

# Senate Study Bill 1308

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON BOLKCOM)

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

## A BILL FOR

1 An Act relating to city and county revenues by amending  
2 provisions related to city franchise fees and authorizing  
3 cities and counties to impose certain local taxes and fees and  
4 including effective date provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 2680XC 83  
7 md/sc/5

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1 1 DIVISION I  
1 2 CITY FRANCHISE FEES  
1 3 Section 1. Section 364.2, subsection 4, paragraph f, Code  
1 4 2009, is amended to read as follows:  
1 5 f. A franchise fee assessed by a city may be based upon a  
1 6 percentage of gross revenues generated from sales of the  
1 7 franchisee within the city not to exceed five percent, without  
1 8 regard to the city's cost of inspecting, supervising, and  
1 9 otherwise regulating the franchise. Franchise fees collected  
1 10 may be credited to the city general fund and used for city  
1 11 general fund purposes. However, at least twenty percent of  
1 12 the fees collected shall be used for property tax relief. If  
1 13 a city franchise fee is assessed to customers of a franchise,  
1 14 the fee shall not be assessed to the city as a customer.  
1 15 Before a city adopts or amends a franchise fee rate ordinance  
1 16 or franchise ordinance to increase the percentage rate at  
1 17 which franchise fees are assessed, a revenue purpose statement  
1 18 shall be prepared specifying the purpose or purposes for which  
1 19 the revenue collected from the increased rate will be  
1 20 expended. If additional property tax relief is listed as a  
1 21 purpose, the revenue purpose statement shall also include  
1 22 information regarding the amount of the additional property  
1 23 tax relief to be provided with revenue collected from the  
1 24 increased rate. The revenue purpose statement shall be  
1 25 published as provided in section 362.3.

1 26 Sec. 2. CERTAIN FRANCHISE FEES DECLARED LEGAL. To the  
1 27 extent that any amount of franchise fees assessed by and paid  
1 28 to a city prior to the effective date of this division of this  
1 29 Act, pursuant to a franchise agreement between a city and any  
1 30 person to erect, maintain, and operate plants and systems for  
1 31 electric light and power, heating, telegraph, cable  
1 32 television, district telegraph and alarm, motor bus, trolley  
1 33 bus, street railway or other public transit, waterworks, or  
1 34 gasworks, exceeds the city's reasonable costs of inspecting,  
1 35 supervising, and otherwise regulating the franchise, such  
2 1 amount is deemed and declared to be authorized and legally  
2 2 assessed by and paid to the city.

2 3 Sec. 3. EFFECTIVE DATE. This division of this Act, being  
2 4 deemed of immediate importance, takes effect upon enactment.

2 5 DIVISION II  
2 6 LOCAL GOVERNMENT  
2 7 ALTERNATIVE REVENUE SOURCES  
2 8 SUBCHAPTER I

2 9 LOCAL GOVERNMENT AUTHORIZATION  
2 10 Sec. 4. NEW SECTION. 420A.101 LOCAL GOVERNMENT  
2 11 ALTERNATIVE REVENUE SOURCES.

2 12 Unless otherwise provided in this chapter, a city or county  
2 13 that meets the requirements established in this subchapter is  
2 14 authorized to impose the taxes and fees specified in this  
2 15 chapter.

2 16 Sec. 5. NEW SECTION. 420A.102 AUTHORIZATION.

2 17 The following governmental entities are authorized to  
2 18 impose the taxes and fees specified in this chapter:

2 19 1. A county. A county may only impose taxes and fees  
2 20 under this chapter in the unincorporated area of the county.  
2 21 2. A city. A city may only impose taxes and fees under  
2 22 this chapter within the corporate boundaries of the city.

2 23 Sec. 6. NEW SECTION. 420A.103 ALTERNATIVE REVENUE ==  
2 24 IMPOSITION == PUBLIC HEARING == REVENUE PURPOSE STATEMENT.

2 25 1. Each tax or fee imposed by a city or county under this  
2 26 chapter shall be adopted by ordinance of the governing body of  
2 27 the city or county. Each tax or fee imposed by a city under  
2 28 this chapter shall be adopted in a separate ordinance. Each  
2 29 tax or fee imposed by a county under this chapter shall be  
2 30 adopted in a separate ordinance.

2 31 2. Except as otherwise provided in this chapter, an  
2 32 ordinance to impose a tax or fee under this chapter may be  
2 33 repealed by motion of the local governing body.

2 34 3. a. Before adoption or amendment of an ordinance that  
2 35 imposes a tax or fee under this chapter, the governing body of  
3 1 the city or county shall hold a public hearing on the proposed  
3 2 ordinance. Notice of the public hearing shall be published as  
3 3 provided in section 331.305 or 362.3, as appropriate.

3 4 b. Not less than four nor more than twenty days before the  
3 5 public hearing required in paragraph "a", the governing body  
3 6 of the city or county shall prepare and publish a revenue  
3 7 purpose statement specifying the purpose or purposes for which  
3 8 the revenue collected from the tax or fee will be expended.  
3 9 The revenue purpose statement shall include information  
3 10 regarding the amount of the property tax relief to be provided  
3 11 with revenue collected from the tax or fee. Publication of  
3 12 the revenue purpose statement shall be in a manner consistent  
3 13 with section 331.305 or 362.3, as appropriate.

3 14 Sec. 7. NEW SECTION. 420A.104 ALTERNATIVE REVENUE FUND  
3 15 == USE OF REVENUES.

3 16 1. Each city or county that imposes a tax or fee under  
3 17 this chapter shall establish an alternative revenue fund. All  
3 18 revenues collected as a result of the imposition of taxes or  
3 19 fees specified in this chapter shall be deposited into the  
3 20 alternative revenue fund of the city or county, as  
3 21 appropriate, and shall be expended pursuant to this section.  
3 22 Interest earned on revenues deposited in the fund shall remain  
3 23 in the fund and shall be used for the purposes specified in  
3 24 this section.

