

**Senate Study Bill 3197 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON FEENSTRA)

**A BILL FOR**

1 An Act relating to state and local revenue and finance by  
2 modifying the individual and corporate income taxes, the  
3 franchise tax, tax credits, the moneys and credits tax, the  
4 sales and use taxes and local option sales tax, the hotel  
5 and motel excise tax, the automobile rental excise tax, the  
6 Iowa educational savings plan trust, and the disabilities  
7 expenses savings plan trust, making penalties applicable,  
8 and including immediate effective date and retroactive and  
9 other applicability provisions.  
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

INCOME TAX CHANGES FOR TAX YEAR 2018

Section 1. EARNED INCOME TAX CREDIT FOR 2018.

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

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

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

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

1 deemed of immediate importance, takes effect upon enactment.

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

5 DIVISION II

6 INCOME TAX AND FRANCHISE TAX CHANGES BEGINNING IN 2019

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

9 **217.39 Persecuted victims of World War II — reparations —**  
10 **heirs.**

11 Notwithstanding any other law of this state, payments paid  
12 to and income from lost property of a victim of persecution  
13 for racial, ethnic, or religious reasons by Nazi Germany or  
14 any other Axis regime or as an heir of such victim which is  
15 ~~exempt from state income tax as provided~~ described in section  
16 422.7, subsection 35, Code 2018, shall not be considered as  
17 income or an asset for determining the eligibility for state or  
18 local government benefit or entitlement programs. The proceeds  
19 are not subject to recoupment for the receipt of governmental  
20 benefits or entitlements, and liens, except liens for child  
21 support, are not enforceable against these sums for any reason.

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

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

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

34 b. "*Cumulative inflation factor*" means the product of the  
35 annual inflation factor for the ~~1988~~ 2022 calendar year and

1 all annual inflation factors for subsequent calendar years  
2 as determined pursuant to [this subsection](#). The cumulative  
3 inflation factor applies to all tax years beginning on or after  
4 January 1 of the calendar year for which the latest annual  
5 inflation factor has been determined.

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

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

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

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

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

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

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

34 *c.* On all taxable income exceeding thirty thousand dollars  
35 but not exceeding sixty thousand dollars in the case of a

1 married couple filing jointly, or exceeding fifteen thousand  
2 dollars but not exceeding thirty thousand dollars in the case  
3 of all other persons, five and one-half percent.

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

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

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

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

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

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

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

23 Sec. 13. Section 422.5, subsection 1, paragraph j, Code  
24 2018, is amended to read as follows:

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

35 (2) (a) The tax imposed upon the taxable income of a

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

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

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

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

33 3. a. The tax shall not be imposed on a resident or  
34 nonresident whose net income, as defined in [section 422.7](#), is  
35 thirteen thousand five hundred dollars or less in the case

1 of married persons filing jointly ~~or filing separately on a~~  
2 ~~combined return~~, heads of household, and surviving spouses or  
3 nine thousand dollars or less in the case of all other persons;  
4 but in the event that the payment of tax under [this division](#)  
5 would reduce the net income to less than thirteen thousand five  
6 hundred dollars or nine thousand dollars as applicable, then  
7 the tax shall be reduced to that amount which would result  
8 in allowing the taxpayer to retain a net income of thirteen  
9 thousand five hundred dollars or nine thousand dollars as  
10 applicable. The preceding sentence does not apply to estates  
11 or trusts. For the purpose of [this subsection](#), the entire net  
12 income, including any part of the net income not allocated  
13 to Iowa, shall be taken into account. For purposes of this  
14 subsection, net income includes all amounts of pensions or  
15 other retirement income, except for military retirement pay  
16 excluded under [section 422.7, subsection 31A](#), paragraph "a",  
17 or [section 422.7, subsection 31B](#), paragraph "a", received from  
18 any source which is not taxable under [this division](#) as a result  
19 of the government pension exclusions in [section 422.7](#), or any  
20 other state law. If the combined net income of a husband and  
21 wife exceeds thirteen thousand five hundred dollars, neither  
22 of them shall receive the benefit of [this subsection](#), and it  
23 is immaterial whether they file a joint return or separate  
24 returns. However, if a husband and wife file separate returns  
25 and have a combined net income of thirteen thousand five  
26 hundred dollars or less, neither spouse shall receive the  
27 benefit of this paragraph, if one spouse has a net operating  
28 loss and elects to carry back or carry forward the loss as  
29 provided under the Internal Revenue Code or in section 422.9~~7~~  
30 ~~subsection 3~~. A person who is claimed as a dependent by  
31 another person as defined in [section 422.12](#) shall not receive  
32 the benefit of [this subsection](#) if the person claiming the  
33 dependent has net income exceeding thirteen thousand five  
34 hundred dollars or nine thousand dollars as applicable or the  
35 person claiming the dependent and the person's spouse have

1 combined net income exceeding thirteen thousand five hundred  
2 dollars or nine thousand dollars as applicable.

3     *b.* In lieu of the computation in [subsection 1 ~~or 2~~](#), or in  
4 paragraph "a" of [this subsection](#), if the married persons',  
5 filing jointly ~~or filing separately on a combined return~~,  
6 head of household's, or surviving spouse's net income exceeds  
7 thirteen thousand five hundred dollars, the regular tax imposed  
8 under [this division](#) shall be the lesser of the maximum state  
9 individual income tax rate for the tax year times the portion  
10 of the net income in excess of thirteen thousand five hundred  
11 dollars or the regular tax liability computed without regard  
12 to this sentence. Taxpayers electing to file separately shall  
13 compute the alternate tax described in this paragraph using the  
14 total net income of the husband and wife. The alternate tax  
15 described in this paragraph does not apply if one spouse elects  
16 to carry back or carry forward the loss as provided under the  
17 Internal Revenue Code or in [section 422.9, subsection 3](#).

18     3B. *a.* The tax shall not be imposed on a resident or  
19 nonresident who is at least sixty-five years old on December  
20 31 of the tax year and whose net income, as defined in section  
21 422.7, is thirty-two thousand dollars or less in the case  
22 of married persons filing jointly ~~or filing separately on a~~  
23 ~~combined return~~, heads of household, and surviving spouses or  
24 twenty-four thousand dollars or less in the case of all other  
25 persons; but in the event that the payment of tax under this  
26 division would reduce the net income to less than thirty-two  
27 thousand dollars or twenty-four thousand dollars as applicable,  
28 then the tax shall be reduced to that amount which would result  
29 in allowing the taxpayer to retain a net income of thirty-two  
30 thousand dollars or twenty-four thousand dollars as applicable.  
31 The preceding sentence does not apply to estates or trusts.  
32 For the purpose of [this subsection](#), the entire net income,  
33 including any part of the net income not allocated to Iowa,  
34 shall be taken into account. For purposes of [this subsection](#),  
35 net income includes all amounts of pensions or other retirement



1 income, except for military retirement pay excluded under  
2 section 422.7, subsection 31A, paragraph "a", or section 422.7,  
3 subsection 31B, paragraph "a", received from any source which is  
4 not taxable under [this division](#) as a result of the government  
5 pension exclusions in [section 422.7](#), or any other state law.  
6 If the combined net income of a husband and wife exceeds  
7 thirty-two thousand dollars, neither of them shall receive the  
8 benefit of [this subsection](#), and it is immaterial whether they  
9 file a joint return or separate returns. However, if a husband  
10 and wife file separate returns and have a combined net income  
11 of thirty-two thousand dollars or less, neither spouse shall  
12 receive the benefit of this paragraph, if one spouse has a net  
13 operating loss and elects to carry back or carry forward the  
14 loss as provided under the Internal Revenue Code or in section  
15 ~~422.9, subsection 3~~. A person who is claimed as a dependent by  
16 another person as defined in [section 422.12](#) shall not receive  
17 the benefit of [this subsection](#) if the person claiming the  
18 dependent has net income exceeding thirty-two thousand dollars  
19 or twenty-four thousand dollars as applicable or the person  
20 claiming the dependent and the person's spouse have combined  
21 net income exceeding thirty-two thousand dollars or twenty-four  
22 thousand dollars as applicable.

23 *b.* In lieu of the computation in [subsection 1, 2, or 3](#), if  
24 the married persons', ~~filing jointly or filing separately on~~  
25 ~~a combined return~~, head of household's, or surviving spouse's  
26 net income exceeds thirty-two thousand dollars, the regular tax  
27 imposed under [this division](#) shall be the lesser of the maximum  
28 state individual income tax rate for the tax year times the  
29 portion of the net income in excess of thirty-two thousand  
30 dollars or the regular tax liability computed without regard  
31 to this sentence. Taxpayers electing to file separately shall  
32 compute the alternate tax described in this paragraph using the  
33 total net income of the husband and wife. The alternate tax  
34 described in this paragraph does not apply if one spouse elects  
35 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.

1     Sec. 22. Section 422.7, Code 2018, is amended by adding the  
2 following new subsections:

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

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

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

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

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

29     31. For a person who is disabled, or is fifty-five years of  
30 age or older, or is the surviving spouse of an individual or  
31 a survivor having an insurable interest in an individual who  
32 would have qualified for the exemption under **this subsection**  
33 for the tax year, subtract, to the extent included, the  
34 total amount of a governmental or other pension or retirement  
35 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

1 not otherwise excluded, the following unreimbursed expenses  
2 incurred by the taxpayer and related to the taxpayer's organ  
3 donation:

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

6 47. Subtract, to the extent not otherwise deducted in  
7 computing ~~adjusted-gross~~ federal taxable income, the amounts  
8 paid by the taxpayer to the department of veterans affairs for  
9 the purpose of providing grants under the injured veterans  
10 grant program established in [section 35A.14](#). Amounts  
11 subtracted under [this subsection](#) shall not be used by the  
12 taxpayer in computing the amount of charitable contributions as  
13 defined by section 170 of the Internal Revenue Code.

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

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

24 a. Add the total amount of depreciation taken under section  
25 168(k) of the Internal Revenue Code for the tax year.

26 b. Subtract the amount of depreciation allowable under the  
27 modified accelerated cost recovery system described in section  
28 168 of the Internal Revenue Code and calculated without regard  
29 to section 168(k).

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

34 Sec. 28. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14,  
35 15, 16, 20, 21, 22, 23, 24, 25, 26, 29, 30, 35, 36, 37, 39, 39A,

1 39B, 40, 43, 45, 49, 53, 55, 56, 57, and 58, Code 2018, are  
2 amended by striking the subsections.

3 Sec. 29. Section 422.8, subsection 4, Code 2018, is amended  
4 by striking the subsection.

5 Sec. 30. Section 422.9, Code 2018, is amended by striking  
6 the section and inserting in lieu thereof the following:

7 **422.9 Iowa net operating loss incurred prior to January 1,**  
8 **2019.**

9 Any Iowa net operating loss carried over from a taxable year  
10 beginning prior to January 1, 2019, may be deducted as provided  
11 in section 422.9, subsection 3, Code 2018.

12 Sec. 31. Section 422.11S, subsection 4, Code 2018, is  
13 amended to read as follows:

14 4. Married taxpayers who file separate returns ~~or file~~  
15 ~~separately on a combined return form~~ must determine the tax  
16 credit under [subsection 1](#) based upon their combined net income  
17 and allocate the total credit amount to each spouse in the  
18 proportion that each spouse's respective net income bears to  
19 the total combined net income. Nonresidents or part-year  
20 residents of Iowa must determine their tax credit in the ratio  
21 of their Iowa source net income to their all source net income.  
22 Nonresidents or part-year residents who are married and elect  
23 to file separate returns ~~or to file separately on a combined~~  
24 ~~return form~~ must allocate the tax credit between the spouses  
25 in the ratio of each spouse's Iowa source net income to the  
26 combined Iowa source net income of the taxpayers.

27 Sec. 32. Section 422.12B, subsection 2, Code 2018, is  
28 amended to read as follows:

29 2. Married taxpayers electing to file separate returns ~~or~~  
30 ~~filing separately on a combined return~~ may avail themselves  
31 of the earned income credit by allocating the earned income  
32 credit to each spouse in the proportion that each spouse's  
33 respective earned income bears to the total combined earned  
34 income. Taxpayers affected by the allocation provisions of  
35 section 422.8 shall be permitted a deduction for the credit

1 only in the amount fairly and equitably allocable to Iowa under  
2 rules prescribed by the director.

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

5 4. Married taxpayers who have filed joint federal returns  
6 electing to file separate returns ~~or to file separately on a~~  
7 ~~combined return form~~ must determine the child and dependent  
8 care credit under [subsection 1](#) or the early childhood  
9 development tax credit under [subsection 2](#) based upon their  
10 combined net income and allocate the total credit amount to  
11 each spouse in the proportion that each spouse's respective net  
12 income bears to the total combined net income. Nonresidents  
13 or part-year residents of Iowa must determine their Iowa child  
14 and dependent care credit in the ratio of their Iowa source  
15 net income to their all source net income. Nonresidents or  
16 part-year residents who are married and elect to file separate  
17 returns ~~or to file separately on a combined return form~~ must  
18 allocate the Iowa child and dependent care credit between the  
19 spouses in the ratio of each spouse's Iowa source net income to  
20 the combined Iowa source net income of the taxpayers.

21 Sec. 34. Section 422.13, subsection 1, paragraph c, Code  
22 2018, is amended by striking the paragraph.

23 Sec. 35. Section 422.16, subsection 1, paragraph f, Code  
24 2018, is amended by striking the paragraph.

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

27 2. An individual in the armed forces of the United States  
28 serving in an area designated by the president of the United  
29 States or the United States Congress as a combat zone or as a  
30 qualified hazardous duty area, or deployed outside the United  
31 States away from the individual's permanent duty station while  
32 participating in an operation designated by the United States  
33 secretary of defense as a contingency operation as defined  
34 in 10 U.S.C. §101(a)(13), or which became such a contingency  
35 operation by the operation of law, or an individual serving in



1 support of those forces, is allowed the same additional time  
2 period after leaving the combat zone or the qualified hazardous  
3 duty area, or ceasing to participate in such contingency  
4 operation, or after a period of continuous hospitalization, to  
5 file a state income tax return or perform other acts related  
6 to the department, as would constitute timely filing of the  
7 return or timely performance of other acts described in section  
8 7508(a) of the Internal Revenue Code. An individual on active  
9 duty federal military service in the armed forces, armed forces  
10 military reserve, or national guard who is deployed outside  
11 the United States in other than a combat zone, qualified  
12 hazardous duty area, or contingency operation is allowed the  
13 same additional period of time described in section 7508(a)  
14 of the Internal Revenue Code to file a state income tax  
15 return or perform other acts related to the department. For  
16 the purposes of [this subsection](#), "*other acts related to the*  
17 *department*" includes filing claims for refund for any tax  
18 administered by the department, making tax payments other than  
19 withholding payments, filing appeals on the tax matters, filing  
20 other tax returns, and performing other acts described in the  
21 department's rules. The additional time period allowed applies  
22 to the spouse of the individual described in [this subsection](#)  
23 to the extent the spouse files jointly ~~or separately on the~~  
24 ~~combined return form~~ with the individual or when the spouse  
25 is a party with the individual to any matter for which the  
26 additional time period is allowed.

