

Senate Study Bill 1255 - Introduced

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

A BILL FOR

1 An Act relating to revenue and taxation by increasing the sales
2 and use tax rates, establishing transfers to the natural
3 resources and outdoor recreation trust fund, modifying
4 the requirement to file a state individual income tax
5 return, reducing individual income tax rates, and including
6 effective date and applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

INDIVIDUAL INCOME TAXES

Section 1. Section 422.5, subsection 1, paragraphs a through c, Code 2013, are amended by striking the paragraphs.

Sec. 2. Section 422.5, subsection 1, paragraph d, Code 2013, is amended to read as follows:

d. On all taxable income exceeding four thousand dollars but not exceeding nine thousand dollars, four and ~~one-half~~ twenty-eight hundredths percent.

Sec. 3. Section 422.5, subsection 3, Code 2013, is amended to read as follows:

3. a. The tax shall not be imposed on a resident or nonresident whose net income, as defined in section 422.7, is ~~thirteen~~ sixteen thousand five hundred dollars or less in the case of married persons filing jointly or filing separately on a combined return, heads of household, and surviving spouses or ~~nine~~ eleven thousand dollars or less in the case of all other persons; but in the event that the payment of tax under this division would reduce the net income to less than ~~thirteen~~ sixteen thousand five hundred dollars or ~~nine~~ eleven thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of ~~thirteen~~ sixteen thousand five hundred dollars or ~~nine~~ eleven thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of this subsection, the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of this subsection, net income includes all amounts of pensions or other retirement income received from any source which is not taxable under this division as a result of the government pension exclusions in section 422.7, or any other state law. If the combined net income of a husband and wife exceeds ~~thirteen~~ sixteen thousand five hundred dollars, neither of them shall receive the benefit of this subsection, and it is immaterial whether they file a

1 joint return or separate returns. However, if a husband and
2 wife file separate returns and have a combined net income of
3 ~~thirteen~~ sixteen thousand five hundred dollars or less, neither
4 spouse shall receive the benefit of this paragraph, if one
5 spouse has a net operating loss and elects to carry back or
6 carry forward the loss as provided in section 422.9, subsection
7 3. A person who is claimed as a dependent by another person
8 as defined in section 422.12 shall not receive the benefit of
9 this subsection if the person claiming the dependent has net
10 income exceeding ~~thirteen~~ sixteen thousand five hundred dollars
11 or ~~nine~~ eleven thousand dollars, as applicable, or the person
12 claiming the dependent and the person's spouse have combined
13 net income exceeding ~~thirteen~~ sixteen thousand five hundred
14 dollars or ~~nine~~ eleven thousand dollars, as applicable.

15 *b.* In lieu of the computation in subsection 1 or 2, or in
16 paragraph "a" of this subsection, if the married persons',
17 filing jointly or filing separately on a combined return,
18 head of household's, or surviving spouse's net income exceeds
19 ~~thirteen~~ sixteen thousand five hundred dollars, the regular tax
20 imposed under this division shall be the lesser of the maximum
21 state individual income tax rate times the portion of the net
22 income in excess of ~~thirteen~~ sixteen thousand five hundred
23 dollars or the regular tax liability computed without regard
24 to this sentence. Taxpayers electing to file separately shall
25 compute the alternate tax described in this paragraph using the
26 total net income of the husband and wife. The alternate tax
27 described in this paragraph does not apply if one spouse elects
28 to carry back or carry forward the loss as provided in section
29 422.9, subsection 3.

30 Sec. 4. Section 422.13, subsection 1, paragraph a, Code
31 2013, is amended to read as follows:

32 *a.* The individual has net income of more than ~~nine~~ eleven
33 thousand dollars for the tax year from sources taxable under
34 this division.

35 Sec. 5. EFFECTIVE DATE. This division of this Act takes

1 effect January 1, 2014.

2 Sec. 6. APPLICABILITY. This division of this Act applies to
3 tax years beginning on or after January 1, 2014.

4 DIVISION II

5 SALES AND USE TAX AND NATURAL RESOURCES AND OUTDOOR RECREATION
6 TRUST FUND

7 Sec. 7. Section 423.2, subsection 1, unnumbered paragraph
8 1, Code 2013, is amended to read as follows:

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

14 Sec. 8. Section 423.2, subsections 2 and 3, Code 2013, are
15 amended to read as follows:

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

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

1 for the privilege of participating in any athletic sports
2 provided club members.

3 Sec. 9. Section 423.2, subsection 4, paragraph a, Code 2013,
4 is amended to read as follows:

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

16 Sec. 10. Section 423.2, subsection 5, Code 2013, is amended
17 to read as follows:

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

21 Sec. 11. Section 423.2, subsection 7, paragraph a,
22 unnumbered paragraph 1, Code 2013, is amended to read as
23 follows:

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

27 Sec. 12. Section 423.2, subsection 8, paragraph a, Code
28 2013, is amended to read as follows:

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

1 price varies, or is negotiable, based on the selection by the
2 purchaser of the products included in the transaction.

3 Sec. 13. Section 423.2, subsection 9, Code 2013, is amended
4 to read as follows:

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

26 Sec. 14. Section 423.2, subsection 11, paragraph b,
27 subparagraph (2), Code 2013, is amended to read as follows:

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

32 Sec. 15. Section 423.2, subsection 13, Code 2013, is amended
33 to read as follows:

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

1 person's net income is \$13,500 or less in the case of married
2 taxpayers, heads of household, and surviving spouses, or \$9,000
3 or less in the case of all other persons. The bill increases
4 these amounts to \$16,500 and \$11,000, respectively.

5 The division takes effect January 1, 2014, and applies to tax
6 years beginning on or after that date.

7 Division II relates to the sales tax imposed on the sale of
8 tangible personal property and the furnishing of enumerated
9 services and to an amendment to the Constitution of the State
10 of Iowa ratified on November 2, 2010, dedicating a portion of
11 state revenue for purposes of benefiting natural resources,
12 outdoor recreation, and soil conservation (Article VII,
13 section 10). The amendment authorizes the general assembly to
14 implement its provisions.

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

27 Currently, the tax on sales and services in Iowa is imposed
28 at the rate of 6 percent. The division provides for an
29 increase in the rate to 6 and 3/8 percent, and the transfer of
30 these moneys into the trust fund. In 2012, the 84th General
31 Assembly enacted SF 2329 (2012 Iowa Acts, chapter 1098) which
32 provided for the transfer of sales tax revenues deposited into
33 the general fund of the state (general fund) into the trust
34 fund when applicable. The division provides for the same tax
35 rate increase to the use tax.

S.F. _____

1 The division does not affect the 5 percent rate imposed on
2 vehicles subject to the issuance of a certificate of title,
3 the use of manufactured housing, or the use of certain leased
4 vehicles.

5 The division takes effect on July 1, 2014.