

**House File 2489 - Introduced**

HOUSE FILE 2489

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 671)

**A BILL FOR**

1 An Act relating to state and local revenue and finance by  
2 modifying the income taxes, the sales and use taxes and  
3 local option sales tax, the hotel and motel excise tax, the  
4 automobile rental excise tax, the Iowa educational savings  
5 plan trust, and the disabilities expenses savings plan  
6 trust, making penalties applicable, and including immediate  
7 effective date and retroactive and other applicability  
8 provisions.

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

DIVISION I

INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

Section 1. Section 422.7, Code 2018, is amended by adding the following new subsections:

NEW SUBSECTION. 51. *a.* Notwithstanding any other provision of law to the contrary, the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, applies in computing net income for state tax purposes for tax years beginning on or after January 1, 2018, subject to the limitations in this subsection.

*b.* If the taxpayer has taken the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, for purposes of computing federal adjusted gross income for tax years beginning on or after January 1, 2018, then the taxpayer shall make the following adjustments to federal adjusted gross income when computing net income for state tax purposes for the same tax year:

(1) Add the total amount of expense deduction taken on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101.

(2) (a) For tax years beginning on or after January 1, 2018, but before January 1, 2020, subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, not to exceed one hundred thousand dollars. The subtraction in this subparagraph division shall be reduced, but not below zero, by the amount by which the total cost of section 179 property placed in service by the taxpayer during the tax year exceeds four hundred thousand dollars.

(b) For tax years beginning on or after January 1, 2020, subtract the amount of expense deduction on section 179 property allowable for federal tax purposes under section 179

1 of the Internal Revenue Code, as amended by Pub. L. No. 115-97,  
2 §13101, not to exceed two hundred fifty thousand dollars. The  
3 subtraction in this subparagraph division shall be reduced,  
4 but not below zero, by the amount by which the total cost of  
5 section 179 property placed in service by the taxpayer during  
6 the tax year exceeds one million dollars.

7 (3) Any other adjustments to gains or losses necessary to  
8 reflect adjustments made in subparagraphs (1) and (2).

9 c. The director shall adopt rules pursuant to chapter 17A  
10 to administer this subsection.

11 NEW SUBSECTION. 52. a. For tax years beginning on or  
12 after January 1, 2018, a taxpayer may elect to take advantage  
13 of this subsection in lieu of subsection 51, but only if the  
14 taxpayer's total expensing allowance deduction for federal tax  
15 purposes under section 179 of the Internal Revenue Code, as  
16 amended by Pub. L. No. 115-97, §13101, that is allocated to  
17 the taxpayer from one or more partnerships, S corporations, or  
18 limited liability companies electing to have the income taxed  
19 directly to the individual exceeds one hundred thousand dollars  
20 for a tax year beginning on or after January 1, 2018, but  
21 before January 1, 2020, or exceeds two hundred fifty thousand  
22 dollars for a tax year beginning on or after January 1, 2020,  
23 and would, except as provided in this subsection, be limited  
24 for purposes of computing net income for state tax purposes  
25 pursuant to subsection 51.

26 b. A taxpayer who elects to take advantage of this  
27 subsection shall make the following adjustments to federal  
28 adjusted gross income when computing net income for state tax  
29 purposes:

30 (1) Add the total amount of section 179 expense  
31 deduction allocated to the taxpayer from all partnerships, S  
32 corporations, or limited liability companies electing to have  
33 the income taxed directly to the individual, to the extent the  
34 allocated amount was allowed as a deduction to the taxpayer  
35 for federal tax purposes for the tax year under section 179 of

1 the Internal Revenue Code, as amended by Pub. L. No. 115-97,  
2 §13101.

3 (2) From the amount added in subparagraph (1), do the  
4 following:

5 (a) For tax years beginning on or after January 1, 2018,  
6 but before January 1, 2020, subtract the first one hundred  
7 thousand dollars of expensing allowance deduction on section  
8 179 property.

9 (b) For tax years beginning on or after January 1, 2020,  
10 subtract the first two hundred fifty thousand dollars of  
11 expensing allowance deduction on section 179 property.

12 (3) The remaining amount, equal to the difference between  
13 the amount added in subparagraph (1), and the amount subtracted  
14 in subparagraph (2), may be deducted by the taxpayer but such  
15 deduction shall be amortized equally over five tax years  
16 beginning in the following tax year.

17 (4) Any other adjustments to gains or losses necessary to  
18 reflect adjustments made in subparagraphs (1) through (3).

19 *c.* A taxpayer who elects to take advantage of this  
20 subsection shall not take the increased expensing allowance  
21 under section 179 of the Internal Revenue Code, as amended by  
22 Pub. L. No. 115-97, §13101, for any section 179 property placed  
23 in service by the taxpayer in computing adjusted gross income  
24 for state tax purposes. If the taxpayer has taken any such  
25 deduction for purposes of computing federal adjusted gross  
26 income, the taxpayer shall make the following adjustments to  
27 federal adjusted gross income when computing net income for  
28 state tax purposes:

29 (1) Add the total amount of expense deduction for federal  
30 tax purposes taken on section 179 property placed in service by  
31 the taxpayer under section 179 of the Internal Revenue Code, as  
32 amended by Pub. L. No. 115-97, §13101.

33 (2) Subtract the amount of depreciation allowable on such  
34 property under the modified accelerated cost recovery system  
35 described in section 168 of the Internal Revenue Code, without

1 regard to section 168(k) of the Internal Revenue Code. The  
2 taxpayer shall continue to take depreciation on the applicable  
3 property in future tax years to the extent allowed under the  
4 modified accelerated cost recovery system described in section  
5 168 of the Internal Revenue Code, without regard to section  
6 168(k) of the Internal Revenue Code.

7 (3) Any other adjustments to gains or losses necessary to  
8 reflect the adjustments made in subparagraphs (1) and (2).

9 d. The election made under this subsection is for one tax  
10 year and the taxpayer may elect or not elect to take advantage  
11 of this subsection in any subsequent tax year. However, not  
12 electing to take advantage of this subsection in a subsequent  
13 tax year shall not affect the taxpayer's ability to claim the  
14 tax deduction under paragraph "b", subparagraph (3), that  
15 originated from a previous tax year.

16 e. The director shall adopt rules pursuant to chapter 17A  
17 to administer this subsection.

18 Sec. 2. Section 422.9, subsection 2, paragraph h, Code 2018,  
19 is amended to read as follows:

20 h. For purposes of calculating the deductions in this  
21 subsection that are authorized under the Internal Revenue Code,  
22 and to the extent that any of such deductions is determined by  
23 an individual's federal adjusted gross income, the individual's  
24 federal adjusted gross income is computed in accordance with  
25 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

26 Sec. 3. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC  
27 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE  
28 OR OLDER. Notwithstanding any other provision of law to the  
29 contrary, for tax years beginning during the 2018 calendar  
30 year, the exclusion from federal adjusted gross income for  
31 certain qualified charitable distributions from an individual  
32 retirement plan provided in section 408(d)(8) of the Internal  
33 Revenue Code, as amended by Pub. L. No. 114-113, division Q,  
34 §112, applies in computing net income for state tax purposes.

35 Sec. 4. STATE SALES AND USE TAX DEDUCTION.

1 Notwithstanding any other provision of law to the contrary, for  
2 tax years beginning during the 2018 calendar year, a taxpayer  
3 who elects to itemize deductions for state tax purposes under  
4 section 422.9, subsection 2, is allowed to take the deduction  
5 for state sales and use tax in lieu of the deduction for state  
6 and local income taxes under section 164(b)(5) of the Internal  
7 Revenue Code, as amended by Pub. L. No. 114-113, division Q,  
8 §106, in computing taxable income for state tax purposes, but  
9 only if the taxpayer elected to deduct state sales and use  
10 taxes in lieu of state and local income taxes for federal tax  
11 purposes for the same tax year.

12 Sec. 5. EARNED INCOME TAX CREDIT FOR 2018.

13 Notwithstanding the definition of "Internal Revenue Code"  
14 in section 422.3, for tax years beginning during the 2018  
15 calendar year, any reference to the term "Internal Revenue  
16 Code" in section 422.12B shall mean the Internal Revenue Code  
17 of 1954, prior to the date of its redesignation as the Internal  
18 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
19 the Internal Revenue Code of 1986 as amended and in effect on  
20 January 1, 2016, but shall not be construed to include any  
21 amendment to the Internal Revenue Code enacted after January 1,  
22 2016, including any amendment with retroactive applicability  
23 or effectiveness.

24 Sec. 6. ACCOUNTING METHOD AND OTHER MISCELLANEOUS

25 COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any  
26 other provision of law to the contrary, amendments to the  
27 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,  
28 §13221, §13504, §13541, §13543, §13611, and §13613, apply in  
29 calculating federal adjusted gross income or federal taxable  
30 income, as applicable, for state tax purposes for purposes of  
31 chapter 422 for tax years beginning during the 2018 calendar  
32 year to the extent those amendments affect the calculation of  
33 federal adjusted gross income or federal taxable income, as  
34 applicable, for federal tax purposes for tax years beginning  
35 during the 2018 calendar year.

1     Sec. 7. TEACHER EXPENSE DEDUCTION. Notwithstanding any  
2 other provision of law to the contrary, for tax years beginning  
3 during the 2018 calendar year, a taxpayer is allowed to take  
4 the deduction for certain expenses of elementary and secondary  
5 school teachers allowed under section 62(a)(2)(D) of the  
6 Internal Revenue Code, as amended by Pub. L. No. 114-113,  
7 division Q, §104, in computing net income for state tax  
8 purposes.

9     Sec. 8. EFFECTIVE DATE. This division of this Act, being  
10 deemed of immediate importance, takes effect upon enactment.

11     Sec. 9. RETROACTIVE APPLICABILITY.

12     1. Except as provided in subsection 2, this division of this  
13 Act applies retroactively to January 1, 2018, for tax years  
14 beginning on or after that date, but before January 1, 2019.

15     2. The sections of this division of this Act enacting  
16 section 422.7, subsections 51 and 52, and amending section  
17 422.9, subsection 2, paragraph "h", apply retroactively to  
18 January 1, 2018, for tax years beginning on or after that date.

19                                   DIVISION II

20             INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2019

21     Sec. 10. Section 422.4, subsection 2, paragraph b, Code  
22 2018, is amended to read as follows:

23     *b.* "*Cumulative standard deduction factor*" means the product  
24 of the annual standard deduction factor for the ~~1989~~ 2020  
25 calendar year and all annual standard deduction factors for  
26 subsequent calendar years as determined pursuant to this  
27 subsection. The cumulative standard deduction factor applies  
28 to all tax years beginning on or after January 1 of the  
29 calendar year for which the latest annual standard deduction  
30 factor has been determined.

31     Sec. 11. Section 422.4, Code 2018, is amended by adding the  
32 following new subsection:

33     NEW SUBSECTION. 9A. "*Internal Revenue Code*" means the  
34 Internal Revenue Code of 1954, prior to the date of its  
35 redesignation as the Internal Revenue Code of 1986 by the Tax

1 Reform Act of 1986, or means the Internal Revenue Code of 1986  
2 as amended and in effect on January 1, 2018. This definition  
3 shall not be construed to include any amendment to the  
4 Internal Revenue Code enacted after the date specified in the  
5 preceding sentence, including any amendment with retroactive  
6 applicability or effectiveness.

7 Sec. 12. Section 422.4, subsection 16, Code 2018, is amended  
8 to read as follows:

9 16. The words "*taxable income*" mean the net income as  
10 defined in [section 422.7](#) minus the deductions allowed by  
11 [section 422.9](#), in the case of individuals; in the case of  
12 estates or trusts, the words "*taxable income*" mean the taxable  
13 income (~~without a deduction for personal exemption~~) as  
14 computed for federal income tax purposes under the Internal  
15 Revenue Code, but with the following adjustments specified in  
16 ~~[section 422.7](#) plus the Iowa income tax deducted in computing~~  
17 ~~the federal taxable income and minus federal income taxes as~~  
18 ~~provided in [section 422.9](#).~~:

19 a. Add back the personal exemption deduction taken in  
20 computing federal taxable income.

21 b. Make the adjustments specified in section 422.7.

22 c. Add back Iowa income tax deducted in computing federal  
23 taxable income.

24 d. Subtract federal income taxes as provided in section  
25 422.9.

26 e. Add back seventy-five percent of the qualified business  
27 income deduction under section 199A of the Internal Revenue  
28 Code, as amended by Pub. L. No. 115-141, division T, §101,  
29 taken in calculating federal taxable income.

30 Sec. 13. Section 422.5, subsection 1, Code 2018, is amended  
31 to read as follows:

32 1. a. A tax is imposed upon every resident and nonresident  
33 of the state which tax shall be levied, collected, and paid  
34 annually upon and with respect to the entire taxable income  
35 as defined in [this division](#) at rates as follows: provided in



1 section 422.5A.

2 ~~a. On all taxable income from zero through one thousand~~  
3 ~~dollars, thirty-six hundredths of one percent.~~

4 ~~b. On all taxable income exceeding one thousand dollars but~~  
5 ~~not exceeding two thousand dollars, seventy-two hundredths of~~  
6 ~~one percent.~~

7 ~~c. On all taxable income exceeding two thousand dollars~~  
8 ~~but not exceeding four thousand dollars, two and forty-three~~  
9 ~~hundredths percent.~~

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

12 ~~e. On all taxable income exceeding nine thousand dollars~~  
13 ~~but not exceeding fifteen thousand dollars, six and twelve~~  
14 ~~hundredths percent.~~

15 ~~f. On all taxable income exceeding fifteen thousand dollars~~  
16 ~~but not exceeding twenty thousand dollars, six and forty-eight~~  
17 ~~hundredths percent.~~

18 ~~g. On all taxable income exceeding twenty thousand dollars~~  
19 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~  
20 ~~percent.~~

21 ~~h. On all taxable income exceeding thirty thousand dollars~~  
22 ~~but not exceeding forty-five thousand dollars, seven and~~  
23 ~~ninety-two hundredths percent.~~

24 ~~i. On all taxable income exceeding forty-five thousand~~  
25 ~~dollars, eight and ninety-eight hundredths percent.~~

26 ~~j.~~ b. (1) The tax imposed upon the taxable income of a  
27 nonresident shall be computed by reducing the amount determined  
28 pursuant to paragraphs "a" through "i" paragraph "a" by the  
29 amounts of nonrefundable credits under this division and by  
30 multiplying this resulting amount by a fraction of which the  
31 nonresident's net income allocated to Iowa, as determined in  
32 section 422.8, subsection 2, paragraph "a", is the numerator and  
33 the nonresident's total net income computed under section 422.7  
34 is the denominator. This provision also applies to individuals  
35 who are residents of Iowa for less than the entire tax year.

1 (2) (a) The tax imposed upon the taxable income of a  
 2 resident shareholder in an S corporation or of an estate  
 3 or trust with a situs in Iowa that is a shareholder in an S  
 4 corporation, which S corporation has in effect for the tax  
 5 year an election under subchapter S of the Internal Revenue  
 6 Code and carries on business within and without the state,  
 7 may be computed by reducing the amount determined pursuant  
 8 to ~~paragraphs "a" through "i"~~ paragraph "a" by the amounts of  
 9 nonrefundable credits under [this division](#) and by multiplying  
 10 this resulting amount by a fraction of which the resident's  
 11 or estate's or trust's net income allocated to Iowa, as  
 12 determined in [section 422.8, subsection 2](#), paragraph "b", is  
 13 the numerator and the resident's or estate's or trust's total  
 14 net income computed under [section 422.7](#) is the denominator. If  
 15 a resident shareholder, or an estate or trust with a situs in  
 16 Iowa that is a shareholder, has elected to take advantage of  
 17 this subparagraph (2), and for the next tax year elects not to  
 18 take advantage of this subparagraph, the resident or estate or  
 19 trust shareholder shall not reelect to take advantage of this  
 20 subparagraph for the three tax years immediately following the  
 21 first tax year for which the shareholder elected not to take  
 22 advantage of this subparagraph, unless the director consents to  
 23 the reelection. This subparagraph also applies to individuals  
 24 who are residents of Iowa for less than the entire tax year.

25 (b) This subparagraph (2) shall not affect the amount of  
 26 the taxpayer's checkoffs under [this division](#), the credits from  
 27 tax provided under [this division](#), and the allocation of these  
 28 credits between spouses if the taxpayers filed separate returns  
 29 or separately on combined returns.

30 Sec. 14. Section 422.5, subsection 2, paragraph a, Code  
 31 2018, is amended to read as follows:

32 a. There is imposed upon every resident and nonresident of  
 33 this state, including estates and trusts, the greater of the  
 34 tax determined in [subsection 1](#), ~~paragraphs "a" through "j"~~, or  
 35 the state alternative minimum tax equal to seventy-five percent

1 of the maximum state individual income tax rate for the tax  
 2 year, rounded to the nearest one-tenth of one percent, times  
 3 the state alternative minimum taxable income of the taxpayer as  
 4 computed under [this subsection](#).

5 **Sec. 15. NEW SECTION. 422.5A Tax rates.**

6 The tax imposed in section 422.5 shall be calculated at  
 7 the following rates for tax years beginning in the following  
 8 calendar years:

	2019	2020 and subsequent calendar years
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1 exceeding \$45,000: 8.89% 8.89%

2 Sec. 16. Section 422.5, subsection 6, Code 2018, is amended  
3 to read as follows:

4 6. Upon determination of the latest cumulative inflation  
5 factor, the director shall multiply each dollar amount set  
6 forth in ~~subsection 1, paragraphs "a" through "i"~~ section  
7 422.5A by this cumulative inflation factor, shall round  
8 off the resulting product to the nearest one dollar, and  
9 shall incorporate the result into the income tax forms and  
10 instructions for each tax year.

11 Sec. 17. Section 422.7, subsection 39A, unnumbered  
12 paragraph 1, Code 2018, is amended to read as follows:

13 The additional first-year depreciation allowance authorized  
14 in section 168(k) of the Internal Revenue Code, as enacted by  
15 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.  
16 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.  
17 112-240, §331, and Pub. L. No. 113-295, §125, Pub. L. No.  
18 114-113, division Q, §143, and Pub. L. No. 115-97, §13201, does  
19 not apply in computing net income for state tax purposes. If  
20 the taxpayer has taken the additional first-year depreciation  
21 allowance for purposes of computing federal adjusted gross  
22 income, then the taxpayer shall make the following adjustments  
23 to federal adjusted gross income when computing net income for  
24 state tax purposes:

25 Sec. 18. Section 422.7, Code 2018, is amended by adding the  
26 following new subsection:

27 NEW SUBSECTION. 59. a. The rules for nonrecognition  
28 of gain or loss from exchanges of real property held for  
29 productive use or investment and not held primarily for sale,  
30 as provided in section 1031 of the Internal Revenue Code, apply  
31 for state income tax purposes with regard to exchanges of real  
32 property.

33 b. (1) The rules for nonrecognition of gain or loss  
34 from exchanges of property other than real property held for  
35 productive use or investment as provided in section 1031 of the

1 Internal Revenue Code, as amended up to and including December  
2 21, 2017, apply for state income tax purposes, notwithstanding  
3 any other provision of law to the contrary. If the taxpayer's  
4 federal adjusted gross income includes gain or loss from  
5 property, other than real property described in paragraph "a",  
6 and the taxpayer elects to have this paragraph apply, the  
7 following adjustments shall be made:

8 (a) (i) Subtract the total amount of gain related to the  
9 sale or exchange of the property as properly reported for  
10 federal tax purposes under the Internal Revenue Code.

11 (ii) Add back any gain related to the sale or exchange  
12 of the property to the extent such gain does not qualify for  
13 deferral under section 1031 of the Internal Revenue Code, as  
14 amended up to and including December 21, 2017, which gain  
15 shall be calculated using the taxpayer's adjusted basis in the  
16 property for state tax purposes.

17 (b) (i) Add the total amount of loss related to the sale or  
18 exchange of the property as properly reported for federal tax  
19 purposes under the Internal Revenue Code.

20 (ii) Subtract any loss related to the sale or exchange  
21 of the property to the extent such loss does not qualify for  
22 deferral under section 1031 of the Internal Revenue Code, as  
23 amended up to and including December 21, 2017, which loss  
24 shall be calculated using the taxpayer's adjusted basis in the  
25 property for state tax purposes.

26 (c) Any other adjustments to gains, losses, deductions, or  
27 tax basis for the property given up or received in the sale or  
28 exchange pursuant to rules adopted by the director.

29 (2) The director shall adopt rules pursuant to chapter 17A  
30 to administer this paragraph.

31 Sec. 19. Section 422.8, subsection 2, paragraph a, Code  
32 2018, is amended to read as follows:

33 a. Nonresident's net income allocated to Iowa is the net  
34 income, or portion of net income, which is derived from a  
35 business, trade, profession, or occupation carried on within

1 this state or income from any property, trust, estate, or  
 2 other source within Iowa. However, income derived from a  
 3 business, trade, profession, or occupation carried on within  
 4 this state and income from any property, trust, estate, or  
 5 other source within Iowa shall not include distributions from  
 6 pensions, including defined benefit or defined contribution  
 7 plans, annuities, individual retirement accounts, and deferred  
 8 compensation plans or any earnings attributable thereto so long  
 9 as the distribution is directly related to an individual's  
 10 documented retirement and received while the individual is a  
 11 nonresident of this state. If a business, trade, profession,  
 12 or occupation is carried on partly within and partly without  
 13 the state, only the portion of the net income which is fairly  
 14 and equitably attributable to that part of the business,  
 15 trade, profession, or occupation carried on within the state  
 16 is allocated to Iowa for purposes of section 422.5, subsection  
 17 1, paragraph ~~"j"~~ "b", and [section 422.13](#) and income from any  
 18 property, trust, estate, or other source partly within and  
 19 partly without the state is allocated to Iowa in the same  
 20 manner, except that annuities, interest on bank deposits and  
 21 interest-bearing obligations, and dividends are allocated  
 22 to Iowa only to the extent to which they are derived from a  
 23 business, trade, profession, or occupation carried on within  
 24 the state. Net income described in section 29C.24, subsection  
 25 3, paragraph "a", subparagraph (3), and paragraph "b",  
 26 subparagraph (2), shall not be allocated and apportioned to the  
 27 state, as provided in [section 29C.24](#).