27 5. The director shall determine for the ~~1989~~ 2022 and each  
28 subsequent calendar year the annual and cumulative inflation  
29 factors for each calendar year to be applied to tax years  
30 beginning on or after January 1 of that calendar year. The  
31 director shall compute the new ~~dollar amounts~~ tax rates  
32 as specified to be adjusted in [section 422.5](#) by the latest  
33 cumulative inflation factor and round off the result to the  
34 nearest ~~one-dollar~~ one-hundredth of one percent. The annual  
35 and cumulative inflation factors determined by the director

1 are not rules as defined in section 17A.2, subsection 11. The  
2 ~~director shall determine for the 1990 calendar year and each~~  
3 ~~subsequent calendar year the annual and cumulative standard~~  
4 ~~deduction factors to be applied to tax years beginning on or~~  
5 ~~after January 1 of that calendar year. The director shall~~  
6 ~~compute the new dollar amounts of the standard deductions~~  
7 ~~specified in section 422.9, subsection 1, by the latest~~  
8 ~~cumulative standard deduction factor and round off the result~~  
9 ~~to the nearest ten dollars. The annual and cumulative standard~~  
10 ~~deduction factors determined by the director are not rules as~~  
11 ~~defined in section 17A.2, subsection 11.~~

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

19 Sec. 37. Section 422.32, subsection 1, paragraph h, Code  
20 2018, is amended to read as follows:

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

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

31 *a.* On the first twenty-five thousand dollars of taxable  
32 income, or any part thereof, the rate of six percent for tax  
33 years beginning prior to January 1, 2021, and the rate of  
34 five and one-half percent for tax years beginning on or after  
35 January 1, 2021.

1     **b.** On taxable income between twenty-five thousand dollars  
2 and one hundred thousand dollars or any part thereof, the rate  
3 of eight percent for tax years beginning prior to January 1,  
4 2021, and the rate of five and one-half percent for tax years  
5 beginning on or after January 1, 2021.

6     **c.** On taxable income between one hundred thousand dollars  
7 and two hundred fifty thousand dollars or any part thereof, the  
8 rate of ten percent for tax years beginning prior to January 1,  
9 2020, the rate of eight percent for tax years beginning during  
10 the 2020 calendar year, and the rate of five and one-half  
11 percent for tax years beginning on or after January 1, 2021.

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

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

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

22     The term "*net income*" means the taxable income ~~before the~~  
23 ~~net operating loss deduction,~~ as properly computed for federal  
24 income tax purposes under the Internal Revenue Code, with the  
25 following adjustments:

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

28     4. Subtract fifty percent of the federal income taxes paid  
29 or accrued, as the case may be, during the tax year to the  
30 extent payment is for a tax year beginning prior to January 1,  
31 2019, adjusted by any federal income tax refunds; and add the  
32 Iowa income tax deducted in computing said taxable income to  
33 the extent the tax was deducted for a tax year beginning prior  
34 to January 1, 2019.

35     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  
4 taxpayer is a small business corporation, subtract an amount  
5 equal to sixty-five percent of the wages paid to individuals,  
6 but not to exceed twenty thousand dollars per individual, named  
7 in subparagraphs (1), (2), and (3) who were hired for the first  
8 time by the taxpayer during the tax year for work done in this  
9 state:

10 Sec. 43. Section 422.35, subsection 6A, paragraph a,  
11 unnumbered paragraph 1, Code 2018, is amended to read as  
12 follows:

13 ~~If~~ For tax years beginning prior to January 1, 2022, if the  
14 taxpayer is a business corporation and does not qualify for  
15 the adjustment under **subsection 6**, subtract an amount equal to  
16 sixty-five percent of the wages paid to individuals, but shall  
17 not exceed twenty thousand dollars per individual, named in  
18 subparagraphs (1) and (2) who were hired for the first time by  
19 the taxpayer during the tax year for work done in this state:

20 Sec. 44. Section 422.35, subsection 11, Code 2018, is  
21 amended by striking the subsection and inserting in lieu  
22 thereof the following:

23 11. a. Add any federal net operating loss deduction carried  
24 over from a taxable year beginning prior to January 1, 2019.

25 b. Any Iowa net operating loss carried over from a taxable  
26 year beginning prior to January 1, 2019, may be deducted as  
27 provided in section 422.35, subsection 11, Code 2018.

28 Sec. 45. Section 422.35, Code 2018, is amended by adding the  
29 following new subsection:

30 NEW SUBSECTION. 23. The additional first-year depreciation  
31 allowance authorized in section 168(k) of the Internal Revenue  
32 Code does not apply in computing net income for state tax  
33 purposes. If the taxpayer has taken the additional first-year  
34 depreciation allowance for purposes of computing federal  
35 taxable income, then the taxpayer shall make the following

1 adjustments to federal taxable income when computing net income  
2 for state tax purposes:

3     a. Add the total amount of depreciation taken under section  
4 168(k) of the Internal Revenue Code for the tax year.

5     b. Subtract the amount of depreciation allowable under the  
6 modified accelerated cost recovery system described in section  
7 168 of the Internal Revenue Code and calculated without regard  
8 to section 168(k).

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

13     Sec. 46. Section 422.35, subsections 3, 5, 7, 8, 10, 16,  
14 17, 18, 19, 19A, 19B, 20, 22, and 24, Code 2018, are amended by  
15 striking the subsections.

16     Sec. 47. Section 541B.3, subsection 1, paragraph b, Code  
17 2018, is amended to read as follows:

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

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

26     **541B.6 Tax considerations.**

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

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

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

34                                   DIVISION III  
35                                   TAX CREDITS

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

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

13     Sec. 52. Section 15.119, subsection 2, paragraph a, Code  
14 2018, is amended by striking the paragraph and inserting in  
15 lieu thereof the following:

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

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

23     d. The tax credits for investments in qualifying businesses  
24 issued pursuant to [section 15E.43](#). In allocating tax credits  
25 pursuant to [this subsection](#), the authority shall not allocate  
26 ~~two more than four~~ million dollars for purposes of this  
27 paragraph, ~~unless the authority determines that the tax credits~~  
28 ~~awarded will be less than that amount.~~

29     e. The tax credits for investments in an innovation fund  
30 pursuant to [section 15E.52](#). In allocating tax credits pursuant  
31 to [this subsection](#) in a fiscal year in which the allocation for  
32 purposes of paragraph "d" does not exceed two million dollars,  
33 the authority shall not allocate more than eight million  
34 dollars for purposes of this paragraph, ~~unless the authority~~  
35 ~~determines that the tax credits awarded will be less than that~~

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~~ 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

1 eligible business. Taxes attributable to intangible property  
2 and furniture and furnishings shall not be refunded. ~~However,~~  
3 ~~an eligible business shall be entitled to a refund for taxes~~  
4 ~~attributable to racks, shelving, and conveyor equipment to be~~  
5 ~~used in a warehouse or distribution center subject to section~~  
6 ~~15.331C.~~

7 Sec. 56. Section 15.331C, Code 2018, is amended to read as  
8 follows:

9 **15.331C Corporate tax credit for certain sales taxes paid by**  
10 **third-party developer.**

11 1. An eligible business may claim a corporate tax credit  
12 in an amount equal to the sales and use taxes paid by a  
13 third-party developer under **chapter 423** for gas, electricity,  
14 water, or sewer utility services, goods, wares, or merchandise,  
15 or on services rendered, furnished, or performed to or for a  
16 contractor or subcontractor and used in the fulfillment of a  
17 written contract relating to the construction or equipping of  
18 a facility of the eligible business. Taxes attributable to  
19 intangible property and furniture and furnishings shall not  
20 be included, ~~but taxes attributable to racks, shelving, and~~  
21 ~~conveyor equipment to be used in a warehouse or distribution~~  
22 ~~center shall be included.~~ Any credit in excess of the tax  
23 liability for the tax year may be credited to the tax liability  
24 for the following seven years or until depleted, whichever  
25 occurs earlier. An eligible business may elect to receive a  
26 refund of all or a portion of an unused tax credit.

27 2. A third-party developer shall state under oath, on  
28 forms provided by the department of revenue, the amount of  
29 taxes paid as described in **subsection 1** and shall submit such  
30 forms to the department of revenue. ~~The taxes paid shall be~~  
31 ~~itemized to allow identification of the taxes attributable~~  
32 ~~to racks, shelving, and conveyor equipment to be used in a~~  
33 ~~warehouse or distribution center.~~ After receiving the form  
34 from the third-party developer, the department of revenue shall  
35 issue a tax credit certificate to the eligible business equal



1 to the sales and use taxes paid by a third-party developer  
2 under [chapter 423](#) for gas, electricity, water, or sewer  
3 utility services, goods, wares, or merchandise, or on services  
4 rendered, furnished, or performed to or for a contractor or  
5 subcontractor and used in the fulfillment of a written contract  
6 relating to the construction or equipping of a facility.

~~7 The department of revenue shall also issue a tax credit  
8 certificate to the eligible business equal to the taxes paid  
9 and attributable to racks, shelving, and conveyor equipment to  
10 be used in a warehouse or distribution center. The aggregate  
11 combined total amount of tax refunds under [section 15.331A](#) for  
12 taxes attributable to racks, shelving, and conveyor equipment  
13 to be used in a warehouse or distribution center and of tax  
14 credit certificates issued by the department of revenue for the  
15 taxes paid and attributable to racks, shelving, and conveyor  
16 equipment to be used in a warehouse or distribution center  
17 shall not exceed five hundred thousand dollars in a fiscal  
18 year. If an applicant for a tax credit certificate does not  
19 receive a certificate for the taxes paid and attributable  
20 to racks, shelving, and conveyor equipment to be used in a  
21 warehouse or distribution center, the application shall be  
22 considered in succeeding fiscal years. The eligible business  
23 shall not claim a tax credit under [this section](#) unless a tax  
24 credit certificate issued by the department of revenue is  
25 included with the taxpayer's tax return for the tax year for  
26 which the tax credit is claimed. A tax credit certificate  
27 shall contain the eligible business's name, address, tax  
28 identification number, the amount of the tax credit, and other  
29 information deemed necessary by the department of revenue.~~

30 Sec. 57. Section 15.335, subsection 7, paragraph b, Code  
31 2018, is amended by striking the paragraph and inserting in  
32 lieu thereof the following:

33 *b.* For purposes of this section, "*Internal Revenue Code*"  
34 means the same as defined in section 422.3.

35 Sec. 58. Section 15.335, subsection 8, Code 2018, is amended

1 by striking the subsection and inserting in lieu thereof the  
2 following:

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

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

8 a. Except as provided in paragraph "b", the tax credit shall  
9 equal ~~five~~ seven percent of the amount paid to the taxpayer  
10 under the agreement.

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

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

17 10. The amount of tax credit certificates that may be issued  
18 pursuant to [this section](#) shall not exceed ~~six~~ eight million  
19 dollars in any fiscal year. The authority shall issue the tax  
20 credit certificates on a first-come, first-served basis.

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

22 This chapter is repealed effective July 1, 2025.

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

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

28 Sec. 63. Section 404A.4, subsection 1, paragraph a, Code  
29 2018, is amended to read as follows:

30 a. Except as provided in [subsections 2 and 3](#), the authority  
31 shall not award in any one fiscal year an amount of tax credits  
32 provided in [section 404A.2](#) in excess of ~~forty-five~~ thirty-five  
33 million dollars.

34 Sec. 64. Section 404A.4, subsections 2 and 3, Code 2018, are  
35 amended by striking the subsections.

1     Sec. 65. NEW SECTION.   **404A.7 Future repeal.**

2     This chapter is repealed effective July 1, 2025.

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

5     NEW PARAGRAPH.   *Oa.* An individual shall only be eligible for  
6 the credit provided in this section if the business conducting  
7 the research meets all of the following requirements:

8     (1) (a) The business is engaged in the manufacturing,  
9 life sciences, software engineering, or aviation and aerospace  
10 industry.

11    (b) A person who is engaged in agricultural production  
12 as defined in section 423.1, or who is a contractor,  
13 subcontractor, builder, or a contractor-retailer that engages  
14 in commercial and residential repair and installation,  
15 including but not limited to heating or cooling installation  
16 and repair, plumbing and pipe fitting, security system  
17 installation, or electrical installation and repair, does not  
18 qualify under subparagraph division (a) and is not eligible  
19 for the credit. For purposes of this subparagraph division,  
20 "*contractor-retailer*" means a business that makes frequent  
21 retail sales to the public or to other contractors and that  
22 also engages in the performance of construction contracts.

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

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

29    NEW PARAGRAPH.   *Oa.* For purposes of this section, "*base*  
30 *amount*" means the product of the fixed-based percentage times  
31 the average annual gross receipts of the taxpayer for the four  
32 taxable years preceding the taxable year for which the credit  
33 is being determined, but in no event shall the base amount be  
34 less than fifty percent of the qualified research expenses for  
35 the credit year.

1     Sec. 68. Section 422.10, subsection 3, paragraph a, Code  
2 2018, is amended to read as follows:

3     a. For purposes of **this section**, ~~“base amount”~~, ~~“basic~~  
4 ~~research payment”~~, and ~~“qualified research expense”~~ mean the  
5 same as defined for the federal credit for increasing research  
6 activities under section 41 of the Internal Revenue Code,  
7 except that for the alternative simplified credit such amounts  
8 are for research conducted within this state.

9     Sec. 69. Section 422.10, subsection 3, paragraph b, Code  
10 2018, is amended by striking the paragraph.

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

13     **422.11B Minimum tax credit.**

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

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

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

32     b. The net minimum tax for a tax year is the excess, if  
33 any, of the tax determined in **section 422.5, subsection 2,**  
34 Code 2018, for the tax year over the tax determined in section  
35 422.5, 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 on January 1,  
7 2020.

8 Sec. 72. Section 422.11S, subsection 6, paragraph a, Code  
9 2018, is amended to read as follows:

10 a. *"Eligible student"* means a student who is a member of a  
11 household whose total annual income during the calendar year  
12 before the student receives a tuition grant for purposes of  
13 this section does not exceed an amount equal to ~~three~~ four  
14 times the most recently published federal poverty guidelines in  
15 the federal register by the United States department of health  
16 and human services.

17 Sec. 73. Section 422.11S, subsection 8, paragraph a,  
18 subparagraph (2), Code 2018, is amended to read as follows:

19 (2) *"Total approved tax credits"* means for the tax year  
20 beginning in the 2006 calendar year, two million five hundred  
21 thousand dollars, for the tax year beginning in the 2007  
22 calendar year, five million dollars, for tax years beginning  
23 on or after January 1, 2008, but before January 1, 2012, seven  
24 million five hundred thousand dollars, for tax years beginning  
25 on or after January 1, 2012, but before January 1, 2014, eight  
26 million seven hundred fifty thousand dollars, and for tax years  
27 beginning on or after January 1, 2014, but before January 1,  
28 2019, twelve million dollars, and for tax years beginning on or  
29 after January 1, 2019, thirteen million dollars.