3 25 2. All revenues deposited in the alternative revenue fund  
3 26 of a city or county shall be expended as follows:

3 27 a. Not less than seventy-five percent shall be used to  
3 28 provide property tax relief for all taxable property within  
3 29 the corporate boundaries of the city or in the unincorporated  
3 30 area of the county, as applicable, pursuant to subsection 3.  
3 31 b. Not more than twenty-five percent shall be used for  
3 32 core government purposes.

3 33 3. At least seventy-five percent of the revenues in the  
3 34 city alternative revenue fund or the county alternative  
3 35 revenue fund as of June 1 of each year shall be used to  
4 1 provide property tax credits for taxes due and payable in the  
4 2 following fiscal year.

4 3 a. The county treasurer shall determine the tax credit for  
4 4 taxable property within the corporate boundaries of the city  
4 5 as follows:

4 6 (1) Determine the amount in the city's alternative revenue  
4 7 fund as of June 1 that is to be used to provide property tax  
4 8 credits.

4 9 (2) Divide the amount determined under subparagraph (1) by  
4 10 the total of the taxable value of all taxable property in the  
4 11 city.

4 12 (3) Calculate the amount of tax credit for each taxable  
4 13 parcel of property by multiplying the amount calculated under  
4 14 subparagraph (2) by the taxable value of that parcel.

4 15 b. The county treasurer shall determine the tax credit for  
4 16 taxable property in the unincorporated area of the county as  
4 17 follows:

4 18 (1) Determine the amount in the county's alternative  
4 19 revenue fund as of June 1 that is to be used to provide  
4 20 property tax credits.

4 21 (2) Divide the amount determined under subparagraph (1) by  
4 22 the total of the taxable value of all taxable property in the  
4 23 unincorporated area of the county.

4 24 (3) Calculate the amount of tax credit for each taxable  
4 25 parcel of property by multiplying the amount calculated under  
4 26 subparagraph (2) by the taxable value of that parcel.

4 27 c. The property tax credit shall be stated as a separate

4 28 and distinct credit on each property tax statement under  
4 29 section 445.5.

4 30 4. For the purposes of this section "core government  
4 31 purpose" means any of the following:

4 32 a. The repair, remediation, restoration, cleanup,  
4 33 replacement, and improvement of existing publicly owned  
4 34 property, buildings, equipment, and facilities that have been  
4 35 damaged by a disaster as defined in section 29C.2.

5 1 b. Projects designed to prevent or mitigate future  
5 2 disasters as defined in section 29C.2.

5 3 c. Energy conservation measures as defined in section  
5 4 7D.34 for existing publicly owned property, buildings, and  
5 5 facilities.

5 6 d. The equipping of fire, police, emergency services,  
5 7 sanitation, street, and civil defense departments.

5 8 e. The establishment, construction, reconstruction,  
5 9 repair, equipping, remodeling, and extension of public works,  
5 10 public utilities, and public transportation systems.

5 11 f. The construction, reconstruction, or repair of streets,  
5 12 highways, bridges, sidewalks, pedestrian underpasses and  
5 13 overpasses, street lighting fixtures, and public grounds, and  
5 14 the acquisition of real estate needed for such purposes.

5 15 g. Projects or activities that involve the sharing of  
5 16 local government services and that encourage efficient use of  
5 17 public resources including but not limited to projects or  
5 18 activities conducted pursuant to chapter 28E.

#### 5 19 SUBCHAPTER II

#### 5 20 CITY FRANCHISE FEES

5 21 Sec. 8. NEW SECTION. 420A.201 CITY FRANCHISE FEES.

5 22 1. A city may assess by ordinance a franchise fee based  
5 23 upon a percentage of gross revenues generated from sales of  
5 24 the franchisee within the city not to exceed three percent.  
5 25 The franchise fees assessed under this subchapter shall be in  
5 26 addition to any franchise fees assessed pursuant to section  
5 27 364.2, subsection 4, paragraph "f".

5 28 2. Franchise fees collected by the city under this  
5 29 subchapter shall be deposited in the city alternative revenue  
5 30 fund and used as provided in section 420A.104.

5 31 3. a. If within thirty days after adoption of the  
5 32 ordinance that imposes a franchise fee under this subchapter,  
5 33 or if after the ordinance has been in effect for more than one  
5 34 year, the city council receives a valid petition as provided  
5 35 in section 362.4 requesting that the question of whether to  
6 1 repeal the ordinance be submitted to the registered voters of  
6 2 the city, the city council shall direct the county  
6 3 commissioner of elections to submit to the voters at an  
6 4 election held on a date specified in section 39.2, subsection  
6 5 4, paragraph "b", the question of whether the ordinance that  
6 6 imposes the fee shall be repealed.

6 7 b. If a majority of the total votes cast for and against  
6 8 the proposition favors repeal of the franchise fee, the  
6 9 ordinance shall be repealed, and collection of the fee shall  
6 10 terminate on either June 30 or December 31 following the  
6 11 election, whichever is sooner.

#### 6 12 SUBCHAPTER III

#### 6 13 HOTEL AND MOTEL TAX

6 14 Sec. 9. NEW SECTION. 420A.301 DEFINITIONS.

6 15 1. For the purposes of this subchapter, unless the context  
6 16 otherwise requires:

6 17 a. "Department" means the department of revenue.

6 18 b. "Lessor" means any person engaged in the business of  
6 19 renting lodging to users.

