

House File 779 - Introduced

HOUSE FILE 779

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 257)

A BILL FOR

1 An Act relating to the administration of the tax and
2 related laws by the department of revenue, including the
3 administration and modification of certain tax credits
4 and refunds, the individual and corporate income taxes,
5 franchise taxes, sales and use taxes, and automobile rental
6 excise taxes, the assessment of property owned by certain
7 long distance telephone companies, establishing a taxation
8 and exemption of computers task force, and providing for
9 other properly related matters, making penalties applicable,
10 and including effective date and retroactive applicability
11 provisions.

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

1 DIVISION I
2 INCOME TAX

3 Section 1. Section 422.4, subsection 16, paragraph e,
4 unnumbered paragraph 1, Code 2019, is amended to read as
5 follows:

6 Add back the following percentage of the qualified business
7 ~~income deduction~~ deductions under ~~section 199A~~ sections 199A(a)
8 and 199A(g) of the Internal Revenue Code taken and allowable in
9 calculating federal taxable income for the applicable tax year:

10 Sec. 2. Section 422.9, subsection 2A, paragraph a,
11 unnumbered paragraph 1, Code 2019, is amended to read as
12 follows:

13 The following percentage of the qualified business income
14 ~~deduction~~ deductions under ~~section 199A~~ sections 199A(a) and
15 199A(g) of the Internal Revenue Code taken and allowable in
16 calculating federal taxable income for the applicable tax year:

17 Sec. 3. Section 422.9, subsection 2A, paragraph b, Code
18 2019, is amended to read as follows:

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

30 Sec. 4. Section 422.11S, subsection 7, paragraph b, Code
31 2019, is amended to read as follows:

32 b. The department shall authorize a school tuition
33 organization to issue tax credit certificates for contributions
34 made to the school tuition organization. The aggregate amount
35 of tax credit certificates that the department shall authorize

1 for a school tuition organization for a ~~tax~~ calendar year shall
2 be determined for that organization pursuant to subsection 8.
3 However, a school tuition organization shall not be authorized
4 to issue tax credit certificates unless the organization is
5 controlled by a board of directors consisting of at least
6 seven members. The names and addresses of the members shall
7 be provided to the department and shall be made available
8 by the department to the public, notwithstanding any state
9 confidentiality restrictions.

10 Sec. 5. Section 422.11S, subsection 8, paragraph a,
11 subparagraph (2), Code 2019, is amended to read as follows:

12 (2) *"Total approved tax credits"* means for the ~~tax year~~
13 ~~beginning in the~~ 2006 calendar year, two million five hundred
14 thousand dollars, for the ~~tax year beginning in the~~ 2007
15 calendar year, five million dollars, for ~~tax~~ calendar years
16 beginning on or after January 1, 2008, but before January 1,
17 2012, seven million five hundred thousand dollars, for ~~tax~~
18 calendar years beginning on or after January 1, 2012, but
19 before January 1, 2014, eight million seven hundred fifty
20 thousand dollars, ~~and~~ for ~~tax~~ calendar years beginning on or
21 after January 1, 2014, but before January 1, 2019, twelve
22 million dollars, and for ~~tax~~ calendar years beginning on or
23 after January 1, 2019, thirteen million dollars.

24 Sec. 6. Section 422.11S, subsection 8, paragraph b,
25 unnumbered paragraph 1, Code 2019, is amended to read as
26 follows:

27 Each year by December 1, the department shall authorize
28 school tuition organizations to issue tax credit certificates
29 for the following ~~tax~~ calendar year. However, for the ~~tax year~~
30 ~~beginning in the~~ 2006 calendar year only, the department, by
31 September 1, 2006, shall authorize school tuition organizations
32 to issue tax credit certificates for the 2006 calendar ~~tax~~
33 year. For the ~~tax year beginning in the~~ 2006 calendar year
34 only, each school served by a school tuition organization shall
35 submit a participation form to the department by August 1,

1 2006, providing the certified enrollment as of the third Friday
2 of September 2005, along with the school tuition organization
3 that represents the school. Tax credit certificates available
4 for issue by each school tuition organization shall be
5 determined in the following manner:

6 Sec. 7. Section 422.11S, subsection 9, unnumbered paragraph
7 1, Code 2019, is amended to read as follows:

8 A school tuition organization that receives a voluntary cash
9 or noncash contribution pursuant to [this section](#) shall report
10 to the department, on a form prescribed by the department,
11 by January 12 of each ~~tax~~ calendar year all of the following
12 information:

13 Sec. 8. Section 422.11S, subsection 9, paragraphs b and c,
14 Code 2019, are amended to read as follows:

15 *b.* The total number and dollar value of contributions
16 received and the total number and dollar value of the tax
17 credits approved during the previous ~~tax~~ calendar year.

18 *c.* A list of the individual donors for the previous ~~tax~~
19 calendar year that includes the dollar value of each donation
20 and the dollar value of each approved tax credit.

21 Sec. 9. Section 422.12C, subsection 4, Code 2019, is amended
22 to read as follows:

23 4. Married taxpayers who have filed joint federal returns
24 electing to file separate returns or to file separately on a
25 combined return form must determine the child and dependent
26 care credit under [subsection 1](#) or the early childhood
27 development tax credit under [subsection 2](#) based upon their
28 combined net income and allocate the total credit amount to
29 each spouse in the proportion that each spouse's respective net
30 income bears to the total combined net income. Nonresidents or
31 part-year residents of Iowa must determine their Iowa child and
32 dependent care credit under subsection 1 or the early childhood
33 development tax credit under subsection 2 in the ratio of
34 their Iowa source net income to their all source net income.
35 Nonresidents or part-year residents who are married and elect

1 to file separate returns or to file separately on a combined
2 return form must allocate the Iowa child and dependent care
3 credit under subsection 1 or the early childhood development
4 tax credit under subsection 2 between the spouses in the ratio
5 of each spouse's Iowa source net income to the combined Iowa
6 source net income of the taxpayers.

7 Sec. 10. Section 422.60, subsection 2, paragraph b, Code
8 2019, is amended by adding the following new subparagraph:

9 NEW SUBPARAGRAPH. (6) For purposes of this paragraph,
10 "*Internal Revenue Code*" means the Internal Revenue Code of
11 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
13 the Internal Revenue Code of 1986 as amended and in effect on
14 December 21, 2017. This definition shall not be construed to
15 include any amendment to the Internal Revenue Code enacted
16 after the date specified in the preceding sentence, including
17 any amendment with retroactive applicability or effectiveness.

18 Sec. 11. LIKE-KIND EXCHANGES OF PERSONAL PROPERTY
19 UNDER CORPORATE INCOME TAX AND FRANCHISE TAX FOR TAX YEAR
20 2019. Notwithstanding any other provision of law to the
21 contrary, all of the following shall apply when computing net
22 income for purposes of the corporation income tax or franchise
23 tax under section 422.35 for tax years beginning during the
24 2019 calendar year:

25 1. The rules for nonrecognition of gain or loss from
26 exchanges of real property held for productive use or
27 investment and not held primarily for sale, as provided in
28 section 1031 of the Internal Revenue Code, as amended up to and
29 including March 24, 2018, apply for state income tax purposes
30 with regard to exchanges of real property.