30 Sec. 74. Section 422.12, subsection 2, paragraph b, Code  
31 2018, is amended to read as follows:

32 b. A For tax years beginning before January 1, 2022, a  
33 tuition credit equal to twenty-five percent of the first one  
34 thousand dollars which the taxpayer has paid to others for each  
35 dependent in grades kindergarten through twelve, for tuition

1 and textbooks of each dependent in attending an elementary or  
2 secondary school situated in Iowa, which school is accredited  
3 or approved under [section 256.11](#), which is not operated for  
4 profit, and which adheres to the provisions of the federal  
5 Civil Rights Act of 1964 and [chapter 216](#). Notwithstanding  
6 any other provision, all other credits allowed under this  
7 subsection shall be deducted before the tuition credit under  
8 this paragraph. The department, when conducting an audit of  
9 a taxpayer's return, shall also audit the tuition tax credit  
10 portion of the tax return.

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

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

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

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

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

33 NEW PARAGRAPH. *0e.* A corporation shall only be  
34 eligible for the credit provided in this subsection if the  
35 business conducting the research meets all of the following

1 requirements:

2 (1) (a) The business is engaged in the manufacturing,  
3 life sciences, software engineering, or aviation and aerospace  
4 industry.

5 (b) A person who is engaged in agricultural production  
6 as defined in section 423.1, or who is a contractor,  
7 subcontractor, builder, or a contractor-retailer that engages  
8 in commercial and residential repair and installation,  
9 including but not limited to heating or cooling installation  
10 and repair, plumbing and pipe fitting, security system  
11 installation, or electrical installation and repair, does not  
12 qualify under subparagraph division (a) and is not eligible  
13 for the credit. For purposes of this subparagraph division,  
14 "*contractor-retailer*" means a business that makes frequent  
15 retail sales to the public or to other contractors and that  
16 also engages in the performance of construction contracts.

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

21 Sec. 78. Section 422.33, subsection 5, paragraph e, Code  
22 2018, is amended by adding the following new subparagraph:

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

30 Sec. 79. Section 422.33, subsection 5, paragraph e,  
31 subparagraph (1), Code 2018, is amended to read as follows:

32 (1) For purposes of **this subsection**, "~~*base amount*~~", "*basic*  
33 *research payment*", and "*qualified research expense*" mean the  
34 same as defined for the federal credit for increasing research  
35 activities under section 41 of the Internal Revenue Code,

1 except that for the alternative simplified credit such amounts  
2 are for research conducted within this state.

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

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

8 7. a. (1) ~~There~~ For tax years beginning before January 1,  
9 2020, there is allowed as a credit against the tax determined  
10 in [subsection 1](#) for a tax year an amount equal to the minimum  
11 tax credit for that tax year.

12 (2) The minimum tax credit for a tax year is the excess,  
13 if any, of the net minimum tax imposed for all prior tax years  
14 beginning on or after January 1, 1987, but before January  
15 1, 2019, over the amount allowable as a credit under this  
16 subsection for those prior tax years.

17 b. (1) The allowable credit under paragraph "a" for a tax  
18 year beginning before January 1, 2019, shall not exceed the  
19 excess, if any, of the tax determined in [subsection 1](#) over  
20 the state alternative minimum tax as determined in subsection  
21 4. The allowable credit under paragraph "a" for a tax year  
22 beginning in the 2019 calendar year shall not exceed the tax  
23 determined in subsection 1.

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

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

29 Sec. 82. 2018 INTERIM TAX CREDIT STUDY. The legislative tax  
30 expenditure committee created in section 2.45 shall study all  
31 tax credits available under Iowa law during the 2018 interim.  
32 The study shall comprehensively review and evaluate each tax  
33 credit to assess its cost, equity, simplicity, competitiveness,  
34 public purpose, adequacy, effectiveness, and the extent of  
35 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.

9     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.

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

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

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

17     Sec. 87. EFFECTIVE DATE AND APPLICABILITY.

18     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.

21     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.

25     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.

28     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.

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

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

35     7. The sections of this division of this Act enacting

1 section 422.10, subsection 1, paragraph "0a", and enacting  
2 section 422.33, subsection 5, paragraph "0e", being deemed of  
3 immediate importance, take effect upon enactment, and apply  
4 retroactively to January 1, 2018, for tax years beginning on or  
5 after that date and for tax returns, including amended returns,  
6 filed on or after that date for any tax year.

7 8. The sections of this division of this Act amending  
8 section 422.10, subsection 3, paragraph "a", and section  
9 422.33, subsection 5, paragraph "e", subparagraph (1), and  
10 enacting section 422.10, subsection 3, paragraph "0a", and  
11 section 422.33, subsection 5, paragraph "e", subparagraph  
12 (01), being deemed of immediate importance, take effect upon  
13 enactment, and apply retroactively to January 1, 2010, for tax  
14 years beginning on or after that date.

15 9. The section of this division of this Act amending section  
16 15.329, subsection 1, paragraph "f", takes effect July 1, 2018.

17 10. The section of this division of this Act amending  
18 section 403.19A, subsection 3, paragraph "c", subparagraph (2),  
19 takes effect July 1, 2018.

20 11. The section of this division of this Act establishing  
21 a 2018 interim tax credit study by the legislative tax  
22 expenditure committee takes effect July 1, 2018.

23 DIVISION IV

24 FRANCHISE TAX AND MONEYS AND CREDITS TAX

25 Sec. 88. Section 15.293A, subsection 1, paragraph a, Code  
26 2018, is amended to read as follows:

27 a. A redevelopment tax credit shall be allowed against  
28 the taxes imposed in [chapter 422, divisions II, III, and V](#),  
29 and in [chapter 432](#), and ~~against the moneys and credits tax~~  
30 ~~imposed in [section 533.329](#)~~, for a portion of a taxpayer's  
31 equity investment, as provided in [subsection 3](#), in a qualifying  
32 redevelopment project.

33 Sec. 89. Section 15.293A, subsection 2, paragraphs c and f,  
34 Code 2018, are amended to read as follows:

35 c. The tax credit certificate, unless rescinded by the

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

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

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

23 1. An eligible business may claim a tax credit equal to a  
24 percentage of the new investment directly related to new jobs  
25 created or retained by the project. The tax credit shall be  
26 amortized equally over five calendar years. The tax credit  
27 shall be allowed against taxes imposed under chapter 422,  
28 division II, III, or V, ~~and against the moneys and credits tax~~  
29 ~~imposed in [section 533.329](#)~~. If the business is a partnership,  
30 S corporation, limited liability company, cooperative organized  
31 under [chapter 501](#) and filing as a partnership for federal tax  
32 purposes, or estate or trust electing to have the income taxed  
33 directly to the individual, an individual may claim the tax  
34 credit allowed. The amount claimed by the individual shall  
35 be based upon the pro rata share of the individual's earnings

1 of the partnership, S corporation, limited liability company,  
2 cooperative organized under [chapter 501](#) and filing as a  
3 partnership for federal tax purposes, or estate or trust. The  
4 percentage shall be determined as provided in [section 15.335A](#).  
5 Any tax credit in excess of the tax liability for the tax year  
6 may be credited to the tax liability for the following seven  
7 years or until depleted, whichever occurs first.

8 Sec. 91. Section 15.355, subsection 3, paragraph b, Code  
9 2018, is amended to read as follows:

10 b. The tax credit shall be allowed against the taxes imposed  
11 in [chapter 422, divisions II, III, and V](#), and in [chapter 432](#),  
12 ~~and against the moneys and credits tax imposed in section~~  
13 ~~533.329~~.

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

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

25 (6) A tax credit shall not be claimed by a transferee  
26 under [this section](#) until a replacement tax credit certificate  
27 identifying the transferee as the proper holder has been  
28 issued. The transferee may use the amount of the tax credit  
29 transferred against the taxes imposed in [chapter 422, divisions](#)  
30 [II, III, and V](#), and in [chapter 432](#), ~~and against the moneys and~~  
31 ~~credits tax imposed in [section 533.329](#)~~, for any tax year the  
32 original transferor could have claimed the tax credit. Any  
33 consideration received for the transfer of the tax credit shall  
34 not be included as income under [chapter 422, divisions II,](#)  
35 [III, and V](#). Any consideration paid for the transfer of the tax

1 credit shall not be deducted from income under chapter 422,  
2 divisions II, III, and V.

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

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

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

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

27 4. After verifying the eligibility of a qualifying  
28 business, the authority shall issue a tax credit certificate  
29 to be included with the equity investor's tax return. The tax  
30 credit certificate shall contain the taxpayer's name, address,  
31 tax identification number, the amount of credit, the name of  
32 the qualifying business, and other information required by the  
33 department of revenue. The tax credit certificate, unless  
34 rescinded by the authority, shall be accepted by the department  
35 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,

1 there is imposed upon each financial institution doing business  
2 within the state and that is not exempt from the federal income  
3 tax, the greater of the tax determined in [section 422.63](#) or  
4 the state alternative minimum tax equal to sixty percent of  
5 the maximum state franchise tax rate, rounded to the nearest  
6 one-tenth of one percent, of the state alternative minimum  
7 taxable income of the taxpayer computed under [this subsection](#).

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

10 (1) ~~There~~ For a financial institution that is not exempt  
11 from the federal income tax, there is allowed as a credit  
12 against the tax determined in [section 422.63](#) for a tax year an  
13 amount equal to the minimum tax credit for that tax year.

14 Sec. 102. Section 422.61, subsections 1, 3, and 4, Code  
15 2018, are amended to read as follows:

16 1. "*Financial institution*" means a state bank as defined  
17 in [section 524.103, subsection 41](#), a state bank chartered  
18 under the laws of any other state, a national banking  
19 association, a trust company, a federally chartered savings  
20 and loan association, an out-of-state state chartered savings  
21 bank, a credit union as defined in section 533.102 that is  
22 incorporated or organized under chapter 533 or under the laws  
23 of another state, a financial institution chartered by the  
24 federal home loan bank board, a non-Iowa chartered savings and  
25 loan association, ~~or~~ a production credit association, or an  
26 agricultural credit association that is a member of the farm  
27 credit system under the federal Farm Credit Act, 12 U.S.C. ch.  
28 23, as amended.

29 3. a. "*Net income*" means one of the following:

30 (1) For a financial institution that is exempt from the  
31 federal income tax, the total revenue less total expenses as  
32 properly reported on the financial institution's internal  
33 revenue service form 990 covering the same period, with the  
34 adjustments in paragraph "b" to the extent the taxes, income,  
35 and deductions described in such adjustments are applicable



1 to the financial institution's calculation of revenues and  
2 expenses as determined by the director by rule.

3 (2) For any other financial institution, the net income of  
4 the financial institution computed in accordance with section  
5 422.35, with the following adjustments: in paragraph "b".

6 b. Applicable adjustments in computing "net income":

7 ~~a.~~ (1) Federal income taxes paid or accrued shall not be  
8 subtracted.

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

19 ~~c.~~ (3) Interest and dividends from federal securities shall  
20 not be subtracted.

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

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

30 ~~f.~~ (6) A deduction shall not be allowed for that portion of  
31 the taxpayer's expenses computed under this paragraph which is  
32 allocable to an investment in an investment subsidiary. The  
33 portion of the taxpayer's expenses which is allocable to an  
34 investment in an investment subsidiary is an amount which bears  
35 the same ratio to the taxpayer's expenses as the taxpayer's

1 average adjusted basis, as computed pursuant to section 1016  
2 of the Internal Revenue Code, of investment in that investment  
3 subsidiary bears to the average adjusted basis for all assets  
4 of the taxpayer. The portion of the taxpayer's expenses that  
5 is computed and disallowed under this paragraph shall be added.  
6 ~~9-~~ (7) Where a financial institution as defined in section  
7 581 of the Internal Revenue Code is not subject to income tax  
8 and the shareholders of the financial institution are taxed on  
9 the financial institution's income under the provisions of the  
10 Internal Revenue Code, such tax treatment shall be disregarded  
11 and the financial institution shall compute its net income for  
12 franchise tax purposes in the same manner under **this subsection**  
13 as a financial institution that is subject to or liable for  
14 federal income tax under the Internal Revenue Code in effect  
15 for the applicable year.

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

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

24 **422.62 Due and delinquent dates.**

25 The franchise tax is due and payable on the first day  
26 following the end of the taxable year of each financial  
27 institution, and for a financial institution that is exempt  
28 from the federal income tax, the franchise tax is delinquent  
29 after the last day of the fifth month following the due date.  
30 For all other financial institutions, the franchise tax is  
31 delinquent after the last day of the fourth month following the  
32 due date or forty-five days after the due date of the federal  
33 tax return, excluding extensions of time to file, whichever is  
34 the later. Every financial institution shall file a return as  
35 prescribed by the director on or before the delinquency date.

1     Sec. 104. Section 422.63, Code 2018, is amended to read as  
2 follows:

3     **422.63 Amount of tax.**

4     1. The franchise tax is imposed annually in an amount ~~equal~~  
5 ~~to five percent of~~ computed by applying the following rates  
6 of taxation to the net income received or accrued during the  
7 taxable year:

8     a. On net income from zero to seven million five hundred  
9 thousand dollars, two percent.

10    b. On net income exceeding seven million five hundred  
11 thousand dollars, four percent.

12    2. If the net income of the financial institution is derived  
13 from its business carried on entirely within the state, the tax  
14 in subsection 1 shall be imposed on the entire net income, but  
15 if the business is carried on partly within and partly without  
16 the state, the tax in subsection 1 shall be imposed on the  
17 portion of net income reasonably attributable to the business  
18 within the state, which net income shall be specifically  
19 allocated or equitably apportioned within and without the state  
20 under rules of the director.

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

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

35    Sec. 107. EFFECTIVE DATE. This division of this Act takes

1 effect January 1, 2019.

2 Sec. 108. APPLICABILITY. This division of this Act applies  
3 to tax years beginning on or after January 1, 2019.

4 DIVISION V

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

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

9 **12D.1 Purpose and definitions.**

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

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

33 a. "Account balance limit" means the maximum allowable  
34 aggregate balance of accounts established for the same  
35 beneficiary. Account earnings, if any, are included in the

1 account balance limit.

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

4 *c.* "Beneficiary" means the individual designated by a  
5 participation agreement to benefit from advance payments of  
6 ~~higher education costs~~ qualified education expenses on behalf  
7 of the beneficiary.

8 *d.* "Benefits" means the payment of ~~higher education costs~~  
9 qualified education expenses on behalf of a beneficiary by the  
10 trust during the beneficiary's attendance at an ~~institution of~~  
11 ~~higher education~~ a qualified educational institution.

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

15 ~~*f.*~~ *e.* "Institution of higher education" means an institution  
16 described in section 481 of the federal Higher Education Act of  
17 1965, 20 U.S.C. §1088, which is eligible to participate in the  
18 United States department of education's student aid programs.

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

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

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

30 ~~*j.*~~ *i.* "Participation agreement" means an agreement between  
31 a participant and the trust entered into under [this chapter](#).

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

34 *k.* "Qualified education expenses" means the same as  
35 "qualified higher education expenses" as defined in section

1 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.  
2 No. 115-97, and shall include elementary and secondary school  
3 expenses for tuition described in section 529(c)(7) of the  
4 Internal Revenue Code, subject to the limitations imposed by  
5 section 529(e)(3)(A) of the Internal Revenue Code.