6 20 c. "Lodging" means rooms, apartments, or sleeping quarters  
6 21 in a hotel, motel, inn, public lodging house, rooming house,  
6 22 or manufactured or mobile home which is tangible personal  
6 23 property, or in a tourist court, or in any place where  
6 24 sleeping accommodations are furnished to transient guests for  
6 25 rent, whether with or without meals.

6 26 d. "Person" means the same as the term is defined in  
6 27 section 423.1.

6 28 e. "Renting" or "rent" means a transfer of possession or  
6 29 control of lodging for a fixed or indeterminate term for  
6 30 consideration and includes any kind of direct or indirect  
6 31 charge for such lodging or its use.

6 32 f. "Sales price" means the consideration for renting of  
6 33 lodging and means the same as the term is defined in section  
6 34 423.1.

6 35 g. "User" means a person to whom lodging is rented.

7 1 2. All other words and phrases used in this subchapter and  
7 2 defined in section 423.1 have the meaning given them by  
7 3 section 423.1 for the purposes of this subchapter, unless the

7 4 context otherwise requires.

7 5 Sec. 10. NEW SECTION. 420A.302 LOCALLY IMPOSED HOTEL AND  
7 6 MOTEL TAX.

7 7 1. A city or county may impose by ordinance a hotel and  
7 8 motel tax, at a rate not to exceed six percent, which shall be  
7 9 imposed in increments of one or more full percentage points  
7 10 upon the sales price from the renting of lodging.

7 11 2. A local hotel and motel tax shall be imposed on January  
7 12 1 or July 1, following the notification of the director of  
7 13 revenue. A local hotel and motel tax shall terminate only on  
7 14 June 30 or December 31. At least forty-five days prior to the  
7 15 tax being effective or prior to a revision in the tax rate or  
7 16 prior to the repeal of the tax, the city or county, as  
7 17 applicable, shall provide notice by mail of such action to the  
7 18 director of revenue.

7 19 3. Imposition of the local hotel and motel tax under this  
7 20 subchapter is in addition to any state or local hotel and  
7 21 motel tax imposed pursuant to chapter 423A.

7 22 Sec. 11. NEW SECTION. 420A.303 EXEMPTIONS.

7 23 There is exempted from the provisions of this subchapter  
7 24 and from the computation of any amount of tax imposed by  
7 25 section 420A.302 all of the following:

7 26 1. The sales price from the renting of lodging which is  
7 27 rented by the same person for a period of more than thirty-one  
7 28 consecutive days.

7 29 2. The sales price from the renting of sleeping rooms in  
7 30 dormitories and in memorial unions at all universities and  
7 31 colleges located in the state of Iowa.

7 32 3. The sales price of lodging furnished to the guests of a  
7 33 religious institution if the property is exempt under section  
7 34 427.1, subsection 8, and the purpose of renting is to provide  
7 35 a place for a religious retreat or function and not a place  
8 1 for transient guests generally.

8 2 4. The sales price from transactions exempt from state  
8 3 sales tax under section 423.3.

8 4 Sec. 12. NEW SECTION. 420A.304 ADMINISTRATION BY  
8 5 DIRECTOR.

8 6 1. The director of revenue shall administer the local  
8 7 hotel and motel tax as nearly as possible in conjunction with  
8 8 the administration of the state sales tax law, except that  
8 9 portion of the law which implements the streamlined sales and  
8 10 use tax agreement. The director shall provide appropriate  
8 11 forms, or provide space on the regular state tax forms, for  
8 12 reporting local hotel and motel tax liability. All moneys  
8 13 received or refunded one hundred eighty days after the date on  
8 14 which a city or county terminates its local hotel and motel  
8 15 tax shall be deposited in or withdrawn from the general fund  
8 16 of the state.

8 17 2. The director, in consultation with local officials,  
8 18 shall collect and account for a local hotel and motel tax and  
8 19 shall credit all revenues to the local hotel and motel tax  
8 20 fund created in section 420A.305. Local authorities shall not  
8 21 require any tax permit not required by the director of  
8 22 revenue.

8 23 3. Section 422.25, subsection 4, sections 422.30, 422.67,  
8 24 and 422.68, section 422.69, subsection 1, sections 422.70,  
8 25 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
8 26 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,  
8 27 423.35, 423.37 through 423.42, and 423.47, consistent with the  
8 28 provisions of this subchapter, apply with respect to the taxes  
8 29 authorized under this subchapter, in the same manner and with  
8 30 the same effect as if the local hotel and motel taxes were  
8 31 retail sales taxes within the meaning of those statutes.

8 32 Frequency of deposits and quarterly reports of the local tax  
8 33 with the department of revenue are governed by the tax  
8 34 provisions in section 423.31. Local tax collections shall not  
8 35 be included in computation of the total tax to determined  
9 1 frequency of filing under section 423.31. The director may  
9 2 require all persons who are engaged in the business of  
9 3 deriving any sales price subject to tax under this subchapter  
9 4 to register with the department. All taxes collected under  
9 5 this subchapter by a retailer or any individual are deemed to  
9 6 be held in trust for the state of Iowa and the local  
9 7 jurisdiction imposing the tax.

9 8 4. The director shall apply a boundary change of a city  
9 9 imposing or collecting the local tax to the imposition or  
9 10 collection of that tax only on the first day of a calendar  
9 11 quarter which occurs sixty days or more after the director has  
9 12 given notice of the boundary change to sellers.

9 13 Sec. 13. NEW SECTION. 420A.305 PAYMENT TO CITY OR COUNTY  
9 14 == USE OF RECEIPTS.