31 2. The rules for nonrecognition of gain or loss from
32 exchanges of property other than real property held for
33 productive use or investment as provided in section 1031 of the
34 Internal Revenue Code, as amended up to and including December
35 21, 2017, apply for state income tax purposes, notwithstanding

1 any other provision of law to the contrary. If the taxpayer's
2 federal taxable income includes gain or loss from property,
3 other than real property described in subsection 1, and the
4 taxpayer elects to have this subsection apply, the following
5 adjustments shall be made:

6 a. (1) Subtract the total amount of gain related to the
7 sale or exchange of the property as properly reported for
8 federal tax purposes under the Internal Revenue Code.

9 (2) Add back any gain related to the sale or exchange of the
10 property to the extent such gain does not qualify for deferral
11 under section 1031 of the Internal Revenue Code, as amended
12 up to and including December 21, 2017, which gain shall be
13 calculated using the taxpayer's adjusted basis in the property
14 for state tax purposes.

15 b. (1) Add the total amount of loss related to the sale or
16 exchange of the property as properly reported for federal tax
17 purposes under the Internal Revenue Code.

18 (2) Subtract any loss related to the sale or exchange of the
19 property to the extent such loss does not qualify for deferral
20 under section 1031 of the Internal Revenue Code, as amended
21 up to and including December 21, 2017, which loss shall be
22 calculated using the taxpayer's adjusted basis in the property
23 for state tax purposes.

24 c. Any other adjustments to gains, losses, deductions, or
25 tax basis for the property given up or received in the sale or
26 exchange pursuant to rules adopted by the director.

27 Sec. 12. REFUNDS — EARLY CHILDHOOD DEVELOPMENT TAX
28 CREDIT. Notwithstanding any provision of law to the contrary,
29 for tax years beginning prior to January 1, 2019, refunds of
30 the early childhood development tax credit provided in section
31 422.12C, subsection 2, requested on or after the effective
32 date of the provision of this division of this Act amending
33 section 422.12C, subsection 4, shall not exceed the amount
34 allowed under section 422.12C, subsection 4, as amended by this
35 division of this Act.

1 Sec. 13. LEGISLATIVE INTENT. It is the intent of the
2 general assembly that the provisions of this division of
3 this Act amending section 422.11S are conforming amendments
4 consistent with current state law, and that the amendments do
5 not change the application of current law but instead reflect
6 current law both before and after the enactment of this Act.

7 Sec. 14. EFFECTIVE DATE. The following, being deemed of
8 immediate importance, take effect upon enactment:

9 1. The section of this division of this Act amending section
10 422.12C, subsection 4.

11 2. The section of this division of this Act relating to
12 refunds for the early childhood development tax credit.

13 3. The section of this division of this Act relating to
14 like-kind exchanges of personal property under corporate income
15 tax and franchise tax.

16 Sec. 15. RETROACTIVE APPLICABILITY. The following apply
17 retroactively to January 1, 2019, for tax years beginning on
18 or after that date:

19 1. The section of this division of this Act amending section
20 422.4, subsection 16, paragraph "e", unnumbered paragraph 1.

21 2. The sections of this division of this Act amending
22 section 422.9, subsection 2A.

23 3. The section of this division of this Act amending section
24 422.12C, subsection 4.

25 4. The section of this division of this Act amending section
26 422.60, subsection 2, paragraph "b".

27 Sec. 16. RETROACTIVE APPLICABILITY — LIKE-KIND EXCHANGES
28 OF PERSONAL PROPERTY. The section of this division of this
29 Act relating to like-kind exchanges of personal property under
30 corporate income tax and franchise tax applies retroactively to
31 January 1, 2019, for tax years beginning on or after that date,
32 but before January 1, 2020.

33 DIVISION II

34 ADMINISTRATIVE PROVISIONS

35 Sec. 17. Section 422.20, Code 2019, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 5. The department may permit, by rule, the
3 disclosure of state tax information to a person a taxpayer has
4 authorized to receive such state tax information, in the manner
5 prescribed by the department.

6 Sec. 18. Section 422.72, Code 2019, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 8. The department may permit, by rule, the
9 disclosure of state tax information to a person a taxpayer has
10 authorized to receive such state tax information, in the manner
11 prescribed by the department.

12 DIVISION III

13 SALES AND USE TAX

14 Sec. 19. Section 423.2, subsection 1, paragraph a,
15 subparagraph (5), subparagraph division (a), Code 2019, is
16 amended to read as follows:

17 (a) If a service or warranty contract does not specify a fee
18 amount for nontaxable services or taxable personal property,
19 the tax imposed pursuant to [this section](#) shall be imposed upon
20 an amount equal to ~~one-half of~~ the sales price of the contract.

21 Sec. 20. Section 423.2, subsection 6, paragraph k, Code
22 2019, is amended to read as follows:

23 *k.* Carpentry repair and installation.

24 Sec. 21. Section 423.3, Code 2019, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 16A. *a.* The sales price from the sale of
27 a grain bin, including material or replacement parts used to
28 construct or repair a grain bin.

29 *b.* For purposes of this subsection, "*grain bin*" means
30 property that is vented and covered with corrugated metal or
31 similar material, and that is primarily used to hold loose
32 grain for drying or storage.

33 Sec. 22. Section 423.3, subsection 47, paragraph c,
34 subparagraph (3), Code 2019, is amended by striking the
35 subparagraph and inserting in lieu thereof the following:

1 (3) The following within the scope of section 427A.1,
2 subsection 1, paragraphs "h" and "i":

3 (a) Computers.

4 (b) Machinery.

5 (c) Equipment, including pollution control equipment.

6 (d) Replacement parts.

7 (e) Supplies.

8 (f) Materials used to construct or self-construct the
9 following:

10 (i) Computers.

11 (ii) Machinery.

12 (iii) Equipment, including pollution control equipment.

13 (iv) Replacement parts.

14 (v) Supplies.

15 Sec. 23. Section 423.3, subsection 104, paragraph a, Code
16 2019, is amended to read as follows:

17 a. The sales price of specified digital products and of
18 prewritten computer software sold, and of enumerated services
19 described in section 423.2, subsection 1, paragraph "a",
20 subparagraph (5), or section 423.2, subsection 6, paragraphs
21 "bq", "br", "bs", and "bu" furnished, to a commercial enterprise
22 for use exclusively by the commercial enterprise. The use of
23 prewritten computer software, a specified digital product, or
24 service fails to qualify as a use exclusively by the commercial
25 enterprise if its use for noncommercial purposes is more than
26 de minimis.