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

10 ~~1. m. "Tuition and fees" "Tuition" means the quarter, or~~  
11 ~~semester, or annual charges imposed to attend an institution~~  
12 ~~of higher education a qualified educational institution and~~  
13 ~~required as a condition of enrollment or attendance.~~

14 Sec. 110. Section 12D.2, subsections 2, 5, 9, and 14, Code  
15 2018, are amended to read as follows:

16 2. Enter into agreements with any ~~institution of higher~~  
17 ~~education~~ qualified educational institution, the state, or any  
18 federal or other state agency, or other entity as required to  
19 implement [this chapter](#).

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

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

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

35 Sec. 111. Section 12D.3, subsections 1 and 2, Code 2018, are

1 amended to read as follows:

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

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

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

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

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

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

33 ~~d. Graduate from the institution of higher education~~  
34 qualified educational institution.

35 Sec. 112. Section 12D.3, Code 2018, is amended by adding the

1 following new subsection:

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

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

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

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

19 **12D.4 Program and administrative funds — investment and**  
20 **payments.**

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

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

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

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

34 e. The amount of cash distributions from the trust and all  
35 other qualified state tuition programs under section 529 of



1 the Internal Revenue Code to a beneficiary during any taxable  
2 year shall, in the aggregate, include no more than ten thousand  
3 dollars in expenses for tuition in connection with enrollment  
4 at an elementary or secondary public, private, or religious  
5 school incurred during the taxable year.

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

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

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

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

19 2. In the event the program is terminated prior to payment  
20 of ~~higher education costs~~ qualified education expenses for the  
21 beneficiary, the participant is entitled to a refund of the  
22 participant's account balance.

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

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

33 The transfer shall be made and the property distributed in  
34 accordance with rules adopted by the treasurer of state or with  
35 the terms of the participation agreement.

1     Sec. 116. Section 12D.7, Code 2018, is amended to read as  
2 follows:

3     **12D.7 Effect of payments on determination of need and**  
4 **eligibility for student financial aid.**

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

13     Sec. 117. Section 12D.9, subsection 1, paragraph a, Code  
14 2018, is amended to read as follows:

15     a. Pursuant to [section 12D.3, subsection 1](#), paragraph "a",  
16 a participant may make contributions to an account which is  
17 established for the purpose of meeting the qualified ~~higher~~  
18 education expenses of the designated beneficiary of the  
19 account.

20     Sec. 118. Section 422.7, subsection 32, paragraph c, Code  
21 2018, is amended by striking the paragraph and inserting in  
22 lieu thereof the following:

23     c. (1) Add, to the extent previously deducted as a  
24 contribution to the trust, the amount resulting from a  
25 withdrawal or transfer made by the taxpayer from the Iowa  
26 educational savings plan trust for purposes other than any of  
27 the following:

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

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

31         (c) A change in beneficiaries under, or transfer to another  
32 account within, the Iowa educational savings plan trust, or a  
33 transfer to the Iowa ABLE savings plan trust, provided such  
34 change or transfer is permitted under section 12D.6, subsection  
35 5.

1 (2) For purposes of this paragraph:

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

6 (b) "*Institution of higher education*", "*qualified education*  
7 *expenses*", and "*tuition*" all mean the same as defined in section  
8 12D.1, subsection 2.

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

11 (ii) For purposes of this subparagraph division (c),  
12 "*Internal Revenue Code*" means the Internal Revenue Code of  
13 1954, prior to the date of its redesignation as the Internal  
14 Revenue Code of 1986 by the Tax Reform Act of 1986, or means  
15 the Internal Revenue Code of 1986 as amended and in effect on  
16 January 1, 2018. This definition shall not be construed to  
17 include any amendment to the Internal Revenue Code enacted  
18 after the date specified in the preceding sentence, including  
19 any amendment with retroactive applicability or effectiveness.

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

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

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

1 savings plan trust.

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

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

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

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

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

33     Sec. 122. RETROACTIVE APPLICABILITY.

34     1. Except as provided in subsection 2, this division of this  
35 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 DIVISION VI

9 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,~~ 423.2A 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

1 new state hotel and motel tax revenues collected within each  
2 district and deposited in the fund pursuant to [section 423A.6](#).  
3 Moneys deposited in the fund are appropriated to the department  
4 for the purposes of [this section](#). Moneys in the fund shall  
5 only be used for the purposes of [this section](#).

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

8 1. The department of revenue shall calculate quarterly the  
9 amount of increased sales tax revenues for each governmental  
10 entity approved to use sales tax increment revenues and the  
11 amount of such revenues to be transferred to the sales tax  
12 increment fund pursuant to [section 423.2, subsection 11](#),  
13 ~~paragraph "b"~~ [423.2A, subsection 2](#).

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

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

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

29 **421.26 Personal liability for tax due.**

30 If a licensee or other person under [section 452A.65](#), a  
31 retailer or purchaser under [chapter 423A, 423B, or 423E](#), or  
32 [section sections 423.14, 423.14A, 423.29, 423.31, 423.32, or](#)  
33 ~~423.33, or a retailer or purchaser under [section 423.32](#), or~~  
34 a user under [section 423.34](#), or a permit holder or licensee  
35 under [section 453A.13, 453A.16, or 453A.44](#) fails to pay a tax

1 under those sections when due, an officer of a corporation  
2 or association, notwithstanding [section 489.304](#), a member or  
3 manager of a limited liability company, or a partner of a  
4 partnership, having control or supervision of or the authority  
5 for remitting the tax payments and having a substantial legal  
6 or equitable interest in the ownership of the corporation,  
7 association, limited liability company, or partnership, who has  
8 intentionally failed to pay the tax is personally liable for  
9 the payment of the tax, interest, and penalty due and unpaid.  
10 However, [this section](#) shall not apply to taxes on accounts  
11 receivable. The dissolution of a corporation, association,  
12 limited liability company, or partnership shall not discharge a  
13 person's liability for failure to remit the tax due.

14 Sec. 129. Section 423.1, subsection 5, Code 2018, is amended  
15 to read as follows:

16 5. "*Agricultural production*" ~~includes~~ means the commercial  
17 production of livestock, milk, honey, eggs, or plants,  
18 including but not limited to flowering, ornamental, or  
19 vegetable plants in commercial greenhouses or otherwise,  
20 and commercial production from aquaculture, and commercial  
21 production from silvicultural activities. "*Agricultural*  
22 *products*" includes flowering, ornamental, or vegetable plants  
23 and those products of aquaculture and silviculture.

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

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

1 information, and other similar services.

2 Sec. 131. Section 423.1, subsection 24, paragraph a, Code  
3 2018, is amended to read as follows:

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

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

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

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

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

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

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

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

34 47. "*Retailer*" means and includes every person engaged  
35 in the business of selling tangible personal property,



1 specified digital products, or taxable services at retail, or  
2 the furnishing of gas, electricity, water, or communication  
3 service, and tickets or admissions to places of amusement  
4 and athletic events or operating amusement devices or other  
5 forms of commercial amusement from which revenues are derived.  
6 However, when in the opinion of the director it is necessary  
7 for the efficient administration of **this chapter** to regard  
8 any salespersons, representatives, truckers, peddlers, or  
9 canvassers as agents of the dealers, distributors, supervisors,  
10 employers, or persons under whom they operate or from whom  
11 they obtain tangible personal property, services, or specified  
12 digital products sold by them irrespective of whether or not  
13 they are making sales on their own behalf or on behalf of such  
14 dealers, distributors, supervisors, employers, or persons,  
15 the director may so regard them, and may regard such dealers,  
16 distributors, supervisors, employers, or persons as retailers  
17 for the purposes of **this chapter**. "Retailer" includes a seller  
18 obligated to collect sales or use tax, including any person  
19 obligated to collect sales and use tax pursuant to section  
20 423.14A.

21 Sec. 136. Section 423.1, subsection 48, paragraph a, Code  
22 2018, is amended to read as follows:

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

25 (1) A retailer having or maintaining within this state,  
26 directly or by a subsidiary, an office, distribution house,  
27 sales house, warehouse, or other place of business, or any  
28 representative operating within this state under the authority  
29 of the retailer or its subsidiary, irrespective of whether that  
30 place of business or representative is located here permanently  
31 or temporarily, or whether the retailer or subsidiary is  
32 admitted to do business within this state pursuant to chapter  
33 490.

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

1     Sec. 137. Section 423.1, subsection 48, paragraph b,  
2 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended  
3 to read as follows:

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

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

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

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

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

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

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

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

30     NEW SUBSECTION. 55B. *a.* "*Specified digital products*" means  
31 electronically transferred digital audio-visual works, digital  
32 audio works, digital books, or other digital products.

33     *b.* For purposes of this subsection:

34     (1) "*Digital audio-visual works*" means a series of related  
35 images which, when shown in succession, impart an impression of

1 motion, together with accompanying sounds, if any.

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

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

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

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

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

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

29 Sec. 143. Section 423.1, subsections 62, 63, and 64, Code  
30 2018, are amended to read as follows:

31 62. *"Use"* means and includes the exercise by any person of  
32 any right or power over or access to tangible personal property  
33 or a specified digital product incident to the ownership of  
34 that property, or any right or power over or access to the  
35 product or result of a service. A retailer's or building

1 contractor's sale of manufactured housing for use in this  
2 state, whether in the form of tangible personal property or  
3 of realty, is a use of that property for the purposes of this  
4 chapter.

5 63. "Use tax" means the tax levied under subchapter III of  
6 this chapter ~~for which the retailer collects and remits tax to~~  
7 ~~the department.~~

8 64. "User" means the immediate recipient of the personal  
9 property or services who is entitled to exercise a right ~~of~~ or  
10 power over or access to the personal property, or the product  
11 or result of such services.

12 Sec. 144. Section 423.2, subsection 1, paragraph a,  
13 subparagraph (1), Code 2018, is amended to read as follows:

14 (1) Sales of engraving, ~~photography, retouching,~~ printing,  
15 and binding services.

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

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

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

21 b. Armored car; ~~vehicle.~~

22 c. Vehicle repair; ~~battery.~~

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

24 e. Investment counseling; ~~service.~~

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

26 For the purposes of this paragraph, "financial institutions"  
27 means all national banks, federally chartered savings and loan  
28 associations, federally chartered savings banks, federally  
29 chartered credit unions, banks organized under chapter 524,  
30 credit unions organized under chapter 533, and all banks,  
31 savings banks, credit unions, and savings and loan associations  
32 chartered or otherwise created under the laws of any state and  
33 doing business in Iowa.

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

35 h. Boat repair; ~~vehicle.~~

- 1 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~
- 2 j. Campgrounds.
- 3 k. Carpentry.
- 4 l. Roof, shingle, and glass repair; ~~dance.~~
- 5 m. Dance schools and dance studios; ~~dating.~~
- 6 n. Dating services; ~~dry.~~
- 7 o. Dry cleaning, pressing, dyeing, and laundering excluding
- 8 the use of self-pay washers and dryers; ~~electrical.~~
- 9 p. Electrical and electronic repair and installation;
- 10 excavating.
- 11 q. Excavating and grading; ~~farm.~~
- 12 r. Farm implement repair of all kinds; ~~flying.~~
- 13 s. Flying service; ~~furniture.~~
- 14 t. Furniture, rug, carpet, and upholstery repair and
- 15 cleaning; ~~fur.~~
- 16 u. Fur storage and repair; ~~golf.~~
- 17 v. Golf and country clubs and all commercial recreation;
- 18 gun.
- 19 w. Gun and camera repair; ~~house.~~
- 20 x. House and building moving; ~~household.~~
- 21 y. Household appliance, television, and radio repair;
- 22 janitorial.
- 23 z. Janitorial and building maintenance or cleaning; ~~jewelry.~~
- 24 aa. Jewelry and watch repair; ~~lawn.~~
- 25 ab. Lawn care, landscaping, and tree trimming and removal;
- 26 ac. Personal transportation service, including but not
- 27 limited to taxis, driver service, ride sharing service, rides
- 28 for hire, and limousine service; ~~including driver; machine.~~
- 29 ad. Machine operator; ~~machine.~~
- 30 ae. Machine repair of all kinds; ~~motor.~~
- 31 af. Motor repair; ~~motorcycle.~~
- 32 ag. Motorcycle, scooter, and bicycle repair; ~~oilers.~~
- 33 ah. Oilers and lubricators; ~~office.~~
- 34 ai. Office and business machine repair; ~~painting.~~
- 35 aj. Painting, papering, and interior decorating; ~~parking.~~

- 1 ak. Parking facilities; ~~pay.~~
- 2 al. Pay television; ~~pet,~~ including but not limited to  
3 streaming video, video on-demand, and pay-per-view.
- 4 am. Pet grooming; ~~pipe.~~
- 5 an. Pipe fitting and plumbing; ~~wood.~~
- 6 ao. Wood preparation; ~~executive.~~
- 7 ap. Executive search agencies; ~~private.~~
- 8 aq. Private employment agencies, excluding services for  
9 placing a person in employment where the principal place of  
10 employment of that person is to be located outside of the  
11 state; ~~reflexology; security.~~
- 12 ar. Reflexology.
- 13 as. Security and detective services, excluding private  
14 security and detective services furnished by a peace officer  
15 with the knowledge and consent of the chief executive officer  
16 of the peace officer's law enforcement agency; ~~sewage.~~
- 17 at. Sewage services for nonresidential commercial  
18 operations; ~~sewing.~~
- 19 au. Sewing and stitching; ~~shoe.~~
- 20 av. Shoe repair and shoeshine; ~~sign.~~
- 21 aw. Sign construction and installation; ~~storage.~~
- 22 ax. Storage of household goods, mini-storage, and  
23 warehousing of raw agricultural products; ~~swimming.~~
- 24 ay. Swimming pool cleaning and maintenance; ~~tanning.~~
- 25 az. Tanning beds or salons; ~~taxidermy.~~
- 26 ba. Taxidermy services; ~~telephone.~~
- 27 bb. Telephone answering service; ~~test.~~
- 28 bc. Test laboratories, including mobile testing laboratories  
29 and field testing by testing laboratories, and excluding tests  
30 on humans or animals and excluding environmental testing  
31 services; ~~termite.~~
- 32 bd. Termite, bug, roach, and pest eradicators; ~~tin.~~
- 33 be. Tin and sheet metal repair; ~~transportation.~~
- 34 bf. Transportation service consisting of the rental of  
35 recreational vehicles or recreational boats, or the rental of

1 vehicles subject to registration which are registered for a  
2 gross weight of thirteen tons or less for a period of sixty  
3 days or less, or the rental of aircraft for a period of sixty  
4 days or less;.

5 bg. Turkish baths, massage, and reducing salons, excluding  
6 services provided by massage therapists licensed under chapter  
7 152C; ~~water.~~

8 bh. Water conditioning and softening; ~~weighing; welding;~~  
9 ~~well.~~

10 bi. Weighing.

11 bj. Welding.

12 bk. Well drilling; ~~wrapping.~~

13 bl. Wrapping, packing, and packaging of merchandise other  
14 than processed meat, fish, fowl, and vegetables; ~~wrecking.~~

15 bm. Wrecking service; ~~wrecker.~~

16 bn. Wrecker and towing.