9 15 1. A local hotel and motel tax fund is created in the  
9 16 office of the treasurer of state which shall consist of all  
9 17 moneys credited to such fund under section 420A.304.  
9 18 2. All moneys in the local hotel and motel tax fund shall  
9 19 be remitted at least quarterly by the department, pursuant to  
9 20 rules of the director of revenue, to each city or county  
9 21 imposing the tax in the amount collected from businesses in  
9 22 that city or county.  
9 23 3. Local hotel and motel revenues received by the city or  
9 24 county under this subchapter shall be deposited in the city  
9 25 alternative revenue fund or the county alternative revenue  
9 26 fund, as appropriate, and used as provided in section  
9 27 420A.104.

9 28 SUBCHAPTER IV

9 29 LOCAL ENTERTAINMENT TAX

9 30 Sec. 14. NEW SECTION. 420A.401 DEFINITIONS.

9 31 For the purposes of this subchapter, unless the context  
9 32 otherwise requires:

- 9 33 1. "Alcoholic liquor", "wine", or "beer" means the same as  
9 34 those terms are defined in section 123.3.  
9 35 2. "Entertainment tickets" means all tickets or admissions  
10 1 subject to taxation pursuant to section 423.2, subsection 3.  
10 2 3. "Food" means the same as defined in section 137F.1.  
10 3 4. "Food establishment" means a home food establishment  
10 4 licensed pursuant to chapter 137D or a food establishment  
10 5 licensed pursuant to chapter 137F, at which food is served or  
10 6 sold at retail.  
10 7 5. "Licensed premises" means the same as defined in  
10 8 section 123.3.  
10 9 6. "Liquor establishment" means a licensed premises in or  
10 10 at which beer, wine, or alcoholic beverages are sold at  
10 11 retail.

10 12 Sec. 15. NEW SECTION. 420A.402 LOCAL ENTERTAINMENT TAX.

- 10 13 1. A city or county may impose by ordinance a local  
10 14 entertainment tax pursuant to this subchapter. The tax shall  
10 15 be imposed at a rate not to exceed five percent, which shall  
10 16 be imposed in increments of one or more full percentage  
10 17 points, upon all of the following:  
10 18 a. The sales price of food and alcoholic liquor, wine, or  
10 19 beer sold at retail at food establishments and liquor  
10 20 establishments located in the city or in the unincorporated  
10 21 area of the county, as applicable.  
10 22 b. The sales price of all sales of entertainment tickets  
10 23 sold in the city or in the unincorporated area of the county,  
10 24 as applicable.  
10 25 2. The local entertainment tax shall be imposed on the  
10 26 same basis as the state sales tax under chapter 423,  
10 27 subchapter II, and shall not be imposed on the sale of any  
10 28 food, alcoholic liquor, wine, beer, or entertainment tickets  
10 29 not taxed by the state.  
10 30 3. a. A local entertainment tax shall be imposed or the  
10 31 rate changed either January 1 or July 1 following the  
10 32 notification of the director of revenue but not sooner than  
10 33 ninety days following the passage of the ordinance imposing or  
10 34 changing the rate of the tax and not sooner than sixty days  
10 35 following notice to sellers, as defined in section 423.1.  
11 1 b. A local entertainment tax shall be repealed only on  
11 2 June 30 or December 31 but not sooner than ninety days  
11 3 following repeal of the ordinance. At least forty days before  
11 4 the imposition, change in rate, or repeal of the tax, a city  
11 5 or county shall provide notice of the action by certified mail  
11 6 to the director of revenue.  
11 7 4. a. (1) If within thirty days after adoption of the  
11 8 ordinance that imposes a local entertainment tax, or if after  
11 9 the ordinance has been in effect for one year, the board of  
11 10 supervisors receives a valid petition as provided in section  
11 11 331.306 requesting that the question of whether to repeal the  
11 12 ordinance be submitted to the registered voters of the  
11 13 unincorporated area of the county, the board shall direct the  
11 14 county commissioner of elections to submit to the voters at an  
11 15 election held on a date specified in section 39.2, subsection  
11 16 4, paragraph "a", the question of whether the ordinance that  
11 17 imposes the tax shall be repealed.  
11 18 (2) If within thirty days after adoption of the ordinance  
11 19 that imposes a local entertainment tax, or if after the  
11 20 ordinance has been in effect for one year, the city council  
11 21 receives a valid petition as provided in section 362.4  
11 22 requesting that the question of whether to repeal the  
11 23 ordinance be submitted to the registered voters of the city,  
11 24 the city council shall direct the county commissioner of  
11 25 elections to submit to the voters at an election held on a

11 26 date specified in section 39.2, subsection 4, paragraph "b",  
11 27 the question of whether the ordinance that imposes the tax  
11 28 shall be repealed.

11 29 b. If a majority of the total votes cast for and against  
11 30 the proposition favors repeal of the local entertainment tax,  
11 31 the ordinance shall be repealed, and collection of the tax  
11 32 shall terminate on either June 30 or December 31 following the  
11 33 election, whichever is sooner.

11 34 5. The local entertainment tax shall be in addition to any  
11 35 local sales and services tax that may be imposed pursuant to  
12 1 chapter 423B or state sales and use tax imposed pursuant to  
12 2 chapter 423.

12 3 Sec. 16. NEW SECTION. 420A.403 ADMINISTRATION.

12 4 1. a. The director of revenue shall administer a local  
12 5 entertainment tax as nearly as possible in conjunction with  
12 6 the administration of state sales tax laws. The director  
12 7 shall provide appropriate forms, or provide space on the  
12 8 regular state tax forms, for reporting local entertainment tax  
12 9 liability.

