

Senate File 631 - Introduced

SENATE FILE 631

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1249)

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, franchise alternative minimum taxes, moneys
6 and credits taxes, sales and use taxes, and automobile
7 rental excise taxes, the assessment of property owned by
8 certain long distance telephone companies, establishing
9 a taxation and exemption of computers task force, and
10 providing for other properly related matters, making
11 penalties applicable, and including effective date and
12 retroactive applicability provisions.
13 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

INCOME AND FRANCHISE TAX

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

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

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

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

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

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

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

b. The department shall authorize a school tuition organization to issue tax credit certificates for contributions made to the school tuition organization. The aggregate amount 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. REFUNDS. Refunds of taxes, interest, or penalties
15 that arise from claims resulting from the enactment of section
16 423.3, subsection 16A, for sales occurring between January
17 1, 2004, and the effective date of the enactment of section
18 423.3, subsection 16A, shall be limited to twenty-five thousand
19 dollars in the aggregate and shall not be allowed unless refund
20 claims are filed prior to October 1, 2019, notwithstanding any
21 other law to the contrary. If the amount of claims totals
22 more than twenty-five thousand dollars in the aggregate, the
23 department of revenue shall prorate the twenty-five thousand
24 dollars among all claimants in relation to the amounts of the
25 claimants' valid claims.

26 Sec. 32. EFFECTIVE DATE. The following, being deemed of
27 immediate importance, take effect upon enactment:

28 1. The section of this division of this Act enacting section
29 423.3, subsection 16A.

30 2. The section of this division of this Act amending section
31 423.3, subsection 47, paragraph "c", subparagraph (3).

32 3. The section of this division of this Act relating to
33 refunds that arise from claims resulting from the enactment of
34 section 423.3, subsection 16A.

35 Sec. 33. RETROACTIVE APPLICABILITY. The following applies

1 retroactively to January 1, 2016, for tax years beginning on
2 or after that date:

3 The section of this division of this Act amending section
4 423.3, subsection 47, paragraph "c", subparagraph (3).

5 Sec. 34. RETROACTIVE APPLICABILITY. The following applies
6 retroactively to tax years beginning on or after January 1,
7 2004:

8 The section of this division of this Act enacting section
9 423.3, subsection 16A.

10 DIVISION IV

11 AUTOMOBILE RENTAL EXCISE TAX

12 Sec. 35. Section 423.14A, subsection 1, paragraph b,
13 subparagraph (3), Code 2019, is amended to read as follows:

14 (3) A ~~"rental platform", as defined in section 423C.2, that~~
15 ~~meets the requirements described in~~ person who is not required
16 to collect and remit automobile rental excise tax pursuant to
17 section 423C.3, subsection 3, paragraph "e", subparagraph (2),
18 shall not be considered a "marketplace facilitator" with respect
19 to any sale of a transportation service under section 423.2,
20 subsection 6, paragraph "bf", or section 423.5, subsection 1,
21 paragraph "e", consisting of the rental of vehicles subject
22 to registration which are registered for a gross weight of
23 thirteen tons or less for a period of sixty days or less.

24 Sec. 36. Section 423C.2, subsection 3, paragraphs a and b,
25 Code 2019, are amended to read as follows:

26 a. A person or any affiliate of a person that owns or
27 controls an automobile and makes the automobile available for
28 rent through the person or any affiliate, or through a rental
29 ~~platform or rental facilitator~~ any other person required to
30 collect sales or use tax under chapter 423.

31 b. A person or any affiliate of a person who possesses or
32 acquires a right or interest in any automobile with an intent
33 to rent the automobile to another person, or through the person
34 ~~or any affiliate, or through a rental platform or a rental~~
35 ~~facilitator~~ any other person required to collect sales or use

1 tax under chapter 423.

2 Sec. 37. Section 423C.2, subsection 6, Code 2019, is amended
3 to read as follows:

4 6. "*Facilitation fee*" means any consideration, by whatever
5 name called, that a ~~rental facilitator or a rental platform~~
6 person charges to a user for facilitating the user's rental
7 of an automobile. "*Facilitation fee*" does not include any
8 commission an automobile provider pays to a ~~rental facilitator~~
9 ~~or a rental platform~~ person for facilitating the rental of an
10 automobile.

