

House Study Bill 198 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON GRASSLEY)

A BILL FOR

1 An Act relating to state finances by prescribing the day on
2 which certain transfers and deposits into and from the
3 general fund of the state shall be made by certain state
4 agencies and amending the duties of the auditor of state
5 with regard to audit and examination reports.

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

1 Section 1. FINDINGS. The general assembly finds that it
2 is the policy of this state to provide for a reliable and
3 accurate accounting, estimation, and historical comparison
4 of state funds and revenues on a periodic basis and that
5 the provisions of this Act will further that policy goal by
6 fostering predictable and consistent transfers of moneys from
7 and between state agencies and funds.

8 Sec. 2. Section 11.4, subsection 1, Code 2017, is amended by
9 adding the following new paragraph:

10 NEW PARAGRAPH. *0e.* With regard to an audit or
11 examination of the department of revenue or the department
12 of administrative services, the auditor's opinion, after
13 considering the best practices and long-term operations of the
14 department of revenue and the department of administrative
15 services, as to whether the pace at which individual and
16 corporate income tax, franchise tax, and sales and use tax
17 refunds were processed and paid during a fiscal year by the
18 department of revenue was appropriate, and as to whether the
19 fiscal year to which such refunds were accrued and attributed
20 by the department of administrative services was appropriate,
21 or whether a deviation from the best practices and long-term
22 operations of one or more department exists. If a deviation
23 is found to exist, the auditor shall include the auditor's
24 opinion, if any, as to the reason for the deviation.

25 Sec. 3. Section 123.17, subsection 2, Code 2017, is amended
26 to read as follows:

27 2. *a.* The director of the department of administrative
28 services shall periodically transfer monthly from the beer
29 and liquor control fund to the general fund of the state
30 those revenues of the division which are not necessary for
31 the purchase of liquor for resale by the division, or for
32 remittances to local authorities or other sources as required
33 by this chapter, or for other obligations and expenses of the
34 division which are paid from such fund. The director shall
35 transfer such amounts on the eighth day of each month or, if

1 such day falls on a weekend or a holiday, the next succeeding
2 business day. The director shall not transfer amounts on any
3 other day unless the director determines that extraordinary
4 circumstances exist.

5 b. All moneys received by the division from the issuance of
6 vintner's certificates of compliance and wine permits shall be
7 transferred by the director of the department of administrative
8 services to the general fund of the state monthly on the
9 eighth day of the month or, if such day falls on a weekend or
10 a holiday, the next succeeding business day. The director
11 shall not transfer amounts on any other day unless the director
12 determines that extraordinary circumstances exist.

13 Sec. 4. Section 298.14, unnumbered paragraph 2, Code 2017,
14 is amended to read as follows:

15 A school district income surtax fund is created in the
16 office of treasurer of state. Income surtaxes collected by
17 the department of revenue under sections 257.21, 257.29,
18 and 298.2 and section 442.15, Code 1989, shall be deposited
19 in the school district income surtax fund to the credit of
20 each school district. A separate accounting of each surtax,
21 by school district, shall be maintained. Deposits into the
22 school district income surtax fund during any month shall be
23 made on the twentieth day of the month or, if such day falls
24 on a weekend or a holiday, the next succeeding business day.
25 Deposits shall not be made into the school district income
26 surtax fund on any other day unless the director of revenue
27 determines that extraordinary circumstances exist.

28 Sec. 5. Section 421.17, subsections 22, 23, and 24, Code
29 2017, are amended to read as follows:

30 22. To employ collection agencies, within or without
31 the state, to collect delinquent taxes, including penalties
32 and interest, administered by the department or delinquent
33 accounts, charges, loans, fees, or other indebtedness due
34 the state or any state agency, that have formal agreements
35 with the department for central debt collection where the