17 ~~b.~~ For the purposes of ~~this subsection,~~ "*financial*  
18 *institutions*" means all national banks, federally chartered  
19 savings and loan associations, federally chartered savings  
20 banks, federally chartered credit unions, banks organized under  
21 ~~chapter 524,~~ credit unions organized under ~~chapter 533,~~ and  
22 all banks, savings banks, credit unions, and savings and loan  
23 associations chartered or otherwise created under the laws of  
24 any state and doing business in Iowa.

25 bo. Photography.

26 bp. Retouching.

27 bq. Storage of tangible or electronic files, documents, or  
28 other records.

29 br. Information services.

30 bs. Services arising from or related to installing,  
31 maintaining, servicing, repairing, operating, upgrading, or  
32 enhancing specified digital products.

33 bt. Video game services and tournaments.

34 bu. Software as a service.

35 Sec. 146. Section 423.2, subsection 8, Code 2018, is amended

1 by adding the following new paragraph:

2 NEW PARAGRAPH. *d.* A transaction that otherwise meets  
3 the definition of "*bundled transaction*" as defined in this  
4 subsection is not a bundled transaction if it is any of the  
5 following:

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

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

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

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

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

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

33 (b) The seller's purchase price or sales price of the  
34 taxable tangible personal property is fifty percent or less  
35 of the total purchase price or sales price of the bundled



1 tangible personal property. Sellers may not use a combination  
2 of the purchase price and sales price of the tangible personal  
3 property when making the fifty percent determination for a  
4 transaction.

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

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

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

21 Sec. 148. Section 423.2, subsections 10, 11, and 12, Code  
22 2018, are amended by striking the subsections.

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

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

28 *b.* Subsequent to the deposit into the general fund of  
29 the state, the director shall credit an amount equal to the  
30 product of the sales tax rate imposed in section 423.2 times  
31 the sales price of the tangible personal property or services  
32 furnished to purchasers at a baseball and softball complex that  
33 has received an award under section 15F.207 and that meets  
34 the qualifications of section 423.4, subsection 10, into the  
35 baseball and softball complex sales tax rebate fund created

1 under section 423.4, subsection 10, paragraph "e". The director  
2 shall credit the moneys beginning the first day of the quarter  
3 following July 1, 2016. This paragraph is repealed thirty  
4 days following the date on which five million dollars in total  
5 rebates have been provided under section 423.4, subsection 10.

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

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

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

14 c. Transfer one-sixth of the remaining revenues to the  
15 secure an advanced vision for education fund created in section  
16 423F.2. This paragraph "c" is repealed December 31, 2029.

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

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

35 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

1 made by operation of this subsection. Revenues retained by  
2 the department pursuant to this subsection shall be considered  
3 repayment receipts as defined in section 8.2.

4 Sec. 150. Section 423.3, subsections 1, 2, and 17, Code  
5 2018, are amended to read as follows:

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

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

14 a. Sales, other than leases or rentals, which are sales  
15 to nonqualified dealers of machinery, equipment, attachments,  
16 and replacement parts specifically enumerated in [subsection 37](#)  
17 and used in the manner described in [subsection 37](#) ~~or the~~. For  
18 purposes of this paragraph, "nonqualified dealer" means any  
19 dealer who is not a party to a dealership agreement, as those  
20 terms are defined in section 322F.1.

21 b. The purchase of tangible personal property, the leasing  
22 or rental of which is exempted from tax by [subsection 49](#).

23 17. The sales price of all ~~goods, wares, or merchandise,~~  
24 tangible personal property, specified digital products, or  
25 services, used for educational purposes sold to any private  
26 nonprofit educational institution in this state. For the  
27 purpose of [this subsection](#), "educational institution" means an  
28 institution which primarily functions as a school, college,  
29 or university with students, faculty, and an established  
30 curriculum. The faculty of an educational institution must be  
31 associated with the institution and the curriculum must include  
32 basic courses which are offered every year. "Educational  
33 institution" includes an institution primarily functioning as  
34 a library.

35 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,  
30 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,

1 or of services, used for educational, scientific, historic  
2 preservation, or aesthetic purpose sold to a nonprofit private  
3 museum.

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

8 23. The sales price of tangible personal property or  
9 specified digital products sold, or of services furnished, by a  
10 fair organized under [chapter 174](#).

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

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

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

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

1 the benefit of an equity investor or stockholder, except any  
2 of the following:

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

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

12 ~~(3)~~ c. The furnishing of solid waste collection and  
13 disposal service to a county or municipality on behalf of  
14 nonresidential commercial operations located within the county  
15 or municipality.

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

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

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

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

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

33 Sec. 157. Section 423.3, subsection 39, paragraph a,  
34 subparagraphs (1) and (2), Code 2018, are amended to read as  
35 follows:

1 (1) Sales of tangible personal property or specified  
2 digital products, or the furnishing of services, of a  
3 nonrecurring nature, by the owner, if the seller, at the time  
4 of the sale, is not engaged for profit in the business of  
5 selling tangible personal property, specified digital products,  
6 or services taxed under [section 423.2](#).

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

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

17 (4) (a) "*Manufacturer*" means a business that primarily  
18 purchases, receives, or holds personal property of any  
19 description for the purpose of adding to its value by a process  
20 of manufacturing with a view to selling the property for gain  
21 or profit.

22 (b) "*Manufacturer*" includes contract manufacturers. A  
23 contract manufacturer is a manufacturer that otherwise falls  
24 within the definition of manufacturer, except that a contract  
25 manufacturer does not sell the tangible personal property  
26 the contract manufacturer processes on behalf of other  
27 manufacturers.

28 (c) For purposes of this subparagraph, "*business*" means  
29 those businesses conducted for profit, but excludes professions  
30 and occupations and nonprofit organizations.

31 (d) For purposes of this subparagraph, "*manufacturing*"  
32 means those activities commonly understood within the ordinary  
33 meaning of the term, and shall include:

- 34 (i) Refining.
- 35 (ii) Purifying.



1 (iii) Combining of different materials.

2 (iv) Packing of meats.

3 (v) Activities subsequent to the extractive process of  
4 quarrying or mining, such as crushing, washing, sizing, or  
5 blending of aggregate materials.

6 (e) "*Manufacturer*" does not include persons who are not  
7 commonly understood as manufacturers, including but not limited  
8 to persons engaged in any of the following activities:

9 (i) Construction contracting.

10 (ii) Repairing tangible personal property or real property.

11 (iii) Providing health care.

12 (iv) Farming, including cultivating agricultural products  
13 and raising livestock.

14 (v) Transporting for hire.

15 (vi) Making retail sales to consumers.

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

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

22 Sec. 160. Section 423.3, subsections 65, 66, and 67, Code  
23 2018, are amended by striking the subsections.

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

27 The sales price from ~~sales or rental~~ the sale of tangible  
28 personal property, specified digital products, or services  
29 rendered by any entity where the profits from the ~~sales or~~  
30 ~~rental~~ sale of the tangible personal property, specified  
31 digital products, or services rendered, are used by or donated  
32 to a nonprofit entity that is exempt from federal income  
33 taxation pursuant to section 501(c)(3) of the Internal Revenue  
34 Code, a government entity, or a nonprofit private educational  
35 institution, and where the entire proceeds from the ~~sales,~~

1 ~~rental~~, sale or services are expended for any of the following  
2 purposes:

3 Sec. 162. Section 423.3, subsection 79, Code 2018, is  
4 amended to read as follows:

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

10 Sec. 163. Section 423.3, Code 2018, is amended by adding the  
11 following new subsections:

12 NEW SUBSECTION. 103. *a.* The sales price of specified  
13 digital products sold, and of enumerated services described in  
14 section 423.2, subsection 6, paragraphs "bq", "br", "bs", and  
15 "bu" furnished, to a commercial enterprise for use exclusively  
16 by the commercial enterprise. The use of a specified digital  
17 product or service fails to qualify as a use exclusively by the  
18 commercial enterprise if its use for noncommercial purposes is  
19 more than de minimis.

20 *b.* For purposes of this subsection:

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

23 (2) "*De minimis*" and "*noncommercial purposes*" shall be  
24 defined by the director by rule.

25 NEW SUBSECTION. 104. The sales price of specified digital  
26 products sold to a non-end user. For purposes of this  
27 subsection, "*non-end user*" means a person who receives by  
28 contract a specified digital product for further commercial  
29 broadcast, rebroadcast, transmission, retransmission,  
30 licensing, relicensing, distribution, redistribution, or  
31 exhibition of the product, in whole or in part, to another  
32 person.

33 NEW SUBSECTION. 105. The sales price from the sale of a  
34 grain bin or materials used to construct a grain bin. For  
35 purposes of this subsection, "*grain bin*" means property that is

1 vented and covered with corrugated metal or similar material,  
2 and that is primarily used to hold loose grain for drying or  
3 storage.

4 Sec. 164. Section 423.4, subsection 3, unnumbered paragraph  
5 1, Code 2018, is amended to read as follows:

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

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

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

20 Sec. 166. Section 423.4, subsection 10, paragraph e, Code  
21 2018, is amended to read as follows:

22 e. There is established within the state treasury under the  
23 control of the department a baseball and softball complex sales  
24 tax rebate fund consisting of the amount of state sales tax  
25 revenues transferred pursuant to ~~section 423.2, subsection 11,~~  
26 ~~paragraph "b", subparagraph (4)~~ 423.2A, subsection 2, paragraph  
27 "d". An account is created within the fund for each baseball  
28 and softball complex receiving an award under section 15F.207  
29 and meeting the qualifications of this subsection. Moneys  
30 in the fund shall only be used to provide rebates of state  
31 sales tax pursuant to this subsection, and only the state sales  
32 tax revenues in the baseball and softball complex rebate fund  
33 are subject to rebate under this subsection. The amount of  
34 rebates paid from each baseball and softball complex's account  
35 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:

1     NEW PARAGRAPH. *f.* (1) The use in this state of specified  
2 digital products. The tax applies whether the purchaser  
3 obtains permanent use or less than permanent use of the  
4 specified digital product, whether the use is conditioned or  
5 not conditioned upon continued payment from the purchaser,  
6 and whether the use is on a subscription basis or is not on a  
7 subscription basis.

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

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

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

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

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

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

28     Sec. 176. Section 423.6, subsections 1, 2, 4, and 6, Code  
29 2018, are amended to read as follows:

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

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

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

8     6. Tangible personal property, specified digital products,  
9 or services the sales price of which is exempt from the sales  
10 tax under [section 423.3](#), except section 423.3, subsections 39  
11 and 73, as it relates to the sale, but not the lease or rental,  
12 of vehicles subject only to the issuance of a certificate of  
13 title and as it relates to aircraft subject to registration  
14 under [section 328.20](#).

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

17     **b.** The tax upon the use of all tangible personal property  
18 and specified digital products other than that enumerated in  
19 paragraph "a", which is sold by a seller who is a retailer  
20 ~~maintaining a place of business in this state, or by such other~~  
21 ~~retailer or agent as the director shall authorize pursuant to~~  
22 ~~[section 423.30](#) or its agent that is not otherwise required~~  
23 to collect sales tax under the provisions of this chapter,  
24 shall be collected by the retailer or agent and remitted to the  
25 department, pursuant to the provisions of paragraph "e", and  
26 sections 423.24, [423.29](#), [423.30](#), [423.32](#), and [423.33](#).

27     **c.** The tax upon the use of all tangible personal property  
28 and specified digital products not paid pursuant to paragraphs  
29 "a" and "b" shall be paid to the department directly by any  
30 person using the property within this state, pursuant to the  
31 provisions of [section 423.34](#).

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

35     1. For purposes of this section, "Iowa sales" means sales

1 of tangible personal property, services, or specified digital  
2 products sourced to this state pursuant to section 423.15,  
3 423.16, 423.17, 423.19, or 423.20, or that are otherwise sold  
4 in this state or for delivery into this state.

5 2. In addition to and not in lieu of any application of  
6 this chapter to sellers who are retailers and sellers who are  
7 retailers maintaining a place of business in this state, any  
8 person described in subsection 3, or the person's agents,  
9 shall be considered a retailer in this state and a retailer  
10 maintaining a place of business in this state for purposes of  
11 this chapter on or after January 1, 2019, and shall be subject  
12 to all requirements of this chapter imposed on retailers and  
13 retailers maintaining a place of business in this state,  
14 including but not limited to the requirement to collect and  
15 remit sales and use taxes pursuant to sections 423.14 and  
16 423.29, and local option taxes under chapter 423B.

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

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

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

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



1 (3) A retailer that provides, or enters into an agreement  
2 with another person to provide, a content distribution network  
3 in this state to facilitate, accelerate, or enhance the  
4 delivery of the retailer's internet site to purchasers. For  
5 purposes of this subparagraph, "*content distribution network*"  
6 means a system of distributed servers that deliver internet  
7 sites and other internet content to a user based on the  
8 geographic location of the user, the origin of the internet  
9 site or internet content, and a content delivery server.

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

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

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

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

27 (4) A marketplace provider shall collect sales and use tax  
28 on the entire sales price or purchase price paid by a purchaser  
29 on each Iowa sale made or facilitated by the marketplace  
30 provider that is subject to sales and use tax, regardless of  
31 the amount of the sales price or purchase price that will  
32 ultimately accrue to or benefit the marketplace provider,  
33 another retailer, or any other person. This sales and use tax  
34 collection responsibility of a marketplace provider applies but  
35 shall not be limited to sales facilitated through a computer

1 software application, commonly referred to as in-app purchases,  
2 or through a specified digital product.

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

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

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

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

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

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

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

34 (E) Provides software development or research and  
35 development activities related to any activity described in

1 this subparagraph subdivision (i), if such software development  
2 or research and development activities are directly related  
3 to the physical or electronic marketplace provided by a  
4 marketplace provider.

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

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

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

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

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

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

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

30 (D) Through terms and conditions, agreements, or  
31 arrangements with a third party, collects payment in connection  
32 with a retail sale of tangible personal property, services,  
33 or specified digital products from a purchaser and transmits  
34 that payment to the retailer, regardless of whether the person  
35 collecting and transmitting such payment receives compensation

1 or other consideration in exchange for the service.

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

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

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

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

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

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

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

32 (ii) "*Resident*" includes an individual who is a resident  
33 of this state, as defined in section 422.4, and any business  
34 that owns any tangible or intangible property with a situs in  
35 this state, or that has one or more employees performing or

1 providing services for the business in this state.

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

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

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

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

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

32 Sec. 179. Section 423.15, unnumbered paragraph 1, Code  
33 2018, is amended to read as follows:

34 All sales of products tangible personal property, services,  
35 or specified digital products, except those sales enumerated

1 in [section 423.16](#), shall be sourced according to [this section](#)  
2 by sellers obligated to collect Iowa sales and use tax. The  
3 sourcing rules described in [this section](#) apply to sales of  
4 tangible personal property, specified digital goods products,  
5 and all services other than telecommunications services. This  
6 section only applies to determine a seller's obligation to pay  
7 or collect and remit a Iowa sales or use tax with respect to  
8 the seller's sale of a product. [This section](#) does not affect  
9 the obligation of a purchaser or lessee to remit tax on the use  
10 of the product to the taxing jurisdictions in which the use  
11 occurs. A seller's obligation to collect Iowa sales tax or  
12 Iowa use tax only occurs if the sale is sourced to this state.  
13 ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall~~  
14 ~~be determined based on the location at which the sale is~~  
15 ~~consummated by delivery or, in the case of a service, where the~~  
16 ~~first use of the service occurs~~ made by a seller subject to  
17 section 423.1, subsection 48, or section 423.14A.