27 Sec. 24. Section 423.14A, subsection 3, paragraph b, Code
28 2019, is amended by striking the paragraph.

29 Sec. 25. Section 423.14A, subsection 3, paragraph d,
30 subparagraph (1), Code 2019, is amended to read as follows:

31 (1) A marketplace facilitator that makes or facilitates
32 Iowa sales on its own behalf or for one or more marketplace
33 sellers equal to or exceeding one hundred thousand dollars,
34 ~~or in two hundred or more separate transactions,~~ for an
35 immediately preceding calendar year or a current calendar year.

1 Sec. 26. Section 423.14A, subsection 3, paragraph e,
2 subparagraph (1), unnumbered paragraph 1, Code 2019, is amended
3 to read as follows:

4 A referrer if, for any immediately preceding calendar year
5 or a current calendar year, one hundred thousand dollars or
6 more in Iowa sales ~~or two hundred or more separate Iowa sales~~
7 ~~transactions~~ result from referrals from a platform of the
8 referrer. A referrer is not required to collect and remit
9 sales and use tax pursuant to this paragraph if the referrer
10 does all of the following:

11 Sec. 27. Section 423.14A, subsection 3, paragraph e,
12 subparagraph (1), subparagraph division (c), unnumbered
13 paragraph 1, Code 2019, is amended to read as follows:

14 The referrer provides the department with ~~monthly~~ annual
15 reports in an electronic format and in the manner prescribed
16 by the department, which ~~monthly~~ annual reports contain all of
17 the following:

18 Sec. 28. Section 423.14A, subsection 3, paragraph e, Code
19 2019, is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (5) This paragraph is subject to
21 implementation by the department by rule and shall not require
22 a referrer to collect tax or comply with the notice and
23 reporting requirements and other provisions of this paragraph
24 unless and until such administrative rules take effect.

25 Sec. 29. Section 423.48, subsection 2, paragraph c, Code
26 2019, is amended by striking the paragraph.

27 Sec. 30. TAXATION AND EXEMPTION OF COMPUTERS TASK FORCE. A
28 taxation and exemption of computers task force is created. The
29 department of revenue shall initiate and coordinate the task
30 force and provide staff assistance. It is the intent of the
31 general assembly that the task force include representatives of
32 the department of revenue; a commercial enterprise that claims
33 an exemption for computers under section 423.3, subsection
34 47; an association that represents manufacturers and other
35 industrial producers; and an association that represents

1 business tax issues. The director of revenue or the director's
2 designee shall serve as chairperson of the task force.

3 The task force shall be charged with reviewing the
4 definition of "computer" as used throughout the portions of the
5 Iowa Code and the Iowa Administrative Code administered by the
6 department of revenue including the exemption for computers
7 provided in section 423.3, subsection 47, paragraph "a",
8 subparagraph (4). If the task force recommends modifications
9 to the current definition of "computer" including the exemption
10 for computers provided in section 423.3, subsection 47,
11 paragraph "a", subparagraph (4), the department of revenue
12 shall provide any recommendations to the general assembly by
13 January 1, 2020.

14 Sec. 31. EFFECTIVE DATE. The following, being deemed of
15 immediate importance, take effect upon enactment:

16 The section of this division of this Act amending section
17 423.3, subsection 47, paragraph "c", subparagraph (3).

18 Sec. 32. RETROACTIVE APPLICABILITY. The following applies
19 retroactively to January 1, 2016, for tax years beginning on
20 or after that date:

21 The section of this division of this Act amending section
22 423.3, subsection 47, paragraph "c", subparagraph (3).

23 DIVISION IV

24 AUTOMOBILE RENTAL EXCISE TAX

25 Sec. 33. Section 423.14A, subsection 1, paragraph b,
26 subparagraph (3), Code 2019, is amended to read as follows:

27 (3) A ~~"rental platform"~~, as defined in ~~section 423C.2~~, that
28 ~~meets the requirements described in~~ person who is not required
29 to collect and remit automobile rental excise tax pursuant to
30 section 423C.3, subsection 3, paragraph "c", subparagraph (2),
31 shall not be considered a "marketplace facilitator" with respect
32 to any sale of a transportation service under section 423.2,
33 subsection 6, paragraph "bf", or section 423.5, subsection 1,
34 paragraph "e", consisting of the rental of vehicles subject
35 to registration which are registered for a gross weight of

1 thirteen tons or less for a period of sixty days or less.

2 Sec. 34. Section 423C.2, subsection 3, paragraphs a and b,
3 Code 2019, are amended to read as follows:

4 a. A person or any affiliate of a person that owns or
5 controls an automobile and makes the automobile available for
6 rent through the person or any affiliate, or through a ~~rental~~
7 ~~platform or rental facilitator~~ any other person required to
8 collect sales or use tax under chapter 423.

9 b. A person or any affiliate of a person who possesses or
10 acquires a right or interest in any automobile with an intent
11 to rent the automobile to another person, or ~~through the person~~
12 ~~or any affiliate, or through a rental platform or a rental~~
13 ~~facilitator~~ any other person required to collect sales or use
14 tax under chapter 423.

15 Sec. 35. Section 423C.2, subsection 6, Code 2019, is amended
16 to read as follows:

17 6. "*Facilitation fee*" means any consideration, by whatever
18 name called, that a ~~rental facilitator or a rental platform~~
19 person charges to a user for facilitating the user's rental
20 of an automobile. "*Facilitation fee*" does not include any
21 commission an automobile provider pays to a ~~rental facilitator~~
22 ~~or a rental platform~~ person for facilitating the rental of an
23 automobile.

24 Sec. 36. Section 423C.2, Code 2019, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 6A. "*Host*" means the registered owner of an
27 automobile made available for sharing through a peer-to-peer
28 automobile sharing marketplace.

29 Sec. 37. Section 423C.2, subsections 9 and 10, Code 2019,
30 are amended by striking the subsections.

31 Sec. 38. Section 423C.2, subsection 11, Code 2019, is
32 amended to read as follows:

33 11. "*Rental price*" means ~~all consideration charged for~~
34 ~~the renting and facilitation of renting of an automobile~~
35 ~~before taxes, including but not limited to facilitation fees,~~

~~1 reservation fees, services fees, nonrefundable deposits, and
2 any other direct or indirect charge made or consideration
3 provided in connection with the renting or facilitation of
4 renting of an automobile the same as "sales price" as defined
5 in section 423.1, which term includes but is not limited
6 to facilitation fees, reservation fees, services fees,
7 nonrefundable deposits, and any other direct or indirect charge
8 made or consideration provided in connection with the renting
9 or facilitation of renting an automobile.~~

10 Sec. 39. Section 423C.3, Code 2019, is amended to read as
11 follows:

12 **423C.3 Tax on rental of automobiles — collection and**
13 **remittance of tax.**

14 ~~1. For purposes of **this section**:~~

15 ~~a. "Discount rental charge" means the amount an automobile
16 provider charges to a rental facilitator for the rental of an
17 automobile, excluding any applicable tax.~~

18 ~~b. "Travel package" means an automobile rental bundled
19 with one or more separate components such as lodging, air
20 transportation, or similar items and charged for a single
21 retail price.~~

22 ~~2. 1.~~ A tax of five percent is imposed upon the rental
23 price of an automobile if the rental transaction is subject to
24 the sales and services tax under **chapter 423, subchapter II**, or
25 the use tax under **chapter 423, subchapter III**. The tax shall
26 not be imposed on any rental transaction not taxable under the
27 state sales and services tax, as provided in **section 423.3**, or
28 the state use tax, as provided in **section 423.6**, on automobile
29 rental receipts.

