

Senate File 38 - Introduced

SENATE FILE 38

BY ZAUN

A BILL FOR

1 An Act relating to state taxes by eliminating the individual
2 income tax, increasing the sales and use tax rates, making
3 conforming changes, and including effective date and
4 applicability provisions.

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

DIVISION I

REPEAL OF THE INDIVIDUAL INCOME TAX

1
2
3 Section 1. Section 8.57E, subsection 2, Code 2017, is
4 amended to read as follows:

5 2. Moneys in the taxpayers trust fund shall only be used
6 pursuant to appropriations or transfers made by the general
7 assembly for tax relief. ~~During each fiscal year beginning on~~
8 ~~or after July 1, 2014, in which the balance of the taxpayers~~
9 ~~trust fund equals or exceeds thirty million dollars, there is~~
10 ~~transferred from the taxpayers trust fund to the Iowa taxpayers~~
11 ~~trust fund tax credit fund created in section 422.11E, the~~
12 ~~entire balance of the taxpayers trust fund to be used for the~~
13 ~~Iowa taxpayers trust fund tax credit in accordance with section~~
14 ~~422.11E, subsection 5.~~

15 Sec. 2. Section 15.293A, subsection 1, paragraph a, Code
16 2017, is amended to read as follows:

17 a. A redevelopment tax credit shall be allowed against
18 the taxes imposed in chapter 422, divisions II, III, and V,
19 and in chapter 432, and against the moneys and credits tax
20 imposed in section 533.329, for a portion of a taxpayer's
21 equity investment, as provided in subsection 3, in a qualifying
22 redevelopment project.

23 Sec. 3. Section 15.293A, subsection 1, paragraph b, Code
24 2017, is amended by striking the paragraph.

25 Sec. 4. Section 15.293A, subsection 2, paragraphs c and f,
26 Code 2017, are amended to read as follows:

27 c. The tax credit certificate, unless rescinded by the
28 authority, shall be accepted by the department of revenue as
29 payment for taxes imposed pursuant to chapter 422, divisions
30 II, III, and V, and in chapter 432, and for the moneys and
31 credits tax imposed in section 533.329, subject to any
32 conditions or restrictions placed by the authority upon
33 the face of the tax credit certificate and subject to the
34 limitations of this section.

35 f. A tax credit shall not be claimed by a transferee

1 under [this section](#) until a replacement tax credit certificate
2 identifying the transferee as the proper holder has been
3 issued. The transferee may use the amount of the tax credit
4 transferred against the taxes imposed in chapter 422, divisions
5 ~~II~~, ~~III~~, and V, and in [chapter 432](#), and against the moneys and
6 credits tax imposed in [section 533.329](#), for any tax year the
7 original transferor could have claimed the tax credit. Any
8 consideration received for the transfer of the tax credit shall
9 not be included as income under chapter 422, divisions ~~II~~, ~~III~~,
10 and V. Any consideration paid for the transfer of the tax
11 credit shall not be deducted from income under chapter 422,
12 divisions ~~II~~, ~~III~~, and V.

13 Sec. 5. Section 15.293A, subsection 4, Code 2017, is amended
14 to read as follows:

15 4. For purposes of ~~individual and~~ corporate income taxes and
16 the franchise tax, the increase in the basis of the redeveloped
17 property that would otherwise result from the qualified
18 redevelopment costs shall be reduced by the amount of the
19 credit computed under this part.

20 Sec. 6. Section 15.319, subsection 2, Code 2017, is amended
21 to read as follows:

22 2. The tax credit shall be allowed against taxes imposed
23 under [chapter 422, division ~~II~~ or III](#).

24 Sec. 7. Section 15.319, subsection 4, Code 2017, is amended
25 by striking the subsection.

26 Sec. 8. Section 15.319, subsection 6, paragraph c, Code
27 2017, is amended to read as follows:

28 *c.* The tax credit certificate, unless rescinded by the
29 authority, shall be accepted by the department of revenue as
30 payment for taxes imposed pursuant to chapter 422, ~~divisions~~
31 ~~II and~~ division III, subject to any conditions or restrictions
32 placed by the authority upon the face of the tax credit
33 certificate and subject to the limitations of the program.

34 Sec. 9. Section 15.333, subsection 1, Code 2017, is amended
35 to read as follows:

1 1. An eligible business may claim a tax credit equal to a
2 percentage of the new investment directly related to new jobs
3 created or retained by the project. The tax credit shall be
4 amortized equally over five calendar years. The tax credit
5 shall be allowed against taxes imposed under chapter 422,
6 division ~~II~~, ~~III~~, or V, and against the moneys and credits tax
7 imposed in [section 533.329](#). ~~If the business is a partnership,~~
8 ~~S corporation, limited liability company, cooperative organized~~
9 ~~under [chapter 501](#) and filing as a partnership for federal tax~~
10 ~~purposes, or estate or trust electing to have the income taxed~~
11 ~~directly to the individual, an individual may claim the tax~~
12 ~~credit allowed. The amount claimed by the individual shall~~
13 ~~be based upon the pro rata share of the individual's earnings~~
14 ~~of the partnership, S corporation, limited liability company,~~
15 ~~cooperative organized under [chapter 501](#) and filing as a~~
16 ~~partnership for federal tax purposes, or estate or trust. The~~
17 percentage shall be determined as provided in [section 15.335A](#).
18 Any tax credit in excess of the tax liability for the tax year
19 may be credited to the tax liability for the following seven
20 years or until depleted, whichever occurs first.

21 Sec. 10. Section 15.335, subsection 6, Code 2017, is amended
22 by striking the subsection.

23 Sec. 11. Section 15.355, subsection 3, paragraph b, Code
24 2017, is amended to read as follows:

25 *b.* The tax credit shall be allowed against the taxes imposed
26 in [chapter 422, divisions ~~II~~, ~~III~~, and V](#), and in [chapter 432](#),
27 and against the moneys and credits tax imposed in section
28 533.329.

29 Sec. 12. Section 15.355, subsection 3, paragraph c, Code
30 2017, is amended by striking the paragraph.

31 Sec. 13. Section 15.355, subsection 3, paragraph e,
32 subparagraphs (3) and (6), Code 2017, are amended to read as
33 follows:

34 (3) The tax credit certificate, unless rescinded by the
35 authority, shall be accepted by the department of revenue as

1 payment for taxes imposed pursuant to chapter 422, divisions
2 ~~II~~, ~~III~~, and V, and in [chapter 432](#), and for the moneys and
3 credits tax imposed in [section 533.329](#), subject to any
4 conditions or restrictions placed by the authority upon
5 the face of the tax credit certificate and subject to the
6 limitations of this program.

7 (6) A tax credit shall not be claimed by a transferee
8 under [this section](#) until a replacement tax credit certificate
9 identifying the transferee as the proper holder has been
10 issued. The transferee may use the amount of the tax credit
11 transferred against the taxes imposed in chapter 422, divisions
12 ~~II~~, ~~III~~, and V, and in [chapter 432](#), and against the moneys and
13 credits tax imposed in [section 533.329](#), for any tax year the
14 original transferor could have claimed the tax credit. Any
15 consideration received for the transfer of the tax credit shall
16 not be included as income under chapter 422, divisions ~~II~~, ~~III~~,
17 and V. Any consideration paid for the transfer of the tax
18 credit shall not be deducted from income under chapter 422,
19 divisions ~~II~~, ~~III~~, and V.

20 Sec. 14. Section 15.355, subsection 3, paragraph f, Code
21 2017, is amended to read as follows:

22 *f.* For purposes of the ~~individual and~~ corporate income
23 taxes and the franchise tax, the increase in the basis of the
24 property that would otherwise result from the qualifying new
25 investment shall be reduced by the amount of the tax credit
26 computed under [this subsection](#).

27 Sec. 15. Section 15A.7, subsection 1, Code 2017, is amended
28 to read as follows:

29 1. That the project shall be administered in the same
30 manner as a project under [chapter 260E](#) and that a supplemental
31 new jobs credit from withholding in an amount equal to one
32 and one-half percent of the gross wages paid by the employer
33 pursuant to [section 422.16](#), Code 2017, is authorized to fund
34 the program services for the additional project.

35 Sec. 16. Section 15E.43, subsection 1, Code 2017, is amended

1 to read as follows:

2 1. *a.* For tax years beginning on or after January 1, 2015,
3 a tax credit shall be allowed against the taxes imposed in
4 chapter 422, divisions ~~II~~, ~~III~~, and V, and in [chapter 432](#), and
5 against the moneys and credits tax imposed in [section 533.329](#),
6 for a portion of a taxpayer's equity investment, as provided in
7 subsection 2, in a qualifying business.

8 ~~*b.* An individual may claim a tax credit under this section~~
9 ~~of a partnership, limited liability company, S corporation,~~
10 ~~estate, or trust electing to have income taxed directly to~~
11 ~~the individual. The amount claimed by the individual shall~~
12 ~~be based upon the pro rata share of the individual's earnings~~
13 ~~from the partnership, limited liability company, S corporation,~~
14 ~~estate, or trust.~~

15 ~~*c.*~~ *b.* A tax credit shall be allowed only for an investment
16 made in the form of cash to purchase equity in a qualifying
17 business.

18 ~~*d.*~~ *c.* ~~For a tax credit claimed against the taxes imposed~~
19 ~~in [chapter 422, division II](#), any tax credit in excess of the~~
20 ~~tax liability is refundable. In lieu of claiming a refund,~~
21 ~~the taxpayer may elect to have the overpayment shown on~~
22 ~~the taxpayer's final, completed return credited to the tax~~
23 ~~liability for the following tax year. For a tax credit claimed~~
24 ~~against the taxes imposed in chapter 422, divisions III and~~
25 ~~V, and in [chapter 432](#), and against the moneys and credits tax~~
26 ~~imposed in [section 533.329](#), any Any tax credit in excess of the~~
27 ~~taxpayer's liability for the tax year may be credited to the~~
28 ~~tax liability for the following three years or until depleted,~~
29 ~~whichever is earlier. A tax credit shall not be carried back~~
30 ~~to a tax year prior to the tax year in which the taxpayer~~
31 ~~redeems the tax credit.~~

32 Sec. 17. Section 15E.43, subsection 2, paragraph b, Code
33 2017, is amended by striking the paragraph.

34 Sec. 18. Section 15E.44, subsection 4, Code 2017, is amended
35 to read as follows:

1 4. After verifying the eligibility of a qualifying
2 business, the authority shall issue a tax credit certificate
3 to be included with the equity investor's tax return. The tax
4 credit certificate shall contain the taxpayer's name, address,
5 tax identification number, the amount of credit, the name of
6 the qualifying business, and other information required by the
7 department of revenue. The tax credit certificate, unless
8 rescinded by the authority, shall be accepted by the department
9 of revenue as payment for taxes imposed pursuant to chapter
10 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and for the
11 moneys and credits tax imposed in section 533.329, subject to
12 any conditions or restrictions placed by the authority upon
13 the face of the tax credit certificate and subject to the
14 limitations of section 15E.43.

