A BILL FOR

An Act relating to state and local revenue and finance by modifying the individual and corporate income taxes, the franchise tax, tax credits, the moneys and credits tax, the sales and use taxes and local option sales tax, the hotel and motel excise tax, the automobile rental excise tax, the Iowa educational savings plan trust, and the disabilities expenses savings plan trust, making penalties applicable, and including immediate effective date and retroactive and other applicability provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
1 DIVISION I
2 INCOME TAX CHANGES FOR TAX YEAR 2018
3 Section 1. Earned income tax credit for 2018.
4 Notwithstanding the definition of "Internal Revenue Code"
5 in section 422.3, for tax years beginning during the 2018
6 calendar year, any reference to the term "Internal Revenue
7 Code" in section 422.12B shall mean the Internal Revenue Code
8 of 1954, prior to the date of its redesignation as the Internal
9 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
10 the Internal Revenue Code of 1986 as amended and in effect on
11 January 1, 2016, but shall not be construed to include any
12 amendment to the Internal Revenue Code enacted after January 1,
13 2016, including any amendment with retroactive applicability
14 or effectiveness.
15 Sec. 2. Accounting method and other miscellaneous
16 coupling provisions for tax year 2018. Notwithstanding any
17 other provision of law to the contrary, amendments to the
18 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,
19 §13221, §13504, §13541, §13543, §13611, and §13613, apply in
20 calculating federal adjusted gross income or federal taxable
21 income, as applicable, for state tax purposes for purposes of
22 chapter 422 for tax years beginning during the 2018 calendar
23 year to the extent those amendments affect the calculation of
24 federal adjusted gross income or federal taxable income, as
25 applicable, for federal tax purposes for tax years beginning
26 during the 2018 calendar year.
27 Sec. 3. Teacher expense deduction. Notwithstanding any
28 other provision of law to the contrary, for tax years beginning
29 during the 2018 calendar year, a taxpayer is allowed to take
30 the deduction for certain expenses of elementary and secondary
31 school teachers allowed under section 62(a)(2)(D) of the
32 Internal Revenue Code, as amended by Pub. L. No. 114-113,
33 division Q, §104, in computing net income for state tax
34 purposes.
35 Sec. 4. Effective date. This division of this Act, being
deemed of immediate importance, takes effect upon enactment.

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

DIVISION II

INCOME TAX AND FRANCHISE TAX CHANGES BEGINNING IN 2019

Sec. 6. Section 217.39, Code 2018, is amended to read as follows:

217.39 Persecuted victims of World War II — reparations — heirs.

Notwithstanding any other law of this state, payments paid to and income from lost property of a victim of persecution for racial, ethnic, or religious reasons by Nazi Germany or any other Axis regime or as an heir of such victim which is exempt from state income tax as provided described in section 422.7, subsection 1, Code 2018, shall not be considered as income or an asset for determining the eligibility for state or local government benefit or entitlement programs. The proceeds are not subject to recoupment for the receipt of governmental benefits or entitlements, and liens, except liens for child support, are not enforceable against these sums for any reason.

Sec. 7. Section 422.3, subsection 5, Code 2018, is amended to read as follows:

5. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986, as amended and in effect on January 1, 2015. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

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

b. "Cumulative inflation factor" means the product of the annual inflation factor for the 1988 calendar year and
all annual inflation factors for subsequent calendar years as determined pursuant to this subsection. The cumulative inflation factor applies to all tax years beginning on or after January 1 of the calendar year for which the latest annual inflation factor has been determined.

c. The annual inflation factor for the 1988 2022 calendar year is one hundred percent.

Sec. 9. Section 422.4, subsection 2, Code 2018, is amended by striking the subsection.

Sec. 10. Section 422.4, subsection 16, Code 2018, is amended to read as follows:

16. The words “taxable income” mean the net income as defined in section 422.7 minus the deductions allowed by section 422.9, if available, in the case of individuals; in the case of estates or trusts, the words “taxable income” mean the taxable income (without a deduction for personal exemption) as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in section 422.7 plus the Iowa income tax deducted in computing the federal taxable income and minus federal income taxes as provided in section 422.9.

Sec. 11. Section 422.5, subsection 1, paragraphs a, b, c, d, and e, Code 2018, are amended by striking the paragraphs and inserting in lieu thereof the following:

a. On all taxable income from zero through twelve thousand dollars in the case of a married couple filing jointly, or from zero to six thousand dollars in the case of all other persons, five percent.

b. On all taxable income exceeding twelve thousand dollars but not exceeding thirty thousand dollars in the case of a married couple filing jointly, or exceeding six thousand dollars but not exceeding fifteen thousand dollars in the case of all other persons, five and one-quarter percent.

c. On all taxable income exceeding thirty thousand dollars but not exceeding sixty thousand dollars in the case of a
married couple filing jointly, or exceeding fifteen thousand dollars but not exceeding thirty thousand dollars in the case of all other persons, five and one-half percent.

4  d. On all taxable income exceeding sixty thousand dollars but not exceeding one hundred fifty thousand dollars in the case of a married couple filing jointly, or exceeding thirty thousand dollars but not exceeding seventy-five thousand dollars in the case of all other persons, six percent.

9  e. On all taxable income exceeding one hundred fifty thousand dollars in the case of a married couple filing jointly, or exceeding seventy-five thousand dollars in the case of all other persons, the following:

13  (1) Six and six-tenths percent for tax years beginning during the 2019 calendar year.

15  (2) Six and one-half percent for tax years beginning during the 2020 calendar year.

17  (3) Six and four-tenths percent for tax years beginning during the 2021 calendar year.

19  (4) Six and three-tenths percent for tax years beginning on or after January 1, 2022.

Sec. 12. Section 422.5, subsection 1, paragraphs f, g, h, and i, Code 2018, are amended by striking the paragraphs.

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

j. (1) The tax imposed upon the taxable income of a nonresident shall be computed by reducing the amount determined pursuant to paragraphs “a” through “i” “e” by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the nonresident’s net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph “a”, is the numerator and the nonresident’s total net income computed under section 422.7 is the denominator. This provision also applies to individuals who are residents of Iowa for less than the entire tax year.

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

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

Sec. 14. Section 422.5, subsection 2, Code 2018, is amended by striking the subsection.

Sec. 15. Section 422.5, subsections 3 and 3B, Code 2018, are amended to read as follows:

3. a. The tax shall not be imposed on a resident or nonresident whose net income, as defined in section 422.7, is thirteen thousand five hundred dollars or less in the case
1 of married persons filing jointly or filing separately on a combined return, heads of household, and surviving spouses or nine thousand dollars or less in the case of all other persons; but in the event that the payment of tax under this division would reduce the net income to less than thirteen thousand five hundred dollars or nine thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirteen thousand five hundred dollars or nine thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of this subsection, the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of this subsection, net income includes all amounts of pensions or other retirement income, except for military retirement pay excluded under section 422.7, subsection 31A, paragraph "a", or section 422.7, subsection 31B, paragraph "a", received from any source which is not taxable under this division as a result of the government pension exclusions in section 422.7, or any other state law. If the combined net income of a husband and wife exceeds thirteen thousand five hundred dollars, neither of them shall receive the benefit of this subsection, and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirteen thousand five hundred dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in section 422.9, subsection 3. A person who is claimed as a dependent by another person as defined in section 422.12 shall not receive the benefit of this subsection if the person claiming the dependent has net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable or the person claiming the dependent and the person’s spouse have
combined net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable.

b. In lieu of the computation in subsection 1 or 2, or in paragraph “a” of this subsection, if the married persons’ filing jointly or filing separately on a combined return, head of household’s, or surviving spouse’s net income exceeds thirteen thousand five hundred dollars, the regular tax imposed under this division shall be the lesser of the maximum state individual income tax rate for the tax year times the portion of the net income in excess of thirteen thousand five hundred dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the husband and wife. The alternate tax described in this paragraph does not apply if one spouse elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in section 422.9, subsection 3.

3B. a. The tax shall not be imposed on a resident or nonresident who is at least sixty-five years old on December 31 of the tax year and whose net income, as defined in section 422.7, is thirty-two thousand dollars or less in the case of married persons filing jointly or filing separately on a combined return, heads of household, and surviving spouses or twenty-four thousand dollars or less in the case of all other persons; but in the event that the payment of tax under this division would reduce the net income to less than thirty-two thousand dollars or twenty-four thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirty-two thousand dollars or twenty-four thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of this subsection, the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of this subsection, net income includes all amounts of pensions or other retirement
income, except for military retirement pay excluded under section 422.7, subsection 31A, paragraph "a", or section 422.7, subsection 31B, paragraph "a", received from any source which is not taxable under this division as a result of the government pension exclusions in section 422.7, or any other state law.

If the combined net income of a husband and wife exceeds thirty-two thousand dollars, neither of them shall receive the benefit of this subsection, and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirty-two thousand dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in section 422.9, subsection 3. A person who is claimed as a dependent by another person as defined in section 422.12 shall not receive the benefit of this subsection if the person claiming the dependent has net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable or the person claiming the dependent and the person's spouse have combined net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable.

b. In lieu of the computation in subsection 1, 2, or 3, if the married persons filing jointly or filing separately on a combined return, head of household's, or surviving spouse's net income exceeds thirty-two thousand dollars, the regular tax imposed under this division shall be the lesser of the maximum state individual income tax rate for the tax year times the portion of the net income in excess of thirty-two thousand dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the husband and wife. The alternate tax described in this paragraph does not apply if one spouse elects to carry back or carry forward the loss as provided under the...
1 Internal Revenue Code or in section 422.9, subsection 3.
2 c. This subsection applies even though one spouse has not
3 attained the age of sixty-five, if the other spouse is at least
4 sixty-five at the end of the tax year.
5 Sec. 16. Section 422.5, subsection 6, Code 2018, is amended
6 by striking the subsection and inserting in lieu thereof the
7 following:
8 6. Upon determination of the latest cumulative inflation
9 factor, the director shall reduce each tax rate in subsection
10 1, paragraphs “a” through “d”, and paragraph “e”, subparagraph
11 (4), by the same percentage that the latest cumulative
12 inflation factor exceeds one hundred percent, shall round off
13 the resulting rate to the nearest one-hundredth of one percent,
14 and shall incorporate the result into the income tax forms and
15 instructions for each tax year.
16 Sec. 17. Section 422.7, unnumbered paragraph 1, Code 2018,
17 is amended to read as follows:
18 The term “net income” means the adjusted gross income before
19 the net operating loss deduction taxable income as properly
20 computed for federal income tax purposes under section 63 the
21 Internal Revenue Code, with the following adjustments:
22 Sec. 18. Section 422.7, Code 2018, is amended by adding the
23 following new subsections:
24 NEW SUBSECTION. 4. Add any federal net operating loss
25 deduction carried over from a taxable year beginning prior to
26 January 1, 2019.
27 NEW SUBSECTION. 6. a. For tax years beginning in the 2019
28 calendar year, subtract the amount of federal income taxes
29 paid during the tax year to the extent payment is for a tax
30 year beginning prior to January 1, 2019, and add any federal
31 income tax refunds received during the tax year to the extent
32 the federal income tax was deducted for a tax year beginning
33 prior to January 1, 2019. Where married persons who have filed
34 a joint federal income tax return file separately for state tax
35 purposes, such total shall be divided between them according
1 to the portion of the total paid by each. Federal income taxes
2 paid for a tax year in which an Iowa return was not required to
3 be filed shall not be subtracted.
4 b. Notwithstanding any other provision of law to the
5 contrary, amounts subtracted or added pursuant to this
6 subsection shall not be included in the calculation of net
7 income for purposes of section 422.5, subsection 3 or 3B, or
8 section 422.13.
9 Sec. 19. Section 422.7, subsection 12, paragraph a,
10 unnumbered paragraph 1, Code 2018, is amended to read as
11 follows:
12 If for tax years beginning prior to January 1, 2022, if the
13 adjusted gross federal taxable income includes income or loss
14 from a small business operated by the taxpayer, an additional
15 deduction shall be allowed in computing the income or loss from
16 the small business if the small business hired for employment
17 in the state during its annual accounting period ending with or
18 during the taxpayer’s tax year any of the following:
19 Sec. 20. Section 422.7, subsection 12A, paragraph a,
20 unnumbered paragraph 1, Code 2018, is amended to read as
21 follows:
22 If for tax years beginning prior to January 1, 2022, if the
23 adjusted gross federal taxable income includes income or loss
24 from a business operated by the taxpayer, and if the business
25 does not qualify for the adjustment under subsection 12, an
26 additional deduction shall be allowed in computing the income
27 or loss from the business if the business hired for employment
28 in the state during its annual accounting period ending with or
29 during the taxpayer’s tax year either of the following:
30 Sec. 21. Section 422.7, subsection 13, Code 2018, is amended
31 by striking the subsection and inserting in lieu thereof the
32 following:
33 13. Subtract, to the extent included, the amount of social
34 security benefits taxable under section 86 of the Internal
35 Revenue Code.
Sec. 22. Section 422.7, Code 2018, is amended by adding the following new subsections:

NEW SUBSECTION. 18. Add, to the extent deducted for federal tax purposes, charitable contributions under section 170 of the Internal Revenue Code to the extent such contribution was made to an organization for the purpose of deposit in the Iowa education savings plan trust established in chapter 12D, and the taxpayer designated that any part of the contribution be used for the direct benefit of any dependent of the taxpayer or any other single beneficiary designated by the taxpayer.

NEW SUBSECTION. 19. a. Subtract, to the extent included, income resulting from the payment by an employer of the taxpayer, whether paid to the taxpayer or to a lender, of principal or interest on any qualified education loan incurred by the taxpayer.

b. If the taxpayer has a deduction in computing federal taxable income under section 221 of the Internal Revenue Code for interest on a qualified education loan, the taxpayer shall recompute for purposes of this subsection the amount of the deduction under paragraph "a" by not subtracting any amount of income resulting from the employer’s payment of interest on a qualified education loan that was also deducted by the taxpayer under section 221 of the Internal Revenue Code.

c. For purposes of this subsection, "qualified education loan" means the same as defined in section 221 of the Internal Revenue Code.

Sec. 23. Section 422.7, subsection 31, Code 2018, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or
1 defined contribution plans, annuities, individual retirement
2 accounts, plans maintained or contributed to by an employer,
3 or maintained or contributed to by a self-employed person as
4 an employer, and deferred compensation plans or any earnings
5 attributable to the deferred compensation plans, up to a
6 maximum of six ten thousand dollars for a person, other than a
7 husband or wife, who files a separate state income tax return
8 and up to a maximum of twelve twenty thousand dollars for a
9 husband and wife who file a joint state income tax return.
10 However, a surviving spouse who is not disabled or fifty-five
11 years of age or older can only exclude the amount of pension or
12 retirement pay received as a result of the death of the other
13 spouse. A husband and wife filing separate state income tax
14 returns or separately on a combined state return are allowed
15 a combined maximum exclusion under this subsection of up to
16 twelve twenty thousand dollars. The twelve twenty thousand
17 dollar exclusion shall be allocated to the husband or wife
18 in the proportion that each spouse's respective pension and
19 retirement pay received bears to total combined pension and
20 retirement pay received.
21 Sec. 24. Section 422.7, subsection 41, Code 2018, is amended
22 by adding the following new paragraph:
23 NEW PARAGRAPH. 0e. Add, to the extent deducted for
24 federal tax purposes, interest, taxes, and other miscellaneous
25 expenses to the extent such amounts are eligible home costs
26 in connection with a qualified home purchase that were paid
27 or reimbursed from funds in a first-time homebuyer savings
28 account.
29 Sec. 25. Section 422.7, subsection 44, paragraph a,
30 unnumbered paragraph 1, Code 2018, is amended to read as
31 follows:
32 If For tax years beginning before January 1, 2022, if the
33 taxpayer, while living, donates one or more of the taxpayer's
34 human organs to another human being for immediate human organ
35 transplantation during the tax year, subtract, to the extent
not otherwise excluded, the following unreimbursed expenses incurred by the taxpayer and related to the taxpayer's organ donation:

Sec. 26. Section 422.7, subsection 47, Code 2018, is amended to read as follows:

47. Subtract, to the extent not otherwise deducted in computing adjusted gross federal taxable income, the amounts paid by the taxpayer to the department of veterans affairs for the purpose of providing grants under the injured veterans grant program established in section 35A.14. Amounts subtracted under this subsection shall not be used by the taxpayer in computing the amount of charitable contributions as defined by section 170 of the Internal Revenue Code.

Sec. 27. Section 422.7, Code 2018, is amended by adding the following new subsection:

NEW SUBSECTION. 51. The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code does not apply in computing net income for state tax purposes. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal taxable income, then the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

a. Add the total amount of depreciation taken under section 168(k) of the Internal Revenue Code for the tax year.

b. Subtract the amount of depreciation allowable under the modified accelerated cost recovery system described in section 168 of the Internal Revenue Code and calculated without regard to section 168(k).

c. Any other adjustments to gains or losses necessary to reflect the adjustments made in paragraphs "a" and "b". The director shall adopt rules for the administration of this paragraph.