30 ~~3. 2.~~ **This subsection** shall govern the collection and
31 remittance of the tax imposed under **subsection 2** The tax
32 imposed under subsection 1 shall be collected and remitted to
33 the department by all persons required to collect state sales
34 and use tax on the rental transaction under chapter 423.

35 ~~a. Unless otherwise provided in **this subsection**, the~~

1 ~~automobile provider shall collect the tax by adding the tax to~~
2 ~~the rental price of the automobile and the tax, when collected,~~
3 ~~shall be stated as a distinct item separate and apart from~~
4 ~~the rental price of the automobile and the sales and services~~
5 ~~tax imposed under [chapter 423, subchapter II](#), or the use tax~~
6 ~~imposed under [chapter 423, subchapter III](#).~~

7 ~~b. If a transaction for the rental of an automobile involves~~
8 ~~a rental facilitator, all of the following shall occur in the~~
9 ~~order prescribed:~~

10 ~~(1) The rental facilitator shall collect the tax on any~~
11 ~~rental price that the user pays to the rental facilitator in~~
12 ~~the same manner as an automobile provider under paragraph "a".~~

13 ~~(2) (a) Unless otherwise required by rule or order of~~
14 ~~the department, the rental facilitator shall remit to the~~
15 ~~automobile provider that portion of the tax collected on the~~
16 ~~rental price that represents the discount rental charge.~~

17 ~~(b) No assessment shall be made against a rental facilitator~~
18 ~~for tax due on a discount rental charge if the rental~~
19 ~~facilitator collected the tax and remitted it to an automobile~~
20 ~~provider that has a valid tax permit required under this~~
21 ~~chapter or under [chapter 423](#). This subparagraph division shall~~
22 ~~not apply if the rental facilitator and automobile provider~~
23 ~~are affiliates, or if the department requires the rental~~
24 ~~facilitator to remit taxes collected on that portion of the~~
25 ~~sales price that represents the discount rental charge directly~~
26 ~~to the department.~~

27 ~~(3) The rental facilitator shall remit any remaining tax it~~
28 ~~collected to the department.~~

29 ~~(4) (a) The automobile provider shall collect and remit~~
30 ~~to the department any taxes the rental facilitator remitted to~~
31 ~~the automobile provider, and shall collect and remit to the~~
32 ~~department any taxes due on any amount of rental price the user~~
33 ~~paid to the automobile provider.~~

34 ~~(b) No assessment shall be made against an automobile~~
35 ~~provider for any tax due on a discount rental charge that~~

~~1 was not remitted to the automobile provider by a rental
2 facilitator. This subparagraph division shall not apply if the
3 automobile provider and the rental facilitator are affiliates.
4 (5) Notwithstanding any other provision of this paragraph
5 to the contrary, if a rental facilitator and its affiliates
6 facilitate total rentals under this chapter and chapter
7 423A that are equal to or less than an aggregate amount of
8 rental price and sales price of ten thousand dollars for an
9 immediately preceding calendar year or a current calendar year,
10 or in ten or fewer separate transactions for an immediately
11 preceding calendar year or a current calendar year, the
12 rental facilitator shall not be required to collect tax on the
13 amount of sales price that represents the rental facilitator's
14 facilitation fee.~~

~~15 c. (1) If a transaction for the rental of an automobile
16 involves a rental platform, other than a rental platform
17 described in subparagraph (2), the rental platform shall
18 collect and remit the tax imposed under this chapter in the
19 same manner as an automobile provider under paragraph "a".~~

~~20 (2) 3. A rental platform person is not required to collect
21 and remit the tax imposed under this chapter in the same manner
22 as an automobile provider under paragraph "a" if the rental
23 platform person meets all of the following requirements:~~

~~24 a. The person or any affiliate of the person is not an
25 automobile provider.~~

~~26 b. The person or any affiliate of the person facilitates
27 the renting or sharing of an automobile by doing all of the
28 following:~~

~~29 (1) The person owns, operates, or controls a peer-to-peer
30 automobile sharing marketplace that allows a host or an
31 automobile provider who is not an affiliate of the person
32 to offer or list an automobile for sharing or rent on the
33 marketplace. For purposes of this paragraph, it is immaterial
34 whether or not the automobile provider has a tax permit under
35 this chapter or chapter 423 or whether the automobile is owned~~

1 by a natural person or by a business entity.

2 (2) The person or affiliate of the person collects or
3 processes the rental price charged to the user.

4 ~~(a)~~ c. The only sales the ~~rental platform~~ person and
5 ~~its~~ affiliates of the person facilitate that are subject to
6 tax under chapter 423 are sales of a transportation service
7 under section 423.2, subsection 6, paragraph "bf", or section
8 423.5, subsection 1, paragraph "e", consisting of the rental
9 of vehicles subject to registration which are registered for
10 a gross weight of thirteen tons or less for a period of sixty
11 days or less.

12 ~~(b) The rental platform operates a peer-to-peer automobile~~
13 ~~sharing marketplace.~~

14 ~~(3)~~ 4. For any rental transaction for which the ~~rental~~
15 ~~platform~~ a person is required to or elects to collect and
16 remit the tax under this chapter, the ~~rental platform~~ person
17 shall also be liable for the collection and remittance of any
18 sales or use tax due on that transaction under section 423.2,
19 subsection 6, paragraph "bf", or section 423.5, subsection
20 1, paragraph "e", notwithstanding any other provision to the
21 contrary in chapter 423.

22 ~~(4)~~ 5. For any rental transaction for which the ~~rental~~
23 ~~platform~~ person is not required to collect and remit the
24 tax under this chapter as provided under ~~subparagraph (2)~~
25 subsection 3, the automobile provider shall be solely liable
26 for any amount of uncollected or unremitted tax under this
27 chapter and chapter 423.

28 DIVISION V

29 TELEPHONE COMPANY PROPERTY

30 Sec. 40. Section 476.1D, Code 2019, is amended by adding the
31 following new subsection:

32 NEW SUBSECTION. 10. *a.* The board, at the request of a
33 long distance telephone company, shall classify such company
34 as a competitive long distance telephone company if more
35 than half of the company's revenues from its Iowa intrastate

1 telecommunications services and facilities are received
2 from services and facilities that the board has determined
3 to be subject to effective competition, or if more than
4 half of the company's revenues from its Iowa intrastate
5 telecommunications services and facilities are received from
6 intralata interexchange services and facilities. For purposes
7 of this subsection, "*intralata interexchange services*" means
8 those interexchange services that originate and terminate
9 within the same local access transport area.