28 Sec. 20. Section 422.9, unnumbered paragraph 1, Code 2018,  
 29 is amended to read as follows:

30 In computing taxable income of individuals, there shall be  
 31 deducted from net income the larger of the following amounts:  
 32 computed under subsection 1 or 2, plus the amount computed  
 33 under subsection 2A.

34 Sec. 21. Section 422.9, subsection 1, Code 2018, is amended  
 35 to read as follows:

1 1. An optional standard deduction, after deduction of  
2 federal income tax, equal to ~~one~~ three thousand ~~two hundred~~  
3 ~~thirty~~ dollars for a married person who files separately or  
4 a single person or equal to ~~three~~ seven thousand ~~thirty five~~  
5 hundred dollars for a husband and wife who file a joint return,  
6 a surviving spouse, or a head of household. The optional  
7 standard deduction shall not exceed the amount remaining after  
8 deduction of the federal income tax. The amount of federal  
9 income tax deducted shall be computed as provided in subsection  
10 2, paragraph "b".

11 Sec. 22. Section 422.9, Code 2018, is amended by adding the  
12 following new subsection:

13 NEW SUBSECTION. 2A. a. Twenty-five percent of the amount  
14 deductible by the taxpayer for federal income tax purposes  
15 under section 199A of the Internal Revenue Code, as amended by  
16 Pub. L. No. 115-141, division T, §101.

17 b. Notwithstanding paragraph "a", and section 422.4,  
18 subsection 16, paragraph "e", for an entity electing or required  
19 to file a composite return under section 422.13, subsection 5,  
20 the deduction allowed under this subsection for purposes of  
21 the composite return shall be an amount equal to twenty-five  
22 percent of the deduction that would be allowable for federal  
23 income tax purposes under section 199A of the Internal Revenue  
24 Code, as amended by Pub. L. No. 115-141, division T, §101 by an  
25 individual taxpayer reporting the same items of income and loss  
26 that are included in the composite return.

27 Sec. 23. Section 422.9, subsection 2, paragraph i, Code  
28 2018, is amended to read as follows:

29 i. The deduction for state sales and use taxes is allowable  
30 only if the taxpayer elected to deduct the state sales and use  
31 taxes in lieu of state income taxes under section 164 of the  
32 Internal Revenue Code. A deduction for state sales and use  
33 taxes is not allowed if the taxpayer has taken the deduction  
34 for state income taxes or claimed the standard deduction under  
35 section 63 of the Internal Revenue Code. This paragraph

1 applies to taxable years beginning after ~~December 31, 2003, and~~  
2 ~~before January 1, 2008, and to taxable years beginning after~~  
3 ~~December 31, 2009, and before January 1, 2015~~ December 31,  
4 2018.

5 Sec. 24. Section 422.9, subsection 2, Code 2018, is amended  
6 by adding the following new paragraph:

7 NEW PARAGRAPH. 1. The limitation on the deduction of  
8 certain taxes in section 164(b)(6) of the Internal Revenue  
9 Code does not apply in computing taxable income for state tax  
10 purposes. A taxpayer is allowed to deduct taxes in computing  
11 taxable income as otherwise provided in this subsection without  
12 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,  
13 §11042.

14 Sec. 25. Section 422.9, subsection 3, paragraph d, Code  
15 2018, is amended to read as follows:

16 d. Notwithstanding paragraph "a", for a taxpayer who is  
17 engaged in the trade or business of farming as defined in  
18 section 263A(e)(4) of the Internal Revenue Code and has a loss  
19 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of  
20 the Internal Revenue Code including modifications prescribed by  
21 rule by the director, the Iowa loss from the trade or business  
22 of farming is a net operating loss which may be carried back  
23 five taxable years prior to the taxable year of the loss.

24 Sec. 26. Section 422.9, subsection 5, Code 2018, is amended  
25 to read as follows:

26 5. A taxpayer affected by [section 422.8](#) shall, ~~if the~~  
27 ~~optional standard deduction is not used,~~ be permitted to deduct  
28 only such portion of the total referred to in ~~subsection~~  
29 subsections 2 above and 2A as is fairly and equitably allocable  
30 to Iowa under the rules prescribed by the director.

31 Sec. 27. Section 422.9, subsections 6 and 7, Code 2018, are  
32 amended by striking the subsections.

33 Sec. 28. Section 422.11B, Code 2018, is amended to read as  
34 follows:

35 **422.11B Minimum tax credit.**



1 1. *a.* There is allowed as a credit against the tax  
2 determined in [section 422.5, subsection 1](#), ~~paragraphs "a"~~  
3 ~~through "j"~~ for a tax year an amount equal to the minimum tax  
4 credit for that tax year.

5 *b.* The minimum tax credit for a tax year is the excess,  
6 if any, of the net minimum tax imposed for all prior tax  
7 years beginning on or after January 1, 1987, over the amount  
8 allowable as a credit under [this section](#) for those prior tax  
9 years.

10 2. *a.* The allowable credit under [subsection 1](#) for a tax  
11 year shall not exceed the excess, if any, of the tax determined  
12 in [section 422.5, subsection 1](#), ~~paragraphs "a" through "j"~~ over  
13 the state alternative minimum tax as determined in [section](#)  
14 [422.5, subsection 2](#).

15 *b.* The net minimum tax for a tax year is the excess, if any,  
16 of the tax determined in [section 422.5, subsection 2](#), for the  
17 tax year over the tax determined in [section 422.5, subsection](#)  
18 [1, paragraphs "a" through "j"](#) for the tax year.

19 Sec. 29. [Section 422.21, subsection 5, Code 2018](#), is amended  
20 to read as follows:

21 5. *a.* The director shall determine for the 1989 and each  
22 subsequent calendar year the annual and cumulative inflation  
23 factors for each calendar year to be applied to tax years  
24 beginning on or after January 1 of that calendar year. The  
25 director shall compute the new dollar amounts as specified to  
26 be adjusted in [section 422.5](#) by the latest cumulative inflation  
27 factor and round off the result to the nearest one dollar.  
28 The annual and cumulative inflation factors determined by the  
29 director are not rules as defined in [section 17A.2, subsection](#)  
30 [11](#).

31 *b.* The director shall determine for the ~~1990~~ 2020  
32 calendar year and each subsequent calendar year the annual  
33 and cumulative standard deduction factors to be applied to  
34 tax years beginning on or after January 1 of that calendar  
35 year. The director shall compute the new dollar amounts of

1 the standard deductions specified in section 422.9, subsection  
2 1, by the latest cumulative standard deduction factor and  
3 round off the result to the nearest ten dollars. The annual  
4 and cumulative standard deduction factors determined by the  
5 director are not rules as defined in section 17A.2, subsection  
6 11.

7 Sec. 30. EFFECTIVE DATE. This division of this Act takes  
8 effect January 1, 2019.

9 Sec. 31. APPLICABILITY. This division of this Act applies  
10 to tax years beginning on or after January 1, 2019.

11 DIVISION III

12 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE  
13 SAVINGS PLAN TRUST

14 Sec. 32. Section 12D.1, Code 2018, is amended to read as  
15 follows:

16 **12D.1 Purpose and definitions.**

17 1. The general assembly finds that the general welfare and  
18 well-being of the state are directly related to educational  
19 levels and skills of the citizens of the state, and that a  
20 vital and valid public purpose is served by the creation and  
21 implementation of programs which encourage and make possible  
22 the attainment of higher formal education by the greatest  
23 number of citizens of the state. ~~The state has limited~~  
24 ~~resources to provide additional programs for higher education~~  
25 ~~funding and the continued operation and maintenance of the~~  
26 ~~state's public institutions of higher education and the general~~  
27 welfare of the citizens of the state will be enhanced by  
28 establishing a program which allows citizens of the state to  
29 invest money in a public trust for future application to the  
30 payment of ~~higher education costs~~ qualified education expenses.  
31 The creation of the means of encouragement for citizens to  
32 invest in such a program represents the carrying out of a  
33 vital and valid public purpose. In order to make available  
34 to the citizens of the state an opportunity to fund future  
35 higher formal education needs, it is necessary that a public

1 trust be established in which moneys may be invested for future  
2 educational use.

3 2. As used in [this chapter](#), unless the context otherwise  
4 requires:

5 *a. "Account balance limit"* means the maximum allowable  
6 aggregate balance of accounts established for the same  
7 beneficiary. Account earnings, if any, are included in the  
8 account balance limit.

9 *b. "Administrative fund"* means the administrative fund  
10 established under [section 12D.4](#).

11 *c. "Beneficiary"* means the individual designated by a  
12 participation agreement to benefit from advance payments of  
13 ~~higher education costs~~ qualified education expenses on behalf  
14 of the beneficiary.

15 *d. "Benefits"* means the payment of ~~higher education costs~~  
16 qualified education expenses on behalf of a beneficiary by the  
17 trust during the beneficiary's attendance at an ~~institution of~~  
18 ~~higher education~~ a qualified educational institution.

19 ~~*e. "Higher education costs"* means the same as "qualified~~  
20 ~~higher education expenses" as defined in section 529(e)(3) of~~  
21 ~~the Internal Revenue Code.~~

22 ~~*f. e.*~~ *"Institution of higher education"* means an institution  
23 described in section 481 of the federal Higher Education Act of  
24 1965, 20 U.S.C. §1088, which is eligible to participate in the  
25 United States department of education's student aid programs.

26 ~~*g. f.*~~ *"Internal Revenue Code"* means the same as defined  
27 in [section 12I.1](#).

28 ~~*h. g.*~~ *"Iowa educational savings plan trust" or "trust"* means  
29 the trust created under [section 12D.2](#).

30 ~~*i. h.*~~ *"Participant"* means an individual, individual's legal  
31 representative, trust, estate, or an organization described  
32 in section 501(c)(3) of the Internal Revenue Code and exempt  
33 from taxation under section 501(a) of the Internal Revenue  
34 Code, that has entered into a participation agreement under  
35 this chapter for the advance payment of ~~higher education costs~~

1 qualified education expenses on behalf of a beneficiary.

2 ~~j.~~ i. "Participation agreement" means an agreement between  
3 a participant and the trust entered into under [this chapter](#).

4 ~~k.~~ j. "Program fund" means the program fund established  
5 under [section 12D.4](#).

6 k. "Qualified education expenses" means the same as  
7 "qualified higher education expenses" as defined in section  
8 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.  
9 No. 115-97, and shall include elementary and secondary school  
10 expenses for tuition described in section 529(c)(7) of the  
11 Internal Revenue Code, subject to the limitations imposed by  
12 section 529(e)(3)(A) of the Internal Revenue Code.

13 l. "Qualified educational institution" means an institution  
14 of higher education, or any elementary or secondary public,  
15 private, or religious school described in section 529(c)(7) of  
16 the Internal Revenue Code.

17 ~~l.~~ m. "~~Tuition and fees~~" "Tuition" means the quarter, ~~or~~  
18 semester, or annual charges imposed to attend an institution  
19 of higher education a qualified educational institution and  
20 required as a condition of enrollment or attendance.

21 Sec. 33. Section 12D.2, subsections 2, 5, 9, and 14, Code  
22 2018, are amended to read as follows:

23 2. Enter into agreements with any ~~institution of higher~~  
24 education qualified educational institution, the state, or any  
25 federal or other state agency, or other entity as required to  
26 implement [this chapter](#).

27 5. Carry out studies and projections so the treasurer of  
28 state may advise participants regarding present and estimated  
29 ~~future higher education costs~~ qualified education expenses  
30 and levels of financial participation in the trust required  
31 in order to enable participants to achieve their educational  
32 funding objectives.

33 9. Make payments to ~~institutions of higher education~~  
34 qualified educational institutions, participants, or  
35 beneficiaries, pursuant to participation agreements on behalf

1 of beneficiaries.

2 14. Establish, impose, and collect administrative fees  
3 and charges in connection with transactions of the trust, and  
4 provide for reasonable service charges, ~~including penalties for~~  
5 ~~cancellations and late payments with respect to participation~~  
6 ~~agreements.~~

7 Sec. 34. Section 12D.3, subsections 1 and 2, Code 2018, are  
8 amended to read as follows:

9 1. ~~a.~~ Each participation agreement may require a  
10 participant to agree to invest a specific amount of money in  
11 the trust for a specific period of time for the benefit of a  
12 specific beneficiary. A participant shall not be required to  
13 make an annual contribution on behalf of a beneficiary. The  
14 maximum contribution that may be deducted for Iowa income tax  
15 purposes shall not exceed two thousand dollars per beneficiary  
16 per year adjusted annually to reflect increases in the consumer  
17 price index. The treasurer of state shall set an account  
18 balance limit to maintain compliance with section 529 of the  
19 Internal Revenue Code. A contribution shall not be permitted  
20 to the extent it causes the aggregate balance of all accounts  
21 established for the same beneficiary under the trust to exceed  
22 the applicable account balance limit.

23 ~~b. Participation agreements may be amended to provide for~~  
24 ~~adjusted levels of payments based upon changed circumstances or~~  
25 ~~changes in educational plans.~~

26 2. The execution of a participation agreement by the trust  
27 shall not guarantee in any way that ~~higher education costs~~  
28 qualified education expenses will be equal to projections  
29 and estimates provided by the trust or that the beneficiary  
30 named in any participation agreement will attain any of the  
31 following:

32 a. Be admitted to an ~~institution of higher education~~ a  
33 qualified educational institution.

34 b. If admitted, be determined a resident for tuition  
35 purposes by the ~~institution of higher education~~ qualified

1 educational institution.

2 *c.* Be allowed to continue attendance at the ~~institution of~~  
3 ~~higher education~~ qualified educational institution following  
4 admission.

5 *d.* Graduate from the ~~institution of higher education~~  
6 qualified educational institution.

7 Sec. 35. Section 12D.3, Code 2018, is amended by adding the  
8 following new subsection:

9 NEW SUBSECTION. 5. A participant may designate a successor  
10 in accordance with rules adopted by the treasurer of state.  
11 The designated successor shall succeed to the ownership of the  
12 account in the event of the death of the participant. In the  
13 event a participant dies and has not designated a successor to  
14 the account, the following criteria shall apply:

15 *a.* The beneficiary of the account, if eighteen years of  
16 age or older, shall become the owner of the account as well as  
17 remain the beneficiary upon filing the appropriate forms in  
18 accordance with rules adopted by the treasurer of state.

19 *b.* If the beneficiary of the account is under the age of  
20 eighteen, account ownership shall be transferred to the first  
21 surviving parent or other legal guardian of the beneficiary to  
22 file the appropriate forms in accordance with rules adopted by  
23 the treasurer of state.

24 Sec. 36. Section 12D.4, Code 2018, is amended to read as  
25 follows:

26 **12D.4 Program and administrative funds — investment and**  
27 **payments.**

28 1. *a.* The treasurer of state shall segregate moneys  
29 received by the trust into two funds: the program fund and the  
30 administrative fund.

31 *b.* All moneys paid by participants in connection with  
32 participation agreements shall be deposited as received into  
33 separate accounts within the program fund.

34 *c.* Contributions to the trust made by participants may only  
35 be made in the form of cash.

1 ~~d. A participant or beneficiary shall not provide investment~~  
2 ~~direction regarding program contributions or earnings held by~~  
3 ~~the trust~~ may, directly or indirectly, direct the investment of  
4 any contributions to the trust or any earnings thereon no more  
5 than two times in a calendar year.

6 e. The amount of cash distributions from the trust and all  
7 other qualified state tuition programs under section 529 of  
8 the Internal Revenue Code to a beneficiary during any taxable  
9 year shall, in the aggregate, include no more than ten thousand  
10 dollars in expenses for tuition in connection with enrollment  
11 at an elementary or secondary public, private, or religious  
12 school incurred during the taxable year.

13 2. Moneys accrued by participants in the program fund of  
14 the trust may be used for payments to any ~~institution of higher~~  
15 ~~education~~ qualified educational institution. Payments can be  
16 made to the qualified educational institution, the participant,  
17 or the beneficiary.

18 Sec. 37. Section 12D.6, subsection 1, paragraph a, Code  
19 2018, is amended to read as follows:

20 a. A participant retains ownership of all payments made  
21 under a participation agreement up to the date of utilization  
22 for payment of ~~higher education costs~~ qualified education  
23 expenses for the beneficiary.

24 Sec. 38. Section 12D.6, subsections 2, 3, and 5, Code 2018,  
25 are amended to read as follows:

26 2. In the event the program is terminated prior to payment  
27 of ~~higher education costs~~ qualified education expenses for the  
28 beneficiary, the participant is entitled to a refund of the  
29 participant's account balance.

30 3. The ~~institution of higher education~~ qualified  
31 educational institution shall obtain ownership of the payments  
32 made for the ~~higher education costs~~ qualified education  
33 expenses paid to the institution at the time each payment is  
34 made to the institution.

35 5. A participant may transfer ownership rights to another

1 ~~eligible individual, including a gift of the ownership rights~~  
2 ~~to a minor beneficiary participant, or may transfer funds to~~  
3 ~~another plan under the trust or to an ABLE account as permitted~~  
4 ~~under section 529(c)(3)(C) of the Internal Revenue Code.~~

5 The transfer shall be made and the property distributed in  
6 accordance with rules adopted by the treasurer of state or with  
7 the terms of the participation agreement.

8 Sec. 39. Section 12D.7, Code 2018, is amended to read as  
9 follows:

10 **12D.7 Effect of payments on determination of need and**  
11 **eligibility for student financial aid.**

12 A student loan program, student grant program, or other  
13 program administered by any agency of the state, except as  
14 may be otherwise provided by federal law or the provisions  
15 of any specific grant applicable to that law, shall not take  
16 into account and shall not consider amounts available for  
17 the payment of ~~higher education costs~~ qualified education  
18 expenses pursuant to the Iowa educational savings plan trust in  
19 determining need and eligibility for student aid.

20 Sec. 40. Section 12D.9, subsection 1, paragraph a, Code  
21 2018, is amended to read as follows:

22 a. Pursuant to [section 12D.3, subsection 1](#), paragraph "a",  
23 a participant may make contributions to an account which is  
24 established for the purpose of meeting the qualified ~~higher~~  
25 education expenses of the designated beneficiary of the  
26 account.

27 Sec. 41. Section 422.7, subsection 32, paragraph c, Code  
28 2018, is amended by striking the paragraph and inserting in  
29 lieu thereof the following:

30 c. (1) Add, to the extent previously deducted as a  
31 contribution to the trust, the amount resulting from a  
32 withdrawal or transfer made by the taxpayer from the Iowa  
33 educational savings plan trust for purposes other than any of  
34 the following:

35 (a) The payment of qualified higher education expenses.



1 (b) The payment of tuition to an elementary or secondary  
2 school if the tuition amounts are qualified education expenses.

3 (c) A change in beneficiaries under, or transfer to another  
4 account within, the Iowa educational savings plan trust, or a  
5 transfer to the Iowa ABLE savings plan trust, provided such  
6 change or transfer is permitted under section 12D.6, subsection  
7 5.

8 (2) For purposes of this paragraph:

9 (a) "*Elementary or secondary school*" means an elementary  
10 or secondary school in this state which is accredited under  
11 section 256.11, and adheres to the provisions of the federal  
12 Civil Rights Act of 1964 and chapter 216.

13 (b) "*Qualified education expenses*" and "*tuition*" all mean the  
14 same as defined in section 12D.1, subsection 2.

15 (c) (i) "*Qualified higher education expenses*" means the same  
16 as defined in section 529(e)(3) of the Internal Revenue Code.

17 (ii) For purposes of this subparagraph division (c),  
18 "*Internal Revenue Code*" means the Internal Revenue Code of  
19 1954, prior to the date of its redesignation as the Internal  
20 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
21 the Internal Revenue Code of 1986 as amended and in effect on  
22 January 1, 2018. This definition shall not be construed to  
23 include any amendment to the Internal Revenue Code enacted  
24 after the date specified in the preceding sentence, including  
25 any amendment with retroactive applicability or effectiveness.

26 Sec. 42. Section 422.7, subsection 34, Code 2018, is amended  
27 to read as follows:

28 34. a. (1) Subtract the amount contributed during the tax  
29 year on behalf of a designated beneficiary that is a resident  
30 of this state to the Iowa ABLE savings plan trust or to the  
31 qualified ABLE program with which the state has contracted  
32 pursuant to [section 12I.10](#), not to exceed the maximum  
33 contribution level established in [section 12I.3, subsection 1](#),  
34 paragraph "d", or [section 12I.10, subsection 2](#), paragraph "a",  
35 as applicable.

1     (2) This paragraph "a" shall not apply to any amount  
2 of contribution that represents a transfer from the Iowa  
3 educational savings plan trust created in chapter 12D that  
4 meets the requirements of subsection 32, paragraph "c",  
5 subparagraph (1), subparagraph division (c), and that was  
6 previously deducted as a contribution to the Iowa educational  
7 savings plan trust.