11 Sec. 38. Section 423C.2, subsections 9 and 10, Code 2019,
12 are amended by striking the subsections.

13 Sec. 39. Section 423C.2, subsection 11, Code 2019, is
14 amended to read as follows:

15 11. "*Rental price*" means ~~all consideration charged for~~
16 ~~the renting and facilitation of renting of an automobile~~
17 ~~before taxes, including but not limited to facilitation fees,~~
18 ~~reservation fees, services fees, nonrefundable deposits, and~~
19 ~~any other direct or indirect charge made or consideration~~
20 ~~provided in connection with the renting or facilitation of~~
21 ~~renting of an automobile~~ the same as "*sales price*" as defined
22 in section 423.1, which term includes but is not limited
23 to facilitation fees, reservation fees, services fees,
24 nonrefundable deposits, and any other direct or indirect charge
25 made or consideration provided in connection with the renting
26 or facilitation of renting an automobile.

27 Sec. 40. Section 423C.3, Code 2019, is amended to read as
28 follows:

29 **423C.3 Tax on rental of automobiles — collection and**
30 **remittance of tax.**

31 ~~1. For purposes of this section:~~

32 ~~a. "*Discount rental charge*" means the amount an automobile~~
33 ~~provider charges to a rental facilitator for the rental of an~~
34 ~~automobile, excluding any applicable tax.~~

35 ~~b. "*Travel package*" means an automobile rental bundled~~

1 ~~with one or more separate components such as lodging, air~~
2 ~~transportation, or similar items and charged for a single~~
3 ~~retail price.~~

4 ~~2.~~ 1. A tax of five percent is imposed upon the rental
5 price of an automobile if the rental transaction is subject to
6 the sales and services tax under [chapter 423, subchapter II](#), or
7 the use tax under [chapter 423, subchapter III](#). The tax shall
8 not be imposed on any rental transaction not taxable under the
9 state sales and services tax, as provided in [section 423.3](#), or
10 the state use tax, as provided in [section 423.6](#), on automobile
11 rental receipts.

12 ~~3.~~ 2. ~~This subsection shall govern the collection and~~
13 ~~remittance of the tax imposed under [subsection 2](#)~~ The tax
14 imposed under subsection 1 shall be collected and remitted to
15 the department by all persons required to collect state sales
16 and use tax on the rental transaction under chapter 423.

17 ~~a.~~ Unless otherwise provided in [this subsection](#), the
18 automobile provider shall collect the tax by adding the tax to
19 the rental price of the automobile and the tax, when collected,
20 shall be stated as a distinct item separate and apart from
21 the rental price of the automobile and the sales and services
22 tax imposed under [chapter 423, subchapter II](#), or the use tax
23 imposed under [chapter 423, subchapter III](#).

24 ~~b.~~ If a transaction for the rental of an automobile involves
25 a rental facilitator, all of the following shall occur in the
26 order prescribed:

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

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

34 ~~(b)~~ No assessment shall be made against a rental facilitator
35 for tax due on a discount rental charge if the rental

1 ~~facilitator collected the tax and remitted it to an automobile~~
2 ~~provider that has a valid tax permit required under this~~
3 ~~chapter or under [chapter 423](#). This subparagraph division shall~~
4 ~~not apply if the rental facilitator and automobile provider~~
5 ~~are affiliates, or if the department requires the rental~~
6 ~~facilitator to remit taxes collected on that portion of the~~
7 ~~sales price that represents the discount rental charge directly~~
8 ~~to the department.~~

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

11 ~~(4) (a) The automobile provider shall collect and remit~~
12 ~~to the department any taxes the rental facilitator remitted to~~
13 ~~the automobile provider, and shall collect and remit to the~~
14 ~~department any taxes due on any amount of rental price the user~~
15 ~~paid to the automobile provider.~~

16 ~~(b) No assessment shall be made against an automobile~~
17 ~~provider for any tax due on a discount rental charge that~~
18 ~~was not remitted to the automobile provider by a rental~~
19 ~~facilitator. This subparagraph division shall not apply if the~~
20 ~~automobile provider and the rental facilitator are affiliates.~~

21 ~~(5) Notwithstanding any other provision of this paragraph~~
22 ~~to the contrary, if a rental facilitator and its affiliates~~
23 ~~facilitate total rentals under [this chapter](#) and chapter~~
24 ~~423A that are equal to or less than an aggregate amount of~~
25 ~~rental price and sales price of ten thousand dollars for an~~
26 ~~immediately preceding calendar year or a current calendar year,~~
27 ~~or in ten or fewer separate transactions for an immediately~~
28 ~~preceding calendar year or a current calendar year, the~~
29 ~~rental facilitator shall not be required to collect tax on the~~
30 ~~amount of sales price that represents the rental facilitator's~~
31 ~~facilitation fee.~~

32 ~~c. (1) If a transaction for the rental of an automobile~~
33 ~~involves a rental platform, other than a rental platform~~
34 ~~described in subparagraph (2), the rental platform shall~~
35 ~~collect and remit the tax imposed under [this chapter](#) in the~~

1 ~~same manner as an automobile provider under paragraph "a".~~

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

6 a. The person or any affiliate of the person is not an
7 automobile provider.

