imposition or repeal of a special charter  
4 20 city sales and services tax, the county auditor shall give  
4 21 written notice of the result of the election by sending a copy  
4 22 of the abstract of the votes from the election to the director  
4 23 of revenue. The director shall have the authority to waive  
4 24 the notice requirement.

4 25 Sec. 3. NEW SECTION. 423F.3 ADMINISTRATION.

4 26 1. a. A special charter city sales and services tax shall  
4 27 be imposed either January 1 or July 1 following the  
4 28 notification of the director of revenue but not sooner than

4 29 ninety days following the passage of the ordinance and not  
4 30 sooner than sixty days following notice to sellers, as defined  
4 31 in section 423.1.

4 32 b. A special charter city sales and services tax shall be  
4 33 repealed only on June 30 or December 31, but not sooner than  
4 34 ninety days following the repeal of the ordinance. However,  
4 35 the sales and services tax shall not be repealed before the  
5 1 tax has been in effect for one year.

5 2 c. At least forty days before the imposition or repeal of  
5 3 the tax, a city shall provide notice of the action by  
5 4 certified mail to the director of revenue.

5 5 d. The imposition of a special charter city sales and  
5 6 services tax shall not be applied to purchases from a printed  
5 7 catalog wherein a purchaser computes the local tax based on  
5 8 rates published in the catalog unless a minimum of one hundred  
5 9 twenty days' notice of the imposition has been given to the  
5 10 seller and the first day of a calendar quarter has occurred on  
5 11 or after the one hundred twentieth day.

5 12 2. a. The director of revenue shall administer a special  
5 13 charter city sales and services tax as nearly as possible in  
5 14 conjunction with the administration of state sales tax laws.  
5 15 The director shall provide appropriate forms or provide space  
5 16 on the regular state tax forms for reporting special charter  
5 17 city sales and services tax liability.

5 18 b. The ordinance of a city imposing a special charter city  
5 19 sales and services tax shall adopt by reference the applicable  
5 20 provisions of the appropriate sections of chapter 423. All  
5 21 powers and requirements of the director to administer the  
5 22 state sales tax law and use tax law are applicable to the  
5 23 administration of a special charter city sales and services  
5 24 tax law and the local excise tax, including but not limited to  
5 25 the provisions of section 422.25, subsection 4, sections  
5 26 422.30, 422.67, and 422.68, section 422.69, subsection 1,  
5 27 sections 422.70 to 422.75, section 423.14, subsection 1 and  
5 28 subsection 2, paragraphs "b" through "e", and sections 423.15,  
5 29 423.23, 423.24, 423.25, 423.31 to 423.35, 423.37 to 423.42,  
5 30 423.46, and 423.47. Local officials shall confer with the  
5 31 director of revenue for assistance in drafting the ordinance  
5 32 imposing a special charter city sales and services tax. A  
5 33 certified copy of the ordinance shall be filed with the  
5 34 director as soon as possible after passage of the ordinance.

5 35 c. Frequency of deposits and quarterly reports of a  
6 1 special charter city sales and services tax with the  
6 2 department of revenue are governed by the tax provisions in  
6 3 section 423.31. Local tax collections shall not be included  
6 4 in computation of the total tax to determine frequency of  
6 5 filing under section 423.31.

6 6 d. The director shall apply a boundary change of a city  
6 7 imposing or collecting the special charter city sales and  
6 8 services tax to the imposition or collection of that tax only  
6 9 on the first day of a calendar quarter which occurs sixty days  
6 10 or more after the director has given notice of the boundary  
6 11 change to sellers.

6 12 3. a. The director, in consultation with local officials,  
6 13 shall collect and account for a special charter city sales and  
6 14 services tax. The director shall certify each quarter the  
6 15 amount of sales and services tax receipts and any interest and  
6 16 penalties to be credited to a special charter city sales and  
6 17 services tax fund of that city established in the office of  
6 18 the treasurer of state. All taxes collected under this  
6 19 chapter by a retailer or any individual are deemed to be held  
6 20 in trust for the state of Iowa and the local jurisdictions  
6 21 imposing the taxes.

6 22 b. All local tax moneys and interest and penalties  
6 23 received or refunded one hundred eighty days or more after the  
6 24 date on which the city repeals its special charter city sales  
6 25 and services tax shall be deposited in or withdrawn from the  
6 26 general fund of the state.