15 Sec. 19. Section 15E.52, subsection 2, paragraph a, Code
16 2017, is amended to read as follows:

17 a. A tax credit shall be allowed against the taxes imposed
18 in chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432,
19 and against the moneys and credits tax imposed in section
20 533.329, for a portion of a taxpayer's equity investment in the
21 form of cash in an innovation fund.

22 Sec. 20. Section 15E.52, subsection 2, paragraph b, Code
23 2017, is amended by striking the paragraph.

24 Sec. 21. Section 15E.52, subsection 13, Code 2017, is
25 amended to read as follows:

26 13. The transferee may use the amount of the tax credit
27 transferred against the taxes imposed in chapter 422, divisions
28 ~~II~~, ~~III~~, and V, and in chapter 432, and against the moneys and
29 credits tax imposed in section 533.329, for any tax year the
30 original transferor could have claimed the tax credit. Any
31 consideration received for the transfer of the tax credit shall
32 not be included as income under chapter 422, divisions ~~II~~, ~~III~~,
33 and V. Any consideration paid for the transfer of the tax
34 credit shall not be deducted from income under chapter 422,
35 divisions ~~II~~, ~~III~~, and V.

1 Sec. 22. Section 15E.62, subsection 8, Code 2017, is amended
2 to read as follows:

3 8. "*Tax credit*" means a contingent tax credit issued
4 pursuant to [section 15E.66](#) that is available against tax
5 liabilities imposed by chapter 422, divisions ~~II~~, ~~III~~, and
6 V, and by [chapter 432](#) and against the moneys and credits tax
7 imposed by [section 533.329](#).

8 Sec. 23. Section 15E.66, subsection 1, Code 2017, is amended
9 to read as follows:

10 1. The board may issue certificates and related tax credits
11 to designated investors which, if redeemed for the maximum
12 possible amount, shall not exceed a total aggregate of sixty
13 million dollars of tax credits. The certificates shall be
14 issued contemporaneously with a commitment to invest in the
15 Iowa fund of funds by a designated investor. A certificate
16 issued by the board shall have a specific maturity date or
17 dates designated by the board and shall be redeemable only in
18 accordance with the contingencies reflected on the certificate
19 or incorporated therein by reference. A certificate and the
20 related tax credit shall be transferable by the designated
21 investor. A tax credit shall not be claimed or redeemed except
22 by a designated investor or transferee in accordance with the
23 terms of a certificate from the board. A tax credit shall not
24 be claimed for a tax year that begins earlier than the maturity
25 date or dates stated on the certificate. ~~An individual may~~
26 ~~claim the credit of a partnership, limited liability company,~~
27 ~~S corporation, estate, or trust electing to have the income~~
28 ~~taxed directly to the individual. The amount claimed by the~~
29 ~~individual shall be based upon the pro rata share of the~~
30 ~~individual's earnings from the partnership, limited liability~~
31 ~~company, S corporation, estate, or trust. Any tax credit in~~
32 excess of the taxpayer's tax liability for the tax year may be
33 credited to the tax liability for the following seven years, or
34 until depleted, whichever is earlier.

35 Sec. 24. Section 15E.305, subsection 1, Code 2017, is

1 amended to read as follows:

2 1. For tax years beginning on or after January 1, 2003,
 3 a tax credit shall be allowed against the taxes imposed in
 4 chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and
 5 against the moneys and credits tax imposed in section 533.329
 6 equal to twenty-five percent of a taxpayer's endowment gift to
 7 an endow Iowa qualified community foundation. ~~An individual~~
 8 ~~may claim a tax credit under this section of a partnership,~~
 9 ~~limited liability company, S corporation, estate, or trust~~
 10 ~~electing to have income taxed directly to the individual. The~~
 11 ~~amount claimed by the individual shall be based upon the pro~~
 12 ~~rata share of the individual's earnings from the partnership,~~
 13 ~~limited liability company, S corporation, estate, or trust. A~~
 14 tax credit shall be allowed only for an endowment gift made to
 15 an endow Iowa qualified community foundation for a permanent
 16 endowment fund established to benefit a charitable cause in
 17 this state. The amount of the endowment gift for which the
 18 tax credit is claimed shall not be deductible in determining
 19 taxable income for state income tax purposes. Any tax credit
 20 in excess of the taxpayer's tax liability for the tax year may
 21 be credited to the tax liability for the following five years
 22 or until depleted, whichever occurs first. A tax credit shall
 23 not be carried back to a tax year prior to the tax year in which
 24 the taxpayer claims the tax credit.

25 Sec. 25. Section 16.64, subsection 2, Code 2017, is amended
 26 to read as follows:

27 2. Bonds and notes issued by the authority for purposes of
 28 financing the beginning farmer loan program provided in section
 29 16.75 are exempt from taxation by the state, and interest
 30 earned on the bonds and notes is deductible in determining
 31 net income for purposes of the state ~~individual and corporate~~
 32 income tax under ~~divisions II and~~ division III of chapter 422.

33 Sec. 26. Section 16.80, subsection 1, Code 2017, is amended
 34 to read as follows:

35 1. An agricultural assets transfer tax credit is allowed

1 under [this section](#). The tax credit is allowed against the
2 taxes imposed in chapter 422, ~~division II, as provided in~~
3 ~~section 422.11M, and in chapter 422, division III, as provided~~
4 in [section 422.33](#), to facilitate the transfer of agricultural
5 assets from a taxpayer to a qualified beginning farmer.

6 Sec. 27. Section 16.80, subsection 3, Code 2017, is amended
7 by striking the subsection.

8 Sec. 28. Section 16.80, subsection 6, Code 2017, is amended
9 to read as follows:

10 6. A tax credit in excess of the taxpayer's liability
11 for the tax year may be credited to the tax liability for
12 the following ten tax years or until depleted, whichever is
13 earlier. A tax credit shall not be carried back to a tax year
14 prior to the tax year in which the taxpayer redeems the tax
15 credit. ~~A tax credit shall not be transferable to any other~~
16 ~~person other than the taxpayer's estate or trust upon the~~
17 ~~taxpayer's death.~~

18 Sec. 29. Section 16.81, subsection 1, Code 2017, is amended
19 to read as follows:

20 1. A custom farming contract tax credit is allowed under
21 this section. The tax credit is allowed against the taxes
22 imposed in chapter 422, ~~division II, as provided in section~~
23 ~~422.11M, and in chapter 422, division III, as provided in~~
24 section 422.33, to encourage taxpayers who are considering
25 custom farming agricultural land located in this state to
26 negotiate with qualified beginning farmers.

27 Sec. 30. Section 16.81, subsection 3, Code 2017, is amended
28 by striking the subsection.

29 Sec. 31. Section 16.81, subsection 9, Code 2017, is amended
30 to read as follows:

31 9. A custom farming contract tax credit in excess of the
32 taxpayer's liability for the tax year may be credited to
33 the tax liability for the following ten tax years or until
34 depleted, whichever is earlier. A tax credit shall not be
35 carried back to a tax year prior to the tax year in which the

1 taxpayer redeems the tax credit. A tax credit shall not be
2 transferable to any other person ~~other than the taxpayer's~~
3 ~~estate or trust upon the taxpayer's death.~~

4 Sec. 32. Section 28A.24, Code 2017, is amended to read as
5 follows:

6 **28A.24 Exemption from taxation.**

7 Since an authority is performing essential governmental
8 functions, an authority is not required to pay any taxes or
9 assessments of any kind or nature upon any property required
10 or used by it for its purposes, or any rates, fees, rentals,
11 receipts, or incomes at any time received by it, and the
12 bonds issued by an authority, their transfer, and the income,
13 including any profits made on the sale of the bonds, is
14 deductible in determining net income for the purposes of the
15 state ~~individual and corporate income tax under chapter 422,~~
16 ~~divisions II and~~ division III, and shall not be taxed by any
17 political subdivision of this state.

18 Sec. 33. Section 29C.24, subsection 3, paragraph a,
19 subparagraph (3), Code 2017, is amended to read as follows:

20 (3) The imposition of income taxes under chapter 422,
21 ~~divisions II and~~ division III, including the requirement to
22 file tax returns under ~~sections 422.13 through 422.15 or~~
23 ~~section 422.36, as applicable, and including the requirement~~
24 ~~to withhold and remit income tax from out-of-state employees~~
25 ~~under section 422.16.~~ In addition, the performance of disaster
26 or emergency-related work during a disaster response period
27 by an out-of-state business or out-of-state employee shall
28 not require an out-of-state business to be included in a
29 consolidated return under section 422.37, and shall not
30 increase the amount of net income of the out-of-state business
31 allocated and apportioned to the state under ~~section 422.8 or~~
32 422.33, as applicable.

33 Sec. 34. Section 29C.24, subsection 3, paragraph b,
34 subparagraph (2), Code 2017, is amended by striking the
35 subparagraph.

1 Sec. 35. Section 35A.13, subsection 2, paragraph b, Code
2 2017, is amended to read as follows:

3 *b.* Moneys credited to the fund pursuant to an income tax
4 checkoff provided in chapter 422, division II, Code 2017, if
5 applicable.

6 Sec. 36. Section 68A.102, subsection 21, Code 2017, is
7 amended by striking the subsection.

8 Sec. 37. Section 85.61, subsection 6, paragraph b, Code
9 2017, is amended by striking the paragraph.

10 Sec. 38. Section 96.3, subsection 4, unnumbered paragraph
11 2, Code 2017, is amended to read as follows:

12 The maximum weekly benefit amount, if not a multiple of one
13 dollar, shall be rounded to the lower multiple of one dollar.
14 However, until such time as sixty-five percent of the statewide
15 average weekly wage exceeds one hundred ninety dollars, the
16 maximum weekly benefit amounts shall be determined using the
17 statewide average weekly wage computed on the basis of wages
18 reported for calendar year 1981. As used in this section
19 ~~"dependent" means dependent as defined in section 422.12,~~
20 ~~subsection 1, paragraph "a" has the same meaning as provided by~~
21 ~~the Internal Revenue Code, as if the individual claimant was~~
22 ~~a taxpayer, except that an individual claimant's nonworking~~
23 ~~spouse shall be deemed to be a dependent under this section.~~
24 *"Nonworking spouse"* means a spouse who does not earn more than
25 one hundred twenty dollars in gross wages in one week.