8     *b.* Add the amount resulting from the cancellation of a  
9 participation agreement refunded to the taxpayer as an account  
10 owner in the Iowa ABLE savings plan trust or the qualified  
11 ABLE program with which the state has contracted pursuant to  
12 section 12I.10 to the extent previously deducted pursuant  
13 to *this subsection* by the taxpayer or any other person as a  
14 contribution to the trust or qualified ABLE program, or to the  
15 extent the amount was previously deducted by the taxpayer or  
16 any other person pursuant to subsection 32, paragraph "a", and  
17 qualified as a transfer under paragraph "a", subparagraph (2),  
18 of this subsection.

19     *c.* Add the amount resulting from a withdrawal made by a  
20 taxpayer from the Iowa ABLE savings plan trust or the qualified  
21 ABLE program with which the state has contracted pursuant to  
22 section 12I.10 for purposes other than the payment of qualified  
23 disability expenses to the extent previously deducted pursuant  
24 to *this subsection* by the taxpayer or any other person as a  
25 contribution to the trust or qualified ABLE program, or to the  
26 extent the amount was previously deducted by the taxpayer or  
27 any other person pursuant to subsection 32, paragraph "a", and  
28 qualified as a transfer under paragraph "a", subparagraph (2),  
29 of this subsection.

30     Sec. 43. Section 627.6, Code 2018, is amended by adding the  
31 following new subsection:

32     NEW SUBSECTION. 17. The debtor's interest, whether as  
33 participant or beneficiary, in contributions and assets,  
34 including the accumulated earnings and market increases in  
35 value, held in an account in the Iowa educational savings plan

1 trust organized under chapter 12D.

2 Sec. 44. EFFECTIVE DATE. This division of this Act, being  
3 deemed of immediate importance, takes effect upon enactment.

4 Sec. 45. RETROACTIVE APPLICABILITY.

5 1. Except as provided in subsection 2, this division of this  
6 Act applies retroactively to January 1, 2018, for withdrawals  
7 from the Iowa educational savings plan trust made on or after  
8 that date.

9 2. The sections of this division of this Act amending  
10 section 422.7 apply retroactively to January 1, 2018, for tax  
11 years beginning on or after that date, and for withdrawals from  
12 the Iowa educational savings plan trust made on or after that  
13 date.

14 DIVISION IV

15 SALES AND USE TAXES

16 Sec. 46. Section 15J.4, subsection 3, paragraph f, Code  
17 2018, is amended to read as follows:

18 *f.* The total aggregate amount of state sales tax revenues  
19 and state hotel and motel tax revenues that may be approved by  
20 the board for remittance to all municipalities and that may  
21 be transferred to the state reinvestment district fund under  
22 section ~~423.2, subsection 11,~~ 423.2A or section 423A.6, and  
23 remitted to all municipalities having a reinvestment district  
24 under this chapter shall not exceed one hundred million  
25 dollars.

26 Sec. 47. Section 15J.5, subsection 1, paragraph a, Code  
27 2018, is amended to read as follows:

28 *a.* The department shall calculate quarterly the amount of  
29 new state sales tax revenues for each district established in  
30 the state to be deposited in the state reinvestment district  
31 fund created in section 15J.6, pursuant to section ~~423.2,~~  
32 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, subject to  
33 remittance limitations established by the board pursuant to  
34 section 15J.4, subsection 3.

35 Sec. 48. Section 15J.6, subsection 1, Code 2018, is amended

1 to read as follows:

2 1. A state reinvestment district fund is established in the  
3 state treasury under the control of the department consisting  
4 of the new state sales tax revenues collected within each  
5 district and deposited in the fund pursuant to ~~section 423.2,~~  
6 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, and the  
7 new state hotel and motel tax revenues collected within each  
8 district and deposited in the fund pursuant to section 423A.6.  
9 Moneys deposited in the fund are appropriated to the department  
10 for the purposes of this section. Moneys in the fund shall  
11 only be used for the purposes of this section.

12 Sec. 49. Section 418.11, subsection 1, Code 2018, is amended  
13 to read as follows:

14 1. The department of revenue shall calculate quarterly the  
15 amount of increased sales tax revenues for each governmental  
16 entity approved to use sales tax increment revenues and the  
17 amount of such revenues to be transferred to the sales tax  
18 increment fund pursuant to section 423.2, subsection 11,  
19 paragraph "b" 423.2A, subsection 2.

20 Sec. 50. Section 418.12, subsection 1, Code 2018, is amended  
21 to read as follows:

22 1. A sales tax increment fund is established as a separate  
23 and distinct fund in the state treasury under the control of  
24 the department of revenue consisting of the amount of the  
25 increased state sales and services tax revenues collected by  
26 the department of revenue within each applicable area specified  
27 in section 418.11, subsection 3, and deposited in the fund  
28 pursuant to section 423.2, subsection 11, paragraph "b" 423.2A,  
29 subsection 2. Moneys deposited in the fund are appropriated  
30 to the department of revenue for the purposes of this section.  
31 Moneys in the fund shall only be used for the purposes of this  
32 section.

33 Sec. 51. Section 421.26, Code 2018, is amended to read as  
34 follows:

35 **421.26 Personal liability for tax due.**

1 If a licensee or other person under [section 452A.65](#), a  
 2 retailer or purchaser under [chapter 423A](#), [423B](#), or [423E](#), or  
 3 ~~[section sections 423.14, 423.14A, 423.29, 423.31, 423.32, or](#)~~  
 4 ~~423.33, or a retailer or purchaser under [section 423.32](#), or~~  
 5 a user under [section 423.34](#), or a permit holder or licensee  
 6 under [section 453A.13](#), [453A.16](#), or [453A.44](#) fails to pay a tax  
 7 under those sections when due, an officer of a corporation  
 8 or association, notwithstanding [section 489.304](#), a member or  
 9 manager of a limited liability company, or a partner of a  
 10 partnership, having control or supervision of or the authority  
 11 for remitting the tax payments and having a substantial legal  
 12 or equitable interest in the ownership of the corporation,  
 13 association, limited liability company, or partnership, who has  
 14 intentionally failed to pay the tax is personally liable for  
 15 the payment of the tax, interest, and penalty due and unpaid.  
 16 However, [this section](#) shall not apply to taxes on accounts  
 17 receivable. The dissolution of a corporation, association,  
 18 limited liability company, or partnership shall not discharge a  
 19 person's liability for failure to remit the tax due.

20 Sec. 52. Section 423.1, Code 2018, is amended by adding the  
 21 following new subsection:

22 NEW SUBSECTION. 22A. "*Information services*" means every  
 23 activity, process, or function by which a seller accumulates,  
 24 prepares, organizes, conveys, analyzes, or delivers data,  
 25 facts, knowledge, procedures, information, and other similar  
 26 services to a purchaser through any tangible, intangible,  
 27 or electronic medium. Information accumulated, prepared,  
 28 or organized for a purchaser is an information service even  
 29 though it may incorporate preexisting components of data or  
 30 other information. "*Information services*" includes but is not  
 31 limited to database files, research information, genealogical  
 32 information, and other similar services.

33 Sec. 53. Section 423.1, subsection 24, paragraph a, Code  
 34 2018, is amended to read as follows:

35 a. "*Lease or rental*" means any transfer of possession

1 or control of, or access to, tangible personal property or  
2 specified digital products for a fixed or indeterminate term  
3 for consideration. A "lease or rental" may include future  
4 options to purchase or extend.

5 Sec. 54. Section 423.1, subsection 37, Code 2018, is amended  
6 to read as follows:

7 37. "Place of business" means any warehouse, store,  
8 place, office, building, or structure where ~~goods, wares, or~~  
9 ~~merchandise~~ tangible personal property, specified digital  
10 products, or services are offered for sale at retail or where  
11 any taxable amusement is conducted, or each office where gas,  
12 water, heat, communication, or electric services are offered  
13 for sale at retail. When a retailer or amusement operator  
14 sells merchandise by means of vending machines or operates  
15 music or amusement devices by coin-operated machines at more  
16 than one location within the state, the office, building, or  
17 place where the books, papers, and records of the taxpayer are  
18 kept shall be deemed to be the taxpayer's place of business.

19 Sec. 55. Section 423.1, Code 2018, is amended by adding the  
20 following new subsection:

21 NEW SUBSECTION. 36A. "Personal property" includes but is  
22 not limited to tangible personal property and specified digital  
23 products.

24 Sec. 56. Section 423.1, subsection 43, paragraph a,  
25 subparagraph (3), Code 2018, is amended to read as follows:

26 (3) Taking possession or making first use of ~~digital goods~~  
27 specified digital products, whichever comes first.

28 Sec. 57. Section 423.1, subsection 47, Code 2018, is amended  
29 to read as follows:

30 47. "Retailer" means and includes every person engaged  
31 in the business of selling tangible personal property,  
32 specified digital products, or taxable services at retail, or  
33 the furnishing of gas, electricity, water, or communication  
34 service, and tickets or admissions to places of amusement  
35 and athletic events or operating amusement devices or other

1 forms of commercial amusement from which revenues are derived.  
2 However, when in the opinion of the director it is necessary  
3 for the efficient administration of this chapter to regard  
4 any salespersons, representatives, truckers, peddlers, or  
5 canvassers as agents of the dealers, distributors, supervisors,  
6 employers, or persons under whom they operate or from whom  
7 they obtain tangible personal property, services, or specified  
8 digital products sold by them irrespective of whether or not  
9 they are making sales on their own behalf or on behalf of such  
10 dealers, distributors, supervisors, employers, or persons,  
11 the director may so regard them, and may regard such dealers,  
12 distributors, supervisors, employers, or persons as retailers  
13 for the purposes of this chapter. "Retailer" includes a seller  
14 obligated to collect sales or use tax, including any person  
15 obligated to collect sales and use tax pursuant to section  
16 423.14A.

17 Sec. 58. Section 423.1, subsection 48, paragraph a, Code  
18 2018, is amended to read as follows:

19 a. "*Retailer maintaining a place of business in this state*"  
20 or any like term includes any of the following:

21 (1) A retailer having or maintaining within this state,  
22 directly or by a subsidiary, an office, distribution house,  
23 sales house, warehouse, or other place of business, or any  
24 representative operating within this state under the authority  
25 of the retailer or its subsidiary, irrespective of whether that  
26 place of business or representative is located here permanently  
27 or temporarily, or whether the retailer or subsidiary is  
28 admitted to do business within this state pursuant to chapter  
29 490.

30 (2) A person obligated to collect sales and use tax pursuant  
31 to section 423.14A.

32 Sec. 59. Section 423.1, subsection 48, paragraph b,  
33 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended  
34 to read as follows:

35 A retailer shall be presumed to be maintaining a place of

1 business in this state, ~~as defined in~~ for purposes of paragraph  
2 "a", subparagraph (1), if any person that has substantial nexus  
3 in this state, other than a person acting in its capacity as a  
4 common carrier, does any of the following:

5 Sec. 60. Section 423.1, subsection 48, paragraph b,  
6 subparagraph (1), subparagraph division (b), Code 2018, is  
7 amended to read as follows:

8 (b) Maintains an office, distribution facility, warehouse,  
9 storage place, or similar place of business in this state to  
10 facilitate the delivery of personal property or services sold  
11 by the retailer to the retailer's customers.

12 Sec. 61. Section 423.1, subsection 50, Code 2018, is amended  
13 to read as follows:

14 50. *"Sales"* or *"sale"* means any transfer, exchange, or  
15 barter, conditional or otherwise, in any manner or by any means  
16 whatsoever, for consideration, including but not limited to any  
17 such transfer, exchange, or barter on a subscription basis.

18 Sec. 62. Section 423.1, Code 2018, is amended by adding the  
19 following new subsection:

20 NEW SUBSECTION. 55A. *"Sold at retail in the state"* and  
21 other references to sales "in the state" or "in this state"  
22 includes but is not limited to sales sourced to this state  
23 under this chapter.

24 Sec. 63. Section 423.1, Code 2018, is amended by adding the  
25 following new subsection:

26 NEW SUBSECTION. 55B. a. *"Specified digital products"* means  
27 electronically transferred digital audio-visual works, digital  
28 audio works, digital books, or other digital products.

29 b. For purposes of this subsection:

30 (1) *"Digital audio-visual works"* means a series of related  
31 images which, when shown in succession, impart an impression of  
32 motion, together with accompanying sounds, if any.

33 (2) *"Digital audio works"* means works that result from  
34 the fixation of a series of musical, spoken, or other sounds,  
35 including but not limited to ringtones. For purposes of this



1 subparagraph, "*ringtones*" means digitized sound files that are  
2 downloaded onto a device and that may be used to alert the  
3 customer with respect to a communication.

4 (3) "*Digital books*" means works that are generally  
5 recognized in the ordinary and usual sense as books.

6 (4) "*Electronically transferred*" means obtained or accessed  
7 by the purchaser by means other than tangible storage media,  
8 including but not limited to a specified digital product  
9 purchased through a computer software application, commonly  
10 referred to as an in-app purchase, or through another specified  
11 digital product, or through any other means.

12 (5) "*Other digital products*" means greeting cards, images,  
13 video or electronic games or entertainment, news or information  
14 products, and computer software applications.

15 Sec. 64. Section 423.1, Code 2018, is amended by adding the  
16 following new subsection:

17 NEW SUBSECTION. 57A. "*Subscription*" means any arrangement  
18 in which a person has the right or ability to access,  
19 receive, use, obtain, purchase, or otherwise acquire tangible  
20 personal property, specified digital products, or services  
21 on a permanent or less than permanent basis, regardless of  
22 whether the person actually accesses, receives, uses, obtains,  
23 purchases, or otherwise acquires such tangible personal  
24 property, specified digital product, or service.

25 Sec. 65. Section 423.1, subsections 62, 63, and 64, Code  
26 2018, are amended to read as follows:

27 62. "*Use*" means and includes the exercise by any person of  
28 any right or power over or access to tangible personal property  
29 or a specified digital product incident to the ownership of  
30 that property, or any right or power over or access to the  
31 product or result of a service. A retailer's or building  
32 contractor's sale of manufactured housing for use in this  
33 state, whether in the form of tangible personal property or  
34 of realty, is a use of that property for the purposes of this  
35 chapter.

1 63. "Use tax" means the tax levied under subchapter III of  
2 this chapter ~~for which the retailer collects and remits tax to~~  
3 ~~the department.~~

4 64. "User" means the immediate recipient of the personal  
5 property or services who is entitled to exercise a right ~~of~~ or  
6 power over or access to the personal property, or the product  
7 or result of such services.

8 Sec. 66. Section 423.2, subsection 1, paragraph a,  
9 subparagraph (1), Code 2018, is amended to read as follows:

10 (1) Sales of engraving, ~~photography, retouching,~~ printing,  
11 and binding services.

12 Sec. 67. Section 423.2, subsection 6, Code 2018, is amended  
13 to read as follows:

14 6. ~~a.~~ The sales price of any of the following enumerated  
15 services is subject to the tax imposed by subsection 5:

16 a. alteration ~~Alteration~~ and garment repair; ~~armored.~~

17 b. Armored car; ~~vehicle.~~

18 c. Vehicle repair; ~~battery.~~

19 d. Battery, tire, and allied; ~~investment.~~

20 e. Investment counseling; ~~service.~~

21 f. Service charges of all financial institutions; ~~barber.~~

22 For the purposes of this paragraph, "financial institutions"  
23 means all national banks, federally chartered savings and loan  
24 associations, federally chartered savings banks, federally  
25 chartered credit unions, banks organized under chapter 524,  
26 credit unions organized under chapter 533, and all banks,  
27 savings banks, credit unions, and savings and loan associations  
28 chartered or otherwise created under the laws of any state and  
29 doing business in Iowa.

30 g. Barber and beauty; ~~boat.~~

31 h. Boat repair; ~~vehicle.~~

32 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~

33 j. Campgrounds.

34 k. Carpentry.

35 l. Roof, shingle, and glass repair; ~~dance.~~

- 1 m. Dance schools and dance studios; ~~dating.~~  
2 n. Dating services; ~~dry.~~  
3 o. Dry cleaning, pressing, dyeing, and laundering excluding  
4 the use of self-pay washers and dryers; ~~electrical.~~  
5 p. Electrical and electronic repair and installation;   
6 excavating.  
7 q. Excavating and grading; ~~farm.~~  
8 r. Farm implement repair of all kinds; ~~flying.~~  
9 s. Flying service; ~~furniture.~~  
10 t. Furniture, rug, carpet, and upholstery repair and  
11 cleaning; ~~fur.~~  
12 u. Fur storage and repair; ~~golf.~~  
13 v. Golf and country clubs and all commercial recreation;   
14 gun.  
15 w. Gun and camera repair; ~~house.~~  
16 x. House and building moving; ~~household.~~  
17 y. Household appliance, television, and radio repair;   
18 janitorial.  
19 z. Janitorial and building maintenance or cleaning; ~~jewelry.~~  
20 aa. Jewelry and watch repair; ~~lawn.~~  
21 ab. Lawn care, landscaping, and tree trimming and removal;   
22 ac. Personal transportation service, including but not  
23 limited to taxis, driver service, ride sharing service, rides  
24 for hire, and limousine service; ~~including driver; machine.~~  
25 ad. Machine operator; ~~machine.~~  
26 ae. Machine repair of all kinds; ~~motor.~~  
27 af. Motor repair; ~~motoreycle.~~  
28 ag. Motorcycle, scooter, and bicycle repair; ~~oilers.~~  
29 ah. Oilers and lubricators; ~~office.~~  
30 ai. Office and business machine repair; ~~painting.~~  
31 aj. Painting, papering, and interior decorating; ~~parking.~~  
32 ak. Parking facilities; ~~pay.~~  
33 al. Pay television; ~~pet, including but not limited to~~  
34 streaming video, video on-demand, and pay-per-view.  
35 am. Pet grooming; ~~pipe.~~

- 1 an. Pipe fitting and plumbing; ~~wood.~~  
2 ao. Wood preparation; ~~executive.~~  
3 ap. Executive search agencies; ~~private.~~  
4 aq. Private employment agencies, excluding services for  
5 placing a person in employment where the principal place of  
6 employment of that person is to be located outside of the  
7 state; ~~reflexology; security.~~  
8 ar. Reflexology.  
9 as. Security and detective services, excluding private  
10 security and detective services furnished by a peace officer  
11 with the knowledge and consent of the chief executive officer  
12 of the peace officer's law enforcement agency; ~~sewage.~~  
13 at. Sewage services for nonresidential commercial  
14 operations; ~~sewing.~~  
15 au. Sewing and stitching; ~~shoe.~~  
16 av. Shoe repair and shoeshine; ~~sign.~~  
17 aw. Sign construction and installation; ~~storage.~~  
18 ax. Storage of household goods, mini-storage, and  
19 warehousing of raw agricultural products; ~~swimming.~~  
20 ay. Swimming pool cleaning and maintenance; ~~tanning.~~  
21 az. Tanning beds or salons; ~~taxidermy.~~  
22 ba. Taxidermy services; ~~telephone.~~  
23 bb. Telephone answering service; ~~test.~~  
24 bc. Test laboratories, including mobile testing laboratories  
25 and field testing by testing laboratories, and excluding tests  
26 on humans or animals and excluding environmental testing  
27 services; ~~termite.~~  
28 bd. Termite, bug, roach, and pest eradicators; ~~tin.~~  
29 be. Tin and sheet metal repair; ~~transportation.~~  
30 bf. Transportation service consisting of the rental of  
31 recreational vehicles or recreational boats, or the rental of  
32 vehicles subject to registration which are registered for a  
33 gross weight of thirteen tons or less for a period of sixty  
34 days or less, or the rental of aircraft for a period of sixty  
35 days or less; ~~.~~

1 bg. Turkish baths, massage, and reducing salons, excluding  
2 services provided by massage therapists licensed under chapter  
3 152C; ~~water.~~

4 bh. Water conditioning and softening; ~~weighing; welding;~~  
5 ~~well.~~

6 bi. Weighing.

7 bj. Welding.

8 bk. Well drilling; ~~wrapping.~~

9 bl. Wrapping, packing, and packaging of merchandise other  
10 than processed meat, fish, fowl, and vegetables; ~~wrecking.~~

11 bm. Wrecking service; ~~wrecker.~~

12 bn. Wrecker and towing.

13 ~~b.~~ For the purposes of ~~this subsection,~~ "*financial*  
14 *institutions*" means all national banks, federally chartered  
15 savings and loan associations, federally chartered savings  
16 banks, federally chartered credit unions, banks organized under  
17 ~~chapter 524,~~ credit unions organized under ~~chapter 533,~~ and  
18 all banks, savings banks, credit unions, and savings and loan  
19 associations chartered or otherwise created under the laws of  
20 any state and doing business in Iowa.

21 bo. Photography.

22 bp. Retouching.

23 bq. Storage of tangible or electronic files, documents, or  
24 other records.

25 br. Information services.

26 bs. Services arising from or related to installing,  
27 maintaining, servicing, repairing, operating, upgrading, or  
28 enhancing specified digital products.

29 bt. Video game services and tournaments.

30 bu. Software as a service.

31 Sec. 68. Section 423.2, subsection 8, Code 2018, is amended  
32 by adding the following new paragraph:

33 NEW PARAGRAPH. *d.* A transaction that otherwise meets  
34 the definition of "*bundled transaction*" as defined in this  
35 subsection is not a bundled transaction if it is any of the

1 following:

2 (1) The retail sale of tangible personal property and a  
3 service where the tangible personal property is essential  
4 to the use of the service, and is provided exclusively in  
5 connection with the service, and the true object of the  
6 transaction is the service.

