

**House File 2441 - Introduced**

HOUSE FILE 2441

BY WESSEL-KROESCHELL, HANSON,  
WINCKLER, HEDDENS, OURTH,  
KELLEY, and STAED

**A BILL FOR**

1 An Act providing for an increase in the maximum local option  
2 sales tax rate to fund local natural resources and outdoor  
3 recreation projects.

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

1 Section 1. Section 423B.1, subsection 5, Code 2016, is  
2 amended to read as follows:

3 5. The county commissioner of elections shall submit the  
4 question of imposition of a local option tax at an election  
5 held on a date specified in [section 39.2, subsection 4](#),  
6 paragraph "a". The election shall not be held sooner than sixty  
7 days after publication of notice of the ballot proposition.  
8 The ballot proposition shall specify the type and rate of tax  
9 and in the case of a vehicle tax the classes that will be  
10 exempt and in the case of a local sales and services tax the  
11 date it will be imposed which date shall not be earlier than  
12 ninety days following the election. The ballot proposition  
13 shall also specify the approximate amount of local option tax  
14 revenues that will be used for property tax relief and shall  
15 contain a statement as to the specific purpose or purposes for  
16 which the revenues shall otherwise be expended. If the county  
17 board of supervisors decides under [subsection 6](#) to specify a  
18 date on which the local option sales and services tax shall  
19 automatically be repealed, the date of the repeal shall also  
20 be specified on the ballot. The rate of the vehicle tax shall  
21 be in increments of one dollar per vehicle as set by the  
22 petition seeking to impose the tax. The rate of a local sales  
23 and services tax shall not be more than one and three-eighths  
24 percent as set by the governing body. The state commissioner  
25 of elections shall establish by rule the form for the ballot  
26 proposition which form shall be uniform throughout the state.

27 Sec. 2. Section 423B.1, subsection 8, Code 2016, is amended  
28 to read as follows:

29 8. Local option taxes authorized to be imposed as provided  
30 in [this chapter](#) are a local sales and services tax and a local  
31 vehicle tax. The rate of the tax shall be in increments of one  
32 dollar per vehicle for a vehicle tax as set on the petition  
33 seeking to impose the vehicle tax. The rate of a local sales  
34 and services tax shall not be more than one and three-eighths  
35 percent as set by the governing body.

1     Sec. 3. Section 423B.5, unnumbered paragraph 1, Code 2016,  
2 is amended to read as follows:

3     A local sales and services tax at the rate of not more than  
4 one and three-eighths percent may be imposed by a county on the  
5 sales price taxed by the state under chapter 423, subchapter  
6 II. A local sales and services tax shall be imposed on the  
7 same basis as the state sales and services tax or in the case  
8 of the use of natural gas, natural gas service, electricity,  
9 or electric service on the same basis as the state use tax  
10 and shall not be imposed on the sale of any property or on  
11 any service not taxed by the state, except the tax shall not  
12 be imposed on the sales price from the sale of motor fuel  
13 or special fuel as defined in [chapter 452A](#) which is consumed  
14 for highway use or in watercraft or aircraft if the fuel tax  
15 is paid on the transaction and a refund has not or will not  
16 be allowed, on the sales price from the sale of equipment by  
17 the state department of transportation, or on the sales price  
18 from the sale or use of natural gas, natural gas service,  
19 electricity, or electric service in a city or county where the  
20 sales price from the sale of natural gas or electric energy is  
21 subject to a franchise fee or user fee during the period the  
22 franchise or user fee is imposed. A local sales and services  
23 tax is applicable to transactions within those incorporated  
24 and unincorporated areas of the county where it is imposed and  
25 shall be collected by all persons required to collect state  
26 sales taxes. All cities contiguous to each other shall be  
27 treated as part of one incorporated area and the tax would be  
28 imposed in each of those contiguous cities only if the majority  
29 of those voting in the total area covered by the contiguous  
30 cities favors its imposition. In the case of a local sales and  
31 services tax submitted to the registered voters of two or more  
32 contiguous counties as provided in section 423B.1, subsection  
33 4, paragraph "c", all cities contiguous to each other shall be  
34 treated as part of one incorporated area, even if the corporate  
35 boundaries of one or more of the cities include areas of more

1 than one county, and the tax shall be imposed in each of those  
2 contiguous cities only if a majority of those voting on the tax  
3 in the total area covered by the contiguous cities favored its  
4 imposition.

5 Sec. 4. Section 423B.7, subsection 1, paragraph a, Code  
6 2016, is amended to read as follows:

7 a. Except as provided in ~~paragraph~~ paragraphs "b" and "c",  
8 the director shall credit the local sales and services tax  
9 receipts and interest and penalties from a county-imposed  
10 tax to the county's account in the local sales and services  
11 tax fund and from a city-imposed tax under section 423B.1,  
12 subsection 2, to the city's account in the local sales and  
13 services tax fund. If the director is unable to determine  
14 from which county any of the receipts were collected, those  
15 receipts shall be allocated among the possible counties based  
16 on allocation rules adopted by the director.