26 Sec. 39. Section 99B.8, Code 2017, is amended to read as
27 follows:

28 **99B.8 Tax on prizes.**

29 All prizes awarded pursuant to a gambling activity under
30 this chapter are Iowa earned income and are subject to state
31 and federal income tax laws. ~~A person conducting a game of~~
32 ~~skill, game of chance, bingo, or a raffle shall deduct state~~
33 ~~income taxes, pursuant to section 422.16, subsection 1, from a~~
34 ~~cash prize awarded to an individual. An amount deducted from~~
35 ~~the prize for payment of a state tax shall be remitted to the~~

1 ~~department of revenue on behalf of the prize winner.~~

2 Sec. 40. Section 99D.16, Code 2017, is amended to read as
3 follows:

4 **99D.16 Withholding tax on winnings.**

5 All winnings provided in [section 99D.11](#) are Iowa earned
6 income and are subject to state and federal income tax laws.
7 ~~An amount deducted from winnings for payment of the state tax,~~
8 ~~pursuant to [section 422.16, subsection 1](#), shall be remitted to~~
9 ~~the department of revenue on behalf of the individual who won~~
10 ~~the wager.~~

11 Sec. 41. Section 99F.18, Code 2017, is amended to read as
12 follows:

13 **99F.18 Tax on winnings.**

14 All winnings derived from slot machines operated pursuant to
15 this chapter are Iowa earned income and are subject to state
16 and federal income tax laws. ~~An amount deducted from winnings~~
17 ~~for payment of the state tax, pursuant to [section 422.16,](#)~~
18 ~~subsection 1, shall be remitted to the department of revenue~~
19 ~~on behalf of the winner.~~

20 Sec. 42. Section 99G.31, subsection 2, paragraph i, Code
21 2017, is amended to read as follows:

22 *i.* The proceeds of any lottery prize shall be subject to
23 state and federal income tax laws. ~~An amount deducted from the~~
24 ~~prize for payment of a state tax, pursuant to [section 422.16,](#)~~
25 ~~subsection 1, shall be transferred by the authority to the~~
26 ~~department of revenue on behalf of the prize winner.~~

27 Sec. 43. Section 100B.13, subsection 2, paragraph a, Code
28 2017, is amended to read as follows:

29 *a.* Moneys credited to the fund pursuant to an income tax
30 checkoff provided in [chapter 422, division II, Code 2017](#), if
31 applicable.

32 Sec. 44. Section 190B.103, Code 2017, is amended to read as
33 follows:

34 **190B.103 From farm to food donation tax credit.**

35 A from farm to food donation tax credit is allowed against

1 the taxes imposed in chapter 422, ~~divisions II and~~ division
2 III, as provided in this chapter.

3 Sec. 45. Section 216B.3, subsection 15, Code 2017, is
4 amended to read as follows:

5 15. Develop a plan to provide telephone yellow pages
6 information without charge to persons declared to be blind
7 under the standards in section 422.12, subsection 2, paragraph
8 "a", subparagraph (5), Code 2017. The department may apply for
9 federal funds to support the service. The program shall be
10 limited in scope by the availability of funds.

11 Sec. 46. Section 217.39, Code 2017, is amended to read as
12 follows:

13 **217.39 Persecuted victims of World War II — reparations —**
14 **heirs.**

15 Notwithstanding any other law of this state, payments paid
16 to and income from lost property of a victim of persecution for
17 racial, ethnic, or religious reasons by Nazi Germany or any
18 other Axis regime or as an heir of such victim which is exempt
19 from state income tax as provided in section 422.7, subsection
20 35, Code 2017, shall not be considered as income or an asset
21 for determining the eligibility for state or local government
22 benefit or entitlement programs. The proceeds are not subject
23 to recoupment for the receipt of governmental benefits or
24 entitlements, and liens, except liens for child support, are
25 not enforceable against these sums for any reason.

26 Sec. 47. Section 235A.2, subsection 1, Code 2017, is amended
27 to read as follows:

28 1. A child abuse prevention program fund is created in
29 the state treasury under the control of the department of
30 human services. The fund is composed of moneys appropriated
31 or available to and obtained or accepted by the treasurer of
32 state for deposit in the fund. The fund shall include moneys
33 transferred to the fund pursuant to an income tax checkoff
34 provided in chapter 422, division II, Code 2017, if applicable.
35 All interest earned on moneys in the fund shall be credited to

1 and remain in the fund. [Section 8.33](#) does not apply to moneys
2 in the fund.

3 Sec. 48. Section 257.19, Code 2017, is amended to read as
4 follows:

5 **257.19 Instructional support funding.**

6 1. The additional funding for the instructional support
7 program for a budget year is limited to an amount not exceeding
8 ten percent of the total of regular program district cost
9 for the budget year and moneys received under [section 257.14](#)
10 as a budget adjustment for the budget year. Moneys received
11 by a district for the instructional support program are
12 miscellaneous income and may be used for any general fund
13 purpose. However, moneys received by a district for the
14 instructional support program shall not be used as, or in a
15 manner which has the effect of, supplanting funds authorized to
16 be received under [sections 257.41, 257.46, 298.2, and 298.4,](#)
17 or to cover any deficiencies in funding for special education
18 instructional services resulting from the application of the
19 special education weighting plan under [section 256B.9.](#)

20 2. Certification of a board's intent to participate for
21 a budget year, the method of funding, and the amount to be
22 raised shall be made to the department of management not later
23 than April 15 of the base year. Funding for the instructional
24 support program shall be obtained from instructional support
25 state aid and from local funding using either an instructional
26 support property tax ~~or a combination of an instructional~~
27 ~~support property tax and an instructional support income~~
28 ~~surtax.~~

29 ~~The board of directors shall determine whether the~~
30 ~~instructional support property tax or the combination of the~~
31 ~~instructional support property tax and instructional support~~
32 ~~income surtax shall be used for the local funding. Subject to~~
33 ~~the limitation specified in [section 298.14,](#) if the board elects~~
34 ~~to use the combination of the instructional support property~~
35 ~~tax and instructional support income surtax, for each budget~~

~~1 year the board shall determine the percent of income surtax
2 that will be imposed, expressed as full percentage points, not
3 to exceed twenty percent.~~

4 Sec. 49. Section 257.21, Code 2017, is amended to read as
5 follows:

6 **257.21 Computation of instructional support amount.**

7 ~~1.~~ The department of management shall establish the amount
8 of instructional support property tax to be levied ~~and the~~
9 ~~amount of instructional support income surtax to be imposed~~
10 by a district in accordance with the decision of the board
11 under [section 257.19](#) for each school year for which the
12 instructional support program is authorized. The department
13 of management shall determine these amounts based upon the
14 most recent figures available for the district's valuation of
15 taxable property, ~~individual state income tax paid,~~ and budget
16 enrollment in the district, and shall certify to the district's
17 county auditor the amount of instructional support property
18 tax, ~~and to the director of revenue the amount of instructional~~
19 ~~support income surtax to be imposed if an instructional support~~
20 ~~income surtax is to be imposed~~ levied.

21 ~~2.~~ ~~The instructional support income surtax shall be imposed~~
22 ~~on the state individual income tax for the calendar year during~~
23 ~~which the school's budget year begins, or for a taxpayer's~~
24 ~~fiscal year ending during the second half of that calendar year~~
25 ~~and after the date the board adopts a resolution to participate~~
26 ~~in the program or the first half of the succeeding calendar~~
27 ~~year, and shall be imposed on all individuals residing in the~~
28 ~~school district on the last day of the applicable tax year.~~
29 ~~As used in this section, "state individual income tax" means~~
30 ~~the taxes computed under [section 422.5](#), less the amounts of~~
31 ~~nonrefundable credits allowed under [chapter 422, division II](#),~~
32 ~~except for the Iowa taxpayers trust fund tax credit allowed~~
33 ~~under [section 422.11E](#).~~

34 Sec. 50. Section 257.29, subsections 3 and 4, Code 2017, are
35 amended to read as follows:

1 3. The educational improvement program shall be funded
2 by either an educational improvement property tax ~~or by a~~
3 ~~combination of an educational improvement property tax and an~~
4 ~~educational improvement income surtax. The method of raising~~
5 ~~the educational improvement moneys shall be determined by the~~
6 ~~board. Subject to the limitation in [section 298.14](#), if the~~
7 ~~board uses a combination of an educational improvement property~~
8 ~~tax and an educational improvement income surtax, the board~~
9 ~~shall determine the percent of income surtax to be imposed,~~
10 ~~expressed as full percentage points, not to exceed twenty~~
11 ~~percent.~~

12 4. The department of management shall establish the amount
13 of the educational improvement property tax to be levied ~~or~~
14 ~~the amount of the combination of the educational improvement~~
15 ~~property tax to be levied and the amount of the school district~~
16 ~~income surtax to be imposed~~ for each school year that the
17 educational improvement amount is authorized. The educational
18 improvement property tax ~~and income surtax, if an income~~
19 ~~surtax is imposed, shall be levied and imposed, collected,~~
20 and paid to the school district in the manner provided for
21 the instructional support program in ~~sections~~ [section 257.21](#)
22 ~~through 257.26~~. Moneys received by a school district under the
23 educational improvement program are miscellaneous income.

24 Sec. 51. Section 260E.2, subsection 6, Code 2017, is amended
25 to read as follows:

26 6. "Employee" means the person employed in a new job.
27 "Employee" does not include a person who would not be subject
28 to the withholding of Iowa income pursuant to a reciprocal
29 agreement under [section 422.8, subsection 5, Code 2017](#).

30 Sec. 52. Section 260E.5, subsections 2 and 6, Code 2017, are
31 amended to read as follows:

32 2. An amount equal to one and one-half percent of the gross
33 wages paid by the employer to each employee participating in a
34 project shall be credited from the payment made by an employer
35 pursuant to [section 422.16](#), Code 2017. If the amount of the

1 withholding by the employer is less than one and one-half
2 percent of the gross wages paid to the employees covered by the
3 agreement, then the employer shall receive a credit against
4 other withholding taxes due by the employer. The employer
5 shall remit the amount of the credit quarterly in the same
6 manner as withholding payments are reported to the department
7 of revenue, to the community college to be allocated to and
8 when collected paid into a special fund of the community
9 college to pay the principal of and interest on certificates
10 issued by the community college to finance or refinance, in
11 whole or in part, the project. When the principal and interest
12 on the certificates have been paid, the employer credits shall
13 cease and any money received after the certificates have
14 been paid shall be remitted to the treasurer of state to be
15 deposited in the general fund of the state.

