

**Senate File 357 - Introduced**

SENATE FILE 357

BY JOHNSON and DEARDEN

**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, and including  
4 effective date provisions.

5 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 2015, 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, subsections 2 and 3, Code 2015, are  
9 amended 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 3. A tax of six and three-eighths percent is imposed upon  
20 the sales price of all sales of tickets or admissions to places  
21 of amusement, fairs, and athletic events except those of  
22 elementary and secondary educational institutions. A tax of  
23 six and three-eighths percent is imposed on the sales price of  
24 an entry fee or like charge imposed solely for the privilege of  
25 participating in an activity at a place of amusement, fair, or  
26 athletic event unless the sales price of tickets or admissions  
27 charges for observing the same activity are taxable under this  
28 subchapter. A tax of six and three-eighths percent is imposed  
29 upon that part of private club membership fees or charges paid  
30 for the privilege of participating in any athletic sports  
31 provided club members.

32 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2015,  
33 is amended to read as follows:

34 a. A tax of six and three-eighths percent is imposed upon  
35 the sales price derived from the operation of all forms of

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

10 Sec. 4. Section 423.2, subsection 5, Code 2015, is amended  
11 to read as follows:

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

15 Sec. 5. Section 423.2, subsection 7, paragraph a,  
16 unnumbered paragraph 1, Code 2015, is amended to read as  
17 follows:

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

21 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2015,  
22 is amended to read as follows:

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

32 Sec. 7. Section 423.2, subsection 9, Code 2015, is amended  
33 to read as follows:

34 9. A tax of six and three-eighths percent is imposed upon  
35 the sales price from any mobile telecommunications service,

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

20 Sec. 8. Section 423.2, subsection 11, paragraph b,  
21 subparagraph (2), Code 2015, is amended to read as follows:

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

26 Sec. 9. Section 423.2, subsection 13, Code 2015, is amended  
27 to read as follows:

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

30 Sec. 10. Section 423.5, subsection 1, unnumbered paragraph  
31 1, Code 2015, is amended to read as follows:

32 Except as provided in paragraph "c", an excise tax at the  
33 rate of six and three-eighths percent of the purchase price or  
34 installed purchase price is imposed on the following:

35 Sec. 11. Section 423.5, subsection 5, Code 2015, is amended

1 to read as follows:

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

4 Sec. 12. Section 423.43, subsection 1, paragraph b, Code  
5 2015, is amended to read as follows:

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

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

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

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

22 Sec. 14. EFFECTIVE DATE. This Act takes effect on July 1,  
23 2016.

24 EXPLANATION

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

27 This bill relates to state sales and use taxes and to an  
28 amendment to the Iowa Constitution ratified on November 2,  
29 2010, which created a natural resources and outdoor recreation  
30 trust fund (fund) and dedicated a portion of state revenues to  
31 the fund for the purposes of protecting and enhancing water  
32 quality and natural areas in the state including parks, trails,  
33 and fish and wildlife habitat, and conserving agricultural  
34 soils in the state (Article VII, section 10). The fund is  
35 codified in Code section 461.31. Pursuant to the amendment,

1 the amount credited to the fund will be equal to the amount  
2 generated by an increase in the state sales tax rate occurring  
3 after the effective date of the constitutional amendment, but  
4 shall not exceed the amount that a state sales tax rate of  
5 0.375 percent would generate. The state sales tax rate has not  
6 been increased since the effective date of the constitutional  
7 amendment, so no amounts have been credited to the fund. The  
8 bill increases from 6 percent to 6.375 percent the state  
9 sales tax rate and the state use tax rate, and provides for  
10 the transfer of sales tax revenues to the fund. The bill  
11 also amends the transfer of use tax revenues to the secure  
12 an advanced vision for education fund (SAVE) in Code section  
13 423F.2 from 1/6th (approximately 16.66 percent) of the revenues  
14 to 15.6863 percent of the revenues to ensure that SAVE receives  
15 approximately the same proportion of the total use tax revenue  
16 as it did prior to the use tax rate increase provided in the  
17 bill.

18 The bill takes effect July 1, 2016.