

Senate File 507 - Introduced

SENATE FILE 507

BY DEARDEN

A BILL FOR

1 An Act relating to the natural resources and outdoor recreation
2 trust fund by increasing the sales and use tax rates and
3 including effective date provisions.

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

1 Section 1. Section 423.2, subsection 1, unnumbered
2 paragraph 1, Code 2011, is amended to read as follows:

3 There is imposed a tax of six and three-eighths percent upon
4 the sales price of all sales of tangible personal property,
5 consisting of goods, wares, or merchandise, sold at retail in
6 the state to consumers or users except as otherwise provided
7 in this subchapter.

8 Sec. 2. Section 423.2, subsection 2, Code 2011, is amended
9 to read as follows:

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

19 Sec. 3. Section 423.2, subsection 3, Code 2011, is amended
20 to read as follows:

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

34 Sec. 4. Section 423.2, subsection 4, paragraph a, Code 2011,
35 is amended to read as follows:

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

12 Sec. 5. Section 423.2, subsection 5, Code 2011, is amended
13 to read as follows:

14 5. There is imposed a tax of six and three-eighths percent
15 upon the sales price from the furnishing of services as defined
16 in section 423.1.

17 Sec. 6. Section 423.2, subsection 7, paragraph a,
18 unnumbered paragraph 1, Code 2011, is amended to read as
19 follows:

20 A tax of six and three-eighths percent is imposed upon the
21 sales price from the sales, furnishing, or service of solid
22 waste collection and disposal service.

23 Sec. 7. Section 423.2, subsection 8, paragraph a, Code 2011,
24 is amended to read as follows:

25 a. A tax of six and three-eighths percent is imposed on
26 the sales price from sales of bundled transactions. For the
27 purposes of this subsection, a "*bundled transaction*" is the
28 retail sale of two or more distinct and identifiable products,
29 except real property and services to real property, which
30 are sold for one nonitemized price. A "*bundled transaction*"
31 does not include the sale of any products in which the sales
32 price varies, or is negotiable, based on the selection by the
33 purchaser of the products included in the transaction.

34 Sec. 8. Section 423.2, subsection 9, Code 2011, is amended
35 to read as follows:

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

22 Sec. 9. Section 423.2, subsection 11, Code 2011, is amended
23 by adding the following new paragraph:

24 NEW PARAGRAPH. c. Subsequent to the deposit into the
25 general fund of the state, the department shall transfer
26 revenues equal to an amount generated by a tax of three-eighths
27 of one percent imposed on the sale of tangible personal
28 property and enumerated services as provided in this section to
29 the natural resources and outdoor recreation trust fund created
30 in section 461.31.

31 Sec. 10. Section 423.2, subsection 13, Code 2011, is amended
32 to read as follows:

33 13. The sales tax rate of six and three-eighths percent is
34 reduced to five and three-eighths percent on January 1, 2030.

35 Sec. 11. Section 423.5, unnumbered paragraph 1, Code 2011,

1 is amended to read as follows:

2 Except as provided in subsection 3, an excise tax at the
3 rate of six and three-eighths percent of the purchase price or
4 installed purchase price is imposed on the following:

5 Sec. 12. Section 423.5, subsection 9, Code 2011, is amended
6 to read as follows:

7 9. The use tax rate of six percent is reduced to five and
8 three-eighths percent on January 1, 2030.

9 Sec. 13. Section 423.43, subsection 1, Code 2011, is amended
10 by adding the following new paragraph:

11 NEW PARAGRAPH. c. Subsequent to the deposit into the
12 general fund of the state, the department shall transfer
13 revenues equal to an amount generated by a tax of three-eighths
14 of one percent imposed on the use of property and enumerated
15 services as provided in section 423.5 to the natural resources
16 and outdoor recreation trust fund created in section 461.31.

17 Sec. 14. PURPOSE. The purpose of this Act is to provide
18 for the implementation of Article VII, section 10, of the
19 Constitution of the State of Iowa by fully funding the natural
20 resources and outdoor recreation trust fund as created in
21 section 461.31, pursuant to Article VII, section 10, of the
22 Constitution of the State of Iowa.

23 Sec. 15. EMERGENCY RULES. The department of revenue shall
24 adopt emergency rules under section 17A.4, subsection 3, and
25 section 17A.5, subsection 2, paragraph "b", to implement
26 the provisions of this Act. The rules shall be effective
27 immediately upon filing with the administrative rules
28 coordinator unless a later date is specified in the rules, but
29 not later than July 1, 2011. Any rules adopted in accordance
30 with this section shall also be published as a notice of
31 intended action as provided in section 17A.4.

32 Sec. 16. EFFECTIVE DATE. The following provision or
33 provisions of this Act take effect:

34 1. Except as provided in subsection 2, this Act takes effect
35 on July 1, 2011.

1 2. The section of this Act requiring the department of
2 revenue to adopt emergency rules, being deemed of immediate
3 importance, takes effect upon enactment.

4 EXPLANATION

5 This bill relates to the sales tax imposed on the sale of
6 tangible personal property and the furnishing of enumerated
7 services and to an amendment to the Constitution of the State
8 of Iowa ratified on November 2, 2010, dedicating a portion of
9 state revenue for purposes of benefiting natural resources,
10 outdoor recreation, and soil conservation (Article VII, section
11 10).

12 The constitutional amendment creates a natural resources
13 and outdoor recreation trust fund within the state treasury.
14 The fund and allocations from the fund are codified in Code
15 chapter 461. Moneys in the fund cannot be used for any purpose
16 other than protecting and enhancing water quality and natural
17 areas in this state including parks, trails, and fish and
18 wildlife habitat, and conserving agricultural soils in this
19 state. No revenue is credited to the fund until the sales tax
20 rate is increased. Whenever the rate is increased, the amount
21 generated by the increase is credited to the fund, but the
22 amount credited cannot exceed the amount that a rate of 3/8 of
23 1 percent would generate.

24 Currently, the tax on sales and services in Iowa is imposed
25 at the rate of 6 percent. This bill provides for an increase in
26 the rate to 6 and 3/8 percent.

27 The bill provides for the same increase to the use tax
28 in order to comply with the streamlined sales and use tax
29 agreement of which Iowa is a party. The revenues generated
30 are deposited into the general fund of the state before being
31 transferred to the natural resources and outdoor recreation
32 trust fund. The increase does not affect those use taxes
33 deposited into other statutory funds, including the road use
34 tax fund.

35 The bill requires that revenues generated by the sales tax

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1 increase also be deposited in the general fund of the state
2 before being transferred to the natural resources and outdoor
3 recreation trust fund.

4 The bill takes effect on July 1, 2011, except for a provision
5 requiring the department of revenue to adopt emergency rules
6 which takes effect upon enactment.