Sec. 28. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14, 15, 16, 20, 21, 22, 23, 24, 25, 26, 29, 30, 35, 36, 37, 39, 39A,
amended by striking the subsections.
Sec. 29. Section 422.8, subsection 4, Code 2018, is amended
by striking the subsection.
Sec. 30. Section 422.9, Code 2018, is amended by striking
the section and inserting in lieu thereof the following:
422.9 Iowa net operating loss incurred prior to January 1,
2019.
Any Iowa net operating loss carried over from a taxable year
beginning prior to January 1, 2019, may be deducted as provided
in section 422.9, subsection 3, Code 2018.
Sec. 31. Section 422.11S, subsection 4, Code 2018, is
amended to read as follows:
4. Married taxpayers who file separate returns or file
separately on a combined return form must determine the tax
credit under subsection 1 based upon their combined net income
and allocate the total credit amount to each spouse in the
proportion that each spouse’s respective net income bears to
the total combined net income. Nonresidents or part-year
residents of Iowa must determine their tax credit in the ratio
of their Iowa source net income to their all source net income.
Nonresidents or part-year residents who are married and elect
to file separate returns or to file separately on a combined
return form must allocate the tax credit between the spouses
in the ratio of each spouse’s Iowa source net income to the
combined Iowa source net income of the taxpayers.
Sec. 32. Section 422.12B, subsection 2, Code 2018, is
amended to read as follows:
2. Married taxpayers electing to file separate returns or
filing separately on a combined return may avail themselves
of the earned income credit by allocating the earned income
credit to each spouse in the proportion that each spouse’s
respective earned income bears to the total combined earned
income. Taxpayers affected by the allocation provisions of
section 422.8 shall be permitted a deduction for the credit
only in the amount fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 33. Section 422.12C, subsection 4, Code 2018, is amended to read as follows:

4. Married taxpayers who have filed joint federal returns electing to file separate returns or to file separately on a combined return form must determine the child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 based upon their combined net income and allocate the total credit amount to each spouse in the proportion that each spouse’s respective net income bears to the total combined net income. Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit in the ratio of their Iowa source net income to their all source net income. Nonresidents or part-year residents who are married and elect to file separate returns or to file separately on a combined return form must allocate the Iowa child and dependent care credit between the spouses in the ratio of each spouse’s Iowa source net income to the combined Iowa source net income of the taxpayers.

Sec. 34. Section 422.13, subsection 1, paragraph c, Code 2018, is amended by striking the paragraph.

Sec. 35. Section 422.16, subsection 1, paragraph f, Code 2018, is amended by striking the paragraph.

Sec. 36. Section 422.21, subsections 2, 5, and 7, Code 2018, are amended to read as follows:

2. An individual in the armed forces of the United States serving in an area designated by the president of the United States or the United States Congress as a combat zone or as a qualified hazardous duty area, or deployed outside the United States away from the individual’s permanent duty station while participating in an operation designated by the United States secretary of defense as a contingency operation as defined in 10 U.S.C. §101(a)(13), or which became such a contingency operation by the operation of law, or an individual serving in
support of those forces, is allowed the same additional time
period after leaving the combat zone or the qualified hazardous
duty area, or ceasing to participate in such contingency
operation, or after a period of continuous hospitalization, to
file a state income tax return or perform other acts related
to the department, as would constitute timely filing of the
return or timely performance of other acts described in section
7508(a) of the Internal Revenue Code. An individual on active
duty federal military service in the armed forces, armed forces
military reserve, or national guard who is deployed outside
the United States in other than a combat zone, qualified
hazardous duty area, or contingency operation is allowed the
same additional period of time described in section 7508(a)
of the Internal Revenue Code to file a state income tax
return or perform other acts related to the department. For
the purposes of this subsection, “other acts related to the
department” includes filing claims for refund for any tax
administered by the department, making tax payments other than
withholding payments, filing appeals on the tax matters, filing
other tax returns, and performing other acts described in the
department’s rules. The additional time period allowed applies
to the spouse of the individual described in this subsection
to the extent the spouse files jointly or separately on the
combined return form with the individual or when the spouse
is a party with the individual to any matter for which the
additional time period is allowed.

5. The director shall determine for the 1989 2022 and each
subsequent calendar year the annual and cumulative inflation
factors for each calendar year to be applied to tax years
beginning on or after January 1 of that calendar year. The
director shall compute the new dollar amounts tax rates
as specified to be adjusted in section 422.5 by the latest
cumulative inflation factor and round off the result to the
nearest one-dollar one-hundredth of one percent. The annual
and cumulative inflation factors determined by the director
are not rules as defined in section 17A.2, subsection 11. The director shall determine for the 1990 calendar year and each subsequent calendar year the annual and cumulative standard deduction factors to be applied to tax years beginning on or after January 1 of that calendar year. The director shall compute the new dollar amounts of the standard deductions specified in section 422.9, subsection 1, by the latest cumulative standard deduction factor and round off the result to the nearest ten dollars. The annual and cumulative standard deduction factors determined by the director are not rules as defined in section 17A.2, subsection 11.

7. If married taxpayers file a joint return or file separately on a combined return in accordance with rules prescribed by the director, both spouses are jointly and severally liable for the total tax due on the return, except when one spouse is considered to be an innocent spouse under criteria established pursuant to section 6015 of the Internal Revenue Code.

Sec. 37. Section 422.32, subsection 1, paragraph h, Code 2018, is amended to read as follows:

h. "Internal Revenue Code" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986, as amended and in effect on January 1, 2015. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 38. Section 422.33, subsection 1, paragraphs a, b, c, and d, Code 2018, are amended to read as follows:

a. On the first twenty-five thousand dollars of taxable income, or any part thereof, the rate of six percent for tax years beginning prior to January 1, 2021, and the rate of five and one-half percent for tax years beginning on or after January 1, 2021.
b. On taxable income between twenty-five thousand dollars and one hundred thousand dollars or any part thereof, the rate of eight percent for tax years beginning prior to January 1, 2021, and the rate of five and one-half percent for tax years beginning on or after January 1, 2021.

c. On taxable income between one hundred thousand dollars and two hundred fifty thousand dollars or any part thereof, the rate of ten percent for tax years beginning prior to January 1, 2020, the rate of eight percent for tax years beginning during the 2020 calendar year, and the rate of five and one-half percent for tax years beginning on or after January 1, 2021.

d. On taxable income of two hundred fifty thousand dollars or more, the rate of twelve percent for tax years beginning on or after January 1, 2019, but prior to January 1, 2021, the rate of eight percent for tax years beginning during the 2021 calendar year, and the rate of seven percent for tax years beginning on or after January 1, 2022.

Sec. 39. Section 422.33, subsection 4, Code 2018, is amended by striking the subsection.

Sec. 40. Section 422.35, unnumbered paragraph 1, Code 2018, is amended to read as follows:

Sec. 41. Section 422.35, subsection 4, Code 2018, is amended to read as follows:

4. Subtract fifty percent of the federal income taxes paid or accrued, as the case may be, during the tax year to the extent payment is for a tax year beginning prior to January 1, 2019, adjusted by any federal income tax refunds, and add the Iowa income tax deducted in computing said taxable income to the extent the tax was deducted for a tax year beginning prior to January 1, 2019.

Sec. 42. Section 422.35, subsection 6, paragraph a,
1 unnumbered paragraph 1, Code 2018, is amended to read as
2 follows:
3 If for tax years beginning before January 1, 2022, if the
taxpayer is a small business corporation, subtract an amount
equal to sixty-five percent of the wages paid to individuals,
but not to exceed twenty thousand dollars per individual, named
in subparagraphs (1), (2), and (3) who were hired for the first
time by the taxpayer during the tax year for work done in this
state:
4 Sec. 43. Section 422.35, subsection 6A, paragraph a,
unnumbered paragraph 1, Code 2018, is amended to read as
follows:
5 If for tax years beginning prior to January 1, 2022, if the
taxpayer is a business corporation and does not qualify for
the adjustment under subsection 6, subtract an amount equal to
sixty-five percent of the wages paid to individuals, but shall
not exceed twenty thousand dollars per individual, named in
subparagraphs (1) and (2) who were hired for the first time by
the taxpayer during the tax year for work done in this state:
Sec. 44. Section 422.35, subsection 11, Code 2018, is
amended by striking the subsection and inserting in lieu
thereof the following:
11. a. Add any federal net operating loss deduction carried
over from a taxable year beginning prior to January 1, 2019.
b. Any Iowa net operating loss carried over from a taxable
year beginning prior to January 1, 2019, may be deducted as
provided in section 422.35, subsection 11, Code 2018.
Sec. 45. Section 422.35, Code 2018, is amended by adding the
following new subsection:
NEW SUBSECTION. 23. The additional first-year depreciation
allowance authorized in section 168(k) of the Internal Revenue
Code does not apply in computing net income for state tax
purposes. If the taxpayer has taken the additional first-year
depreciation allowance for purposes of computing federal
taxable income, then the taxpayer shall make the following
adjustments to federal taxable income when computing net income for state tax purposes:

a. Add the total amount of depreciation taken under section 168(k) of the Internal Revenue Code for the tax year.

b. Subtract the amount of depreciation allowable under the modified accelerated cost recovery system described in section 168 of the Internal Revenue Code and calculated without regard to section 168(k).

c. Any other adjustments to gains or losses necessary to reflect the adjustments made in paragraphs "a" and "b". The director shall adopt rules for the administration of this paragraph.

Sec. 46. Section 422.35, subsections 3, 5, 7, 8, 10, 16, 17, 18, 19, 19A, 19B, 20, 22, and 24, Code 2018, are amended by striking the subsections.

Sec. 47. Section 541B.3, subsection 1, paragraph b, Code 2018, is amended to read as follows:

b. A married couple electing to file a joint Iowa individual income tax return may establish a joint first-time homebuyer savings account. Married taxpayers electing to file separate tax returns or separately on a combined tax return for Iowa tax purposes shall not establish or maintain a joint first-time homebuyer savings account.

Sec. 48. Section 541B.6, Code 2018, is amended to read as follows:

541B.6 Tax considerations.

The state income tax treatment of a first-time homebuyer savings account shall be as provided in section 422.7, subsection 41, and section 422.9, subsection 2, paragraph "k".

Sec. 49. EFFECTIVE DATE. This division of this Act takes effect January 1, 2019.

Sec. 50. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2019.

DIVISION III

TAX CREDITS
Sec. 51. Section 8.57E, subsection 2, Code 2018, is amended to read as follows:

2. Moneys in the taxpayers trust fund shall only be used pursuant to appropriations or transfers made by the general assembly for tax relief. During each fiscal year beginning on or after July 1, 2014, but before June 30, 2020, in which the balance of the taxpayers trust fund equals or exceeds thirty million dollars, there is transferred from the taxpayers trust fund to the Iowa taxpayers trust fund tax credit fund created in section 422.11E, the entire balance of the taxpayers trust fund to be used for the Iowa taxpayers trust fund tax credit fund in accordance with section 422.11E, subsection 5.

Sec. 52. Section 15.119, subsection 2, paragraph a, Code 2018, is amended by striking the paragraph and inserting in lieu thereof the following:

a. The high quality jobs program administered pursuant to sections 15.326 through 15.336. In allocating tax credits pursuant to this subsection, the authority shall not allocate more than eighty million dollars for purposes of this paragraph.

Sec. 53. Section 15.119, subsection 2, paragraphs d, e, and g, Code 2018, are amended to read as follows:

d. The tax credits for investments in qualifying businesses issued pursuant to section 15E.43. In allocating tax credits pursuant to this subsection, the authority shall not allocate more than four million dollars for purposes of this paragraph, unless the authority determines that the tax credits awarded will be less than that amount.

e. The tax credits for investments in an innovation fund pursuant to section 15E.52. In allocating tax credits pursuant to this subsection in a fiscal year in which the allocation for purposes of paragraph "d" does not exceed two million dollars, the authority shall not allocate more than eight million dollars for purposes of this paragraph, unless the authority determines that the tax credits awarded will be less than that amount.
1 amount. In allocating tax credits pursuant to this subsection 2 in a fiscal year in which the allocation for purposes of 3 paragraph "d" exceeds two million dollars, the authority shall 4 not allocate for purposes of this paragraph an amount that 5 exceeds an amount equal to the difference of eight million 6 dollars less the amount that the allocation for purposes of 7 paragraph "d" exceeds two million dollars for the same fiscal 8 year.

9 g. The workforce housing tax incentives program administered 10 pursuant to sections 15.351 through 15.356. In allocating 11 tax credits pursuant to this subsection, the authority shall 12 not allocate more than twenty two million dollars for 13 purposes of this paragraph. Of the moneys allocated under this 14 paragraph, five seven million dollars shall be reserved for 15 allocation to qualified housing projects in small cities, as 16 defined in section 15.352, that are registered on or after July 17 1, 2017.

18 Sec. 54. Section 15.329, subsection 1, paragraph f, Code 19 2018, is amended to read as follows:

20 f. The business shall not be a retail business or a business 21 where entrance is limited by a cover charge or membership 22 requirement, or a web search portal business as defined in 23 section 423.3, subsection 93, or a data center business as 24 defined in section 423.3, subsection 95, unless such web search 25 portal business or data center business had a physical presence 26 in this state prior to July 1, 2018.

27 Sec. 55. Section 15.331A, subsection 1, Code 2018, is 28 amended to read as follows:

29 1. The eligible business shall be entitled to a refund 30 of the sales and use taxes paid under chapter 423 for gas, 31 electricity, water, or sewer utility services, goods, wares, or 32 merchandise, or on services rendered, furnished, or performed 33 to or for a contractor or subcontractor and used in the 34 fulfillment of a written contract relating to the construction 35 or equipping of a facility that is part of a project of the
eligible business. Taxes attributable to intangible property
and furniture and furnishings shall not be refunded. However,
an eligible business shall be entitled to a refund for taxes
attributable to racks, shelving, and conveyor equipment to be
used in a warehouse or distribution center subject to section
15.331C.
Sec. 56. Section 15.331C, Code 2018, is amended to read as
follows:
15.331C Corporate tax credit for certain sales taxes paid by
third-party developer.
1. An eligible business may claim a corporate tax credit
in an amount equal to the sales and use taxes paid by a
third-party developer under chapter 423 for gas, electricity,
water, or sewer utility services, goods, wares, or merchandise,
or on services rendered, furnished, or performed to or for a
contractor or subcontractor and used in the fulfillment of a
written contract relating to the construction or equipping of
a facility of the eligible business. Taxes attributable to
intangible property and furniture and furnishings shall not
be included, but taxes attributable to racks, shelving, and
conveyor equipment to be used in a warehouse or distribution
center shall be included. Any credit in excess of the tax
liability for the tax year may be credited to the tax liability
for the following seven years or until depleted, whichever
occurs earlier. An eligible business may elect to receive a
refund of all or a portion of an unused tax credit.
2. A third-party developer shall state under oath, on
forms provided by the department of revenue, the amount of
taxes paid as described in subsection 1 and shall submit such
forms to the department of revenue. The taxes paid shall be
itemized to allow identification of the taxes attributable
to racks, shelving, and conveyor equipment to be used in a
warehouse or distribution center. After receiving the form
from the third-party developer, the department of revenue shall
issue a tax credit certificate to the eligible business equal
to the sales and use taxes paid by a third-party developer under chapter 423 for gas, electricity, water, or sewer utility services, goods, wares, or merchandise, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility. The department of revenue shall also issue a tax credit certificate to the eligible business equal to the taxes paid and attributable to racks, shelving, and conveyor equipment to be used in a warehouse or distribution center. The aggregate combined total amount of tax refunds under section 15.331A for taxes attributable to racks, shelving, and conveyor equipment to be used in a warehouse or distribution center and of tax credit certificates issued by the department of revenue for the taxes paid and attributable to racks, shelving, and conveyor equipment to be used in a warehouse or distribution center shall not exceed five hundred thousand dollars in a fiscal year. If an applicant for a tax credit certificate does not receive a certificate for the taxes paid and attributable to racks, shelving, and conveyor equipment to be used in a warehouse or distribution center, the application shall be considered in succeeding fiscal years. The eligible business shall not claim a tax credit under this section unless a tax credit certificate issued by the department of revenue is included with the taxpayer’s tax return for the tax year for which the tax credit is claimed. A tax credit certificate shall contain the eligible business’s name, address, tax identification number, the amount of the tax credit, and other information deemed necessary by the department of revenue.

Sec. 57. Section 15.335, subsection 7, paragraph b, Code 2018, is amended by striking the paragraph and inserting in lieu thereof the following:

b. For purposes of this section, “Internal Revenue Code” means the same as defined in section 422.3.

Sec. 58. Section 15.335, subsection 8, Code 2018, is amended
by striking the subsection and inserting in lieu thereof the following:

8. Any tax credit in excess of the taxpayer’s liability for the tax year is not refundable and may not be credited to the tax liability for any other year.

Sec. 59. Section 16.80, subsection 5, paragraphs a and b, Code 2018, are amended to read as follows:

a. Except as provided in paragraph “b”, the tax credit shall equal five seven percent of the amount paid to the taxpayer under the agreement.

b. The tax credit shall equal fifteen seventeen percent of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals.

Sec. 60. Section 16.80, subsection 10, Code 2018, is amended to read as follows:

10. The amount of tax credit certificates that may be issued pursuant to this section shall not exceed six eight million dollars in any fiscal year. The authority shall issue the tax credit certificates on a first-come, first-served basis.

Sec. 61. NEW SECTION. 260G.8 Future repeal.

This chapter is repealed effective July 1, 2025.

Sec. 62. Section 403.19A, subsection 3, paragraph c, subparagraph (2), Code 2018, is amended to read as follows:

(2) The pilot project city and the economic development authority shall not enter into a withholding agreement after June 30, 2018 2019.

Sec. 63. Section 404A.4, subsection 1, paragraph a, Code 2018, is amended to read as follows:

a. Except as provided in subsections 2 and 3, the authority shall not award in any one fiscal year an amount of tax credits provided in section 404A.2 in excess of forty-five thirty-five million dollars.

Sec. 64. Section 404A.4, subsections 2 and 3, Code 2018, are amended by striking the subsections.
Sec. 65. NEW SECTION. 404A.7 Future repeal.
This chapter is repealed effective July 1, 2025.

Sec. 66. Section 422.10, subsection 1, Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. 0a. An individual shall only be eligible for the credit provided in this section if the business conducting the research meets all of the following requirements:

(1) (a) The business is engaged in the manufacturing, life sciences, software engineering, or aviation and aerospace industry.
(b) A person who is engaged in agricultural production as defined in section 423.1, or who is a contractor, subcontractor, builder, or a contractor-retailer that engage in commercial and residential repair and installation, including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, or electrical installation and repair, does not qualify under subparagraph division (a) and is not eligible for the credit. For purposes of this subparagraph division, "contractor-retailer" means a business that makes frequent retail sales to the public or to other contractors and that also engages in the performance of construction contracts.

(2) The business claims and is allowed a research credit for such qualified research expenses under section 41 of the Internal Revenue Code for the same taxable year as it is claiming the credit provided in this section.