16 6. An employee participating in a project will receive full
17 credit for the amount withheld as provided in [section 422.16,](#)
18 [Code 2017.](#)

19 Sec. 53. Section 260G.4A, subsections 2 and 5, Code 2017,
20 are amended to read as follows:

21 2. Eligibility for program job credits shall be based on
22 certification of program job positions and program job wages
23 by the employer at the time established in the agreement. An
24 amount up to ten percent of the gross program job wage as
25 certified by the employer in the agreement shall be credited
26 from the total payment made by an employer pursuant to section
27 [422.16, Code 2017.](#) The employer shall receive a credit against
28 all withholding taxes due by the employer regardless of whether
29 or not the withholding from the employer of current program
30 job wages is less than ten percent. The employer shall remit
31 the amount of the credit quarterly in the same manner as
32 withholding payments are reported to the department of revenue,
33 to the community college to be allocated to and when collected
34 paid into a special fund of the community college to pay, in
35 part, the program costs. When the program costs have been

1 paid, the employer credits shall cease and any moneys received
2 after the program costs have been paid shall be remitted to the
3 treasurer of state to be deposited in the general fund of the
4 state.

5 5. Employees from an employer participating in an agreement
6 shall receive full credit for the amount withheld as provided
7 in [section 422.16](#), Code 2017.

8 Sec. 54. Section 279.63, subsection 2, paragraph a, Code
9 2017, is amended to read as follows:

10 a. All property tax levies, ~~income surtaxes~~, and local
11 option sales taxes in place in the school district, listed by
12 type of levy, rate, amount, duration, and notification of the
13 maximum rate and amount limitations permitted by statute.

14 Sec. 55. Section 298.2, subsection 1, paragraph a, Code
15 2017, is amended to read as follows:

16 a. A physical plant and equipment levy of not exceeding
17 one dollar and sixty-seven cents per thousand dollars of
18 assessed valuation in the district is established except as
19 otherwise provided in [this subsection](#). The physical plant
20 and equipment levy consists of the regular physical plant
21 and equipment levy of not exceeding thirty-three cents per
22 thousand dollars of assessed valuation in the district and
23 a voter-approved physical plant and equipment levy of not
24 exceeding one dollar and thirty-four cents per thousand
25 dollars of assessed valuation in the district. ~~However, the~~
26 ~~voter-approved physical plant and equipment levy may consist~~
27 ~~of a combination of a physical plant and equipment property~~
28 ~~tax levy and a physical plant and equipment income surtax as~~
29 ~~provided in [subsection 4](#) with the maximum amount levied and~~
30 ~~imposed limited to an amount that could be raised by a one~~
31 ~~dollar and thirty-four cent property tax levy.~~

32 Sec. 56. Section 298.2, subsection 4, Code 2017, is amended
33 to read as follows:

34 4. a. The board may on its own motion, and upon the
35 written request of not less than one hundred eligible electors

1 or thirty percent of the number of eligible electors voting
 2 at the last regular school election, whichever is greater,
 3 shall, direct the county commissioner of elections to provide
 4 for submitting the proposition of levying the voter-approved
 5 physical plant and equipment levy for a period of time
 6 authorized by the voters at the election, not to exceed ten
 7 years. The election shall be held on a date specified in
 8 section 39.2, subsection 4, paragraph "c". The proposition is
 9 adopted if a majority of those voting on the proposition at the
 10 election approves it. The voter-approved physical plant and
 11 equipment levy shall be funded either by a physical plant and
 12 equipment property tax or by a combination of a physical plant
 13 and equipment property tax and a physical plant and equipment
 14 income surtax, as determined by the board. However, if the
 15 board intends to enter into a rental or lease arrangement under
 16 [section 279.26](#), or intends to enter into a loan agreement under
 17 [section 297.36](#), only a property tax shall be levied for those
 18 purposes. Subject to the limitations of [section 298.14](#), if
 19 the board uses a combination of a physical plant and equipment
 20 property tax and a physical plant and equipment surtax, for
 21 each fiscal year the board shall determine the percent of
 22 income surtax to be imposed expressed as full percentage
 23 points, not to exceed twenty percent.

24 *b.* ~~If a combination of a property tax and income surtax~~
 25 ~~is used, by April 15 of the previous school year, the board~~
 26 ~~shall certify the percent of the income surtax to be imposed~~
 27 ~~and the amount to be raised to the department of management~~
 28 ~~and the department of management shall establish the rate of~~
 29 ~~the property tax and income surtax for the school year. The~~
 30 ~~physical plant and equipment property tax and income surtax~~
 31 ~~shall be levied or imposed, collected, and paid to the school~~
 32 ~~district in the manner provided for the instructional support~~
 33 ~~program in [sections section 257.21 through 257.26](#).~~

34 Sec. 57. Section 403.19A, subsection 3, paragraphs b and i,
 35 Code 2017, are amended to read as follows:

1 *b.* An amount equal to three percent of the gross wages paid
2 by an employer to each employee under a withholding agreement
3 shall be credited from the payment made by the employer
4 pursuant to [section 422.16](#), Code 2017. If the amount of the
5 withholding by the employer is less than three percent of the
6 gross wages paid to the employees covered by the withholding
7 agreement, the employer shall receive a credit against other
8 withholding taxes due by the employer or may carry the credit
9 forward for up to ten years or until depleted, whichever is
10 the earlier. The employer shall remit the amount of the
11 credit quarterly, in the same manner as withholding payments
12 are reported to the department of revenue, to the pilot
13 project city to be allocated to and when collected paid into
14 a designated withholding project fund for the project. All
15 amounts so deposited shall be used or pledged by the pilot
16 project city for a project related to the employer pursuant to
17 the withholding agreement.

18 *i.* An employee whose wages are subject to a withholding
19 agreement shall receive full credit for the amount withheld as
20 provided in [section 422.16](#), Code 2017.

21 Sec. 58. Section 404A.2, subsection 2, Code 2017, is amended
22 to read as follows:

23 2. The tax credit shall be allowed against the taxes imposed
24 in [chapter 422, divisions II, III, and V](#), and in chapter
25 432. ~~An individual may claim a tax credit under this section~~
26 ~~of a partnership, limited liability company, S corporation,~~
27 ~~estate, or trust electing to have income taxed directly to the~~
28 ~~individual. For an individual claiming a tax credit of an~~
29 ~~estate or trust, the amount claimed by the individual shall be~~
30 ~~based upon the pro rata share of the individual's earnings from~~
31 ~~the estate or trust. For an individual claiming a tax credit~~
32 ~~of a partnership, limited liability company, or S corporation,~~
33 ~~the amount claimed by the partner, member, or shareholder,~~
34 ~~respectively, shall be based upon the amounts designated by~~
35 ~~the eligible partnership, S corporation, or limited liability~~

1 ~~company, as applicable.~~

2 Sec. 59. Section 404A.2, subsection 3, paragraph c, Code
3 2017, is amended to read as follows:

4 c. A tax credit shall not be claimed by a transferee
5 under this section until a replacement tax credit certificate
6 identifying the transferee as the proper holder has been
7 issued. The transferee may use the amount of the tax credit
8 transferred against the taxes imposed in chapter 422, divisions
9 ~~II, III, and V~~, and in [chapter 432](#), for any tax year the
10 original transferor could have claimed the tax credit. Any
11 consideration received for the transfer of the tax credit shall
12 not be included as income under chapter 422, divisions ~~II, III,~~
13 and V. Any consideration paid for the transfer of the tax
14 credit shall not be deducted from income under chapter 422,
15 divisions ~~II, III,~~ and V.

16 Sec. 60. Section 404A.2, subsection 5, paragraph c, Code
17 2017, is amended to read as follows:

18 c. The tax credit certificate, unless rescinded by the
19 authority, shall be accepted by the department of revenue
20 as payment for taxes imposed in chapter 422, divisions ~~II,~~
21 ~~III,~~ and V, and in [chapter 432](#), subject to any conditions
22 or restrictions placed by the authority or the department of
23 revenue upon the face of the tax credit certificate and subject
24 to the limitations of this program.

25 Sec. 61. Section 404A.2, subsection 6, Code 2017, is amended
26 to read as follows:

27 6. For purposes of the ~~individual and corporate income taxes~~
28 ~~tax~~ and the franchise tax, the increase in the basis of the
29 rehabilitated property that would otherwise result from the
30 qualified rehabilitation expenditures shall be reduced by the
31 amount of the credit computed under [this section](#).

32 Sec. 62. Section 422.1, subsection 2, Code 2017, is amended
33 to read as follows:

34 2. [Division II](#) ~~Personal net income tax~~ Provisions
35 related to the business tax on corporations.

1 Sec. 63. Section 422.11L, subsection 1, unnumbered
2 paragraph 1, Code 2017, is amended to read as follows:

3 The taxes imposed under ~~this division~~, ~~less the credits~~
4 ~~allowed under section 422.12~~, III shall be reduced by a solar
5 energy system tax credit equal to the sum of the following:

6 Sec. 64. Section 422.11L, subsection 3, paragraph a, Code
7 2017, is amended by striking the paragraph.

8 Sec. 65. Section 422.11N, subsection 3, unnumbered
9 paragraph 1, Code 2017, is amended to read as follows:

10 The taxes imposed under ~~this division~~, ~~less the credits~~
11 ~~allowed under section 422.12~~, III shall be reduced by an
12 ethanol promotion tax credit for each tax year that the
13 taxpayer is eligible to claim the tax credit under this
14 section. In order to be eligible, all of the following must
15 apply:

16 Sec. 66. Section 422.11N, subsection 9, Code 2017, is
17 amended by striking the subsection.

18 Sec. 67. Section 422.11O, subsection 2, unnumbered
19 paragraph 1, Code 2017, is amended to read as follows:

20 The taxes imposed under ~~this division~~, ~~less the credits~~
21 ~~allowed under section 422.12~~, III shall be reduced by an
22 E-85 gasoline promotion tax credit for each tax year that
23 the taxpayer is eligible to claim the tax credit under this
24 subsection.

25 Sec. 68. Section 422.11O, subsection 7, Code 2017, is
26 amended by striking the subsection.

27 Sec. 69. Section 422.11P, subsection 3, unnumbered
28 paragraph 1, Code 2017, is amended to read as follows:

29 The taxes imposed under ~~this division~~, ~~less the credits~~
30 ~~allowed under section 422.12~~, III shall be reduced by a
31 biodiesel blended fuel tax credit for each tax year that
32 the taxpayer is eligible to claim a tax credit under this
33 subsection.

34 Sec. 70. Section 422.11P, subsection 7, Code 2017, is
35 amended by striking the subsection.

1 Sec. 71. Section 422.11S, subsection 1, Code 2017, is
2 amended to read as follows:

3 1. The taxes imposed under ~~this division~~, less the credits
4 ~~allowed under section 422.12~~, III shall be reduced by a
5 school tuition organization tax credit equal to sixty-five
6 percent of the amount of the voluntary cash or noncash
7 contributions made by the taxpayer during the tax year to a
8 school tuition organization, subject to the total dollar value
9 of the organization's tax credit certificates as computed in
10 subsection 8. The tax credit shall be claimed by use of a tax
11 credit certificate as provided in subsection 7.