7 (2) The retail sale of services where one service is  
8 provided that is essential to the use or receipt of a second  
9 service and the first service is provided exclusively in  
10 connection with the second service and the true object of the  
11 transaction is the second service.

12 (3) (a) A transaction that includes taxable products and  
13 nontaxable products and the purchase price or sales price of  
14 the taxable products is de minimis.

15 (b) For purposes of this subparagraph, "*de minimis*" means  
16 the seller's purchase or sales price of the taxable products  
17 is ten percent or less of the total purchase price or sales  
18 price of the bundled products. Sellers shall use either the  
19 purchase price or the sale price of the products to determine  
20 if the taxable products are de minimis. Sellers may not use  
21 a combination of the purchase price and sales price of the  
22 products to determine if the taxable products are de minimis.

23 (4) The retail sale of exempt tangible personal property and  
24 taxable tangible personal property where all of the following  
25 apply:

26 (a) The transaction includes food and food ingredients,  
27 drugs, durable medical equipment, mobility enhancing equipment,  
28 prosthetic devices, or medical supplies.

29 (b) The seller's purchase price or sales price of the  
30 taxable tangible personal property is fifty percent or less  
31 of the total purchase price or sales price of the bundled  
32 tangible personal property. Sellers may not use a combination  
33 of the purchase price and sales price of the tangible personal  
34 property when making the fifty percent determination for a  
35 transaction.

1     Sec. 69. Section 423.2, Code 2018, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION. 9A. *a.* A tax of six percent is imposed on  
4 the sales price of specified digital products sold at retail  
5 in the state. The tax applies whether the purchaser obtains  
6 permanent use or less than permanent use of the specified  
7 digital product, whether the sale is conditioned or not  
8 conditioned upon continued payment from the purchaser, and  
9 whether the sale is on a subscription basis or is not on a  
10 subscription basis.

11    *b.* The sale of a digital code that may be used to obtain  
12 or access a specified digital product shall be taxed in the  
13 same manner as the specified digital product. For purposes  
14 of this paragraph, "*digital code*" means a method that permits  
15 a purchaser to obtain or access at a later date a specified  
16 digital product.

17     Sec. 70. Section 423.2, subsections 10, 11, and 12, Code  
18 2018, are amended by striking the subsections.

19     Sec. 71. NEW SECTION. **423.2A Deposit and transfer of**  
20 **revenues.**

21    1. *a.* All revenues arising under the operation of the  
22 provisions of this subchapter II shall be deposited into the  
23 general fund of the state.

24    *b.* Subsequent to the deposit into the general fund of  
25 the state, the director shall credit an amount equal to the  
26 product of the sales tax rate imposed in section 423.2 times  
27 the sales price of the tangible personal property or services  
28 furnished to purchasers at a baseball and softball complex that  
29 has received an award under section 15F.207 and that meets  
30 the qualifications of section 423.4, subsection 10, into the  
31 baseball and softball complex sales tax rebate fund created  
32 under section 423.4, subsection 10, paragraph "e". The director  
33 shall credit the moneys beginning the first day of the quarter  
34 following July 1, 2016. This paragraph is repealed thirty  
35 days following the date on which five million dollars in total

1 rebates have been provided under section 423.4, subsection 10.

2 2. Subsequent to the deposit into the general fund of the  
3 state pursuant to subsection 1, the department shall do the  
4 following in the order prescribed:

5 a. Transfer the revenues collected under chapter 423B.

6 b. Transfer from the remaining revenues the amounts required  
7 under Article VII, section 10, of the Constitution of the State  
8 of Iowa to the natural resources and outdoor recreation trust  
9 fund created in section 461.31, if applicable.

10 c. Transfer one-sixth of the remaining revenues to the  
11 secure an advanced vision for education fund created in section  
12 423F.2. This paragraph "c" is repealed December 31, 2029.

13 d. Transfer to the baseball and softball complex sales tax  
14 rebate fund that portion of the sales tax receipts described  
15 in subsection 1, paragraph "b", remaining after the transfers  
16 required under paragraphs "a", "b", and "c" of this subsection  
17 2. This paragraph is repealed thirty days following the date  
18 on which five million dollars in total rebates have been  
19 provided under section 423.4, subsection 10.

20 e. Beginning the first day of the calendar quarter  
21 beginning on the reinvestment district's commencement date,  
22 subject to remittance limitations established by the economic  
23 development authority board pursuant to section 15J.4,  
24 subsection 3, transfer to a district account created in the  
25 state reinvestment district fund for each reinvestment district  
26 established under chapter 15J, the amount of new state sales  
27 tax revenue, determined in section 15J.5, subsection 1,  
28 paragraph "b", in the district, that remains after the prior  
29 transfers required under this subsection 2. Such transfers  
30 shall cease pursuant to section 15J.8.

31 f. Subject to the limitation on the calculation and  
32 deposit of sales tax increment revenues in section 418.12,  
33 beginning the first day of the quarter following adoption  
34 of the resolution pursuant to section 418.4, subsection 3,  
35 paragraph "d", transfer to the account created in the sales tax



1 increment fund for each governmental entity approved to use  
2 sales tax increment revenues under chapter 418, that portion  
3 of the increase in sales tax revenue, determined in section  
4 418.11, subsection 2, paragraph "d", in the applicable area of  
5 the governmental entity, that remains after the other transfers  
6 required under this subsection 2.

7 g. Beginning the first day of the quarter following July  
8 1, 2014, transfer to the raceway facility tax rebate fund  
9 created in section 423.4, subsection 11, paragraph "e", that  
10 portion of the sales tax receipts collected and remitted upon  
11 sales of tangible personal property or services furnished by  
12 retailers at a raceway facility meeting the qualifications of  
13 section 423.4, subsection 11, that remains after the transfers  
14 required in paragraphs "a" through "f" of this subsection  
15 2. This subparagraph is repealed June 30, 2025, or thirty  
16 days following the date on which an amount of total rebates  
17 specified in section 423.4, subsection 11, paragraph "c",  
18 subparagraph (4), subparagraph division (a) or (b), whichever  
19 is applicable, has been provided or thirty days following the  
20 date on which rebates cease as provided in section 423.4,  
21 subsection 11, paragraph "c", subparagraph (5), whichever is  
22 earliest.

23 3. Of the amount of sales tax revenue actually transferred  
24 per quarter pursuant to subsection 2, paragraphs "e" and "f",  
25 the department shall retain an amount equal to the actual cost  
26 of administering the transfers under subsection 2, paragraphs  
27 "e" and "f", or twenty-five thousand dollars, whichever is  
28 less. The amount retained by the department pursuant to this  
29 subsection shall be divided pro rata each quarter between  
30 the amounts that would have been transferred pursuant to  
31 subsection 2, paragraphs "e" and "f", without the deduction  
32 made by operation of this subsection. Revenues retained by  
33 the department pursuant to this subsection shall be considered  
34 repayment receipts as defined in section 8.2.

35 Sec. 72. Section 423.3, subsections 1 and 17, Code 2018, are

1 amended to read as follows:

2 1. The sales price from sales of tangible personal property,  
3 specified digital products, and services furnished which this  
4 state is prohibited from taxing under the Constitution or laws  
5 of the United States or under the Constitution of this state.

6 17. The sales price of all ~~goods, wares, or merchandise,~~  
7 tangible personal property, specified digital products, or  
8 services, used for educational purposes sold to any private  
9 nonprofit educational institution in this state. For the  
10 purpose of this subsection, "*educational institution*" means an  
11 institution which primarily functions as a school, college,  
12 or university with students, faculty, and an established  
13 curriculum. The faculty of an educational institution must be  
14 associated with the institution and the curriculum must include  
15 basic courses which are offered every year. "*Educational*  
16 *institution*" includes an institution primarily functioning as  
17 a library.

18 Sec. 73. Section 423.3, subsection 18, unnumbered paragraph  
19 1, Code 2018, is amended to read as follows:

20 The sales price of tangible personal property or specified  
21 digital products sold, or of services furnished, to the  
22 following nonprofit corporations:

23 Sec. 74. Section 423.3, subsections 20, 21, 22, 23, 26, 27,  
24 28, and 31, Code 2018, are amended to read as follows:

25 20. The sales price of tangible personal property or  
26 specified digital products sold, or of services furnished, to  
27 nonprofit legal aid organizations.

28 21. The sales price of ~~goods, wares, or merchandise,~~  
29 tangible personal property, of specified digital products,  
30 or of services, used for educational, scientific, historic  
31 preservation, or aesthetic purpose sold to a nonprofit private  
32 museum.

33 22. The sales price from sales of ~~goods, wares, or~~  
34 ~~merchandise,~~ tangible personal property, of specified digital  
35 products, or from services furnished, to a nonprofit private

1 art center to be used in the operation of the art center.

2 23. The sales price of tangible personal property or  
3 specified digital products sold, or of services furnished, by a  
4 fair organized under [chapter 174](#).

5 26. The sales price of tangible personal property or  
6 specified digital products sold, or of services furnished, to a  
7 statewide nonprofit organ procurement organization, as defined  
8 in [section 142C.2](#).

9 27. The sales price of tangible personal property or  
10 specified digital products sold, or of services furnished, to a  
11 nonprofit hospital licensed pursuant to [chapter 135B](#) to be used  
12 in the operation of the hospital.

13 28. The sales price of tangible personal property or  
14 specified digital products sold, or of services furnished, to  
15 a freestanding nonprofit hospice facility which operates a  
16 hospice program as defined in [42 C.F.R. ch. IV, §418.3](#), which  
17 property or services are to be used in the hospice program.

18 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~  
19 tangible personal property or specified digital products sold  
20 to and of services furnished, and used for public purposes  
21 sold to a tax-certifying or tax-levying body of the state or  
22 a governmental subdivision of the state, including regional  
23 transit systems, as defined in [section 324A.1](#), the state board  
24 of regents, department of human services, state department of  
25 transportation, any municipally owned solid waste facility  
26 which sells all or part of its processed waste as fuel to a  
27 municipally owned public utility, and all divisions, boards,  
28 commissions, agencies, or instrumentalities of state, federal,  
29 county, or municipal government which have no earnings going to  
30 the benefit of an equity investor or stockholder, except any  
31 of the following:

32 ~~(1)~~ a. The sales price of ~~goods, wares, or merchandise~~  
33 tangible personal property or specified digital products sold  
34 to, or of services furnished, and used by or in connection with  
35 the operation of any municipally owned public utility engaged

1 in selling gas, electricity, heat, pay television service, or  
2 communication service to the general public.

3 ~~(2)~~ b. The sales price of furnishing of sewage services to  
4 a county or municipality on behalf of nonresidential commercial  
5 operations.

6 ~~(3)~~ c. The furnishing of solid waste collection and  
7 disposal service to a county or municipality on behalf of  
8 nonresidential commercial operations located within the county  
9 or municipality.

10 ~~b. The exemption provided by this subsection shall also~~  
11 ~~apply to all such sales of goods, wares, or merchandise or of~~  
12 ~~services furnished and subject to use tax.~~

13 Sec. 75. Section 423.3, subsection 32, unnumbered paragraph  
14 1, Code 2018, is amended to read as follows:

15 The sales price of tangible personal property or specified  
16 digital products sold, or of services furnished, by a county or  
17 city. This exemption does not apply to any of the following:

18 Sec. 76. Section 423.3, subsection 36, unnumbered paragraph  
19 1, Code 2018, is amended to read as follows:

20 The sales price from sales of tangible personal property  
21 or specified digital products or of the sale or furnishing of  
22 electrical energy, natural or artificial gas, or communication  
23 service to another state or political subdivision of another  
24 state if the other state provides a similar reciprocal  
25 exemption for this state and political subdivision of this  
26 state.

27 Sec. 77. Section 423.3, subsection 39, paragraph a,  
28 subparagraphs (1) and (2), Code 2018, are amended to read as  
29 follows:

30 (1) Sales of tangible personal property or specified  
31 digital products, or the furnishing of services, of a  
32 nonrecurring nature, by the owner, if the seller, at the time  
33 of the sale, is not engaged for profit in the business of  
34 selling tangible personal property, specified digital products,  
35 or services taxed under section 423.2.

1 (2) The sale of all or substantially all of the tangible  
2 personal property, or specified digital products, or services  
3 held or used by a seller in the course of the seller's trade or  
4 business for which the seller is required to hold a sales tax  
5 permit when the seller sells or otherwise transfers the trade  
6 or business to another person who shall engage in a similar  
7 trade or business.

8 Sec. 78. Section 423.3, subsection 63, Code 2018, is amended  
9 to read as follows:

10 63. The sales price from the sale of tangible personal  
11 property, specified digital products, or services which will be  
12 given as prizes to players in games of skill, games of chance,  
13 raffles, and bingo games as defined in [chapter 99B](#).

14 Sec. 79. Section 423.3, subsections 65, 66, and 67, Code  
15 2018, are amended by striking the subsections.

16 Sec. 80. Section 423.3, subsection 78, paragraph a,  
17 unnumbered paragraph 1, Code 2018, is amended to read as  
18 follows:

19 The sales price from ~~sales or rental~~ the sale of tangible  
20 personal property, specified digital products, or services  
21 rendered by any entity where the profits from the ~~sales or~~  
22 ~~rental~~ sale of the tangible personal property, specified  
23 digital products, or services rendered, are used by or donated  
24 to a nonprofit entity that is exempt from federal income  
25 taxation pursuant to section 501(c)(3) of the Internal Revenue  
26 Code, a government entity, or a nonprofit private educational  
27 institution, and where the entire proceeds from the ~~sales,~~  
28 ~~rental,~~ sale or services are expended for any of the following  
29 purposes:

30 Sec. 81. Section 423.3, subsection 79, Code 2018, is amended  
31 to read as follows:

32 79. The sales price from the sale ~~or rental~~ of tangible  
33 personal property or specified digital products, or from  
34 services furnished, to a recognized community action agency as  
35 provided in [section 216A.93](#) to be used for the purposes of the

1 agency.

2 Sec. 82. Section 423.3, Code 2018, is amended by adding the  
3 following new subsections:

4 NEW SUBSECTION. 103. *a.* The sales price of specified  
5 digital products sold, and of enumerated services described in  
6 section 423.2, subsection 6, paragraphs "*bq*", "*br*", "*bs*", and  
7 "*bu*" furnished, to a commercial enterprise for use exclusively  
8 by the commercial enterprise. The use of a specified digital  
9 product or service fails to qualify as a use exclusively by the  
10 commercial enterprise if its use for noncommercial purposes is  
11 more than de minimis.

12 *b.* For purposes of this subsection:

13 (1) "*Commercial enterprise*" means the same as defined in  
14 section 423.3, subsection 47, paragraph "*d*", subparagraph (1).

15 (2) "*De minimis*" and "*noncommercial purposes*" shall be  
16 defined by the director by rule.

17 NEW SUBSECTION. 104. The sales price of specified digital  
18 products sold to a non-end user. For purposes of this  
19 subsection, "*non-end user*" means a person who receives by  
20 contract a specified digital product for further commercial  
21 broadcast, rebroadcast, transmission, retransmission,  
22 licensing, relicensing, distribution, redistribution, or  
23 exhibition of the product, in whole or in part, to another  
24 person.

25 Sec. 83. Section 423.4, subsection 3, unnumbered paragraph  
26 1, Code 2018, is amended to read as follows:

27 A relief agency may apply to the director for refund of the  
28 amount of sales or use tax imposed and paid upon sales to it  
29 of any ~~goods, wares, merchandise,~~ tangible personal property  
30 or specified digital products, or services furnished, used for  
31 free distribution to the poor and needy.

32 Sec. 84. Section 423.4, subsection 3, paragraph a,  
33 subparagraph (1), Code 2018, is amended to read as follows:

34 (1) On forms furnished by the department, and filed within  
35 the time as the director shall provide by rule, the relief

1 agency shall report to the department the total amount or  
2 amounts, valued in money, expended directly or indirectly  
3 for ~~goods, wares, merchandise,~~ tangible personal property or  
4 specified digital products, or services furnished, used for  
5 free distribution to the poor and needy.

6 Sec. 85. Section 423.4, subsection 10, paragraph e, Code  
7 2018, is amended to read as follows:

8 e. There is established within the state treasury under the  
9 control of the department a baseball and softball complex sales  
10 tax rebate fund consisting of the amount of state sales tax  
11 revenues transferred pursuant to ~~section 423.2, subsection 11,~~  
12 ~~paragraph "b", subparagraph (4)~~ 423.2A, subsection 2, paragraph  
13 "d". An account is created within the fund for each baseball  
14 and softball complex receiving an award under section 15F.207  
15 and meeting the qualifications of this subsection. Moneys  
16 in the fund shall only be used to provide rebates of state  
17 sales tax pursuant to this subsection, and only the state sales  
18 tax revenues in the baseball and softball complex rebate fund  
19 are subject to rebate under this subsection. The amount of  
20 rebates paid from each baseball and softball complex's account  
21 within the fund shall not exceed the amount of the award under  
22 section 15F.207, and not more than five million dollars in  
23 total rebates shall be paid from the fund. Any moneys in the  
24 fund which represent state sales tax revenue for which the time  
25 period in paragraph "c" for receiving a rebate has expired,  
26 or which otherwise represent state sales tax revenue that has  
27 become ineligible for rebate pursuant to this subsection, shall  
28 immediately revert to the general fund of this state.

29 Sec. 86. Section 423.4, subsection 11, paragraph b,  
30 subparagraph (1), Code 2018, is amended to read as follows:

31 (1) Sales tax imposed and collected by retailers upon  
32 sales of tangible personal property or services furnished to  
33 purchasers at the raceway facility. Notwithstanding the state  
34 sales tax imposed in section 423.2, a sales tax rebate issued  
35 pursuant to this subparagraph shall not exceed the amounts

1 transferred to the raceway facility tax rebate fund pursuant to  
2 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~  
3 423.2A, subsection 2, paragraph "g".

4 Sec. 87. Section 423.4, subsection 11, paragraph b,  
5 subparagraph (2), subparagraph division (c), Code 2018, is  
6 amended to read as follows:

7 (c) Notwithstanding the state sales tax imposed in section  
8 423.2, a sales tax rebate issued pursuant to this subparagraph  
9 shall not exceed the amounts remaining after the transfers  
10 required under ~~section 423.2, subsection 11, paragraph "b",~~  
11 ~~subparagraphs (1) through (6)~~ 423.2A, subsection 2, paragraphs  
12 "a" through "f", have been made from the total amount of sales  
13 tax for which the rebate is requested.

14 Sec. 88. Section 423.4, subsection 11, paragraph e, Code  
15 2018, is amended to read as follows:

16 e. There is established within the state treasury under  
17 the control of the department a raceway facility tax rebate  
18 fund consisting of the amount of state sales tax revenues  
19 transferred pursuant to ~~section 423.2, subsection 11, paragraph~~  
20 ~~"b", subparagraph (7)~~ 423.2A, subsection 2, paragraph "g". An  
21 account is created within the fund for each raceway facility  
22 meeting the qualifications of this subsection. Moneys in the  
23 fund shall only be used to provide rebates of state sales tax  
24 pursuant to paragraph "b", subparagraph (1). The total amount  
25 of rebates paid from the fund shall not exceed the amount  
26 specified in paragraph "c", subparagraph (4), subparagraph  
27 division (a) or (b), whichever is applicable. Any moneys in  
28 the fund which represent state sales tax revenue for which the  
29 time period in paragraph "c" for receiving a rebate has expired,  
30 or which otherwise represent state sales tax revenue that has  
31 become ineligible for rebate pursuant to this subsection shall  
32 immediately revert to the general fund of the state.

33 Sec. 89. Section 423.5, subsection 1, paragraph a, Code  
34 2018, is amended to read as follows:

35 a. The use in this state of tangible personal property



1 as defined in [section 423.1](#), including aircraft subject to  
2 registration under [section 328.20](#), purchased for use in this  
3 state. For the purposes of [this subchapter](#), the furnishing  
4 or use of the following services is also treated as the use  
5 of tangible personal property: optional service or warranty  
6 contracts, except residential service contracts regulated under  
7 chapter 523C, vulcanizing, recapping, or retreading services,  
8 engraving, ~~photography, retouching~~, printing, or binding  
9 services, and communication service when furnished or delivered  
10 to consumers or users within this state.

11 Sec. 90. Section 423.5, subsection 1, paragraph d, Code  
12 2018, is amended to read as follows:

13 *d.* Purchases of tangible personal property or specified  
14 digital products made from the government of the United States  
15 or any of its agencies by ultimate consumers shall be subject  
16 to the tax imposed by [this section](#). Services purchased from  
17 the same source or sources shall be subject to the service  
18 tax imposed by [this subchapter](#) and apply to the user of the  
19 services.

20 Sec. 91. Section 423.5, subsection 1, Code 2018, is amended  
21 by adding the following new paragraph:

22 NEW PARAGRAPH. *f.* (1) The use in this state of specified  
23 digital products. The tax applies whether the purchaser  
24 obtains permanent use or less than permanent use of the  
25 specified digital product, whether the use is conditioned or  
26 not conditioned upon continued payment from the purchaser,  
27 and whether the use is on a subscription basis or is not on a  
28 subscription basis.

29 (2) The use of a digital code that may be used to obtain  
30 or access a specified digital product shall be taxed in the  
31 same manner as the specified digital product. For purposes of  
32 this subparagraph, "*digital code*" means the same as defined in  
33 section 423.2, subsection 9A.