1 director finds that departmental personnel are unable to
2 collect the delinquent accounts, charges, loans, fees, or
3 other indebtedness because of a debtor's location outside
4 the state or for any other reason. Fees for services,
5 reimbursement, or other remuneration, including attorney fees,
6 paid to collection agencies shall be based upon the amount
7 of tax, penalty, and interest or debt actually collected and
8 shall be paid only after the amount of tax, penalty, and
9 interest or debt is collected. All funds collected must be
10 remitted in full to the department within thirty days from
11 the date of collection from a debtor or in a lesser time as
12 the director prescribes. The funds shall be applied toward
13 the debtor's account and handled as are funds received by
14 other means. An amount is appropriated from the amount of
15 tax, penalty, and interest, delinquent accounts, charges,
16 loans, fees, or other indebtedness actually collected by the
17 collection agency sufficient to pay all fees for services,
18 reimbursement, or other remuneration pursuant to a contract
19 with a collection agency under **this subsection**. Transfers or
20 remittances from the general fund of the state for purposes
21 of the payment of such fees during any month shall be made
22 on the twentieth day of the month or, if such day falls on
23 a weekend or a holiday, the next succeeding business day.
24 Transfers or remittances shall not be made on any other day
25 unless the director determines that extraordinary circumstances
26 exist. A collection agency entering into a contract with the
27 department for the collection of delinquent taxes, penalties,
28 and interests, delinquent accounts, charges, loans, fees, or
29 other indebtedness pursuant to **this subsection** is subject to
30 the requirements and penalties of the confidentiality laws of
31 this state regarding tax or indebtedness information.
32 23. To develop, modify, or contract with vendors to create
33 or administer systems or programs which identify nonfilers of
34 returns or nonpayers of taxes administered by the department
35 and to identify and prevent the issuance of fraudulent or

1 erroneous refunds. Fees for services, reimbursements,
2 costs incurred by the department, or other remuneration
3 may be funded from the amount of tax, penalty, or interest
4 actually collected and shall be paid only after the amount
5 is collected. An amount is appropriated from the amount
6 of tax, penalty, and interest actually collected, not to
7 exceed the amount collected, which is sufficient to pay for
8 services, reimbursement, costs incurred by the department, or
9 other remuneration pursuant to **this subsection**. Transfers or
10 remittances from the general fund of the state for purposes of
11 the payment of such fees or costs during any month shall be
12 made on the twentieth day of the month or, if such day falls
13 on a weekend or a holiday, the next succeeding business day.
14 Transfers or remittances shall not be made on any other day
15 unless the director determines that extraordinary circumstances
16 exist. Vendors entering into a contract with the department
17 pursuant to **this subsection** are subject to the requirements and
18 penalties of the confidentiality laws of this state regarding
19 tax information. The director shall report annually to the
20 legislative services agency and the chairpersons and ranking
21 members of the ways and means committees on the amount of costs
22 incurred and paid during the previous fiscal year pursuant
23 to **this subsection** and the incidence of refund fraud and the
24 costs incurred and amounts prevented from issuance during the
25 previous fiscal year pursuant to **this subsection**.

26 24. To enter into agreements or compacts with remote
27 sellers, retailers, or third-party providers for the voluntary
28 collection of Iowa sales or use taxes attributable to sales
29 into Iowa. The director has the authority to enter into
30 and perform all duties required of the office of director
31 by multistate agreements or compacts that provide for the
32 collection of sales and use taxes, including joint audits
33 with other states or audits on behalf of other states.
34 The agreements or compacts shall generally conform to the
35 provisions of Iowa sales and use tax statutes. All fees for

1 services, reimbursements, remuneration, incentives, and costs
2 incurred by the department associated with these agreements
3 or compacts may be paid or reimbursed from the additional
4 revenue generated. An amount is appropriated from amounts
5 generated to pay or reimburse all costs associated with this
6 subsection. Transfers or remittances from the general fund of
7 the state for purposes of the payment of such fees or costs
8 during any month shall be made on the twentieth day of the
9 month or, if such day falls on a weekend or a holiday, the
10 next succeeding business day. Transfers or remittances shall
11 not be made on any other day unless the director determines
12 that extraordinary circumstances exist. Persons entering into
13 an agreement or compact with the department pursuant to this
14 subsection are subject to the requirements and penalties of the
15 confidentiality laws of this state regarding tax information.
16 Notwithstanding any other provisions of law, the contract,
17 agreement, or compact shall provide for the registration,
18 collection, report, and verification of amounts subject to this
19 subsection.

20 Sec. 6. Section 422.16, subsection 2, Code 2017, is amended
21 by adding the following new paragraph:

22 NEW PARAGRAPH. e. A withholding agent that is a state
23 agency or department and that withholds more than five thousand
24 dollars in a semimonthly period shall deposit such required
25 semimonthly deposit amounts on the tenth day of the month and
26 the twenty-fifth day of the month or, if such day falls on a
27 weekend or a holiday, the next succeeding business day, and
28 shall not deposit semimonthly withholding amounts with the
29 department on any other day unless the director determines that
30 extraordinary circumstances exist.

31 Sec. 7. Section 422.16A, Code 2017, is amended to read as
32 follows:

33 422.16A Job training withholding — certification and
34 transfer.