17 Sec. 5. Section 423B.7, subsection 1, Code 2016, is amended  
18 by adding the following new paragraph:

19 NEW PARAGRAPH. c. Notwithstanding paragraph "a", for local  
20 sales and services tax receipts collected from a county-imposed  
21 tax for any period of time during which the county-imposed tax  
22 rate exceeds one percent, a proportion of such tax receipts  
23 equal to the same proportion that the amount of the tax rate  
24 in excess of one percent bears to the total tax rate shall be  
25 credited into a special county natural resources and outdoor  
26 recreation account in the local sales and services tax fund.  
27 This paragraph applies to tax receipts remaining after the  
28 credit provided in paragraph "b".

29 Sec. 6. Section 423B.7, Code 2016, is amended by adding the  
30 following new subsection:

31 NEW SUBSECTION. 6A. From each special county natural  
32 resources and outdoor recreation account, the revenue shall be  
33 remitted as provided in subsections 3 and 4 and when received  
34 by the board of supervisors or city council shall be deposited  
35 in a special fund created by the county or city and used by the

1 county or city as provided in section 423B.11.

2 Sec. 7. Section 423B.10, subsection 3, Code 2016, is amended  
3 by adding the following new paragraph:

4 NEW PARAGRAPH. *d.* (1) The calculations in paragraphs  
5 "a" and "b" shall not include county-imposed local sales and  
6 services tax revenue attributable to any portion of a tax rate  
7 that exceeds one percent. If the county-imposed local sales  
8 and services tax rate exceeds one percent during the base year  
9 or any fiscal year following the base year, the department of  
10 revenue shall, for purposes of the applicable calculations in  
11 paragraphs "a" and "b", reduce the amount of county-imposed tax  
12 revenue collected from retail establishments located in the  
13 area comprising the urban renewal area by the same proportion  
14 that the amount of the county-imposed tax rate in excess of one  
15 percent bears to the total county-imposed tax rate.

16 (2) If the county-imposed tax rate exceeded one percent for  
17 less than the entire applicable fiscal year, the department of  
18 revenue shall make the adjustment required in subparagraph (1)  
19 only to the county-imposed tax revenue collected from retail  
20 establishments located in the area comprising the urban renewal  
21 area for the period of time the tax rate exceeded one percent.

22 Sec. 8. Section 423B.10, subsection 5, Code 2016, is amended  
23 to read as follows:

24 5. In addition to the moneys received pursuant to the  
25 ordinance authorized under [subsection 2](#), an eligible city  
26 may deposit any other local sales and services tax revenues  
27 received by it pursuant to the distribution formula in section  
28 423B.7, subsections 3, 4, and 5, to the special fund described  
29 in [section 403.19, subsection 2](#), except local sales and  
30 services tax revenue deposited in the special fund of a city or  
31 county pursuant to section 423B.7, subsection 6A.

32 Sec. 9. NEW SECTION. **423B.11 Funding natural resources and**  
33 **outdoor recreation projects.**

34 1. Moneys deposited in a special fund of a city or county  
35 pursuant to section 423B.7, subsection 6A, shall be used by

1 the city or county only as provided in this section and only  
2 to support voluntary initiatives and shall not be used for  
3 regulatory efforts, enforcement actions, or litigation.

4 2. In addition to the moneys deposited pursuant to section  
5 423B.7, subsection 6A, a city or county may deposit any other  
6 local sales and services tax revenues received by it pursuant  
7 to the distribution formula in section 423B.7, subsections 3,  
8 4, and 5.

9 3. Two or more cities or counties may enter into an  
10 agreement under chapter 28E to form an entity in order to carry  
11 out any initiative described in this section.

12 4. Twenty-three percent of the moneys in each fund shall be  
13 used to support the following initiatives:

14 a. The establishment, restoration, or enhancement of parks,  
15 preserves, forests, wildlife areas, wildlife habitats, native  
16 prairies, and wetlands.

17 b. Wildlife diversity.

18 c. Recreational purposes.

19 d. Technical assistance and financial incentives to private  
20 landowners to promote the management of forests, fisheries,  
21 wetlands, and wildlife.

22 e. The improvement of water trails, rivers, and streams.

23 f. Education and outreach that provide instruction regarding  
24 natural history and the outdoors. The subjects of such  
25 instruction may relate to opportunities involving recreational  
26 purposes, outdoor safety, and ethics.

27 5. Twenty percent of the moneys in each fund shall be used  
28 to support the following initiatives:

29 a. Soil conservation and watershed protection.

30 b. The conservation of highly erodible land.

31 c. Soil conservation or crop management practices used on  
32 land producing biomass for biorefineries, including cellulosic  
33 ethanol production.

