

House Study Bill 671 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

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 FOR TAX YEAR 2018

Section 1. EARNED INCOME TAX CREDIT FOR 2018.

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

Sec. 2. ACCOUNTING METHOD AND OTHER MISCELLANEOUS COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any other provision of law to the contrary, amendments to the Internal Revenue Code enacted in Pub. L. No. 115-97, §13102, §13221, §13504, §13541, §13543, §13611, and §13613, apply in calculating federal adjusted gross income or federal taxable income, as applicable, for state tax purposes for purposes of chapter 422 for tax years beginning during the 2018 calendar year to the extent those amendments affect the calculation of federal adjusted gross income or federal taxable income, as applicable, for federal tax purposes for tax years beginning during the 2018 calendar year.

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

Sec. 4. EFFECTIVE DATE. This division of this Act, being

1 deemed of immediate importance, takes effect upon enactment.

2 Sec. 5. RETROACTIVE APPLICABILITY. This division of this
3 Act applies retroactively to January 1, 2018, for tax years
4 beginning on or after that date, but before January 1, 2019.

5 DIVISION II

6 INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2019

7 Sec. 6. Section 422.4, subsection 1, paragraphs b and c,
8 Code 2018, are amended to read as follows:

9 *b. "Cumulative inflation factor"* means the product of the
10 annual inflation factor for the ~~1988~~ 2019 calendar year and
11 all annual inflation factors for subsequent calendar years
12 as determined pursuant to [this subsection](#). The cumulative
13 inflation factor applies to all tax years beginning on or after
14 January 1 of the calendar year for which the latest annual
15 inflation factor has been determined.

16 *c.* The annual inflation factor for the ~~1988~~ 2019 calendar
17 year is one hundred percent.

18 Sec. 7. Section 422.4, subsection 2, paragraph b, Code 2018,
19 is amended to read as follows:

20 *b. "Cumulative standard deduction factor"* means the product
21 of the annual standard deduction factor for the ~~1989~~ calendar
22 year years set forth in section 422.21, subsection 5, paragraph
23 "b", and all annual standard deduction factors for subsequent
24 calendar years as determined pursuant to [this subsection](#).
25 The cumulative standard deduction factor applies to all tax
26 years beginning on or after January 1 of the calendar year for
27 which the latest annual standard deduction factor has been
28 determined.

29 Sec. 8. Section 422.4, Code 2018, is amended by adding the
30 following new subsection:

31 NEW SUBSECTION. 9A. *"Internal Revenue Code"* means the
32 Internal Revenue Code of 1954, prior to the date of its
33 redesignation as the Internal Revenue Code of 1986 by the Tax
34 Reform Act of 1986, or means the Internal Revenue Code of 1986
35 as amended and in effect on January 1, 2018. This definition

1 shall not be construed to include any amendment to the
2 Internal Revenue Code enacted after the date specified in the
3 preceding sentence, including any amendment with retroactive
4 applicability or effectiveness.

5 Sec. 9. Section 422.4, subsection 16, Code 2018, is amended
6 to read as follows:

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

17 a. Add back the personal exemption deduction taken in
18 computing federal taxable income.

19 b. Make the adjustments specified in section 422.7.

20 c. Add back Iowa income tax deducted in computing federal
21 taxable income.

22 d. Subtract federal income taxes as provided in section
23 422.9, if available.

24 e. Add back seventy-five percent of the qualified business
25 income deduction under section 199A of the Internal Revenue
26 Code taken in calculating federal taxable income.

27 Sec. 10. Section 422.5, subsection 1, Code 2018, is amended
28 to read as follows:

29 1. a. A tax is imposed upon every resident and nonresident
30 of the state which tax shall be levied, collected, and paid
31 annually upon and with respect to the entire taxable income
32 as defined in [this division](#) at rates as follows: provided in
33 section 422.5A.

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

1 ~~b. On all taxable income exceeding one thousand dollars but~~
2 ~~not exceeding two thousand dollars, seventy-two hundredths of~~
3 ~~one percent.~~

4 ~~c. On all taxable income exceeding two thousand dollars~~
5 ~~but not exceeding four thousand dollars, two and forty-three~~
6 ~~hundredths percent.~~

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

9 ~~e. On all taxable income exceeding nine thousand dollars~~
10 ~~but not exceeding fifteen thousand dollars, six and twelve~~
11 ~~hundredths percent.~~

12 ~~f. On all taxable income exceeding fifteen thousand dollars~~
13 ~~but not exceeding twenty thousand dollars, six and forty-eight~~
14 ~~hundredths percent.~~

15 ~~g. On all taxable income exceeding twenty thousand dollars~~
16 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~
17 ~~percent.~~

18 ~~h. On all taxable income exceeding thirty thousand dollars~~
19 ~~but not exceeding forty-five thousand dollars, seven and~~
20 ~~ninety-two hundredths percent.~~

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

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

33 (2) (a) The tax imposed upon the taxable income of a
34 resident shareholder in an S corporation or of an estate
35 or trust with a situs in Iowa that is a shareholder in an S

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

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

27 **Sec. 11. NEW SECTION. 422.5A Tax rates — net tax receipts**
28 **calculation — revenue targets.**

29 1. *Tax rate categories.* One of the categories of tax rates
30 in category I, II, III, IV, or V, below apply for each tax year
31 beginning on or after January 1, 2019, as determined pursuant
32 to subsections 2 through 9:

	I	II	III	IV	V
33					
34	a. On all				
35	taxable income				

S.F. _____ H.F. _____

1 from 0 through					
2 \$1,628:	0.32%	0.32%	0.30%	0.30%	0.30%
3 <i>b.</i> On all					
4 taxable income					
5 exceeding \$1,628					
6 but not exceeding					
7 \$3,256:	0.64%	0.64%	0.60%	0.60%	0.60%
8 <i>c.</i> On all					
9 taxable income					
10 exceeding \$3,256					
11 but not exceeding					
12 \$6,512:	2.10%	2.10%	2.00%	2.00%	2.00%
13 <i>d.</i> On all					
14 taxable income					
15 exceeding \$6,512					
16 but not exceeding					
17 \$14,652:	4.05%	4.05%	4.00%	4.00%	4.00%
18 <i>e.</i> On all					
19 taxable income					
20 exceeding \$14,652					
21 but not exceeding					
22 \$24,420:	5.40%	5.40%	5.30%	5.30%	5.20%
23 <i>f.</i> On all					
24 taxable income					
25 exceeding \$24,420					
26 but not exceeding					
27 \$48,840:	5.70%	5.70%	5.60%	5.60%	5.40%
28 <i>g.</i> On all					
29 taxable income					
30 exceeding \$48,840					
31 but not exceeding					
32 \$150,000:	6.70%	6.70%	6.30%	6.30%	6.30%
33 <i>h.</i> On all					
34 taxable income					
35 exceeding					

1 \$150,000: 7.60% 7.40% 7.00% 7.00% 6.90%

2 2. *Net tax receipts calculation.*

3 a. For purposes of this section, "*net tax receipts*" means
4 total tax receipts adjusted by net accruals, less the sum of
5 tax refunds and school infrastructure transfers made on an
6 accrual basis, as computed for purposes of the comprehensive
7 annual financial reports of the state.
8 b. Net tax receipts shall be calculated by the department
9 of revenue, in consultation with the department of management,
10 for each fiscal year of the fiscal period beginning on or
11 after July 1, 2018, but prior to July 1, 2024, in accordance
12 with rules adopted by the director of revenue. The director
13 of revenue shall adopt rules pursuant to chapter 17A for
14 calculating net tax receipts as defined in paragraph "a",
15 including rules defining "*total tax receipts*", "*net accruals*",
16 "*tax refunds*", and "*school infrastructure transfers*" for purposes
17 of the calculation of net tax receipts, including the types
18 and categories of receipts that will be included within each
19 definition and in the calculation of net tax receipts.

20 c. The department of revenue shall submit an annual report
21 to the governor and general assembly by November 1 following
22 the close of each fiscal year of the fiscal period beginning on
23 or after July 1, 2018, but prior to July 1, 2024, which report
24 shall identify the net tax receipts for the fiscal year and
25 the individual income tax rates that will be in effect for tax
26 years beginning on or after January 1 of the following calendar
27 year, and shall include a detailed description of the net tax
28 receipts calculation made by the department of revenue.

29 3. *Tax rates beginning in 2019.* The tax rates in category I
30 provided in subsection 1 shall apply for tax years beginning on
31 or after January 1, 2019.

32 4. *Fiscal year 2019 revenue target.* If one or more of the
33 contingencies in paragraph "a" or "b" of this subsection 4
34 are met for the fiscal year ending June 30, 2019, then this
35 subsection 4 shall apply for tax years beginning on or after

1 January 1, 2020, notwithstanding subsection 3.

2 *a.* If net tax receipts for the fiscal year ending June 30,
3 2019, equal or exceed seven billion one hundred six million
4 five hundred thousand dollars, then the tax rates in category
5 II provided in subsection 1 shall apply for tax years beginning
6 on or after January 1, 2020.

7 *b.* Notwithstanding paragraph "a", if net tax receipts for
8 the fiscal year ending June 30, 2019, equal or exceed seven
9 billion three hundred twenty-three million eight hundred
10 thousand dollars, then the tax rates in category III provided
11 in subsection 1 shall apply for tax years beginning on or after
12 January 1, 2020.

13 5. *Fiscal year 2020 revenue target.* If one or more of the
14 contingencies in paragraphs "a" through "d" of this subsection
15 5 are met for the fiscal year ending June 30, 2020, then this
16 subsection 5 shall apply for tax years beginning on or after
17 January 1, 2021, notwithstanding subsections 3 and 4.

18 *a.* If the tax rates in category I provided in subsection 1
19 applied for tax years beginning on or after January 1, 2020,
20 and if net tax receipts for the fiscal year ending June 30,
21 2020, equal or exceed seven billion three hundred nineteen
22 million seven hundred thousand dollars, then the tax rates in
23 category II provided in subsection 1 shall apply for tax years
24 beginning on or after January 1, 2021.

25 *b.* Notwithstanding paragraph "a", if the tax rates in
26 category I provided in subsection 1 applied for tax years
27 beginning on or after January 1, 2020, and if net tax receipts
28 for the fiscal year ending June 30, 2020, equal or exceed
29 seven billion five hundred forty-three million five hundred
30 thousand dollars, then the tax rates in category III provided
31 in subsection 1 shall apply for tax years beginning on or after
32 January 1, 2021.