12 10 b. The ordinance of the city or county imposing the local  
12 11 entertainment tax shall adopt by reference the applicable  
12 12 provisions of the appropriate sections of chapter 423. All  
12 13 powers and requirements of the director to administer the  
12 14 state sales tax law are applicable to the administration of a  
12 15 local entertainment tax law including but not limited to the  
12 16 provisions of section 422.25, subsection 4, sections 422.30,  
12 17 422.67, and 422.68, section 422.69, subsection 1, sections  
12 18 422.70 to 422.75, section 423.14, subsection 1 and subsection  
12 19 2, paragraphs "b" through "e", and sections 423.15, 423.23,  
12 20 423.24, 423.25, 423.31 to 423.35, 423.37 to 423.42, 423.46,  
12 21 and 423.47. Local officials shall confer with the director of  
12 22 revenue for assistance in drafting the ordinance imposing the  
12 23 tax. A certified copy of the ordinance shall be filed with  
12 24 the director as soon as possible after passage.

12 25 c. Frequency of deposits and quarterly reports of the  
12 26 local tax with the department of revenue are governed by the  
12 27 tax provisions in section 423.31. Local tax collections shall  
12 28 not be included in computation of the total tax to determine  
12 29 frequency of filing under section 423.31.

12 30 d. The director shall apply a boundary change of a city  
12 31 imposing or collecting the local tax to the imposition or  
12 32 collection of that tax only on the first day of a calendar  
12 33 quarter which occurs sixty days or more after the director has  
12 34 given notice of the boundary change to sellers.

12 35 2. a. The director, in consultation with local officials,  
13 1 shall collect and account for the local entertainment tax.  
13 2 The director shall certify each quarter the amount of the  
13 3 local entertainment tax receipts and any interest and  
13 4 penalties to be credited to the city or county account in the  
13 5 local entertainment tax fund established in the office of the  
13 6 treasurer of state. All taxes collected under this subchapter  
13 7 by a retailer or any individual are deemed to be held in trust  
13 8 for the state of Iowa and the local jurisdiction imposing the  
13 9 tax.

13 10 b. All local tax moneys and interest and penalties  
13 11 received or refunded one hundred eighty days or more after the  
13 12 date on which the city or county repeals its tax shall be  
13 13 deposited in or withdrawn from the general fund of the state.

13 14 Sec. 17. NEW SECTION. 420A.404 PAYMENT TO CITY OR COUNTY  
13 15 == USE OF RECEIPTS.

13 16 1. All moneys in the city or county account of the local  
13 17 entertainment tax fund shall be remitted at least quarterly by  
13 18 the department of revenue, pursuant to rules of the director  
13 19 of revenue, to the city or county imposing the tax.

13 20 2. Local entertainment tax revenues received by the city  
13 21 or county under this subchapter shall be deposited in the city  
13 22 alternative revenue fund or the county alternative revenue  
13 23 fund, as appropriate, and used as provided in section  
13 24 420A.104.

#### 13 25 SUBCHAPTER V

#### 13 26 LOCAL CIGARETTE AND TOBACCO PRODUCTS TAX

13 27 Sec. 18. NEW SECTION. 420A.501 LOCAL CIGARETTE AND  
13 28 TOBACCO PRODUCTS TAX.

13 29 1. A city or county may impose by ordinance a local  
13 30 cigarette and tobacco products tax pursuant to this  
13 31 subchapter. The tax shall be imposed at a rate specified in  
13 32 increments of one or more full percentage points upon the  
13 33 sales price of cigarettes and tobacco products sold at retail  
13 34 locations in the city or in the unincorporated area of the  
13 35 county, as applicable. The tax shall be imposed on the same  
14 1 basis as the state sales tax under chapter 423, subchapter II,

14 2 and shall not be imposed on the sale of any cigarettes or  
14 3 tobacco products not taxed by the state.

14 4 2. a. A local cigarette and tobacco products tax shall be  
14 5 imposed or the rate changed either January 1 or July 1  
14 6 following the notification of the director of revenue but not  
14 7 sooner than ninety days following the passage of the ordinance  
14 8 imposing or changing the rate of the tax and not sooner than  
14 9 sixty days following notice to sellers, as defined in section  
14 10 423.1.

14 11 b. A local cigarette and tobacco products tax shall be  
14 12 repealed only on June 30 or December 31 but not sooner than  
14 13 ninety days following repeal of the ordinance. At least forty  
14 14 days before the imposition or repeal of the tax, a city or  
14 15 county shall provide notice of the action by certified mail to  
14 16 the director of revenue.

14 17 3. a. (1) If within thirty days after adoption of the  
14 18 ordinance that imposes a local cigarette and tobacco products  
14 19 tax, or if after the ordinance has been in effect for one  
14 20 year, the board of supervisors receives a valid petition as  
14 21 provided in section 331.306 requesting that the question of  
14 22 whether to repeal the ordinance be submitted to the registered  
14 23 voters of the unincorporated area of the county, the board  
14 24 shall direct the county commissioner of elections to submit to  
14 25 the voters at an election held on a date specified in section  
14 26 39.2, subsection 4, paragraph "a", the question of whether the  
14 27 ordinance that imposes the tax shall be repealed.

14 28 (2) If within thirty days after adoption of the ordinance  
14 29 that imposes a local cigarette and tobacco products tax, or if  
14 30 after the ordinance has been in effect for one year, the city  
14 31 council receives a valid petition as provided in section 362.4  
14 32 requesting that the question of whether to repeal the  
14 33 ordinance be submitted to the registered voters of the city,  
14 34 the city council shall direct the county commissioner of  
14 35 elections to submit to the voters at an election held on a  
15 1 date specified in section 39.2, subsection 4, paragraph "b",  
15 2 the question of whether the ordinance that imposes the tax  
15 3 shall be repealed.

15 4 b. If a majority of the total votes cast for and against  
15 5 the proposition favors repeal of the local cigarette and  
15 6 tobacco products tax, the ordinance shall be repealed, and  
15 7 collection of the tax shall terminate on either June 30 or  
15 8 December 31, following the election, whichever is sooner.