34 Sec. 92. Section 423.5, subsection 3, Code 2018, is amended  
35 to read as follows:

1 3. For the purpose of the proper administration of the use  
2 tax and to prevent its evasion, evidence that tangible personal  
3 property ~~was~~ or specified digital products were sold by any  
4 person for delivery in this state shall be prima facie evidence  
5 that such tangible personal property ~~was~~ or specified digital  
6 products were sold for use in this state.

7 Sec. 93. Section 423.5, subsection 4, Code 2018, is amended  
8 by striking the subsection.

9 Sec. 94. Section 423.6, unnumbered paragraph 1, Code 2018,  
10 is amended to read as follows:

11 The use in this state of the following tangible personal  
12 property, specified digital products, and services is exempted  
13 from the tax imposed by [this subchapter](#):

14 Sec. 95. Section 423.6, subsections 1, 2, 4, and 6, Code  
15 2018, are amended to read as follows:

16 1. Tangible personal property, specified digital products,  
17 and enumerated services, the sales price from the sale of which  
18 are required to be included in the measure of the sales tax, if  
19 that tax has been paid to the department or the retailer. This  
20 exemption does not include vehicles subject to registration or  
21 subject only to the issuance of a certificate of title.

22 2. The sale of tangible personal property, specified  
23 digital products, or the furnishing of services in the regular  
24 course of business.

25 4. All articles of tangible personal property and all  
26 specified digital products brought into the state of Iowa by a  
27 nonresident individual for the individual's use or enjoyment  
28 while within the state.

29 6. Tangible personal property, specified digital products,  
30 or services the sales price of which is exempt from the sales  
31 tax under [section 423.3](#), except section 423.3, subsections 39  
32 and 73, as it relates to the sale, but not the lease or rental,  
33 of vehicles subject only to the issuance of a certificate of  
34 title and as it relates to aircraft subject to registration  
35 under [section 328.20](#).

1     Sec. 96. Section 423.14, subsection 2, paragraphs b and c,  
2 Code 2018, are amended to read as follows:

3     **b.** The tax upon the use of all tangible personal property  
4 and specified digital products other than that enumerated in  
5 paragraph "a", which is sold by a seller who is a retailer  
6 ~~maintaining a place of business in this state, or by such other~~  
7 ~~retailer or agent as the director shall authorize pursuant to~~  
8 section 423.30 or its agent that is not otherwise required  
9 to collect sales tax under the provisions of this chapter,  
10 shall be collected by the retailer or agent and remitted to the  
11 department, pursuant to the provisions of paragraph "e", and  
12 sections 423.24, 423.29, 423.30, 423.32, and 423.33.

13     **c.** The tax upon the use of all tangible personal property  
14 and specified digital products not paid pursuant to paragraphs  
15 "a" and "b" shall be paid to the department directly by any  
16 person using the property within this state, pursuant to the  
17 provisions of section 423.34.

18     Sec. 97. NEW SECTION. 423.14A **Persons required to collect**  
19 **sales and use tax — supplemental conditions, requirements, and**  
20 **responsibilities.**

21     1. For purposes of this section, "Iowa sales" means sales  
22 of tangible personal property, services, or specified digital  
23 products sourced to this state pursuant to section 423.15,  
24 423.16, 423.17, 423.19, or 423.20, or that are otherwise sold  
25 in this state or for delivery into this state.

26     2. In addition to and not in lieu of any application of  
27 this chapter to sellers who are retailers and sellers who are  
28 retailers maintaining a place of business in this state, any  
29 person described in subsection 3, or the person's agents,  
30 shall be considered a retailer in this state and a retailer  
31 maintaining a place of business in this state for purposes of  
32 this chapter on or after January 1, 2019, and shall be subject  
33 to all requirements of this chapter imposed on retailers and  
34 retailers maintaining a place of business in this state,  
35 including but not limited to the requirement to collect and

1 remit sales and use taxes pursuant to sections 423.14 and  
2 423.29, and local option taxes under chapter 423B.

3 3. a. A retailer that has gross revenue from Iowa sales  
4 equal to or exceeding one hundred thousand dollars for the  
5 immediately preceding calendar year or the current calendar  
6 year.

7 b. A retailer that makes Iowa sales in two hundred or more  
8 separate transactions for the immediately preceding calendar  
9 year or the current calendar year.

10 c. (1) A retailer that owns, licenses, or uses software  
11 or data files that are installed or stored on property used  
12 in this state. For purposes of this subparagraph, "*software*  
13 *or data files*" include but are not limited to software that is  
14 affirmatively downloaded by a user, software that is downloaded  
15 as a result of the use of a website, preloaded software, and  
16 cookies.

17 (2) A retailer that uses in-state software to make Iowa  
18 sales. For purposes of this subparagraph, "*in-state software*"  
19 means computer software that is stored on property located in  
20 this state or that is distributed within this state for the  
21 purpose of facilitating a sale by the retailer.

22 (3) A retailer that provides, or enters into an agreement  
23 with another person to provide, a content distribution network  
24 in this state to facilitate, accelerate, or enhance the  
25 delivery of the retailer's internet site to purchasers. For  
26 purposes of this subparagraph, "*content distribution network*"  
27 means a system of distributed servers that deliver internet  
28 sites and other internet content to a user based on the  
29 geographic location of the user, the origin of the internet  
30 site or internet content, and a content delivery server.

31 (4) This paragraph "c" shall not apply to a retailer that  
32 has gross revenue from Iowa sales of less than one hundred  
33 thousand dollars for the immediately preceding calendar year  
34 or the current calendar year.

35 d. (1) A retailer that makes Iowa sales through a

1 marketplace provider. This subparagraph shall not apply to a  
2 retailer that has gross revenue from Iowa sales of less than  
3 ten thousand dollars for the immediately preceding calendar  
4 year or the current calendar year.

5 (2) A marketplace provider that makes or facilitates Iowa  
6 sales for one or more retailers equal to or exceeding one  
7 hundred thousand dollars, or in two hundred or more separate  
8 transactions, for the immediately preceding calendar year or  
9 the current calendar year.

10 (3) Retailers and marketplace providers subject to this  
11 paragraph may enter into agreements regarding the fulfillment  
12 of the requirements of this chapter.

13 (4) A marketplace provider shall collect sales and use tax  
14 on the entire sales price or purchase price paid by a purchaser  
15 on each Iowa sale made or facilitated by the marketplace  
16 provider that is subject to sales and use tax, regardless of  
17 the amount of the sales price or purchase price that will  
18 ultimately accrue to or benefit the marketplace provider,  
19 another retailer, or any other person. This sales and use tax  
20 collection responsibility of a marketplace provider applies but  
21 shall not be limited to sales facilitated through a computer  
22 software application, commonly referred to as in-app purchases,  
23 or through a specified digital product.

24 (5) If a retail sale subject to the sales and use tax  
25 involves both a marketplace provider and another retailer  
26 that is required to collect and remit sales and use tax,  
27 the marketplace provider and any other retailer involved in  
28 the transaction shall be jointly and severally liable for  
29 collecting and remitting sales and use tax under this chapter.

30 (6) (a) For purposes of this paragraph, "*marketplace*  
31 *provider*" means a person who facilitates a retail sale by  
32 satisfying subparagraph divisions (i) and (ii) as follows:

33 (i) The person directly or indirectly does any of the  
34 following:

35 (A) Lists, makes available, or advertises tangible personal

1 property, services, or specified digital products for sale by a  
2 retailer in any forum.

3 (B) Transmits or otherwise communicates an offer or  
4 acceptance of a retail sale of tangible personal property,  
5 services, or specified digital products between a retailer and  
6 a purchaser.

7 (C) Owns, rents, licenses, makes available, or operates  
8 any electronic or physical infrastructure or any property,  
9 process, method, copyright, trademark, or patent that connects  
10 retailers to purchasers for the purpose of making retail sales  
11 of tangible personal property, services, or specified digital  
12 products.

13 (D) Provides a platform or other marketplace for making  
14 retail sales of tangible personal property, services, or  
15 specified digital products, or otherwise facilitates retail  
16 sales of tangible personal property, services, or specified  
17 digital products, regardless of ownership or control of the  
18 tangible personal property, services, or specified digital  
19 products that are the subject of the retail sale.

20 (E) Provides software development or research and  
21 development activities related to any activity described in  
22 this subparagraph subdivision (i), if such software development  
23 or research and development activities are directly related  
24 to the physical or electronic marketplace provided by a  
25 marketplace provider.

26 (F) Provides or offers fulfillment or storage services for  
27 a retailer.

28 (G) Sets prices for a retailer's sale of tangible personal  
29 property, services, or specified digital products.

30 (H) Provides or offers customer service to a retailer or  
31 a retailer's customers, or accepts or assists with returns or  
32 exchanges of tangible personal property, services, or specified  
33 digital products sold by a retailer.

34 (ii) The person directly or indirectly does any of the  
35 following:

1 (A) Collects the sales price or purchase price of a retail  
2 sale of tangible personal property, services, or specified  
3 digital products.

4 (B) Provides payment processing services for a retail sale  
5 of tangible personal property, services, or specified digital  
6 products.

7 (C) Charges, collects, or otherwise receives selling  
8 fees, listing fees, referral fees, closing fees, fees for  
9 inserting or making available tangible personal property,  
10 services, or specified digital products on a marketplace, or  
11 other consideration from the facilitation of a retail sale of  
12 tangible personal property, services, or specified digital  
13 products, regardless of ownership or control of the tangible  
14 personal property, services, or specified digital products that  
15 are the subject of the retail sale.

16 (D) Through terms and conditions, agreements, or  
17 arrangements with a third party, collects payment in connection  
18 with a retail sale of tangible personal property, services,  
19 or specified digital products from a purchaser and transmits  
20 that payment to the retailer, regardless of whether the person  
21 collecting and transmitting such payment receives compensation  
22 or other consideration in exchange for the service.

23 (E) Provides a virtual currency that purchasers are allowed  
24 or required to use to purchase tangible personal property,  
25 services, or specified digital products.

26 (b) For purposes of this paragraph, "*marketplace provider*"  
27 includes but is not limited to a digital distribution service,  
28 digital distribution platform, online portal, or an application  
29 store.

30 e. (1) A retailer that makes Iowa sales through the use of  
31 a solicitor. For purposes of this paragraph, "*solicitor*" means  
32 a person that directly or indirectly solicits business for a  
33 retailer.

34 (2) (a) A retailer is deemed to have a solicitor in  
35 this state if the retailer enters into an agreement with a

1 resident under which the resident, for a commission, fee, or  
2 other similar consideration, directly or indirectly refers  
3 potential customers, whether by link on an internet site,  
4 or otherwise, to the retailer. This determination may be  
5 rebutted by a showing of proof that the resident with whom the  
6 retailer has an agreement did not engage in any solicitation  
7 in this state on behalf of the retailer that would satisfy the  
8 nexus requirement of the United States Constitution during the  
9 calendar year in question.

10 (b) This subparagraph (2) shall not apply to a retailer that  
11 has Iowa gross revenue from Iowa sales of ten thousand dollars  
12 or less for the immediately preceding calendar year or the  
13 current calendar year.

14 (c) For purposes of this subparagraph (2):

15 (i) "*Iowa gross revenue*" means gross revenue from Iowa  
16 sales to purchasers who were referred to the retailer by all  
17 solicitors who are residents.

18 (ii) "*Resident*" includes an individual who is a resident  
19 of this state, as defined in section 422.4, and any business  
20 that owns any tangible or intangible property with a situs in  
21 this state, or that has one or more employees performing or  
22 providing services for the business in this state.

23 (d) This paragraph "e" does not apply to chapter 422 and  
24 does not expand or contract the state's jurisdiction to tax a  
25 trade or business under chapter 422.

26 *f.* A retailer that owns, controls, rents, licenses, makes  
27 available, or uses any tangible or intangible property in this  
28 state or with a situs in this state, to make or otherwise  
29 facilitate a retail sale.

30 *g.* (1) Any person that enters into a contract or agreement  
31 with a governmental entity, including but not limited to  
32 contracts for the provision of financial assistance or  
33 incentives such as a tax credit, forgivable loan, grant, tax  
34 rebate, or any other thing of value. For purposes of this  
35 subparagraph, "*governmental entity*" means any unit of government



1 in the executive, legislative, or judicial branch, or any  
2 political subdivision of the state, including but not limited  
3 to a city, county, township, or school district.

4 (2) Every bid submitted and each contract or agreement  
5 executed by a state agency shall contain a certification by  
6 the bidder or contractor stating that the bidder or contractor  
7 is registered with the department pursuant to this chapter  
8 and will collect and remit Iowa sales and use tax due under  
9 this chapter. In the certification, the bidder or contractor  
10 shall also acknowledge that the state agency may declare the  
11 contractor or bid void if the certification is false or becomes  
12 false. Fraudulent certification, by act or omission, may  
13 result in the state agency or its representative filing for  
14 damages for breach of contract.

15 h. Any affiliate of any retailer that is required to collect  
16 and remit sales and use tax under this chapter, provided the  
17 affiliate makes retail sales.

18 Sec. 98. Section 423.15, unnumbered paragraph 1, Code 2018,  
19 is amended to read as follows:

20 All sales of ~~products~~ tangible personal property, services,  
21 or specified digital products, except those sales enumerated  
22 in [section 423.16](#), shall be sourced according to [this section](#)  
23 by sellers obligated to collect Iowa sales and use tax. The  
24 sourcing rules described in [this section](#) apply to sales of  
25 tangible personal property, specified digital ~~goods~~ products,  
26 and all services other than telecommunications services. This  
27 section only applies to determine a seller's obligation to pay  
28 or collect and remit a Iowa sales or use tax with respect to  
29 the seller's sale of a product. [This section](#) does not affect  
30 the obligation of a purchaser or lessee to remit tax on the use  
31 of the product to the taxing jurisdictions in which the use  
32 occurs. A seller's obligation to collect Iowa sales tax or  
33 Iowa use tax only occurs if the sale is sourced to this state.  
34 ~~Whether~~ Iowa sales tax applies to a sale sourced to Iowa ~~shall~~  
35 ~~be determined based on the location at which the sale is~~

1 ~~consummated by delivery or, in the case of a service, where the~~  
2 ~~first use of the service occurs~~ made by a seller subject to  
3 section 423.1, subsection 48, or section 423.14A.

4 Sec. 99. Section 423.15, subsection 1, paragraph e, Code  
5 2018, is amended to read as follows:

6 e. When paragraphs "a", "b", "c", and "d" do not apply,  
7 including the circumstance where the seller is without  
8 sufficient information to apply the previous rules, then the  
9 location will be determined by the address from which tangible  
10 personal property was shipped, from which the specified digital  
11 ~~good~~ product or the computer software delivered electronically  
12 was first available for transmission by the seller, or from  
13 which the service was provided disregarding for these purposes  
14 any location that merely provided the digital transfer of the  
15 product sold.

16 Sec. 100. Section 423.22, Code 2018, is amended to read as  
17 follows:

18 **423.22 Taxation in another state.**

19 If any person who causes tangible personal property or  
20 specified digital products to be brought into this state or  
21 who uses in this state services enumerated in [section 423.2](#)  
22 has already paid a tax in another state in respect to the sale  
23 or use of the property or the performance of the service, or  
24 an occupation tax in respect to the property or service, in  
25 an amount less than the tax imposed by [subchapter II](#) or [III](#),  
26 the provisions of those subchapters shall apply, but at a rate  
27 measured by the difference only between the rate fixed by  
28 [subchapter II](#) or [III](#) and the rate by which the previous tax on  
29 the sale or use, or the occupation tax, was computed. If the  
30 tax imposed and paid in the other state is equal to or more than  
31 the tax imposed by those subchapters, then a tax is not due in  
32 this state on the personal property or service.

33 Sec. 101. Section 423.29, subsection 1, Code 2018, is  
34 amended to read as follows:

35 1. Every seller who is a retailer and who is making taxable

1 sales of tangible personal property or specified digital  
2 products in Iowa shall, at the time of ~~selling the property~~  
3 making the sale, collect the sales tax. Every seller who  
4 is a retailer ~~maintaining a place of business in this state~~  
5 that is not otherwise required to collect sales tax under the  
6 provisions of this chapter and who is selling tangible personal  
7 property or specified digital products for use in Iowa shall,  
8 at the time of making the sale, whether within or without the  
9 state, collect the use tax. Sellers required to collect sales  
10 or use tax shall give to any purchaser a receipt for the tax  
11 collected in the manner and form prescribed by the director.

12 Sec. 102. Section 423.30, subsection 1, Code 2018, is  
13 amended to read as follows:

14 1. The director may, upon application, authorize the  
15 collection of the use tax by any seller who is a retailer not  
16 maintaining a place of business within this state and not  
17 registered under the agreement, who, to the satisfaction of  
18 the director, furnishes adequate security to ensure collection  
19 and payment of the tax. Such sellers shall be issued, without  
20 charge, permits to collect tax subject to any regulations  
21 which the director shall prescribe. When so authorized, it  
22 shall be the duty of foreign sellers to collect the tax upon  
23 all tangible personal property and specified digital products  
24 sold, to the retailer's knowledge, for use within this state,  
25 in the same manner and subject to the same requirements as a  
26 retailer maintaining a place of business within this state.  
27 The authority and permit may be canceled when, at any time, the  
28 director considers the security inadequate, or that tax can  
29 more effectively be collected from the person using property  
30 in this state.

31 Sec. 103. Section 423.31, subsection 1, Code 2018, is  
32 amended to read as follows:

33 1. Each person subject to [this section](#) and [section 423.36](#)  
34 and in accordance with the provisions of [this section](#) and  
35 [section 423.36](#) shall, on or before the last day of the month

1 following the close of each calendar quarter during which  
2 such person is or has become or ceased being subject to the  
3 provisions of this section and section 423.36, make, sign, and  
4 file a return for the calendar quarter in the form as may be  
5 required. Returns shall show information relating to sales  
6 prices including ~~goods, wares,~~ tangible personal property,  
7 specified digital products, and services converted to the  
8 use of such person, the amounts of sales prices excluded and  
9 exempt from the tax, the amounts of sales prices subject to  
10 tax, a calculation of tax due, and any other information for  
11 the period covered by the return as may be required. Returns  
12 shall be signed by the retailer or the retailer's authorized  
13 agent and must be certified by the retailer to be correct in  
14 accordance with forms and rules prescribed by the director.

15 Sec. 104. Section 423.31, subsection 5, paragraph a, Code  
16 2018, is amended to read as follows:

17 a. Upon making application and receiving approval from  
18 the director, a ~~parent corporation~~ person and its affiliated  
19 ~~corporations~~ affiliates that make retail sales of tangible  
20 personal property, specified digital products, or taxable  
21 enumerated services may make deposits and file a consolidated  
22 sales tax return for the affiliated group, pursuant to rules  
23 adopted by the director. A ~~parent corporation~~ person and each  
24 affiliate ~~corporation~~ that files a consolidated return are  
25 jointly and severally liable for all tax, penalty, and interest  
26 found due for the tax period for which a consolidated return is  
27 filed or required to be filed.

28 Sec. 105. Section 423.32, subsection 1, paragraph b, Code  
29 2018, is amended to read as follows:

30 b. The deposit form is due on or before the twentieth day of  
31 the month following the month of collection, except a deposit  
32 is not required for the third month of the calendar quarter,  
33 and the total quarterly amount, less the amounts deposited for  
34 the first two months of the quarter, is due with the quarterly  
35 report on the last day of the month following the month of

1 collection. At that time, the retailer shall file with the  
 2 department a return for the preceding quarterly period in the  
 3 form prescribed by the director showing the purchase price of  
 4 the tangible personal property, specified digital products, and  
 5 services sold by the retailer during the preceding quarterly  
 6 period, the use of which is subject to the use tax imposed  
 7 by [this chapter](#), and other information the director deems  
 8 necessary for the proper administration of the use tax.

9 Sec. 106. Section 423.33, subsection 3, Code 2018, is  
 10 amended to read as follows:

11 3. *Event sponsor's liability for sales tax.* A person  
 12 sponsoring a flea market or a craft, antique, coin, or stamp  
 13 show or similar event shall obtain from every retailer selling  
 14 tangible personal property, specified digital products,  
 15 or taxable services at the event proof that the retailer  
 16 possesses a valid sales tax permit or secure from the retailer  
 17 a statement, taken in good faith, that tangible personal  
 18 property, specified digital products, or services offered for  
 19 sale are not subject to sales tax. Failure to do so renders  
 20 a sponsor of the event liable for payment of any sales tax,  
 21 interest, and penalty due and owing from any retailer selling  
 22 property or services at the event. [Sections 423.31, 423.32,](#)  
 23 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) apply to the  
 24 sponsors. For purposes of [this subsection](#), a "person sponsoring  
 25 a flea market or a craft, antique, coin, or stamp show or similar  
 26 event" does not include an organization which sponsors an  
 27 event determined to qualify as an event involving casual sales  
 28 pursuant to [section 423.3, subsection 39](#), or the state fair or  
 29 a fair as defined in [section 174.1](#).

30 Sec. 107. Section 423.33, Code 2018, is amended by adding  
 31 the following new subsection:

32 NEW SUBSECTION. 4. *Liability of affiliates.*

33 a. Notwithstanding any other provision of law to the  
 34 contrary, if any retailer required to collect and remit sales  
 35 and use tax pursuant to sections 423.14, 423.14A, and 423.29,

1 or any other provision of this chapter, fails to do so, all  
2 affiliates that directly, indirectly, or constructively control  
3 the retailer shall be jointly and severally liable for any tax,  
4 penalty, and interest under this chapter, regardless of whether  
5 the affiliate is a retailer.