33 *c.* If the tax rates in category II provided in subsection 1
34 applied for tax years beginning on or after January 1, 2020,
35 and if net tax receipts for the fiscal year ending June 30,

1 2020, equal or exceed seven billion three hundred twenty-three
2 million eight hundred thousand dollars, then the tax rates in
3 category III provided in subsection 1 shall apply for tax years
4 beginning on or after January 1, 2021.

5 *d.* Notwithstanding paragraphs "a" through "c", if net tax
6 receipts for the fiscal year ending June 30, 2020, equal or
7 exceed seven billion five hundred twenty-five million five
8 hundred thousand dollars, then the tax rates in category IV
9 provided in subsection 1 shall apply for tax years beginning on
10 or after January 1, 2021.

11 *6. Fiscal year 2021 revenue target.* If one or more of the
12 contingencies in paragraphs "a" through "e" of this subsection
13 are met for the fiscal year ending June 30, 2021, then this
14 subsection 6 shall apply for tax years beginning on or after
15 January 1, 2022, notwithstanding subsections 3, 4, and 5.

16 *a.* If the tax rates in category I provided in subsection 1
17 applied for tax years beginning on or after January 1, 2021,
18 and the net tax receipts for the fiscal year ending June 30,
19 2021, equal or exceed seven billion five hundred thirty-nine
20 million three hundred thousand dollars, the tax rates in
21 category II provided in subsection 1 shall apply for tax years
22 beginning on or after January 1, 2022.

23 *b.* Notwithstanding paragraph "a", if the tax rates in
24 category I or II provided in subsection 1 applied for tax years
25 beginning on or after January 1, 2021, and the net tax receipts
26 for the fiscal year ending June 30, 2021, equal or exceed seven
27 billion five hundred forty-three million five hundred thousand
28 dollars, the tax rates in category III provided in subsection
29 1 shall apply for tax years beginning on or after January 1,
30 2022.

31 *c.* Notwithstanding paragraphs "a" and "b", if the tax rates
32 in category I or II provided in subsection 1 applied for tax
33 years beginning on or after January 1, 2021, and the net tax
34 receipts for the fiscal year ending June 30, 2021, equal or
35 exceed seven billion seven hundred fifty-one million three

1 hundred thousand dollars, the tax rates in category IV provided
2 in subsection 1 shall apply for tax years beginning on or after
3 January 1, 2022.

4 *d.* If the tax rates in category III provided in subsection
5 1 applied for tax years beginning on or after January 1, 2021,
6 and the net tax receipts for the fiscal year ending June 30,
7 2021, equal or exceed seven billion five hundred twenty-five
8 million five hundred thousand dollars, the tax rates in
9 category IV provided in subsection 1 shall apply for tax years
10 beginning on or after January 1, 2022.

11 *e.* Notwithstanding paragraphs "a" through "d", if the net
12 tax receipts for the fiscal year ending June 30, 2021, equal
13 or exceed seven billion seven hundred sixty-five million four
14 hundred thousand dollars, the tax rates in category V provided
15 in subsection 1 shall apply for tax years beginning on or after
16 January 1, 2022.

17 *7. Fiscal year 2022 revenue target.* If one or more of the
18 contingencies in paragraphs "a" through "e" of this subsection
19 are met for the fiscal year ending June 30, 2022, then this
20 subsection 7 shall apply for tax years beginning on or after
21 January 1, 2023, notwithstanding subsections 3, 4, 5, and 6.

22 *a.* If the tax rates in category I provided in subsection 1
23 applied for tax years beginning on or after January 1, 2022,
24 and the net tax receipts for the fiscal year ending June 30,
25 2022, equal or exceed seven billion seven hundred sixty-five
26 million five hundred thousand dollars, the tax rates in
27 category II provided in subsection 1 shall apply for tax years
28 beginning on or after January 1, 2023.

29 *b.* Notwithstanding paragraph "a", if the tax rates in
30 category I or II provided in subsection 1 applied for tax years
31 beginning on or after January 1, 2022, and the net tax receipts
32 for the fiscal year ending June 30, 2022, equal or exceed seven
33 billion seven hundred sixty-nine million eight hundred thousand
34 dollars, the tax rates in category III provided in subsection
35 1 shall apply for tax years beginning on or after January 1,

1 2023.

2 c. Notwithstanding paragraphs "a" and "b", if the tax rates
3 in category I, II, or III provided in subsection 1 applied for
4 tax years beginning on or after January 1, 2022, and the net
5 tax receipts for the fiscal year ending June 30, 2022, equal
6 or exceed seven billion seven hundred fifty-one million three
7 hundred thousand dollars, the tax rates in category IV provided
8 in subsection 1 shall apply for tax years beginning on or after
9 January 1, 2023.

10 d. Notwithstanding paragraphs "a" through "c", if the
11 tax rates in category I, II, or III provided in subsection 1
12 applied for tax years beginning on or after January 1, 2022,
13 and the net tax receipts for the fiscal year ending June 30,
14 2022, equal or exceed seven billion nine hundred ninety-eight
15 million four hundred thousand dollars, the tax rates in
16 category V provided in subsection 1 shall apply for tax years
17 beginning on or after January 1, 2023.

18 e. If the tax rates in category IV provided in subsection 1
19 applied for tax years beginning on or after January 1, 2022,
20 and the net tax receipts for the fiscal year ending June 30,
21 2022, equal or exceed seven billion seven hundred sixty-five
22 million four hundred thousand dollars, the tax rates in
23 category V provided in subsection 1 shall apply for tax years
24 beginning on or after January 1, 2023.

25 8. *Fiscal year 2023 revenue target.* If one or more of the
26 contingencies in paragraphs "a" through "d" of this subsection
27 are met for the fiscal year ending June 30, 2023, then this
28 subsection 8 shall apply for tax years beginning on or after
29 January 1, 2024, notwithstanding subsections 3, 4, 5, 6, and 7.

30 a. If the tax rates in category I provided in subsection 1
31 applied for tax years beginning on or after January 1, 2023,
32 and the net tax receipts for the fiscal year ending June 30,
33 2023, equal or exceed seven billion nine hundred ninety-eight
34 million five hundred thousand dollars, the tax rates in
35 category II provided in subsection 1 shall apply for tax years

1 beginning on or after January 1, 2024.

2 *b.* Notwithstanding paragraph "a", if the tax rates in
3 category I or II provided in subsection 1 applied for tax years
4 beginning on or after January 1, 2023, and the net tax receipts
5 for the fiscal year ending June 30, 2023, equal or exceed eight
6 billion two million nine hundred thousand dollars, the tax
7 rates in category III provided in subsection 1 shall apply for
8 tax years beginning on or after January 1, 2024.

9 *c.* Notwithstanding paragraphs "a" and "b", if the tax rates
10 in category I, II, or III provided in subsection 1 applied for
11 tax years beginning on or after January 1, 2023, and the net
12 tax receipts for the fiscal year ending June 30, 2023, equal or
13 exceed seven billion nine hundred eighty-three million eight
14 hundred thousand dollars, the tax rates in category IV provided
15 in subsection 1 shall apply for tax years beginning on or after
16 January 1, 2024.

17 *d.* Notwithstanding paragraphs "a" through "c", if the tax
18 rates in category I, II, III, or IV provided in subsection 1
19 applied for tax years beginning on or after January 1, 2023,
20 and the net tax receipts for the fiscal year ending June 30,
21 2023, equal or exceed seven billion nine hundred ninety-eight
22 million four hundred thousand dollars, the tax rates in
23 category V provided in subsection 1 shall apply for tax years
24 beginning on or after January 1, 2024.

25 *9. Fiscal year 2024 revenue target.* If one or more of the
26 contingencies in paragraphs "a" through "d" of this subsection
27 are met for the fiscal year ending June 30, 2024, then this
28 subsection 9 shall apply for tax years beginning on or after
29 January 1, 2025, notwithstanding subsections 3, 4, 5, 6, 7, and
30 8.

31 *a.* If the tax rates in category I provided in subsection 1
32 applied for tax years beginning on or after January 1, 2024,
33 and the net tax receipts for the fiscal year ending June 30,
34 2024, equal or exceed eight billion two hundred thirty-eight
35 million five hundred thousand dollars, the tax rates in

1 category II provided in subsection 1 shall apply for tax years
2 beginning on or after January 1, 2025.

3 *b.* Notwithstanding paragraph "a", if the tax rates in
4 category I or II provided in subsection 1 applied for tax years
5 beginning on or after January 1, 2024, and the net tax receipts
6 for the fiscal year ending June 30, 2024, equal or exceed eight
7 billion two hundred forty-three million dollars, the tax rates
8 in category III provided in subsection 1 shall apply for tax
9 years beginning on or after January 1, 2025.

10 *c.* Notwithstanding paragraphs "a" and "b", if the tax rates
11 in category I, II, or III provided in subsection 1 applied for
12 tax years beginning on or after January 1, 2024, and the net
13 tax receipts for the fiscal year ending June 30, 2024, equal
14 or exceed eight billion two hundred twenty-three million three
15 hundred thousand dollars, the tax rates in category IV provided
16 in subsection 1 shall apply for tax years beginning on or after
17 January 1, 2025.

18 *d.* Notwithstanding paragraphs "a" through "c", if the tax
19 rates in category I, II, III, or IV provided in subsection 1
20 applied for tax years beginning on or after January 1, 2024,
21 and the net tax receipts for the fiscal year ending June 30,
22 2024, equal or exceed eight billion two hundred thirty-eight
23 million four hundred thousand dollars, the tax rates in
24 category V provided in subsection 1 shall apply for tax years
25 beginning on or after January 1, 2025.

26 Sec. 12. Section 422.5, subsection 2, Code 2018, is amended
27 by striking the subsection.

28 Sec. 13. Section 422.5, subsection 3, paragraph b, Code
29 2018, is amended to read as follows:

30 *b.* In lieu of the computation in [subsection 1 ~~or~~ 2](#), or in
31 paragraph "a" of [this subsection](#), if the married persons',
32 filing jointly or filing separately on a combined return,
33 head of household's, or surviving spouse's net income exceeds
34 thirteen thousand five hundred dollars, the regular tax imposed
35 under [this division](#) shall be the lesser of the maximum state

1 individual income tax rate for the tax year times the portion
2 of the net income in excess of thirteen thousand five hundred
3 dollars or the regular tax liability computed without regard
4 to this sentence. Taxpayers electing to file separately shall
5 compute the alternate tax described in this paragraph using the
6 total net income of the husband and wife. The alternate tax
7 described in this paragraph does not apply if one spouse elects
8 to carry back or carry forward the loss as provided in section
9 422.9, subsection 3.