15 9 4. The local cigarette and tobacco products tax shall be  
15 10 in addition to any local sales and services tax that may be  
15 11 imposed pursuant to chapter 423B or state sales and use tax  
15 12 imposed pursuant to chapter 423.

15 13 5. For purposes of this subchapter:

15 14 a. "Cigarette" means the same as defined in section  
15 15 453A.1.

15 16 b. "Tobacco products" means the same as defined in section  
15 17 453A.42.

15 18 Sec. 19. NEW SECTION. 420A.502 ADMINISTRATION.

15 19 1. a. The director of revenue shall administer a local  
15 20 cigarette and tobacco products tax as nearly as possible in  
15 21 conjunction with the administration of state sales tax laws.  
15 22 The director shall provide appropriate forms or provide space  
15 23 on the regular state tax forms for reporting local cigarette  
15 24 and tobacco products tax liability.

15 25 b. The ordinance of a city or county imposing a local  
15 26 cigarette and tobacco products tax shall adopt by reference  
15 27 the applicable provisions of the appropriate sections of  
15 28 chapter 423. All powers and requirements of the director to  
15 29 administer the state sales tax law are applicable to the  
15 30 administration of a local cigarette and tobacco products tax  
15 31 law including but not limited to the provisions of section  
15 32 422.25, subsection 4, sections 422.30, 422.67, and 422.68,  
15 33 section 422.69, subsection 1, sections 422.70 to 422.75,  
15 34 section 423.14, subsection 1 and subsection 2, paragraphs "b"  
15 35 through "e", and sections 423.15, 423.23, 423.24, 423.25,  
16 1 423.31 to 423.35, 423.37 to 423.42, 423.46, and 423.47. Local  
16 2 officials shall confer with the director of revenue for  
16 3 assistance in drafting the ordinance imposing the tax. A  
16 4 certified copy of the ordinance shall be filed with the  
16 5 director as soon as possible after passage.

16 6 c. Frequency of deposits and quarterly reports of the  
16 7 local tax with the department of revenue are governed by the  
16 8 tax provisions in section 423.31. Local tax collections shall  
16 9 not be included in computation of the total tax to determine  
16 10 frequency of filing under section 423.31.

16 11 d. The director shall apply a boundary change of a city  
16 12 imposing or collecting the local tax to the imposition or

16 13 collection of that tax only on the first day of a calendar  
16 14 quarter which occurs sixty days or more after the director has  
16 15 given notice of the boundary change to sellers.

16 16 2. a. The director, in consultation with local officials,  
16 17 shall collect and account for the local cigarette and tobacco  
16 18 products tax. The director shall certify each quarter the  
16 19 amount of local cigarette and tobacco products tax receipts  
16 20 and any interest and penalties to be credited to the city or  
16 21 county account in the cigarette and tobacco products tax fund  
16 22 established in the office of the treasurer of state. All  
16 23 taxes collected under this subchapter by a retailer or any  
16 24 individual are deemed to be held in trust for the state of  
16 25 Iowa and the local jurisdiction imposing the tax.

16 26 b. All local tax moneys and interest and penalties  
16 27 received or refunded one hundred eighty days or more after the  
16 28 date on which the city or county repeals its local cigarette  
16 29 and tobacco products tax shall be deposited in or withdrawn  
16 30 from the general fund of the state.

16 31 Sec. 20. NEW SECTION. 420A.503 PAYMENT TO THE CITY OR  
16 32 COUNTY == USE OF RECEIPTS.

16 33 1. All moneys in the city or county account of the local  
16 34 cigarette and tobacco products tax fund shall be remitted at  
16 35 least quarterly by the department of revenue, pursuant to  
17 1 rules of the director of revenue, to the city or county  
17 2 imposing the tax.

17 3 2. Local cigarette and tobacco products tax revenues  
17 4 received by the city or county under this subchapter shall be  
17 5 deposited in the city alternative revenue fund or the county  
17 6 alternative revenue fund, as appropriate, and used as provided  
17 7 in section 420A.104.

17 8 SUBCHAPTER VI

17 9 LOCAL INCOME SURTAX

17 10 Sec. 21. NEW SECTION. 420A.601 LOCAL INCOME SURTAX ==  
17 11 ELECTION AND IMPOSITION.

17 12 1. The governing body of a city or county may on its own  
17 13 motion offer for voter approval the question of imposition of  
17 14 a local income surtax at a rate not to exceed five percent on  
17 15 the state individual income tax of resident individuals.

17 16 2. The local income surtax shall only be imposed by  
17 17 ordinance following voter approval.

17 18 a. For a local income surtax imposed by a city, the  
17 19 question of imposing the local income surtax may be submitted  
17 20 to the registered voters of the city at an election held on a  
17 21 date specified in section 39.2, subsection 4, paragraph "b".  
17 22 Notice of the election shall be given by publication as  
17 23 provided in section 49.53. The ballot shall identify the  
17 24 local income surtax rate, the duration the local income surtax  
17 25 shall be in effect, and the proposed uses of revenue from the  
17 26 local income surtax. If a majority of the total votes cast  
17 27 for and against the proposition is in favor of the imposition  
17 28 of the local income surtax, the city shall impose the surtax  
17 29 by ordinance for tax years beginning on or after January 1  
17 30 following the favorable election.

17 31 b. For a local income surtax imposed by a county, the  
17 32 question of imposing the local income surtax may be submitted  
17 33 to the registered voters in the unincorporated area of the  
17 34 county at an election held on a date specified in section  
17 35 39.2, subsection 4, paragraph "a". Notice of the election  
18 1 shall be given by publication as provided in section 49.53.  
18 2 The ballot shall identify the local income surtax rate, the  
18 3 duration the local income surtax shall be in effect, and the  
18 4 proposed uses of revenue from the local income surtax. If a  
18 5 majority of the total votes cast for and against the  
18 6 proposition is in favor of the imposition of the local income  
18 7 surtax, the county shall impose the surtax by ordinance for  
18 8 tax years beginning on or after January 1 following the  
18 9 favorable election.