12 Sec. 72. Section 422.11S, subsections 4 and 5, Code 2017,
13 are amended by striking the subsections.

14 Sec. 73. Section 422.11S, subsection 8, paragraph a,
15 subparagraph (2), Code 2017, is amended to read as follows:

16 (2) *"Total approved tax credits"* means ~~for the tax year~~
17 ~~beginning in the 2006 calendar year, two million five hundred~~
18 ~~thousand dollars, for the tax year beginning in the 2007~~
19 ~~calendar year, five million dollars, for tax years beginning~~
20 ~~on or after January 1, 2008, but before January 1, 2012, seven~~
21 ~~million five hundred thousand dollars, for tax years beginning~~
22 ~~on or after January 1, 2012, but before January 1, 2014, eight~~
23 ~~million seven hundred fifty thousand dollars, and for tax years~~
24 ~~beginning on or after January 1, 2014, twelve~~ for tax years
25 beginning on or after January 1, 2017, three million dollars.

26 Sec. 74. Section 422.11Y, subsection 3, unnumbered
27 paragraph 1, Code 2017, is amended to read as follows:

28 The taxes imposed under ~~this division~~, less the credits
29 ~~allowed under section 422.12~~, III shall be reduced by the
30 amount of the E-15 plus gasoline promotion tax credit for each
31 tax year that the taxpayer is eligible to claim a tax credit
32 under ~~this subsection~~.

33 Sec. 75. Section 422.11Y, subsection 8, Code 2017, is
34 amended by striking the subsection.

35 Sec. 76. Section 422.15, subsections 2 and 3, Code 2017, are

1 amended by striking the subsections.

2 Sec. 77. Section 422.15, subsection 4, Code 2017, is amended
3 to read as follows:

4 4. Notwithstanding ~~subsections~~ subsection 1, 2, and 3, or
5 any other provision of **this chapter**, withholding of income
6 tax and any reporting requirement shall not be imposed upon
7 a person, corporation, or withholding agent or any payor of
8 deferred compensation, pensions, or annuities with regard to
9 such payments made to a nonresident of the state.

10 Sec. 78. Section 422.21, Code 2017, is amended by striking
11 the section and inserting in lieu thereof the following:

12 **422.21 Form and time of return.**

13 Returns shall be in the form the director prescribes, and
14 shall be filed with the department on or before the last day
15 of the fourth month after the expiration of the tax year.
16 However, cooperative associations as defined in section 6072(d)
17 of the Internal Revenue Code shall file their returns on or
18 before the fifteenth day of the ninth month following the
19 close of the taxable year and nonprofit corporations subject
20 to the unrelated business income tax imposed by section
21 422.33, subsection 1A, shall file their returns on or before
22 the fifteenth day of the fifth month following the close of
23 the taxable year. If, under the Internal Revenue Code, a
24 corporation is required to file a return covering a tax period
25 of less than twelve months, the state return shall be for the
26 same period and is due forty-five days after the due date of
27 the federal tax return, excluding any extension of time to
28 file. In case of sickness, absence, or other disability, or
29 if good cause exists, the director may allow further time for
30 filing returns. The director shall cause to be prepared blank
31 forms for the returns and shall cause them to be distributed
32 throughout the state and to be furnished upon application,
33 but failure to receive or secure the form does not relieve
34 the taxpayer from the obligation of making a return that is
35 required. The department may as far as consistent with the

1 Code draft income tax forms to conform to the income tax
2 forms of the internal revenue department of the United States
3 government.

4 Sec. 79. Section 422.22, Code 2017, is amended to read as
5 follows:

6 **422.22 Supplementary returns.**

7 If the director shall be of the opinion that any taxpayer
8 required under ~~this division~~ III to file a return has failed
9 to file such a return or to include in a return filed, either
10 intentionally or through error, items of taxable income,
11 the director may require from such taxpayer a return or
12 supplementary return in such form as the director shall
13 prescribe, of all the items of income which the taxpayer
14 received during the year for which the return is made, whether
15 or not taxable under the provisions of ~~this division~~ III. If
16 from a supplementary return, or otherwise, the director finds
17 that any items of income, taxable under ~~this division~~ III, have
18 been omitted from the original return, the director may require
19 the items so omitted to be added to the original return. Such
20 supplementary return and the correction of the original return
21 shall not relieve the taxpayer from any of the penalties to
22 which the taxpayer may be liable under any provisions of ~~this~~
23 division III, whether or not the director required a return or
24 a supplementary return under ~~this section~~.

25 Sec. 80. Section 422.32, Code 2017, is amended to read as
26 follows:

27 **422.32 Definitions.**

28 ~~1.~~ For the purpose of ~~this division~~ and unless otherwise
29 required by the context:

30 ~~a.~~ 1. "Affiliated group" means a group of corporations as
31 defined in section 1504(a) of the Internal Revenue Code.

32 ~~b.~~ 2. a. "Business income" means income arising from
33 transactions and activity in the regular course of the
34 taxpayer's trade or business; or income from tangible and
35 intangible property if the acquisition, management, and

1 disposition of the property constitute integral parts of the
 2 taxpayer's regular trade or business operations; or gain or
 3 loss resulting from the sale, exchange, or other disposition of
 4 real property or of tangible or intangible personal property,
 5 if the property while owned by the taxpayer was operationally
 6 related to the taxpayer's trade or business carried on in
 7 Iowa or operationally related to sources within Iowa, or the
 8 property was operationally related to sources outside this
 9 state and to the taxpayer's trade or business carried on in
 10 Iowa; or gain or loss resulting from the sale, exchange, or
 11 other disposition of stock in another corporation if the
 12 activities of the other corporation were operationally related
 13 to the taxpayer's trade or business carried on in Iowa while
 14 the stock was owned by the taxpayer. A taxpayer may have more
 15 than one regular trade or business in determining whether
 16 income is business income.

17 ~~(1)~~ b. It is the intent of the general assembly to treat as
 18 apportionable business income all income that may be treated
 19 as apportionable business income under the Constitution of the
 20 United States.

21 ~~(2)~~ c. The filing of an Iowa income tax return on a
 22 combined report basis is neither allowed nor required by this
 23 paragraph ~~"b"~~ subsection.

24 ~~e.~~ 3. "*Commercial domicile*" means the principal place from
 25 which the trade or business of the taxpayer is directed or
 26 managed.

27 ~~d.~~ 4. "*Corporation*" includes joint stock companies, and
 28 associations organized for pecuniary profit, and partnerships
 29 and limited liability companies taxed as corporations under the
 30 Internal Revenue Code.

31 ~~e.~~ 5. "*Domestic corporation*" means any corporation
 32 organized under the laws of this state.

33 6. "*Fiduciary*" means a guardian, trustee, executor,
 34 administrator, receiver, conservator, or any person, whether
 35 individual or corporate, acting in any fiduciary capacity for

1 any person, trust, or estate.

2 7. "Fiscal year" means an accounting period of twelve
3 months, ending on the last day of any month other than
4 December.

5 ~~f.~~ 8. "Foreign corporation" means any corporation other
6 than a domestic corporation.

7 9. "Foreign country" means any jurisdiction other than one
8 embraced within the United States. The words "United States",
9 when used in a geographical sense, include the states, the
10 District of Columbia, and the possessions of the United States.

11 ~~g.~~ 10. "Income from sources within this state" means income
12 from real, tangible, or intangible property located or having
13 a situs in this state.

14 11. "Income year" means the calendar year or the fiscal year
15 upon the basis of which the net income is computed under this
16 division.

17 12. "Individual" means a natural person.

18 ~~h.~~ 13. "Internal Revenue Code" means the Internal Revenue
19 Code of 1954, prior to the date of its redesignation as the
20 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,
21 or means the Internal Revenue Code of 1986 as amended to and
22 including January 1, 2015.

23 ~~i.~~ 14. "Nonbusiness income" means all income other than
24 business income.

25 15. "Paid", for the purposes of the deductions under this
26 division, means "paid or accrued" or "paid or incurred", and
27 the terms "paid or incurred" and "paid or accrued" shall be
28 construed according to the method of accounting upon the basis
29 of which the net income is computed under this division. The
30 term "received", for the purpose of the computation of net
31 income under this division, means "received or accrued", and
32 the term "received or accrued" shall be construed according to
33 the method of accounting upon the basis of which the net income
34 is computed under this division.

35 16. "Resident" applies only to individuals and includes, for

1 the purpose of determining liability to the tax imposed by this
 2 division upon or with reference to the income of any tax year,
 3 any individual domiciled in the state, and any other individual
 4 who maintains a permanent place of abode within the state.

5 ~~j.~~ 17. "State" means any state of the United States, the
 6 District of Columbia, the Commonwealth of Puerto Rico, any
 7 territory or possession of the United States, and any foreign
 8 country or political subdivision thereof.

9 18. a. "Tax year" means the calendar year, or the fiscal
 10 year ending during such calendar year, upon the basis of which
 11 the net income is computed under this division.

12 b. If a taxpayer has made the election provided by section
 13 441(f) of the Internal Revenue Code, "tax year" means the annual
 14 period so elected, varying from fifty-two to fifty-three weeks.

15 c. If the effective date or the applicability of a provision
 16 of this division is expressed in terms of a tax year beginning,
 17 including, or ending with reference to a specified date which
 18 is the first or last day of a month, a tax year described in
 19 paragraph "a" of this subsection shall be treated as beginning
 20 with the first day of the calendar month beginning nearest to
 21 the first day of the tax year or as ending with the last day of
 22 the calendar month ending nearest to the last day of the tax
 23 year.

24 ~~k.~~ 19. "Taxable in another state". For purposes of
 25 allocation and apportionment of income under [this division](#), a
 26 taxpayer is "taxable in another state" if:

27 ~~(1)~~ a. In that state the taxpayer is subject to a net
 28 income tax, a franchise tax measured by net income, a franchise
 29 tax for the privilege of doing business, or a corporate stock
 30 tax; or

31 ~~(2)~~ b. That state has jurisdiction to subject the taxpayer
 32 to a net income tax regardless of whether, in fact, the state
 33 does or does not.

34 ~~l.~~ 20. "Unitary business" means a business carried on
 35 partly within and partly without a state where the portion

1 of the business carried on within the state depends on or
2 contributes to the business outside the state.