8 b. The person or any affiliate of the person facilitates the
9 renting of an automobile by doing all of the following:

10 (1) The person owns, operates, or controls an automobile
11 rental marketplace that allows an automobile provider who is
12 not an affiliate of the person to offer or list an automobile
13 for rent on the marketplace. For purposes of this paragraph,
14 it is immaterial whether or not the automobile provider has
15 a tax permit under this chapter or chapter 423 or whether
16 the automobile is owned by a natural person or by a business
17 entity.

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

20 (a) c. The only sales the rental platform person and
21 its affiliates of the person facilitate that are subject to
22 tax under **chapter 423** are sales of a transportation service
23 under **section 423.2, subsection 6**, paragraph "bf", or section
24 423.5, subsection 1, paragraph "e", consisting of the rental
25 of vehicles subject to registration which are registered for
26 a gross weight of thirteen tons or less for a period of sixty
27 days or less.

28 (b) d. The rental platform person operates a peer-to-peer
29 automobile sharing marketplace.

30 (3) 4. For any rental transaction for which ~~the rental~~
31 platform a person is required to or elects to collect and
32 remit the tax under **this chapter**, the rental platform person
33 shall also be liable for the collection and remittance of any
34 sales or use tax due on that transaction under section 423.2,
35 subsection 6, paragraph "bf", or section 423.5, subsection

1 1, paragraph "e", notwithstanding any other provision to the
2 contrary in [chapter 423](#).

3 ~~(4)~~ 5. For any rental transaction for which the ~~rental~~
4 ~~platform~~ person is not required to collect and remit the
5 tax under [this chapter](#) as provided under ~~subparagraph (2)~~
6 subsection 3, the automobile provider shall be solely liable
7 for any amount of uncollected or unremitted tax under this
8 chapter and chapter 423.

9 DIVISION V

10 TELEPHONE COMPANY PROPERTY

11 Sec. 41. Section 476.1D, Code 2019, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 10. *a*. The board, at the request of a
14 long distance telephone company, shall classify such company
15 as a competitive long distance telephone company if more
16 than half of the company's revenues from its Iowa intrastate
17 telecommunications services and facilities are received
18 from services and facilities that the board has determined
19 to be subject to effective competition, or if more than
20 half of the company's revenues from its Iowa intrastate
21 telecommunications services and facilities are received from
22 intralata interexchange services and facilities. For purposes
23 of this subsection, "*intralata interexchange services*" means
24 those interexchange services that originate and terminate
25 within the same local access transport area.

26 *b*. The board shall promptly notify the director of revenue
27 that a long distance telephone company has been classified
28 as a competitive long distance telephone company. Upon such
29 notification by the board, the director of revenue shall assess
30 the property of such competitive long distance telephone
31 company, which property is first assessed for taxation in this
32 state on or after January 1, 1996, in the same manner as all
33 other property assessed as commercial property by the local
34 assessor under chapters 427, 427A, 427B, 428, and 441. As used
35 in this section, "*long distance telephone company*" means an

1 entity that provides telephone service and facilities between
2 local exchanges, but does not include a cellular service
3 provider or a local exchange utility holding a certificate
4 issued under section 476.29, subsection 12.

5 Sec. 42. Section 476.1D, subsection 10, as enacted in this
6 division of this Act, is amended by striking the subsection.