18 10 3. The local income surtax shall be imposed for the period  
18 11 specified on the ballot, but not to exceed a maximum period of  
18 12 ten years.

18 13 4. For purposes of the local income surtax, unless the  
18 14 context otherwise requires:

18 15 a. "Resident individual" means an individual taxpayer  
18 16 whose principal place of residence at the end of the  
18 17 taxpayer's tax year is located in the city or the  
18 18 unincorporated area of the county where the surtax is imposed.

18 19 b. "State individual income tax" means the taxes computed  
18 20 under section 422.5, less the amounts of nonrefundable credits  
18 21 allowed under chapter 422, division II.

18 22 5. a. Returns for the local income surtax shall be filed  
18 23 with the department of revenue on or before the last day of



18 24 the fourth month after the expiration of the tax year. All  
18 25 local income surtax returns shall cover a calendar year. Each  
18 26 taxpayer required to file a return shall show on the return  
18 27 the city or county of residence, as applicable, on the last  
18 28 day of the tax year.

18 29 b. Each taxpayer's local income surtax is equal to the  
18 30 taxpayer's state individual income tax multiplied by the local  
18 31 income surtax rate specified on the ballot.

18 32 Sec. 22. NEW SECTION. 420A.602 ADMINISTRATION.

18 33 1. A local income surtax shall be imposed January 1  
18 34 following the favorable election to impose the surtax for tax  
18 35 years beginning on or after January 1, and repeal of the  
19 1 surtax shall be as of December 31 following repeal of the  
19 2 ordinance for tax years beginning after December 31.

19 3 2. a. The director of revenue shall administer the  
19 4 provisions of a local income surtax as nearly as possible in  
19 5 conjunction with the administration of state income tax laws.  
19 6 The director shall provide appropriate forms, or provide space  
19 7 on the regular state tax forms, for reporting local income  
19 8 surtax liability.

19 9 b. An ordinance imposing a local income surtax shall adopt  
19 10 by reference the applicable provisions of the appropriate  
19 11 sections of chapter 422, division II. All powers and  
19 12 requirements of the director in administering the state income  
19 13 tax law apply to the administration of a local income surtax,  
19 14 including but not limited to the provisions of sections 422.4,  
19 15 422.16, 422.20 to 422.31, 422.68, 422.70, and 422.72 to  
19 16 422.75. Local officials shall confer with the director of  
19 17 revenue and obtain the director's assistance in drafting the  
19 18 ordinance imposing a local income surtax. A certified copy of  
19 19 the ordinance shall be filed with the director as soon as  
19 20 possible after passage.

19 21 3. The director, in consultation with local officials,  
19 22 shall collect and account for a local income surtax and any  
19 23 interest and penalties. The director shall credit local  
19 24 income surtax receipts and any interest and penalties  
19 25 collected from returns filed on or before November 1 of the  
19 26 calendar year following the tax year for which the local  
19 27 income surtax is imposed to a local income surtax fund  
19 28 established in the office of the treasurer of state. All  
19 29 local income surtax receipts and any interest and penalties  
19 30 received or refunded from returns filed after November 1 of  
19 31 the calendar year following the tax year for which the local  
19 32 income surtax is imposed shall be deposited in or withdrawn  
19 33 from the general fund of the state and shall be considered  
19 34 part of the cost of administering the local income surtax.

19 35 Sec. 23. NEW SECTION. 420A.603 PAYMENT TO CITY OR COUNTY  
20 1 == USE OF RECEIPTS.

20 2 1. On or before January 15, the director of revenue shall  
20 3 make an accounting of the local income surtax receipts and any  
20 4 interest and penalties collected from returns filed on or  
20 5 before November 1 of the preceding year and shall certify to  
20 6 the treasurer of state the amount collected. The treasurer of  
20 7 state shall remit within fifteen days of the certification by  
20 8 the director of revenue to the city or county that has imposed  
20 9 a local income surtax the amount in the local income surtax  
20 10 fund collected as a result of the city's or county's local  
20 11 income surtax.

20 12 2. Local income surtax moneys received by the city or  
20 13 county shall be deposited in the city alternative revenue fund  
20 14 or the county alternative revenue fund, as appropriate, and  
20 15 used as provided in section 420A.104.

20 16 Sec. 24. EFFECTIVE DATE. This division of this Act, being  
20 17 deemed of immediate importance, takes effect upon enactment.

#### 20 18 EXPLANATION

20 19 This bill relates to local government finances by amending  
20 20 provisions relating to city franchise fees and authorizing  
20 21 local governments to collect certain taxes and fees.

20 22 Division I of the bill amends provisions relating to city  
20 23 franchise fees by authorizing a maximum percentage rate that  
20 24 may be assessed as a franchise fee and requiring the use of a  
20 25 portion of the franchise fees collected to provide property  
20 26 tax relief.

20 27 The division provides that the amount of a city franchise  
20 28 fee may be based upon a percentage of gross revenues generated  
20 29 from sales of the franchisee within the city not to exceed 5  
20 30 percent without regard to the city's cost of regulating the  
20 31 franchise. The bill allows franchise fees collected by the  
20 32 city to be credited to the city general fund and used for city  
20 33 general fund purposes. However, at least 20 percent of the  
20 34 fees collected are to be used for property tax relief.

