

**Senate File 2178 - Introduced**

SENATE FILE 2178

BY SENG

**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:

1     Section 1. NEW SECTION.   **423G.1 Special charter city sales**  
2 **and services tax.**

3     1. Subject to the provisions of this chapter, a special  
4 charter city with a population greater than seventy-five  
5 thousand may impose by ordinance a special charter city sales  
6 and services tax at the rate of one percent on the sales price  
7 taxed by the state under chapter 423, subchapter II.

8     *a.* A special charter city sales and services tax shall be  
9 imposed on the same basis as the state sales and services tax  
10 or, in the case of the use of natural gas, natural gas service,  
11 electricity, or electric service, on the same basis as the  
12 state use tax.

13    *b.* A special charter city sales and services tax shall not  
14 be imposed on the sale of any property or on any service not  
15 taxed by the state, except the tax shall not be imposed on  
16 the sales price from the sale of motor fuel or special fuel  
17 as defined in chapter 452A which is consumed for highway use  
18 or in watercraft or aircraft if the fuel tax is paid on the  
19 transaction and a refund has not or will not be allowed, on the  
20 sales price from the sale of equipment by the state department  
21 of transportation, or on the sales price from the sale or use  
22 of natural gas, natural gas service, electricity, or electric  
23 service in a city where the sales price from the sale of  
24 natural gas or electric energy is subject to a franchise fee  
25 or user fee during the period the franchise or user fee is  
26 imposed.

27    *c.* A special charter city sales and services tax is  
28 applicable to transactions within the incorporated areas of the  
29 special charter city where it is imposed and shall be collected  
30 by all persons required to collect state sales taxes.

31    *d.* The amount of the sale, for purposes of determining the  
32 amount of the special charter city sales and services tax, does  
33 not include the amount of any state sales tax or other local  
34 option sales and services taxes.

35    *e.* A tax permit other than the state sales tax permit

1 required under section 423.36 shall not be required by local  
2 authorities.

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

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

20     Sec. 2. NEW SECTION. 423G.2 Election — imposition —  
21 repeal.

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

27     2. *Manner of election.* The question of whether a special  
28 charter city sales and services tax shall be imposed in a  
29 special charter city shall be submitted to the voters by one of  
30 the following methods:

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

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

11     3. *Timing and ballot requirements.*

12     *a.* The county commissioner of elections shall submit the  
13 question of imposition of a special charter city sales and  
14 services tax at a special election held on a date specified  
15 in section 39.2, subsection 4, paragraph "b", except that  
16 the election shall not be held sooner than sixty days after  
17 publication of notice of the ballot proposition.

18     *b.* The ballot proposition shall specify the date the tax  
19 will be imposed. The date of imposition shall be as provided  
20 in section 423G.3, subsection 1.

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

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

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

1     *f.* If the question of whether to impose a special charter  
2 city sales and services tax fails to gain approval by the  
3 required percentage of votes, a question of whether to impose a  
4 special charter city sales and services tax that proposes to  
5 use the receipts in substantially the same manner shall not be  
6 submitted to the registered voters again for a period of at  
7 least four years following the date of the election at which  
8 the question was defeated.

9     4. *Repeal by election.*

10    *a.* A special charter city sales and services tax may be  
11 repealed after an election at which a majority of those voting  
12 on the question of repeal favors the repeal. The date on which  
13 the repeal takes effect shall not be earlier than ninety days  
14 following the election.

15    *b.* The election at which the question of a repeal of the  
16 special charter city sales and services tax is submitted to the  
17 registered voters shall be called and held in the same manner  
18 and under the same conditions as provided in subsections 2 and  
19 3.

20    *c.* An election to repeal a special charter city sales and  
21 services tax shall not be submitted to the registered voters of  
22 a city more than once every four years.

23     5. *Notice to the director of revenue.* Within ten days of the  
24 election at which a majority of those voting on the question  
25 favors the imposition or repeal of a special charter city sales  
26 and services tax, the county auditor shall give written notice  
27 of the result of the election by sending a copy of the abstract  
28 of the votes from the election to the director of revenue.  
29 The director shall have the authority to waive the notice  
30 requirement.

31     Sec. 3. NEW SECTION. 423G.3 **Administration.**

32     1. *a.* A special charter city sales and services tax  
33 shall be imposed either January 1 or July 1 following the  
34 notification of the director of revenue but not sooner than  
35 ninety days following the passage of the ordinance and not

1 sooner than sixty days following notice to sellers, as defined  
2 in section 423.1.

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

8     *c.* At least forty days before the imposition or repeal of  
9 the tax, a city shall provide notice of the action by certified  
10 mail to the director of revenue.

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

18     2. *a.* The director of revenue shall administer a special  
19 charter city sales and services tax as nearly as possible in  
20 conjunction with the administration of state sales tax laws.  
21 The director shall provide appropriate forms or provide space  
22 on the regular state tax forms for reporting special charter  
23 city sales and services tax liability.