3 ~~2. The words, terms, and phrases defined in section 422.4,~~
4 ~~subsections 4 to 6, 8, 9, 13, and 15 to 17, when used in this~~
5 ~~division, shall have the meanings ascribed to them in said~~
6 ~~section except where the context clearly indicates a different~~
7 ~~meaning.~~

8 Sec. 81. Section 422.33, subsection 28, Code 2017, is
9 amended to read as follows:

10 28. The taxes imposed under **this division** shall be reduced
11 by a school tuition organization tax credit allowed under
12 section 422.11S. ~~The maximum amount of tax credits that~~
13 ~~may be approved under **this subsection** for a tax year equals~~
14 ~~twenty-five percent of the school tuition organization's tax~~
15 ~~credits that may be approved pursuant to section 422.11S,~~
16 ~~subsection 8, for a tax year.~~

17 Sec. 82. Section 422.35, subsection 2, Code 2017, is amended
18 to read as follows:

19 2. Add interest and dividends from foreign securities, from
20 securities of state and other political subdivisions, and from
21 regulated investment companies exempt from federal income tax
22 under the Internal Revenue Code, except for those securities
23 the interest and dividends from which are exempt from taxation
24 by the state of Iowa as otherwise provided by law, including
25 ~~those set forth in **section 422.7, subsection 2.**~~

26 a. Vision Iowa program bonds pursuant to section 12.71,
27 subsection 8.

28 b. School infrastructure program bonds pursuant to section
29 12.81, subsection 8.

30 c. Iowa jobs program revenue bonds pursuant to section
31 12.87, subsection 8.

32 d. Iowa utility board and Iowa consumer advocate building
33 project bonds pursuant to section 12.91, subsection 9.

34 e. Iowa finance authority beginning farmer loan program
35 bonds pursuant to section 16.64, subsection 2.

1 f. Water pollution control works and drinking facilities
2 financing program bonds pursuant to section 16.131, subsection
3 5.

4 g. Iowa prison infrastructure revenue bonds pursuant to
5 section 12.80, subsection 3, and section 16.177, subsection 8.

6 h. Quad cities interstate metropolitan authority bonds
7 pursuant to section 28A.24.

8 i. Iowa finance authority E911 program bonds pursuant to
9 section 34A.20, subsection 6.

10 j. Soil and water conservation subdistrict bonds pursuant
11 to section 161A.22.

12 k. Community college residence hall and dormitory bonds
13 pursuant to section 260C.61.

14 l. Community college bond program bonds pursuant to section
15 260C.71, subsection 6.

16 m. Higher education loan authority bonds pursuant to section
17 261A.27.

18 n. State board of regents bonds pursuant to sections 262.41,
19 262.51, 262.60, 262A.8, and 263A.6.

20 o. Interstate bridges bonds pursuant to section 313A.36.

21 p. Aviation authority bonds pursuant to section 330A.16.

22 q. County health center bonds pursuant to section 331.441,
23 subsection 2, paragraph "c", subparagraph (7).

24 r. Rural water district bonds pursuant to section 357A.15.

25 s. Urban renewal bonds pursuant to section 403.9, subsection
26 2.

27 t. Municipal housing project bonds pursuant to section
28 403A.12.

29 u. Comprehensive petroleum underground storage tank fund
30 bonds pursuant to section 455G.6, subsection 14.

31 v. Honey creek premier destination park bonds pursuant to
32 section 463C.12, subsection 8.

33 Sec. 83. Section 422.39, Code 2017, is amended to read as
34 follows:

35 **422.39 Statutes applicable to corporation tax.**

1 All the provisions of [sections 422.24 to 422.27](#) [422.26](#) of
2 division II, respecting payment and collection, shall apply in
3 respect to the tax due and payable by a corporation taxable
4 under [this division](#).

5 Sec. 84. Section 422.73, Code 2017, is amended to read as
6 follows:

7 **422.73 Correction of errors — refunds, credits, and**
8 **carrybacks.**

9 ~~1.~~ If it appears that an amount of tax, penalty, or interest
10 has been paid which was not due under division ~~II~~, [III](#) or V
11 of this chapter, then that amount shall be credited against
12 any tax due on the books of the department by the person who
13 made the excessive payment, or that amount shall be refunded
14 to the person or with the person's approval, credited to tax
15 to become due. A claim for refund or credit that has not been
16 filed with the department within three years after the return
17 upon which a refund or credit claimed became due, or within one
18 year after the payment of the tax upon which a refund or credit
19 is claimed was made, whichever time is the later, shall not be
20 allowed by the director. If, as a result of a carryback of a
21 net operating loss or a net capital loss, the amount of tax
22 in a prior period is reduced and an overpayment results, the
23 claim for refund or credit of the overpayment shall be filed
24 with the department within the three years after the return
25 for the taxable year of the net operating loss or net capital
26 loss became due. Notwithstanding the period of limitation
27 specified, the taxpayer shall have six months from the day of
28 final disposition of any income tax matter between the taxpayer
29 and the internal revenue service with respect to the particular
30 tax year to claim an income tax refund or credit.

31 ~~2. Notwithstanding [subsection 1](#), a claim for refund or~~
32 ~~credit of the individual income tax paid which resulted from a~~
33 ~~reduction in a person's federal adjusted gross income due to~~
34 ~~section 1106 of the FAA Modernization and Reform Act of 2012,~~
35 ~~Pub. L. No. 112-95, shall be considered timely if the claim is~~

1 ~~filed with the department on or before June 30, 2013.~~

2 ~~3. The department shall enter into an agreement with the~~
 3 ~~internal revenue service for the transmission of federal income~~
 4 ~~tax reports on individuals required to file an Iowa income tax~~
 5 ~~return who have been involved in an income tax matter with~~
 6 ~~the internal revenue service. After final disposition of~~
 7 ~~the income tax matter between the taxpayer and the internal~~
 8 ~~revenue service, the department shall determine whether the~~
 9 ~~individual is due a state income tax refund as a result of~~
 10 ~~final disposition of such income tax matter. If the individual~~
 11 ~~is due a state income tax refund, the department shall notify~~
 12 ~~the individual within thirty days and request the individual to~~
 13 ~~file a claim for refund or credit with the department.~~

14 Sec. 85. Section 422.110, Code 2017, is amended to read as
 15 follows:

16 **422.110 Income tax credit in lieu of refund.**

17 1. In lieu of the fuel tax refund provided in section
 18 452A.17, a ~~person or~~ corporation subject to taxation under
 19 ~~division II or III of this chapter~~ may elect to receive an
 20 income tax credit. The ~~person or~~ corporation which elects to
 21 receive an income tax credit shall cancel its refund permit
 22 obtained under [section 452A.18](#) within thirty days after the
 23 first day of its tax year or the permit becomes invalid at that
 24 time. For the purposes of [this section](#), ~~"person"~~ includes a
 25 ~~person claiming a tax credit based upon the person's pro rata~~
 26 ~~share of the earnings from a partnership, limited liability~~
 27 ~~company, or corporation which is not subject to a tax under~~
 28 ~~division II or III of this chapter~~ as a partnership, limited
 29 liability company, or corporation "corporation" means the same
 30 as defined in section 422.32. If the election to receive
 31 an income tax credit has been made, it remains effective for
 32 at least one tax year, and for subsequent tax years unless
 33 a change is requested and a new refund permit applied for
 34 within thirty days after the first day of the ~~person's or~~
 35 ~~corporation's~~ tax year. The income tax credit shall be the

1 amount of the Iowa fuel tax paid on fuel purchased by the
2 ~~person or~~ corporation and is subject to the conditions provided
3 in [section 452A.17](#) with the exception that the income tax
4 credit is not available for refunds relating to casualty
5 losses, transport diversions, pumping credits, blending
6 errors, idle time, power takeoffs, reefer units, and exports by
7 distributors.

8 2. The right to a credit under [this section](#) is not
9 assignable and the credit may be claimed only by the ~~person or~~
10 corporation that purchased the fuel.

11 Sec. 86. Section 422D.1, Code 2017, is amended to read as
12 follows:

13 **422D.1 Authorization — election — imposition and repeal —**
14 **use of revenues.**

15 1. *a.* A county board of supervisors may offer for voter
16 approval ~~any of the following taxes or a combination of the~~
17 ~~following taxes:~~

18 ~~(1) Local option income surtax.~~

19 ~~(2) An an ad valorem property tax.~~

20 *b.* Revenues generated from ~~these taxes~~ the ad valorem
21 property tax shall be used for emergency medical services as
22 provided in [section 422D.6](#).

23 2. *a.* ~~The taxes~~ property tax for emergency medical services
24 shall only be imposed after an election at which a majority of
25 those voting on the question of imposing the tax ~~or combination~~
26 ~~of taxes specified in [subsection 1](#), paragraph "a", subparagraph~~
27 ~~(1) or (2),~~ vote in favor of the question. However, the tax
28 ~~or combination of taxes specified in [subsection 1](#)~~ shall not
29 be imposed on property within ~~or on residents of~~ a benefited
30 emergency medical services district under [chapter 357F](#). The
31 question of imposing the tax ~~or combination of the taxes~~ may
32 be submitted at the regular city election, a special election,
33 or the general election. Notice of the question shall be
34 provided by publication at least sixty days before the time of
35 the election and shall identify ~~the tax or combination of taxes~~

1 and the levy rate ~~or rates, as applicable~~. If a majority of
2 those voting on the question approve the imposition of the tax
3 ~~or combination of taxes~~, the tax ~~or combination of taxes~~ shall
4 be ~~imposed as follows~~:

5 ~~(1) A local option income surtax shall be imposed for tax~~
6 ~~years beginning on or after January 1 of the fiscal year in~~
7 ~~which the favorable election was held.~~

8 ~~(2) An ad valorem property tax shall be imposed~~ levied for
9 the fiscal year in which the election was held.

10 ~~b. Before a county imposes an income surtax as specified~~
11 ~~in subsection 1, paragraph "a", subparagraph (1), a benefited~~
12 ~~emergency medical services district in the county shall be~~
13 ~~dissolved, and the county shall be liable for the outstanding~~
14 ~~obligations of the benefited district. If the benefited~~
15 ~~district extends into more than one county, the county imposing~~
16 ~~the income surtax shall be liable for only that portion of the~~
17 ~~obligations relating to the portion of the benefited district~~
18 ~~in the county.~~

19 3. Revenues received by the county from the ~~taxes imposed~~
20 tax levied under this chapter shall be deposited into the
21 emergency medical services trust fund created pursuant to
22 section 422D.6 and shall be used as provided in that section.

23 4. Any tax ~~or combination of taxes imposed~~ levied under this
24 chapter shall be for a maximum period of five years.