10 Sec. 14. Section 422.5, subsection 3B, paragraph b, Code
11 2018, is amended to read as follows:

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

26 Sec. 15. Section 422.5, subsection 6, Code 2018, is amended
27 to read as follows:

28 6. Upon determination of the latest cumulative inflation
29 factor, the director shall multiply each dollar amount set
30 forth in subsection 1, paragraphs "a" through "i" section
31 422.5A, subsection 1, by this cumulative inflation factor,
32 shall round off the resulting product to the nearest one
33 dollar, and shall incorporate the result into the income tax
34 forms and instructions for each tax year beginning on or after
35 January 1, 2019.

1 Sec. 16. Section 422.7, subsection 39A, unnumbered
2 paragraph 1, Code 2018, is amended to read as follows:

3 The additional first-year depreciation allowance authorized
4 in section 168(k) of the Internal Revenue Code, as enacted by
5 Pub. L. No. 110-185, §103, Pub. L. No. 111-5, §1201, Pub. L.
6 No. 111-240, §2022, Pub. L. No. 111-312, §401, Pub. L. No.
7 112-240, §331, and Pub. L. No. 113-295, §125, Pub. L. No.
8 114-113, division Q, §143, and Pub. L. No. 115-97, §13201, does
9 not apply in computing net income for state tax purposes. If
10 the taxpayer has taken the additional first-year depreciation
11 allowance for purposes of computing federal adjusted gross
12 income, then the taxpayer shall make the following adjustments
13 to federal adjusted gross income when computing net income for
14 state tax purposes:

15 Sec. 17. Section 422.7, Code 2018, is amended by adding the
16 following new subsections:

17 NEW SUBSECTION. 51. *a.* The increased expensing allowance
18 under section 179 of the Internal Revenue Code applies in
19 computing net income for state tax purposes for tax years
20 beginning on or after January 1, 2019, subject to the
21 limitations in this subsection.

22 *b.* If the taxpayer has taken the increased expensing
23 allowance under section 179 of the Internal Revenue Code for
24 purposes of computing federal adjusted gross income for tax
25 years beginning on or after January 1, 2019, then the taxpayer
26 shall make the following adjustments to federal adjusted gross
27 income when computing net income for state tax purposes for the
28 same tax year:

29 (1) Add the total amount of expense deduction taken on
30 section 179 property allowable for federal tax purposes under
31 section 179 of the Internal Revenue Code.

32 (2) Subtract the amount of expense deduction on section
33 179 property allowable for federal tax purposes under section
34 179 of the Internal Revenue Code, not to exceed one hundred
35 thousand dollars. The subtraction in this subparagraph shall

1 be reduced, but not below zero, by the amount by which the
2 total cost of section 179 property placed in service by the
3 taxpayer during the tax year exceeds four hundred thousand
4 dollars.

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

7 c. The director shall adopt rules pursuant to chapter 17A
8 to administer this subsection.

9 NEW SUBSECTION. 52. a. For tax years beginning on or
10 after January 1, 2019, a taxpayer may elect to take advantage
11 of this subsection if the taxpayer's total expensing allowance
12 deduction for federal tax purposes under section 179 of the
13 Internal Revenue Code that is allocated to the taxpayer from
14 one or more partnerships, S corporations, or limited liability
15 companies electing to have the income taxed directly to the
16 individual exceeds one hundred thousand dollars and would,
17 except as provided in this subsection, be limited for purposes
18 of computing net income for state tax purposes pursuant to
19 subsection 51.

20 b. A taxpayer who elects to take advantage of this
21 subsection shall make the following adjustments to federal
22 adjusted gross income when computing net income for state tax
23 purposes:

24 (1) Add the total amount of section 179 expense
25 deduction allocated to the taxpayer from all partnerships, S
26 corporations, or limited liability companies electing to have
27 the income taxed directly to the individual, to the extent the
28 allocated amount was allowed as a deduction to the taxpayer for
29 federal tax purposes for the tax year.

30 (2) From the amount added in subparagraph (1), subtract
31 the first one hundred thousand dollars of expensing allowance
32 deduction on section 179 property.

33 (3) The remaining amount, equal to the difference between
34 the amount added in subparagraph (1), and the amount subtracted
35 in subparagraph (2), may be deducted by the taxpayer but such

1 deduction shall be amortized equally over five tax years
2 beginning in the following tax year.

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

5 *c.* A taxpayer who elects to take advantage of this
6 subsection shall not take the increased expensing allowance
7 under section 179 of the Internal Revenue Code for any section
8 179 property placed in service by the taxpayer in computing
9 adjusted gross income for state tax purposes. If the taxpayer
10 has taken any such deduction for purposes of computing federal
11 adjusted gross income, the taxpayer shall make the following
12 adjustments to federal adjusted gross income when computing net
13 income for state tax purposes:

14 (1) Add the total amount of expense deduction for federal
15 tax purposes taken on section 179 property placed in service by
16 the taxpayer under section 179 of the Internal Revenue Code.

17 (2) Subtract the amount of depreciation allowable on such
18 property under the modified accelerated cost recovery system
19 described in section 168 of the Internal Revenue Code, without
20 regard to section 168(k) of the Internal Revenue Code. The
21 taxpayer shall continue to take depreciation on the applicable
22 property in future tax years to the extent allowed under the
23 modified accelerated cost recovery system described in section
24 168 of the Internal Revenue Code, without regard to section
25 168(k) of the Internal Revenue Code.

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

28 *d.* The election made under this subsection is for one tax
29 year and the taxpayer may elect or not elect to take advantage
30 of this subsection in any subsequent tax year. However, not
31 electing to take advantage of this subsection in a subsequent
32 tax year shall not affect the taxpayer's ability to claim the
33 tax deduction under paragraph "b", subparagraph (3), that
34 originated from a previous tax year.

35 *e.* The director shall adopt rules pursuant to chapter 17A

1 to administer this subsection.

2 Sec. 18. Section 422.8, subsection 2, paragraph a, Code
3 2018, is amended to read as follows:

4 a. Nonresident's net income allocated to Iowa is the net
5 income, or portion of net income, which is derived from a
6 business, trade, profession, or occupation carried on within
7 this state or income from any property, trust, estate, or
8 other source within Iowa. However, income derived from a
9 business, trade, profession, or occupation carried on within
10 this state and income from any property, trust, estate, or
11 other source within Iowa shall not include distributions from
12 pensions, including defined benefit or defined contribution
13 plans, annuities, individual retirement accounts, and deferred
14 compensation plans or any earnings attributable thereto so long
15 as the distribution is directly related to an individual's
16 documented retirement and received while the individual is a
17 nonresident of this state. If a business, trade, profession,
18 or occupation is carried on partly within and partly without
19 the state, only the portion of the net income which is fairly
20 and equitably attributable to that part of the business,
21 trade, profession, or occupation carried on within the state
22 is allocated to Iowa for purposes of section 422.5, subsection
23 1, paragraph "j" "b", and [section 422.13](#) and income from any
24 property, trust, estate, or other source partly within and
25 partly without the state is allocated to Iowa in the same
26 manner, except that annuities, interest on bank deposits and
27 interest-bearing obligations, and dividends are allocated
28 to Iowa only to the extent to which they are derived from a
29 business, trade, profession, or occupation carried on within
30 the state. Net income described in section 29C.24, subsection
31 3, paragraph "a", subparagraph (3), and paragraph "b",
32 subparagraph (2), shall not be allocated and apportioned to the
33 state, as provided in [section 29C.24](#).

34 Sec. 19. Section 422.8, subsection 4, Code 2018, is amended
35 by striking the subsection.

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

3 1. In computing taxable income of individuals, there
4 shall be deducted from net income the larger of the ~~following~~
5 amounts: computed under subsection 1A or 2, plus the amount
6 computed under subsection 2A.

7 Sec. 21. Section 422.9, subsection 1, Code 2018, is amended
8 by striking the subsection.

9 Sec. 22. Section 422.9, Code 2018, is amended by adding the
10 following new subsections:

11 NEW SUBSECTION. 1A. a. An optional standard deduction
12 equal to the sum of the amount in subparagraph (1) or (2), plus
13 the amounts in subparagraphs (3) and (4) as applicable:

14 (1) For a married person who files separately or a single
15 person, four thousand dollars.

16 (2) For a married couple who file a joint return, a
17 surviving spouse, or a head of household, eight thousand
18 dollars.

19 (3) If an individual described in subparagraph (1) or (2) is
20 at least sixty-five years old on December 31 of the tax year,
21 an additional amount equal to one of the following:

22 (a) For each tax year beginning on or after January 1, 2019,
23 but before January 1 of the first tax year for which the tax
24 rates in tax category III, IV, or V, as provided in section
25 422.5A, subsection 1, take effect, if at all, one thousand five
26 hundred dollars per individual who is at least sixty-five on
27 December 31 of the tax year.

28 (b) For each tax year beginning on or after January 1 of the
29 first tax year for which the tax rates in tax category III, IV,
30 or V, as provided in section 422.5A, subsection 1, take effect,
31 if at all, two thousand seventy dollars per individual who is
32 at least sixty-five on December 31 of the tax year.

33 (4) If an individual described in subparagraph (1) or (2)
34 is blind on December 31 of the tax year as described in section
35 422.12, subsection 2, paragraph "a", subparagraph (5), an

1 additional amount equal to one of the following:

2 (a) For each tax year beginning on or after January 1, 2019,
3 but before January 1 of the first tax year for which the tax
4 rates in tax category III, IV, or V, as provided in section
5 422.5A, subsection 1, take effect, if at all, one thousand five
6 hundred dollars per individual who is blind on December 31 of
7 the tax year.

8 (b) For each tax year beginning on or after January 1 of the
9 first tax year for which the tax rates in tax category III, IV,
10 or V, as provided in section 422.5A, subsection 1, take effect,
11 if at all, two thousand seventy dollars per individual who is
12 blind on December 31 of the tax year.

13 b. The optional standard deduction in this subsection
14 shall be applied after the deduction for federal income tax as
15 provided in subsection 2, paragraph "b", and shall not exceed
16 the amount remaining after deduction of the federal income tax.
17 This paragraph is repealed January 1, 2022.

