

Senate File 496 - Introduced

SENATE FILE 496

BY DANIELSON

A BILL FOR

1 An Act relating to state and local government revenue and
2 finance by requiring the legislative services agency to
3 conduct a biennial tax expenditure study and report to
4 the general assembly and the legislative tax expenditure
5 committee, making the availability of tax expenditures in
6 future fiscal years subject to approval by the general
7 assembly, and limiting appropriations for certain property
8 tax credits in future fiscal years.

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

DIVISION I

TAX EXPENDITURE STUDY

1
2
3 Section 1. NEW SECTION. 2A.9 Tax expenditure study and
4 report.

5 1. For purposes of this section, "tax expenditure" means the
6 same as defined in section 2.48, subsection 1, paragraph "a".

7 2. Beginning in 2018, and every even-numbered year
8 thereafter, the legislative services agency shall conduct a
9 study and prepare a written report on the fiscal impact that
10 tax expenditures have on state and local government capacity
11 to raise revenue. The study shall examine tax expenditures
12 related to the following:

13 a. The individual income tax imposed in chapter 422,
14 division II.

15 b. The corporate income tax imposed in chapter 422, division
16 III.

17 c. Tax credits available against the franchise tax imposed
18 in chapter 422, division V, the insurance companies tax imposed
19 in chapter 432, and the moneys and credits tax imposed in
20 section 533.329.

21 d. The sales and use taxes imposed in chapter 423.

22 e. Property taxes levied by or on behalf of political
23 subdivisions.

24 3. a. The 2018 study shall examine the relevant tax
25 expenditures for the most recent year for which complete tax
26 expenditure data is available.

27 b. Each subsequent study shall examine the relevant tax
28 expenditure data for the year or years for which complete
29 tax expenditure data is available since the last complete
30 year that was the subject of a previous report. However, if
31 there is not a new year for which complete tax expenditure
32 data is available, the study shall examine the available tax
33 expenditure data for the year following the last year for which
34 complete tax expenditure data was included in the previous
35 report.

1 4. The legislative services agency shall submit the written
2 report to the general assembly and the chairpersons of the
3 legislative tax expenditure committee by January 31, 2019, and
4 by January 31 of each odd-numbered year thereafter, containing
5 the results of the study conducted during the previous year.

6 5. The department of revenue and any other state or local
7 agency shall cooperate with the legislative services agency in
8 providing the information necessary to complete each study.

9

DIVISION II

10

TAX EXPENDITURE LIMITATION

11 Sec. 2. NEW SECTION. 421C.1 **Tax expenditure defined.**

12 Any reference to "*tax expenditure*" in this chapter includes
13 all of the following:

14 1. *Withholding tax credits.*

15 a. The accelerated career education program job credit
16 allowed under section 260G.4A.

17 b. The new jobs credit from withholding allowed under
18 section 15A.7, or section 15E.197, Code 2014, or section
19 260E.5.

20 c. The targeted jobs withholding tax credit allowed under
21 chapter 403.19A.

22 2. *Tax credits.*

23 a. The agricultural assets transfer tax credit allowed under
24 sections 16.80 and 422.11M and section 422.33, subsection 21.

25 b. The custom farming contract tax credit allowed under
26 sections 16.81 and 422.11M and section 422.33, subsection 21.

27 c. The farm to food donation tax credit allowed under
28 chapter 190B, section 422.11R, and section 422.33, subsection
29 30.

30 d. The charitable conservation contribution tax credit
31 allowed under section 422.11W and section 422.33, subsection
32 25.

33 e. The school tuition organization tax credit allowed under
34 section 422.11S and section 422.33, subsection 28.