35 Upon the completion by a business of its repayment

1 obligation for a training project funded under **chapter 260E**,
2 including a job training project funded under **section 15A.8**
3 or repaid in whole or in part by the supplemental new jobs
4 credit from withholding under **section 15A.7** or section 15E.197,
5 Code 2014, the sponsoring community college shall report to
6 the economic development authority the amount of withholding
7 paid by the business to the community college during the
8 final twelve months of withholding payments. The economic
9 development authority shall notify the department of revenue
10 of that amount. The department shall credit to the workforce
11 development fund account established in **section 15.342A**
12 twenty-five percent of that amount each quarter four times per
13 year for a period of ten years. The department shall credit
14 such amounts on October 20, December 20, March 20, and June 20
15 or, if one of those days falls on a weekend or a holiday, on
16 the next succeeding business day. The department shall not
17 credit amounts on any other day unless the director determines
18 that extraordinary circumstances exist. If the amount of
19 withholding from the business or employer is insufficient,
20 the department shall prorate the quarterly amount credited to
21 the workforce development fund account. The maximum amount
22 from all employers which shall be transferred to the workforce
23 development fund account in any year is six million dollars.

24 Sec. 8. Section 422.69, subsection 1, Code 2017, is amended
25 to read as follows:

26 1. All fees, taxes, interest, and penalties imposed under
27 this chapter shall be paid to the department in the form of
28 remittances payable to the state treasurer and the department
29 shall transmit each payment daily to the state treasurer. The
30 department shall transmit withholding amounts considered to
31 be timely paid to the department pursuant to section 422.16
32 no later than one business day following the due date of the
33 withholding amount.

34 Sec. 9. Section 422D.3, unnumbered paragraph 4, Code 2017,
35 is amended to read as follows:

1 The director, in consultation with local officials, shall
2 collect and account for a local income surtax and any interest
3 and penalties. The director shall credit local income surtax
4 receipts and any interest and penalties collected from returns
5 filed on or before November 1 of the calendar year following
6 the tax year for which the local income surtax is imposed to
7 a "local income surtax fund" established in the department of
8 revenue. The director shall credit such amounts during any
9 month on the twentieth day of the month or, if such day falls on
10 a weekend or a holiday, on the next succeeding business day.
11 The director shall not credit amounts on any other day unless
12 the director determines that extraordinary circumstances exist.
13 All local income surtax receipts and any interest and penalties
14 received or refunded from returns filed after November 1 of the
15 calendar year following the tax year for which the local income
16 surtax is imposed shall be deposited in or withdrawn from the
17 state general fund and shall be considered part of the cost of
18 administering the local income surtax.

19 Sec. 10. Section 423.2, subsection 11, Code 2017, is amended
20 by adding the following new paragraph:

21 NEW PARAGRAPH. c. Notwithstanding any other provision of
22 law to the contrary, the department shall transfer amounts
23 during any month from the general fund of the state pursuant
24 to paragraph "b" to the local sales and services tax fund
25 created in section 423B.6, the natural resources and outdoor
26 recreation trust fund created in section 461.31, the secure an
27 advanced vision for education fund created in section 423F.2,
28 the baseball and softball complex sales tax rebate fund created
29 in section 423.4, subsection 10, paragraph "e", the state
30 reinvestment district fund created in section 15J.6, the sales
31 tax increment fund created in section 418.12, and the raceway
32 facility tax rebate fund created in section 423.4, subsection
33 11, paragraph "e", on the twentieth day of the month or, if such
34 day falls on a weekend or a holiday, on the next succeeding
35 business day. The department shall not transfer amounts on any

1 other day unless the director determines that extraordinary
2 circumstances exist.

3 Sec. 11. NEW SECTION. 423.32A Transmittance of sales and
4 use tax revenues.

5 The department shall transmit all fees, taxes, interest,
6 and penalties imposed under this chapter and received by the
7 department for deposit into the general fund of the state
8 pursuant to section 423.2, subsection 11, or section 423.43,
9 subsection 1, daily to the state treasurer for such deposit.
10 The department shall transmit sales and use tax deposit amounts
11 that are timely paid to the department pursuant to sections
12 423.31 and 423.32 and that are to be deposited in the general
13 fund of the state pursuant to section 423.2, subsection 11, or
14 section 423.43, subsection 1, to the state treasurer no later
15 than one business day following the due date of the deposit
16 amount.

