

House File 2470 - Introduced

HOUSE FILE 2470

BY ISENHART

A BILL FOR

1 An Act relating to state financial matters, including state
2 sales and use taxes, the natural resources and outdoor
3 recreation trust fund, and the state individual income tax,
4 and including effective date and applicability provisions.

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

1 DIVISION I
2 SALES AND USE TAXES AND THE NATURAL RESOURCES AND OUTDOOR
3 RECREATION TRUST FUND

4 Section 1. Section 423.2, subsection 1, unnumbered
5 paragraph 1, Code 2014, is amended to read as follows:

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

11 Sec. 2. Section 423.2, subsections 2 and 3, Code 2014, are
12 amended to read as follows:

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

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

35 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2014,

1 is amended to read as follows:

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

13 Sec. 4. Section 423.2, subsection 5, Code 2014, is amended
14 to read as follows:

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

18 Sec. 5. Section 423.2, subsection 7, paragraph a,
19 unnumbered paragraph 1, Code 2014, is amended to read as
20 follows:

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

24 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2014,
25 is amended to read as follows:

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

35 Sec. 7. Section 423.2, subsection 9, Code 2014, is amended

1 to read as follows:

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

23 Sec. 8. Section 423.2, subsection 11, paragraph b,
24 subparagraph (2), Code 2014, is amended to read as follows:

25 (2) Transfer from the remaining revenues the amounts
26 required under Article VII, section 10, of the Constitution
27 of the State of Iowa to the natural resources and outdoor
28 recreation trust fund created in section 461.31, ~~if applicable.~~

29 Sec. 9. Section 423.2, subsection 13, Code 2014, is amended
30 to read as follows:

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

33 Sec. 10. Section 423.5, subsection 1, unnumbered paragraph
34 1, Code 2014, is amended to read as follows:

35 Except as provided in paragraph "c", an excise tax at the

1 rate of six and three-eighths percent of the purchase price or
2 installed purchase price is imposed on the following:

3 Sec. 11. Section 423.5, subsection 5, Code 2014, is amended
4 to read as follows:

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

7 Sec. 12. Section 423.43, subsection 1, paragraph b, Code
8 2014, is amended to read as follows:

9 b. Subsequent to the deposit into the general fund of the
10 state ~~and after the transfer of such~~ pursuant to paragraph "a",
11 the department shall do the following in the order prescribed:

12 (1) Transfer the revenues collected under chapter 423B, ~~the~~
13 ~~department shall transfer one-sixth.~~

14 (2) Transfer fifteen and six thousand eight hundred
15 sixty-three ten-thousandths percent of such remaining revenues
16 to the secure an advanced vision for education fund created in
17 section 423F.2. This ~~paragraph~~ subparagraph (2) is repealed
18 December 31, 2029.

19 Sec. 13. PURPOSE. The purpose of this division of this Act
20 is to provide for the implementation of Article VII, section
21 10, of the Constitution of the State of Iowa by fully funding
22 the natural resources and outdoor recreation trust fund as
23 created in section 461.31, pursuant to Article VII, section 10,
24 of the Constitution of the State of Iowa.

25 Sec. 14. EFFECTIVE DATE. This division of this Act takes
26 effect on July 1, 2015.

27 DIVISION II

28 INDIVIDUAL INCOME TAXES

29 Sec. 15. Section 422.12, subsection 2, paragraph a, Code
30 2014, is amended by striking the paragraph.

31 Sec. 16. NEW SECTION. 422.12A Personal exemption credits.

32 1. The taxes imposed under this division less the credits
33 allowed under this division except for the credits for withheld
34 tax and estimated tax paid in section 422.16, shall be reduced
35 by a personal exemption credit in the following amounts:

1 a. For an estate or trust, a single individual, or a married
2 person filing a separate return, ninety-five dollars.

3 b. For a head of household, or a husband and wife filing a
4 joint return, one hundred ninety dollars.

5 c. For each dependent, an additional seventy dollars.

6 d. For a single individual, husband, wife, or head of
7 household, an additional exemption of twenty dollars for each
8 of said individuals who has attained the age of sixty-five
9 years before the close of the tax year or on the first day
10 following the end of the tax year.