6 27 Sec. 4. NEW SECTION. 423F.4 PAYMENT TO THE CITY == USE  
6 28 OF RECEIPTS.

6 29 1. The director shall credit the special charter city  
6 30 sales and services tax receipts and interest and penalties  
6 31 from a city-imposed tax to the city's special charter city  
6 32 sales and services tax fund.

6 33 2. a. The director of revenue by August 15 of each fiscal  
6 34 year shall send to the city where the special charter city tax  
6 35 is imposed an estimate of the amount of tax moneys the city  
7 1 will receive for the year and for each month of the year. At  
7 2 the end of each month, the director may revise the estimates  
7 3 for the year and remaining months.

7 4 b. The director of revenue shall remit ninety-five percent

7 5 of the estimated tax receipts for the city to the city on or  
7 6 before August 31 of the fiscal year and on or before the last  
7 7 day of each following month.

7 8 c. The director of revenue shall remit a final payment of  
7 9 the remainder of tax moneys due the city for the fiscal year  
7 10 before November 10 of the next fiscal year. If an overpayment  
7 11 has resulted during the previous fiscal year, the November  
7 12 payment shall be adjusted to reflect any overpayment.

7 13 3. All special charter city sales and services tax  
7 14 revenues received by the city under this chapter shall be  
7 15 deposited in a special fund of the city and shall be used as  
7 16 follows:

7 17 a. Ninety percent of the moneys shall be used to provide  
7 18 financial assistance to the following:

7 19 (1) Resident students of the special charter city  
7 20 graduating from a public or nonpublic school located in the  
7 21 special charter city who have enrolled in an institution of  
7 22 higher education. For purposes of this subparagraph,  
7 23 "financial assistance" includes loans, forgivable loans,  
7 24 grants, and scholarships, and "institution of higher  
7 25 education" includes a four-year college or university, a  
7 26 community college, or a technical or vocational school.

7 27 (2) Eligible members of the armed forces of the United  
7 28 States for the purchase of residences or the establishment or  
7 29 expansion of businesses located in the special charter city.  
7 30 For purposes of this subparagraph, "eligible member of the  
7 31 armed forces of the United States" means a person who is or  
7 32 was a member of the national guard, reserve, or regular  
7 33 component of the armed forces of the United States who has  
7 34 served at least ninety days of active duty service beginning  
7 35 on or after September 11, 2001. "Eligible member of the armed  
8 1 forces of the United States" also means a former member of the  
8 2 national guard, reserve, or regular component of the armed  
8 3 forces of the United States who was honorably discharged due  
8 4 to injuries incurred while on active federal service beginning  
8 5 on or after September 11, 2001, that precluded completion of a  
8 6 minimum aggregate of ninety days of active federal service.

8 7 b. Ten percent of the moneys shall be used to hire  
8 8 additional public safety personnel.

8 9 EXPLANATION

8 10 This bill authorizes special charter cities of 75,000 or  
8 11 more in population to impose a 1 percent special charter city  
8 12 sales and services tax on the same basis as the state sales  
8 13 tax or in the case of the use of natural gas, natural gas  
8 14 service, electricity, or electricity service on the same basis  
8 15 as the state use tax.

8 16 The tax cannot be imposed unless approved at an election.  
8 17 The issue can be submitted either upon a motion by the  
8 18 governing body of a city or by petition of 5 percent of the  
8 19 eligible electors in the city.

8 20 The question of the imposition of the tax must be submitted  
8 21 at a general election, a regular city election, or at a  
8 22 special election on the issue. The ballot proposition for the  
8 23 tax must include certain information including the type and  
8 24 rate of the tax, the date it will be imposed, and the purposes  
8 25 for which the revenues shall be expended.

8 26 The tax can be repealed at election by a majority vote, or  
8 27 a repeal date can be included on the ballot at the election  
8 28 where its imposition is proposed. A vote to repeal the tax  
8 29 must be conducted in the same manner as the election imposing  
8 30 the tax.

8 31 All revenues collected from the special charter city sales  
8 32 and services tax must be spent by the city as follows: 90  
8 33 percent for providing scholarships to graduating high school  
8 34 students in the city who are enrolling in college and for  
8 35 eligible veterans purchasing a residence in the city or  
9 1 establishing or expanding a business in the city and 10  
9 2 percent for hiring additional public safety personnel.

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