18 NEW SUBSECTION. 2A. a. Twenty-five percent of the amount
19 deductible by the taxpayer for federal income tax purposes
20 under section 199A of the Internal Revenue Code.

21 b. Notwithstanding paragraph "a", and section 422.4,
22 subsection 16, paragraph "e", for an entity electing or required
23 to file a composite return under section 422.13, subsection 5,
24 the deduction allowed under this subsection for purposes of
25 the composite return shall be an amount equal to twenty-five
26 percent of the deduction that would be allowable for federal
27 income tax purposes under section 199A of the Internal Revenue
28 Code by an individual taxpayer reporting the same items of
29 income and loss that are included in the composite return.

30 Sec. 23. Section 422.9, subsection 2, paragraphs b, h, and
31 i, Code 2018, are amended to read as follows:

32 b. (1) Add Subject to the limitations in subparagraphs
33 (2) and (3), add the amount of federal income taxes paid or
34 accrued, as the case may be, during the tax year and subtract
35 any federal income tax refunds received during the tax year.

1 (2) Where married persons, who have filed a joint federal
2 income tax return, file separately, such total shall be divided
3 between them according to the portion of the total paid or
4 accrued, as the case may be, by each. Federal income taxes
5 paid for a tax year in which an Iowa return was not required
6 to be filed shall not be added and federal income tax refunds
7 received from a tax year in which an Iowa return was not
8 required to be filed shall not be subtracted.

9 (3) For tax years beginning on or after January 1, 2019,
10 the deduction of federal income tax is limited and shall be
11 calculated as follows:

12 (a) For tax years beginning in the 2019 calendar year,
13 add an amount equal to the sum of the federal income tax paid
14 during the tax year to the extent payment is for a tax year
15 beginning prior to January 1, 2019, and twenty-five percent of
16 the federal income tax paid during the tax year to the extent
17 payment is for a tax year beginning in the 2019 calendar year,
18 and subtract any federal income tax refunds received during the
19 tax year.

20 (b) For each tax year beginning on or after January 1,
21 2020, add an amount equal to the sum of twenty-five percent
22 of the federal income tax paid during the tax year to the
23 extent payment is for a tax year during which the tax rates in
24 tax category I as provided in section 422.5A, subsection 1,
25 applied, and fifteen percent of the federal income tax paid
26 during the tax year to the extent payment is for a tax year
27 during which the tax rates in tax category II as provided in
28 section 422.5A, subsection 1, applied, and subtract any federal
29 income tax refunds received during the tax year to the extent
30 the federal income tax was deducted for a prior tax year.

31 (c) Federal income tax paid during a tax year shall not be
32 deducted if the payment is for a tax year during which the tax
33 rates in category III, IV, or V, as provided in section 422.5A,
34 subsection 1, applied.

35 h. For purposes of calculating the deductions in this

1 subsection that are authorized under the Internal Revenue Code,
2 and to the extent that any of such deductions is determined by
3 an individual's federal adjusted gross income, the individual's
4 federal adjusted gross income is computed in accordance with
5 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

6 *i.* The deduction for state sales and use taxes is allowable
7 only if the taxpayer elected to deduct the state sales and use
8 taxes in lieu of state income taxes under section 164 of the
9 Internal Revenue Code. A deduction for state sales and use
10 taxes is not allowed if the taxpayer has taken the deduction
11 for state income taxes or claimed the standard deduction under
12 section 63 of the Internal Revenue Code. This paragraph
13 applies to taxable years beginning after ~~December 31, 2003,~~ and
14 ~~before January 1, 2008,~~ and to taxable years beginning after
15 ~~December 31, 2009,~~ and before January 1, 2015 December 31,
16 2018.

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

19 NEW PARAGRAPH. 1. The limitation on the deduction of
20 certain taxes in section 164(b)(6) of the Internal Revenue
21 Code does not apply in computing taxable income for state tax
22 purposes. A taxpayer is allowed to deduct taxes in computing
23 taxable income as otherwise provided in this subsection without
24 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,
25 §11042.

26 Sec. 25. Section 422.9, subsection 3, paragraph d, Code
27 2018, is amended to read as follows:

28 *d.* Notwithstanding paragraph "a", for a taxpayer who is
29 engaged in the trade or business of farming as defined in
30 section 263A(e)(4) of the Internal Revenue Code and has a loss
31 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of
32 the Internal Revenue Code including modifications prescribed by
33 rule by the director, the Iowa loss from the trade or business
34 of farming is a net operating loss which may be carried back
35 five taxable years prior to the taxable year of the loss.

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

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

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

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

12 **422.11B Minimum tax credit.**

13 1. *a.* ~~There~~ For tax years beginning before January 1, 2020,
14 there is allowed as a credit against the tax determined in
15 section 422.5, subsection 1, ~~paragraphs "a" through "j"~~ for a
16 tax year an amount equal to the minimum tax credit for that tax
17 year.

18 *b.* The minimum tax credit for a tax year is the excess, if
19 any, of the net minimum tax imposed for all prior tax years
20 beginning on or after January 1, 1987, but before January 1,
21 2019, over the amount allowable as a credit under [this section](#)
22 for those prior tax years.

23 2. *a.* The allowable credit under [subsection 1](#) for a
24 tax year beginning before January 1, 2019, shall not exceed
25 the excess, if any, of the tax determined in section 422.5,
26 subsection 1, ~~paragraphs "a" through "j"~~ over the state
27 alternative minimum tax as determined in section 422.5,
28 subsection 2, Code 2018. The allowable credit under subsection
29 1 for a tax year beginning in the 2019 calendar year shall not
30 exceed the tax determined under section 422.5, subsection 1.

31 *b.* The net minimum tax for a tax year is the excess, if
32 any, of the tax determined in [section 422.5, subsection 2,](#)
33 Code 2018, for the tax year over the tax determined in section
34 422.5, subsection 1, ~~paragraphs "a" through "j"~~ for the tax
35 year.

1 3. This section is repealed January 1, 2020, for tax years
2 beginning on or after January 1, 2020.

3 Sec. 29. Section 422.13, subsection 1, paragraph c, Code
4 2018, is amended by striking the paragraph.

5 Sec. 30. Section 422.21, subsection 5, Code 2018, is amended
6 to read as follows:

7 5. a. The director shall determine for the ~~1989~~ 2019
8 and each subsequent calendar year the annual and cumulative
9 inflation factors for each calendar year to be applied to tax
10 years beginning on or after January 1 of that calendar year.
11 The director shall compute the new dollar amounts as specified
12 to be adjusted in section 422.5 by the latest cumulative
13 inflation factor and round off the result to the nearest one
14 dollar. The annual and cumulative inflation factors determined
15 by the director are not rules as defined in section 17A.2,
16 subsection 11.

17 b. The director shall determine for the ~~1990~~ 2020 calendar
18 year and each subsequent calendar year the annual and
19 cumulative standard deduction factors to be applied to tax
20 years beginning on or after January 1 of that calendar year for
21 purposes of the standard deduction amounts in section 422.9,
22 subsection 1A, paragraph "a", subparagraphs (1) and (2), and
23 subparagraph (3), subparagraph division (a), and subparagraph
24 (4), subparagraph division (a). The director shall determine
25 for the calendar following the first calendar year for which
26 the tax rates in tax category III, IV, or V, as provided in
27 section 422.5A, subsection 1, take effect, if at all, and
28 for each subsequent calendar year, the annual and cumulative
29 standard deduction factors to be applied to tax years beginning
30 on or after January 1 of that calendar year for purposes of the
31 standard deduction amounts in section 422.9, subsection 1A,
32 paragraph "a", subparagraph (3), subparagraph division (b),
33 and subparagraph (4), subparagraph division (b). The director
34 shall compute the new dollar amounts of the standard deductions
35 specified in section 422.9, subsection 1, by the applicable

1 latest cumulative standard deduction factor and round off the
2 result to the nearest ten dollars. The annual and cumulative
3 standard deduction factors determined by the director are not
4 rules as defined in [section 17A.2, subsection 11](#).

5 Sec. 31. EFFECTIVE DATE. This division of this Act takes
6 effect January 1, 2019.

7 Sec. 32. APPLICABILITY. This division of this Act applies
8 to tax years beginning on or after January 1, 2019.

9 DIVISION III

10 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE
11 SAVINGS PLAN TRUST

12 Sec. 33. Section 12D.1, Code 2018, is amended to read as
13 follows:

14 **12D.1 Purpose and definitions.**

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

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

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

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

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

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

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

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

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

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

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

35 ~~*j.*~~ *i.* "Participation agreement" means an agreement between

1 a participant and the trust entered into under [this chapter](#).

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

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

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

15 ~~l. m.~~ m. "~~Tuition and fees~~" "Tuition" means the quarter, or
16 semester, or annual charges imposed to attend an institution
17 of higher education [a qualified educational institution](#) and
18 required as a condition of enrollment or attendance.

19 Sec. 34. Section 12D.2, subsections 2, 5, 9, and 14, Code
20 2018, are amended to read as follows:

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

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

31 9. Make payments to ~~institutions of higher education~~
32 [qualified educational institutions](#), participants, or
33 beneficiaries, pursuant to participation agreements on behalf
34 of beneficiaries.

35 14. Establish, impose, and collect administrative fees

1 and charges in connection with transactions of the trust, and
2 provide for reasonable service charges, ~~including penalties for~~
3 ~~cancellations and late payments with respect to participation~~
4 ~~agreements.~~

5 Sec. 35. Section 12D.3, subsections 1 and 2, Code 2018, are
6 amended to read as follows:

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

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

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

30 a. Be admitted to an ~~institution of higher education~~ a
31 qualified educational institution.

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

35 c. Be allowed to continue attendance at the ~~institution of~~

1 ~~higher education~~ qualified educational institution following
2 admission.

3 *d.* Graduate from the ~~institution of higher education~~
4 qualified educational institution.

5 Sec. 36. Section 12D.3, Code 2018, is amended by adding the
6 following new subsection:

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

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

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

22 Sec. 37. Section 12D.4, Code 2018, is amended to read as
23 follows:

24 **12D.4 Program and administrative funds — investment and**
25 **payments.**

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

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

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

34 *d.* A participant or beneficiary ~~shall not provide investment~~
35 ~~direction regarding program contributions or earnings held by~~

1 ~~the trust~~ may, directly or indirectly, direct the investment of
2 any contributions to the trust or any earnings thereon no more
3 than two times in a calendar year.