35 f. The personal exemption credits allowed under section

- 1 422.12, subsection 2, paragraph "a".
- 2 g. The tuition and textbook tax credit allowed under section
3 422.12, subsection 2, paragraph "b".
- 4 h. The volunteer fire fighter and emergency medical services
5 personnel tax credit allowed under section 422.12, subsection
6 2, paragraph "c".
- 7 i. The reserve peace officer tax credit allowed under
8 section 422.12, subsection 2, paragraph "d".
- 9 j. The adoption tax credit allowed under section 422.12A.
- 10 k. The child and dependent care tax credit allowed under
11 section 422.12C.
- 12 l. The early childhood development tax credit allowed under
13 section 422.12C.
- 14 m. The earned income tax credit allowed under section
15 422.12B.
- 16 n. The geothermal heat pump tax credit allowed under section
17 422.11I.
- 18 o. The geothermal tax credit allowed under section 422.10A.
- 19 p. The solar energy system tax credit allowed under section
20 422.11L, section 422.33, subsection 29, section 422.60,
21 subsection 12, and section 533.329, subsection 2, paragraph
22 "l".
- 23 q. The wind energy production tax credit and the renewable
24 energy production tax credit allowed under chapters 476B and
25 476C, section 422.11J, section 422.33, subsection 16, section
26 422.60, subsection 7, section 432.12E, and section 437A.17B.
- 27 r. The biodiesel blended fuel tax credit allowed under
28 section 422.11P and section 422.33, subsection 11C.
- 29 s. The E-15 plus gasoline promotion tax credit allowed under
30 section 422.11Y and section 422.33, subsection 11D.
- 31 t. The E-85 gasoline promotion tax credit allowed under
32 section 422.11O and section 422.33, subsection 11B.
- 33 u. The ethanol promotion tax credit allowed under section
34 422.11N and section 422.33, subsection 11A.
- 35 v. The fuel tax credit allowed under sections 422.11O

1 through 422.112.

2 *w.* The renewable chemical production tax credit allowed
3 under sections 15.319 and 422.10B and section 422.33,
4 subsection 22.

5 *x.* The endow Iowa tax credit allowed under sections 15E.305
6 and 422.11H, section 422.33, subsection 14, section 422.60,
7 subsection 6, section 432.12D, and section 533.329, subsection
8 2, paragraph "h".

9 *y.* The investment tax credit allowed under section 15.333,
10 section 422.11F, subsection 2, section 422.33, subsection 12,
11 paragraph "b", section 422.60, subsection 5, paragraph "b", and
12 section 533.329, subsection 2, paragraph "e".

13 *z.* The insurance premiums tax credit allowed under section
14 15.333A and section 432.12C, subsection 2.

15 *aa.* The new jobs tax credit allowed under section 422.11A
16 and section 422.33, subsection 6.

17 *ab.* The innovation fund investment tax credit allowed under
18 sections 15E.52 and 422.11Z, section 422.33, subsection 13,
19 section 422.60, subsection 11, section 432.12M, and section
20 533.329 subsection 2, paragraph "j".

21 *ac.* The workforce housing investment tax credit allowed
22 under section 15.355, subsection 3, section 422.11C, section
23 422.33, subsection 15, section 422.60, subsection 13, section
24 432.12G, and section 533.239, subsection 2, paragraph "k".

25 *ad.* The research activities credit and supplemental research
26 activities credit allowed under sections 15.335 and 422.10 and
27 section 422.33, subsection 5.

28 *ae.* The assistive device tax credit allowed under section
29 422.33, subsection 9.

30 *af.* The corporate tax credit for certain sales taxes paid by
31 third-party developers allowed under section 15.331C, section
32 422.33, subsection 19, section 422.60, subsection 8, section
33 432.12H, and section 533.329, subsection 2, paragraph "d".

34 *ag.* The historic preservation and cultural and entertainment
35 district tax credit allowed under chapter 404A, section

1 422.11D, section 422.33, subsection 10, section 422.60,
2 subsection 4, and section 432.12A.

3 *ah.* The redevelopment tax credit allowed under chapter
4 15, subchapter II, part 9, section 422.11V, section 422.33,
5 subsection 26, section 422.60, subsection 10, section 432.12L,
6 and section 533.329, subsection 2, paragraph "i".

7 *ai.* The investment tax credit allowed under section 15E.43,
8 section 422.11F, subsection 1, section 422.33, subsection 12,
9 section 422.60, subsection 5, paragraph "a", section 432.12C,
10 subsection 1, and section 533.329, subsection 2, paragraph "f".

11 *aj.* The Iowa taxpayers trust fund tax credit allowed under
12 section 422.11E.

13 *ak.* The minimum tax credit allowed under section 422.11B and
14 section 422.33, subsection 7.

15 3. *Sales and use tax refunds.*

16 *a.* The high quality jobs program sales and use tax refund
17 allowed under section 15.331A.

18 *b.* The workforce housing tax incentive program sales and use
19 tax refund allowed under section 15.355, subsection 2.

20 *c.* The wind energy production tax credit and the renewable
21 energy production tax credit sales and use tax refunds allowed
22 under chapters 476B and 476C and section 423.4, subsection 4.