10 **b.** The board shall promptly notify the director of revenue
11 that a long distance telephone company has been classified
12 as a competitive long distance telephone company. Upon such
13 notification by the board, the director of revenue shall assess
14 the property of such competitive long distance telephone
15 company, which property is first assessed for taxation in this
16 state on or after January 1, 1996, in the same manner as all
17 other property assessed as commercial property by the local
18 assessor under chapters 427, 427A, 427B, 428, and 441. As used
19 in this section, "*long distance telephone company*" means an
20 entity that provides telephone service and facilities between
21 local exchanges, but does not include a cellular service
22 provider or a local exchange utility holding a certificate
23 issued under section 476.29, subsection 12.

24 Sec. 41. Section 476.1D, subsection 10, as enacted in this
25 division of this Act, is amended by striking the subsection.

26 Sec. 42. EFFECTIVE DATE. The following, being deemed of
27 immediate importance, takes effect upon enactment:

28 The section of this division of this Act enacting section
29 476.1D, subsection 10.

30 Sec. 43. RETROACTIVE APPLICABILITY. The following applies
31 retroactively to July 1, 2018, for assessment years beginning
32 on or after that date:

33 The section of this division of this Act enacting section
34 476.1D, subsection 10.

35 Sec. 44. EFFECTIVE DATE. The following takes effect July

1 1, 2021:

2 The section of this division of this Act striking section
3 476.1D, subsection 10.

4 Sec. 45. APPLICABILITY. The following applies to
5 assessment years beginning on or after January 1, 2022:

6 The section of this division of this Act striking section
7 476.1D, subsection 10.

8 DIVISION VI

9 TARGETED JOBS WITHHOLDING CREDIT

10 Sec. 46. Section 403.19A, subsection 3, paragraph c,
11 subparagraph (2), Code 2019, is amended to read as follows:

12 (2) The pilot project city and the economic development
13 authority shall not enter into a withholding agreement after
14 June 30, ~~2019~~ 2020.

15 DIVISION VII

16 SCHOOL TUITION ORGANIZATION TAX CREDITS

17 Sec. 47. Section 422.11S, subsection 8, paragraph a,
18 subparagraph (2), Code 2019, 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
29 or after January 1, 2019, but before January 1, 2020, thirteen
30 million dollars, and for tax years beginning on or after
31 January 1, 2020, fourteen million dollars.

32 Sec. 48. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor
33 is directed to harmonize the section of this division of this
34 Act amending section 422.11S with the other division of this
35 Act amending section 422.11S, if enacted, by changing tax year

1 to calendar year where appropriate and to make other related
2 changes, if necessary, to effectuate such changes.

3

DIVISION VIII

4

INCOME TAX CHECKOFFS

5 Sec. 49. Section 173.22, subsection 2, Code 2019, is amended
6 to read as follows:

7 2. A foundation fund is created within the state treasury
8 composed of moneys appropriated or available to and obtained or
9 accepted by the foundation. The foundation fund shall include
10 moneys credited to the fund as provided in section ~~422.12D~~
11 422.12I.

12 Sec. 50. Section 422.12E, Code 2019, is amended to read as
13 follows:

14 **422.12E Income tax return checkoffs limited.**

15 1. ~~For tax years beginning on or after January 1, 2019,~~
16 ~~there~~ There shall be allowed no more than four income tax
17 return checkoffs on each income tax return. For tax years
18 beginning on or after January 1, 2017, when the same four
19 income tax return checkoffs have been provided on the income
20 tax return for two consecutive tax years, the two checkoffs for
21 which the least amount has been contributed, in the aggregate
22 for the first tax year and through March 15 after the end of the
23 second tax year, are repealed on December 31 after the end of
24 the second tax year and shall be removed from the return form.

25 2. If more checkoffs are enacted in the same session of
26 the general assembly than there is space for inclusion on the
27 individual tax return form, the checkoffs with the earliest
28 ~~enacted checkoffs~~ date of enactment as determined pursuant
29 to section 3.7 for which there is space for inclusion on the
30 return form shall be included on the return form, and all other
31 checkoffs enacted during that session of the general assembly
32 are repealed on December 31 of the year of enactment. If
33 more checkoffs are enacted in the same session of the general
34 assembly than there is space for inclusion on the individual
35 income tax form ~~and the additional checkoffs are enacted on~~

1 ~~the same day~~ and it is indeterminable which checkoffs have
2 the earliest date of enactment pursuant to section 3.7, the
3 director shall determine which checkoffs shall be included on
4 the return form, and all other checkoffs not included on the
5 return form shall be repealed on December 31 of the year of
6 enactment and shall not be included on the return form.

7 3. a. By July 1 of the year in which two checkoffs are
8 repealed pursuant to subsection 1, the department shall notify
9 the Iowa Code editor which two checkoffs received the least
10 amount of contributions and are repealed.

11 b. By September 1 of any applicable year, the department
12 shall notify the Iowa Code editor of any repeal pursuant to
13 subsection 2.

14 Sec. 51. NEW SECTION. 422.12G Joint income tax checkoff for
15 veterans trust fund and volunteer fire fighter preparedness fund.

16 1. A person who files an individual or a joint income tax
17 return with the department of revenue under section 422.13 may
18 designate one dollar or more to be paid jointly to the veterans
19 trust fund created in section 35A.13 and to the volunteer fire
20 fighter preparedness fund created in section 100B.13. If the
21 refund due on the return or the payment remitted with the
22 return is insufficient to pay the additional amount designated
23 by the taxpayer, the amount designated shall be reduced to the
24 remaining amount of refund or the remaining amount remitted
25 with the return. The designation of a contribution under this
26 section is irrevocable.

27 2. The director of revenue shall draft the income tax form
28 to allow the designation of contributions to the veterans trust
29 fund and to the volunteer fire fighter preparedness fund as
30 one checkoff on the tax return. The department of revenue,
31 on or before January 31, shall transfer one-half of the total
32 amount designated on the tax return forms due in the preceding
33 calendar year to the veterans trust fund and the remaining
34 one-half to the volunteer fire fighter preparedness fund.
35 However, before a checkoff pursuant to this section shall be

1 permitted, all liabilities on the books of the department of
2 administrative services and accounts identified as owing under
3 section 8A.504 shall be satisfied.

4 3. The department of revenue shall adopt rules to administer
5 this section.

6 4. This section is subject to repeal under section 422.12E.
7 Sec. 52. Section 422.12H, Code 2019, is amended to read as
8 follows:

9 **422.12H Income tax checkoff for fish and game protection**
10 **fund.**

11 1. A person who files an individual or a joint income tax
12 return with the department of revenue under [section 422.13](#) may
13 designate a contribution to the state fish and game protection
14 fund authorized pursuant to [section 456A.16](#).