6 *b.* Pursuant to paragraph "a", the department may elect  
7 to assess the full amount of any tax, penalty, and interest  
8 against the retailer, an affiliate of the retailer described  
9 in paragraph "a", or any combination of the retailer and the  
10 retailer's affiliates described in paragraph "a".

11 *c.* Notwithstanding any other provision of law to the  
12 contrary, the department has the discretion to deem an  
13 affiliate of a retailer an agent or alter ego of that retailer.

14 *d.* Notwithstanding any other provision of law to the  
15 contrary, the department has the discretion to disregard or  
16 look through any organizational structure of an enterprise in  
17 order to assess and collect any tax, penalty, and interest  
18 against an affiliate that is acting to benefit an affiliate or  
19 an enterprise of which the affiliate is a part.

20 Sec. 108. Section 423.34, Code 2018, is amended to read as  
21 follows:

22 **423.34 Liability of user.**

23 Any person who uses any tangible personal property,  
24 specified digital products, or services enumerated in section  
25 423.2 upon which the use tax has not been paid, either to the  
26 county treasurer or to a retailer or direct to the department  
27 as required by [this subchapter](#), shall be liable for the payment  
28 of tax, and shall on or before the last day of the month next  
29 succeeding each quarterly period pay the use tax upon all  
30 property or services used by the person during the preceding  
31 quarterly period in the manner and accompanied by such returns  
32 as the director shall prescribe. All of the provisions of  
33 sections 423.32 and [423.33](#) with reference to the returns and  
34 payments shall be applicable to the returns and payments  
35 required by [this section](#).

1     Sec. 109. Section 423.36, subsection 1, Code 2018, is  
2 amended to read as follows:

3     1. A person shall not engage in or transact business as a  
4 retailer making taxable sales of tangible personal property,  
5 specified digital products, or furnishing services within  
6 this state or as a retailer making taxable sales of tangible  
7 personal property, specified digital products, or furnishing  
8 services for use within this state, unless a permit has been  
9 issued to the retailer under [this section](#), except as provided  
10 in [subsection 7](#). Every person desiring to engage in or  
11 transact business as a retailer shall file with the department  
12 an application for a permit to collect sales or use tax. Every  
13 application for a sales or use tax permit shall be made upon  
14 a form prescribed by the director and shall set forth any  
15 information the director may require. The application shall  
16 be signed by an owner of the business if a natural person; in  
17 the case of a retailer which is an association or partnership,  
18 by a member or partner; and in the case of a retailer which  
19 is a corporation, by an executive officer or some person  
20 specifically authorized by the corporation to sign the  
21 application, to which shall be attached the written evidence of  
22 the person's authority.

23     Sec. 110. Section 423.36, subsection 2, paragraph a, Code  
24 2018, is amended to read as follows:

25     a. Notwithstanding [subsection 1](#), if any person will make  
26 taxable sales of tangible personal property, specified digital  
27 products, or furnish services to any state agency, that person  
28 shall, prior to the sale, apply for and receive a permit to  
29 collect sales or use tax pursuant to [this section](#). A state  
30 agency shall not purchase tangible personal property, specified  
31 digital products, or services from any person unless that  
32 person has a valid, unexpired permit issued pursuant to this  
33 section and is in compliance with all other requirements in  
34 this chapter imposed upon retailers, including but not limited  
35 to the requirement to collect and remit sales and use tax and

1 file sales and use tax returns.

2 Sec. 111. Section 423.36, subsection 7, paragraph b, Code  
3 2018, is amended to read as follows:

4 *b.* Persons engaged in selling tangible personal property,  
5 specified digital products, or furnishing services shall not be  
6 required to obtain or retain a sales tax permit for a place of  
7 business at which taxable sales of tangible personal property,  
8 specified digital products, or taxable performance of services  
9 will not occur.

10 Sec. 112. Section 423.36, subsection 9, paragraph a, Code  
11 2018, is amended to read as follows:

12 *a.* Except as provided in paragraph "b", purchasers, users,  
13 and consumers of tangible personal property, specified digital  
14 products, or enumerated services taxed pursuant to subchapter  
15 II or III of [this chapter](#) or [chapter 423B](#) may be authorized,  
16 pursuant to rules adopted by the director, to remit tax owed  
17 directly to the department instead of the tax being collected  
18 and paid by the seller. To qualify for a direct pay tax permit,  
19 the purchaser, user, or consumer must accrue a tax liability  
20 of more than four thousand dollars in tax under subchapters  
21 II and III in a semimonthly period and make deposits and file  
22 returns pursuant to [section 423.31](#). This authority shall not  
23 be granted or exercised except upon application to the director  
24 and then only after issuance by the director of a direct pay  
25 tax permit.

26 Sec. 113. Section 423.40, subsection 2, Code 2018, is  
27 amended to read as follows:

28 2. *a.* Any person who knowingly sells tangible personal  
29 property, specified digital products, tickets or admissions  
30 to places of amusement and athletic events, or gas, water,  
31 electricity, or communication service at retail, or engages in  
32 the furnishing of services enumerated in [section 423.2](#), in this  
33 state without procuring a permit to collect tax, as provided  
34 in [section 423.36](#), or who violates [section 423.24](#) and the  
35 officers of any corporation who so act are guilty of a serious



1 misdemeanor.

2     *b.* A person who knowingly sells tangible personal property,  
3 specified digital products, tickets or admissions to places of  
4 amusement and athletic events, or gas, water, electricity, or  
5 communication service at retail, or engages in the furnishing  
6 of services enumerated in [section 423.2](#), in this state after  
7 the person's sales tax permit has been revoked and before it  
8 has been restored as provided in [section 423.36, subsection 6](#),  
9 and the officers of any corporation who so act are guilty of an  
10 aggravated misdemeanor.

11     Sec. 114. Section 423.41, Code 2018, is amended to read as  
12 follows:

13     **423.41 Books — examination.**

14     Every retailer required or authorized to collect taxes  
15 imposed by [this chapter](#) and every person using in this state  
16 tangible personal property, specified digital products,  
17 services, or the product of services shall keep records,  
18 receipts, invoices, and other pertinent papers as the director  
19 shall require, in the form that the director shall require,  
20 for as long as the director has the authority to examine and  
21 determine tax due. The director or any duly authorized agent  
22 of the department may examine the books, papers, records,  
23 and equipment of any person ~~either~~ selling tangible personal  
24 property, specified digital products, or services or liable  
25 for the tax imposed by [this chapter](#), and investigate the  
26 character of the business of any person in order to verify  
27 the accuracy of any return made, or if a return was not made  
28 by the person, ascertain and determine the amount due under  
29 this chapter. These books, papers, and records shall be made  
30 available within this state for examination upon reasonable  
31 notice when the director deems it advisable and so orders. If  
32 the taxpayer maintains any records in an electronic format,  
33 the taxpayer shall comply with reasonable requests by the  
34 director or the director's authorized agents to provide those  
35 electronic records in a standard record format. The preceding

1 requirements shall likewise apply to users and persons  
2 furnishing services enumerated in [section 423.2](#).

3 Sec. 115. Section 423.45, subsection 4, paragraphs a, b, and  
4 e, Code 2018, are amended to read as follows:

5 a. The department shall issue or the seller may separately  
6 provide exemption certificates in the form prescribed by the  
7 director, including certificates not made of paper, which  
8 conform to the requirements of paragraph "c", to assist  
9 retailers in properly accounting for nontaxable sales of  
10 tangible personal property, specified digital products,  
11 or services to purchasers for a nontaxable purpose. The  
12 department shall also allow the use of exemption certificates  
13 for those circumstances in which a sale is taxable but the  
14 seller is not obligated to collect tax from the buyer.

15 b. The sales tax liability for all sales of tangible  
16 personal property and specified digital products and all sales  
17 of services is upon the seller and the purchaser unless the  
18 seller takes from the purchaser a valid exemption certificate  
19 stating under penalty of perjury that the purchase is for a  
20 nontaxable purpose and is not a retail sale as defined in  
21 section 423.1, or the seller is not obligated to collect tax  
22 due, or unless the seller takes a fuel exemption certificate  
23 pursuant to [subsection 5](#). If the tangible personal property,  
24 specified digital products, or services are purchased tax free  
25 pursuant to a valid exemption certificate and the tangible  
26 personal property, specified digital products, or services are  
27 used or disposed of by the purchaser in a nonexempt manner, the  
28 purchaser is solely liable for the taxes and shall remit the  
29 taxes directly to the department and [sections 423.31, 423.32,](#)  
30 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply  
31 to the purchaser.

32 e. If the circumstances change and as a result the tangible  
33 personal property, specified digital products, or services are  
34 used or disposed of by the purchaser in a nonexempt manner or  
35 the purchaser becomes obligated to pay the tax, the purchaser

1 is liable solely for the taxes and shall remit the taxes  
2 directly to the department in accordance with [this subsection](#).

3 Sec. 116. Section 423.57, Code 2018, is amended to read as  
4 follows:

5 **423.57 Statutes applicable.**

6 The director shall administer [this subchapter](#) as it relates  
7 to the taxes imposed in [this chapter](#) in the same manner and  
8 subject to all the provisions of, and all of the powers,  
9 duties, authority, and restrictions contained in sections  
10 423.14, [423.14A](#), [423.15](#), [423.16](#), [423.17](#), [423.19](#), [423.20](#),  
11 [423.21](#), [423.22](#), [423.23](#), [423.24](#), [423.25](#), [423.29](#), [423.31](#), [423.32](#),  
12 [423.33](#), [423.34](#), [423.34A](#), [423.35](#), [423.37](#), [423.38](#), [423.39](#),  
13 [423.40](#), [423.41](#), and [423.42](#), [section 423.43](#), [subsection 1](#), and  
14 sections [423.45](#), [423.46](#), and [423.47](#).

15 Sec. 117. Section 423.58, Code 2018, is amended to read as  
16 follows:

17 **423.58 Collection, permit, and tax return exemption for  
18 certain out-of-state businesses.**

19 Notwithstanding [sections 423.14](#), [423.14A](#), [423.29](#), [423.31](#),  
20 [423.32](#), and [423.36](#), a person meeting the requirements of  
21 section 29C.24 is not required to obtain a sales or use tax  
22 permit, collect and remit sales and use tax, or make and file  
23 applicable sales or use tax returns, as provided in section  
24 29C.24, subsection 3, paragraph "a", subparagraph (2).

25 Sec. 118. Section 423B.5, subsection 1, Code 2018, is  
26 amended to read as follows:

27 1. A local sales and services tax at the rate of not more  
28 than one percent may be imposed by a county on the sales price  
29 taxed by the state under [chapter 423, subchapter II](#). A local  
30 sales and services tax shall be imposed on the same basis as  
31 the state sales and services tax or in the case of the use of  
32 natural gas, natural gas service, electricity, or electric  
33 service on the same basis as the state use tax and shall not  
34 be imposed on the sale of any property or on any service not  
35 taxed by the state, except the tax shall not be imposed on

1 the sales price from the sale of motor fuel or special fuel  
 2 as defined in [chapter 452A](#) which is consumed for highway use  
 3 or in watercraft or aircraft if the fuel tax is paid on the  
 4 transaction and a refund has not or will not be allowed,  
 5 on the sales price from the sale of equipment by the state  
 6 department of transportation, or on the sales price from the  
 7 sale or use of natural gas, natural gas service, electricity,  
 8 or electric service in a city or county where the sales price  
 9 from the sale of natural gas or electric energy is subject to  
 10 a franchise fee or user fee during the period the franchise  
 11 or user fee is imposed. A local sales and services tax is  
 12 applicable to transactions within those incorporated and  
 13 unincorporated areas of the county where it is imposed and,  
 14 which transactions include but are not limited to sales sourced  
 15 pursuant to sections 423.15, 423.17, 423.19, or 423.20, to a  
 16 location within that incorporated or unincorporated area of the  
 17 county. The tax shall be collected by all persons required  
 18 to collect state sales taxes. All cities contiguous to each  
 19 other shall be treated as part of one incorporated area and the  
 20 tax would be imposed in each of those contiguous cities only  
 21 if the majority of those voting in the total area covered by  
 22 the contiguous cities favors its imposition. In the case of a  
 23 local sales and services tax submitted to the registered voters  
 24 of two or more contiguous counties as provided in section  
 25 423B.1, subsection 4, paragraph "c", all cities contiguous to  
 26 each other shall be treated as part of one incorporated area,  
 27 even if the corporate boundaries of one or more of the cities  
 28 include areas of more than one county, and the tax shall be  
 29 imposed in each of those contiguous cities only if a majority  
 30 of those voting on the tax in the total area covered by the  
 31 contiguous cities favored its imposition.

32 Sec. 119. Section 423B.6, subsection 2, paragraph b, Code  
 33 2018, is amended to read as follows:

34 *b.* The ordinance of a county board of supervisors imposing  
 35 a local sales and services tax shall adopt by reference the

1 applicable provisions of the appropriate sections of chapter  
 2 423. All powers and requirements of the director to administer  
 3 the state sales tax law and use tax law are applicable to the  
 4 administration of a local sales and services tax law and the  
 5 local excise tax, including but not limited to the provisions  
 6 of [section 422.25, subsection 4, sections 422.30, 422.67,](#)  
 7 [and 422.68, section 422.69, subsection 1, sections 422.70](#)  
 8 [through 422.75, section 423.14, subsection 1 and subsection](#)  
 9 [2, paragraphs "b" through "e", and sections 423.14A, 423.15,](#)  
 10 [423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through](#)  
 11 [423.42, 423.46, and 423.47.](#) Local officials shall confer  
 12 with the director of revenue for assistance in drafting the  
 13 ordinance imposing a local sales and services tax. A certified  
 14 copy of the ordinance shall be filed with the director as soon  
 15 as possible after passage.

16 Sec. 120. LEGISLATIVE INTENT. It is the intent of the  
 17 general assembly that the provisions of this division of this  
 18 Act amending the definition of "place of business" in section  
 19 423.1, subsection 37, and "sales" in section 423.1, subsection  
 20 50, enacting definitions of "sold at retail in the state" in  
 21 section 423.1, subsection 55A, and "subscription" in section  
 22 423.1, subsection 57A, and amending the enumerated service of  
 23 pay television in 423.2, subsection 6, paragraph "a", are  
 24 conforming amendments consistent with current state law, and  
 25 that the amendments do not change the application of current  
 26 law but instead reflect current law both before and after the  
 27 enactment of this division of this Act.

28 Sec. 121. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF  
 29 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of  
 30 this Act relating to the imposition of tax on the sale or use of  
 31 "specified digital products", as defined in this division of  
 32 this Act, shall not be construed as affecting the taxability  
 33 or nontaxability under other provisions of existing law of  
 34 sales or uses occurring prior to the enactment of this division  
 35 of this Act of products meeting the definition of "specified

1 digital products", as defined in this division of this Act.

2 Sec. 122. EFFECTIVE DATE.

3 1. Except as provided in subsection 2, this division of this  
4 Act takes effect January 1, 2019.

5 2. The following take effect July 1, 2018:

6 a. The sections of this division of this Act amending  
7 section 423.1, subsections 37 and 50.

8 b. The sections of this division of this Act enacting  
9 section 423.1, subsections 55A and 57A.

10 c. The section of this division of this Act amending section  
11 423.2, subsection 1, paragraph "a", subparagraph (1).

12 d. The provision amending the enumerated service of pay  
13 television to include but not be limited to streaming video,  
14 video on-demand, and pay-per-view, in the section of this  
15 division of this Act amending section 423.2, subsection 6.

16 e. The provisions adding photography and retouching to the  
17 list of enumerated services subject to the sales tax in the  
18 section of this division of this Act amending section 423.2,  
19 subsection 6.

20 f. The section of this division of this Act enacting section  
21 423.2, subsection 8, paragraph "d".

22 g. The section of this division of this Act amending section  
23 423.5, subsection 1, paragraph "a".

24 h. The section of this division of this Act entitled  
25 "legislative intent" which describes the intent of the general  
26 assembly with respect to certain amendments in this division of  
27 this Act to the definition of "place of business" in section  
28 423.1, subsection 37, "sales" in section 423.1, subsection 50,  
29 the enactment of a definition for "subscription" in section  
30 423.1, subsection 57A, and "sold at retail" in section 423.1,  
31 subsection 55A, and amendments to the enumerated service of pay  
32 television in section 423.2, subsection 6, paragraph "a1".

33 DIVISION V

34 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX  
35 CHANGES

1     Sec. 123. Section 423A.2, subsection 1, Code 2018, is  
2 amended to read as follows:

3     1. For the purposes of this chapter, unless the context  
4 otherwise requires:

5     *a.* "Department" means the department of revenue.

6     *b.* "Lessor" means any of the following:

7         (1) A person engaged in the business of renting lodging to  
8 users.

9         (2) A person who acquires a right to or interest in any  
10 lodging with an intent to rent the lodging to another person.

11         (3) A person who actually or constructively rents lodging,  
12 regardless of who owns or controls the lodging.

13         (4) A lodging facilitator.

14         (5) A retailer or retailer maintaining a place of business  
15 in this state as defined in section 423.1, including those  
16 persons who meet the requirements of section 423.14A, which  
17 retailer or retailer maintaining a place of business in this  
18 state would be responsible for collection and payment of the  
19 hotel and motel tax if it were a sales or use tax under chapter  
20 423.

21     *c.* "Lodging" means rooms, apartments, or sleeping quarters  
22 in a hotel, motel, inn, public lodging house, rooming house,  
23 cabin, apartment, residential property, or manufactured or  
24 mobile home which is tangible personal property, or in a  
25 tourist court, or in any place where sleeping accommodations  
26 are furnished to transient guests for rent, whether with or  
27 without meals. Lodging does not include rooms that are not  
28 used for sleeping accommodations.

29     *d.* "Lodging facilitator" means any person who facilitates  
30 the renting of lodging to users by satisfying subparagraphs (1)  
31 and (2) as follows:

32         (1) The person directly or indirectly does any of the  
33 following:

34             (a) Lists, makes available, or advertises lodging for rent  
35 by a lessor in any forum.

1 (b) Transmits or otherwise communicates an offer or  
2 acceptance between a lessor or user.

3 (c) Owns, rents, licenses, makes available, or operates any  
4 electronic or physical infrastructure or any property, process,  
5 method, copyright, trademark, or patent that connects lessors  
6 and users to each other.

7 (d) Provides a platform or other marketplace for renting  
8 lodging or otherwise facilitates the renting of lodging,  
9 regardless of ownership or control of the lodging.

10 (e) Provides software development or research and  
11 development activities related to any activity described in  
12 this subparagraph (1), if such software development or research  
13 and development activities are directly related to the physical  
14 or electronic marketplace provided by a lodging facilitator.

15 (f) Provides or offers fulfillment or storage services for a  
16 lessor.

17 (g) Sets prices for a lessor's rental of lodging.

18 (h) Provides or offers customer service to a lessor or  
19 a lessor's customers, or accepts or assists with returns,  
20 exchanges, cancellations, or rescheduling of the rental of  
21 lodging by a lessor.

22 (2) The person directly or indirectly does any of the  
23 following:

24 (a) Collects the sales price for the renting of the lodging.

25 (b) Provides payment processing services for the renting of  
26 lodging.

27 (c) Charges, collects, or otherwise receives booking fees,  
28 advertising revenues, or other consideration from the renting  
29 of lodging or the facilitation of the renting of lodging,  
30 regardless of ownership or control of the lodging.

31 (d) Through terms and conditions, agreements, or  
32 arrangements with a third party, collects payment in connection  
33 with a rental of lodging from a user and transmits that payment  
34 to the lessor, regardless of whether the person collecting  
35 and transmitting such payment receives compensation or other



1 consideration in exchange for the service.

2 (e) Provides a virtual currency that users are allowed or  
3 required to use to rent lodging.

4 ~~d.~~ e. "Person" means the same as the term is defined in  
5 section 423.1.

6 ~~e.~~ f. "Renting", "rental", or "rent" means a transfer of  
7 possession or control of lodging for a fixed or indeterminate  
8 term for consideration and includes any kind of direct or  
9 indirect charge for such lodging or its use.

10 ~~f.~~ g. "Sales price" means ~~the consideration for renting of~~  
11 ~~lodging and means the same as the term is defined in section~~  
12 423.1 all direct or indirect consideration, including but  
13 not limited to cash, credit, property, and services, paid in  
14 connection with any charge of any description associated with  
15 the renting of lodging or with communicating, negotiating,  
16 reserving, booking, facilitating, or otherwise arranging to  
17 rent lodging, including but not limited to booking fees,  
18 reservation fees, service fees, cleaning fees, linen fees,  
19 towel fees, and nonrefundable deposits. When determining "sales  
20 price", no deduction shall be taken for any of the following:

21 (1) The lessor's cost of the property rented.

22 (2) The cost of materials used, labor or service cost,  
23 interest, losses, all costs of transportation to the lessor,  
24 all taxes imposed on the lessor, or any other expenses of the  
25 lessor.

26 (3) Charges by the lessor for any services necessary to  
27 complete the rental transaction.

28 ~~g.~~ h. "User" means a person to whom lodging is rented.

29 **Sec. 124. NEW SECTION. 423A.3A Collection and remittance by**  
30 **lodging facilitators — joint and several liability.**

31 If a transaction for the rental of lodging involves both a  
32 lodging facilitator and another lessor, all of the following  
33 shall apply:

34 1. The lodging facilitator shall collect the state-imposed  
35 tax under section 423A.3 and the locally imposed tax under

1 section 423A.4 on the entire sales price paid by the user,  
2 regardless of the amount of the sales price that will  
3 ultimately accrue to or benefit the lodging facilitator,  
4 another lessor, or any other person.