23 *d.* The sales and use tax refunds allowed under section
24 423.4.

25 4. *Exemptions from the sales and use tax, hotel and motel*
26 *tax, equipment tax, real estate transfer tax, automobile rental*
27 *excise tax, fee for new registration, and motor fuel and special*
28 *fuel taxes.*

29 *a.* The exemptions from the sales tax provided in section
30 423.3, except subsections 1 and 43.

31 *b.* The exemptions from the use tax provided in section
32 423.6, except subsections 1, 2, and 4.

33 *c.* The exemptions from the state hotel and motel tax
34 provided in section 423A.5, subsection 1.

35 *d.* The exemptions from the automobile rental excise tax

1 provided in section 423C.3, subsection 1.

2 e. The exemptions from the equipment tax provided in section
3 423D.3.

4 f. The exemptions from the real estate transfer tax provided
5 in section 428A.2.

6 g. The exemptions from the fee for new registration provided
7 in section 321.105A, subsection 2, paragraphs "a" through "c".

8 h. The exemptions from the motor fuel and special fuel
9 taxes provided in section 452A.17, subsection 1, paragraph "a",
10 except subparagraph (1).

11 5. *Inheritance tax exemptions and deductions.*

12 a. The exemptions from the inheritance tax provided in
13 sections 450.4 and 450.9.

14 b. The deductions of liabilities from the gross value of an
15 estate provided in section 450.12.

16 6. *Adjustments to calculation of income taxes, franchise tax,
17 and moneys and credits tax.*

18 a. The adjustments allowed in calculating net income for
19 individual income tax purposes under section 422.7, subsections
20 5, 7, 8, 9, 10, 12, 12A, 13, 16, 20, 21, 22, 23, 24, 25, 27,
21 28, 29, 30, 31, 31A, and 31B, subsection 32, paragraph "a",
22 subsection 33, subsection 34, paragraph "a", and subsections
23 34A, 35, 37, 38, 40, 42, 42A, 44, 45, 46, 46A, 47, 49, 50, 54,
24 55, 56, 57, and 58.

25 b. The subtractions allowed in section 422.7, subsection
26 2, and section 422.35, subsection 2, in calculating net income
27 for purposes of the individual income tax and the corporate
28 income tax and franchise tax of interest and dividends from
29 certain Iowa bonds exempt from taxation as otherwise provided
30 by law, including those listed in section 422.7, subsection 2,
31 paragraphs "a" through "v".

32 c. The deductions from net income for individual income tax
33 purposes allowed under section 422.9, subsections 1 and 2.

34 d. The adjustments allowed in calculating net income for
35 corporate income tax and franchise tax purposes under section

1 422.35, subsections 4, 5, 6, 6A, 7, 11, 12, 17, 22, and 25.

2 e. The adjustments made in calculating net income for
3 franchise tax purposes under section 422.61, subsection 3,
4 paragraph "g".

5 f. The forty thousand dollar exemption from the moneys and
6 credits tax allowed to a state credit union in section 533.329,
7 subsection 2, paragraph "a".

8 Sec. 3. NEW SECTION. **421C.2 Tax expenditures limited —**
9 **general assembly annual review and approval.**

10 1. *Findings and purpose.* The general assembly finds that
11 the number and amount of credits, refunds, rebates, deductions,
12 and exemptions provided against the taxes imposed by this state
13 are substantial and warrant annual review and approval by the
14 general assembly. The purpose of this chapter is to provide
15 for a systematic review and approval by the general assembly
16 of each tax expenditure on an annual basis in order to promote
17 more sustainable and responsible tax revenue collection,
18 budgeting, and appropriation processes in this state.

19 2. *Tax expenditure review and approval — generally.*

20 a. Beginning with the 2018 regular session of the general
21 assembly and during each regular session thereafter, the
22 general assembly shall review each tax expenditure listed
23 in section 421C.1, and shall, if desired, expressly approve
24 through an Act of the general assembly the applicability of the
25 tax expenditure for the forthcoming fiscal year as provided in
26 and subject to the limitations of subsections 3 through 8.

27 b. Notwithstanding any other provision of law to the
28 contrary, the provisions of subsections 3 through 8 apply for
29 each fiscal year beginning on or after July 1, 2018, and a tax
30 expenditure not approved by the general assembly as provided in
31 those subsections shall not be available under Iowa law for a
32 fiscal year beginning on or after July 1, 2018.