25 Sec. 87. Section 425.17, subsection 7, Code 2017, is amended
26 to read as follows:

27 7. "Income" means the sum of Iowa net income as defined
28 in section 422.7, Code 2017, plus all of the following to
29 the extent not already included in Iowa net income: capital
30 gains, alimony, child support money, cash public assistance and
31 relief, except property tax relief granted under this division,
32 amount of in-kind assistance for housing expenses, the gross
33 amount of any pension or annuity, including but not limited
34 to railroad retirement benefits, payments received under the
35 federal Social Security Act, except child insurance benefits

1 received by a member of the claimant's household, and all
2 military retirement and veterans' disability pensions, interest
3 received from the state or federal government or any of its
4 instrumentalities, workers' compensation and the gross amount
5 of disability income or "loss of time" insurance. "Income"
6 does not include gifts from nongovernmental sources, or surplus
7 foods or other relief in kind supplied by a governmental
8 agency. In determining income, net operating losses and net
9 capital losses shall not be considered.

10 Sec. 88. Section 425.23, subsection 4, paragraph b, Code
11 2017, is amended to read as follows:

12 b. The annual adjustment factor for the 1998 base year is
13 one hundred percent. For each subsequent base year, the annual
14 adjustment factor equals the annual inflation factor for the
15 calendar year, in which the base year begins, as computed in
16 section 422.4 ~~for purposes of the individual income tax, Code~~
17 2017.

18 Sec. 89. Section 476.20, subsection 2, Code 2017, is amended
19 to read as follows:

20 2. The board shall establish rules requiring a regulated
21 public utility furnishing gas or electricity to include in
22 the utility's notice of pending disconnection of service a
23 written statement advising the customer that the customer
24 may be eligible to participate in the low income home energy
25 assistance program or weatherization assistance program
26 administered by the division of community action agencies of
27 the department of human rights. The written statement shall
28 list the address and telephone number of the local agency
29 which is administering the customer's low income home energy
30 assistance program and the weatherization assistance program.
31 The written statement shall also state that the customer
32 is advised to contact the public utility to settle any of
33 the customer's complaints with the public utility, but if a
34 complaint is not settled to the customer's satisfaction, the
35 customer may file the complaint with the board. The written

1 statement shall include the address and phone number of the
 2 board. If the notice of pending disconnection of service
 3 applies to a residence, the written statement shall advise
 4 that the disconnection does not apply from November 1 through
 5 April 1 for a resident who is a ~~"head of household", as~~
 6 ~~defined in section 422.4,~~ head of household and who has been
 7 certified to the public utility by the local agency which is
 8 administering the low income home energy assistance program and
 9 weatherization assistance program as being eligible for either
 10 the low income home energy assistance program or weatherization
 11 assistance program, and that if such a resident resides within
 12 the serviced residence, the customer should promptly have
 13 the qualifying resident notify the local agency which is
 14 administering the low income home energy assistance program and
 15 weatherization assistance program. The board shall establish
 16 rules requiring that the written notice contain additional
 17 information as it deems necessary and appropriate.

18 Sec. 90. Section 476.20, subsection 3, paragraph b, Code
 19 2017, is amended to read as follows:

20 b. A qualified applicant for the low income home energy
 21 assistance program or the weatherization assistance program who
 22 is also a ~~"head of household", as defined in section 422.4,~~
 23 ~~subsection 7,~~ head of household shall be promptly certified
 24 by the local agency administering the applicant's program to
 25 the applicant's public utility that the resident is a ~~"head~~
 26 ~~of household" as defined in section 422.4, subsection 7,~~ head
 27 of household and is qualified for the low income home energy
 28 assistance program or weatherization assistance program.
 29 Notwithstanding subsection 1, a public utility furnishing gas
 30 or electricity shall not disconnect service from November 1
 31 through April 1 to a residence which has a resident that has
 32 been certified under this paragraph. For purposes of this
 33 section, "head of household" has the same meaning as provided
 34 by the Internal Revenue Code.

35 Sec. 91. Section 476B.2, Code 2017, is amended to read as

1 follows:

2 **476B.2 General rule.**

3 The owner of a qualified facility shall, for each
4 kilowatt-hour of qualified electricity that the owner sells
5 or uses for on-site consumption during the ten-year period
6 beginning on the date the qualified facility was originally
7 placed in service, be allowed a wind energy production tax
8 credit to the extent provided in [this chapter](#) against the tax
9 imposed in [chapter 422, divisions ~~II~~, III, and V](#), and chapter
10 432, and may claim a refund of tax imposed by [chapter 423](#) or
11 437A for any tax year within the time period set forth in
12 section 423.47 or [437A.14](#).

13 Sec. 92. Section 476B.6, subsection 5, paragraphs a, b, and
14 c, Code 2017, are amended to read as follows:

15 *a.* If the tax credit application is filed by a partnership,
16 limited liability company, S corporation, estate, trust, or
17 other reporting entity all of the income of which is taxed
18 directly to its equity holders or beneficiaries, for the taxes
19 imposed under [chapter 422, division ~~II~~ or III](#), the tax credit
20 certificate shall be issued directly to equity holders or
21 beneficiaries of the applicant in proportion to their pro rata
22 share of the income of such entity. The applicant shall, in
23 the application made under [this section](#), identify its equity
24 holders or beneficiaries, and the percentage of such entity's
25 income that is allocable to each equity holder or beneficiary.

26 *b.* If the tax credit applicant under [this section](#) is
27 eligible to receive renewable electricity production credits
28 authorized under section 45 of the Internal Revenue Code,
29 as amended, and the tax credit applicant is a partnership,
30 limited liability company, S corporation, estate, trust, or
31 other reporting entity all of the income of which is taxed
32 directly to its equity holders or beneficiaries, for the taxes
33 imposed under [chapter 422, division ~~II~~ or III](#), the tax credit
34 certificate may be issued to a partner if the business is a
35 partnership, a shareholder if the business is an S corporation,

1 or a member if the business is a limited liability company
 2 in the amounts designated by the eligible partnership, S
 3 corporation, or limited liability company. In absence of
 4 such designation, the credits under [this section](#) shall flow
 5 through to the partners, shareholders, or members in accordance
 6 with their pro rata share of the income of the entity. The
 7 applicant shall, in the application made under [this section](#),
 8 identify the holders or beneficiaries that are to receive the
 9 tax credit certificates and the percentage of the tax credit
 10 that is allocable to each holder or beneficiary.

11 *c.* If an applicant under [this section](#) is eligible to
 12 receive renewable electricity production credits authorized
 13 under section 45 of the Internal Revenue Code, as amended, and
 14 the tax credit applicant is a partnership, limited liability
 15 company, S corporation, estate, trust, or other reporting
 16 entity all of the income of which is taxed directly to its
 17 equity holders or beneficiaries, for the taxes imposed under
 18 chapter 422, division ~~II~~ or III, the tax credit certificates
 19 and all future rights to the tax credit in [this section](#) may be
 20 distributed to an equity holder or beneficiary as a liquidating
 21 distribution or portion thereof, of a holder or beneficiary's
 22 interest in the applicant entity. The applicant shall, in the
 23 application made under [this section](#), designate the percentage
 24 of the tax credit allocable to the liquidating equity holder
 25 or beneficiary that is to receive the current and future tax
 26 credit certificates under [this section](#).

27 Sec. 93. Section 476B.7, subsection 2, Code 2017, is amended
 28 to read as follows:

29 2. The tax credit shall be freely transferable. The
 30 transferee may use the amount of the tax credit transferred
 31 against the taxes imposed under chapter 422, divisions ~~II~~, III,
 32 and V, and [chapter 432](#) for any tax year the original transferor
 33 could have claimed the tax credit. The transferee may claim
 34 a refund under [chapter 423](#) or [437A](#) for any tax year within
 35 the time period set forth in [section 423.47](#) or [437A.14](#) for

1 which the original transferor could have claimed a refund.
2 Any consideration received for the transfer of the tax credit
3 shall not be included as income under chapter 422, divisions
4 ~~II~~, ~~III~~, and V. Any consideration paid for the transfer of the
5 tax credit shall not be deducted from income under chapter 422,
6 divisions ~~II~~, ~~III~~, and V.

7 Sec. 94. Section 476C.4, subsection 4, paragraph a, Code
8 2017, is amended to read as follows:

9 a. If the tax credit application is filed by a partnership,
10 limited liability company, S corporation, estate, trust, or
11 other reporting entity all of the income of which is taxed
12 directly to its equity holders or beneficiaries, for the taxes
13 imposed under chapter 422, division ~~II~~ or III, the tax credit
14 certificate shall be issued directly to equity holders or
15 beneficiaries of the applicant in proportion to their pro rata
16 share of the income of such entity. The applicant shall, in
17 the application made under this section, identify its equity
18 holders or beneficiaries, and the percentage of such entity's
19 income that is allocable to each equity holder or beneficiary.

20 Sec. 95. Section 476C.4, subsection 4, paragraph b,
21 subparagraph (1), Code 2017, is amended to read as follows:

22 (1) If the tax credit applicant under this section is
23 eligible to receive renewable electricity production credits
24 authorized under section 45 of the Internal Revenue Code,
25 as amended, and the tax credit applicant is a partnership,
26 limited liability company, S corporation, estate, trust, or
27 other reporting entity all of the income of which is taxed
28 directly to its equity holders or beneficiaries, for the taxes
29 imposed under chapter 422, division ~~II~~ or III, the tax credit
30 certificate may be issued to a partner if the business is a
31 partnership, a shareholder if the business is an S corporation,
32 or a member if the business is a limited liability company
33 in the amounts designated by the eligible partnership, S
34 corporation, or limited liability company. In absence of such
35 designation, the credits under this section shall flow through

1 to the partners, shareholders, or members in accordance with
2 their pro rata share of the income of the entity.

3 Sec. 96. Section 476C.4, subsection 4, paragraph c,
4 subparagraph (1), Code 2017, is amended to read as follows:

5 (1) If an applicant under [this section](#) is eligible to
6 receive renewable electricity production credits authorized
7 under section 45 of the Internal Revenue Code, as amended, and
8 the tax credit applicant is a partnership, limited liability
9 company, S corporation, estate, trust, or other reporting
10 entity all of the income of which is taxed directly to its
11 equity holders or beneficiaries, for the taxes imposed under
12 chapter 422, division ~~II~~ III, the tax credit certificates
13 and all future rights to the tax credit in [this section](#) may be
14 distributed to an equity holder or beneficiary as a liquidating
15 distribution or portion thereof, of a holder or beneficiary's
16 interest in the applicant entity.

17 Sec. 97. Section 476C.6, subsection 1, paragraph b, Code
18 2017, is amended to read as follows:

19 b. The transferee may use the amount of the tax credit
20 transferred against taxes imposed under chapter 422, divisions
21 ~~II~~, ~~III~~, and V, and [chapter 432](#) for any tax year the original
22 transferor could have claimed the tax credit. The transferee
23 may claim a refund under [chapter 423](#) or [437A](#) for any tax
24 year within the time period set forth in [section 423.47](#) or
25 [437A.14](#) for which the original transferor could have claimed
26 the refund. Any consideration received for the transfer of
27 the tax credit shall not be included as income under chapter
28 422, divisions ~~II~~, ~~III~~, and V. Any consideration paid for the
29 transfer of the tax credit shall not be deducted from income
30 under [chapter 422, divisions II, III, and V](#).