Sec. 67. Section 422.10, subsection 3, Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. 0a. For purposes of this section, "base amount" means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.
Sec. 68. Section 422.10, subsection 3, paragraph a, Code 2018, is amended to read as follows:

a. For purposes of this section, "base amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative simplified credit such amounts are for research conducted within this state.

Sec. 69. Section 422.10, subsection 3, paragraph b, Code 2018, is amended by striking the paragraph.

Sec. 70. Section 422.11B, Code 2018, is amended to read as follows:

422.11B Minimum tax credit.

1. a. There is allowed as a credit against the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" for a tax year an amount equal to the minimum tax credit for that tax year.

b. The minimum tax credit for a tax year is the excess, if any, of the net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, but before January 1, 2019, over the amount allowable as a credit under this section for those prior tax years.

2. a. The allowable credit under subsection 1 for a tax year beginning before January 1, 2019, shall not exceed the excess, if any, of the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" over the state alternative minimum tax as determined in section 422.5, subsection 2, Code 2018. The allowable credit under subsection 1 for a tax year beginning in the 2019 calendar year shall not exceed the tax determined under section 422.5, subsection 1.

b. The net minimum tax for a tax year is the excess, if any, of the tax determined in section 422.5, subsection 2, Code 2018, for the tax year over the tax determined in section 422.5, subsection 1, paragraphs "a" through "j" for the tax
1 year.
2 3. This section is repealed January 1, 2020, for tax years
3 beginning on or after January 1, 2020.
4 Sec. 71. Section 422.11E, Code 2018, is amended by adding
5 the following new subsection:
6 NEW SUBSECTION. 6. This section is repealed January 1, 2020.
7 Sec. 72. Section 422.11S, subsection 6, paragraph a, Code
8 2018, is amended to read as follows:
9  a. "Eligible student" means a student who is a member of a
10 household whose total annual income during the calendar year
11 before the student receives a tuition grant for purposes of
12 this section does not exceed an amount equal to three four
13 times the most recently published federal poverty guidelines in
14 the federal register by the United States department of health
15 and human services.
16 Sec. 73. Section 422.11S, subsection 8, paragraph a,
17 subparagraph (2), Code 2018, is amended to read as follows:
18 (2) "Total approved tax credits" means for the tax year
19 beginning in the 2006 calendar year, two million five hundred
20 thousand dollars, for the tax year beginning in the 2007
21 calendar year, five million dollars, for tax years beginning
22 on or after January 1, 2008, but before January 1, 2012, seven
23 million five hundred thousand dollars, for tax years beginning
24 on or after January 1, 2012, but before January 1, 2014, eight
25 million seven hundred fifty thousand dollars, and for tax years
26 beginning on or after January 1, 2014, but before January 1,
27 2019, twelve million dollars, and for tax years beginning on or
28 after January 1, 2019, thirteen million dollars.
29 Sec. 74. Section 422.12, subsection 2, paragraph b, Code
30 2018, is amended to read as follows:
31 b. A For tax years beginning before January 1, 2022, a
32 tuition credit equal to twenty-five percent of the first one
33 thousand dollars which the taxpayer has paid to others for each
34 dependent in grades kindergarten through twelve, for tuition
1 and textbooks of each dependent in attending an elementary or secondary school situated in Iowa, which school is accredited or approved under section 256.11, which is not operated for profit, and which adheres to the provisions of the federal Civil Rights Act of 1964 and chapter 216. Notwithstanding any other provision, all other credits allowed under this subsection shall be deducted before the tuition credit under this paragraph. The department, when conducting an audit of a taxpayer's return, shall also audit the tuition tax credit portion of the tax return.

Sec. 75. Section 422.12, subsection 2, paragraph c, subparagraph (1), Code 2018, is amended to read as follows:

(1) A for tax years beginning before January 1, 2022, a volunteer fire fighter and volunteer emergency medical services personnel member credit equal to one hundred dollars to compensate the taxpayer for the voluntary services if the volunteer served for the entire tax year. A taxpayer who is a paid employee of an emergency medical services program or a fire department and who is also a volunteer emergency medical services personnel member or volunteer fire fighter in a city, county, or area governed by an agreement pursuant to chapter 28E where the emergency medical services program or fire department performs services, shall qualify for the credit provided under this paragraph "c".

Sec. 76. Section 422.12, subsection 2, paragraph d, subparagraph (1), Code 2018, is amended to read as follows:

(1) A for tax years beginning before January 1, 2022, a reserve peace officer credit equal to one hundred dollars to compensate the taxpayer for services as a reserve peace officer if the reserve peace officer served for the entire tax year.

Sec. 77. Section 422.33, subsection 5, Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. 0e. A corporation shall only be eligible for the credit provided in this subsection if the business conducting the research meets all of the following
requirements:
(1) (a) The business is engaged in the manufacturing, life sciences, software engineering, or aviation and aerospace industry.
(b) A person who is engaged in agricultural production as defined in section 423.1, or who is a contractor, subcontractor, builder, or a contractor-retailer that engages in commercial and residential repair and installation, including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, or electrical installation and repair, does not qualify under subparagraph division (a) and is not eligible for the credit. For purposes of this subparagraph division, "contractor-retailer" means a business that makes frequent retail sales to the public or to other contractors and that also engages in the performance of construction contracts.
(2) The business claims and is allowed a research credit for such qualified research expenses under section 41 of the Internal Revenue Code for the same taxable year as it is claiming the credit provided in this subsection.

Sec. 78. Section 422.33, subsection 5, paragraph e, Code 2018, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (01) For purposes of this section, "base amount" means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.

Sec. 79. Section 422.33, subsection 5, paragraph e, subparagraph (1), Code 2018, is amended to read as follows:
(1) For purposes of this subsection, "base-amount", "basic research payment", and "qualified research expense" mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code,
except that for the alternative simplified credit such amounts are for research conducted within this state.

Sec. 80. Section 422.33, subsection 5, paragraph e, subparagraph (2), Code 2018, is amended by striking the
subsection.

Sec. 81. Section 422.33, subsection 7, Code 2018, is amended to read as follows:

7. a. (1) Therefor tax years beginning before January 1, 2020, there is allowed as a credit against the tax determined in subsection 1 for a tax year an amount equal to the minimum tax credit for that tax year.

(2) The minimum tax credit for a tax year is the excess, if any, of the net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, but before January 1, 2019, over the amount allowable as a credit under this subsection for those prior tax years.

b. (1) The allowable credit under paragraph “a” for a tax year beginning before January 1, 2019, shall not exceed the excess, if any, of the tax determined in subsection 1 over the state alternative minimum tax as determined in subsection 4. The allowable credit under paragraph “a” for a tax year beginning in the 2019 calendar year shall not exceed the tax determined in subsection 1.

(2) The net minimum tax for a tax year is the excess, if any, of the tax determined in subsection 4 for the tax year over the tax determined in subsection 1 for the tax year.

c. This subsection is repealed January 1, 2020, for tax years beginning on or after January 1, 2020.

Sec. 82. 2018 INTERIM TAX CREDIT STUDY. The legislative tax expenditure committee created in section 2.45 shall study all tax credits available under Iowa law during the 2018 interim. The study shall comprehensively review and evaluate each tax credit to assess its cost, equity, simplicity, competitiveness, public purpose, adequacy, effectiveness, and the extent of conformance with the original purpose of the tax credit. The
1 legislative tax expenditure committee shall also consider
2 new or different tax credits or other incentive programs
3 for economic development that will improve predictability,
4 flexibility, and utilization, and put Iowa in the best position
5 for attracting and retaining business in the future. The
6 legislative tax expenditure committee shall submit its findings
7 and recommendations to the general assembly for consideration
8 during the 2019 legislative session.

Sec. 83. FUTURE REPEAL. Sections 15.326, 15.327, 15.329,
10 15.330, 15.330A, 15.331A, 15.331C, 15.332, 15.333, 15.333A,
11 15.335, 15.335A, 15.335B, 15.335C, and 15.336, Code 2018, are
12 repealed effective July 1, 2025.

Sec. 84. REPEAL. Sections 422.10A, 422.11I, and 422.11N,
14 Code 2018, are repealed.

Sec. 85. REPEAL. Section 422.11L, Code 2018, is repealed.

Sec. 86. REPEAL. Chapter 190B, Code 2018, is repealed.

Sec. 87. EFFECTIVE DATE AND APPLICABILITY.
1. Except as provided in subsections 2 through 11, this
19 division of this Act takes effect January 1, 2019, and applies
20 to tax years beginning on or after that date.

2. The section of this division of this Act repealing
22 section 422.11L, takes effect July 1, 2018, and applies to
23 solar energy system installations occurring on or after that
24 date.

3. The section of this division of this Act striking and
26 replacing section 15.119, subsection 2, paragraph "a", takes
27 effect July 1, 2018.

4. The section of this division of this Act amending section
29 15.119, subsection 2, paragraphs "d", "e", and "g", takes
30 effect July 1, 2018.

5. The sections of this division of this Act amending
32 section 404A.4 take effect July 1, 2018.

6. The section of this division of this Act amending section
34 16.80, subsection 10, takes effect July 1, 2018.

7. The sections of this division of this Act enacting
section 422.10, subsection 1, paragraph “0a”, and enacting
section 422.33, subsection 5, paragraph “0e”, being deemed of
immediate importance, take effect upon enactment, and apply
retroactively to January 1, 2018, for tax years beginning on or
after that date and for tax returns, including amended returns,
filed on or after that date for any tax year.
8. The sections of this division of this Act amending
section 422.10, subsection 3, paragraph “a”, and section
422.33, subsection 5, paragraph “e”, subparagraph (1), and
enacting section 422.10, subsection 3, paragraph “0a”, and
section 422.33, subsection 5, paragraph “e”, subparagraph (01), being deemed of immediate importance, take effect upon
enactment, and apply retroactively to January 1, 2010, for tax
years beginning on or after that date.
9. The section of this division of this Act establishing
section 15.329, subsection 1, paragraph “f”, takes effect July 1, 2018.
10. The section of this division of this Act amending
section 403.19A, subsection 3, paragraph “c”, subparagraph (2),
takes effect July 1, 2018.
11. The section of this division of this Act establishing
a 2018 interim tax credit study by the legislative tax
expenditure committee takes effect July 1, 2018.
DIVISION IV
FRANCHISE TAX AND MONEYS AND CREDITS TAX
Sec. 88. Section 15.293A, subsection 1, paragraph a, Code
2018, is amended to read as follows:
 a. A redevelopment tax credit shall be allowed against
the taxes imposed in chapter 422, divisions II, III, and V,
and in chapter 432, and against the moneys and credits tax
imposed in section 533.329, for a portion of a taxpayer’s
equity investment, as provided in subsection 3, in a qualifying
redevelopment project.
Sec. 89. Section 15.293A, subsection 2, paragraphs c and f,
Code 2018, are amended to read as follows:
c. The tax credit certificate, unless rescinded by the
authority, shall be accepted by the department of revenue as payment for taxes imposed pursuant to chapter 422, divisions II, III, and V, and in chapter 432, and for the moneys and credits tax imposed in section 533.329, subject to any conditions or restrictions placed by the authority upon the face of the tax credit certificate and subject to the limitations of this section.

f. A tax credit shall not be claimed by a transferee under this section until a replacement tax credit certificate identifying the transferee as the proper holder has been issued. The transferee may use the amount of the tax credit transferred against the taxes imposed in chapter 422, divisions II, III, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, for any tax year the original transferor could have claimed the tax credit. Any consideration received for the transfer of the tax credit shall not be included as income under chapter 422, divisions II, III, and V. Any consideration paid for the transfer of the tax credit shall not be deducted from income under chapter 422, divisions II, III, and V.

Sec. 90. Section 15.333, subsection 1, Code 2018, is amended to read as follows:

1. An eligible business may claim a tax credit equal to a percentage of the new investment directly related to new jobs created or retained by the project. The tax credit shall be amortized equally over five calendar years. The tax credit shall be allowed against taxes imposed under chapter 422, division II, III, or V, and against the moneys and credits tax imposed in section 533.329. If the business is a partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust electing to have the income taxed directly to the individual, an individual may claim the tax credit allowed. The amount claimed by the individual shall be based upon the pro rata share of the individual’s earnings.
of the partnership, S corporation, limited liability company, cooperative organized under chapter 501 and filing as a partnership for federal tax purposes, or estate or trust. The percentage shall be determined as provided in section 15.335A. Any tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first.

Sec. 91. Section 15.355, subsection 3, paragraph b, Code 2018, is amended to read as follows:

b. The tax credit shall be allowed against the taxes imposed in chapter 422, divisions II, III, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329.

Sec. 92. Section 15.355, subsection 3, paragraph e, subparagraphs (3) and (6), Code 2018, are amended to read as follows:

(3) The tax credit certificate, unless rescinded by the authority, shall be accepted by the department of revenue as payment for taxes imposed pursuant to chapter 422, divisions II, III, and V, and in chapter 432, and for the moneys and credits tax imposed in section 533.329, subject to any conditions or restrictions placed by the authority upon the face of the tax credit certificate and subject to the limitations of this program.

(6) A tax credit shall not be claimed by a transferee under this section until a replacement tax credit certificate identifying the transferee as the proper holder has been issued. The transferee may use the amount of the tax credit transferred against the taxes imposed in chapter 422, divisions II, III, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, for any tax year the original transferor could have claimed the tax credit. Any consideration received for the transfer of the tax credit shall not be included as income under chapter 422, divisions II, III, and V. Any consideration paid for the transfer of the tax credit.
credit shall not be deducted from income under chapter 422, divisions II, III, and V.

Sec. 93. Section 15E.43, subsection 1, paragraphs a and d, Code 2018, are amended to read as follows:

a. For tax years beginning on or after January 1, 2015, a tax credit shall be allowed against the taxes imposed in chapter 422, divisions II, III, and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, for a portion of a taxpayer’s equity investment, as provided in subsection 2, in a qualifying business.

d. For a tax credit claimed against the taxes imposed in chapter 422, division II, any tax credit in excess of the tax liability is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer’s final, completed return credited to the tax liability for the following tax year. For a tax credit claimed against the taxes imposed in chapter 422, divisions III and V, and in chapter 432, and against the moneys and credits tax imposed in section 533.329, any tax credit in excess of the taxpayer’s liability for the tax year may be credited to the tax liability for the following three years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit.

Sec. 94. Section 15E.44, subsection 4, Code 2018, is amended to read as follows:

4. After verifying the eligibility of a qualifying business, the authority shall issue a tax credit certificate to be included with the equity investor’s tax return. The tax credit certificate shall contain the taxpayer’s name, address, tax identification number, the amount of credit, the name of the qualifying business, and other information required by the department of revenue. The tax credit certificate, unless rescinded by the authority, shall be accepted by the department of revenue as payment for taxes imposed pursuant to chapter...
1 422, divisions II, III, and V, and in chapter 432, and for the 
2 moneys and credits tax imposed in section 533.329, subject to 
3 any conditions or restrictions placed by the authority upon 
4 the face of the tax credit certificate and subject to the 
5 limitations of section 15E.43.
6 Sec. 95. Section 15E.52, subsection 2, paragraph a, Code 
7 2018, is amended to read as follows:
8 a. A tax credit shall be allowed against the taxes imposed 
9 in chapter 422, divisions II, III, and V, and in chapter 432, 
10 and against the moneys and credits tax imposed in section 
11 533.329, for a portion of a taxpayer’s equity investment in the 
12 form of cash in an innovation fund.
13 Sec. 96. Section 15E.52, subsection 13, Code 2018, is 
14 amended to read as follows:
15 13. The transferee may use the amount of the tax credit 
16 transferred against the taxes imposed in chapter 422, divisions 
17 II, III, and V, and in chapter 432, and against the moneys and 
18 credits tax imposed in section 533.329, for any tax year the 
19 original transferor could have claimed the tax credit. Any 
20 consideration received for the transfer of the tax credit shall 
21 not be included as income under chapter 422, divisions II, III, 
22 and V. Any consideration paid for the transfer of the tax 
23 credit shall not be deducted from income under chapter 422, 
24 divisions II, III, and V.
25 Sec. 97. Section 15E.62, subsection 8, Code 2018, is amended 
26 to read as follows:
27 8. “Tax credit” means a contingent tax credit issued 
28 pursuant to section 15E.66 that is available against tax 
29 liabilities imposed by chapter 422, divisions II, III, and 
30 V, and by chapter 432 and against the moneys and credits tax 
31 imposed by section 533.329.
32 Sec. 98. Section 15E.305, subsection 1, Code 2018, is 
33 amended to read as follows:
34 1. For tax years beginning on or after January 1, 2003, 
35 a tax credit shall be allowed against the taxes imposed in
1 chapter 422, divisions II, III, and V, and in chapter 432, and
2 against the moneys and credits tax imposed in section 533.329
3 equal to twenty-five percent of a taxpayer’s endowment gift to
4 an endow Iowa qualified community foundation. An individual
5 may claim a tax credit under this section of a partnership,
6 limited liability company, S corporation, estate, or trust
7 electing to have income taxed directly to the individual. The
8 amount claimed by the individual shall be based upon the pro
9 rata share of the individual’s earnings from the partnership,
10 limited liability company, S corporation, estate, or trust. A
11 tax credit shall be allowed only for an endowment gift made to
12 an endow Iowa qualified community foundation for a permanent
13 endowment fund established to benefit a charitable cause in
14 this state. The amount of the endowment gift for which the
15 tax credit is claimed shall not be deductible in determining
16 taxable income for state income tax purposes. Any tax credit
17 in excess of the taxpayer’s tax liability for the tax year may
18 be credited to the tax liability for the following five years
19 or until depleted, whichever occurs first. A tax credit shall
20 not be carried back to a tax year prior to the tax year in which
21 the taxpayer claims the tax credit.
22 Sec. 99. Section 331.427, subsection 1, unnumbered
23 paragraph 1, Code 2018, is amended to read as follows:
24 Except as otherwise provided by state law, county revenues
25 from taxes and other sources for general county services shall
26 be credited to the general fund of the county, including
27 revenues received under sections 9I.11, 101A.3, 101A.7, 123.36,
28 123.143, 142D.9, 176A.8, 321.105, 321.152, 321G.7, 321I.8,
29 section 331.554, subsection 6, sections 341A.20, 364.3, 368.21,
30 423A.7, 428A.8, 433.15, 434.19, 445.57, 453A.35, 458A.21,
31 483A.12, 533.329, 556B.1, 583.6, 602.8108, 904.908, and 906.17,
32 and the following:
33 Sec. 100. Section 422.60, subsection 2, paragraph a, Code
34 2018, is amended to read as follows:
35 a. In addition to all taxes imposed under this division,
there is imposed upon each financial institution doing business within the state and that is not exempt from the federal income tax, the greater of the tax determined in section 422.63 or the state alternative minimum tax equal to sixty percent of the maximum state franchise tax rate, rounded to the nearest one-tenth of one percent, of the state alternative minimum taxable income of the taxpayer computed under this subsection.