18 Sec. 180. Section 423.15, subsection 1, paragraph e, Code  
19 2018, is amended to read as follows:

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

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

32 **423.22 Taxation in another state.**

33 If any person who causes tangible personal property or  
34 specified digital products to be brought into this state or  
35 who uses in this state services enumerated in [section 423.2](#)

1 has already paid a tax in another state in respect to the sale  
2 or use of the property or the performance of the service, or  
3 an occupation tax in respect to the property or service, in  
4 an amount less than the tax imposed by subchapter II or III,  
5 the provisions of those subchapters shall apply, but at a rate  
6 measured by the difference only between the rate fixed by  
7 subchapter II or III and the rate by which the previous tax on  
8 the sale or use, or the occupation tax, was computed. If the  
9 tax imposed and paid in the other state is equal to or more than  
10 the tax imposed by those subchapters, then a tax is not due in  
11 this state on the personal property or service.

12 Sec. 182. Section 423.29, subsection 1, Code 2018, is  
13 amended to read as follows:

14 1. Every seller who is a retailer and who is making taxable  
15 sales of tangible personal property or specified digital  
16 products in Iowa shall, at the time of ~~selling the property~~  
17 making the sale, collect the sales tax. Every seller who  
18 is a retailer ~~maintaining a place of business in this state~~  
19 that is not otherwise required to collect sales tax under the  
20 provisions of this chapter and who is selling tangible personal  
21 property or specified digital products for use in Iowa shall,  
22 at the time of making the sale, whether within or without the  
23 state, collect the use tax. Sellers required to collect sales  
24 or use tax shall give to any purchaser a receipt for the tax  
25 collected in the manner and form prescribed by the director.

26 Sec. 183. Section 423.30, subsection 1, Code 2018, is  
27 amended to read as follows:

28 1. The director may, upon application, authorize the  
29 collection of the use tax by any seller who is a retailer not  
30 maintaining a place of business within this state and not  
31 registered under the agreement, who, to the satisfaction of  
32 the director, furnishes adequate security to ensure collection  
33 and payment of the tax. Such sellers shall be issued, without  
34 charge, permits to collect tax subject to any regulations  
35 which the director shall prescribe. When so authorized, it

1 shall be the duty of foreign sellers to collect the tax upon  
2 all tangible personal property and specified digital products  
3 sold, to the retailer's knowledge, for use within this state,  
4 in the same manner and subject to the same requirements as a  
5 retailer maintaining a place of business within this state.  
6 The authority and permit may be canceled when, at any time, the  
7 director considers the security inadequate, or that tax can  
8 more effectively be collected from the person using property  
9 in this state.

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

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

29 Sec. 185. Section 423.31, subsection 5, paragraph a, Code  
30 2018, is amended to read as follows:

31 a. Upon making application and receiving approval from  
32 the director, a ~~parent corporation person~~ parent corporation person and its affiliated  
33 ~~corporations~~ affiliates that make retail sales of tangible  
34 personal property, specified digital products, or taxable  
35 enumerated services may make deposits and file a consolidated



1 sales tax return for the affiliated group, pursuant to rules  
2 adopted by the director. A ~~parent corporation~~ person and each  
3 affiliate ~~corporation~~ that files a consolidated return are  
4 jointly and severally liable for all tax, penalty, and interest  
5 found due for the tax period for which a consolidated return is  
6 filed or required to be filed.

7 Sec. 186. Section 423.32, subsection 1, paragraph b, Code  
8 2018, is amended to read as follows:

9 *b.* The deposit form is due on or before the twentieth day of  
10 the month following the month of collection, except a deposit  
11 is not required for the third month of the calendar quarter,  
12 and the total quarterly amount, less the amounts deposited for  
13 the first two months of the quarter, is due with the quarterly  
14 report on the last day of the month following the month of  
15 collection. At that time, the retailer shall file with the  
16 department a return for the preceding quarterly period in the  
17 form prescribed by the director showing the purchase price of  
18 the tangible personal property, specified digital products, and  
19 services sold by the retailer during the preceding quarterly  
20 period, the use of which is subject to the use tax imposed  
21 by [this chapter](#), and other information the director deems  
22 necessary for the proper administration of the use tax.

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

25 *3. Event sponsor's liability for sales tax.* A person  
26 sponsoring a flea market or a craft, antique, coin, or stamp  
27 show or similar event shall obtain from every retailer selling  
28 tangible personal property, specified digital products,  
29 or taxable services at the event proof that the retailer  
30 possesses a valid sales tax permit or secure from the retailer  
31 a statement, taken in good faith, that tangible personal  
32 property, specified digital products, or services offered for  
33 sale are not subject to sales tax. Failure to do so renders  
34 a sponsor of the event liable for payment of any sales tax,  
35 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  
3 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:

1     **423.34 Liability of user.**

2     Any person who uses any tangible personal property,  
3 specified digital products, or services enumerated in section  
4 423.2 upon which the use tax has not been paid, either to the  
5 county treasurer or to a retailer or direct to the department  
6 as required by **this subchapter**, shall be liable for the payment  
7 of tax, and shall on or before the last day of the month next  
8 succeeding each quarterly period pay the use tax upon all  
9 property or services used by the person during the preceding  
10 quarterly period in the manner and accompanied by such returns  
11 as the director shall prescribe. All of the provisions of  
12 sections 423.32 and **423.33** with reference to the returns and  
13 payments shall be applicable to the returns and payments  
14 required by **this section**.

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

17     1. A person shall not engage in or transact business as a  
18 retailer making taxable sales of tangible personal property,  
19 specified digital products, or furnishing services within  
20 this state or as a retailer making taxable sales of tangible  
21 personal property, specified digital products, or furnishing  
22 services for use within this state, unless a permit has been  
23 issued to the retailer under **this section**, except as provided  
24 in **subsection 7**. Every person desiring to engage in or  
25 transact business as a retailer shall file with the department  
26 an application for a permit to collect sales or use tax. Every  
27 application for a sales or use tax permit shall be made upon  
28 a form prescribed by the director and shall set forth any  
29 information the director may require. The application shall  
30 be signed by an owner of the business if a natural person; in  
31 the case of a retailer which is an association or partnership,  
32 by a member or partner; and in the case of a retailer which  
33 is a corporation, by an executive officer or some person  
34 specifically authorized by the corporation to sign the  
35 application, to which shall be attached the written evidence of

1 the person's authority.

2 Sec. 191. Section 423.36, subsection 2, paragraph a, Code  
3 2018, is amended to read as follows:

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

16 Sec. 192. Section 423.36, subsection 7, paragraph b, Code  
17 2018, is amended to read as follows:

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

24 Sec. 193. Section 423.36, subsection 9, paragraph a, Code  
25 2018, is amended to read as follows:

26 a. Except as provided in paragraph "b", purchasers, users,  
27 and consumers of tangible personal property, specified digital  
28 products, or enumerated services taxed pursuant to subchapter  
29 II or III of [this chapter](#) or [chapter 423B](#) may be authorized,  
30 pursuant to rules adopted by the director, to remit tax owed  
31 directly to the department instead of the tax being collected  
32 and paid by the seller. To qualify for a direct pay tax permit,  
33 the purchaser, user, or consumer must accrue a tax liability  
34 of more than four thousand dollars in tax under subchapters  
35 II and III in a semimonthly period and make deposits and file

1 returns pursuant to [section 423.31](#). This authority shall not  
2 be granted or exercised except upon application to the director  
3 and then only after issuance by the director of a direct pay  
4 tax permit.

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

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

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

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

27 **423.41 Books — examination.**

28 Every retailer required or authorized to collect taxes  
29 imposed by [this chapter](#) and every person using in this state  
30 tangible personal property, specified digital products,  
31 services, or the product of services shall keep records,  
32 receipts, invoices, and other pertinent papers as the director  
33 shall require, in the form that the director shall require,  
34 for as long as the director has the authority to examine and  
35 determine tax due. The director or any duly authorized agent

1 of the department may examine the books, papers, records,  
2 and equipment of any person ~~either~~ selling tangible personal  
3 property, specified digital products, or services or liable  
4 for the tax imposed by this chapter, and investigate the  
5 character of the business of any person in order to verify  
6 the accuracy of any return made, or if a return was not made  
7 by the person, ascertain and determine the amount due under  
8 this chapter. These books, papers, and records shall be made  
9 available within this state for examination upon reasonable  
10 notice when the director deems it advisable and so orders. If  
11 the taxpayer maintains any records in an electronic format,  
12 the taxpayer shall comply with reasonable requests by the  
13 director or the director's authorized agents to provide those  
14 electronic records in a standard record format. The preceding  
15 requirements shall likewise apply to users and persons  
16 furnishing services enumerated in section 423.2.

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

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

29 b. The sales tax liability for all sales of tangible  
30 personal property and specified digital products and all sales  
31 of services is upon the seller and the purchaser unless the  
32 seller takes from the purchaser a valid exemption certificate  
33 stating under penalty of perjury that the purchase is for a  
34 nontaxable purpose and is not a retail sale as defined in  
35 section 423.1, or the seller is not obligated to collect tax

1 due, or unless the seller takes a fuel exemption certificate  
2 pursuant to [subsection 5](#). If the tangible personal property,  
3 specified digital products, or services are purchased tax free  
4 pursuant to a valid exemption certificate and the tangible  
5 personal property, specified digital products, or services are  
6 used or disposed of by the purchaser in a nonexempt manner, the  
7 purchaser is solely liable for the taxes and shall remit the  
8 taxes directly to the department and [sections 423.31, 423.32,](#)  
9 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply  
10 to the purchaser.

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

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

19 **423.57 Statutes applicable.**

20 The director shall administer [this subchapter](#) as it relates  
21 to the taxes imposed in [this chapter](#) in the same manner and  
22 subject to all the provisions of, and all of the powers,  
23 duties, authority, and restrictions contained in sections  
24 [423.14, 423.14A, 423.15, 423.16, 423.17, 423.19, 423.20,](#)  
25 [423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31, 423.32,](#)  
26 [423.33, 423.34, 423.34A, 423.35, 423.37, 423.38, 423.39,](#)  
27 [423.40, 423.41, and 423.42, section 423.43, subsection 1, and](#)  
28 [sections 423.45, 423.46, and 423.47.](#)

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

31 **423.58 Collection, permit, and tax return exemption for**  
32 **certain out-of-state businesses.**

33 Notwithstanding [sections 423.14, 423.14A, 423.29, 423.31,](#)  
34 [423.32, and 423.36,](#) a person meeting the requirements of  
35 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



1 the contiguous cities favors its imposition. In the case of a  
2 local sales and services tax submitted to the registered voters  
3 of two or more contiguous counties as provided in section  
4 423B.1, subsection 4, paragraph "c", all cities contiguous to  
5 each other shall be treated as part of one incorporated area,  
6 even if the corporate boundaries of one or more of the cities  
7 include areas of more than one county, and the tax shall be  
8 imposed in each of those contiguous cities only if a majority  
9 of those voting on the tax in the total area covered by the  
10 contiguous cities favored its imposition.

11 Sec. 200. Section 423B.6, subsection 2, paragraph b, Code  
12 2018, is amended to read as follows:

13 b. The ordinance of a county board of supervisors imposing  
14 a local sales and services tax shall adopt by reference the  
15 applicable provisions of the appropriate sections of chapter  
16 423. All powers and requirements of the director to administer  
17 the state sales tax law and use tax law are applicable to the  
18 administration of a local sales and services tax law and the  
19 local excise tax, including but not limited to the provisions  
20 of [section 422.25, subsection 4, sections 422.30, 422.67,](#)  
21 [and 422.68, section 422.69, subsection 1, sections 422.70](#)  
22 [through 422.75, section 423.14, subsection 1 and subsection](#)  
23 [2, paragraphs "b" through "e", and sections 423.14A, 423.15,](#)  
24 [423.23, 423.24, 423.25, 423.31 through 423.35,](#) 423.37 through  
25 [423.42, 423.46, and 423.47.](#) Local officials shall confer  
26 with the director of revenue for assistance in drafting the  
27 ordinance imposing a local sales and services tax. A certified  
28 copy of the ordinance shall be filed with the director as soon  
29 as possible after passage.

30 Sec. 201. LEGISLATIVE INTENT. It is the intent of the  
31 general assembly that the provisions of this division of this  
32 Act amending the definition of "place of business" in section  
33 423.1, subsection 37, and "sales" in section 423.1, subsection  
34 50, enacting definitions of "sold at retail in the state" in  
35 section 423.1, subsection 55A, and "subscription" in section

1 423.1, subsection 57A, and amending the enumerated service of  
2 pay television in 423.2, subsection 6, paragraph "a", are  
3 conforming amendments consistent with current state law, and  
4 that the amendments do not change the application of current  
5 law but instead reflect current law both before and after the  
6 enactment of this division of this Act.

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

16     Sec. 203. EFFECTIVE DATE.

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

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

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

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

24     c. The section of this division of this Act amending section  
25 423.2, subsection 1, paragraph "a", subparagraph (1).

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

30     e. The provisions adding photography and retouching to the  
31 list of enumerated services subject to the sales tax in the  
32 section of this division of this Act amending section 423.2,  
33 subsection 6.

34     f. The section of this division of this Act enacting section  
35 423.2, subsection 8, paragraph "d".

1 g. The section of this division of this Act amending section  
2 423.5, subsection 1, paragraph "a".

3 h. The section of this division of this Act entitled  
4 "legislative intent" which describes the intent of the general  
5 assembly with respect to certain amendments in this division of  
6 this Act to the definition of "place of business" in section  
7 423.1, subsection 37, "sales" in section 423.1, subsection 50,  
8 the enactment of a definition for "subscription" in section  
9 423.1, subsection 57A, and "sold at retail" in section 423.1,  
10 subsection 55A, and amendments to the enumerated service of pay  
11 television in section 423.2, subsection 6, paragraph "a".

12 DIVISION VII

13 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX  
14 CHANGES

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

17 1. For the purposes of [this chapter](#), unless the context  
18 otherwise requires:

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

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

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

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

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

27 (4) A lodging facilitator.

28 (5) A retailer or retailer maintaining a place of business  
29 in this state as defined in section 423.1, including those  
30 persons who meet the requirements of section 423.14A, which  
31 retailer or retailer maintaining a place of business in this  
32 state would be responsible for collection and payment of the  
33 hotel and motel tax if it were a sales or use tax under chapter  
34 423.