34 6. Fourteen percent of the moneys in each fund shall be used  
35 to support the following initiatives:

1     *a.* Water resource projects to preserve watersheds, including  
2 but not limited to all of the following:

3       (1) Projects to protect, restore, or enhance water  
4 quality through the provision of financial assistance for  
5 impairment-based, locally directed watershed projects,  
6 including water resource restoration projects as defined in  
7 section 384.80.

8       (2) Regional and community watershed assessment, planning,  
9 and prioritization efforts, including as provided in chapter  
10 466B.

11     *b.* Surface water protection projects and practices,  
12 including but not limited to the installation of permanent  
13 vegetation cover, filter strips, grass waterways, and riparian  
14 forest buffers; dredging; and bank stabilization.

15     7. Thirteen percent of the moneys in each fund shall be used  
16 as follows:

17     *a.* Fifty-two percent shall be used to support initiatives  
18 involving the acquisition, protection, and development of  
19 parks, preserves, and open spaces, including multipurpose  
20 trails, restroom facilities, shelter houses, and picnic  
21 facilities, but excluding athletic fields, baseball or softball  
22 diamonds, tennis courts, golf courses, swimming pools, and  
23 other sport facilities.

24     *b.* Twenty percent shall be used to support the same  
25 initiatives listed in subsection 8.

26     *c.* Twenty percent shall be used to support soil and water  
27 enhancement programs, including but not limited to woodland  
28 protection and enhancement, wildlife habitat preservation and  
29 enhancement, protection of highly erodible soils, and clean  
30 water.

31     *d.* Five percent shall be used to support historical resource  
32 development programs.

33     *e.* Three percent shall be used for the development and  
34 implementation of integrated roadside vegetation plans.

35     8. Thirteen percent of the moneys in each fund shall be used

1 to support the following initiatives:

2 a. The maintenance and improvement of parks, preserves,  
3 wildlife areas, wildlife habitats, native prairies, and  
4 wetlands.

5 b. Wildlife diversity.

6 c. Recreational purposes.

7 d. The improvement of water trails, rivers, and streams.

8 e. Education and outreach programs and projects that provide  
9 instruction regarding natural history and the outdoors. The  
10 subjects of such instruction may relate to opportunities  
11 involving recreational purposes, outdoor safety, and ethics.

12 f. Any other purpose described in section 350.1.

13 9. Ten percent of the moneys in each fund shall be used  
14 to support initiatives related to the design, establishment,  
15 maintenance, improvement, and expansion of land trails and  
16 water trails.

17 10. Seven percent of the moneys in each fund shall be used  
18 to support public lake restoration initiatives. An initiative  
19 shall account for a lake's recreational, environmental,  
20 aesthetic, ecological, and social value, and must improve water  
21 quality.

22 EXPLANATION

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

25 This bill provides for an increase in the maximum local  
26 option sales tax rate to fund local natural resources and  
27 outdoor recreation projects.

28 BACKGROUND. Under current law, counties may impose a sales  
29 tax at the local level upon a petition of the voters or motions  
30 of city councils or the board of supervisors and after an  
31 election at which a majority of those voting favors imposition.  
32 A majority vote is also required for a repeal or rate change,  
33 but the governing body on its own motion may repeal the sales  
34 tax under certain circumstances. The local option sales tax  
35 rate may not exceed one percent.



1 Local option tax revenues collected in a county are remitted  
2 to the department of revenue (department) and, except for  
3 certain revenues attributable to urban renewal projects,  
4 distributed back to the county and cities within the county  
5 using a statutory formula involving population and historical  
6 property tax revenues.

7 BILL CHANGES. The bill increases the maximum local option  
8 sales tax rate that may be imposed by a county to one and  
9 three-eighths percent (1.375 percent) from one percent. If a  
10 county votes to initially impose or to increase the tax rate  
11 above one percent, the bill requires tax revenues collected  
12 on the amount of the tax rate in excess of one percent to be  
13 remitted to counties and cities using the existing statutory  
14 formula, and then deposited in a special fund of the city or  
15 county and used exclusively for funding natural resources and  
16 outdoor recreation projects as described in the bill.

17 The special fund moneys shall only be used to support  
18 voluntary initiatives and shall not be used for regulatory  
19 efforts, enforcement actions, or litigation. The bill allows  
20 for two or more cities or counties to enter into an agreement  
21 under Code chapter 28E to form an entity in order to carry  
22 out any authorized initiative, and allows a city or county to  
23 deposit other local sales and services tax revenues it receives  
24 in its special natural resources and outdoor recreation fund.

25 The bill also amends the calculation for determining  
26 the funding of urban renewal projects to ensure that such  
27 calculation is not impacted by local option sales tax revenues  
28 collected on the amount of the tax rate in excess of one  
29 percent.