Sec. 101. Section 422.60, subsection 3, paragraph a, subparagraph (1), Code 2018, is amended to read as follows:

(1) There for a financial institution that is not exempt from the federal income tax, there is allowed as a credit against the tax determined in section 422.63 for a tax year an amount equal to the minimum tax credit for that tax year.

Sec. 102. Section 422.61, subsections 1, 3, and 4, Code 2018, are amended to read as follows:

1. “Financial institution” means a state bank as defined in section 524.103, subsection 41, a state bank chartered under the laws of any other state, a national banking association, a trust company, a federally chartered savings and loan association, an out-of-state state chartered savings bank, a credit union as defined in section 533.102 that is incorporated or organized under chapter 533 or under the laws of another state, a financial institution chartered by the federal home loan bank board, a non-Iowa chartered savings and loan association, or a production credit association, or an agricultural credit association that is a member of the farm credit system under the federal Farm Credit Act, 12 U.S.C. ch. 23, as amended.

3. a. “Net income” means one of the following:

(1) For a financial institution that is exempt from the federal income tax, the total revenue less total expenses as properly reported on the financial institution’s internal revenue service form 990 covering the same period, with the adjustments in paragraph “b” to the extent the taxes, income, and deductions described in such adjustments are applicable.
to the financial institution's calculation of revenues and expenses as determined by the director by rule.

(2) For any other financial institution, the net income of the financial institution computed in accordance with section 422.35, with the following adjustments in paragraph "b":

b. Applicable adjustments in computing "net income":

(1) Federal income taxes paid or accrued shall not be subtracted.

(2) Notwithstanding section 422.35, subsection 2, or any other provisions of law, income from obligations of the state and its political subdivisions and franchise taxes paid or accrued under this division during the taxable year shall be added. Income from sales of obligations of the state and its political subdivisions and interest and dividend income from these obligations are exempt from the taxes imposed by this division only if the law authorizing the obligations specifically exempts the income from the sale and interest and dividend income from the state franchise tax.

(3) Interest and dividends from federal securities shall not be subtracted.

(4) Interest and dividends derived from obligations of United States possessions, agencies, and instrumentalities, including bonds which were purchased after January 1, 1991, and issued by the governments of Puerto Rico, Guam, and the Virgin Islands shall be added, to the extent they were not included in computing federal taxable income.

(5) A deduction disallowed under section 265(b) or section 291(e)(1)(B) of the Internal Revenue Code shall be subtracted.

(6) A deduction shall not be allowed for that portion of the taxpayer's expenses computed under this paragraph which is allocable to an investment in an investment subsidiary. The portion of the taxpayer's expenses which is allocable to an investment in an investment subsidiary is an amount which bears the same ratio to the taxpayer's expenses as the taxpayer's
average adjusted basis, as computed pursuant to section 1016
of the Internal Revenue Code, of investment in that investment
subsidiary bears to the average adjusted basis for all assets
of the taxpayer. The portion of the taxpayer’s expenses that
is computed and disallowed under this paragraph shall be added.

(7) Where a financial institution as defined in section
581 of the Internal Revenue Code is not subject to income tax
and the shareholders of the financial institution are taxed on
the financial institution’s income under the provisions of the
Internal Revenue Code, such tax treatment shall be disregarded
and the financial institution shall compute its net income for
franchise tax purposes in the same manner under this subsection
as a financial institution that is subject to or liable for
federal income tax under the Internal Revenue Code in effect
for the applicable year.

4. “Taxable year” means the calendar year or the fiscal year
ending during a calendar year, for which the tax is payable.
“Fiscal year” includes a tax period of less than twelve months
if, under the Internal Revenue Code, a corporation is required
to file a tax return or internal revenue service form 990
covering a tax period of less than twelve months.

Sec. 103. Section 422.62, Code 2018, is amended to read as
follows:

422.62 Due and delinquent dates.
The franchise tax is due and payable on the first day
following the end of the taxable year of each financial
institution, and for a financial institution that is exempt
from the federal income tax, the franchise tax is delinquent
after the last day of the fifth month following the due date.
For all other financial institutions, the franchise tax is
delinquent after the last day of the fourth month following the
due date or forty-five days after the due date of the federal
tax return, excluding extensions of time to file, whichever is
the later. Every financial institution shall file a return as
prescribed by the director on or before the delinquency date.
Sec. 104. Section 422.63, Code 2018, is amended to read as follows:

422.63 Amount of tax.
1. The franchise tax is imposed annually in an amount equal to five percent of computed by applying the following rates of taxation to the net income received or accrued during the taxable year:
   a. On net income from zero to seven million five hundred thousand dollars, two percent.
   b. On net income exceeding seven million five hundred thousand dollars, four percent.
2. If the net income of the financial institution is derived from its business carried on entirely within the state, the tax in subsection 1 shall be imposed on the entire net income, but if the business is carried on partly within and partly without the state, the tax in subsection 1 shall be imposed on the portion of net income reasonably attributable to the business within the state, which net income shall be specifically allocated or equitably apportioned within and without the state under rules of the director.

Sec. 105. REPEAL. Section 533.329, Code 2018, is repealed.

Sec. 106. PRESERVATION OF EXISTING RIGHTS. This division of this Act is not intended and shall not limit, modify, or otherwise adversely affect any tax credit or tax credit certificate issued, awarded, or allowed before January 1, 2019, nor shall it limit, modify, or otherwise adversely affect a taxpayer's right to claim or redeem a tax credit issued, awarded, or allowed before January 1, 2019, including but not limited to any tax credit carryforward amount. Any amount of tax credit that would have been eligible to be claimed by a taxpayer on or after January 1, 2019, against the moneys and credits tax imposed in section 533.329, Code 2018, shall be allowed in the same manner and to the same extent as a credit against the franchise tax imposed in chapter 422, division V.

Sec. 107. EFFECTIVE DATE. This division of this Act takes
Sec. 108. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2019.

DIVISION V

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

Sec. 109. Section 12D.1, Code 2018, is amended to read as follows:

12D.1 Purpose and definitions.

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

2. As used in this chapter, unless the context otherwise requires:

a. "Account balance limit" means the maximum allowable aggregate balance of accounts established for the same beneficiary. Account earnings, if any, are included in the
account balance limit.
b. "Administrative fund" means the administrative fund
established under section 12D.4.
c. "Beneficiary" means the individual designated by a
participation agreement to benefit from advance payments of
higher education costs qualified education expenses on behalf
of the beneficiary.
d. "Benefits" means the payment of higher education costs
qualified education expenses on behalf of a beneficiary by the
trust during the beneficiary’s attendance at an institution of
higher education a qualified educational institution.
e. "Higher education costs" means the same as “qualified
higher education expenses” as defined in section 529(e)(3) of
the Internal Revenue Code.
f. "Institution of higher education" means an institution
described in section 481 of the federal Higher Education Act of
1965, 20 U.S.C. §1088, which is eligible to participate in the
United States department of education’s student aid programs.
g. "Internal Revenue Code" means the same as defined
in section 12I.1.
h. "Iowa educational savings plan trust" or “trust” means
the trust created under section 12D.2.
i. "Participant" means an individual, individual’s legal
representative, trust, estate, or an organization described
in section 501(c)(3) of the Internal Revenue Code and exempt
from taxation under section 501(a) of the Internal Revenue
Code, that has entered into a participation agreement under
this chapter for the advance payment of higher education costs
qualified education expenses on behalf of a beneficiary.
j. "Participation agreement" means an agreement between
a participant and the trust entered into under this chapter.
k. "Program fund" means the program fund established
under section 12D.4.
l. "Qualified education expenses" means the same as
“qualified higher education expenses” as defined in section
529(e)(3) of the Internal Revenue Code, as amended by Pub. L. No. 115-97, and shall include elementary and secondary school expenses for tuition described in section 529(c)(7) of the Internal Revenue Code, subject to the limitations imposed by section 529(e)(3)(A) of the Internal Revenue Code.

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

2. "Tuition and fees" means the quarter, or semester, or annual charges imposed to attend an institution of higher education a qualified educational institution and required as a condition of enrollment or attendance.

Sec. 110. Section 12D.2, subsections 2, 5, 9, and 14, Code 2018, are amended to read as follows:

2. Enter into agreements with any institution of higher education qualified educational institution, the state, or any federal or other state agency, or other entity as required to implement this chapter.

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

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

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

Sec. 111. Section 12D.3, subsections 1 and 2, Code 2018, are
amended to read as follows:

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

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

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

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

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

   c. Be allowed to continue attendance at the institution of higher education qualified educational institution following admission.

   d. Graduate from the institution of higher education qualified educational institution.

Sec. 112. Section 12D.3, Code 2018, is amended by adding the
following new subsection:

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

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

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

Sec. 113. Section 12D.4, Code 2018, is amended to read as follows:

12D.4 Program and administrative funds — investment and payments.

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

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

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

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

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

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

Sec. 114. Section 12D.6, subsection 1, paragraph a, Code 2018, is amended to read as follows:

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

Sec. 115. Section 12D.6, subsections 2, 3, and 5, Code 2018, are amended to read as follows:

2. In the event the program is terminated prior to payment of higher education costs qualified education expenses for the beneficiary, the participant is entitled to a refund of the participant’s account balance.

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

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

The transfer shall be made and the property distributed in accordance with rules adopted by the treasurer of state or with the terms of the participation agreement.
Sec. 116. Section 12D.7, Code 2018, is amended to read as follows:

12D.7 Effect of payments on determination of need and eligibility for student financial aid.
A student loan program, student grant program, or other program administered by any agency of the state, except as may be otherwise provided by federal law or the provisions of any specific grant applicable to that law, shall not take into account and shall not consider amounts available for the payment of higher education costs qualified education expenses pursuant to the Iowa educational savings plan trust in determining need and eligibility for student aid.

Sec. 117. Section 12D.9, subsection 1, paragraph a, Code 2018, is amended to read as follows:
a. Pursuant to section 12D.3, subsection 1, paragraph "a", a participant may make contributions to an account which is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account.

Sec. 118. Section 422.7, subsection 32, paragraph c, Code 2018, is amended by striking the paragraph and inserting in lieu thereof the following:
c. (1) Add, to the extent previously deducted as a contribution to the trust, the amount resulting from a withdrawal or transfer made by the taxpayer from the Iowa educational savings plan trust for purposes other than any of the following:
(a) The payment of qualified higher education expenses.
(b) The payment of tuition to an elementary or secondary school if the tuition amounts are qualified education expenses.
(c) A change in beneficiaries under, or transfer to another account within, the Iowa educational savings plan trust, or a transfer to the Iowa ABLE savings plan trust, provided such change or transfer is permitted under section 12D.6, subsection 5.
(2) For purposes of this paragraph:

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

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

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

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

Sec. 119. Section 422.7, subsection 34, Code 2018, is amended to read as follows:

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

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

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

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

Sec. 120. Section 627.6, Code 2018, is amended by adding the following new subsection:

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

Sec. 121. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 122. RETROACTIVE APPLICABILITY.

1. Except as provided in subsection 2, this division of this Act applies retroactively to January 1, 2018, for withdrawals.
1 from the Iowa educational savings plan trust made on or after
2 that date.
3  2. The sections of this division of this Act amending
4 section 422.7 apply retroactively to January 1, 2018, for tax
5 years beginning on or after that date, and for withdrawals from
6 the Iowa educational savings plan trust made on or after that
7 date.
8
9 DIVISION VI
SALES AND USE TAXES
10 Sec. 123. Section 15J.4, subsection 3, paragraph f, Code
11 2018, is amended to read as follows:
12  f. The total aggregate amount of state sales tax revenues
13 and state hotel and motel tax revenues that may be approved by
14 the board for remittance to all municipalities and that may
15 be transferred to the state reinvestment district fund under
16 section 423.2, subsection 11, 423.2 or section 423A.6, and
17 remitted to all municipalities having a reinvestment district
18 under this chapter shall not exceed one hundred million
19 dollars.
20 Sec. 124. Section 15J.5, subsection 1, paragraph a, Code
21 2018, is amended to read as follows:
22  a. The department shall calculate quarterly the amount of
23 new state sales tax revenues for each district established in
24 the state to be deposited in the state reinvestment district
25 fund created in section 15J.6, pursuant to section 423.2,
26 subsection 11, paragraph "b" 423.2A, subsection 2, subject to
27 remittance limitations established by the board pursuant to
28 section 15J.4, subsection 3.
29 Sec. 125. Section 15J.6, subsection 1, Code 2018, is amended
30 to read as follows:
31  1. A state reinvestment district fund is established in the
32 state treasury under the control of the department consisting
33 of the new state sales tax revenues collected within each
34 district and deposited in the fund pursuant to section 423.2,
35 subsection 11, paragraph "b" 423.2A, subsection 2, and the
new state hotel and motel tax revenues collected within each
district and deposited in the fund pursuant to section 423A.6.
Moneys deposited in the fund are appropriated to the department
for the purposes of this section. Moneys in the fund shall
only be used for the purposes of this section.

Sec. 126. Section 418.11, subsection 1, Code 2018, is
amended to read as follows:

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

Sec. 127. Section 418.12, subsection 1, Code 2018, is
amended to read as follows:

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

Sec. 128. Section 421.26, Code 2018, is amended to read as
follows:

421.26 Personal liability for tax due.
If a licensee or other person under section 452A.65, a
retailer or purchaser under chapter 423A, 423B, or 423E, or
sections 423.14, 423.14A, 423.29, 423.31, 423.32, or
423.33, or a retailer or purchaser under section 423.32, or
a user under section 423.34, or a permit holder or licensee
under section 453A.13, 453A.16, or 453A.44 fails to pay a tax
under those sections when due, an officer of a corporation
or association, notwithstanding section 489.304, a member or
manager of a limited liability company, or a partner of a
partnership, having control or supervision of or the authority
for remitting the tax payments and having a substantial legal
or equitable interest in the ownership of the corporation,
association, limited liability company, or partnership, who has
intentionally failed to pay the tax is personally liable for
the payment of the tax, interest, and penalty due and unpaid.
However, this section shall not apply to taxes on accounts
receivable. The dissolution of a corporation, association,
limited liability company, or partnership shall not discharge a
person’s liability for failure to remit the tax due.
Sec. 129. Section 423.1, subsection 5, Code 2018, is amended
to read as follows:

5. "Agricultural production" includes means the commercial
production of livestock, milk, honey, eggs, or plants,
including but not limited to flowering, ornamental, or
vegetable plants in commercial greenhouses or otherwise,
and commercial production from aquaculture, and commercial
production from silvicultural activities. "Agricultural
products" includes flowering, ornamental, or vegetable plants
and those products of aquaculture and silviculture.

Sec. 130. Section 423.1, Code 2018, is amended by adding the
following new subsection:

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

Sec. 131. Section 423.1, subsection 24, paragraph a, Code 2018, is amended to read as follows:

a. "Lease or rental" means any transfer of possession or control of, or access to, tangible personal property or specified digital products for a fixed or indeterminate term for consideration. A "lease or rental" may include future options to purchase or extend.

Sec. 132. Section 423.1, subsection 37, Code 2018, is amended to read as follows:

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

Sec. 133. Section 423.1, Code 2018, is amended by adding the following new subsection:

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

Sec. 134. Section 423.1, subsection 43, paragraph a, subparagraph (3), Code 2018, is amended to read as follows:

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

Sec. 135. Section 423.1, subsection 47, Code 2018, is amended to read as follows:

47. "Retailer" means and includes every person engaged in the business of selling tangible personal property,
specified digital products, or taxable services at retail, or
the furnishing of gas, electricity, water, or communication
service, and tickets or admissions to places of amusement
and athletic events or operating amusement devices or other
forms of commercial amusement from which revenues are derived.
However, when in the opinion of the director it is necessary
for the efficient administration of this chapter to regard
any salespersons, representatives, truckers, peddlers, or
canvassers as agents of the dealers, distributors, supervisors,
employers, or persons under whom they operate or from whom
they obtain tangible personal property, services, or specified
digital products sold by them irrespective of whether or not
they are making sales on their own behalf or on behalf of such
dealers, distributors, supervisors, employers, or persons,
the director may so regard them, and may regard such dealers,
distributors, supervisors, employers, or persons as retailers
for the purposes of this chapter. "Retailer" includes a seller
obligated to collect sales or use tax, including any person
obligated to collect sales and use tax pursuant to section
423.14A.

Sec. 136. Section 423.1, subsection 48, paragraph a, Code
2018, is amended to read as follows:

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

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

(2) A person obligated to collect sales and use tax pursuant
to section 423.14A.
Sec. 137. Section 423.1, subsection 48, paragraph b, subparagraph (1), unnumbered paragraph 1, Code 2018, is amended to read as follows:

A retailer shall be presumed to be maintaining a place of business in this state, as defined in for purposes of paragraph "a", subparagraph (1), if any person that has substantial nexus in this state, other than a person acting in its capacity as a common carrier, does any of the following:

Sec. 138. Section 423.1, subsection 48, paragraph b, subparagraph (1), subparagraph division (b), Code 2018, is amended to read as follows:

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

Sec. 139. Section 423.1, subsection 50, Code 2018, is amended to read as follows:

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

Sec. 140. Section 423.1, Code 2018, is amended by adding the following new subsection:

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

Sec. 141. Section 423.1, Code 2018, is amended by adding the following new subsection:


b. For purposes of this subsection:

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

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

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

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

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

Sec. 142. Section 423.1, Code 2018, is amended by adding the
following new subsection:

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

Sec. 143. Section 423.1, subsections 62, 63, and 64, Code
2018, are amended to read as follows:

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

63. “Use tax” means the tax levied under subchapter III of
this chapter for which the retailer collects and remits tax to
the department.