11 e. For a single individual, husband, wife, or head of
12 household, an additional exemption of twenty dollars for each
13 of said individuals who is blind at the close of the tax year.
14 For the purposes of this subparagraph, an individual is blind
15 only if the individual's central visual acuity does not exceed
16 twenty-two hundredths in the better eye with correcting lenses,
17 or if the individual's visual acuity is greater than twenty-two
18 hundredths but is accompanied by a limitation in the fields
19 of vision such that the widest diameter of the visual field
20 subtends an angle no greater than twenty degrees.

21 2. Any credit in excess of the tax liability is refundable.
22 However, for nonresidents or part-year residents the amount of
23 the credit in excess of the tax liability that may be refunded
24 shall be in the ratio of their Iowa source net income to their
25 all source net income under rules prescribed by the director.

26 3. For purposes of this section, "dependent" has the same
27 meaning as provided by the Internal Revenue Code.

28 Sec. 17. EFFECTIVE DATE. This division of this Act takes
29 effect January 1, 2015.

30 Sec. 18. APPLICABILITY. This division of this Act applies
31 to tax years beginning on or after January 1, 2015.

32 EXPLANATION

33 The inclusion of this explanation does not constitute agreement with
34 the explanation's substance by the members of the general assembly.

35 DIVISION I — SALES AND USE TAXES. Division I relates to

1 state sales and use taxes and to an amendment to the Iowa
2 Constitution ratified on November 2, 2010, which created a
3 natural resources and outdoor recreation trust fund (fund)
4 and dedicated a portion of state revenues to the fund for
5 the purposes of protecting and enhancing water quality and
6 natural areas in the state including parks, trails, and fish
7 and wildlife habitat, and conserving agricultural soils in
8 the state (Article VII, section 10). The fund is codified in
9 Code section 461.31. Pursuant to the amendment, the amount
10 credited to the fund will be equal to the amount generated
11 by an increase in the state sales tax rate occurring after
12 the effective date of the constitutional amendment, but shall
13 not exceed the amount that a state sales tax rate of 0.375
14 percent would generate. The state sales tax rate has not
15 been increased since the effective date of the constitutional
16 amendment, so no amounts have been credited to the fund. The
17 division increases from 6 percent to 6.375 percent the state
18 sales tax rate and the state use tax rate, and provides for
19 the transfer of sales tax revenues to the fund. The division
20 also amends the transfer of use tax revenues to the secure
21 an advanced vision for education fund (SAVE) in Code section
22 423F.2 from 1/6th (approximately 16.66 percent) of the revenues
23 to 15.6863 percent of the revenues to ensure that SAVE receives
24 approximately the same proportion of the total use tax revenue
25 as it did prior to the use tax rate increase provided in the
26 division.

27 The division takes effect July 1, 2015.

28 DIVISION II — INDIVIDUAL INCOME TAXES. Division II relates
29 to the individual income by increasing the personal exemption
30 credit and by making the credit refundable. Under current
31 law, the personal exemption credit, which is a composite of
32 five separate credits, is nonrefundable and may not exceed
33 the computed tax. The division increases from \$40 to \$95 the
34 personal exemption credit for an estate or trust, a single
35 individual, or a married person filing a separate return;

1 increases from \$80 to \$190 the personal exemption credit for a
2 head of household, or a husband and wife filing a joint return;
3 and increases from \$40 to \$70 the additional exemption credit
4 for each dependent of the taxpayer. The division makes these
5 credits, as well as the existing additional exemption credits
6 of \$20 for an individual who is at least 65 years of age and
7 \$20 for a blind individual, refundable to the extent they
8 exceed the tax remaining after subtracting all refundable and
9 nonrefundable credits except the credits for withheld tax and
10 estimated tax paid. However, for a nonresident or part-year
11 resident, the amount of the credit in excess of the tax
12 liability that shall be refunded is in the proportion that the
13 taxpayer's net income allocated to Iowa bears to the taxpayer's
14 total net income, under rules to be prescribed by the director
15 of revenue.

16 The division takes effect January 1, 2015, and applies to tax
17 years beginning on or after that date.