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

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

16 Sec. 38. Section 12D.6, subsection 1, paragraph a, Code
17 2018, is amended to read as follows:

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

22 Sec. 39. Section 12D.6, subsections 2, 3, and 5, Code 2018,
23 are amended to read as follows:

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

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

33 5. A participant may transfer ownership rights to another
34 ~~eligible individual, including a gift of the ownership rights~~
35 ~~to a minor beneficiary~~ participant, or may transfer funds to

1 another plan under the trust or to an ABLÉ account as permitted
2 under section 529(c)(3)(C) of the Internal Revenue Code.

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

6 Sec. 40. Section 12D.7, Code 2018, is amended to read as
7 follows:

8 **12D.7 Effect of payments on determination of need and**
9 **eligibility for student financial aid.**

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

18 Sec. 41. Section 12D.9, subsection 1, paragraph a, Code
19 2018, is amended to read as follows:

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

25 Sec. 42. Section 422.7, subsection 32, paragraph c, Code
26 2018, is amended by striking the paragraph and inserting in
27 lieu thereof the following:

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

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

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

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

6 (2) For purposes of this paragraph:

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

11 (b) "*Institution of higher education*" and "*tuition*" all mean
12 the same as defined in section 12D.1, subsection 2.

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

15 (ii) For purposes of this subparagraph division (c),
16 "*Internal Revenue Code*" means the Internal Revenue Code of
17 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, 2018. This definition shall not be construed to
21 include any amendment to the Internal Revenue Code enacted
22 after the date specified in the preceding sentence, including
23 any amendment with retroactive applicability or effectiveness.

24 Sec. 43. Section 422.7, subsection 34, Code 2018, is amended
25 to read as follows:

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

34 (2) This paragraph "a" shall not apply to any amount
35 of contribution that represents a transfer from the Iowa

1 educational savings plan trust created in chapter 12D that
2 meets the requirements of subsection 32, paragraph "c",
3 subparagraph (1), subparagraph division (c), and that was
4 previously deducted as a contribution to the Iowa educational
5 savings plan trust.

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

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

28 Sec. 44. Section 627.6, Code 2018, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 17. The debtor's interest, whether as
31 participant or beneficiary, in contributions and assets,
32 including the accumulated earnings and market increases in
33 value, held in an account in the Iowa educational savings plan
34 trust organized under chapter 12D.

35 Sec. 45. EFFECTIVE DATE. This division of this Act, being

1 deemed of immediate importance, takes effect upon enactment.

2 Sec. 46. RETROACTIVE APPLICABILITY.

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

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

12 DIVISION IV

13 SALES AND USE TAXES

14 Sec. 47. Section 15J.4, subsection 3, paragraph f, Code
15 2018, is amended to read as follows:

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

24 Sec. 48. Section 15J.5, subsection 1, paragraph a, Code
25 2018, is amended to read as follows:

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

33 Sec. 49. Section 15J.6, subsection 1, Code 2018, is amended
34 to read as follows:

35 1. A state reinvestment district fund is established in the

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

10 Sec. 50. Section 418.11, subsection 1, Code 2018, is amended
11 to read as follows:

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

18 Sec. 51. Section 418.12, subsection 1, Code 2018, is amended
19 to read as follows:

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

31 Sec. 52. Section 421.26, Code 2018, is amended to read as
32 follows:

33 **421.26 Personal liability for tax due.**

34 If a licensee or other person under section 452A.65, a
35 retailer or purchaser under chapter 423A, 423B, or 423E, or

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

18 Sec. 53. Section 423.1, Code 2018, is amended by adding the
19 following new subsection:

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

31 Sec. 54. Section 423.1, subsection 24, paragraph a, Code
32 2018, is amended to read as follows:

33 *a. "Lease or rental"* means any transfer of possession
34 or control of, or access to, tangible personal property or
35 specified digital products for a fixed or indeterminate term

1 for consideration. A "lease or rental" may include future
2 options to purchase or extend.

3 Sec. 55. Section 423.1, subsection 37, Code 2018, is amended
4 to read as follows:

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

17 Sec. 56. Section 423.1, Code 2018, is amended by adding the
18 following new subsection:

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

22 Sec. 57. Section 423.1, subsection 43, paragraph a,
23 subparagraph (3), Code 2018, is amended to read as follows:

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

26 Sec. 58. Section 423.1, subsection 47, Code 2018, is amended
27 to read as follows:

28 47. "Retailer" means and includes every person engaged
29 in the business of selling tangible personal property,
30 specified digital products, or taxable services at retail, or
31 the furnishing of gas, electricity, water, or communication
32 service, and tickets or admissions to places of amusement
33 and athletic events or operating amusement devices or other
34 forms of commercial amusement from which revenues are derived.
35 However, when in the opinion of the director it is necessary

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

15 Sec. 59. Section 423.1, subsection 48, paragraph a, Code
16 2018, is amended to read as follows:

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

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

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

30 Sec. 60. Section 423.1, subsection 48, paragraph b,
31 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended
32 to read as follows:

33 A retailer shall be presumed to be maintaining a place of
34 business in this state, ~~as defined in~~ for purposes of paragraph
35 "a", subparagraph (1), if any person that has substantial nexus

1 in this state, other than a person acting in its capacity as a
2 common carrier, does any of the following:

3 Sec. 61. Section 423.1, subsection 48, paragraph b,
4 subparagraph (1), subparagraph division (b), Code 2018, is
5 amended to read as follows:

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

10 Sec. 62. Section 423.1, subsection 50, Code 2018, is amended
11 to read as follows:

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

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

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

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

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

27 b. For purposes of this subsection:

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

31 (2) "Digital audio works" means works that result from
32 the fixation of a series of musical, spoken, or other sounds,
33 including but not limited to ringtones. For purposes of this
34 subparagraph, "ringtones" means digitized sound files that are
35 downloaded onto a device and that may be used to alert the

1 customer with respect to a communication.

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

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

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

13 Sec. 65. Section 423.1, Code 2018, is amended by adding the
14 following new subsection:

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

23 Sec. 66. Section 423.1, subsections 62, 63, and 64, Code
24 2018, are amended to read as follows:

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

34 63. "*Use tax*" means the tax levied under [subchapter III](#) of
35 this chapter ~~for which the retailer collects and remits tax to~~

1 ~~the department.~~

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

6 Sec. 67. Section 423.2, subsection 1, paragraph a,
7 subparagraph (1), Code 2018, is amended to read as follows:

8 (1) Sales of engraving, ~~photography, retouching,~~ printing,
9 and binding services.

10 Sec. 68. Section 423.2, subsection 6, Code 2018, is amended
11 to read as follows:

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

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

15 b. Armored car; ~~vehicle.~~

16 c. Vehicle repair; ~~battery.~~

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

18 e. Investment counseling; ~~service.~~

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

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

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

29 h. Boat repair; ~~vehiele.~~

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

31 j. Campgrounds.

32 k. Carpentry.

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

34 m. Dance schools and dance studios; ~~dating.~~

35 n. Dating services; ~~dry.~~

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

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

1 ~~152C; water.~~

2 bh. Water conditioning and softening; weighing; welding;
3 well.

4 bi. Weighing.

5 bj. Welding.

6 bk. Well drilling; wrapping.

7 bl. Wrapping, packing, and packaging of merchandise other
8 than processed meat, fish, fowl, and vegetables; wrecking.

9 bm. Wrecking service; wrecker.

10 bn. Wrecker and towing.

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

19 bo. Photography.

20 bp. Retouching.

21 bq. Storage of tangible or electronic files, documents, or
22 other records.

23 br. Information services.

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

27 bt. Video game services and tournaments.

28 bu. Software as a service.

29 Sec. 69. Section 423.2, subsection 8, Code 2018, is amended
30 by adding the following new paragraph:

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

35 (1) The retail sale of tangible personal property and a

1 service where the tangible personal property is essential
2 to the use of the service, and is provided exclusively in
3 connection with the service, and the true object of the
4 transaction is the service.

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

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

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

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

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

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

34 Sec. 70. Section 423.2, Code 2018, is amended by adding the
35 following new subsection:

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

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

15 Sec. 71. Section 423.2, subsections 10, 11, and 12, Code
16 2018, are amended by striking the subsections.

17 Sec. 72. NEW SECTION. **423.2A Deposit and transfer of**
18 **revenues.**

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

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

35 2. Subsequent to the deposit into the general fund of the

1 state pursuant to subsection 1, the department shall do the
2 following in the order prescribed:

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

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

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

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

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

29 f. Subject to the limitation on the calculation and
30 deposit of sales tax increment revenues in section 418.12,
31 beginning the first day of the quarter following adoption
32 of the resolution pursuant to section 418.4, subsection 3,
33 paragraph "d", transfer to the account created in the sales tax
34 increment fund for each governmental entity approved to use
35 sales tax increment revenues under chapter 418, that portion

1 of the increase in sales tax revenue, determined in section
2 418.11, subsection 2, paragraph "d", in the applicable area of
3 the governmental entity, that remains after the other transfers
4 required under this subsection 2.

5 g. Beginning the first day of the quarter following July
6 1, 2014, transfer to the raceway facility tax rebate fund
7 created in section 423.4, subsection 11, paragraph "e", that
8 portion of the sales tax receipts collected and remitted upon
9 sales of tangible personal property or services furnished by
10 retailers at a raceway facility meeting the qualifications of
11 section 423.4, subsection 11, that remains after the transfers
12 required in paragraphs "a" through "f" of this subsection
13 2. This subparagraph is repealed June 30, 2025, or thirty
14 days following the date on which an amount of total rebates
15 specified in section 423.4, subsection 11, paragraph "c",
16 subparagraph (4), subparagraph division (a) or (b), whichever
17 is applicable, has been provided or thirty days following the
18 date on which rebates cease as provided in section 423.4,
19 subsection 11, paragraph "c", subparagraph (5), whichever is
20 earliest.

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

33 Sec. 73. Section 423.3, subsections 1 and 17, Code 2018, are
34 amended to read as follows:

35 1. The sales price from sales of tangible personal property,

1 specified digital products, and services furnished which this
2 state is prohibited from taxing under the Constitution or laws
3 of the United States or under the Constitution of this state.