33 3. *Withholding tax credits.* The withholding tax credits
34 listed in section 421C.1, subsection 1, shall not be allowed
35 against any amounts withheld by an employer from wages paid

1 during a fiscal year beginning on or after July 1, 2018, unless
2 the applicability of the withholding tax credit to that fiscal
3 year was expressly approved through an Act of the general
4 assembly during the last regular session beginning prior to
5 July 1 of the applicable fiscal year.

6 4. *Tax credits.* The tax credits listed in section 421C.1,
7 subsection 2, shall not be allowed for any tax year beginning
8 during a fiscal year beginning on or after July 1, 2018, unless
9 the applicability of the tax credit to tax years beginning
10 during that fiscal year was expressly approved through an
11 Act of the general assembly during the last regular session
12 beginning prior to July 1 of the applicable fiscal year.

13 5. *Sales and use tax refunds.* The sales and use tax
14 refunds listed in section 421C.1, subsection 3, shall not be
15 allowed for any sales and use tax liability incurred during
16 a fiscal year beginning on or after July 1, 2018, unless the
17 applicability of the sales and use tax refund to that fiscal
18 year was expressly approved through an Act of the general
19 assembly during the last regular session beginning prior to
20 July 1 of the applicable fiscal year.

21 6. *Exemptions from the sales and use tax, hotel and motel*
22 *tax, equipment tax, real estate transfer tax, automobile rental*
23 *excise tax, fee for new registration, and motor fuel and special*
24 *fuel taxes.* The exemptions listed in section 421C.1, subsection
25 4, shall not be allowed for any sales, purchases, transfers, or
26 uses during a fiscal year beginning on or after July 1, 2018,
27 unless the applicability of the exemption to that fiscal year
28 was expressly approved through an Act of the general assembly
29 during the last regular session beginning prior to July 1 of
30 the applicable fiscal year.

31 7. *Inheritance tax exemptions and deductions.* The
32 inheritance tax exemptions and deductions listed in section
33 421C.1, subsection 5, shall not be allowed for any estate of a
34 decedent dying during a fiscal year beginning on or after July
35 1, 2018, unless the applicability of the exemption or deduction

1 to that fiscal year was expressly approved through an Act of
2 the general assembly during the last regular session beginning
3 prior to July 1 of the applicable fiscal year.

4 8. *Adjustments to calculation of income taxes, franchise tax,*
5 *and moneys and credits tax.* The adjustments to the calculation
6 of the income taxes, franchise tax, and moneys and credits tax
7 listed in section 421C.1, subsection 6, shall not be allowed
8 for any tax year beginning during a fiscal year beginning on or
9 after July 1, 2018, unless the applicability of the adjustment
10 to tax years beginning during that fiscal year was expressly
11 approved through an Act of the general assembly during the last
12 regular session beginning prior to July 1 of the applicable
13 fiscal year.

14 Sec. 4. CORRESPONDING AMENDMENTS LEGISLATION. Additional
15 legislation may be required to fully implement this division
16 of this Act. The director of the department of revenue shall,
17 in compliance with section 2.16, prepare draft legislation for
18 submission to the legislative services agency, if necessary, to
19 implement the annual review and approval of tax expenditures
20 under this division of this Act and under other provisions of
21 law.

22 DIVISION III

23 PROPERTY TAX CREDITS AND PAYMENTS LIMITATION

24 Sec. 5. Section 25B.7, subsection 2, Code 2017, is amended
25 to read as follows:

26 2. The requirement for fully funding and the consequences
27 of not fully funding credits and exemptions under [subsection 1](#)
28 also apply to all of the following:

29 a. Homestead tax credit pursuant to sections 425.1 through
30 425.15.

31 b. Low-income property tax credit and elderly and disabled
32 property tax credit pursuant to [sections 425.16 through 425.40](#).

33 c. Family farm property tax credit pursuant to chapter 425A.

34 d. Agricultural land property tax credit pursuant to chapter
35 426.

1 ~~e.~~ e. Military service property tax credit and exemption
2 pursuant to [chapter 426A](#), to the extent of six dollars and
3 ninety-two cents per thousand dollars of assessed value of the
4 exempt property.

5 f. Business property tax credit pursuant to [chapter 426C](#).

6 g. Manufactured or mobile home tax credit pursuant to
7 section 435.22.