17 Sec. 12. Section 423A.6, subsections 2 and 3, Code 2017, are
18 amended to read as follows:

19 2. If a reinvestment district is established under chapter
20 15J, beginning the first day of the calendar quarter beginning
21 on the reinvestment district's commencement date, the director
22 of revenue shall, subject to remittance limitations established
23 by the economic development authority board pursuant to section
24 15J.4, subsection 3, transfer from the general fund of the
25 state to a district account created in the state reinvestment
26 district fund for each reinvestment district established under
27 chapter 15J, the amount of the new state hotel and motel tax
28 revenue, determined in section 15J.5, subsection 2, paragraph
29 "b", in the district. Such transfers shall cease pursuant
30 to section 15J.8. The director shall make such transfers
during any month on the twentieth day of the month or, if such
day falls on a weekend or a holiday, on the next succeeding
business day. The director shall not transfer amounts on any
other day unless the director determines that extraordinary
circumstances exist.

1 3. The director of revenue, in consultation with local
2 officials, shall collect and account for a local hotel and
3 motel tax and shall credit all revenues to the local transient
4 guest tax fund created in section 423A.7. Local authorities
5 shall not require any tax permit not required by the director
6 of revenue. The director shall credit such amounts during any
7 month on the twentieth day of the month or, if such day falls on
8 a weekend or a holiday, on the next succeeding business day.
9 The director shall not credit amounts on any other day unless
10 the director determines that extraordinary circumstances exist.

11 Sec. 13. Section 556.18, subsections 1 and 3, Code 2017, are
12 amended to read as follows:

13 1. Except as provided in subsection 3, all funds received
14 under this chapter, including the proceeds from the sale of
15 abandoned property under section 556.17, shall be deposited
16 quarterly four times per year by the treasurer of state in
17 the general fund of the state on October 20, December 20,
18 March 20, and June 20 or, if one of those days falls on a
19 weekend or a holiday, on the next succeeding business day. The
20 treasurer of state shall not deposit amounts on any other day
21 unless the treasurer of state determines that extraordinary
22 circumstances exist. However, the treasurer of state shall
23 retain in a separate trust fund a sufficient amount from which
24 the treasurer of state shall make prompt payment of claims duly
25 allowed under section 556.20. Before making the deposit, the
26 treasurer of state shall record the name and last known address
27 of each person appearing from the holders' reports to be
28 entitled to the abandoned property and the name and last known
29 address of each insured person or annuitant, and with respect
30 to each policy or contract listed in the report of a life
31 insurance corporation, its number, the name of the corporation,
32 and the amount due. The record shall be available for public
33 inspection at all reasonable business hours.

34 3. The treasurer of state shall annually credit on January
35 20 all moneys received under section 556.4 to the general

fund of the state. If January 20 falls on a weekend or a holiday, the moneys shall be credited on the next succeeding business day. The treasurer of state shall not credit moneys on any other day unless the treasurer of state determines that extraordinary circumstances exist. Moneys credited to the general fund of the state pursuant to this subsection are subject to the requirements of subsections 1 and 2 and section 8.60.

9

EXPLANATION

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

12 This bill relates to state finances, and includes findings.
13 Current law requires certain revenues and other moneys to be
14 deposited in or withdrawn from the general fund of the state
15 (general fund) by certain state agencies, but does not dictate
16 the day on which such deposits or withdrawals are made. The
17 bill provides a day or days on which certain deposits or
18 withdrawals must be made.

19 The bill provides that beer and liquor revenues and
20 vintner's certificate and wine permit revenues required under
21 Code section 123.17 to be transferred by the department of
22 administrative services (DAS) from the beer and liquor control
23 fund to the general fund shall be transferred monthly on the
24 eighth day of the month, or the next succeeding business day if
25 the eighth day falls on a weekend or holiday. Transfers on any
26 other day are prohibited unless the director of DAS determines
27 extraordinary circumstances exist.

28 The bill provides that deposits and credits by the
29 department of revenue (DOR) of school district and emergency
30 medical services income surtax revenues into the school
31 district income surtax fund as required by Code section 298.14
32 and the local income surtax fund as required by Code section
33 422D.3 shall be made on the 20th day of a month, or the next
34 succeeding business day if the 20th day falls on a weekend
35 or holiday. Deposits and credits shall not be made on any

1 other day unless the director of DOR determines extraordinary
2 circumstances exist.

3 Current law in Code section 421.17 allows DOR to contract
4 with third-party vendors for the collection of taxes and other
5 amounts, and from those collections current law provides for
6 several appropriations to DOR of amounts sufficient to pay
7 for the third-party vendor services. The bill provides that
8 transfers or remittances from the general fund for the payment
9 of the services shall be made on the 20th day of the month,
10 or the next succeeding business day if the 20th day falls on
11 a weekend or holiday. Transfers shall not be made on any
12 other day unless the director of DOR determines extraordinary
13 circumstances exist.