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

16 Sec. 74. Section 423.3, subsection 18, unnumbered paragraph
17 1, Code 2018, is amended to read as follows:

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

21 Sec. 75. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
22 28, and 31, Code 2018, are amended to read as follows:

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

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

31 22. The sales price from sales of ~~goods, wares, or~~
32 ~~merchandise,~~ tangible personal property, of specified digital
33 products, or from services furnished, to a nonprofit private
34 art center to be used in the operation of the art center.

35 23. The sales price of tangible personal property or

1 specified digital products sold, or of services furnished, by a
2 fair organized under [chapter 174](#).

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

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

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

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

30 ~~(1)~~ a. The sales price of ~~goods, wares, or merchandise~~
31 tangible personal property or specified digital products sold
32 to, or of services furnished, and used by or in connection with
33 the operation of any municipally owned public utility engaged
34 in selling gas, electricity, heat, pay television service, or
35 communication service to the general public.

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

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

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

11 Sec. 76. Section 423.3, subsection 32, unnumbered paragraph
12 1, Code 2018, is amended to read as follows:

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

16 Sec. 77. Section 423.3, subsection 36, unnumbered paragraph
17 1, Code 2018, is amended to read as follows:

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

25 Sec. 78. Section 423.3, subsection 39, paragraph a,
26 subparagraphs (1) and (2), Code 2018, are amended to read as
27 follows:

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

34 (2) The sale of all or substantially all of the tangible
35 personal property, or specified digital products, or services

1 held or used by a seller in the course of the seller's trade or
2 business for which the seller is required to hold a sales tax
3 permit when the seller sells or otherwise transfers the trade
4 or business to another person who shall engage in a similar
5 trade or business.

6 Sec. 79. Section 423.3, subsection 63, Code 2018, is amended
7 to read as follows:

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

12 Sec. 80. Section 423.3, subsections 65, 66, and 67, Code
13 2018, are amended by striking the subsections.

14 Sec. 81. Section 423.3, subsection 78, paragraph a,
15 unnumbered paragraph 1, Code 2018, is amended to read as
16 follows:

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

28 Sec. 82. Section 423.3, subsection 79, Code 2018, is amended
29 to read as follows:

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

35 Sec. 83. Section 423.3, Code 2018, is amended by adding the

1 following new subsections:

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

10 b. For purposes of this subsection:

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

13 (2) "De minimis" and "noncommercial purposes" shall be
14 defined by the director by rule.

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

23 Sec. 84. Section 423.4, subsection 3, unnumbered paragraph
24 1, Code 2018, is amended to read as follows:

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

30 Sec. 85. Section 423.4, subsection 3, paragraph a,
31 subparagraph (1), Code 2018, is amended to read as follows:

32 (1) On forms furnished by the department, and filed within
33 the time as the director shall provide by rule, the relief
34 agency shall report to the department the total amount or
35 amounts, valued in money, expended directly or indirectly

1 for ~~goods, wares, merchandise,~~ tangible personal property or
2 specified digital products, or services furnished, used for
3 free distribution to the poor and needy.

4 Sec. 86. Section 423.4, subsection 10, paragraph e, Code
5 2018, is amended to read as follows:

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

27 Sec. 87. Section 423.4, subsection 11, paragraph b,
28 subparagraph (1), Code 2018, is amended to read as follows:

29 (1) Sales tax imposed and collected by retailers upon
30 sales of tangible personal property or services furnished to
31 purchasers at the raceway facility. Notwithstanding the state
32 sales tax imposed in section 423.2, a sales tax rebate issued
33 pursuant to this subparagraph shall not exceed the amounts
34 transferred to the raceway facility tax rebate fund pursuant to
35 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~

1 423.2A, subsection 2, paragraph "g".

2 Sec. 88. Section 423.4, subsection 11, paragraph b,
3 subparagraph (2), subparagraph division (c), Code 2018, is
4 amended to read as follows:

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

12 Sec. 89. Section 423.4, subsection 11, paragraph e, Code
13 2018, is amended to read as follows:

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

31 Sec. 90. Section 423.5, subsection 1, paragraph a, Code
32 2018, is amended to read as follows:

33 a. The use in this state of tangible personal property
34 as defined in section 423.1, including aircraft subject to
35 registration under section 328.20, purchased for use in this

1 state. For the purposes of **this subchapter**, the furnishing
2 or use of the following services is also treated as the use
3 of tangible personal property: optional service or warranty
4 contracts, except residential service contracts regulated under
5 chapter 523C, vulcanizing, recapping, or retreading services,
6 engraving, ~~photography, retouching,~~ printing, or binding
7 services, and communication service when furnished or delivered
8 to consumers or users within this state.

9 Sec. 91. Section 423.5, subsection 1, paragraph d, Code
10 2018, is amended to read as follows:

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

18 Sec. 92. Section 423.5, subsection 1, Code 2018, is amended
19 by adding the following new paragraph:

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

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

32 Sec. 93. Section 423.5, subsection 3, Code 2018, is amended
33 to read as follows:

34 3. For the purpose of the proper administration of the use
35 tax and to prevent its evasion, evidence that tangible personal

1 property ~~was~~ or specified digital products were sold by any
2 person for delivery in this state shall be prima facie evidence
3 that such tangible personal property ~~was~~ or specified digital
4 products were sold for use in this state.

5 Sec. 94. Section 423.5, subsection 4, Code 2018, is amended
6 by striking the subsection.

7 Sec. 95. Section 423.6, unnumbered paragraph 1, Code 2018,
8 is amended to read as follows:

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

12 Sec. 96. Section 423.6, subsections 1, 2, 4, and 6, Code
13 2018, are amended to read as follows:

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

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

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

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

34 Sec. 97. Section 423.14, subsection 2, paragraphs b and c,
35 Code 2018, are amended to read as follows:

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

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

16 Sec. 98. NEW SECTION. **423.14A Persons required to collect**
17 **sales and use tax — supplemental conditions, requirements, and**
18 **responsibilities.**

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

24 2. In addition to and not in lieu of any application of
25 this chapter to sellers who are retailers and sellers who are
26 retailers maintaining a place of business in this state, any
27 person described in subsection 3, or the person's agents,
28 shall be considered a retailer in this state and a retailer
29 maintaining a place of business in this state for purposes of
30 this chapter on or after January 1, 2019, and shall be subject
31 to all requirements of this chapter imposed on retailers and
32 retailers maintaining a place of business in this state,
33 including but not limited to the requirement to collect and
34 remit sales and use taxes pursuant to sections 423.14 and
35 423.29, and local option taxes under chapter 423B.

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

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

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

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

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

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

33 d. (1) A retailer that makes Iowa sales through a
34 marketplace provider. This subparagraph shall not apply to a
35 retailer that has gross revenue from Iowa sales of less than

1 ten thousand dollars for the immediately preceding calendar
2 year or the current calendar year.

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

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

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

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

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

31 (i) The person directly or indirectly does any of the
32 following:

33 (A) Lists, makes available, or advertises tangible personal
34 property, services, or specified digital products for sale by a
35 retailer in any forum.

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

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

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

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

24 (F) Provides or offers fulfillment or storage services for
25 a retailer.

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

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

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

34 (A) Collects the sales price or purchase price of a retail
35 sale of tangible personal property, services, or specified

1 digital products.

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

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

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

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

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

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

32 (2) (a) A retailer is deemed to have a solicitor in
33 this state if the retailer enters into an agreement with a
34 resident under which the resident, for a commission, fee, or
35 other similar consideration, directly or indirectly refers

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

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

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

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

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

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

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

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

1 to a city, county, township, or school district.

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

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

16 Sec. 99. Section 423.15, unnumbered paragraph 1, Code 2018,
17 is amended to read as follows:

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

1 section 423.1, subsection 48, or section 423.14A.

2 Sec. 100. Section 423.15, subsection 1, paragraph e, Code
3 2018, is amended to read as follows:

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

14 Sec. 101. Section 423.22, Code 2018, is amended to read as
15 follows:

16 **423.22 Taxation in another state.**

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

31 Sec. 102. Section 423.29, subsection 1, Code 2018, is
32 amended to read as follows:

33 1. Every seller who is a retailer and who is making taxable
34 sales of tangible personal property or specified digital
35 products in Iowa shall, at the time of ~~selling the property~~

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

10 Sec. 103. Section 423.30, subsection 1, Code 2018, is
11 amended to read as follows:

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

29 Sec. 104. Section 423.31, subsection 1, Code 2018, is
30 amended to read as follows:

31 1. Each person subject to [this section](#) and [section 423.36](#)
32 and in accordance with the provisions of [this section](#) and
33 section 423.36 shall, on or before the last day of the month
34 following the close of each calendar quarter during which
35 such person is or has become or ceased being subject to the

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

13 Sec. 105. Section 423.31, subsection 5, paragraph a, Code
14 2018, is amended to read as follows:

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

26 Sec. 106. Section 423.32, subsection 1, paragraph b, Code
27 2018, is amended to read as follows:

28 b. The deposit form is due on or before the twentieth day of
29 the month following the month of collection, except a deposit
30 is not required for the third month of the calendar quarter,
31 and the total quarterly amount, less the amounts deposited for
32 the first two months of the quarter, is due with the quarterly
33 report on the last day of the month following the month of
34 collection. At that time, the retailer shall file with the
35 department a return for the preceding quarterly period in the

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

7 Sec. 107. Section 423.33, subsection 3, Code 2018, is
8 amended to read as follows:

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

28 Sec. 108. Section 423.33, Code 2018, is amended by adding
29 the following new subsection:

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

31 a. Notwithstanding any other provision of law to the
32 contrary, if any retailer required to collect and remit sales
33 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
34 or any other provision of this chapter, fails to do so, all
35 affiliates that directly, indirectly, or constructively control

1 the retailer shall be jointly and severally liable for any tax,
2 penalty, and interest under this chapter, regardless of whether
3 the affiliate is a retailer.