35 c. "Lodging" means rooms, apartments, or sleeping quarters

1 in a hotel, motel, inn, public lodging house, rooming house,  
2 cabin, apartment, residential property, or manufactured or  
3 mobile home which is tangible personal property, or in a  
4 tourist court, or in any place where sleeping accommodations  
5 are furnished to transient guests for rent, whether with or  
6 without meals. Lodging does not include rooms that are not  
7 used for sleeping accommodations.

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

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

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

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

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

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

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

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

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

32 (h) Provides or offers customer service to a lessor or  
33 a lessor's customers, or accepts or assists with returns,  
34 exchanges, cancellations, or rescheduling of the rental of  
35 lodging by a lessor.

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

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

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

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

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

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

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

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

24    ~~f.~~ g. "Sales price" means ~~the consideration for renting of~~  
25 ~~lodging and means the same as the term is defined in section~~  
26 423.1 all direct or indirect consideration, including but  
27 not limited to cash, credit, property, and services, paid in  
28 connection with any charge of any description associated with  
29 the renting of lodging or with communicating, negotiating,  
30 reserving, booking, facilitating, or otherwise arranging to  
31 rent lodging, including but not limited to booking fees,  
32 reservation fees, service fees, cleaning fees, linen fees,  
33 towel fees, and nonrefundable deposits. When determining "sales  
34 price", no deduction shall be taken for any of the following:

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

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

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

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

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

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

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

19     2. The lodging facilitator and any other lessor involved  
20 in the transaction shall be jointly and severally liable for  
21 collecting and remitting the tax under sections 423A.3 and  
22 423A.4.

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

25     **423A.5 Exemptions.**

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

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

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

35     ~~2.~~ ~~There is exempted from the provisions of this chapter and~~

1 ~~from the computation of any amount of tax imposed by section~~  
2 ~~423A.4 all of the following:~~

3 ~~a. The sales price from the renting of lodging or rooms~~  
4 ~~exempt under subsection 1.~~

5 ~~b. 3.~~ The sales price of lodging furnished to the guests of  
6 a religious institution if the property is exempt under section  
7 427.1, subsection 8, and the purpose of renting is to provide a  
8 place for a religious retreat or function and not a place for  
9 transient guests generally.

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

12 4. Section 422.25, subsection 4, sections 422.30, 422.67,  
13 and 422.68, section 422.69, subsection 1, sections 422.70,  
14 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
15 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,  
16 423.35, 423.37 through 423.42, and 423.47, consistent with the  
17 provisions of this chapter, apply with respect to the taxes  
18 authorized under this chapter, in the same manner and with the  
19 same effect as if the state and local hotel and motel taxes  
20 were retail sales taxes within the meaning of those statutes.  
21 Notwithstanding this subsection, the director shall provide for  
22 quarterly filing of returns and for other than quarterly filing  
23 of returns both as prescribed in section 423.31. The director  
24 may require all persons who are engaged in the business of  
25 deriving any sales price subject to tax under this chapter to  
26 register with the department. All taxes collected under this  
27 chapter by a retailer, lessor, or any individual other person  
28 are deemed to be held in trust for the state of Iowa and the  
29 local jurisdictions imposing the taxes.

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

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

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

35 b. A motor vehicle dealer licensed pursuant to chapter

1 322 who rents automobiles to users. ~~For this purpose, the~~  
2 ~~objective of making a profit is not necessary to make the~~  
3 ~~renting activity a business.~~

4 c. A person who acquires a right to or interest in any  
5 automobile with an intent to rent the automobile to another  
6 person.

7 d. A person who actually or constructively rents  
8 automobiles, regardless of who owns or controls the  
9 automobiles.

10 e. A rental facilitator.

11 f. A retailer or retailer maintaining a place of business in  
12 this state as defined in section 423.1, including those persons  
13 who meet the requirements of section 423.14A, which retailer or  
14 retailer maintaining a place of business in this state would be  
15 responsible for collection and payment of the automobile rental  
16 excise tax if it were a sales or use tax under chapter 423.

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

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

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

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

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

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

32 (4) Provides a platform or other marketplace for  
33 renting automobiles or otherwise facilitates the renting  
34 of automobiles, regardless of ownership or control of the  
35 automobile.



1 (5) Provides software development or research and  
2 development activities related to any activity described in  
3 this paragraph "a", if such software development or research and  
4 development activities are directly related to the physical or  
5 electronic marketplace provided by a rental facilitator.

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

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

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

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

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

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

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

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

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

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

35 6. "Rental price" means all direct or indirect

1 consideration, including but not limited to cash, credit,  
2 property, and services, paid in connection with any charge of  
3 any description associated with the renting of an automobile  
4 or with communicating, negotiating, reserving, booking,  
5 facilitating, or otherwise arranging to rent an automobile,  
6 including but not limited to booking fees, reservation fees,  
7 service fees, and nonrefundable deposits. When determining  
8 "*rental price*", no deduction shall be taken for any of the  
9 following:

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

11     b. The cost of materials used, labor or service cost,  
12 interest, losses, all costs of transportation to the lessor,  
13 all taxes imposed on the lessor, or any other expenses of the  
14 lessor.

15     c. Charges by the lessor for any services necessary to  
16 complete the rental transaction.

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

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

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

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

30     Sec. 212. **LEGISLATIVE INTENT.** It is the intent of the  
31 general assembly that the provision of this division of this  
32 Act amending the definition of "*lodging*" in section 423A.2,  
33 subsection 1, paragraph "c", is a conforming amendment  
34 consistent with current state law, and that the amendment  
35 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

1 income calculation for tax year 2018. Division I also couples  
2 for tax year 2018 with certain accounting method and other  
3 miscellaneous changes made in the federal Tax Cuts and Jobs Act  
4 of 2017 for purposes of the individual and corporate income  
5 taxes, and the franchise tax, to the extent those amendments  
6 affect the calculation of federal adjusted gross income or  
7 federal taxable income for federal tax purposes for tax year  
8 2018. These include amendments contained in the following  
9 sections of the federal Tax Cuts and Jobs Act: §13102 (small  
10 business accounting method changes), §13221 (accounting method  
11 rules for the taxable year of inclusion), §13504 (repeal of  
12 technical termination of partnerships), §13541 (electing small  
13 business trust), §13543 (treatment of S corporation conversion  
14 to C corporation), §13611 (repeal of special rule permitting  
15 recharacterization of Roth IRA conversions), and §13613  
16 (extended rollover period for qualified plan loans).

17 The division takes effect upon enactment and applies  
18 retroactively to January 1, 2018, for tax years beginning on or  
19 after that date, but prior to January 1, 2019.

20 DIVISION II — INCOME AND FRANCHISE TAX CHANGES BEGINNING IN  
21 2019. Division II makes numerous changes to the individual and  
22 corporate income tax and franchise tax.

23 INDIVIDUAL INCOME TAX. Under current law, the starting  
24 point for computing the Iowa individual income tax is federal  
25 adjusted gross income before the net operating loss deduction,  
26 which is generally a taxpayer's gross income minus several  
27 deductions. From that point, Iowa requires several adjustments  
28 and then provides taxpayers with a deduction for federal income  
29 taxes paid, and the option to deduct a standard deduction or  
30 itemized deductions. The bill changes the starting point for  
31 computing the individual income tax to federal taxable income,  
32 which includes all deductions and adjustments taken at the  
33 federal level in computing tax, including a standard deduction  
34 or itemized deductions, and the new qualified business income  
35 deduction allowed for certain income earned from a pass-through

1 entity. Because the starting point will now be federal taxable  
2 income, and federal law does not provide for the filing status  
3 of married filing separately on a combined return, the bill  
4 repeals that filing status option for Iowa tax purposes.

5 Because net operating loss will no longer be calculated  
6 at the state level, the bill requires taxpayers to add back  
7 any federal net operating loss deduction carried over from a  
8 taxable year beginning prior to January 1, 2019, but allows  
9 taxpayers to deduct any remaining Iowa net operating loss from  
10 a prior taxable year.

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

18 The bill keeps the deduction for military pension income  
19 or military active duty pay. The bill also keeps the general  
20 pension exclusion available under current law, and increases  
21 it from \$6,000 (\$12,000 for married filing jointly) to \$10,000  
22 (\$20,000 for married filing jointly).

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

35 The bill provides a new deduction for any income of an

1 employee resulting from the payment by an employer, whether  
2 paid to the employee or to a lender, of principal or interest  
3 on the employee's qualified education loan.

4 Federal income tax law does provide a limited deduction for  
5 a taxpayer's payment of interest on qualified education loans,  
6 and the bill disallows the deduction provided in the bill for  
7 any amount of income that represents an interest payment that  
8 was also deducted by the employee in computing federal taxable  
9 income.

10 The term "qualified education loan" is defined to mean the  
11 same as it does under the Internal Revenue Code (IRC), and  
12 generally includes debt incurred on behalf of a taxpayer, or a  
13 taxpayer's spouse or dependent, to pay expenses of attending  
14 institutions of higher education participating in the federal  
15 student financial aid programs.

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

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

1 to the bonus depreciation allowance.

2 Current law provides nine regular tax brackets containing  
 3 progressively higher amounts of taxable income that are taxed  
 4 at progressively higher tax rates, from a low of 0.36 percent,  
 5 to a high of 8.98 percent. The taxable income amounts in each  
 6 tax bracket are indexed to inflation and increased each year.  
 7 The bill reduces the number of brackets to five and modifies  
 8 the tax rates as follows:

9	<u>Income over:</u>	<u>But not over:</u>	<u>Tax rate:</u>
10	1) \$0	\$6,000	5.00%
11	2) \$6,000	\$15,000	5.25%
12	3) \$15,000	\$30,000	5.50%
13	4) \$30,000	\$75,000	6.00%
14	5) \$75,000 or more		6.60%

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

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

32 The bill repeals the alternative minimum tax for the  
 33 corporate income tax, and also repeals most deductions and  
 34 exclusions previously available when computing net income and  
 35 taxable income under Iowa law, including the ability to deduct

1 federal income taxes, except for a one-year phase-out in 2019  
2 for taxes paid, or refunds received, that relate to a prior  
3 year. The bill keeps the deduction for certain wages paid  
4 to individuals with disabilities or individuals previously  
5 convicted of a felony, but only for tax years beginning before  
6 January 1, 2022.

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

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

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

	<u>Income over:</u>	<u>But not over:</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 and later</u>
32						
33	1) \$0	\$25,000	6%	6%	5.5%	5.5%
34	2) \$25,000	\$100,000	8%	8%	5.5%	5.5%
35	3) \$100,000	\$250,000	10%	8%	5.5%	5.5%



1       4) \$250,000 and more                   10%   10%   8%   7%

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

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

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

8       The bill increases the annual tax credit allocation limit  
9 of the angel investor tax credit program from \$2 million to  
10 \$4 million, and provides that in any fiscal year in which the  
11 angel investor program allocation exceeds \$2 million, the \$8  
12 million annual tax credit allocation limit of the innovation  
13 fund investment tax credit program shall be reduced by the  
14 amount that the angel investor tax credit allocation exceeds \$2  
15 million for that same fiscal year. This change takes effect  
16 July 1, 2018.

17       The bill increases the annual tax credit allocation limit of  
18 the workforce housing tax incentive program to \$22 million from  
19 \$20 million, and provides that the entire \$2 million increase  
20 shall be reserved for housing projects in small cities, thereby  
21 increasing the small city reserve under the program from \$5  
22 million to \$7 million per fiscal year. These changes take  
23 effect July 1, 2018.

24       The bill makes several changes to the high quality jobs  
25 program. The bill reduces to \$80 million the annual tax  
26 credit allocation limit of the high quality jobs program, for  
27 fiscal years beginning on or after July 1, 2018. The bill  
28 also prohibits data center businesses and web search portal  
29 businesses, as defined in the bill, from participating in  
30 the high quality jobs program, unless the businesses had a  
31 physical presence in this state prior to July 1, 2018. The  
32 bill repeals the ability under the high quality jobs program of  
33 eligible businesses to receive tax credits and tax refunds for  
34 taxes attributable to racks, shelving, and conveyor equipment  
35 to be used in a warehouse or distribution center, beginning

1 January 1, 2019. The bill repeals the refundability of the  
2 supplemental research activities tax credit available under the  
3 high quality jobs program beginning January 1, 2019. Finally,  
4 the bill repeals the high quality jobs program effective July  
5 1, 2025.

6 The bill increases, from 5 percent and 15 percent, to  
7 7 percent and 17 percent, the two tax credit rates of the  
8 agricultural asset transfer tax credit, beginning January 1,  
9 2019. The bill also increases from \$6 million to \$8 million  
10 the number of tax credits that may be issued per fiscal year  
11 under the agricultural asset transfer tax credit program,  
12 beginning July 1, 2018.

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

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

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

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

35 The bill further modifies the research activities tax

1 credits under the individual and corporate income tax by  
2 amending the definition of "base amount" for purposes of  
3 calculating the credits. This change takes effect upon  
4 enactment and applies retroactively to January 1, 2010, for tax  
5 years beginning on or after that date.

6 Because Division II repeals the individual and corporate  
7 alternative minimum taxes, the bill allows a taxpayer to  
8 claim any remaining alternative minimum tax credit against  
9 the individual's or corporation's regular tax liability for  
10 the 2019 tax year, and the bill then repeals the alternative  
11 minimum tax credit beginning in tax year 2020.

12 The bill increases the total amount of school tuition  
13 organization tax credits that may be issued per tax year to \$13  
14 million from \$12 million for tax years beginning on or after  
15 January 1, 2019. The bill also increases the household income  
16 limit at which a student is considered an "eligible student"  
17 under the school tuition organization tax credit program to  
18 four times the federal poverty amount for tuition grants  
19 provided on or after January 1, 2019.

20 The bill repeals the tuition and textbook tax credit, the  
21 volunteer fire fighter and volunteer emergency medical services  
22 personnel member tax credit, and the reserve peace officer tax  
23 credit, effective January 1, 2022.

24 The bill repeals the geothermal tax credit, the geothermal  
25 heat pump tax credit, the farm to food donation tax credit, and  
26 the ethanol promotion tax credit on January 1, 2019.

27 The bill repeals the solar energy system tax credits on July  
28 1, 2018, for solar energy system installations occurring on or  
29 after that date.

30 The bill requires the legislative tax expenditure committee  
31 created in Code section 2.45 to study all tax credits available  
32 under Iowa law during the 2018 interim, and to submit its  
33 findings and recommendations to the general assembly for  
34 consideration during the 2019 legislative session. As part  
35 of the study, the legislative tax expenditure committee is

1 required to consider new or different tax credit or other  
2 incentive programs for economic development.

3 DIVISION IV — FRANCHISE TAX AND MONEYS AND CREDITS TAX.

4 Division IV relates to the state franchise tax and the state  
5 moneys and credits tax. The bill repeals the state moneys and  
6 credits tax in Code section 533.329 imposed on the required  
7 reserves of state credit unions, which are institutions  
8 organized in Iowa and exempt from the federal income tax.  
9 The bill includes credit unions incorporated in Iowa as well  
10 as under the laws of another state within the definition of  
11 "financial institution" for purposes of the state franchise  
12 tax on financial institutions, thereby imposing the state  
13 franchise tax on state and out-of-state credit unions. The  
14 bill also imposes the state franchise tax on agricultural  
15 credit associations that are members of the farm credit system  
16 under the federal Farm Credit Act.