5 2. The lodging facilitator and any other lessor involved  
6 in the transaction shall be jointly and severally liable for  
7 collecting and remitting the tax under sections 423A.3 and  
8 423A.4.

9 Sec. 125. Section 423A.5, Code 2018, is amended to read as  
10 follows:

11 **423A.5 Exemptions.**

12 ~~1.~~ There are exempted from the provisions of **this chapter**  
13 and from the computation of any amount of tax imposed by  
14 ~~section 423A.3~~ **this chapter** all of the following:

15 ~~a.~~ 1. The sales price from the renting of lodging which is  
16 rented by the same person for a period of more than thirty-one  
17 consecutive days.

18 ~~b.~~ 2. The sales price from the renting of sleeping rooms  
19 in dormitories ~~and in memorial unions~~ at all universities and  
20 colleges located in the state of Iowa.

21 ~~2.~~ ~~There is exempted from the provisions of **this chapter** and~~  
22 ~~from the computation of any amount of tax imposed by section~~  
23 ~~423A.4 all of the following:~~

24 ~~a.~~ ~~The sales price from the renting of lodging or rooms~~  
25 ~~exempt under **subsection 1.**~~

26 ~~b.~~ 3. The sales price of lodging furnished to the guests of  
27 a religious institution if the property is exempt under section  
28 427.1, subsection 8, and the purpose of renting is to provide a  
29 place for a religious retreat or function and not a place for  
30 transient guests generally.

31 Sec. 126. Section 423A.6, subsection 4, Code 2018, is  
32 amended to read as follows:

33 4. **Section 422.25, subsection 4, sections 422.30, 422.67,**  
34 **and 422.68, section 422.69, subsection 1, sections 422.70,**  
35 **422.71, 422.72, 422.74, and 422.75, section 423.14, subsection**

1 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,  
 2 423.35, 423.37 through 423.42, and 423.47, consistent with the  
 3 provisions of this chapter, apply with respect to the taxes  
 4 authorized under this chapter, in the same manner and with the  
 5 same effect as if the state and local hotel and motel taxes  
 6 were retail sales taxes within the meaning of those statutes.  
 7 Notwithstanding this subsection, the director shall provide for  
 8 quarterly filing of returns and for other than quarterly filing  
 9 of returns both as prescribed in section 423.31. The director  
 10 may require all persons who are engaged in the business of  
 11 deriving any sales price subject to tax under this chapter to  
 12 register with the department. All taxes collected under this  
 13 chapter by a retailer, lessor, or any individual other person  
 14 are deemed to be held in trust for the state of Iowa and the  
 15 local jurisdictions imposing the taxes.

16 Sec. 127. Section 423C.2, subsection 3, Code 2018, is  
 17 amended to read as follows:

18 3. "Lessor" means a any of the following:

19 a. A person engaged in the business of renting automobiles  
 20 to users. "Lessor" includes a

21 b. A motor vehicle dealer licensed pursuant to chapter  
 22 322 who rents automobiles to users. For this purpose, the  
 23 objective of making a profit is not necessary to make the  
 24 renting activity a business.

25 c. A person who acquires a right to or interest in any  
 26 automobile with an intent to rent the automobile to another  
 27 person.

28 d. A person who actually or constructively rents  
 29 automobiles, regardless of who owns or controls the  
 30 automobiles.

31 e. A rental facilitator.

32 f. A retailer or retailer maintaining a place of business in  
 33 this state as defined in section 423.1, including those persons  
 34 who meet the requirements of section 423.14A, which retailer or  
 35 retailer maintaining a place of business in this state would be

1 responsible for collection and payment of the automobile rental  
2 excise tax if it were a sales or use tax under chapter 423.

3 Sec. 128. Section 423C.2, Code 2018, is amended by adding  
4 the following new subsection:

5 NEW SUBSECTION. 06. "*Rental facilitator*" means any person  
6 who facilitates the renting of an automobile to users by  
7 satisfying paragraphs "a" and "b" as follows:

8 a. The person directly or indirectly does any of the  
9 following:

10 (1) Lists, makes available, or advertises automobiles for  
11 rent by a lessor in any forum.

12 (2) Transmits or otherwise communicates an offer or  
13 acceptance between a lessor or user.

14 (3) Owns, rents, licenses, makes available, or operates any  
15 electronic or physical infrastructure or any property, process,  
16 method, copyright, trademark, or patent that connects lessors  
17 and users to each other.

18 (4) Provides a platform or other marketplace for  
19 renting automobiles or otherwise facilitates the renting  
20 of automobiles, regardless of ownership or control of the  
21 automobile.

22 (5) Provides software development or research and  
23 development activities related to any activity described in  
24 this paragraph "a", if such software development or research and  
25 development activities are directly related to the physical or  
26 electronic marketplace provided by a rental facilitator.

27 (6) Provides or offers fulfillment or storage services for a  
28 lessor.

29 (7) Sets prices for a lessor's rental of automobiles.

30 (8) Provides or offers customer service to a lessor or  
31 a lessor's customers, or accepts or assists with returns,  
32 exchanges, cancellations, or rescheduling of the rental of  
33 automobiles by a lessor.

34 b. The person directly or indirectly does any of the  
35 following:

1 (1) Collects the rental price for the renting of an  
2 automobile.

3 (2) Provides payment processing services for the renting of  
4 an automobile.

5 (3) Charges, collects, or otherwise receives booking  
6 fees, advertising revenues, or other consideration from the  
7 renting of an automobile or the facilitation of the renting  
8 of an automobile, regardless of ownership or control of the  
9 automobile.

10 (4) Through terms and conditions, agreements, or  
11 arrangements with a third party, collects payment in connection  
12 with a rental of automobiles from a user and transmits that  
13 payment to the lessor, regardless of whether the person  
14 collecting and transmitting such payment receives compensation  
15 or other consideration in exchange for the service.

16 (5) Provides a virtual currency that users are allowed or  
17 required to use to rent automobiles.

18 Sec. 129. Section 423C.2, subsection 6, Code 2018, is  
19 amended by striking the subsection and inserting in lieu  
20 thereof the following:

21 6. "*Rental price*" means all direct or indirect  
22 consideration, including but not limited to cash, credit,  
23 property, and services, paid in connection with any charge of  
24 any description associated with the renting of an automobile  
25 or with communicating, negotiating, reserving, booking,  
26 facilitating, or otherwise arranging to rent an automobile,  
27 including but not limited to booking fees, reservation fees,  
28 service fees, and nonrefundable deposits. When determining  
29 "*rental price*", no deduction shall be taken for any of the  
30 following:

31 a. The lessor's cost of the property rented.

32 b. The cost of materials used, labor or service cost,  
33 interest, losses, all costs of transportation to the lessor,  
34 all taxes imposed on the lessor, or any other expenses of the  
35 lessor.

1 c. Charges by the lessor for any services necessary to  
2 complete the rental transaction.

3 Sec. 130. NEW SECTION. **423C.3A Collection and remittance by**  
4 **rental facilitators — joint and several liability.**

5 If a transaction for the rental of an automobile involves  
6 both a rental facilitator and another lessor, all of the  
7 following shall apply:

8 1. The rental facilitator shall collect the tax under  
9 section 423C.3 on the entire rental price paid by the user,  
10 regardless of the amount of the rental price that will  
11 ultimately accrue to or benefit the rental facilitator, another  
12 lessor, or any other person.

13 2. The rental facilitator and any other lessor involved  
14 in the transaction shall be jointly and severally liable for  
15 collecting and remitting the tax under section 423C.3.

16 Sec. 131. LEGISLATIVE INTENT. It is the intent of the  
17 general assembly that the provision of this division of this  
18 Act amending the definition of "lodging" in section 423A.2,  
19 subsection 1, paragraph "c", is a conforming amendment  
20 consistent with current state law, and that the amendment  
21 does not change the application of current law but instead  
22 reflects current law both before and after the enactment of  
23 this division of this Act.

24 Sec. 132. EFFECTIVE DATE.

25 1. Except as provided in subsection 2, this division of this  
26 Act takes effect January 1, 2019.

27 2. The following take effect July 1, 2018:

28 a. The provision amending the definition of "lodging" in the  
29 section of this division of this Act amending section 423A.2,  
30 subsection 1, paragraph "c".

31 b. The section of this division of this Act entitled  
32 "legislative intent" which describes the intent of the general  
33 assembly with respect to the amendment in this division of  
34 this Act to the definition of "lodging" in section 423A.2,  
35 subsection 1, paragraph "c".

1

EXPLANATION

2

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

3

4 This bill makes numerous changes to income taxes, the  
5 sales and use taxes and local option sales tax, the hotel and  
6 motel excise tax, the automobile rental excise tax, the Iowa  
7 educational savings plan trust, and the Iowa ABLE savings plan  
8 trust.

9 DIVISION I — INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018.

10 The federal Protecting Americans From Tax Hikes Act (PATH Act)  
11 enacted by Congress in 2015 made permanent certain increased  
12 phase-out amounts and increased credit percentages of the  
13 federal earned income tax credit (EITC) that were scheduled  
14 to expire in 2018, made permanent the deduction for certain  
15 expenses incurred by elementary and secondary school teachers  
16 that was scheduled to expire in 2015, made permanent certain  
17 tax-free distributions to charities from individual retirement  
18 accounts (IRAs) that were set to expire in 2015, and made  
19 permanent the option to deduct sales and use taxes in lieu of  
20 state and local income taxes that was set to expire in 2015.  
21 To date, Iowa has not coupled with these federal changes for  
22 purposes of the Iowa individual income tax. Division I couples  
23 with these federal changes for purposes of the Iowa individual  
24 income tax for tax year 2018. Division I also couples  
25 for tax year 2018 with certain accounting method and other  
26 miscellaneous changes made in the federal Tax Cuts and Jobs Act  
27 of 2017 for purposes of the individual and corporate income  
28 taxes, and the franchise tax, to the extent those amendments  
29 affect the calculation of federal adjusted gross income or  
30 federal taxable income for federal tax purposes for tax year  
31 2018. These include amendments contained in the following  
32 sections of the federal Tax Cuts and Jobs Act: §13102 (small  
33 business accounting method changes), §13221 (accounting method  
34 rules for the taxable year of inclusion), §13504 (repeal of  
35 technical termination of partnerships), §13541 (electing small

1 business trust), §13543 (treatment of S corporation conversion  
2 to C corporation), §13611 (repeal of special rule permitting  
3 recharacterization of Roth IRA conversions), and §13613  
4 (extended rollover period for qualified plan loans).

5 These provisions apply retroactively to January 1, 2018, for  
6 tax years beginning on or after that date, but prior to January  
7 1, 2019.

8 IRC §179 DEDUCTION. The IRC §179 deduction provides a tax  
9 deduction in lieu of depreciation for certain property placed  
10 in service during a tax year. Under current law, for Iowa  
11 tax purposes, the maximum IRC §179 deduction per tax year is  
12 \$25,000. This maximum deduction is incrementally reduced when  
13 a taxpayer's eligible property placed in service during the tax  
14 year exceeds \$200,000 (investment limitation).

15 The federal Tax Cuts and Jobs Act of 2017 made several  
16 changes to the IRC §179 deduction, including increasing the  
17 statutory maximum deduction to \$1 million, and increasing  
18 the statutory investment limitation to \$2.5 million. The  
19 bill couples for Iowa individual income tax purposes with the  
20 changes made to the IRC §179 deduction in the federal Tax Cuts  
21 and Jobs Act beginning in tax year 2018, but limits the maximum  
22 deduction to \$100,000, and sets the investment limitation at  
23 \$400,000. The maximum deduction and limitation amount are  
24 increased to \$250,000 and \$1 million, respectively, for tax  
25 years beginning on or after January 1, 2020.

26 If the total IRC §179 deduction allocated to a taxpayer from  
27 one or more partnerships, S corporations, or limited liability  
28 companies exceeds the applicable amount described above in a  
29 tax year, the bill allows the taxpayer to deduct the amount  
30 in excess of that amount evenly over a five-year tax period  
31 beginning in the subsequent tax year. Taxpayers who elect  
32 to take advantage of this provision are not allowed to take  
33 the IRC §179 deduction for the tax year of the election on  
34 any eligible property placed in service by the taxpayer, but  
35 are allowed to deduct depreciation on such amounts that would



1 otherwise be allowable under federal law, without regard to the  
2 bonus depreciation allowance.

3 Under current Iowa law, for previous tax years, individual  
4 taxpayers were required to recompute their Iowa itemized  
5 deductions under Code section 422.9(2) to account for  
6 differences between the federal and Iowa treatment of the  
7 IRC §179 deduction. The bill provides that taxpayers must  
8 make those same adjustments to federal adjusted gross income  
9 beginning in tax year 2018.

10 These provisions apply retroactively to January 1, 2018, for  
11 tax years beginning on or after that date.

12 The division takes effect upon enactment.

13 DIVISION II — INDIVIDUAL INCOME TAX CHANGES BEGINNING IN  
14 TAX YEAR 2019. Division II makes numerous changes to the Iowa  
15 individual income tax beginning in tax year 2019.

16 TAX RATE CHANGES. Current law provides nine regular tax  
17 brackets containing progressively higher amounts of taxable  
18 income that are taxed at progressively higher tax rates, from  
19 a low of 0.36 percent, to a high of 8.98 percent. The taxable  
20 income amounts in each tax bracket are indexed to inflation  
21 and increased each year. For tax years beginning on or after  
22 January 1, 2019, the bill reduces the tax rate in each bracket  
23 as follows:

24	<u>Tax rates for tax year 2019</u>	<u>Tax rates for tax year</u>
25		<u>2020 and beyond</u>
26	1) 0.34%	0.32%
27	2) 0.68%	0.65%
28	3) 2.31%	2.20%
29	4) 4.28%	4.10%
30	5) 5.94%	5.60%
31	6) 6.29%	6.10%
32	7) 6.60%	6.58%
33	8) 7.84%	7.82%
34	9) 8.89%	8.89%

35 INTERNAL REVENUE CODE (IRC) COUPLING. Under current law

1 with the exception of the solar energy credit and the state  
2 research activities credit, Code references to the IRC include  
3 the IRC in effect on January 1, 2015, meaning federal income  
4 tax revisions made by Congress in 2015 through 2017 are not  
5 applicable for Iowa tax purposes, including revisions made in  
6 the PATH Act of 2015 and the federal Tax Cuts and Jobs Act of  
7 2017. The bill adopts, or couples with, these revisions for  
8 purposes of the individual income tax beginning in tax year  
9 2019, except for certain revisions as described below. The  
10 coupling is accomplished generally by updating the definition  
11 of IRC as it applies to the individual income tax to mean  
12 the IRC as amended and in effect on January 1, 2018. The  
13 updated definition does not apply to the state solar energy  
14 system credit in Code section 422.11L, or the state individual  
15 research activities credit in Code section 422.10, because both  
16 of those credits contain their own definition of IRC.

17 Code section 422.9 provided individuals a deduction from  
18 net income for state sales and use taxes if the individual  
19 chose to deduct sales and use tax in lieu of state income taxes  
20 or the standard deduction for federal income tax purposes.  
21 The deduction was set to expire under both federal and Iowa  
22 law beginning in tax year 2016. The federal deduction was  
23 made permanent by the PATH Act of 2015, and the bill couples  
24 with these federal changes to the deduction, thus making it  
25 permanent for tax year 2019 and beyond.

26 The federal deduction for other taxes paid was limited to  
27 \$10,000 per year under most circumstances by the federal Tax  
28 Cuts and Jobs Act of 2017, but the bill decouples from this  
29 limitation. Taxpayers will be allowed to deduct other taxes  
30 paid in computing state itemized deductions to the same extent  
31 as is allowed under current state law, without regard to the  
32 \$10,000 limitation described above.

33 BONUS DEPRECIATION DECOUPLING. The bill decouples, for Iowa  
34 individual income tax purposes, from the federal additional  
35 first-year depreciation allowance in section 168(k) of the IRC

1 (bonus depreciation) which was extended and modified by the  
2 federal PATH Act of 2015 and the federal Tax Cuts and Jobs Act  
3 of 2017. By decoupling, taxpayers who claim bonus depreciation  
4 for federal tax purposes are required to add such depreciation  
5 amounts back to Iowa net income, but are then allowed under  
6 existing state law to deduct the amount of depreciation that  
7 would otherwise be allowable under federal law, without regard  
8 to the bonus depreciation allowance.

9       STANDARD DEDUCTION INCREASES. When calculating taxable  
10 income for purposes of the individual income tax, individuals  
11 are allowed to choose between a standard deduction or itemized  
12 deductions. The standard deduction under current law for tax  
13 year 2018 is \$2,030 for a single person or a married person who  
14 files separately, and is \$5,000 for a married couple filing  
15 jointly, a surviving spouse, or a head of household. These  
16 amounts are indexed to inflation and increased each year.

17       The bill increases the standard deduction amounts beginning  
18 in tax year 2019 to \$3,000 for a single person or a married  
19 person who files separately, and to \$7,500 for a married couple  
20 filing jointly, a surviving spouse, or a head of household.  
21 The bill indexes these standard deduction amounts to inflation  
22 so they will be increased in future tax years.

23       QUALIFIED BUSINESS INCOME DEDUCTION. The federal Tax Cuts  
24 and Jobs Act of 2017 created a deduction in calculating federal  
25 taxable income for noncorporate taxpayers of up to 20 percent  
26 of certain domestic qualified business income earned by a  
27 taxpayer from a partnership, S corporation, limited liability  
28 company, other pass-through entity, or a sole proprietorship.  
29 This deduction was further amended by the federal Consolidated  
30 Appropriations Act of 2018. The deduction is calculated under  
31 section 199A of the IRC and includes numerous limitations based  
32 on the type of trade or business involved, the income of the  
33 trade or business, and the income of the taxpayer claiming the  
34 deduction. The federal deduction applies to tax years 2018  
35 through 2025, and is available to a taxpayer regardless of

1 whether the taxpayer claims the standard deduction or itemized  
2 deductions for federal tax purposes.

3 The bill provides a deduction in computing Iowa taxable  
4 income for purposes of the individual income tax equal to 25  
5 percent of the taxpayer's qualified business income deduction  
6 allowed for federal income tax purposes beginning in tax  
7 year 2019. With regard to individuals, the Iowa deduction  
8 is available regardless of whether the individual claims  
9 the standard deduction or itemized deductions for Iowa tax  
10 purposes. With regard to an estate or trust, the starting  
11 point for calculating Iowa income tax will include the full  
12 amount of the federal qualified business income deduction, so  
13 the bill requires the estate or trust to add back 75 percent of  
14 such amount when calculating Iowa taxable income.

15 The bill provides special rules for calculating the  
16 qualified business income deduction in the case of an entity  
17 filing an Iowa composite income tax return on behalf of all of  
18 the entity's nonresident partners, members, beneficiaries, or  
19 shareholders. In such cases, the deduction on the composite  
20 return shall be an amount equal to 25 percent of the federal  
21 qualified business income deduction that would be allowable to  
22 an individual reporting the same items of income and loss that  
23 are included on the composite return.

24 LIKE-KIND EXCHANGES. IRC §1031 provides for a deferral of  
25 gain or loss resulting from exchanges of property that meet  
26 certain conditions. The federal Tax Cuts and Jobs Act of 2017  
27 repealed this provision with respect to exchanges of personal  
28 property. IRC §1031 still provides for deferrals of gain or  
29 loss with respect to qualifying real property.

30 The bill decouples, for Iowa individual income tax purposes,  
31 with the federal repeal of deferrals under IRC §1031 for  
32 qualifying personal property, and permits individuals to defer  
33 gain or loss on qualifying personal property to the extent such  
34 deferral would have been permitted under IRC §1031 prior to  
35 its amendment by the federal Tax Cuts and Jobs Act of 2017.

1 EFFECTIVE DATE AND APPLICABILITY. The division takes effect  
2 January 1, 2019, and applies to tax years beginning on or after  
3 that date.

4 DIVISION III — CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN  
5 TRUST AND IOWA ABLE SAVINGS PLAN TRUST. Division III makes  
6 several changes to the Iowa educational savings plan trust in  
7 Code chapter 12D (Iowa 529 plan), the disabilities expenses  
8 savings plan trust in Code chapter 12I (Iowa ABLE plan), and  
9 the income tax treatment of contributions to and withdrawals  
10 from such plans.

11 IRC §529, which governs state tuition programs, previously  
12 required that in order for a state tuition program to be  
13 considered qualified and therefore eligible for certain  
14 federal tax benefits, the program must be established to  
15 allow contributions for the purposes of funding certain  
16 qualifying expenses of attendance at institutions of higher  
17 education. Accordingly, the Iowa 529 plan allows participants  
18 to contribute and withdraw funds to and from the Iowa 529 plan  
19 for the payment of higher education costs related to attendance  
20 at institutions of higher education.

21 The federal Tax Cuts and Jobs Act of 2017 amended IRC  
22 §529 to provide that during each tax year, up to \$10,000 of  
23 cash distributions from all qualified tuition programs for a  
24 beneficiary for tuition expenses in connection with enrollment  
25 or attendance at an elementary or secondary public, private,  
26 or religious school, may be considered a distribution for  
27 qualified higher education expenses and thus excludable from  
28 income for federal income tax purposes. The federal Tax  
29 Cuts and Jobs Act of 2017 also provided that under certain  
30 conditions, amounts in qualified tuition programs may be  
31 transferred to a qualified ABLE account without incurring  
32 federal income tax consequences.