20 35 The division requires a city to prepare a revenue purpose  
21 1 statement before the city adopts or amends a franchise fee  
21 2 rate ordinance or a franchise ordinance to increase the  
21 3 percentage rate of franchise fees assessed. The division  
21 4 requires the revenue purpose statement to specify how the  
21 5 increase in franchise fees will be expended, including  
21 6 information on the amount of additional property tax relief  
21 7 that will be provided if property tax relief is listed as a  
21 8 purpose. The division also requires each revenue purpose  
21 9 statement to be published in a newspaper of general  
21 10 circulation in the city before official action is taken on the  
21 11 fee rate increase.

21 12 Division I of the bill takes effect upon enactment.

21 13 Division II of the bill enacts new Code chapter 420A which  
21 14 authorizes cities and counties to impose certain taxes and  
21 15 fees to fund certain specified activities and to provide  
21 16 property tax relief.

21 17 Subchapter I of new Code chapter 420A provides that each  
21 18 tax or fee imposed by a city or county under subchapters II  
21 19 through V shall be enacted by a separate ordinance of the  
21 20 governing body of the city or county. Subchapter I provides  
21 21 that a tax or fee may be repealed by motion of the local  
21 22 governing body. Division II also provides that each tax or  
21 23 fee authorized in subchapters II, IV, and V and imposed by  
21 24 ordinance may be repealed by petition and election of the  
21 25 voters of the city or unincorporated areas of the county, as  
21 26 applicable, within 30 days after adoption of the ordinance, or  
21 27 after the ordinance has been in effect for one year.

21 28 Subchapter I also provides that each authorized city or  
21 29 county that imposes a tax or fee shall establish an  
21 30 alternative revenue fund. All revenues collected as a result  
21 31 of the imposition of taxes or fees specified in subchapters II  
21 32 through V shall be deposited into the alternative revenue fund  
21 33 of the city or county, as appropriate. Subchapter I further  
21 34 provides that all moneys deposited in the alternative revenue  
21 35 fund shall be expended for "core government purposes", as  
22 1 defined in the bill, or for property tax relief.

22 2 Subchapter I requires that before approval or amendment of  
22 3 an ordinance that imposes a tax or fee under subchapters II  
22 4 through V, the governing body of the city or county shall hold  
22 5 a public hearing on the proposed ordinance or amendment.  
22 6 Subchapter I also requires that not less four nor more than 20  
22 7 days before the public hearing on an ordinance authorizing or  
22 8 amending a tax or fee, the governing body of the city or  
22 9 county shall prepare and publish a revenue purpose statement  
22 10 specifying the purpose or purposes for which the revenue  
22 11 collected from the tax or fee will be expended. The revenue  
22 12 purpose statement is also required to include information  
22 13 regarding the amount of property tax relief to be provided as  
22 14 a property tax credit with revenue collected from the tax or  
22 15 fee.

22 16 Subchapter II of new Code chapter 420A authorizes a city to  
22 17 assess an additional franchise fee of up to 3 percent of the  
22 18 gross revenues generated from sales of the franchisee.

22 19 Subchapter III of new Code chapter 420A authorizes the  
22 20 imposition of a local hotel and motel tax at a maximum rate of  
22 21 6 percent on the renting of rooms, apartments, or sleeping  
22 22 quarters in a hotel, motel, inn, public lodging house, rooming  
22 23 house, or manufactured or mobile home or in any other place  
22 24 where sleeping accommodations are furnished to transient  
22 25 guests for a period of 31 days or less. The tax is not  
22 26 imposed on renting of sleeping rooms in dorms or memorial  
22 27 unions at universities or colleges in the state or to guests  
22 28 of a religious institution whose property is exempt from  
22 29 property tax or on the sales price of transactions that are  
22 30 exempt from the state sales tax. The tax is collected in the  
22 31 same manner as the state sales tax. The tax is in addition to  
22 32 any other local hotel and motel tax.

22 33 Subchapter IV of new Code chapter 420A authorizes the city  
22 34 or county to impose a local entertainment tax at the rate of  
22 35 up to 5 percent. The tax is similar to the state sales tax in  
23 1 that it is imposed on the sale of entertainment tickets, and  
23 2 the sale of food, alcoholic liquor, wine, and beer sold at  
23 3 retail at food establishments and liquor establishments. A  
23 4 "food establishment" is a home food establishment licensed by  
23 5 the department of inspections and appeals under Code chapter  
23 6 137D or a food establishment licensed by the department of  
23 7 inspections and appeals under Code chapter 137F, where food is  
23 8 served or sold at retail. A liquor establishment is a  
23 9 premises licensed by the department of inspections and appeals  
23 10 under Code chapter 123 at which beer, wine, or alcoholic

23 11 beverages are sold at retail. The tax is in addition to any  
23 12 local option sales and services tax imposed by the city or  
23 13 county and state sales tax.

23 14 Subchapter V authorizes a city or county to impose a local  
23 15 cigarette and tobacco products tax on the sale of cigarettes  
23 16 and tobacco products sold at retail locations in the city or  
23 17 in the unincorporated area of a county, as applicable. The  
23 18 rate of the tax is not limited and shall be specified in  
23 19 increments of one or more full percentage points. The tax is  
23 20 to be imposed on the same basis as the state sales tax and  
23 21 shall be administered by the director of revenue. Revenues  
23 22 collected are to be remitted at least quarterly to the city or  
23 23 county imposing the tax.

23 24 Subchapter VI of new Code chapter 420A authorizes a city or  
23 25 county to impose a local income surtax not to exceed 5 percent  
23 26 on the state individual income tax of residents following  
23 27 voter approval at election. The director of revenue shall  
23 28 administer the surtax and by November 1 of the year following  
23 29 the tax year shall remit the revenues collected to the city or  
23 30 county imposing the surtax.

23 31 Division II of the bill takes effect upon enactment.

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