17 The bill modifies the state franchise tax to provide that  
18 neither the state alternative minimum franchise tax (AMT tax),  
19 a component of the state franchise tax, nor the associated  
20 alternative minimum tax credit for previous AMT tax paid,  
21 applies to financial institutions that are exempt from the  
22 federal income tax. The bill amends the definition of "net  
23 income" upon which the state franchise tax is computed to  
24 provide that "net income" for a financial institution that is  
25 exempt from the federal income tax means the total revenue  
26 less total expenses as properly reported on the financial  
27 institution's internal revenue service form 990 (return of  
28 organization exempt from income tax) for the same period, with  
29 the adjustments provided under current law for other financial  
30 institutions to the extent such adjustments are applicable to  
31 the federally tax-exempt financial institution's calculation of  
32 revenues and expenses, as determined by the director by rule.

33 The bill provides that a federally tax-exempt financial  
34 institution's state franchise tax is due at the end of the  
35 taxable year and will be considered delinquent if not paid and

1 filed within five months of that date.

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

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

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

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

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

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

30 IRC §529, which governs state tuition programs, previously  
31 required that in order for a state tuition program to be  
32 considered qualified and therefore eligible for certain  
33 federal tax benefits, the program must be established to  
34 allow contributions for the purposes of funding certain  
35 qualifying expenses of attendance at institutions of higher

1 education. Accordingly, the Iowa 529 plan allows participants  
2 to contribute and withdraw funds to and from the Iowa 529 plan  
3 for the payment of higher education costs related to attendance  
4 at institutions of higher education.

5 The federal Tax Cuts and Jobs Act of 2017 amended IRC  
6 §529 to provide that during each tax year, up to \$10,000 of  
7 cash distributions from all qualified tuition programs for a  
8 beneficiary for tuition expenses in connection with enrollment  
9 or attendance at an elementary or secondary public, private,  
10 or religious school, may be considered a distribution for  
11 qualified higher education expenses and thus excludable from  
12 income for federal income tax purposes. The federal Tax  
13 Cuts and Jobs Act of 2017 also provided that under certain  
14 conditions, amounts in qualified tuition programs may be  
15 transferred to a qualified ABLE account without incurring  
16 federal income tax consequences.

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

28 The bill strikes the definition of "higher education costs",  
29 as well as numerous references to that term throughout the Iowa  
30 529 plan, and replaces them with the term "qualified education  
31 expenses", which is defined in the bill to mean the same as  
32 qualified higher education expenses as defined in IRC §529,  
33 including elementary and secondary school tuition to the extent  
34 such tuition amounts are described and allowed under IRC §529.

35 The bill also replaces numerous references to "institution

1 of higher education” throughout the Iowa 529 plan with  
2 references to a “qualified educational institution”, which  
3 is defined in the bill to include an institution of higher  
4 education and any elementary or secondary, public, private, or  
5 religious school described in IRC §529.

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

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

25 Under current law in Code section 422.7(32)(c), previously  
26 tax-deducted contributions to an Iowa 529 plan that are  
27 withdrawn for purposes other than the payment of qualified  
28 education expenses are required to be added back to income  
29 in computing Iowa individual income tax. The bill amends  
30 this provision to provide that Iowa 529 plan withdrawals of  
31 previously tax-deducted contributions must be added back to  
32 Iowa income unless the amount is a withdrawal or transfer  
33 for one of three eligible purposes. First, for the payment  
34 of qualified higher education expenses. Second, for the  
35 payment of tuition to an elementary or secondary school if the

1 tuition amounts are qualified education expenses. Third, for a  
2 change in beneficiaries under, or transfer to another account  
3 within, the Iowa 529 plan, or a transfer to the Iowa ABLE plan,  
4 provided such beneficiary change or transfer is permitted under  
5 the Iowa 529 plan. The bill defines "institution of higher  
6 education" and "tuition" to mean the same as defined under  
7 the Iowa 529 plan. The bill defines "elementary or secondary  
8 school" to mean an elementary or secondary school in this state  
9 which is accredited under Code section 256.11 (educational  
10 standards), and adheres to the provisions of the federal  
11 Civil Rights Act of 1964 and Code chapter 216 (civil rights  
12 commission). The bill defines "qualified higher education  
13 expenses" to mean the same as defined under IRC §529.

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

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

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

32 SPECIFIED DIGITAL PRODUCTS. The bill imposes the sales and  
33 use tax at a rate of six percent on the sale or use of specified  
34 digital products in Iowa. The bill defines "specified digital  
35 products" as electronically transferred digital audio-visual



1 works, digital audio works, digital books, or other digital  
2 products. These and other related terms are defined in  
3 the bill in new Code section 423.1(55A). The sales or use  
4 tax applies whether the purchaser obtains permanent use or  
5 less than permanent use of the specified digital product,  
6 whether the sale or use is conditioned or not conditioned upon  
7 continued payment from the purchaser, and whether the sale or  
8 use is on a subscription basis or is not on a subscription  
9 basis. The bill also provides that the sale or use of digital  
10 code that may be used to obtain or access a specified digital  
11 product at a later date is taxed in the same manner as a  
12 specified digital product.

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

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

34 The bill makes certain other conforming amendments related  
35 to the treatment of specified digital products for purposes

1 of the administration of the sales and use taxes. The bill  
2 provides that the imposition of tax on the sale or use of  
3 specified digital products shall not be construed as affecting  
4 the taxability or nontaxability under other provisions of  
5 existing law of sales or uses occurring prior to the enactment  
6 of this division of this Act of products meeting the definition  
7 of "specified digital products".

8 SUBSCRIPTIONS AND PAY TELEVISION SERVICE. The bill amends  
9 the definition of "sale" in Code section 423.1(50) for purposes  
10 of the sales tax to provide that a sale includes but is not  
11 limited to any transfer, exchange, or barter on a subscription  
12 basis. The bill defines "subscription" in new Code section  
13 423.1(57A).

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

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

24 These changes take effect July 1, 2018.

25 OTHER CHANGES TO TAXABLE SERVICES. Under current law, the  
26 services of photography and retouching are subject to the  
27 sales and use tax, but such services are taxed as if they were  
28 sales of tangible personal property. The bill strikes these  
29 provisions treating photography and retouching as tangible  
30 personal property, and adds photography and retouching to the  
31 list of enumerated services subject to the sales and use tax.  
32 These changes to photography and retouching take effect July  
33 1, 2018.

34 Current law provides that a limousine service is subject  
35 to the sales and use tax. The bill modifies this service to

1 provide that a personal transportation service shall be subject  
2 to the sales and use tax, and includes taxis, driver services,  
3 ride sharing services, rides for hire, and limousine services  
4 as examples of the types of services which qualify as a taxable  
5 personal transportation service.

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

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

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

23 The bill creates a sales and use tax exemption in new  
24 Code section 423.3(103) for certain sales to a commercial  
25 enterprise for use exclusively by the commercial enterprise.  
26 The exemption specifies that such a use fails to qualify as  
27 a use exclusively by the commercial enterprise if its use  
28 for noncommercial purposes is more than de minimis. The  
29 bill provides that the terms "de minimis" and "noncommercial  
30 purposes" shall be defined by the director of revenue by  
31 rule. The bill defines "commercial enterprise" to mean the  
32 same as defined under the machinery and equipment sales and  
33 use tax exemption in Code section 423.3(47), which includes  
34 businesses and manufacturers conducted for profit and centers  
35 for data processing services to insurance companies, financial

1 institutions, businesses, and manufacturers, but excludes  
2 professions and occupations and nonprofit organizations.

3 The exemption applies to sales of specified digital  
4 products, and to the furnishing of the following enumerated  
5 taxable services: storage of tangible or electronic files,  
6 documents, or other records; information services; services  
7 arising from or related to installing, maintaining, servicing,  
8 repairing, operating, upgrading, or enhancing specified digital  
9 products; and software as a service.

10 The bill adds the sale of services to the items that may  
11 qualify for the sales and use tax exemption in Code section  
12 423.3(63) relating to items purchased for the purposes of  
13 providing them as prizes to players of certain amusement games.

14 The bill creates a sales and use tax exemption in new Code  
15 section 423.3(105) for the sale of a grain bin, or materials  
16 used to construct a grain bin. The bill defines "grain bin".

17 The bill also repeals numerous sales and use tax exemptions  
18 related to agricultural production and creates a new sales and  
19 use tax exemption for sales of tangible personal property used  
20 primarily in agricultural production by a commercial farmer if  
21 the cost of the tangible personal property is properly claimed  
22 as a business deduction for Iowa income tax purposes and if  
23 the tangible personal property is used on land eligible for  
24 the agricultural land property tax credit. The bill includes  
25 several categories of items that qualify for the exemption, and  
26 modifies the definition of "agricultural production" in Code  
27 section 423.1(5).

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

35 Finally, the bill amends the sale-for-resale exemption

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

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

27 SALES AND USE TAX NEXUS AND COLLECTION REQUIREMENTS. The  
28 bill modifies the requirement of persons to collect and remit  
29 the state sales and use taxes and the local option sales tax.  
30 Current law requires retailers to collect sales tax for taxable  
31 items sold at retail in the state. The bill defines "sold  
32 at retail in the state" and other similar terms to include  
33 but not be limited to sales sourced to this state under Code  
34 chapter 423 (sales and use tax), and provides that it is  
35 the intent of the general assembly that the definition is a

1 conforming amendment consistent with current state law, and  
2 that the amendment does not change the application of current  
3 law but instead reflects current law both before and after the  
4 enactment of the definition. The enactment of the definition  
5 of "sold at retail in the state" takes effect July 1, 2018.

6 Under current law, Code section 423.15 provides general  
7 rules for the sourcing of sales to Iowa. The bill amends a  
8 provision in this Code section relating to when sales tax  
9 applies to a sale sourced to Iowa, to provide that Iowa sales  
10 tax applies to a sale sourced to Iowa made by a seller who is a  
11 retailer maintaining a place of business in this state, or who  
12 is subject to the new Code section 423.14A (described below).  
13 The bill also amends provisions relating to the requirement  
14 of retailers maintaining a place of business in this state to  
15 collect use tax in Code sections 423.14 and 423.29, to provide  
16 that use tax shall be collected by retailers not otherwise  
17 required to collect sales tax under Code chapter 423 (sales and  
18 use tax).

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

26 The bill creates new Code section 423.14A that deems certain  
27 persons, or agents of those persons, to be a retailer and  
28 a retailer maintaining a place of business in this state  
29 on or after January 1, 2019, and subjects those persons to  
30 all requirements of Code chapter 423 (sales and use taxes),  
31 including but not limited to the requirement to collect and  
32 remit Iowa sales and use tax, and the requirement to collect  
33 and remit the local option sales tax. The bill provides that  
34 the requirements in Code section 423.14A are in addition to,  
35 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

1 exceeding \$100,000, or in 200 or more separate transactions for  
2 the current or previous year. The bill requires marketplace  
3 providers to collect Iowa sales and use tax on the entire  
4 sales price or purchase price paid the purchaser, regardless  
5 of the amount that will ultimately accrue to or benefit the  
6 marketplace provider or any other person, includes other  
7 provisions related to marketplace providers, and subjects  
8 certain marketplace providers and retailers described in the  
9 bill to joint and several liability for the collection and  
10 payment of Iowa sales and use tax.

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

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

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

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

35 OTHER MISCELLANEOUS SALES AND USE TAX CHANGES. The bill



1 moves provisions relating to the deposit and transfer of sales  
2 tax revenues in Code section 423.11 to a new Code section  
3 423.2A, and makes corresponding changes to other provisions of  
4 the Code that reference those deposit and transfer provisions.

5 The bill amends the definition of "lease or rental", "use",  
6 "use tax", and "user" in Code section 423.1. The bill also  
7 amends the definition of "bundled transaction" in Code section  
8 423.2(8) to incorporate certain language also included in  
9 the definition of "bundled transaction" for purposes of the  
10 streamlined sales tax agreement, of which Iowa is a member  
11 state. The changes to the definition of bundled transaction  
12 take effect July 1, 2018.

13 The bill defines "personal property" for purposes of the  
14 sales and use tax to include but not be limited to tangible  
15 personal property and specified digital products.

16 The bill amends the definition of "place of business" in  
17 Code section 423.1 to include places where specified digital  
18 products or services are offered for sale, and provides that  
19 it is the intent of the general assembly that the change to  
20 the definition is a conforming amendment consistent with  
21 current state law, and that the amendment does not change the  
22 application of current law but instead reflects current law  
23 both before and after the enactment of the change. These  
24 changes to the definition of "place of business" take effect  
25 July 1, 2018.

26 The bill provides that when any retailer required under  
27 Iowa law to collect and remit sales and use tax fails to do  
28 so, the retailer and any affiliate that directly, indirectly,  
29 or constructively controls the retailer shall be held jointly  
30 and severally liable for the tax and any resulting penalty and  
31 interest, regardless of whether the affiliate is a retailer.  
32 The bill provides the department the authority to assess  
33 the full amount of any tax, penalty, or interest against  
34 the retailer and these affiliates, and gives the department  
35 discretion to disregard or look through any organizational

1 structure of an enterprise to assess tax, penalty, and interest  
2 against an affiliate of a retailer. The term "affiliate" for  
3 purposes of these provisions is defined under existing law in  
4 Code section 423.1(2).

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

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

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

17 Current law requires lessors, as defined with respect to  
18 each excise tax, to collect the excise tax. The bill amends  
19 the definition of "lessor" under each tax to more broadly  
20 include any person who acquires a right or interest in lodging  
21 or an automobile, any person who actually or constructively  
22 rents lodging or an automobile, lodging facilitators and rental  
23 facilitators, and retailers who would be required to collect  
24 the excise taxes if the excise taxes were a sales and use tax  
25 under Code chapter 423. The bill defines a lodging facilitator  
26 with respect to the hotel and motel excise tax, and defines a  
27 rental facilitator with respect to the automobile rental excise  
28 tax, to include certain persons who facilitate the renting of  
29 the taxable items by directly or indirectly performing certain  
30 acts with regard to the rental transaction. The bill modifies  
31 the definition of "sales price" for purposes of the hotel  
32 and motel excise tax and "rental price" with respect to the  
33 automobile rental excise tax.

34 The bill repeals an exemption from the hotel and motel excise  
35 tax provided for the renting of rooms in a memorial union of an

1 Iowa college or university, and expands an exemption for the  
2 renting of rooms in certain religious institutions so that it  
3 also applies to the state and local hotel and motel excise tax.  
4 Under current law, that exemption only applies to the local  
5 hotel and motel excise tax.

6 The bill modifies the definition of "lodging" for purposes  
7 of the hotel and motel excise tax to include a cabin,  
8 apartment, or residential property. The bill provides that it  
9 is the intent of the general assembly that the change to the  
10 definition of "lodging" is a conforming amendment consistent  
11 with current state law, and that the amendments do not change  
12 the application of current law but instead reflect current law  
13 both before and after the enactment of these changes. The  
14 changes to the definition of "lodging" take effect July 1,  
15 2018.

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

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