33 The bill amends the Iowa 529 plan to provide for qualified  
34 withdrawals from the plan for elementary or secondary school  
35 tuition as is now allowed under federal law pursuant to the

1 federal Tax Cuts and Jobs Act of 2017. The bill modifies the  
2 findings and purpose provision of the Iowa 529 plan in Code  
3 section 12D.1(1) by striking or amending specific references  
4 to higher education and institutions of higher education so  
5 that such provisions more generally reference education and  
6 educational institutions, and by providing that the Iowa 529  
7 plan's purpose is to make available an opportunity to invest in  
8 a public trust to fund future formal education needs.

9 The bill strikes the definition of "higher education costs",  
10 as well as numerous references to that term throughout the Iowa  
11 529 plan, and replaces them with the term "qualified education  
12 expenses", which is defined in the bill to mean the same as  
13 qualified higher education expenses as defined in IRC §529,  
14 including elementary and secondary school tuition to the extent  
15 such tuition amounts are described and allowed under IRC §529.

16 The bill also replaces numerous references to "institution  
17 of higher education" throughout the Iowa 529 plan with  
18 references to a "qualified educational institution", which  
19 is defined in the bill to include an institution of higher  
20 education and any elementary or secondary, public, private, or  
21 religious school described in IRC §529.

22 The federal Tax Cuts and Jobs Act of 2017 also amended  
23 IRC §529 to allow certain transfers from a qualified tuition  
24 program to an ABLE account without incurring federal income tax  
25 consequences. The bill amends the Iowa 529 plan to provide  
26 that a participant may transfer amounts in an Iowa 529 plan to  
27 an ABLE account, including the Iowa ABLE plan, if the transfer  
28 is permitted under IRC §529. The Iowa 529 plan is further  
29 amended to allow the transfer of funds to another account in  
30 the Iowa 529 plan, if the transfer is permitted under IRC §529.

31 Several other modifications are made to the Iowa 529 plan  
32 to remove references to the imposition of penalties for  
33 cancellation and late payments under the trust, to remove  
34 certain references to the ability to amend participation  
35 agreements, to describe rules and procedures for determining

1 account successors in the case of death of a participant, and  
2 to modify the permissible investment direction that may be  
3 provided by participants and beneficiaries under the trust.  
4 Finally, the bill adds Iowa 529 plan accounts to the list of  
5 exemptions from execution under Code section 627.6.

6 Under current law in Code section 422.7(32)(c), previously  
7 tax-deducted contributions to an Iowa 529 plan that are  
8 withdrawn for purposes other than the payment of qualified  
9 education expenses are required to be added back to income  
10 in computing Iowa individual income tax. The bill amends  
11 this provision to provide that Iowa 529 plan withdrawals of  
12 previously tax-deducted contributions must be added back to  
13 Iowa income unless the amount is a withdrawal or transfer  
14 for one of three eligible purposes. First, for the payment  
15 of qualified higher education expenses. Second, for the  
16 payment of tuition to an elementary or secondary school if the  
17 tuition amounts are qualified education expenses. Third, for a  
18 change in beneficiaries under, or transfer to another account  
19 within, the Iowa 529 plan, or a transfer to the Iowa ABLE plan,  
20 provided such beneficiary change or transfer is permitted under  
21 the Iowa 529 plan. The bill defines "qualified education  
22 expenses" and "tuition" to mean the same as defined under the  
23 Iowa 529 plan. The bill defines "elementary or secondary  
24 school" to mean an elementary or secondary school in this state  
25 which is accredited under Code section 256.11 (educational  
26 standards), and adheres to the provisions of the federal  
27 Civil Rights Act of 1964 and Code chapter 216 (civil rights  
28 commission). The bill defines "qualified higher education  
29 expenses" to mean the same as defined under IRC §529.

30 The bill amends the income tax treatment of contributions  
31 to and withdrawals from the Iowa ABLE plan to provide that a  
32 contribution shall not be deducted from Iowa income tax to the  
33 extent it represents a transfer from the Iowa 529 plan that was  
34 previously deducted as a contribution to the Iowa 529 plan,  
35 and that amounts resulting from a cancellation or withdrawal

1 from the Iowa ABLE plan for purposes other than the payment of  
2 qualified disability expenses shall be added back to income in  
3 computing Iowa individual income tax to the extent the amount  
4 was previously transferred from the Iowa 529 plan and deducted  
5 as a contribution to the Iowa 529 plan.

6 The division takes effect upon enactment and applies  
7 retroactively to January 1, 2018, for withdrawals and transfers  
8 from the Iowa educational savings plan trust made on or after  
9 that date, and for tax years beginning on or after that date.

10 DIVISION IV — SALES AND USE TAXES. Division IV makes  
11 numerous changes to the sales and use taxes, including the  
12 local option sales tax.

13 SPECIFIED DIGITAL PRODUCTS. The bill imposes the sales and  
14 use tax at a rate of six percent on the sale or use of specified  
15 digital products in Iowa. The bill defines "specified digital  
16 products" as electronically transferred digital audio-visual  
17 works, digital audio works, digital books, or other digital  
18 products. These and other related terms are defined in  
19 the bill in new Code section 423.1(55A). The sales or use  
20 tax applies whether the purchaser obtains permanent use or  
21 less than permanent use of the specified digital product,  
22 whether the sale or use is conditioned or not conditioned upon  
23 continued payment from the purchaser, and whether the sale or  
24 use is on a subscription basis or is not on a subscription  
25 basis. The bill also provides that the sale or use of digital  
26 code that may be used to obtain or access a specified digital  
27 product at a later date is taxed in the same manner as a  
28 specified digital product.

29 The bill creates an exemption for the sale or use of  
30 specified digital products to a non-end user, as defined in the  
31 bill.

32 The bill amends numerous existing sales and use tax  
33 exemptions to include specified digital products, including  
34 the following: sales the state is prohibited from taxing  
35 under the United States Constitution or the Iowa Constitution;



1 sales to certain nonprofit corporations, organizations,  
2 educational institutions, legal aid organizations, museums,  
3 art centers, organ procurement organizations, hospitals, or  
4 hospice facilities; sales by a state fair; sales to political  
5 subdivisions; sales by counties or cities; casual sales; sales  
6 of property which will be distributed as prizes to players  
7 of certain amusement games; sales to recognized community  
8 action agencies; uses of property for which the sales tax has  
9 already been paid; sales in the regular course of business;  
10 and property brought into Iowa by a nonresident and used here  
11 temporarily. The bill amends a sales tax refund provision  
12 relating to relief agencies that purchase property for free  
13 distribution to the poor to include purchases of specified  
14 digital products.

15 The bill makes certain other conforming amendments related  
16 to the treatment of specified digital products for purposes  
17 of the administration of the sales and use taxes. The bill  
18 provides that the imposition of tax on the sale or use of  
19 specified digital products shall not be construed as affecting  
20 the taxability or nontaxability under other provisions of  
21 existing law of sales or uses occurring prior to the enactment  
22 of this division of this Act of products meeting the definition  
23 of "specified digital products".

24 SUBSCRIPTIONS AND PAY TELEVISION SERVICE. The bill amends  
25 the definition of "sale" in Code section 423.1(50) for purposes  
26 of the sales tax to provide that a sale includes but is not  
27 limited to any transfer, exchange, or barter on a subscription  
28 basis. The bill defines "subscription" in new Code section  
29 423.1(57A).

30 The bill amends the taxable service of pay television to  
31 provide that pay television includes but is not limited to  
32 streaming video, video on-demand, and pay-per-view.

33 The bill provides that it is the intent of the general  
34 assembly that these changes to the definition of "sale" and  
35 "subscription", and changes to the service of pay television,

1 are conforming amendments consistent with current state law,  
2 and that the amendments do not change the application of  
3 current law but instead reflect current law both before and  
4 after the enactment of these changes.

5 These changes take effect July 1, 2018.

6 OTHER CHANGES TO TAXABLE SERVICES. Under current law, the  
7 services of photography and retouching are subject to the  
8 sales and use tax, but such services are taxed as if they were  
9 sales of tangible personal property. The bill strikes these  
10 provisions treating photography and retouching as tangible  
11 personal property, and adds photography and retouching to the  
12 list of enumerated services subject to the sales and use tax.  
13 These changes to photography and retouching take effect July  
14 1, 2018.

15 Current law provides that a limousine service is subject  
16 to the sales and use tax. The bill modifies this service to  
17 provide that a personal transportation service shall be subject  
18 to the sales and use tax, and includes taxis, driver services,  
19 ride sharing services, rides for hire, and limousine services  
20 as examples of the types of services which qualify as a taxable  
21 personal transportation service.

22 Under current law, the furnishing of information services,  
23 as defined in Code section 423.3(66), is exempt from the  
24 sales and use tax. The bill strikes this exemption and makes  
25 information services a taxable service for purposes of the  
26 sales and use tax. The bill defines "information services".

27 The bill additionally adds the following services to the  
28 list of enumerated services subject to the sales and use  
29 tax: storage of tangible or electronic files, documents, or  
30 other records; services arising from or related to installing,  
31 maintaining, servicing, repairing, operating, upgrading, or  
32 enhancing specified digital products; video game services and  
33 tournaments; and software as a service.

34 OTHER SALES AND USE TAX EXEMPTIONS. Current law provides  
35 a sales and use tax exemption for access charges related to

1 online computer services in Code section 423.3(65), and for any  
2 retail sale delivered electronically in Code section 423.3(67).  
3 The bill strikes both of these exemptions.

4 The bill creates a sales and use tax exemption in new  
5 Code section 423.3(103) for certain sales to a commercial  
6 enterprise for use exclusively by the commercial enterprise.  
7 The exemption specifies that such a use fails to qualify as  
8 a use exclusively by the commercial enterprise if its use  
9 for noncommercial purposes is more than de minimis. The  
10 bill provides that the terms "de minimis" and "noncommercial  
11 purposes" shall be defined by the director of revenue by  
12 rule. The bill defines "commercial enterprise" to mean the  
13 same as defined under the machinery and equipment sales and  
14 use tax exemption in Code section 423.3(47), which includes  
15 businesses and manufacturers conducted for profit and centers  
16 for data processing services to insurance companies, financial  
17 institutions, businesses, and manufacturers, but excludes  
18 professions and occupations and nonprofit organizations.

19 The exemption applies to sales of specified digital  
20 products, and to the furnishing of the following enumerated  
21 taxable services: storage of tangible or electronic files,  
22 documents, or other records; information services; services  
23 arising from or related to installing, maintaining, servicing,  
24 repairing, operating, upgrading, or enhancing specified digital  
25 products; and software as a service.

26 The bill adds the sale of services to the items that may  
27 qualify for the sales and use tax exemption in Code section  
28 423.3(63) relating to items purchased for the purposes of  
29 providing them as prizes to players of certain amusement games.

30 SALES AND USE TAX NEXUS AND COLLECTION REQUIREMENTS. The  
31 bill modifies the requirement of persons to collect and remit  
32 the state sales and use taxes and the local option sales tax.  
33 Current law requires retailers to collect sales tax for taxable  
34 items sold at retail in the state. The bill defines "sold  
35 at retail in the state" and other similar terms to include

1 but not be limited to sales sourced to this state under Code  
2 chapter 423 (sales and use tax), and provides that it is  
3 the intent of the general assembly that the definition is a  
4 conforming amendment consistent with current state law, and  
5 that the amendment does not change the application of current  
6 law but instead reflects current law both before and after the  
7 enactment of the definition. The enactment of the definition  
8 of "sold at retail in the state" takes effect July 1, 2018.

9 Under current law, Code section 423.15 provides general  
10 rules for the sourcing of sales to Iowa. The bill amends a  
11 provision in this Code section relating to when sales tax  
12 applies to a sale sourced to Iowa, to provide that Iowa sales  
13 tax applies to a sale sourced to Iowa made by a seller who is a  
14 retailer maintaining a place of business in this state, or who  
15 is subject to the new Code section 423.14A (described below).  
16 The bill also amends provisions relating to the requirement  
17 of retailers maintaining a place of business in this state to  
18 collect use tax in Code sections 423.14 and 423.29, to provide  
19 that use tax shall be collected by retailers not otherwise  
20 required to collect sales tax under Code chapter 423 (sales and  
21 use tax).

22 Under current law in Code section 423B.5, the local sales and  
23 services tax is applicable to transactions within the areas of  
24 the county imposing the tax. The bill amends this provision  
25 to provide that a transaction occurring within the taxing area  
26 includes a sale sourced to a location in that area pursuant  
27 to the sourcing rules governing the sales and use tax (Code  
28 sections 423.15 through 423.20).

29 The bill creates new Code section 423.14A that deems certain  
30 persons, or agents of those persons, to be a retailer and  
31 a retailer maintaining a place of business in this state  
32 on or after January 1, 2019, and subjects those persons to  
33 all requirements of Code chapter 423 (sales and use taxes),  
34 including but not limited to the requirement to collect and  
35 remit Iowa sales and use tax, and the requirement to collect

1 and remit the local option sales tax. The bill provides that  
2 the requirements in Code section 423.14A are in addition to,  
3 and not in lieu of, any other application of Code chapter 423  
4 to a retailer or a retailer maintaining a place of business in  
5 this state. Qualifying persons required to collect and remit  
6 Iowa sales and use tax include any person described below. For  
7 purposes of any threshold requirement described below that  
8 involves the sales of taxable items, the bill defines "Iowa  
9 sales" to include any sale sourced to this state under Code  
10 chapter 423, or otherwise sold in this state or for delivery  
11 into this state, of tangible personal property, specified  
12 digital products, or services.

13 A qualifying person includes any retailer that has gross  
14 revenue from Iowa sales equal to or exceeding \$100,000 for the  
15 current or previous calendar year.

16 A qualifying person includes any retailer that makes Iowa  
17 sales in 200 or more separate transactions for the current or  
18 previous calendar year.

19 A qualifying person includes any retailer that owns,  
20 licenses, or uses software or data files (as defined in the  
21 bill) that are installed or stored on property used in this  
22 state.

23 A qualifying person includes any retailer that uses in-state  
24 software (as defined in the bill) to make Iowa sales.

25 A qualifying person includes any retailer that provides, or  
26 enters into an agreement to provide, a content distribution  
27 network (as defined in the bill) in this state to facilitate,  
28 accelerate, or enhance the delivery of the retailer's internet  
29 site to purchasers. However, this provision does not apply to  
30 any retailer that has gross revenue from Iowa sales of less  
31 than \$100,000 for the current or previous calendar year.

32 A qualifying person includes any retailer that makes Iowa  
33 sales through a marketplace provider (as defined in the bill).  
34 However, this provision does not apply to any retailer that  
35 has gross revenue from Iowa sales of less than \$10,000 for the

1 current or previous calendar year.

2 A qualifying person includes any marketplace provider that  
3 makes or facilitates Iowa sales for a retailer equal to or  
4 exceeding \$100,000, or in 200 or more separate transactions for  
5 the current or previous year. The bill requires marketplace  
6 providers to collect Iowa sales and use tax on the entire  
7 sales price or purchase price paid the purchaser, regardless  
8 of the amount that will ultimately accrue to or benefit the  
9 marketplace provider or any other person, includes other  
10 provisions related to marketplace providers, and subjects  
11 certain marketplace providers and retailers described in the  
12 bill to joint and several liability for the collection and  
13 payment of Iowa sales and use tax.

14 A qualifying person includes a retailer that makes Iowa  
15 sales through the use of a solicitor (as defined in the bill).  
16 The bill creates a presumption that a retailer has a solicitor  
17 in this state under certain circumstances. This provision does  
18 not apply to retailers that have gross revenue from Iowa sales  
19 referred by solicitors of \$10,000 or less for the current or  
20 previous calendar year.

21 A qualifying person includes any person that owns, controls,  
22 rents, licenses, makes available, or uses any tangible or  
23 intangible property in this state or with a situs in this state  
24 to make or facilitate a retail sale.

25 A qualifying person includes any person that enters into a  
26 contract or agreement with a governmental entity, as defined in  
27 the bill, including but not limited to contracts or agreements  
28 for the provision of financial assistance or incentives such as  
29 a tax credit, forgivable loan, grant, tax rebate, or any other  
30 thing of value. This provision includes certain requirements  
31 for contractors who submit bids and agreements to state  
32 agencies similar to language in current Code section 423.2(10).  
33 The bill strikes the similar language under existing law in  
34 Code section 423.2(10).

35 A qualifying person includes any affiliate or any retailer

1 that is required to collect Iowa sales and use tax, provided  
2 the affiliate makes retail sales.

3 OTHER MISCELLANEOUS SALES AND USE TAX CHANGES. The bill  
4 moves provisions relating to the deposit and transfer of sales  
5 tax revenues in Code section 423.11 to a new Code section  
6 423.2A, and makes corresponding changes to other provisions of  
7 the Code that reference those deposit and transfer provisions.

8 The bill amends the definition of "lease or rental", "use",  
9 "use tax", and "user" in Code section 423.1. The bill also  
10 amends the definition of "bundled transaction" in Code section  
11 423.2(8) to incorporate certain language also included in  
12 the definition of "bundled transaction" for purposes of the  
13 streamlined sales tax agreement, of which Iowa is a member  
14 state. The changes to the definition of bundled transaction  
15 take effect July 1, 2018.

16 The bill defines "personal property" for purposes of the  
17 sales and use tax to include but not be limited to tangible  
18 personal property and specified digital products.

19 The bill amends the definition of "place of business" in  
20 Code section 423.1 to include places where specified digital  
21 products or services are offered for sale, and provides that  
22 it is the intent of the general assembly that the change to  
23 the definition is a conforming amendment consistent with  
24 current state law, and that the amendment does not change the  
25 application of current law but instead reflects current law  
26 both before and after the enactment of the change. These  
27 changes to the definition of "place of business" take effect  
28 July 1, 2018.

29 The bill provides that when any retailer required under  
30 Iowa law to collect and remit sales and use tax fails to do  
31 so, the retailer and any affiliate that directly, indirectly,  
32 or constructively controls the retailer shall be held jointly  
33 and severally liable for the tax and any resulting penalty and  
34 interest, regardless of whether the affiliate is a retailer.  
35 The bill provides the department the authority to assess

1 the full amount of any tax, penalty, or interest against  
2 the retailer and these affiliates, and gives the department  
3 discretion to disregard or look through any organizational  
4 structure of an enterprise to assess tax, penalty, and interest  
5 against an affiliate of a retailer. The term "affiliate" for  
6 purposes of these provisions is defined under existing law in  
7 Code section 423.1(2).

8 Finally, the bill adds several Code sections relating to  
9 the requirement to collect sales and use tax to the provisions  
10 for which failure to comply may subject a retailer to personal  
11 liability under Code section 421.26.

12 EFFECTIVE DATE PROVISIONS. Except as otherwise provided  
13 above, the division takes effect January 1, 2019.

14 DIVISION V — HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE  
15 RENTAL EXCISE TAX. The bill amends the hotel and motel excise  
16 tax in Code chapter 423A and the automobile rental excise tax  
17 in Code chapter 423C to expand the types of persons who must  
18 collect and remit the excise taxes, and to make other changes  
19 to the administration of the taxes.

20 Current law requires lessors, as defined with respect to  
21 each excise tax, to collect the excise tax. The bill amends  
22 the definition of "lessor" under each tax to more broadly  
23 include any person who acquires a right or interest in lodging  
24 or an automobile, any person who actually or constructively  
25 rents lodging or an automobile, lodging facilitators and rental  
26 facilitators, and retailers who would be required to collect  
27 the excise taxes if the excise taxes were a sales and use tax  
28 under Code chapter 423. The bill defines a lodging facilitator  
29 with respect to the hotel and motel excise tax, and defines a  
30 rental facilitator with respect to the automobile rental excise  
31 tax, to include certain persons who facilitate the renting of  
32 the taxable items by directly or indirectly performing certain  
33 acts with regard to the rental transaction. The bill modifies  
34 the definition of "sales price" for purposes of the hotel  
35 and motel excise tax and "rental price" with respect to the



1 automobile rental excise tax.

2 The bill repeals an exemption from the hotel and motel excise  
3 tax provided for the renting of rooms in a memorial union of an  
4 Iowa college or university, and expands an exemption for the  
5 renting of rooms in certain religious institutions so that it  
6 also applies to the state and local hotel and motel excise tax.  
7 Under current law, that exemption only applies to the local  
8 hotel and motel excise tax.

9 The bill modifies the definition of "lodging" for purposes  
10 of the hotel and motel excise tax to include a cabin,  
11 apartment, or residential property. The bill provides that it  
12 is the intent of the general assembly that the change to the  
13 definition of "lodging" is a conforming amendment consistent  
14 with current state law, and that the amendments do not change  
15 the application of current law but instead reflect current law  
16 both before and after the enactment of these changes. The  
17 changes to the definition of "lodging" take effect July 1,  
18 2018.

19 Finally, the bill provides that if a transaction under  
20 either excise tax involves both a lessor and a lodging  
21 facilitator or rental facilitator, as applicable, then both  
22 parties will be jointly and severally liable for the applicable  
23 tax, and further provides that the lodging facilitator or  
24 rental facilitator shall collect the entire amount of tax  
25 due on the transaction, regardless of the amount that will  
26 ultimately accrue to the benefit of the lodging facilitator or  
27 rental facilitator, or any other person.

28 EFFECTIVE DATE PROVISIONS. Except as otherwise provided  
29 above, the division takes effect January 1, 2019.