15 2. This section is subject to repeal under section 422.12E.

16 Sec. 53. NEW SECTION. **422.12I Income tax checkoff for the**
17 **Iowa state fair foundation fund.**

18 1. A person who files an individual or a joint income tax
19 return with the department of revenue under section 422.13
20 may designate one dollar or more to be paid to the foundation
21 fund of the Iowa state fair foundation as established in
22 section 173.22. If the refund due on the return or the payment
23 remitted with the return is insufficient to pay the amount
24 designated by the taxpayer to the foundation fund, the amount
25 designated shall be reduced to the remaining amount of the
26 refund or the remaining amount remitted with the return. The
27 designation of a contribution to the foundation fund under this
28 section is irrevocable.

29 2. The director of revenue shall draft the income tax form
30 to allow the designation of contributions to the foundation
31 fund on the tax return. The department, on or before January
32 31, shall transfer the total amount designated on the tax
33 form due in the preceding year to the foundation fund.

34 However, before a checkoff pursuant to this section shall be
35 permitted, all liabilities on the books of the department of

1 administrative services and accounts identified as owing under
2 section 8A.504 shall be satisfied.

3 3. The Iowa state fair board may authorize payment from
4 the foundation fund for purposes of supporting foundation
5 activities.

6 4. The department of revenue shall adopt rules to implement
7 this section.

8 5. This section is subject to repeal under section 422.12E.

9 DIVISION IX

10 POWERS AND DUTIES OF DIRECTOR OF REVENUE

11 Sec. 54. Section 421.17, Code 2019, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 35. To audit and examine all taxes
14 collected or administered by the department.

15 DIVISION X

16 SALES AND USE TAX EXEMPTIONS RELATED TO MANUFACTURERS

17 Sec. 55. Section 423.3, subsection 47, paragraph d,
18 subparagraph (4), subparagraph division (c), unnumbered
19 paragraph 1, Code 2019, is amended to read as follows:

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

23 DIVISION XI

24 RESEARCH ACTIVITIES TAX CREDIT

25 Sec. 56. Section 422.10, subsection 1, paragraph a,
26 subparagraph (1), subparagraph division (a), Code 2019, is
27 amended to read as follows:

28 (a) The business is engaged in the manufacturing, life
29 sciences, agriscience, software engineering, or aviation and
30 aerospace industry.

31 Sec. 57. Section 422.10, subsection 1, paragraph a,
32 subparagraph (1), subparagraph division (b), unnumbered
33 paragraph 1, Code 2019, is amended to read as follows:

34 Persons that shall not be considered to be engaged in
35 the manufacturing, life sciences, agriscience, software

1 engineering, or aviation and aerospace industry, and thus are
2 not eligible for the credit, include but are not limited to all
3 of the following:

4 Sec. 58. Section 422.33, subsection 5, paragraph e,
5 subparagraph (1), subparagraph division (a), Code 2019, is
6 amended to read as follows:

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

10 Sec. 59. Section 422.33, subsection 5, paragraph e,
11 subparagraph (1), subparagraph division (b), unnumbered
12 paragraph 1, Code 2019, is amended to read as follows:

13 Persons that shall not be considered to be engaged in
14 the manufacturing, life sciences, agriscience, software
15 engineering, or aviation and aerospace industry, and thus are
16 not eligible for the credit, include but are not limited to all
17 of the following:

18 DIVISION XII

19 BROADCASTERS — APPORTIONMENT OF GROSS RECEIPTS

20 Sec. 60. 2015 Iowa Acts, chapter 86, section 3, is amended
21 to read as follows:

22 SEC. 3. RETROACTIVE APPLICABILITY. This Act applies
23 retroactively to January 1, ~~2015~~ 2013, for tax years beginning
24 on or after that date.

25 EXPLANATION

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

28 This bill relates to the administration of the tax and
29 related laws by the department of revenue, including the
30 administration and modification of certain taxes, tax credits,
31 and refunds.

32 DIVISION I — INCOME TAX. The amendments to Code sections
33 422.4(16) and 422.9 modify Internal Revenue Code references
34 relating to the qualified business income deduction. The
35 amendments to Code sections 422.4(16) and 422.9 apply

1 retroactively for tax years beginning on or after January 1,
2 2019.

3 The amendments to Code section 422.11S specify that school
4 tuition organization tax credits shall be authorized by the
5 department of revenue on a calendar year basis rather than
6 a tax year basis. The amendments to Code section 422.11S
7 also specify that a school tuition organization shall be
8 controlled by a board of directors consisting of at least seven
9 members. Under current law, the board of directors shall be
10 seven members. The bill provides that it is the intent of the
11 general assembly that the amendments to Code section 422.11S
12 are conforming amendments consistent with current law, and that
13 the amendments do not change the application of current law.
14 The bill also amends Code section 422.11S in division VII of
15 the bill.

16 The amendment to Code section 422.12C specifies that a
17 nonresident or part-year resident shall determine their early
18 childhood development tax credit in the ratio of the taxpayer's
19 Iowa source net income to their all source net income. The
20 amendment to Code section 422.12C takes effect upon enactment
21 and applies retroactively for tax years beginning on or
22 after January 1, 2019. The bill specifies that for tax years
23 beginning prior to January 1, 2019, refunds of the early
24 childhood development tax credit requested on or after July 1,
25 2019, shall not exceed the amount allowed under Code section
26 422.12C(4), as amended by the bill.

27 The amendment to Code section 422.60 aligns the definition
28 of "Internal Revenue Code" for franchise alternative minimum
29 tax purposes with the definition of "Internal Revenue Code"
30 for corporate alternative minimum tax purposes. The amendment
31 to Code section 422.60 applies retroactively for tax years
32 beginning on or after January 1, 2019.

33 The bill provides for a deferral of a gain or loss resulting
34 from exchanging of property (1031 exchange) that meet certain
35 conditions. The federal Tax Cuts and Jobs Act of 2017 repealed

1 1031 exchanges with respect to exchanges of personal property.
2 The Iowa tax bill enacted last year (2018 Iowa Acts, chapter
3 1161) decouples, for Iowa individual tax purposes, from the
4 federal repeal of 1031 exchanges relating to personal property,
5 and permits individuals to defer gain or loss on qualifying
6 personal property for tax year 2019 to the extent such deferral
7 would have been permitted under federal law prior to its
8 amendment by the federal Tax Cuts and Jobs Act of 2017. The
9 bill permits a corporation or financial institution, for Iowa
10 corporate income tax or franchise income tax purposes, the same
11 deferral of gain or loss as individuals on qualifying personal
12 property for tax year 2019 to the extent such deferral would
13 have been permitted under federal law prior to its amendment
14 by the federal Tax Cuts and Jobs Act of 2017. The 1031
15 exchange provision takes effect upon enactment, and applies
16 retroactively for tax years beginning January 1, 2019, but
17 before January 1, 2020.