64. “User” means the immediate recipient of the personal
property or services who is entitled to exercise a right of or
power over or access to the personal property, or the product
or result of such services.

Sec. 144. Section 423.2, subsection 1, paragraph a,
subparagraph (1), Code 2018, is amended to read as follows:
(1) Sales of engraving, photography, retouching, printing,
and binding services.

Sec. 145. Section 423.2, subsection 6, Code 2018, is amended
to read as follows:

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

a. Alteration and garment repair;

b. Armored car;

c. Vehicle repair;

d. Battery, tire, and allied;

e. Investment counseling;

f. Service charges of all financial institutions;

For the purposes of this paragraph, “financial institutions”
means all national banks, federally chartered savings and loan
associations, federally chartered savings banks, federally
chartered credit unions, banks organized under chapter 524,
credit unions organized under chapter 533, and all banks,
savings banks, credit unions, and savings and loan associations
chartered or otherwise created under the laws of any state and
doing business in Iowa.

gh. Barber and beauty;

h. Boat repair;
i. Vehicle wash and wax; campgrounds; carpentry; roof;

j. Campgrounds.
k. Carpentry.

l. Roof, shingle, and glass repair; dance;
m. Dance schools and dance studios; dating;
n. Dating services; dry;
o. Dry cleaning, pressing, dyeing, and laundering excluding the use of self-pay washers and dryers; electrical;
p. Electrical and electronic repair and installation;
q. Excavating and grading; farm;
r. Farm implement repair of all kinds; flying;
s. Flying service; furniture;
t. Furniture, rug, carpet, and upholstery repair and cleaning; fur;
u. Fur storage and repair; golf;
v. Golf and country clubs and all commercial recreation;
gun;
w. Gun and camera repair; house;
x. House and building moving; household;
y. Household appliance, television, and radio repair;

z. Janitorial and building maintenance or cleaning; jewelry;

aa. Jewelry and watch repair; lawn;

ab. Lawn care, landscaping, and tree trimming and removal;

ac. Personal transportation service, including but not limited to taxis, driver service, ride sharing service, rides for hire, and limousine service, including driver; machine;

ad. Machine operator; machine;

ae. Machine repair of all kinds; motor;

af. Motor repair; motorcycle;

ag. Motorcycle, scooter, and bicycle repair; oilers;

ah. Oilers and lubricators; office;

ai. Office and business machine repair; painting;

aj. Painting, papering, and interior decorating; parking.
ak. Parking facilities; pay.
al. Pay television; pet, including but not limited to streaming video, video on-demand, and pay-per-view.
am. Pet grooming; pipe.
an. Pipe fitting and plumbing; weed.
o. Wood preparation; executive.
ap. Executive search agencies; private.
ag. Private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; reflexology; security.
ar. Reflexology.
as. Security and detective services, excluding private security and detective services furnished by a peace officer with the knowledge and consent of the chief executive officer of the peace officer’s law enforcement agency; sewage.
at. Sewage services for nonresidential commercial operations; sewing.
au. Sewing and stitching; shoe.
av. Shoe repair and shoeshine; sign.
aw. Sign construction and installation; storage.
ax. Storage of household goods, mini-storage, and warehousing of raw agricultural products; swimming.
avy. Swimming pool cleaning and maintenance; tanning.
az. Tanning beds or salons; taxidermy.
ba. Taxidermy services; telephone.
bbe. Telephone answering service; test.
bc. Test laboratories, including mobile testing laboratories and field testing by testing laboratories, and excluding tests on humans or animals and excluding environmental testing services; termite.
bd. Termite, bug, roach, and pest eradicators; tin.
be. Tin and sheet metal repair; transportation.
bf. Transportation service consisting of the rental of recreational vehicles or recreational boats, or the rental of
vehicles subject to registration which are registered for a
gross weight of thirteen tons or less for a period of sixty
days or less, or the rental of aircraft for a period of sixty
days or less.  
bg. Turkish baths, massage, and reducing salons, excluding
services provided by massage therapists licensed under chapter
152C.  
bh. Water conditioning and softening, weighing, welding,
well.
bi. Weighing.
bj. Welding.
bk. Well drilling, wrapping.
bl. Wrapping, packing, and packaging of merchandise other
than processed meat, fish, fowl, and vegetables; wrecking.
bm. Wrecking service, wrecker.
bn. Wrecker and towing.
b. For the purposes of this subsection, "financial
institutions" means all national banks, federally chartered
savings and loan associations, federally chartered savings
banks, federally chartered credit unions, banks organized under
chapter 524, credit unions organized under chapter 533, and
all banks, savings banks, credit unions, and savings and loan
associations chartered or otherwise created under the laws of
any state and doing business in Iowa.
bo. Photography.
bp. Retouching.
bg. Storage of tangible or electronic files, documents, or
other records.
br. Information services.
bs. Services arising from or related to installing,
maintaining, servicing, repairing, operating, upgrading, or
enhancing specified digital products.
bt. Video game services and tournaments.
bu. Software as a service.
Sec. 146. Section 423.2, subsection 8, Code 2018, is amended
by adding the following new paragraph:

NEW PARAGRAPH.  

A transaction that otherwise meets the definition of "bundled transaction" as defined in this subsection is not a bundled transaction if it is any of the following:

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

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

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

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

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

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

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

Sec. 147. Section 423.2, Code 2018, is amended by adding the following new subsection:

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

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

Sec. 148. Section 423.2, subsections 10, 11, and 12, Code 2018, are amended by striking the subsections.

Sec. 149. NEW SECTION. 423.2A Deposit and transfer of revenues.

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

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

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

a. Transfer the revenues collected under chapter 423B.

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

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

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

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

f. Subject to the limitation on the calculation and
1 deposit of sales tax increment revenues in section 418.12, 
2 beginning the first day of the quarter following adoption 
3 of the resolution pursuant to section 418.4, subsection 3, 
4 paragraph "d", transfer to the account created in the sales tax 
5 increment fund for each governmental entity approved to use 
6 sales tax increment revenues under chapter 418, that portion 
7 of the increase in sales tax revenue, determined in section 
8 418.11, subsection 2, paragraph "d", in the applicable area of 
9 the governmental entity, that remains after the other transfers 
10 required under this subsection 2. 
11 g. Beginning the first day of the quarter following July 
12 1, 2014, transfer to the raceway facility tax rebate fund 
13 created in section 423.4, subsection 11, paragraph "e", that 
14 portion of the sales tax receipts collected and remitted upon 
15 sales of tangible personal property or services furnished by 
16 retailers at a raceway facility meeting the qualifications of 
17 section 423.4, subsection 11, that remains after the transfers 
18 required in paragraphs "a" through "f" of this subsection 
19 2. This subparagraph is repealed June 30, 2025, or thirty 
20 days following the date on which an amount of total rebates 
21 specified in section 423.4, subsection 11, paragraph "c", 
22 subparagraph (4), subparagraph division (a) or (b), whichever 
23 is applicable, has been provided or thirty days following the 
24 date on which rebates cease as provided in section 423.4, 
25 subsection 11, paragraph "c", subparagraph (5), whichever is 
26 earliest. 
27 3. Of the amount of sales tax revenue actually transferred 
28 per quarter pursuant to subsection 2, paragraphs "e" and "f", 
29 the department shall retain an amount equal to the actual cost 
30 of administering the transfers under subsection 2, paragraphs 
31 "e" and "f", or twenty-five thousand dollars, whichever is 
32 less. The amount retained by the department pursuant to this 
33 subsection shall be divided pro rata each quarter between 
34 the amounts that would have been transferred pursuant to 
35 subsection 2, paragraphs "e" and "f", without the deduction
made by operation of this subsection. Revenues retained by the department pursuant to this subsection shall be considered repayment receipts as defined in section 8.2.

Sec. 150. Section 423.3, subsections 1, 2, and 17, Code 2018, are amended to read as follows:

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

2. The sales price of sales for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with the furnishing of taxable services, except for sales, the following:

   a. Sales, other than leases or rentals, which are sales to nonqualified dealers of machinery, equipment, attachments, and replacement parts specifically enumerated in subsection 37 and used in the manner described in subsection 37 or the. For purposes of this paragraph, “nonqualified dealer” means any dealer who is not a party to a dealership agreement, as those terms are defined in section 322F.1.

   b. The purchase of tangible personal property, the leasing or rental of which is exempted from tax by subsection 49.

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

Sec. 151. Section 423.3, subsection 3, Code 2018, is amended
1 by striking the subsection and inserting in lieu thereof the
2 following:
3 3. a. The sales price of tangible personal property used
4 primarily in agricultural production by a commercial farmer
5 if the cost of the tangible personal property is properly
6 claimed as a business deduction for purposes of chapter 422 and
7 the tangible personal property is used on land eligible for
8 the agricultural land credit created in chapter 426. If the
9 other requirements of this subsection are satisfied, "tangible
10 personal property" includes but is not limited to the following:
11 (1) Farm machinery and equipment, including supplies,
12 replacement parts, and auxiliary attachments which improve the
13 performance, safety, operation, or efficiency of the machinery
14 and equipment.
15 (2) Agricultural breeding livestock, domesticated fowl,
16 preserve whitetail as defined in section 484C.1, and draft
17 horses.
18 b. Vehicles subject to registration, as defined in section
19 423.1, and replacement parts for such vehicles, are not exempt
20 under paragraph "a" of this subsection.
21 Sec. 152. Section 423.3, subsections 3A, 4, 5, 6, 7, 8,
22 9, 10, 11, 12, 13, 14, 15, and 16, Code 2018, are amended by
23 striking the subsections.
24 Sec. 153. Section 423.3, subsection 18, unnumbered
25 paragraph 1, Code 2018, is amended to read as follows:
26 The sales price of tangible personal property or specified
27 digital products sold, or of services furnished, to the
28 following nonprofit corporations:
29 Sec. 154. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
28, and 31, Code 2018, are amended to read as follows:
31 20. The sales price of tangible personal property or
32 specified digital products sold, or of services furnished, to
33 nonprofit legal aid organizations.
34 21. The sales price of goods, wares, or merchandise,
35 tangible personal property, of specified digital products,
or of services, used for educational, scientific, historic preservation, or aesthetic purpose sold to a nonprofit private museum.

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

23. The sales price of tangible personal property or specified digital products sold, or of services furnished, by a fair organized under chapter 174.

26. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a statewide nonprofit organ procurement organization, as defined in section 142C.2.

27. The sales price of tangible personal property or specified digital products sold, or of services furnished, to a nonprofit hospital licensed pursuant to chapter 135B to be used in the operation of the hospital.

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

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

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

2. **b.** The sales price of furnishing of sewage services to a county or municipality on behalf of nonresidential commercial operations.

3. **c.** The furnishing of solid waste collection and disposal service to a county or municipality on behalf of nonresidential commercial operations located within the county or municipality.

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

Sec. 155. Section 423.3, subsection 32, unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 156. Section 423.3, subsection 36, unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 157. Section 423.3, subsection 39, paragraph a, subparagraphs (1) and (2), Code 2018, are amended to read as follows:
(1) Sales of tangible personal property or specified digital products, or the furnishing of services, of a nonrecurring nature, by the owner, if the seller, at the time of the sale, is not engaged for profit in the business of selling tangible personal property, specified digital products, or services taxed under section 423.2.

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

Sec. 158. Section 423.3, subsection 47, paragraph d, subparagraph (4), Code 2018, is amended by striking the subparagraph and inserting in lieu thereof the following:

(4) (a) “Manufacturer” means a business that primarily purchases, receives, or holds personal property of any description for the purpose of adding to its value by a process of manufacturing with a view to selling the property for gain or profit.

(b) “Manufacturer” includes contract manufacturers. A contract manufacturer is a manufacturer that otherwise falls within the definition of manufacturer, except that a contract manufacturer does not sell the tangible personal property the contract manufacturer processes on behalf of other manufacturers.

(c) For purposes of this subparagraph, “business” means those businesses conducted for profit, but excludes professions and occupations and nonprofit organizations.

(d) For purposes of this subparagraph, “manufacturing” means those activities commonly understood within the ordinary meaning of the term, and shall include:

(i) Refining.

(ii) Purifying.
Combining of different materials.

Packing of meats.

Activities subsequent to the extractive process of quarrying or mining, such as crushing, washing, sizing, or blending of aggregate materials.

"Manufacturer" does not include persons who are not commonly understood as manufacturers, including but not limited to persons engaged in any of the following activities:

(i) Construction contracting.
(ii) Repairing tangible personal property or real property.
(iii) Providing health care.
(iv) Farming, including cultivating agricultural products and raising livestock.
(v) Transporting for hire.
(vi) Making retail sales to consumers.

Sec. 159. Section 423.3, subsection 63, Code 2018, is amended to read as follows:

The sales price from the sale of tangible personal property, specified digital products, or services which will be given as prizes to players in games of skill, games of chance, raffles, and bingo games as defined in chapter 99B.

Sec. 160. Section 423.3, subsections 65, 66, and 67, Code 2018, are amended by striking the subsections.

Sec. 161. Section 423.3, subsection 78, paragraph a, unnumbered paragraph 1, Code 2018, is amended to read as follows:

The sales price from sales or rental the sale of tangible personal property, specified digital products, or services rendered by any entity where the profits from the sales or rental sale of the tangible personal property, specified digital products, or services rendered, are used by or donated to a nonprofit entity that is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code, a government entity, or a nonprofit private educational institution, and where the entire proceeds from the sales,
rental, sale or services are expended for any of the following purposes:
Sec. 162. Section 423.3, subsection 79, Code 2018, is amended to read as follows:
79. The sales price from the sale or rental of tangible personal property or specified digital products, or from services furnished, to a recognized community action agency as provided in section 216A.93 to be used for the purposes of the agency.
Sec. 163. Section 423.3, Code 2018, is amended by adding the following new subsections:
NEW SUBSECTION. 103. a. The sales price of specified digital products sold, and of enumerated services described in section 423.2, subsection 6, paragraphs “bg”, “br”, “bs”, and “bu” furnished, to a commercial enterprise for use exclusively by the commercial enterprise. The use of a specified digital product or service fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis.
b. For purposes of this subsection:
(1) “Commercial enterprise” means the same as defined in section 423.3, subsection 47, paragraph “d”, subparagraph (1).
(2) “De minimis” and “noncommercial purposes” shall be defined by the director by rule.
NEW SUBSECTION. 104. The sales price of specified digital products sold to a non-end user. For purposes of this subsection, “non-end user” means a person who receives by contract a specified digital product for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution, or exhibition of the product, in whole or in part, to another person.
NEW SUBSECTION. 105. The sales price from the sale of a grain bin or materials used to construct a grain bin. For purposes of this subsection, “grain bin” means property that is
vented and covered with corrugated metal or similar material, and that is primarily used to hold loose grain for drying or storage.

Sec. 164. Section 423.4, subsection 3, unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 165. Section 423.4, subsection 3, paragraph a, subparagraph (1), Code 2018, is amended to read as follows:

(1) On forms furnished by the department, and filed within the time as the director shall provide by rule, the relief agency shall report to the department the total amount or amounts, valued in money, expended directly or indirectly for goods, wares, merchandise, tangible personal property or specified digital products, or services furnished, used for free distribution to the poor and needy.

Sec. 166. Section 423.4, subsection 10, paragraph e, Code 2018, is amended to read as follows:

e. There is established within the state treasury under the control of the department a baseball and softball complex sales tax rebate fund consisting of the amount of state sales tax revenues transferred pursuant to section 423.2, subsection 11, paragraph “b”, subparagraph (4) 423.2A, subsection 2, paragraph “d”. An account is created within the fund for each baseball and softball complex receiving an award under section 15F.207 and meeting the qualifications of this subsection. Moneys in the fund shall only be used to provide rebates of state sales tax pursuant to this subsection, and only the state sales tax revenues in the baseball and softball complex rebate fund are subject to rebate under this subsection. The amount of rebates paid from each baseball and softball complex’s account within the fund shall not exceed the amount of the award under...
1 section 15F.207, and not more than five million dollars in
2 total rebates shall be paid from the fund. Any moneys in the
3 fund which represent state sales tax revenue for which the time
4 period in paragraph “c” for receiving a rebate has expired,
5 or which otherwise represent state sales tax revenue that has
6 become ineligible for rebate pursuant to this subsection, shall
7 immediately revert to the general fund of this state.
8 Sec. 167. Section 423.4, subsection 11, paragraph b,
9 subparagraph (1), Code 2018, is amended to read as follows:
10 (1) Sales tax imposed and collected by retailers upon
11 sales of tangible personal property or services furnished to
12 purchasers at the raceway facility. Notwithstanding the state
13 sales tax imposed in section 423.2, a sales tax rebate issued
14 pursuant to this subparagraph shall not exceed the amounts
15 transferred to the raceway facility tax rebate fund pursuant to
16 section 423.2, subsection 11, paragraph “b”, subparagraph (7)
17 423.2A, subsection 2, paragraph “g”.
18 Sec. 168. Section 423.4, subsection 11, paragraph b,
19 subparagraph (2), subparagraph division (c), Code 2018, is
20 amended to read as follows:
21 (c) Notwithstanding the state sales tax imposed in section
22 423.2, a sales tax rebate issued pursuant to this subparagraph
23 shall not exceed the amounts remaining after the transfers
24 required under section 423.2, subsection 11, paragraph “b”,
25 subparagraphs (1) through (6) 423.2A, subsection 2, paragraphs
26 “a” through “f”, have been made from the total amount of sales
27 tax for which the rebate is requested.
28 Sec. 169. Section 423.4, subsection 11, paragraph e, Code
29 2018, is amended to read as follows:
30 e. There is established within the state treasury under
31 the control of the department a raceway facility tax rebate
32 fund consisting of the amount of state sales tax revenues
33 transferred pursuant to section 423.2, subsection 11, paragraph
34 “b”, subparagraph (7) 423.2A, subsection 2, paragraph “g”. An
35 account is created within the fund for each raceway facility
1 meeting the qualifications of this subsection. Moneys in the
2 fund shall only be used to provide rebates of state sales tax
3 pursuant to paragraph "b", subparagraph (1). The total amount
4 of rebates paid from the fund shall not exceed the amount
5 specified in paragraph "c", subparagraph (4), subparagraph
6 division (a) or (b), whichever is applicable. Any moneys in
7 the fund which represent state sales tax revenue for which the
8 time period in paragraph "c" for receiving a rebate has expired,
9 or which otherwise represent state sales tax revenue that has
10 become ineligible for rebate pursuant to this subsection shall
11 immediately revert to the general fund of the state.
12 Sec. 170. Section 423.5, subsection 1, paragraph a, Code
13 2018, is amended to read as follows:
14 a. The use in this state of tangible personal property
15 as defined in section 423.1, including aircraft subject to
16 registration under section 328.20, purchased for use in this
17 state. For the purposes of this subchapter, the furnishing
18 or use of the following services is also treated as the use
19 of tangible personal property: optional service or warranty
20 contracts, except residential service contracts regulated under
21 chapter 523C, vulcanizing, recapping, or retreading services,
22 engraving, photography, retouching, printing, or binding
23 services, and communication service when furnished or delivered
24 to consumers or users within this state.
25 Sec. 171. Section 423.5, subsection 1, paragraph d, Code
26 2018, is amended to read as follows:
27 d. Purchases of tangible personal property or specified
28 digital products made from the government of the United States
29 or any of its agencies by ultimate consumers shall be subject
30 to the tax imposed by this section. Services purchased from
31 the same source or sources shall be subject to the service
32 tax imposed by this subchapter and apply to the user of the
33 services.
34 Sec. 172. Section 423.5, subsection 1, Code 2018, is amended
35 by adding the following new paragraph:
NEW PARAGRAPH.  f. (1) The use in this state of specified digital products. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the use is conditioned or not conditioned upon continued payment from the purchaser, and whether the use is on a subscription basis or is not on a subscription basis.