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

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

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

18 Sec. 109. Section 423.34, Code 2018, is amended to read as
19 follows:

20 **423.34 Liability of user.**

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

34 Sec. 110. Section 423.36, subsection 1, Code 2018, is
35 amended to read as follows:

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

21 Sec. 111. Section 423.36, subsection 2, paragraph a, Code
22 2018, is amended to read as follows:

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

35 Sec. 112. Section 423.36, subsection 7, paragraph b, Code

1 2018, is amended to read as follows:

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

8 Sec. 113. Section 423.36, subsection 9, paragraph a, Code
9 2018, is amended to read as follows:

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

24 Sec. 114. Section 423.40, subsection 2, Code 2018, is
25 amended to read as follows:

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

35 *b.* A person who knowingly sells tangible personal property,

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

9 Sec. 115. Section 423.41, Code 2018, is amended to read as
10 follows:

11 **423.41 Books — examination.**

12 Every retailer required or authorized to collect taxes
13 imposed by [this chapter](#) and every person using in this state
14 tangible personal property, specified digital products,
15 services, or the product of services shall keep records,
16 receipts, invoices, and other pertinent papers as the director
17 shall require, in the form that the director shall require,
18 for as long as the director has the authority to examine and
19 determine tax due. The director or any duly authorized agent
20 of the department may examine the books, papers, records,
21 and equipment of any person ~~either~~ selling tangible personal
22 property, specified digital products, or services or liable
23 for the tax imposed by [this chapter](#), and investigate the
24 character of the business of any person in order to verify
25 the accuracy of any return made, or if a return was not made
26 by the person, ascertain and determine the amount due under
27 this chapter. These books, papers, and records shall be made
28 available within this state for examination upon reasonable
29 notice when the director deems it advisable and so orders. If
30 the taxpayer maintains any records in an electronic format,
31 the taxpayer shall comply with reasonable requests by the
32 director or the director's authorized agents to provide those
33 electronic records in a standard record format. The preceding
34 requirements shall likewise apply to users and persons
35 furnishing services enumerated in [section 423.2](#).

1 Sec. 116. Section 423.45, subsection 4, paragraphs a, b, and
2 e, Code 2018, are amended to read as follows:

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

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

30 e. If the circumstances change and as a result the tangible
31 personal property, specified digital products, or services are
32 used or disposed of by the purchaser in a nonexempt manner or
33 the purchaser becomes obligated to pay the tax, the purchaser
34 is liable solely for the taxes and shall remit the taxes
35 directly to the department in accordance with [this subsection](#).

1 Sec. 117. Section 423.57, Code 2018, is amended to read as
2 follows:

3 **423.57 Statutes applicable.**

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

13 Sec. 118. Section 423.58, Code 2018, is amended to read as
14 follows:

15 **423.58 Collection, permit, and tax return exemption for**
16 **certain out-of-state businesses.**

17 Notwithstanding **sections 423.14, 423.14A, 423.29, 423.31,**
18 423.32, and 423.36, a person meeting the requirements of
19 section 29C.24 is not required to obtain a sales or use tax
20 permit, collect and remit sales and use tax, or make and file
21 applicable sales or use tax returns, as provided in section
22 29C.24, subsection 3, paragraph "a", subparagraph (2).

23 Sec. 119. Section 423B.5, subsection 1, Code 2018, is
24 amended to read as follows:

25 1. A local sales and services tax at the rate of not more
26 than one percent may be imposed by a county on the sales price
27 taxed by the state under **chapter 423, subchapter II**. A local
28 sales and services tax shall be imposed on the same basis as
29 the state sales and services tax or in the case of the use of
30 natural gas, natural gas service, electricity, or electric
31 service on the same basis as the state use tax and shall not
32 be imposed on the sale of any property or on any service not
33 taxed by the state, except the tax shall not be imposed on
34 the sales price from the sale of motor fuel or special fuel
35 as defined in **chapter 452A** which is consumed for highway use

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

30 Sec. 120. Section 423B.6, subsection 2, paragraph b, Code
31 2018, is amended to read as follows:

32 *b.* The ordinance of a county board of supervisors imposing
33 a local sales and services tax shall adopt by reference the
34 applicable provisions of the appropriate sections of chapter
35 423. All powers and requirements of the director to administer

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

14 Sec. 121. LEGISLATIVE INTENT. It is the intent of the
15 general assembly that the provisions of this division of this
16 Act amending the definition of "place of business" in section
17 423.1, subsection 37, and "sales" in section 423.1, subsection
18 50, enacting definitions of "sold at retail in the state" in
19 section 423.1, subsection 55A, and "subscription" in section
20 423.1, subsection 57A, and amending the enumerated service of
21 pay television in 423.2, subsection 6, paragraph "a", are
22 conforming amendments consistent with current state law, and
23 that the amendments do not change the application of current
24 law but instead reflect current law both before and after the
25 enactment of this division of this Act.

26 Sec. 122. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF
27 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of
28 this Act relating to the imposition of tax on the sale or use of
29 "specified digital products", as defined in this division of
30 this Act, shall not be construed as affecting the taxability
31 or nontaxability under other provisions of existing law of
32 sales or uses occurring prior to the enactment of this division
33 of this Act of products meeting the definition of "specified
34 digital products", as defined in this division of this Act.

35 Sec. 123. EFFECTIVE DATE.

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

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

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

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

8 c. The section of this division of this Act amending section
9 423.2, subsection 1, paragraph "a", subparagraph (1).

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

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

18 f. The section of this division of this Act enacting section
19 423.2, subsection 8, paragraph "d".

20 g. The section of this division of this Act amending section
21 423.5, subsection 1, paragraph "a".

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

31 DIVISION V

32 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX
33 CHANGES

34 Sec. 124. Section 423A.2, subsection 1, Code 2018, is
35 amended to read as follows:

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

3 a. "Department" means the department of revenue.

4 b. "Lessor" means any of the following:

5 (1) A person engaged in the business of renting lodging to
6 users.

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

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

11 (4) A lodging facilitator.

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

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

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

30 (1) The person directly or indirectly does any of the
31 following:

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

34 (b) Transmits or otherwise communicates an offer or
35 acceptance between a lessor or user.

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

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

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

13 (f) Provides or offers fulfillment or storage services for a
14 lessor.

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

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

20 (2) The person directly or indirectly does any of the
21 following:

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

23 (b) Provides payment processing services for the renting of
24 lodging.

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

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

35 (e) Provides a virtual currency that users are allowed or

1 required to use to rent lodging.

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

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

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

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

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

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

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

27 **Sec. 125. NEW SECTION. 423A.3A Collection and remittance by**
28 **lodging facilitators — joint and several liability.**

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

32 1. The lodging facilitator shall collect the state-imposed
33 tax under section 423A.3 and the locally imposed tax under
34 section 423A.4 on the entire sales price paid by the user,
35 regardless of the amount of the sales price that will

1 ultimately accrue to or benefit the lodging facilitator,
2 another lessor, or any other person.

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

7 Sec. 126. Section 423A.5, Code 2018, is amended to read as
8 follows:

9 **423A.5 Exemptions.**

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

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

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

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

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

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

29 Sec. 127. Section 423A.6, subsection 4, Code 2018, is
30 amended to read as follows:

31 4. **Section 422.25, subsection 4, sections 422.30, 422.67,**
32 **and 422.68, section 422.69, subsection 1, sections 422.70,**
33 **422.71, 422.72, 422.74, and 422.75, section 423.14, subsection**
34 **1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,**
35 **423.35, 423.37 through 423.42, and 423.47, consistent with the**

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

14 Sec. 128. Section 423C.2, subsection 3, Code 2018, is
15 amended to read as follows:

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

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

19 b. A motor vehicle dealer licensed pursuant to chapter
20 322 who rents automobiles to users. For this purpose, the
21 objective of making a profit is not necessary to make the
22 renting activity a business.

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

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

29 e. A rental facilitator.

30 f. A retailer or retailer maintaining a place of business in
31 this state as defined in section 423.1, including those persons
32 who meet the requirements of section 423.14A, which retailer or
33 retailer maintaining a place of business in this state would be
34 responsible for collection and payment of the automobile rental
35 excise tax if it were a sales or use tax under chapter 423.

1 Sec. 129. Section 423C.2, Code 2018, is amended by adding
2 the following new subsection:

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

6 a. The person directly or indirectly does any of the
7 following:

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

10 (2) Transmits or otherwise communicates an offer or
11 acceptance between a lessor or user.

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

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

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

25 (6) Provides or offers fulfillment or storage services for a
26 lessor.

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

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

32 b. The person directly or indirectly does any of the
33 following:

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

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

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

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

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

16 Sec. 130. Section 423C.2, subsection 6, Code 2018, is
17 amended by striking the subsection and inserting in lieu
18 thereof the following:

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

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

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

34 c. Charges by the lessor for any services necessary to
35 complete the rental transaction.

1 the explanation's substance by the members of the general assembly.

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

7 DIVISION I — INCOME TAX CHANGES FOR TAX YEAR 2018. The
8 federal Protecting Americans From Tax Hikes Act (PATH Act)
9 enacted by Congress in 2015 made permanent certain increased
10 phase-out amounts and increased credit percentages of the
11 federal earned income tax credit (EITC) that were scheduled to
12 expire in 2018, and made permanent the deduction for certain
13 expenses incurred by elementary and secondary school teachers
14 that was scheduled to expire in 2015. To date, Iowa has
15 not coupled with these federal changes for purposes of the
16 teacher expense deduction or for calculating the Iowa EITC.
17 Division I couples with these federal EITC and teacher expense
18 deduction changes for purposes of the Iowa EITC and Iowa net
19 income calculation for tax year 2018. Division I also couples
20 for tax year 2018 with certain accounting method and other
21 miscellaneous changes made in the federal Tax Cuts and Jobs Act
22 of 2017 for purposes of the individual and corporate income
23 taxes, and the franchise tax, to the extent those amendments
24 affect the calculation of federal adjusted gross income or
25 federal taxable income for federal tax purposes for tax year
26 2018. These include amendments contained in the following
27 sections of the federal Tax Cuts and Jobs Act: §13102 (small
28 business accounting method changes), §13221 (accounting method
29 rules for the taxable year of inclusion), §13504 (repeal of
30 technical termination of partnerships), §13541 (electing small
31 business trust), §13543 (treatment of S corporation conversion
32 to C corporation), §13611 (repeal of special rule permitting
33 recharacterization of Roth IRA conversions), and §13613
34 (extended rollover period for qualified plan loans).

35 The division takes effect upon enactment and applies

1 retroactively to January 1, 2018, for tax years beginning on or
 2 after that date, but prior to January 1, 2019.