24     *b.* The ordinance of a city imposing a special charter city  
25 sales and services tax shall adopt by reference the applicable  
26 provisions of the appropriate sections of chapter 423. All  
27 powers and requirements of the director to administer the  
28 state sales tax law and use tax law are applicable to the  
29 administration of a special charter city sales and services tax  
30 law and the local excise tax, including but not limited to the  
31 provisions of section 422.25, subsection 4, sections 422.30,  
32 422.67, and 422.68, section 422.69, subsection 1, sections  
33 422.70 to 422.75, section 423.14, subsection 1 and subsection  
34 2, paragraphs "b" through "e", and sections 423.15, 423.23,  
35 423.24, 423.25, 423.31 to 423.35, 423.37 to 423.42, 423.46,

1 and 423.47. Local officials shall confer with the director of  
2 revenue for assistance in drafting the ordinance imposing a  
3 special charter city sales and services tax. A certified copy  
4 of the ordinance shall be filed with the director as soon as  
5 possible after passage of the ordinance.

6     *c.* Frequency of deposits and quarterly reports of a special  
7 charter city sales and services tax with the department of  
8 revenue are governed by the tax provisions in section 423.31.  
9 Local tax collections shall not be included in computation of  
10 the total tax to determine frequency of filing under section  
11 423.31.

12     *d.* The director shall apply a boundary change of a city  
13 imposing or collecting the special charter city sales and  
14 services tax to the imposition or collection of that tax only  
15 on the first day of a calendar quarter which occurs sixty days  
16 or more after the director has given notice of the boundary  
17 change to sellers.

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

28     *b.* All local tax moneys and interest and penalties received  
29 or refunded one hundred eighty days or more after the date  
30 on which the city repeals its special charter city sales and  
31 services tax shall be deposited in or withdrawn from the  
32 general fund of the state.

33     Sec. 4. NEW SECTION. 423G.4 Payment to the city — use of  
34 receipts.

35     1. The director shall credit the special charter city sales

1 and services tax receipts and interest and penalties from a  
2 city-imposed tax to the city's special charter city sales and  
3 services tax fund.

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

10 b. The director of revenue shall remit ninety-five percent  
11 of the estimated tax receipts for the city to the city on or  
12 before August 31 of the fiscal year and on or before the last  
13 day of each following month.

14 c. The director of revenue shall remit a final payment of  
15 the remainder of tax moneys due the city for the fiscal year  
16 before November 10 of the next fiscal year. If an overpayment  
17 has resulted during the previous fiscal year, the November  
18 payment shall be adjusted to reflect any overpayment.

19 3. All special charter city sales and services tax revenues  
20 received by the city under this chapter shall be deposited in a  
21 special fund of the city and shall be used as follows:

22 a. Ninety percent of the moneys shall be used to provide  
23 financial assistance to the following:

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

32 (2) Eligible members of the armed forces of the United  
33 States for the purchase of residences or the establishment or  
34 expansion of businesses located in the special charter city.  
35 For purposes of this subparagraph, "*eligible member of the armed*



1 *forces of the United States* means a person who is or was a  
 2 member of the national guard, reserve, or regular component  
 3 of the armed forces of the United States who has served at  
 4 least ninety days of active duty service beginning on or after  
 5 September 11, 2001. *Eligible member of the armed forces of the*  
 6 *United States* also means a former member of the national guard,  
 7 reserve, or regular component of the armed forces of the United  
 8 States who was honorably discharged due to injuries incurred  
 9 while on active federal service beginning on or after September  
 10 11, 2001, that precluded completion of a minimum aggregate of  
 11 ninety days of active federal service.

12 *b.* Ten percent of the moneys shall be used to hire  
 13 additional public safety personnel.

14 EXPLANATION

15 This bill authorizes special charter cities of 75,000 or  
 16 more in population to impose a 1-percent special charter city  
 17 sales and services tax on the same basis as the state sales tax  
 18 or in the case of the use of natural gas, natural gas service,  
 19 electricity, or electric service on the same basis as the state  
 20 use tax.

21 The tax cannot be imposed unless approved at an election.  
 22 The issue can be submitted either upon a motion by the  
 23 governing body of a city or by petition of eligible electors  
 24 equal in number to 5 percent of voters at the most recent  
 25 general election.

26 The question of the imposition of the tax must be submitted  
 27 at a special election. The ballot proposition for the tax must  
 28 include certain information including the type and rate of the  
 29 tax, the date it will be imposed, and the purposes for which  
 30 the revenues shall be expended.

31 The tax can be repealed at election by a majority vote, or a  
 32 repeal date can be included on the ballot at the election where  
 33 its imposition is proposed. A vote to repeal the tax must  
 34 be conducted in the same manner as the election imposing the  
 35 tax. An election to repeal a special charter city sales and

1 services tax shall not be submitted to voters more than once  
2 every four years. The bill requires that the county auditor  
3 provide written notice to the director of revenue within 10  
4 days following a favorable vote to impose or repeal such a tax.

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