18 DIVISION II — ADMINISTRATIVE PROVISIONS. The amendments
19 to Code sections 422.20 and 422.72 permit the department of
20 revenue, by rule, to disclose state tax information to a person
21 a taxpayer has identified to receive such information in the
22 manner prescribed by the department of revenue.

23 DIVISION III — SALES AND USE TAX. The amendment to Code
24 section 423.2(1) provides that if a service or warranty
25 contract does not specify a fee amount for nontaxable services
26 or taxable personal property, the sales tax shall be imposed
27 upon an amount equal to the sales price of the contract.
28 Currently, the sales tax is imposed upon an amount equal to
29 one-half of the sales price of such a contract.

30 The amendment to Code section 432.2(6) specifies that
31 the sales price from the furnishing of carpentry repair and
32 installation services are subject to the sales tax. Currently,
33 carpentry services are subject to sales tax.

34 The bill enacts new Code section 423.3(16A), exempting from
35 the state sales and use tax the purchase price of a grain bin,

1 including material or replacement parts used to construct or
2 repair a grain bin. "Grain bin" is defined to mean property
3 that is vented and covered with corrugated metal or similar
4 material, and that is primarily used to hold loose grain for
5 drying or storage.

6 The amendment to Code section 423.3(47) changes the
7 exclusions from the sales tax exemptions in that subsection by
8 aligning the exclusions with the changes made to the exemptions
9 enacted in 2016 Iowa Acts, chapter 1007. This provision takes
10 effect upon enactment and applies retroactively to tax years
11 beginning January 1, 2016, for tax years beginning on or after
12 that date.

13 The amendment to Code section 423.3(104) exempts from the
14 sales tax the sales of optional service or warranty contracts
15 for computer software maintenance or support services furnished
16 to a commercial enterprise used exclusively by the commercial
17 enterprise. "Commercial enterprise" is defined in 423.3(104).

18 Currently, a retailer making Iowa sales, as defined in Code
19 section 423.14A(1)(a), shall collect and remit sales, use, and
20 local option taxes, if the retailer has gross revenue from
21 Iowa sales equal to or exceeding \$100,000 for an immediately
22 preceding calendar year or a current calendar year, or has 200
23 or more separate transactions for an immediately preceding
24 calendar year or a current calendar year. The bill amends
25 Code section 423.14A(3)(b) by striking the requirement that
26 retailers making Iowa sales collect such taxes if the retailer
27 has 200 or more separate transactions for an immediately
28 preceding calendar year or a current calendar year.

29 The bill amends Code section 423.14A(3)(d) by striking
30 the requirement that a marketplace facilitator, as defined
31 in Code section 423.14A(1)(b), making Iowa sales, as defined
32 in Code section 423.14A(1)(a), collect sales, use, and local
33 option taxes if the marketplace facilitator has 200 or more
34 separate transactions for an immediately preceding calendar
35 year or a current calendar year. The bill does not strike the

1 requirement that a marketplace facilitator collect such taxes
2 if the marketplace facilitator makes or facilitates Iowa sales
3 on its own behalf or for one or more marketplace sellers equal
4 to or exceeding \$100,000.

5 The bill amends Code section 423.14A(3)(e) by striking
6 the requirement that a referrer, as defined in Code section
7 423.14A(3)(e)(3), making Iowa sales, as defined in Code section
8 423.14A(1)(a), collect sales, use, and local option taxes if
9 the referrer has 200 or more separate transactions for an
10 immediately preceding calendar year or a current calendar
11 year. The bill does not strike the requirement that a referrer
12 collect such taxes if the referrer has Iowa sales equal to or
13 exceeding \$100,000.

14 Currently, a referrer is required to provide the department
15 of revenue, on a monthly basis, a list of marketplace sellers
16 who collect and remit Iowa sales and use tax on the platform
17 of the referrer. Otherwise, the referrer is required to
18 collect and remit Iowa sales and use tax. The amendment to
19 Code section 423A.14A(3)(e)(1)(c) provides that a referrer may
20 provide the department of revenue such a report on an annual
21 basis, and avoid collecting the sales and use tax if other
22 conditions in Code section 423.14(3)(e)(1) are met.

23 The bill enacts new Code section 423.14A(3)(e)(5) specifying
24 that the paragraph relating to "referrers" is subject to
25 implementation by the department of revenue by rule, and shall
26 not require a referrer to collect tax or comply with the notice
27 and reporting requirements unless such administrative rules
28 take effect.

29 The bill amends Code section 423.48(2)(c) by striking the
30 paragraph specifying that registering under the streamlined
31 sales and use tax agreement in another member state shall be
32 considered to be registered in this state for purposes of the
33 streamlined sales and use tax agreement.

34 The bill establishes a taxation and exemption computers
35 task force to be initiated, coordinated, and staffed by

1 the department of revenue. The task force shall review the
2 definition of "computer" as used throughout the portions of
3 the Iowa Code and the Iowa Administrative Code administered
4 by the department of revenue including the exemption for
5 computers provided in Code section 423.3(47)(a)(4). If the
6 task force recommends modifications to the current definition
7 of "computer" including the exemption for computers provided in
8 Code section 423.3(47)(a)(4), the department of revenue shall
9 provide any recommendations to the general assembly by January
10 1, 2020.

11 DIVISION IV — AUTOMOBILE RENTAL EXCISE TAX. The amendment
12 to Code section 423.14A provides that a person who is not
13 required to collect and remit automobile rental excise tax
14 shall not be considered a "marketplace facilitator" with
15 respect to the sale of certain transportation services.

16 The amendment to Code section 423C.2 substitutes a person
17 required to collect sales or use tax under Code chapter 423
18 for "rental facilitator" and "rental platform" and strikes the
19 definitions of "rental facilitator" and "rental platform" from
20 Code section 423C.2.

21 The amendment to Code section 423C.2(3) specifies that
22 a person who owns, operates, or controls a peer-to-peer
23 automobile sharing marketplace that allows a host or an
24 automobile provider who is not an affiliate to offer or list
25 an automobile on the marketplace is not required to collect
26 or remit the automobile rental excise tax if certain other
27 conditions are met.

28 The amendment to Code section 423C.2(11) modifies the
29 definition of "rental price" to mean the same as "sales price"
30 defined in Code section 423.1, which includes facilitation
31 fees, reservation fees, service fees, nonrefundable deposits,
32 and any other direct or indirect charge made or consideration
33 provided in connection with the renting or facilitation of
34 renting automobiles.

35 The amendment to Code section 423C.3 strikes the definitions

1 of "discount rental charge" and "travel package".

2 The amendment to Code section 423C.3 specifies that the
3 automobile rental excise tax shall be imposed upon the rental
4 price of an automobile if the rental is subject to the state
5 sales or use tax.