8 Sec. 6. Section 425.1, subsections 1, 2, and 3, Code 2017,
9 are amended to read as follows:

10 1. a. A homestead credit fund is created. There For fiscal
11 years beginning before July 1, 2018, there is appropriated
12 annually from the general fund of the state to the department
13 of revenue to be credited to the homestead credit fund, an
14 amount sufficient to implement [this chapter](#).

15 b. The Subject to the availability of funding, the director
16 of the department of administrative services shall issue
17 warrants on the homestead credit fund payable to the county
18 treasurers of the several counties of the state under this
19 chapter.

20 2. The Subject to the availability of funding, the homestead
21 credit fund shall be apportioned each year so as to give a
22 credit against the tax on each eligible homestead in the
23 state in an amount equal to the actual levy on the first four
24 thousand eight hundred fifty dollars of actual value for each
25 homestead.

26 3. The Subject to the availability of funding, the amount
27 due each county shall be paid in two payments on November 15
28 and March 15 of each fiscal year, drawn upon warrants payable
29 to the respective county treasurers. The two payments shall
30 be as nearly equal as possible.

31 Sec. 7. Section 425.23, subsection 3, paragraph a, Code
32 2017, is amended to read as follows:

33 a. A person who is eligible to file a claim for credit
34 for property taxes due and who has a household income of
35 eight thousand five hundred dollars or less and who has an

1 unpaid special assessment levied against the homestead may
2 file a claim for a special assessment credit with the county
3 treasurer. The department shall provide to the respective
4 treasurers the forms necessary for the administration of
5 this subsection. The claim shall be filed not later than
6 September 30 of each year. Upon the filing of the claim,
7 interest for late payment shall not accrue against the amount
8 of the unpaid special assessment due and payable. The claim
9 filed by the claimant constitutes a claim for credit of an
10 amount equal to the actual amount due upon the unpaid special
11 assessment, plus interest, payable during the fiscal year for
12 which the claim is filed against the homestead of the claimant.
13 However, where the claimant is an individual described in
14 section 425.17, subsection 2, paragraph "a", subparagraph
15 (2), and the tentative credit is determined according to the
16 schedule in subsection 1, paragraph "b", subparagraph (2),
17 of this section, the claim filed constitutes a claim for
18 credit of an amount equal to one-half of the actual amount
19 due and payable during the fiscal year. The treasurer shall
20 certify to the director of revenue not later than October
21 15 of each year the total amount of dollars due for claims
22 allowed. The amount of reimbursement due each county shall
23 be certified by the director of revenue and, subject to the
24 availability of funding, paid by the director of the department
25 of administrative services by November 15 of each year, drawn
26 upon warrants payable to the respective treasurer. There
27 For fiscal years beginning before July 1, 2018, there is
28 appropriated annually from the general fund of the state to the
29 department of revenue an amount sufficient to carry out the
30 provisions of this subsection. The treasurer shall credit any
31 moneys received from the department against the amount of the
32 unpaid special assessment due and payable on the homestead of
33 the claimant.

34 Sec. 8. Section 425.39, Code 2017, is amended to read as
35 follows:

1 **425.39 Fund created — appropriation — priority.**

2 The elderly and disabled property tax credit and
3 reimbursement fund is created. There For fiscal years
4 beginning before July 1, 2018, there is appropriated annually
5 from the general fund of the state to the department of revenue
6 to be credited to the elderly and disabled property tax credit
7 and reimbursement fund, from funds not otherwise appropriated,
8 an amount sufficient to implement **this division** for claimants
9 described in **section 425.17, subsection 2**, paragraph "a",
10 subparagraph (1).

11 Sec. 9. Section 425A.1, Code 2017, is amended to read as
12 follows:

13 **425A.1 Family farm tax credit fund.**

14 The family farm tax credit fund is created in the office
15 of the treasurer of state. There For fiscal years beginning
16 before July 1, 2018, there shall be transferred annually to
17 the fund the first ten million dollars of the amount annually
18 appropriated to the agricultural land credit fund, provided in
19 section 426.1. Any balance in the fund on June 30 shall revert
20 to the general fund.