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

6 TAX RATE AND TAX BRACKET CHANGES. Current law provides nine
 7 regular tax brackets containing progressively higher amounts
 8 of taxable income that are taxed at progressively higher tax
 9 rates, from a low of 0.36 percent, to a high of 8.98 percent.
 10 The taxable income amounts in each tax bracket are indexed to
 11 inflation and increased each year. For tax years beginning on
 12 or after January 1, 2019, the bill reduces the tax rate in each
 13 bracket, reduces the number of brackets to eight, and increases
 14 the taxable income amount in the top bracket to \$150,000, as
 15 follows:

16	<u>Income over:</u>	<u>But not over:</u>	<u>Tax rate category I:</u>
17	1) \$0	\$1,628	0.32%
18	2) \$1,628	\$3,256	0.64%
19	3) \$3,256	\$6,512	2.10%
20	4) \$6,512	\$14,652	4.05%
21	5) \$14,652	\$24,420	5.40%
22	6) \$24,420	\$48,840	5.70%
23	7) \$48,840	\$150,000	6.70%
24	8) \$150,000 or more		7.60%

25 The bill provides that the income amounts in each of the
 26 eight brackets listed above will be indexed to inflation and
 27 increased each year beginning in tax year 2020.

28 The tax rates in tax category I listed above apply for all
 29 tax years beginning on or after January 1, 2019, until such
 30 time as a different tax rate category takes effect as described
 31 below.

32 Beginning with the fiscal year ending June 30, 2019, the
 33 bill sets forth six additional tax rate categories labeled
 34 as tax rate category II, III, IV, and V, and provides that
 35 each progressively higher tax rate category may take effect in

1 future tax years if certain net tax receipt revenue targets are
 2 met or exceeded as provided in the bill. The possible tax rate
 3 categories for each of the income brackets listed above are as
 4 follows:

	II	III	IV	V
5 1)	0.32%	0.30%	0.30%	0.30%
6 2)	0.64%	0.60%	0.60%	0.60%
7 3)	2.10%	2.00%	2.00%	2.00%
8 4)	4.05%	4.00%	4.00%	4.00%
9 5)	5.40%	5.30%	5.30%	5.20%
10 6)	5.70%	5.60%	5.60%	5.40%
11 7)	6.70%	6.30%	6.30%	6.30%
12 8)	7.40%	7.00%	7.00%	6.90%

14 Whether a particular tax rate category takes effect in
 15 future tax years depends on the net tax receipts for the
 16 previous fiscal year and the tax rate category in effect for
 17 the previous tax year, as described in the bill. A net tax
 18 receipt calculation for a fiscal year will not cause the tax
 19 rate category in effect for a future tax year to drop to a lower
 20 tax rate category than is currently in effect.

21 By operation of law, the tax rate category applicable to tax
 22 year 2025 will also apply to all future tax years.

23 The bill requires the department of revenue (department), in
 24 consultation with the department of management, to calculate
 25 net tax receipts each applicable fiscal year and submit an
 26 annual report to the governor and general assembly identifying
 27 net tax receipts for the fiscal year, which tax rate category
 28 will be in effect for future tax years, and describing in
 29 detail the net tax receipts calculation made by the department.
 30 The bill defines "net tax receipts" and requires the director
 31 of the department to adopt rules for calculating net tax
 32 receipts and defining various related terms.

33 INTERNAL REVENUE CODE (IRC) COUPLING. Under current law
 34 with the exception of the solar energy credit and the state
 35 research activities credit, Code references to the IRC include

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

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

24 The federal deduction for other taxes paid was limited to
25 \$10,000 per year under most circumstances by the federal Tax
26 Cuts and Jobs Act of 2017, but the bill decouples from this
27 limitation. Taxpayers will be allowed to deduct other taxes
28 paid in computing state itemized deductions to the same extent
29 as is allowed under current state law, without regard to the
30 \$10,000 limitation described above.

31 BONUS DEPRECIATION DECOUPLING. The bill decouples, for Iowa
32 individual income tax purposes, from the federal additional
33 first-year depreciation allowance in section 168(k) of the IRC
34 (bonus depreciation) which was extended and modified by the
35 federal PATH Act of 2015 and the federal Tax Cuts and Jobs Act

1 of 2017. By decoupling, taxpayers who claim bonus depreciation
2 for federal tax purposes are required to add such depreciation
3 amounts back to Iowa net income, but are then allowed under
4 existing state law to deduct the amount of depreciation that
5 would otherwise be allowable under federal law, without regard
6 to the bonus depreciation allowance.

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

14 The federal Tax Cuts and Jobs Act of 2017 made several
15 changes to the IRC §179 deduction, including increasing the
16 statutory maximum deduction to \$1 million, and increasing
17 the statutory investment limitation to \$2.5 million. The
18 bill couples for Iowa individual income tax purposes with the
19 changes made to the IRC §179 deduction in the federal Tax Cuts
20 and Jobs Act beginning in tax year 2019, but limits the maximum
21 deduction to \$100,000, and sets the investment limitation at
22 \$400,000.

23 If the total IRC §179 deduction allocated to a taxpayer from
24 one or more partnerships, S corporations, or limited liability
25 companies exceeds \$100,000 in a tax year, the bill allows the
26 taxpayer to deduct the amount in excess of \$100,000 evenly over
27 a five-year tax period beginning in the subsequent tax year.
28 Taxpayers who elect to take advantage of this provision are
29 not allowed to take the IRC §179 deduction for the tax year
30 of the election on any eligible property placed in service by
31 the taxpayer, but are allowed to deduct depreciation on such
32 amounts that would otherwise be allowable under federal law,
33 without regard to the bonus depreciation allowance.

34 Under current Iowa law, for previous tax years, individual
35 taxpayers were required to recompute their Iowa itemized

1 deductions under Code section 422.9(2) to account for
2 differences between the federal and Iowa treatment of the
3 IRC §179 deduction. The bill provides that taxpayers must
4 make those same adjustments to federal adjusted gross income
5 beginning in tax year 2019.

6 ALTERNATIVE MINIMUM TAX (AMT) REPEAL. Current law imposes
7 an AMT to the extent it exceeds an individual's regular
8 tax liability. The AMT is generally calculated by adding
9 certain "preference" items (deductions, exemptions, and other
10 adjustments) back to taxable income, applying an exemption
11 amount, and then multiplying the resulting income amount by an
12 AMT rate. The bill repeals the AMT for the individual income
13 tax beginning in tax year 2019. The bill makes corresponding
14 amendments to other individual income tax provisions in the
15 Code to strike references to the AMT in the calculation of the
16 resident tax credit for income tax paid to another jurisdiction
17 and in the requirement for nonresidents subject to the AMT to
18 file an Iowa income tax return.

19 Current law also provides an alternative minimum tax credit,
20 which allows AMT paid by an individual in prior tax years to be
21 claimed against regular tax liability in future tax years if
22 the individual is not subject to the AMT in that year. With
23 the repeal of the individual AMT in 2019, the bill allows a
24 taxpayer to claim any remaining alternative minimum tax credit
25 against the individual's regular tax liability for the 2019 tax
26 year, and the bill then repeals the alternative minimum tax
27 credit beginning in tax year 2020.

28 FEDERAL DEDUCTIBILITY LIMITATION AND POSSIBLE REPEAL. When
29 calculating taxable income under current law for purposes of
30 the individual income tax, individuals are allowed to deduct
31 federal income taxes paid, net of any federal income tax
32 refunds received. The bill limits the deduction beginning in
33 the 2019 tax year, depending on the tax rate category in effect
34 for the tax year. Individuals are permitted to deduct 100
35 percent of federal income taxes paid for tax year 2018 (whether

1 paid in calendar year 2018 or 2019), and either 25 percent
2 or 15 percent of federal income taxes paid for a tax year in
3 which the rates in tax rate category I or II, respectively,
4 were applicable (whether paid during the tax year or during the
5 following calendar year), net of any federal income tax refunds
6 received during those years to the extent the federal income
7 tax was deducted for a prior tax year. Federal income tax paid
8 during a tax year is not deductible to the extent the payment
9 is for a tax year during which the tax rates in category III,
10 IV, or V, were applicable.

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

19 The bill increases the standard deduction amounts beginning
20 in tax year 2019 to \$4,000 for a single person or a married
21 person who files separately, and to \$8,000 for a married couple
22 filing jointly, a surviving spouse, or a head of household.
23 The bill also provides for an additional standard deduction
24 amount for each individual who at the close of the tax year
25 is 65 or older or is blind. The determination of whether an
26 individual is blind is the same as for the personal exemption
27 credit under Code section 422.12. The additional standard
28 deduction amount is \$1,500 per person, and is doubled if the
29 person is both 65 or older and blind at the end of the tax year.
30 The bill increases each of these additional standard deduction
31 amounts to \$2,070 per person in the event the tax rates in
32 category III, IV, or V, become effective in future tax years.
33 The bill indexes these standard deduction amounts, including
34 the additional standard deduction amounts, to inflation so they
35 will be increased in future tax years.

1 QUALIFIED BUSINESS INCOME DEDUCTION. The federal Tax Cuts
2 and Jobs Act of 2017 created a deduction in calculating federal
3 taxable income for noncorporate taxpayers of up to 20 percent
4 of certain domestic qualified business income earned by a
5 taxpayer from a partnership, S corporation, limited liability
6 company, other pass-through entity, or a sole proprietorship.
7 The deduction is calculated under section 199A of the IRC
8 and includes numerous limitations based on the type of trade
9 or business involved, the income of the trade or business,
10 and the income of the taxpayer claiming the deduction. The
11 federal deduction applies to tax years 2018 through 2025, and
12 is available to a taxpayer regardless of whether the taxpayer
13 claims the standard deduction or itemized deductions for
14 federal tax purposes.

15 The bill provides a deduction in computing Iowa taxable
16 income for purposes of the individual income tax equal to 25
17 percent of the taxpayer's qualified business income deduction
18 allowed for federal income tax purposes beginning in tax
19 year 2019. With regard to individuals, the Iowa deduction
20 is available regardless of whether the individual claims
21 the standard deduction or itemized deductions for Iowa tax
22 purposes. With regard to an estate or trust, the starting
23 point for calculating Iowa income tax will include the full
24 amount of the federal qualified business income deduction, so
25 the bill requires the estate or trust to add back 75 percent of
26 such amount when calculating Iowa taxable income.

27 The bill provides special rules for calculating the
28 qualified business income deduction in the case of an entity
29 filing an Iowa composite income tax return on behalf of all of
30 the entity's nonresident partners, members, beneficiaries, or
31 shareholders. In such cases, the deduction on the composite
32 return shall be an amount equal to 25 percent of the federal
33 qualified business income deduction that would be allowable to
34 an individual reporting the same items of income and loss that
35 are included on the composite return.

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 This 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 "institution of higher
22 education" and "tuition" to mean the same as defined under
23 the 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.