6 The bill strikes numerous provisions in Code section 423C.3
7 relating to the collection of the automobile rental excise tax
8 by a "rental facilitator" and "rental platform" due to these
9 definitions being stricken by another part of this division of
10 the bill.

11 The amendment to Code section 423C.3 requires that any
12 person required to collect state sales and use tax on the
13 rental transaction under Code chapter 423 shall collect the
14 automobile rental excise tax as applicable. For any rental
15 transaction for which the person is not required to collect and
16 remit the automobile rental excise tax, the amendment to Code
17 section 423C.3 requires an automobile provider to be solely
18 liable for any amount of uncollected or unremitted automobile
19 rental excise tax and sales and use tax under Code chapter 423.

20 DIVISION V — TELEPHONE COMPANY PROPERTY. Division V of
21 the bill authorizes the Iowa utilities board to classify a
22 long distance telephone company as a competitive long distance
23 telephone company if certain revenue source criteria are
24 met. In the event of such a classification, the board is
25 required to promptly notify the director of revenue. Upon
26 such notification by the board, the director of revenue is
27 required to assess the property of such competitive long
28 distance telephone company, which property is first assessed
29 for taxation in this state on or after January 1, 1996, in
30 the same manner as all other property assessed as commercial
31 property by the local assessor. The provisions established in
32 the bill are the same as provisions repealed on July 1, 2018,
33 by 2018 Iowa Acts, chapter 1160.

34 The section of division V of the bill enacting Code section
35 476.1D, subsection 10, takes effect upon enactment and applies

1 retroactively to July 1, 2018, for assessment years beginning
2 on or after that date.

3 Division V also strikes Code section 476.1D, subsection 10,
4 as enacted in the bill, effective July 1, 2021. The future
5 strike of Code section 476.1D, subsection 10, applies to
6 assessment years beginning on or after January 1, 2022.

7 DIVISION VI — TARGETED JOBS WITHHOLDING CREDIT. The
8 amendment to Code section 403.19A extends by one year the
9 deadline for entering into withholding agreements under the
10 targeted jobs withholding credit pilot project from June 30,
11 2019, to June 30, 2020.

12 DIVISION VII — SCHOOL TUITION ORGANIZATION TAX CREDITS.
13 The amendment to Code section 422.11S increases the total
14 amount of school tuition organization tax credits that may be
15 issued per tax year to \$14 million from \$13 million for tax
16 years beginning on or after January 1, 2020.

17 The bill also directs the Code editor to harmonize the
18 amendments to Code section 422.11S in division I with the
19 amendment to Code section 422.11S in division VII, if enacted.

20 DIVISION VIII — INCOME TAX CHECKOFFS. The amendments to
21 Code sections 422.12G and 422.12I reestablish the individual
22 income tax checkoff for the Iowa state fair foundation fund and
23 the joint income tax checkoff for the veterans trust fund and
24 the volunteer fire fighter preparedness fund, respectively.

25 A checkoff allows a taxpayer who files an individual or
26 a joint income tax return with the department of revenue
27 to designate a dollar amount to be paid to a specific fund
28 included on the individual income tax form.

29 Currently, the following four checkoffs are included on
30 the individual income tax return form: the Iowa state fair
31 foundation fund, the fish and game protection fund, the
32 child abuse prevention program fund, and the joint income tax
33 checkoff for the veterans trust fund and the volunteer fire
34 fighter preparedness fund.

35 Under Code section 422.12E(1), for tax years beginning on

1 or after January 1, 2017, when the same four income tax return
2 checkoffs have been provided on the individual income tax
3 return for two consecutive years, the two checkoffs for which
4 the least amount has been contributed, in the aggregate for the
5 first tax year and through March 15 of the second tax year, are
6 repealed. The Iowa state fair foundation fund checkoff and the
7 joint income tax checkoff for the veterans trust fund and the
8 volunteer fire fighter preparedness fund received the least
9 amount contributed in the aggregate for the previous tax year
10 and through March 15 of this tax year, and therefore have been
11 repealed by operation of law.

12 The bill reestablishes the Iowa state fair foundation
13 checkoff and the joint income tax checkoff for the veterans
14 trust fund and the volunteer fire fighter preparedness fund for
15 inclusion on the 2019 and 2020 individual income tax return
16 forms, after which the checkoffs will again be subject to
17 repeal pursuant to Code section 422.12E(1), if the checkoffs
18 have the least amount of contributions in comparison to the
19 other two checkoffs.

20 The bill specifies that if a checkoff is repealed by
21 operation of law pursuant to Code section 422.12E, the date of
22 the repeal is December 31 after the end of the second tax year.

23 For purposes of publishing the Code, the bill requires the
24 department of revenue to notify the Iowa Code editor which two
25 checkoffs received the least amount of contributions during the
26 two-year period, and thereby are repealed by operation of law.
27 The bill also requires the department of revenue to notify the
28 Iowa Code editor when more checkoffs are enacted than there is
29 space for inclusion on the individual income tax return form,
30 and thereby are repealed by operation of law as well.

31 The amendment to Code section 422.12H relating to the fish
32 and game protection gaming fund specifies that the income tax
33 checkoff for the fish and game protection fund is subject to
34 repeal under Code section 422.12E just as the other checkoffs
35 are subject to repeal, if the fund is one of two checkoffs

1 receiving the least amount of contributions over a two-year
2 period.

3 DIVISION IX — POWERS AND DUTIES OF DIRECTOR OF REVENUE. The
4 amendment to Code section 421.17 allows the director of revenue
5 to audit and examine all taxes collected or administered by the
6 department of revenue.

7 DIVISION X — SALES AND USE TAX EXEMPTIONS RELATED
8 TO MANUFACTURERS. The amendment to Code section
9 423.3(47)(d)(4)(c) modifies the definition of "manufacturer"
10 relating to the sales and use tax exemption for machinery,
11 equipment, and other items used directly and primarily in
12 processing by a manufacturer. The bill expands the definition
13 of "manufacturer" by adding the word "primarily" to the
14 exclusions of the definition of "manufacturer", thereby
15 allowing persons who do not primarily engage in certain
16 activities to qualify as "manufacturers".

17 DIVISION XI — RESEARCH ACTIVITIES TAX CREDIT. The
18 amendments to Code section 422.10(1)(a) specify that the
19 research and activities tax credit is available against
20 the individual income tax if an individual is engaged in
21 agriscience, and if certain conditions are met. The amendments
22 to Code section 422.33(5)(e)(1) specify that a corporation
23 engaged in agriscience shall be eligible for the research
24 activities tax credit if certain conditions are met.

25 DIVISION XII — BROADCASTERS — APPORTIONMENT OF GROSS
26 RECEIPTS. The amendment to 2015 Iowa Acts, chapter 86, section
27 3, extends the retroactive applicability of the apportionment
28 of the gross receipts of a broadcaster enacted during the 2015
29 legislative session in Senate File 479, from January 1, 2015,
30 to January 1, 2013.