21 Sec. 10. Section 426.1, Code 2017, is amended to read as
22 follows:

23 **426.1 Agricultural land credit fund.**

24 There is created as a permanent fund in the office of the
25 treasurer of state a fund to be known as the agricultural
26 land credit fund, and for the purpose of establishing and
27 maintaining this fund for each fiscal year beginning before
28 July 1, 2018, there is appropriated thereto from funds in the
29 general fund not otherwise appropriated the sum of thirty-nine
30 million one hundred thousand dollars of which the first ten
31 million dollars shall be transferred to and deposited into the
32 family farm tax credit fund created in **section 425A.1**. Any
33 balance in said fund on June 30 shall revert to the general
34 fund.

35 Sec. 11. Section 426A.1A, Code 2017, is amended to read as

1 follows:

2 **426A.1A Appropriation.**

3 ~~There~~ For fiscal years beginning before July 1, 2018, there
4 is appropriated from the general fund of the state the amounts
5 necessary to fund the credits provided under [this chapter](#).

6 Sec. 12. Section 426A.2, Code 2017, is amended to read as
7 follows:

8 **426A.2 Military service tax credit.**

9 ~~The~~ Subject to the availability of funding, moneys shall
10 be apportioned each year so as to replace all or a portion of
11 the tax which would be due on property eligible for military
12 service tax exemption in the state, if the property were
13 subject to taxation, the amount of the credit to be not more
14 than six dollars and ninety-two cents per thousand dollars of
15 assessed value of property which would be subject to the tax,
16 except for the military service tax exemption.

17 Sec. 13. Section 426C.2, subsection 1, Code 2017, is amended
18 to read as follows:

19 1. A business property tax credit fund is created in the
20 state treasury under the authority of the department. For the
21 fiscal year beginning July 1, 2014, there is appropriated from
22 the general fund of the state to the department to be credited
23 to the fund, the sum of fifty million dollars to be used for
24 business property tax credits authorized in [this chapter](#). For
25 the fiscal year beginning July 1, 2015, there is appropriated
26 from the general fund of the state to the department to be
27 credited to the fund, the sum of one hundred million dollars
28 to be used for business property tax credits authorized in
29 this chapter. For ~~the~~ each fiscal year in the fiscal period
30 beginning July 1, 2016, and each fiscal year thereafter, and
31 ending June 30, 2018, there is appropriated from the general
32 fund of the state to the department to be credited to the fund,
33 the sum of one hundred twenty-five million dollars to be used
34 for business property tax credits authorized in [this chapter](#).

35 Sec. 14. Section 426C.5, subsections 2 and 3, Code 2017, are

1 amended to read as follows:

2 2. The Subject to the availability of funds, the director
3 of revenue shall authorize the department of administrative
4 services to draw warrants on the fund payable to the county
5 treasurers of the several counties of the state in the amounts
6 certified by the department.

7 3. The Subject to the availability of funds, the amount due
8 each county shall be paid in two payments on November 15 and
9 March 15 of each fiscal year, drawn upon warrants payable to
10 the respective county treasurers. The two payments shall be as
11 nearly equal as possible.

12 Sec. 15. Section 435.22, subsection 4, paragraphs e and f,
13 Code 2017, are amended to read as follows:

14 e. The Subject to the availability of funds, the amounts
15 due each county shall be paid by the department of revenue on
16 December 15 of each year, drawn upon warrants payable to the
17 respective county treasurers. The county treasurer in each
18 county shall apportion the payment in accordance with section
19 435.25.

20 f. There For fiscal years beginning before July 1, 2018,
21 there is appropriated annually from the general fund of the
22 state to the department of revenue an amount sufficient to
23 carry out [this subsection](#).

24 Sec. 16. Section 441.21A, subsection 1, paragraph a, Code
25 2017, is amended to read as follows:

26 a. For each fiscal year beginning on or after July 1, 2014,
27 but before July 1, 2018, there is appropriated from the general
28 fund of the state to the department of revenue an amount
29 necessary for the payment of all commercial and industrial
30 property tax replacement claims under [this section](#) for the
31 fiscal year. However, for a fiscal year beginning on or after
32 July 1, 2017, the total amount of moneys appropriated from the
33 general fund of the state to the department of revenue for the
34 payment of commercial and industrial property tax replacement
35 claims in that fiscal year shall not exceed the total amount of

1 money necessary to pay all commercial and industrial property
2 tax replacement claims for the fiscal year beginning July 1,
3 2016.