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

Sec. 173. Section 423.5, subsection 3, Code 2018, is amended to read as follows:

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

Sec. 174. Section 423.5, subsection 4, Code 2018, is amended by striking the subsection.

Sec. 175. Section 423.6, unnumbered paragraph 1, Code 2018, is amended to read as follows:

The use in this state of the following tangible personal property, specified digital products, and services is exempted from the tax imposed by this subchapter:

Sec. 176. Section 423.6, subsections 1, 2, 4, and 6, Code 2018, are amended to read as follows:

1. Tangible personal property, specified digital products, and enumerated services, the sales price from the sale of which are required to be included in the measure of the sales tax, if that tax has been paid to the department or the retailer. This exemption does not include vehicles subject to registration or subject only to the issuance of a certificate of title.
2. The sale of tangible personal property, specified digital products, or the furnishing of services in the regular course of business.

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

6. Tangible personal property, specified digital products, or services the sales price of which is exempt from the sales tax under section 423.3, except section 423.3, subsections 39 and 73, as it relates to the sale, but not the lease or rental, of vehicles subject only to the issuance of a certificate of title and as it relates to aircraft subject to registration under section 328.20.

Sec. 177. Section 423.14, subsection 2, paragraphs b and c, Code 2018, are amended to read as follows:

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

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

Sec. 178. NEW SECTION. 423.14A Persons required to collect sales and use tax — supplemental conditions, requirements, and responsibilities.

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

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

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

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

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

(2) A retailer that uses in-state software to make Iowa sales. For purposes of this subparagraph, "in-state software" means computer software that is stored on property located in this state or that is distributed within this state for the purpose of facilitating a sale by the retailer.
(3) A retailer that provides, or enters into an agreement with another person to provide, a content distribution network in this state to facilitate, accelerate, or enhance the delivery of the retailer’s internet site to purchasers. For purposes of this subparagraph, “content distribution network” means a system of distributed servers that deliver internet sites and other internet content to a user based on the geographic location of the user, the origin of the internet site or internet content, and a content delivery server.

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

d. (1) A retailer that makes Iowa sales through a marketplace provider. This subparagraph shall not apply to a retailer that has gross revenue from Iowa sales of less than ten thousand dollars for the immediately preceding calendar year or the current calendar year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) (a) A retailer is deemed to have a solicitor in this state if the retailer enters into an agreement with a resident under which the resident, for a commission, fee, or other similar consideration, directly or indirectly refers potential customers, whether by link on an internet site, or otherwise, to the retailer. This determination may be rebutted by a showing of proof that the resident with whom the retailer has an agreement did not engage in any solicitation in this state on behalf of the retailer that would satisfy the nexus requirement of the United States Constitution during the calendar year in question.

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

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

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

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

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

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

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

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

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

Sec. 179. Section 423.15, unnumbered paragraph 1, Code 2018, is amended to read as follows:

All sales of products tangible personal property, services, or specified digital products, except those sales enumerated
in section 423.16, shall be sourced according to this section by sellers obligated to collect Iowa sales and use tax. The sourcing rules described in this section apply to sales of tangible personal property, specified digital goods products, and all services other than telecommunications services. This section only applies to determine a seller’s obligation to pay or collect and remit a Iowa sales or use tax with respect to the seller’s sale of a product. This section does not affect the obligation of a purchaser or lessee to remit tax on the use of the product to the taxing jurisdictions in which the use occurs. A seller’s obligation to collect Iowa sales tax or Iowa use tax only occurs if the sale is sourced to this state. Whether Iowa sales tax applies to a sale sourced to Iowa shall be determined based on the location at which the sale is consummated by delivery or, in the case of a service, where the first use of the service occurs made by a seller subject to section 423.1, subsection 48, or section 423.14A.

Sec. 180. Section 423.15, subsection 1, paragraph e, Code 2018, is amended to read as follows:

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

Sec. 181. Section 423.22, Code 2018, is amended to read as follows:

423.22 Taxation in another state.
If any person who causes tangible personal property or specified digital products to be brought into this state or who uses in this state services enumerated in section 423.2
has already paid a tax in another state in respect to the sale
or use of the property or the performance of the service, or
an occupation tax in respect to the property or service, in
an amount less than the tax imposed by subchapter II or III,
the provisions of those subchapters shall apply, but at a rate
measured by the difference only between the rate fixed by
subchapter II or III and the rate by which the previous tax on
the sale or use, or the occupation tax, was computed. If the
tax imposed and paid in the other state is equal to or more than
the tax imposed by those subchapters, then a tax is not due in
this state on the personal property or service.

Sec. 182. Section 423.29, subsection 1, Code 2018, is
amended to read as follows:
1. Every seller who is a retailer and who is making taxable
sales of tangible personal property or specified digital
products in Iowa shall, at the time of selling the property
making the sale, collect the sales tax. Every seller who
is a retailer maintaining a place of business in this state
that is not otherwise required to collect sales tax under the
provisions of this chapter and who is selling tangible personal
property or specified digital products for use in Iowa shall,
at the time of making the sale, whether within or without the
state, collect the use tax. Sellers required to collect sales
or use tax shall give to any purchaser a receipt for the tax
collected in the manner and form prescribed by the director.

Sec. 183. Section 423.30, subsection 1, Code 2018, is
amended to read as follows:
1. The director may, upon application, authorize the
collection of the use tax by any seller who is a retailer not
maintaining a place of business within this state and not
registered under the agreement, who, to the satisfaction of
the director, furnishes adequate security to ensure collection
and payment of the tax. Such sellers shall be issued, without
charge, permits to collect tax subject to any regulations
which the director shall prescribe. When so authorized, it
shall be the duty of foreign sellers to collect the tax upon all tangible personal property and specified digital products sold, to the retailer's knowledge, for use within this state, in the same manner and subject to the same requirements as a retailer maintaining a place of business within this state. The authority and permit may be canceled when, at any time, the director considers the security inadequate, or that tax can more effectively be collected from the person using property in this state.

Sec. 184. Section 423.31, subsection 1, Code 2018, is amended to read as follows:

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

Sec. 185. Section 423.31, subsection 5, paragraph a, Code 2018, is amended to read as follows:

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

Sec. 186. Section 423.32, subsection 1, paragraph b, Code 2018, is amended to read as follows:

b. The deposit form is due on or before the twentieth day of the month following the month of collection, except a deposit is not required for the third month of the calendar quarter, and the total quarterly amount, less the amounts deposited for the first two months of the quarter, is due with the quarterly report on the last day of the month following the month of collection. At that time, the retailer shall file with the department a return for the preceding quarterly period in the form prescribed by the director showing the purchase price of the tangible personal property, specified digital products, and services sold by the retailer during the preceding quarterly period, the use of which is subject to the use tax imposed by this chapter, and other information the director deems necessary for the proper administration of the use tax.

Sec. 187. Section 423.33, subsection 3, Code 2018, is amended to read as follows:

3. Event sponsor's liability for sales tax. A person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event shall obtain from every retailer selling tangible personal property, specified digital products, or taxable services at the event proof that the retailer possesses a valid sales tax permit or secure from the retailer a statement, taken in good faith, that tangible personal property, specified digital products, or services offered for sale are not subject to sales tax. Failure to do so renders a sponsor of the event liable for payment of any sales tax, interest, and penalty due and owing from any retailer selling.
1 property or services at the event. Sections 423.31, 423.32,
2 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
sponsors. For purposes of this subsection, a "person sponsoring
4 a flea market or a craft, antique, coin, or stamp show or similar
5 event" does not include an organization which sponsors an
6 event determined to qualify as an event involving casual sales
7 pursuant to section 423.3, subsection 39, or the state fair or
8 a fair as defined in section 174.1.
9 Sec. 188. Section 423.33, Code 2018, is amended by adding
10 the following new subsection:
11 NEW SUBSECTION. 4. Liability of affiliates.
12 a. Notwithstanding any other provision of law to the
13 contrary, if any retailer required to collect and remit sales
14 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
15 or any other provision of this chapter, fails to do so, all
16 affiliates that directly, indirectly, or constructively control
17 the retailer shall be jointly and severally liable for any tax,
18 penalty, and interest under this chapter, regardless of whether
19 the affiliate is a retailer.
20 b. Pursuant to paragraph "a", the department may elect
21 to assess the full amount of any tax, penalty, and interest
22 against the retailer, an affiliate of the retailer described
23 in paragraph "a", or any combination of the retailer and the
24 retailer's affiliates described in paragraph "a".
25 c. Notwithstanding any other provision of law to the
26 contrary, the department has the discretion to deem an
27 affiliate of a retailer an agent or alter ego of that retailer.
28 d. Notwithstanding any other provision of law to the
29 contrary, the department has the discretion to disregard or
30 look through any organizational structure of an enterprise in
31 order to assess and collect any tax, penalty, and interest
32 against an affiliate that is acting to benefit an affiliate or
33 an enterprise of which the affiliate is a part.
34 Sec. 189. Section 423.34, Code 2018, is amended to read as
35 follows:
423.34 Liability of user.

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

Sec. 190. Section 423.36, subsection 1, Code 2018, is amended to read as follows:

1. A person shall not engage in or transact business as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services within this state or as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services for use within this state, unless a permit has been issued to the retailer under this section, except as provided in subsection 7. Every person desiring to engage in or transact business as a retailer shall file with the department an application for a permit to collect sales or use tax. Every application for a sales or use tax permit shall be made upon a form prescribed by the director and shall set forth any information the director may require. The application shall be signed by an owner of the business if a natural person; in the case of a retailer which is an association or partnership, by a member or partner; and in the case of a retailer which is a corporation, by an executive officer or some person specifically authorized by the corporation to sign the application, to which shall be attached the written evidence of
the person’s authority.

Sec. 191. Section 423.36, subsection 2, paragraph a, Code 2018, is amended to read as follows:

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

Sec. 192. Section 423.36, subsection 7, paragraph b, Code 2018, is amended to read as follows:

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

Sec. 193. Section 423.36, subsection 9, paragraph a, Code 2018, is amended to read as follows:

a. Except as provided in paragraph “b”, purchasers, users, and consumers of tangible personal property, specified digital products, or enumerated services taxed pursuant to subchapter II or III of this chapter or chapter 423B may be authorized, pursuant to rules adopted by the director, to remit tax owed directly to the department instead of the tax being collected and paid by the seller. To qualify for a direct pay tax permit, the purchaser, user, or consumer must accrue a tax liability of more than four thousand dollars in tax under subchapters II and III in a semimonthly period and make deposits and file
returns pursuant to section 423.31. This authority shall not be granted or exercised except upon application to the director and then only after issuance by the director of a direct pay tax permit.

Sec. 194. Section 423.40, subsection 2, Code 2018, is amended to read as follows:

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

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

Sec. 195. Section 423.41, Code 2018, is amended to read as follows:

423.41 Books — examination.

Every retailer required or authorized to collect taxes imposed by this chapter and every person using in this state tangible personal property, specified digital products, services, or the product of services shall keep records, receipts, invoices, and other pertinent papers as the director shall require, in the form that the director shall require, for as long as the director has the authority to examine and determine tax due. The director or any duly authorized agent
of the department may examine the books, papers, records, and equipment of any person either selling tangible personal property, specified digital products, or services or liable for the tax imposed by this chapter, and investigate the character of the business of any person in order to verify the accuracy of any return made, or if a return was not made by the person, ascertain and determine the amount due under this chapter. These books, papers, and records shall be made available within this state for examination upon reasonable notice when the director deems it advisable and so orders. If the taxpayer maintains any records in an electronic format, the taxpayer shall comply with reasonable requests by the director or the director's authorized agents to provide those electronic records in a standard record format. The preceding requirements shall likewise apply to users and persons furnishing services enumerated in section 423.2. 

Sec. 196. Section 423.45, subsection 4, paragraphs a, b, and e, Code 2018, are amended to read as follows:

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

b. The sales tax liability for all sales of tangible personal property and specified digital products and all sales of services is upon the seller and the purchaser unless the seller takes from the purchaser a valid exemption certificate stating under penalty of perjury that the purchase is for a nontaxable purpose and is not a retail sale as defined in section 423.1, or the seller is not obligated to collect tax
due, or unless the seller takes a fuel exemption certificate pursuant to subsection 5. If the tangible personal property, specified digital products, or services are purchased tax free pursuant to a valid exemption certificate and the tangible personal property, specified digital products, or services are used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes and shall remit the taxes directly to the department and sections 423.31, 423.32, 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply to the purchaser.

If the circumstances change and as a result the tangible personal property, specified digital products, or services are used or disposed of by the purchaser in a nonexempt manner or the purchaser becomes obligated to pay the tax, the purchaser is liable solely for the taxes and shall remit the taxes directly to the department in accordance with this subsection.

Sec. 197. Section 423.57, Code 2018, is amended to read as follows:

423.57 Statutes applicable.

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

Sec. 198. Section 423.58, Code 2018, is amended to read as follows:

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

Notwithstanding sections 423.14, 423.14A, 423.29, 423.31, 423.32, and 423.36, a person meeting the requirements of section 29C.24 is not required to obtain a sales or use tax...
1 permit, collect and remit sales and use tax, or make and file
2 applicable sales or use tax returns, as provided in section
3 29C.24, subsection 3, paragraph "a", subparagraph (2).
4 Sec. 199. Section 423B.5, subsection 1, Code 2018, is
5 amended to read as follows:
6 1. A local sales and services tax at the rate of not more
7 than one percent may be imposed by a county on the sales price
8 taxed by the state under chapter 423, subchapter II. A local
9 sales and services tax shall be imposed on the same basis as
10 the state sales and services tax or in the case of the use of
11 natural gas, natural gas service, electricity, or electric
12 service on the same basis as the state use tax and shall not
13 be imposed on the sale of any property or on any service not
14 taxed by the state, except the tax shall not be imposed on
15 the sales price from the sale of motor fuel or special fuel
16 as defined in chapter 452A which is consumed for highway use
17 or in watercraft or aircraft if the fuel tax is paid on the
18 transaction and a refund has not or will not be allowed,
19 on the sales price from the sale of equipment by the state
20 department of transportation, or on the sales price from the
21 sale or use of natural gas, natural gas service, electricity,
22 or electric service in a city or county where the sales price
23 from the sale of natural gas or electric energy is subject to
24 a franchise fee or user fee during the period the franchise
25 or user fee is imposed. A local sales and services tax is
26 applicable to transactions within those incorporated and
27 unincorporated areas of the county where it is imposed and,
28 which transactions include but are not limited to sales sourced
29 pursuant to sections 423.15, 423.17, 423.19, or 423.20, to a
30 location within that incorporated or unincorporated area of the
31 county. The tax shall be collected by all persons required
32 to collect state sales taxes. All cities contiguous to each
33 other shall be treated as part of one incorporated area and the
34 tax would be imposed in each of those contiguous cities only
35 if the majority of those voting in the total area covered by
the contiguous cities favors its imposition. In the case of a local sales and services tax submitted to the registered voters of two or more contiguous counties as provided in section 423B.1, subsection 4, paragraph "c", all cities contiguous to each other shall be treated as part of one incorporated area, even if the corporate boundaries of one or more of the cities include areas of more than one county, and the tax shall be imposed in each of those contiguous cities only if a majority of those voting on the tax in the total area covered by the contiguous cities favored its imposition.