14 The bill provides that moneys credited by DOR from the
15 general fund to the workforce development fund account
16 established in Code section 15.342A shall be credited on
17 October 20, December 20, March 20, and June 20, or on the
18 next succeeding business day if one of those days falls on
19 a weekend or holiday. The director of DOR shall not credit
20 amounts on any other day unless the director of DOR determines
21 extraordinary circumstances exist.

22 The bill provides that sales and use tax revenues received
23 by DOR for deposit in the general fund shall be transmitted
24 daily to the treasurer of state for such deposit, and further
25 provides that sales and use tax deposit amounts that are timely
26 paid by taxpayers to DOR shall be transmitted by DOR to the
27 treasurer of state no later than one business day following the
28 due date of the deposit amount.

29 Current law in Code section 423.3(11)(b) provides for
30 several transfers of sales and use tax revenues by DOR from
31 the general fund to various other funds for various purposes,
32 including a local option sales tax fund, the natural resources
33 and outdoor recreation trust fund, the secure an advanced
34 vision for education fund, a baseball and softball complex
35 sales tax rebate fund, a reinvestment district fund, a flood

1 mitigation program fund, and a raceway facility tax rebate
2 fund. The bill provides that these transfers shall be made on
3 the 20th day of the month, or on the next succeeding business
4 day if the 20th day falls on a weekend or holiday. Transfers
5 shall not be made on any other day unless the director of DOR
6 determines extraordinary circumstances exist.

7 Current law in Code section 423A.6 provides for several
8 transfers of hotel and motel tax revenues by DOR from the
9 general fund to various other funds for various purposes,
10 including a reinvestment district fund and a local hotel and
11 motel tax fund. The bill provides that these transfers shall
12 be made on the 20th day of the month, or on the next succeeding
13 business day if the 20th day falls on a weekend or holiday.
14 Transfers shall not be made on any other day unless the
15 director of DOR determines extraordinary circumstances exist.

16 Current law in Code section 556.18 requires the treasurer
17 of state to transfer unclaimed property funds received by the
18 treasurer quarterly to the general fund. The bill requires
19 such transfers to be made four times per year on October 20,
20 December 20, March 20, and June 20, or on the next succeeding
21 business day if one of those dates falls on a weekend or
22 holiday. Transfers shall not be made on any other day unless
23 the treasurer of state determines extraordinary circumstances
24 exist. Current law further provides that certain unclaimed
25 deposits and refunds held by utilities shall be annually
26 credited by the treasurer of state to the general fund. The
27 bill requires such annual credits to be made on January 20,
28 or on the next succeeding business day if January 20 falls
29 on a weekend or holiday. The treasurer of state shall not
30 credit amounts on any other day unless the treasurer of state
31 determines extraordinary circumstances exist.

32 Current law requires employers (withholding agents) to
33 withhold income tax from employees and remit that tax to DOR
34 at varying frequencies depending on the total amount withheld
35 by the employer. The bill requires a withholding agent that

1 is a state agency or department and that withholds more than
2 \$5,000 from employees in a semimonthly period (semimonthly
3 depositor) to deposit such required semimonthly deposit amounts
4 with DOR on the 10th day and 25th day of the month, or on the
5 next succeeding business day if such day falls on a weekend or
6 holiday. Such agencies or departments shall not deposit these
7 withholding amounts on any other day unless the director of DOR
8 determines extraordinary circumstances exist.

9 Furthermore, the bill requires withholding amounts that
10 are timely paid by any withholding agent to be transmitted by
11 DOR to the treasurer of state no later than one business day
12 following the due date of the withholding amount.

13 Finally, Code section 11.4 requires the auditor of state
14 to file written reports following all audits and examinations
15 and requires such reports to include certain information or
16 opinions. The bill adds a requirement that the auditor of
17 state, when auditing or examining DOR or DAS, include in the
18 report the auditor's opinion, after considering the best
19 practices and long-term operations of each department, as to
20 whether the pace at which certain tax refunds were processed
21 and paid during a fiscal year by DOR was appropriate, and as
22 to whether the fiscal year to which such refunds were accrued
23 and attributed by DAS was appropriate, or whether a deviation
24 from the best practices and long-term operations of one or
25 more department exists. If a deviation is found to exist, the
26 auditor shall include the auditor's opinion, if any, as to the
27 reason for the deviation.