4 EXPLANATION

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

7 This bill relates to state and local government revenue and
8 finance.

9 DIVISION I — TAX EXPENDITURE STUDY. Division I requires
10 the legislative services agency (LSA) to conduct a study on
11 the fiscal impact that tax expenditures for certain taxes
12 identified in the bill have on the revenue-raising capacity
13 of the state. "Tax expenditure" is defined in the bill,
14 but generally includes any exclusion from the operation or
15 collection of a tax such as a credit, exemption, deduction,
16 rebate, or refund. The first study is required to be
17 completed in 2018, and subsequent studies are required every
18 even-numbered year thereafter. The 2018 study is required to
19 examine the relevant tax expenditures for the most recent year
20 for which complete tax expenditure data is available. Each
21 subsequent study shall examine the relevant tax expenditure
22 data for the year or years for which complete data is available
23 since the last complete year studied. However, if there is
24 no new year with complete tax expenditure data available, LSA
25 shall examine the available data for the year following the
26 last complete year that was the subject of a previous report.
27 Following each study, LSA is required to issue a report to the
28 general assembly and the chairpersons of the legislative tax
29 expenditure committee by January 31 of the following year,
30 with the first report being required by January 31, 2019. The
31 bill requires the department of revenue and any other state or
32 local agency to cooperate with LSA in providing the information
33 necessary to complete each study.

34 DIVISION II — TAX EXPENDITURE LIMITATION. Division II
35 requires the general assembly to review all tax expenditures

1 during each regular session beginning in the 2018 regular
2 session. "Tax expenditure" is defined in the bill but
3 generally includes credits, deductions, exemptions, refunds,
4 and rebates available against the income taxes, franchise
5 taxes, moneys and credits tax, inheritance tax, sale and use
6 taxes, and various other special excise taxes imposed by the
7 state.

8 In order for any particular tax expenditure to be applicable
9 for a fiscal year beginning on or after July 1, 2018, the bill
10 requires the applicability of that tax expenditure during
11 the fiscal year to be approved through an Act of the general
12 assembly during the regular session preceding the beginning of
13 the fiscal year. Any such tax expenditure not approved for
14 a fiscal year as provided in the bill shall not be available
15 under Iowa law.

16 The bill provides rules for the applicability of different
17 types of tax expenditures. A withholding tax credit approved
18 for any particular fiscal year shall apply to amounts withheld
19 by an employer from wages paid during that fiscal year. Tax
20 credits approved for any particular fiscal year shall be
21 available for tax years beginning during that fiscal year.
22 Sales and use tax refunds approved for any particular fiscal
23 year shall be available for sales and use tax liability
24 incurred during that fiscal year. Sales and use tax and other
25 specified excise tax exemptions approved for any particular
26 fiscal year shall be available for sales, purchases, transfers,
27 or uses during that fiscal year. Inheritance tax exemptions
28 and deductions approved for any particular fiscal year shall
29 be available for estates of decedents dying during that
30 fiscal year. Exemptions and deductions provided against the
31 calculation of the income taxes, the franchise tax, and the
32 moneys and credits tax that are approved for any particular
33 fiscal year shall be available for tax years beginning during
34 that particular fiscal year.

35 The bill provides that additional legislation may be

1 required to fully implement the review and approval of tax
2 expenditures required under the bill and requires the director
3 of the department of revenue to prepare draft legislation
4 in compliance with Code section 2.16 for submission to the
5 legislative services agency, if necessary, to implement the
6 bill.

7 DIVISION III — PROPERTY TAX CREDITS AND PAYMENTS

8 LIMITATION. Division III strikes the standing limited or
9 unlimited appropriations in Iowa Code for several property tax
10 credits for fiscal years beginning on or after July 1, 2018.
11 This includes the homestead and disabled veteran property
12 tax credit in division I of Code chapter 425, the property
13 tax credit or rent reimbursement for elderly and disabled in
14 division II of Code chapter 425, the family farm tax credit in
15 Code chapter 425A, the agricultural land tax credit in Code
16 chapter 426, the military service tax credit in Code chapter
17 426A, the business property tax credit in Code chapter 426C,
18 and the manufactured and the mobile home tax credit in Code
19 section 435.22. To the extent these credits were not already
20 included under Code section 25B.7 (funding property tax credits
21 and exemptions), the bill adds these tax credits to the list
22 of tax credits which local governments are only required to
23 provide to the extent such credit will be funded by a state
24 appropriation.

25 Finally, the bill strikes, for fiscal years beginning on or
26 after July 1, 2018, the standing unlimited appropriation in
27 Code section 441.21A for the repayment to local governments of
28 commercial and industrial property tax replacement claims.