Sec. 200. Section 423B.6, subsection 2, paragraph b, Code 2018, is amended to read as follows:

b. The ordinance of a county board of supervisors imposing a local sales and services tax shall adopt by reference the applicable provisions of the appropriate sections of chapter 423. All powers and requirements of the director to administer the state sales tax law and use tax law are applicable to the administration of a local sales and services tax law and the local excise tax, including but not limited to the provisions of section 422.25, subsection 4, sections 422.30, 422.67, and 422.68, section 422.69, subsection 1, sections 422.70 through 422.75, section 423.14, subsection 1 and subsection 2, paragraphs "b" through "e", and sections 423.14A, 423.15, 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through 423.42, 423.46, and 423.47. Local officials shall confer with the director of revenue for assistance in drafting the ordinance imposing a local sales and services tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

Sec. 201. LEGISLATIVE INTENT. It is the intent of the general assembly that the provisions of this division of this Act amending the definition of "place of business" in section 423.1, subsection 37, and "sales" in section 423.1, subsection 50, enacting definitions of "sold at retail in the state" in section 423.1, subsection 55A, and "subscription" in section
423.1, subsection 57A, and amending the enumerated service of pay television in 423.2, subsection 6, paragraph "a", are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of this division of this Act.

Sec. 202. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF SPECIFIED DIGITAL PRODUCTS. The provisions of this division of this Act relating to the imposition of tax on the sale or use of "specified digital products", as defined in this division of this Act, shall not be construed as affecting the taxability or nontaxability under other provisions of existing law of sales or uses occurring prior to the enactment of this division of this Act of products meeting the definition of "specified digital products", as defined in this division of this Act.

Sec. 203. EFFECTIVE DATE.

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

2. The following take effect July 1, 2018:
   a. The sections of this division of this Act amending section 423.1, subsections 37 and 50.
   b. The sections of this division of this Act enacting section 423.1, subsections 55A and 57A.
   c. The section of this division of this Act amending section 423.2, subsection 1, paragraph "a", subparagraph (1).
   d. The provision amending the enumerated service of pay television to include but not be limited to streaming video, video on-demand, and pay-per-view, in the section of this division of this Act amending section 423.2, subsection 6.
   e. The provisions adding photography and retouching to the list of enumerated services subject to the sales tax in the section of this division of this Act amending section 423.2, subsection 6.
   f. The section of this division of this Act enacting section 423.2, subsection 8, paragraph "d".
g. The section of this division of this Act amending section 423.5, subsection 1, paragraph “a”.

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

DIVISION VII
HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX CHANGES

Sec. 204. Section 423A.2, subsection 1, Code 2018, is amended to read as follows:

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

a. “Department” means the department of revenue.
b. “Lessor” means any of the following:

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

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

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

(4) A lodging facilitator.

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

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

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

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

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

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

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

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

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

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

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

(h) Provides or offers customer service to a lessor or 
a lessor's customers, or accepts or assists with returns, 
exchanges, cancellations, or rescheduling of the rental of 
lodging by a lessor.
(2) The person directly or indirectly does any of the following:

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

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

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

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

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

*d. e.* "Person" means the same as the term is defined in section 423.1.

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

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

(1) The lessor’s cost of the property rented.
(2) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the lessor, all taxes imposed on the lessor, or any other expenses of the lessor.

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

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

Sec. 205. NEW SECTION. 423A.3A Collection and remittance by lodging facilitators — joint and several liability.

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

1. The lodging facilitator shall collect the state-imposed tax under section 423A.3 and the locally imposed tax under section 423A.4 on the entire sales price paid by the user, regardless of the amount of the sales price that will ultimately accrue to or benefit the lodging facilitator, another lessor, or any other person.

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

Sec. 206. Section 423A.5, Code 2018, is amended to read as follows:

423A.5 Exemptions.

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

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

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

2. There is exempted from the provisions of this chapter and
from the computation of any amount of tax imposed by section 423A.4 all of the following:
  a. The sales price from the renting of lodging or rooms exempt under subsection 1.
  b. The sales price of lodging furnished to the guests of a religious institution if the property is exempt under section 427.1, subsection 8, and the purpose of renting is to provide a place for a religious retreat or function and not a place for transient guests generally.

Sec. 207. Section 423A.6, subsection 4, Code 2018, is amended to read as follows:

  4. Section 422.25, subsection 4, sections 422.30, 422.67, 422.68, section 422.69, subsection 1, sections 422.70, 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33, 423.35, 423.37 through 423.42, and 423.47, consistent with the provisions of this chapter, apply with respect to the taxes authorized under this chapter, in the same manner and with the same effect as if the state and local hotel and motel taxes were retail sales taxes within the meaning of those statutes. Notwithstanding this subsection, the director shall provide for quarterly filing of returns and for other than quarterly filing of returns both as prescribed in section 423.31. The director may require all persons who are engaged in the business of deriving any sales price subject to tax under this chapter to register with the department. All taxes collected under this chapter by a retailer, lessor, or any individual other person are deemed to be held in trust for the state of Iowa and the local jurisdictions imposing the taxes.

Sec. 208. Section 423C.2, subsection 3, Code 2018, is amended to read as follows:

  3. "Lessor" means any of the following:
  a. A person engaged in the business of renting automobiles to users. "Lessor" includes a
  b. A motor vehicle dealer licensed pursuant to chapter
322 who rents automobiles to users. For this purpose, the objective of making a profit is not necessary to make the renting activity a business.

c. A person who acquires a right to or interest in any automobile with an intent to rent the automobile to another person.
d. A person who actually or constructively rents automobiles, regardless of who owns or controls the automobiles.
e. A rental facilitator.
f. A retailer or retailer maintaining a place of business in this state as defined in section 423.1, including those persons who meet the requirements of section 423.14A, which retailer or retailer maintaining a place of business in this state would be responsible for collection and payment of the automobile rental excise tax if it were a sales or use tax under chapter 423.

Sec. 209. Section 423C.2, Code 2018, is amended by adding the following new subsection:

NEW SUBSECTION. 06. “Rental facilitator” means any person who facilitates the renting of an automobile to users by satisfying paragraphs “a” and “b” as follows:

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

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

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

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

(4) Provides a platform or other marketplace for renting automobiles or otherwise facilitates the renting of automobiles, regardless of ownership or control of the automobile.
(5) Provides software development or research and development activities related to any activity described in this paragraph "a", if such software development or research and development activities are directly related to the physical or electronic marketplace provided by a rental facilitator.

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

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

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

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

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

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

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

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

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

Sec. 210. Section 423C.2, subsection 6, Code 2018, is amended by striking the subsection and inserting in lieu thereof the following:

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

a. The lessor’s cost of the property rented.
b. The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the lessor, all taxes imposed on the lessor, or any other expenses of the lessor.
c. Charges by the lessor for any services necessary to complete the rental transaction.

Sec. 211. NEW SECTION. 423C.3A Collection and remittance by rental facilitators — joint and several liability.

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

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

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

Sec. 212. LEGISLATIVE INTENT. It is the intent of the general assembly that the provision of this division of this Act amending the definition of “lodging” in section 423A.2, subsection 1, paragraph “c”, is a conforming amendment consistent with current state law, and that the amendment does not change the application of current law but instead
1 reflects current law both before and after the enactment of
2 this division of this Act.
3 Sec. 213. EFFECTIVE DATE.
4 1. Except as provided in subsection 2, this division of this
5 Act takes effect January 1, 2019.
6 2. The following take effect July 1, 2018:
7 a. The provision amending the definition of “lodging” in the
8 section of this division of this Act amending section 423A.2,
9 subsection 1, paragraph “c”.
10 b. The section of this division of this Act entitled
11 “legislative intent” which describes the intent of the general
12 assembly with respect to the amendment in this division of
13 this Act to the definition of “lodging” in section 423A.2,
14 subsection 1, paragraph “c”.
15 EXPLANATION
16 The inclusion of this explanation does not constitute agreement with
17 the explanation’s substance by the members of the general assembly.
18 This bill makes numerous changes to the individual and
19 corporate income taxes, the franchise tax, tax credits,
20 the moneys and credits tax, the sales and use taxes and
21 local option sales tax, the hotel and motel excise tax, the
22 automobile rental excise tax, and the Iowa 529 plan and Iowa
23 ABLE plan.
24 DIVISION I — INCOME TAX CHANGES FOR TAX YEAR 2018. The
25 federal Protecting Americans From Tax Hikes Act (PATH Act)
26 enacted by Congress in 2015 made permanent certain increased
27 phase-out amounts and increased credit percentages of the
28 federal earned income tax credit (EITC) that were scheduled
29 to expire in 2018, and made permanent the deduction for
30 certain expenses incurred by elementary and secondary school
31 teachers that was scheduled to expire in 2015. To date, Iowa
32 has not coupled with these federal changes for purposes of
33 calculating the Iowa EITC or for the teacher expense deduction.
34 Division I couples with these federal EITC and teacher expense
35 deduction changes for purposes of the Iowa EITC and Iowa net
income calculation for tax year 2018. Division I also couples
for tax year 2018 with certain accounting method and other
miscellaneous changes made in the federal Tax Cuts and Jobs Act
of 2017 for purposes of the individual and corporate income
taxes, and the franchise tax, to the extent those amendments
affect the calculation of federal adjusted gross income or
federal taxable income for federal tax purposes for tax year
2018. These include amendments contained in the following
sections of the federal Tax Cuts and Jobs Act: §13102 (small
business accounting method changes), §13221 (accounting method
rules for the taxable year of inclusion), §13504 (repeal of
technical termination of partnerships), §13541 (electing small
business trust), §13543 (treatment of S corporation conversion
to C corporation), §13611 (repeal of special rule permitting
recharacterization of Roth IRA conversions), and §13613
(extended rollover period for qualified plan loans).
The division takes effect upon enactment and applies
retroactively to January 1, 2018, for tax years beginning on or
after that date, but prior to January 1, 2019.
DIVISION II — INCOME AND FRANCHISE TAX CHANGES BEGINNING IN
2019. Division II makes numerous changes to the individual and
corporate income tax and franchise tax.
INDIVIDUAL INCOME TAX. Under current law, the starting
point for computing the Iowa individual income tax is federal
adjusted gross income before the net operating loss deduction,
which is generally a taxpayer’s gross income minus several
deductions. From that point, Iowa requires several adjustments
and then provides taxpayers with a deduction for federal income
taxes paid, and the option to deduct a standard deduction or
itemized deductions. The bill changes the starting point for
computing the individual income tax to federal taxable income,
which includes all deductions and adjustments taken at the
federal level in computing tax, including a standard deduction
or itemized deductions, and the new qualified business income
deduction allowed for certain income earned from a pass-through
entity. Because the starting point will now be federal taxable income, and federal law does not provide for the filing status of married filing separately on a combined return, the bill repeals that filing status option for Iowa tax purposes. Because net operating loss will no longer be calculated at the state level, the bill requires taxpayers to add back any federal net operating loss deduction carried over from a taxable year beginning prior to January 1, 2019, but allows taxpayers to deduct any remaining Iowa net operating loss from a prior taxable year.

The bill repeals the alternative minimum tax, and also repeals most deductions and exclusions previously available when computing net income and taxable income under Iowa law, including the Iowa optional standard deduction and all itemized deductions, and the ability to deduct federal income taxes, except for a one-year phase-out in 2019 for taxes paid, or refunds received, that relate to a prior year.

The bill keeps the deduction for military pension income or military active duty pay. The bill also keeps the general pension exclusion available under current law, and increases it from $6,000 ($12,000 for married filing jointly) to $10,000 ($20,000 for married filing jointly).

The bill maintains the deductions for contributions to the Iowa 529 plan, the Iowa ABLE plan, the first-time homebuyer savings account, the deduction for social security retirement benefits, the deduction for certain payments received for providing unskilled in-home health care, for contributions to an individual development account, for certain amounts received from the veterans trust fund, for victim compensation awards, and for biodiesel production refunds. The bill keeps the deductions for certain wages paid to individuals with disabilities or individuals previously convicted of a felony, and for certain organ donations, but only for tax years beginning before January 1, 2022.

The bill provides a new deduction for any income of an
employee resulting from the payment by an employer, whether
paid to the employee or to a lender, of principal or interest
on the employee’s qualified education loan.
Federal income tax law does provide a limited deduction for
a taxpayer’s payment of interest on qualified education loans,
and the bill disallows the deduction provided in the bill for
any amount of income that represents an interest payment that
was also deducted by the employee in computing federal taxable
income.
The term “qualified education loan” is defined to mean the
same as it does under the Internal Revenue Code (IRC), and
generally includes debt incurred on behalf of a taxpayer, or a
taxpayer’s spouse or dependent, to pay expenses of attending
institutions of higher education participating in the federal
student financial aid programs.
Under current law, the Iowa individual income tax conforms
to the IRC as of a certain date, and the general assembly
chooses to couple or decouple with changes to the IRC through
legislation. The bill changes this conformity by permanently
coupling with the IRC. This permanent coupling has the effect
of incorporating into Iowa tax law all the changes made to
the IRC since 2015, including changes made in the federal
Protecting Americans from Tax Hikes Act of 2015, and the
federal Tax Cuts and Jobs Act of 2017. This permanent coupling
also has the effect of automatically incorporating into Iowa
tax law any future changes that may be made to the IRC, unless
the general assembly were to affirmatively decouple from a
particular provision through legislation.
However, the bill does decouple from the federal additional
first-year depreciation allowance in section 168(k) of the
IRC. By decoupling, taxpayers who claim bonus depreciation for
federal tax purposes are required to add such depreciation
amounts back to Iowa net income, but are then allowed under
existing state law to deduct the amount of depreciation that
would otherwise be allowable under federal law, without regard
to the bonus depreciation allowance.

Current law provides nine regular tax brackets containing progressively higher amounts of taxable income that are taxed at progressively higher tax rates, from a low of 0.36 percent, to a high of 8.98 percent. The taxable income amounts in each tax bracket are indexed to inflation and increased each year.

The bill reduces the number of brackets to five and modifies the tax rates as follows:

<table>
<thead>
<tr>
<th>Income over:</th>
<th>But not over:</th>
<th>Tax rate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) $0</td>
<td>$6,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2) $6,000</td>
<td>$15,000</td>
<td>5.25%</td>
</tr>
<tr>
<td>3) $15,000</td>
<td>$30,000</td>
<td>5.50%</td>
</tr>
<tr>
<td>4) $30,000</td>
<td>$75,000</td>
<td>6.00%</td>
</tr>
<tr>
<td>5) $75,000 or more</td>
<td></td>
<td>6.60%</td>
</tr>
</tbody>
</table>

The bill further reduces the top tax rate from 6.60% to 6.50% in tax year 2020, to 6.40% in tax year 2021, and to 6.30% for tax year 2022 and beyond. For a married couple filing a joint return, the bill provides that all of the income amounts in each bracket above are doubled. Finally, the bill provides that beginning in 2023, all of the tax rates will be indexed to inflation and reduced each year.

CORPORATE INCOME TAX AND FRANCHISE TAX. The starting point for calculating the corporate income tax and the franchise tax is federal taxable income before the net operating loss deduction, because net operating loss is calculated at the state level. The bill repeals the separate calculation of net operating loss at the state level. As a result, the bill requires taxpayers to add back any federal net operating loss deduction carried over from a taxable year beginning prior to January 1, 2019, but allows taxpayers to deduct any remaining Iowa net operating loss from a prior taxable year.

The bill repeals the alternative minimum tax for the corporate income tax, and also repeals most deductions and exclusions previously available when computing net income and taxable income under Iowa law, including the ability to deduct...
federal income taxes, except for a one-year phase-out in 2019 for taxes paid, or refunds received, that relate to a prior year. The bill keeps the deduction for certain wages paid to individuals with disabilities or individuals previously convicted of a felony, but only for tax years beginning before January 1, 2022.

Under current law, the Iowa corporate income tax and franchise tax conforms to the IRC as of a certain date, and the general assembly chooses to couple or decouple with changes to the IRC through legislation. The bill changes this conformity by permanently coupling with the IRC. This permanent coupling has the effect of incorporating into Iowa tax law all the changes made to the IRC since 2015, including changes made in the federal Protecting Americans from Tax Hikes Act of 2015, and the federal Tax Cuts and Jobs Act of 2017. This permanent coupling also has the effect of automatically incorporating into Iowa tax law any future changes that may be made to the IRC, unless the general assembly were to affirmatively decouple from a particular provision through legislation.

However, the bill does decouple from the federal additional first-year depreciation allowance in section 168(k) of the IRC. By decoupling, taxpayers who claim bonus depreciation for federal tax purposes are required to add such depreciation amounts back to Iowa net income, but are then allowed under existing state law to deduct the amount of depreciation that would otherwise be allowable under federal law, without regard to the bonus depreciation allowance.

Current law provides four progressively higher tax brackets and tax rates for the corporate income tax, ranging from a low of 8 percent, to a high of 12 percent. The bill reduces the corporate tax rates as follows:

<table>
<thead>
<tr>
<th>Income over:</th>
<th>But not over:</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 and later</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) $0</td>
<td>$25,000</td>
<td>6%</td>
<td>6%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2) $25,000</td>
<td>$100,000</td>
<td>8%</td>
<td>8%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>3) $100,000</td>
<td>$250,000</td>
<td>10%</td>
<td>8%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
4) $250,000 and more  

Division II takes effect January 1, 2019, and applies to tax years beginning on or after that date. 

DIVISION III — TAX CREDITS. Division III makes numerous changes to tax credits and tax credit programs. 

The bill repeals the taxpayers trust fund tax credit effective January 1, 2020. 

The bill increases the annual tax credit allocation limit of the angel investor tax credit program from $2 million to $4 million, and provides that in any fiscal year in which the angel investor program allocation exceeds $2 million, the $8 million annual tax credit allocation limit of the innovation fund investment tax credit program shall be reduced by the amount that the angel investor tax credit allocation exceeds $2 million for that same fiscal year. This change takes effect July 1, 2018. 

The bill increases the annual tax credit allocation limit of the workforce housing tax incentive program to $22 million from $20 million, and provides that the entire $2 million increase shall be reserved for housing projects in small cities, thereby increasing the small city reserve under the program from $5 million to $7 million per fiscal year. These changes take effect July 1, 2018. 