31 Sec. 98. Section 483A.1A, subsection 10, paragraph e, Code
32 2017, is amended to read as follows:

33 e. Is a member of the armed forces of the United States
34 who is serving on active duty, and claims residency in this
35 state, ~~and has filed a state individual income tax return~~

1 ~~as a resident pursuant to chapter 422, division II, for the~~
2 ~~preceding tax year~~, or is stationed in this state.

3 Sec. 99. Section 904.809, subsection 5, paragraph a,
4 subparagraph (2), Code 2017, is amended to read as follows:

5 (2) The inmate's employer shall provide each employed
6 inmate with ~~the withholding statement required under section~~
7 ~~422.16~~, and any other employment information necessary for the
8 receipt of the remainder of an inmate's payroll earnings.

9 Sec. 100. REPEAL. Sections 68A.601, 190B.105, 257.22
10 through 257.26, 298.14, 422.4 through 422.11F, 422.11H through
11 422.11J, 422.11M, 422.11Q, 422.11R, 422.11V, 422.11W, 422.11Z,
12 422.12, 422.12A through 422.12E, 422.12H, 422.12J through
13 422.12M, 422.13, 422.14, 422.16, 422.17, 422.19, 422.23,
14 422.27, 422.31, 422D.2 through 422D.4, Code 2017, are repealed.

15 Sec. 101. CORRESPONDING AMENDMENTS LEGISLATION. Additional
16 legislation is required to fully implement this division of
17 this Act. The director of the department of revenue shall, in
18 compliance with section 2.16, prepare draft legislation for
19 submission to the legislative services agency, as necessary, to
20 implement the repeal of the individual income tax under this
21 division of this Act and under other provisions of law.

22 Sec. 102. EFFECTIVE DATE. This division of this Act takes
23 effect January 1, 2018.

24 Sec. 103. APPLICABILITY. This division of this Act applies
25 to tax years beginning on or after January 1, 2018.

26 DIVISION II

27 SALES AND USE TAX

28 Sec. 104. Section 423.2, subsection 1, unnumbered paragraph
29 1, Code 2017, is amended to read as follows:

30 There is imposed a tax of ~~six~~ eleven percent upon the sales
31 price of all sales of tangible personal property, consisting
32 of goods, wares, or merchandise, sold at retail in the state
33 to consumers or users except as otherwise provided in this
34 subchapter.

35 Sec. 105. Section 423.2, subsections 2 and 3, Code 2017, are

1 amended to read as follows:

2 2. A tax of ~~six~~ eleven percent is imposed upon the sales
3 price of the sale or furnishing of gas, electricity, water,
4 heat, pay television service, and communication service,
5 including the sales price from such sales by any municipal
6 corporation or joint water utility furnishing gas, electricity,
7 water, heat, pay television service, and communication service
8 to the public in its proprietary capacity, except as otherwise
9 provided in [this subchapter](#), when sold at retail in the state
10 to consumers or users.

11 3. A tax of ~~six~~ eleven percent is imposed upon the
12 sales price of all sales of tickets or admissions to places
13 of amusement, fairs, and athletic events except those of
14 elementary and secondary educational institutions. A tax
15 of ~~six~~ eleven percent is imposed on the sales price of an
16 entry fee or like charge imposed solely for the privilege of
17 participating in an activity at a place of amusement, fair, or
18 athletic event unless the sales price of tickets or admissions
19 charges for observing the same activity are taxable under this
20 subchapter. A tax of ~~six~~ eleven percent is imposed upon that
21 part of private club membership fees or charges paid for the
22 privilege of participating in any athletic sports provided club
23 members.

24 Sec. 106. Section 423.2, subsection 4, paragraph a, Code
25 2017, is amended to read as follows:

26 a. A tax of ~~six~~ eleven percent is imposed upon the sales
27 price derived from the operation of all forms of amusement
28 devices and games of skill, games of chance, raffles, and bingo
29 games as defined in [chapter 99B](#), and card game tournaments
30 conducted under [section 99B.27](#), that are operated or conducted
31 within the state, the tax to be collected from the operator in
32 the same manner as for the collection of taxes upon the sales
33 price of tickets or admission as provided in [this section](#).
34 Nothing in [this subsection](#) shall legalize any games of skill
35 or chance or slot-operated devices which are now prohibited by

1 law.

2 Sec. 107. Section 423.2, subsection 5, Code 2017, is amended
3 to read as follows:

4 5. There is imposed a tax of ~~six~~ eleven percent upon the
5 sales price from the furnishing of services as defined in
6 section 423.1.

7 Sec. 108. Section 423.2, subsection 7, paragraph a,
8 unnumbered paragraph 1, Code 2017, is amended to read as
9 follows:

10 A tax of ~~six~~ eleven percent is imposed upon the sales
11 price from the sales, furnishing, or service of solid waste
12 collection and disposal service.

13 Sec. 109. Section 423.2, subsection 8, paragraph a, Code
14 2017, is amended to read as follows:

15 a. A tax of ~~six~~ eleven percent is imposed on the sales
16 price from sales of bundled transactions. For the purposes of
17 this subsection, a "bundled transaction" is the retail sale of
18 two or more distinct and identifiable products, except real
19 property and services to real property, which are sold for one
20 nonitemized price. A "bundled transaction" does not include
21 the sale of any products in which the sales price varies, or
22 is negotiable, based on the selection by the purchaser of the
23 products included in the transaction.

24 Sec. 110. Section 423.2, subsection 9, Code 2017, is amended
25 to read as follows:

26 9. A tax of ~~six~~ eleven percent is imposed upon the
27 sales price from any mobile telecommunications service,
28 including all paging services, that this state is allowed
29 to tax pursuant to the provisions of the federal Mobile
30 Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C.
31 §116 et seq. For purposes of [this subsection](#), taxes on mobile
32 telecommunications service, as defined under the federal Mobile
33 Telecommunications Sourcing Act that are deemed to be provided
34 by the customer's home service provider, shall be paid to
35 the taxing jurisdiction whose territorial limits encompass

1 the customer's place of primary use, regardless of where the
2 mobile telecommunications service originates, terminates,
3 or passes through and shall in all other respects be taxed
4 in conformity with the federal Mobile Telecommunications
5 Sourcing Act. All other provisions of the federal Mobile
6 Telecommunications Sourcing Act are adopted by the state of
7 Iowa and incorporated into [this subsection](#) by reference. With
8 respect to mobile telecommunications service under the federal
9 Mobile Telecommunications Sourcing Act, the director shall, if
10 requested, enter into agreements consistent with the provisions
11 of the federal Act.

12 Sec. 111. Section 423.2, subsection 11, paragraph b,
13 subparagraphs (2) and (3), Code 2017, are amended to read as
14 follows:

15 (2) Transfer from the remaining revenues the amounts
16 required under Article VII, section 10, of the Constitution
17 of the State of Iowa to the natural resources and outdoor
18 recreation trust fund created in [section 461.31](#), ~~if applicable~~.

19 (3) Transfer ~~one-sixth~~ seventeen and two thousand five
20 hundred forty-eight ten-thousandths percent of the remaining
21 revenues to the secure an advanced vision for education fund
22 created in [section 423F.2](#). This subparagraph (3) is repealed
23 December 31, 2029.

24 Sec. 112. Section 423.2, subsection 14, Code 2017, is
25 amended to read as follows:

26 14. The sales tax rate of ~~six~~ eleven percent is reduced to
27 ~~five~~ ten percent on January 1, 2030.

28 Sec. 113. Section 423.5, subsection 1, unnumbered paragraph
29 1, Code 2017, is amended to read as follows:

30 Except as provided in paragraph "c", an excise tax at the
31 rate of ~~six~~ eleven percent of the purchase price or installed
32 purchase price is imposed on the following:

33 Sec. 114. Section 423.5, subsection 5, Code 2017, is amended
34 to read as follows:

35 5. The use tax rate of ~~six~~ eleven percent is reduced to ~~five~~

1 ten percent on January 1, 2030.

2 Sec. 115. Section 423.43, subsection 1, paragraph b, Code
3 2017, is amended to read as follows:

4 b. Subsequent to the deposit into the general fund of
5 the state and after the transfer of such revenues collected
6 under chapter 423B, the department shall transfer ~~one-sixth~~
7 one-eleventh of such remaining revenues to the secure an
8 advanced vision for education fund created in section 423F.2.
9 This paragraph is repealed December 31, 2029.

10 Sec. 116. EFFECTIVE DATE. This division of this Act takes
11 effect January 1, 2018.

12 EXPLANATION

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

15 This bill relates to state taxes by repealing the individual
16 income tax and increasing the state sales and use tax rates.

17 Division I repeals the individual income tax and makes
18 numerous conforming changes to the Code to remove references
19 to the individual income tax and to update or move provisions
20 of the individual income tax that are also applicable by
21 reference to the corporate income tax and the franchise tax.
22 The division also repeals the emergency medical services income
23 surtax in Code chapter 422D, the instructional support income
24 surtax in Code section 257.21, the educational improvement
25 income surtax in Code section 257.29, and the physical plant
26 and equipment income surtax in Code section 298.2, because
27 income surtax revenues will no longer be generated without the
28 state individual income tax.

29 The repeal of the individual income tax will also affect the
30 industrial new jobs training program in Code chapter 260E, the
31 accelerated career education program in Code chapter 260G, and
32 the targeted jobs withholding credit in Code section 403.19A,
33 because those programs rely on income tax amounts withheld from
34 employee wages by employers.

35 The division provides that additional legislation is

1 required to fully implement the division and requires the
2 director of the department of revenue to prepare draft
3 legislation in compliance with Code section 2.16 for submission
4 to the legislative services agency to implement the repeal of
5 the individual income tax.

6 The division takes effect January 1, 2018, and applies to tax
7 years beginning on or after that date.

8 Division II increases the state sales and use tax rate to
9 11 percent from 6 percent. By operation of law as provided in
10 Article VII, section 10 of the Iowa Constitution, a portion
11 (0.375 percent) of the state sales tax generated and collected
12 from the rate increase provided in this division will be
13 transferred to the natural resources and outdoor recreation
14 trust fund in Code section 461.31. The division amends the
15 transfer of state sales tax revenues to the secure an advanced
16 vision for education fund (SAVE) in Code section 423F.2 from
17 one-sixth (approximately 16.66 percent) of the revenues to
18 17.2548 percent of the revenues to ensure that SAVE receives
19 approximately the same proportion of the total sales tax
20 revenue as it did prior to the sales tax rate increase provided
21 in the division.

22 The division takes effect January 1, 2018.