The bill makes several changes to the high quality jobs program. The bill reduces to $80 million the annual tax credit allocation limit of the high quality jobs program, for fiscal years beginning on or after July 1, 2018. The bill also prohibits data center businesses and web search portal businesses, as defined in the bill, from participating in the high quality jobs program, unless the businesses had a physical presence in this state prior to July 1, 2018. The bill repeals the ability under the high quality jobs program of eligible businesses to receive tax credits and tax refunds for taxes attributable to racks, shelving, and conveyor equipment to be used in a warehouse or distribution center, beginning
January 1, 2019. The bill repeals the refundability of the supplemental research activities tax credit available under the high quality jobs program beginning January 1, 2019. Finally, the bill repeals the high quality jobs program effective July 1, 2025.

The bill increases, from 5 percent and 15 percent, to 7 percent and 17 percent, the two tax credit rates of the agricultural asset transfer tax credit, beginning January 1, 2019. The bill also increases from $6 million to $8 million the number of tax credits that may be issued per fiscal year under the agricultural asset transfer tax credit program, beginning July 1, 2018.

The bill repeals the accelerated career education program provided under Code chapter 260G on July 1, 2025.

The bill extends by one year the deadline for entering into withholding agreements under the targeted jobs withholding credit pilot project from June 30, 2018, to June 30, 2019.

The bill reduces to $35 million from $45 million the number of historic preservation tax credits that may be awarded each fiscal year, beginning July 1, 2018, and repeals the historic preservation tax credit program on July 1, 2025.

The bill modifies the research activities tax credits under the individual and corporate income tax by providing that the credits will only be available to businesses engaged in the manufacturing, life sciences, software engineering, or aviation and aerospace industry, and to the extent the business claims and is allowed a research credit for such qualified research expenses under the IRC for the same taxable year it is claiming the state research activities credit. The bill includes examples of persons ineligible for the tax credits. These changes take effect upon enactment and apply retroactively to January 1, 2018, for tax years beginning on or after that date and for tax returns, including amended returns, filed on or after that date for any tax year.

The bill further modifies the research activities tax
credit under the individual and corporate income tax by
amending the definition of "base amount" for purposes of
calculating the credits. This change takes effect upon
enactment and applies retroactively to January 1, 2010, for tax
years beginning on or after that date.
Because Division II repeals the individual and corporate
alternative minimum taxes, the bill allows a taxpayer to
claim any remaining alternative minimum tax credit against
the individual's or corporation's regular tax liability for
the 2019 tax year, and the bill then repeals the alternative
minimum tax credit beginning in tax year 2020.
The bill increases the total amount of school tuition
organization tax credits that may be issued per tax year to $13
million from $12 million for tax years beginning on or after
January 1, 2019. The bill also increases the household income
limit at which a student is considered an "eligible student"
under the school tuition organization tax credit program to
four times the federal poverty amount for tuition grants
provided on or after January 1, 2019.
The bill repeals the tuition and textbook tax credit, the
volunteer fire fighter and volunteer emergency medical services
personnel member tax credit, and the reserve peace officer tax
credit, effective January 1, 2022.
The bill repeals the geothermal tax credit, the geothermal
heat pump tax credit, the farm to food donation tax credit, and
the ethanol promotion tax credit on January 1, 2019.
The bill repeals the solar energy system tax credits on July
1, 2018, for solar energy system installations occurring on or
after that date.
The bill requires the legislative tax expenditure committee
created in Code section 2.45 to study all tax credits available
under Iowa law during the 2018 interim, and to submit its
findings and recommendations to the general assembly for
consideration during the 2019 legislative session. As part
of the study, the legislative tax expenditure committee is
required to consider new or different tax credit or other incentive programs for economic development.

DIVISION IV — FRANCHISE TAX AND MONEYS AND CREDITS TAX.

Division IV relates to the state franchise tax and the state moneys and credits tax. The bill repeals the state moneys and credits tax in Code section 533.329 imposed on the required reserves of state credit unions, which are institutions organized in Iowa and exempt from the federal income tax.

The bill includes credit unions incorporated in Iowa as well as under the laws of another state within the definition of “financial institution” for purposes of the state franchise tax on financial institutions, thereby imposing the state franchise tax on state and out-of-state credit unions. The bill also imposes the state franchise tax on agricultural credit associations that are members of the farm credit system under the federal Farm Credit Act.

The bill modifies the state franchise tax to provide that neither the state alternative minimum franchise tax (AMT tax), a component of the state franchise tax, nor the associated alternative minimum tax credit for previous AMT tax paid, applies to financial institutions that are exempt from the federal income tax. The bill amends the definition of “net income” upon which the state franchise tax is computed to provide that “net income” for a financial institution that is exempt from the federal income tax means the total revenue less total expenses as properly reported on the financial institution’s internal revenue service form 990 (return of organization exempt from income tax) for the same period, with the adjustments provided under current law for other financial institutions to the extent such adjustments are applicable to the federally tax-exempt financial institution’s calculation of revenues and expenses, as determined by the director by rule.

The bill provides that a federally tax-exempt financial institution’s state franchise tax is due at the end of the taxable year and will be considered delinquent if not paid and...
filed within five months of that date.

Under current law, the state franchise tax rate is 5 percent on all net income of a financial institution. The bill reduces the state franchise tax rate to 2 percent on the first $7.5 million of net income, and 4 percent on all net income exceeding $7.5 million.

All revenues arising from the state franchise tax are deposited in the general fund of the state by operation of law. The state moneys and credits tax revenues were shared among cities, counties, and the state according to a statutory formula.

The bill makes numerous conforming amendments throughout the Code to remove references to the state moneys and credits tax.

The bill provides that the repeal of the state moneys and credits tax shall not affect tax credits issued, awarded, or allowed before January 1, 2019, including tax credit carryforward amounts, and that any credits that would have been eligible to be claimed on or after January 1, 2019, against the state moneys and credits tax shall be allowed against the franchise tax.

The division takes effect January 1, 2019, and applies to tax years beginning on or after that date.

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

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

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

The bill amends the Iowa 529 plan to provide for qualified withdrawals from the plan for elementary or secondary school tuition as is now allowed under federal law pursuant to the federal Tax Cuts and Jobs Act of 2017. The bill modifies the findings and purpose provision of the Iowa 529 plan in Code section 12D.1(1) by striking or amending specific references to higher education and institutions of higher education so that such provisions more generally reference education and educational institutions, and by providing that the Iowa 529 plan's purpose is to make available an opportunity to invest in a public trust to fund future formal education needs.

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

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

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

Several other modifications are made to the Iowa 529 plan to remove references to the imposition of penalties for cancellation and late payments under the trust, to remove certain references to the ability to amend participation agreements, to describe rules and procedures for determining account successors in the case of death of a participant, and to modify the permissible investment direction that may be provided by participants and beneficiaries under the trust. Finally, the bill adds Iowa 529 plan accounts to the list of exemptions from execution under Code section 627.6.

Under current law in Code section 422.7(32)(c), previously tax-deducted contributions to an Iowa 529 plan that are withdrawn for purposes other than the payment of qualified education expenses are required to be added back to income in computing Iowa individual income tax. The bill amends this provision to provide that Iowa 529 plan withdrawals of previously tax-deducted contributions must be added back to Iowa income unless the amount is a withdrawal or transfer for one of three eligible purposes. First, for the payment of qualified higher education expenses. Second, for the payment of tuition to an elementary or secondary school if the
tuition amounts are qualified education expenses. Third, for a change in beneficiaries under, or transfer to another account within, the Iowa 529 plan, or a transfer to the Iowa ABLE plan, provided such beneficiary change or transfer is permitted under the Iowa 529 plan. The bill defines “institution of higher education” and “tuition” to mean the same as defined under the Iowa 529 plan. The bill defines “elementary or secondary school” to mean an elementary or secondary school in this state which is accredited under Code section 256.11 (educational standards), and adheres to the provisions of the federal Civil Rights Act of 1964 and Code chapter 216 (civil rights commission). The bill defines “qualified higher education expenses” to mean the same as defined under IRC §529.

The bill amends the income tax treatment of contributions to and withdrawals from the Iowa ABLE plan to provide that a contribution shall not be deducted from Iowa income tax to the extent it represents a transfer from the Iowa 529 plan that was previously deducted as a contribution to the Iowa 529 plan, and that amounts resulting from a cancellation or withdrawal from the Iowa ABLE plan for purposes other than the payment of qualified disability expenses shall be added back to income in computing Iowa individual income tax to the extent the amount was previously transferred from the Iowa 529 plan and deducted as a contribution to the Iowa 529 plan.

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

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

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

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

The bill amends numerous existing sales and use tax exemptions to include specified digital products, including the following: sales the state is prohibited from taxing under the United States Constitution or the Iowa Constitution; sales to certain nonprofit corporations, organizations, educational institutions, legal aid organizations, museums, art centers, organ procurement organizations, hospitals, or hospice facilities; sales by a state fair; sales to political subdivisions; sales by counties or cities; casual sales; sales of property which will be distributed as prizes to players of certain amusement games; sales to recognized community action agencies; uses of property for which the sales tax has already been paid; sales in the regular course of business; and property brought into Iowa by a nonresident and used here temporarily. The bill amends a sales tax refund provision relating to relief agencies that purchase property for free distribution to the poor to include purchases of specified digital products.

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

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

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

The bill provides that it is the intent of the general assembly that these changes to the definition of "sale" and "subscription", and changes to the service of pay television, are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of these changes.

These changes take effect July 1, 2018.

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

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

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

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

OTHER SALES AND USE TAX EXEMPTIONS. Current law provides a sales and use tax exemption for access charges related to online computer services in Code section 423.3(65), and for any retail sale delivered electronically in Code section 423.3(67). The bill strikes both of these exemptions.

The bill creates a sales and use tax exemption in new Code section 423.3(103) for certain sales to a commercial enterprise for use exclusively by the commercial enterprise. The exemption specifies that such a use fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis. The bill provides that the terms "de minimis" and "noncommercial purposes" shall be defined by the director of revenue by rule. The bill defines "commercial enterprise" to mean the same as defined under the machinery and equipment sales and use tax exemption in Code section 423.3(47), which includes businesses and manufacturers conducted for profit and centers for data processing services to insurance companies, financial
institutions, businesses, and manufacturers, but excludes professions and occupations and nonprofit organizations. The exemption applies to sales of specified digital products, and to the furnishing of the following enumerated taxable services: storage of tangible or electronic files, documents, or other records; information services; services arising from or related to installing, maintaining, servicing, repairing, operating, upgrading, or enhancing specified digital products; and software as a service.

The bill adds the sale of services to the items that may qualify for the sales and use tax exemption in Code section 423.3(63) relating to items purchased for the purposes of providing them as prizes to players of certain amusement games. The bill creates a sales and use tax exemption in new Code section 423.3(105) for the sale of a grain bin, or materials used to construct a grain bin. The bill defines "grain bin". The bill also repeals numerous sales and use tax exemptions related to agricultural production and creates a new sales and use tax exemption for sales of tangible personal property used primarily in agricultural production by a commercial farmer if the cost of the tangible personal property is properly claimed as a business deduction for Iowa income tax purposes and if the tangible personal property is used on land eligible for the agricultural land property tax credit. The bill includes several categories of items that qualify for the exemption, and modifies the definition of "agricultural production" in Code section 423.1(5).

The bill amends the definition of "manufacturer" for purposes of the manufacturing and equipment sales and use tax exemption in Code section 423.3(47) to require that a business be primarily engaged in manufacturing in order to qualify for the exemption. The definition includes several examples of activities that do and do not qualify as manufacturing for purposes of the exemption.

Finally, the bill amends the sale-for-resale exemption
as it relates to certain construction equipment. Under current law in Code section 423.3(37), the lease or rental of machinery, equipment, attachments, and replacement parts directly and primarily used in specified construction services by an owner, contractor, subcontractor, or builder is exempt from the sales tax (construction equipment exemption). Also under current law, in Code section 423.3(2), the purchase of tangible personal property for subsequent resale, lease, or rental is exempt from the sales tax (sale-for-resale exemption). However, the purchase of construction equipment for a subsequent lease or rental that will qualify for the construction equipment exemption does not qualify for the sale-for-resale exemption.

The bill amends the sale-for-resale exemption to provide that the purchase of construction equipment for a subsequent lease or rental that will qualify for the construction equipment exemption will only fail to qualify for the sale-for-resale exemption if the sale is to a nonqualified dealer. The bill defines "nonqualified dealer" to mean any dealer who is not a party to a dealership agreement, as those terms are defined in Code section 322F.1. The definitions of "dealer" and "dealership agreement" in that Code section respectively include persons engaged in the retail sale of equipment and agreements between a dealer and supplier which grant the dealer the right to sell, distribute, or service the supplier’s equipment.

SALES AND USE TAX NEXUS AND COLLECTION REQUIREMENTS. The bill modifies the requirement of persons to collect and remit the state sales and use taxes and the local option sales tax. Current law requires retailers to collect sales tax for taxable items sold at retail in the state. The bill defines "sold at retail in the state" and other similar terms to include but not be limited to sales sourced to this state under Code chapter 423 (sales and use tax), and provides that it is the intent of the general assembly that the definition is a
conforming amendment consistent with current state law, and that the amendment does not change the application of current law but instead reflects current law both before and after the enactment of the definition. The enactment of the definition of "sold at retail in the state" takes effect July 1, 2018. Under current law, Code section 423.15 provides general rules for the sourcing of sales to Iowa. The bill amends a provision in this Code section relating to when sales tax applies to a sale sourced to Iowa, to provide that Iowa sales tax applies to a sale sourced to Iowa made by a seller who is a retailer maintaining a place of business in this state, or who is subject to the new Code section 423.14A (described below). The bill also amends provisions relating to the requirement of retailers maintaining a place of business in this state to collect use tax in Code sections 423.14 and 423.29, to provide that use tax shall be collected by retailers not otherwise required to collect sales tax under Code chapter 423 (sales and use tax).

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

The bill creates new Code section 423.14A that deems certain persons, or agents of those persons, to be a retailer and a retailer maintaining a place of business in this state on or after January 1, 2019, and subjects those persons to all requirements of Code chapter 423 (sales and use taxes), including but not limited to the requirement to collect and remit Iowa sales and use tax, and the requirement to collect and remit the local option sales tax. The bill provides that the requirements in Code section 423.14A are in addition to, and not in lieu of, any other application of Code chapter 423.
1 to a retailer or a retailer maintaining a place of business in
2 this state. Qualifying persons required to collect and remit
3 Iowa sales and use tax include any person described below. For
4 purposes of any threshold requirement described below that
5 involves the sales of taxable items, the bill defines “Iowa
6 sales” to include any sale sourced to this state under Code
7 chapter 423, or otherwise sold in this state or for delivery
8 into this state, of tangible personal property, specified
9 digital products, or services.
10 A qualifying person includes any retailer that has gross
11 revenue from Iowa sales equal to or exceeding $100,000 for the
12 current or previous calendar year.
13 A qualifying person includes any retailer that makes Iowa
14 sales in 200 or more separate transactions for the current or
15 previous calendar year.
16 A qualifying person includes any retailer that owns,
17 licenses, or uses software or data files (as defined in the
18 bill) that are installed or stored on property used in this
19 state.
20 A qualifying person includes any retailer that uses in-state
21 software (as defined in the bill) to make Iowa sales.
22 A qualifying person includes any retailer that provides, or
23 enters into an agreement to provide, a content distribution
24 network (as defined in the bill) in this state to facilitate,
25 accelerate, or enhance the delivery of the retailer’s internet
26 site to purchasers. However, this provision does not apply to
27 any retailer that has gross revenue from Iowa sales of less
28 than $100,000 for the current or previous calendar year.
29 A qualifying person includes any retailer that makes Iowa
30 sales through a marketplace provider (as defined in the bill).
31 However, this provision does not apply to any retailer that
32 has gross revenue from Iowa sales of less than $10,000 for the
33 current or previous calendar year.
34 A qualifying person includes any marketplace provider that
35 makes or facilitates Iowa sales for a retailer equal to or
exceeding $100,000, or in 200 or more separate transactions for the current or previous year. The bill requires marketplace providers to collect Iowa sales and use tax on the entire sales price or purchase price paid the purchaser, regardless of the amount that will ultimately accrue to or benefit the marketplace provider or any other person, includes other provisions related to marketplace providers, and subjects certain marketplace providers and retailers described in the bill to joint and several liability for the collection and payment of Iowa sales and use tax.

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

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

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

The bill strikes the similar language under existing law in Code section 423.2(10).

A qualifying person includes any affiliate or any retailer that is required to collect Iowa sales and use tax, provided the affiliate makes retail sales.

OTHER MISCELLANEOUS SALES AND USE TAX CHANGES. The bill
moves provisions relating to the deposit and transfer of sales
tax revenues in Code section 423.11 to a new Code section
423.2A, and makes corresponding changes to other provisions of
the Code that reference those deposit and transfer provisions.
The bill amends the definition of “lease or rental”, “use”,
“use tax”, and “user” in Code section 423.1. The bill also
amends the definition of “bundled transaction” in Code section
423.2(8) to incorporate certain language also included in
the definition of “bundled transaction” for purposes of the
streamlined sales tax agreement, of which Iowa is a member
state. The changes to the definition of bundled transaction
take effect July 1, 2018.
The bill defines “personal property” for purposes of the
sales and use tax to include but not be limited to tangible
personal property and specified digital products.
The bill amends the definition of “place of business” in
Code section 423.1 to include places where specified digital
products or services are offered for sale, and provides that
it is the intent of the general assembly that the change to
the definition is a conforming amendment consistent with
current state law, and that the amendment does not change the
application of current law but instead reflects current law
both before and after the enactment of the change. These
changes to the definition of “place of business” take effect
July 1, 2018.
The bill provides that when any retailer required under
Iowa law to collect and remit sales and use tax fails to do
so, the retailer and any affiliate that directly, indirectly,
or constructively controls the retailer shall be held jointly
and severally liable for the tax and any resulting penalty and
interest, regardless of whether the affiliate is a retailer.
The bill provides the department the authority to assess
the full amount of any tax, penalty, or interest against
the retailer and these affiliates, and gives the department
discretion to disregard or look through any organizational
structure of an enterprise to assess tax, penalty, and interest against an affiliate of a retailer. The term “affiliate” for purposes of these provisions is defined under existing law in Code section 423.1(2).

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

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

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

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

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

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

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

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