7 Sec. 43. EFFECTIVE DATE. The following, being deemed of
8 immediate importance, takes effect upon enactment:

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

11 Sec. 44. RETROACTIVE APPLICABILITY. The following applies
12 retroactively to July 1, 2018, for assessment years beginning
13 on or after that date:

14 The section of this division of this Act enacting section
15 476.1D, subsection 10.

16 Sec. 45. EFFECTIVE DATE. The following takes effect July
17 1, 2021:

18 The section of this division of this Act striking section
19 476.1D, subsection 10.

20 Sec. 46. APPLICABILITY. The following applies to
21 assessment years beginning on or after January 1, 2022:

22 The section of this division of this Act striking section
23 476.1D, subsection 10.

24 DIVISION VI

25 CHILD AND DEPENDENT CARE CREDIT AND EARLY CHILDHOOD DEVELOPMENT

26 CREDIT

27 Sec. 47. Section 422.12C, subsection 1, Code 2019, is
28 amended to read as follows:

29 1. The taxes imposed under [this division](#), less the amounts
30 of nonrefundable credits allowed under [this division](#), shall
31 be reduced by a child and dependent care credit equal to the
32 following percentages of the federal child and dependent care
33 credit provided in section 21 of the Internal Revenue Code,
34 without regard to whether or not the federal credit was limited
35 by the taxpayer's federal tax liability:

1 *a.* For a taxpayer with net income of less than ~~ten~~ twelve
2 thousand seven hundred fifty dollars, seventy-five percent.

3 *b.* For a taxpayer with net income of ~~ten~~ twelve thousand
4 seven hundred fifty dollars or more but less than ~~twenty~~
5 twenty-five thousand four hundred ninety dollars, sixty-five
6 percent.

7 *c.* For a taxpayer with net income of ~~twenty~~ twenty-five
8 thousand four hundred ninety dollars or more but less than
9 ~~twenty-five~~ thirty-one thousand eight hundred sixty dollars,
10 fifty-five percent.

11 *d.* For a taxpayer with net income of ~~twenty-five~~ thirty-one
12 thousand eight hundred sixty dollars or more but less than
13 ~~thirty-five~~ forty-four thousand six hundred ten dollars, fifty
14 percent.

15 *e.* For a taxpayer with net income of ~~thirty-five~~ forty-four
16 thousand six hundred ten dollars or more but less than ~~forty~~
17 fifty thousand nine hundred eighty dollars, forty percent.

18 *f.* For a taxpayer with net income of ~~forty~~ fifty thousand
19 nine hundred eighty dollars or more but less than ~~forty-five~~
20 fifty-seven thousand three hundred sixty dollars, thirty
21 percent.

22 *g.* For a taxpayer with net income of ~~forty-five~~ fifty-seven
23 thousand three hundred sixty dollars or more, zero percent.

24 Sec. 48. Section 422.12C, subsection 2, paragraph a, Code
25 2019, is amended to read as follows:

26 *a.* The taxes imposed under [this division](#), less the amounts
27 of nonrefundable credits allowed under [this division](#), may be
28 reduced by an early childhood development tax credit equal to
29 twenty-five percent of the first one thousand dollars which
30 the taxpayer has paid to others for each dependent, as defined
31 in the Internal Revenue Code, ages three through five for
32 early childhood development expenses. In determining the
33 amount of early childhood development expenses for the tax year
34 beginning in the 2006 calendar year only, such expenses paid
35 during November and December of the previous tax year shall

1 be considered paid in the tax year for which the tax credit
2 is claimed. This credit is available to a taxpayer whose net
3 income is less than ~~forty-five~~ fifty-seven thousand three
4 hundred sixty dollars. If the early childhood development
5 tax credit is claimed for a tax year, the taxpayer and the
6 taxpayer's spouse shall not claim the child and dependent care
7 credit under [subsection 1](#).

8 Sec. 49. Section 422.12C, Code 2019, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 5. *a.* Upon determination of the latest
11 cumulative inflation factor, the director shall multiply
12 each net income level set forth in subsection 1 or 2 by this
13 cumulative inflation factor, shall round off the resulting
14 product to the nearest one dollar, and shall incorporate the
15 result into the net income levels in subsection 1 or 2 for each
16 tax year beginning on or after January 1, 2019.

17 *b.* For purposes of this subsection, "*cumulative inflation*
18 *factor*" means the product of the annual inflation factor for
19 the 2019 calendar year and all annual inflation factors for
20 subsequent calendar years as determined by section 422.4,
21 subsection 1, paragraph "*a*". The cumulative inflation factor
22 applies to all tax years beginning on or after January 1 of
23 the calendar year for which the latest annual inflation factor
24 has been determined. Notwithstanding any other provision,
25 the annual inflation factor for the 2019 calendar year is one
26 hundred percent.

27 Sec. 50. EFFECTIVE DATE. This division of this Act, being
28 deemed of immediate importance, takes effect upon enactment.

29 Sec. 51. RETROACTIVE APPLICABILITY. This division of this
30 Act applies retroactively to tax years beginning on or after
31 January 1, 2019.

32 DIVISION VII

33 APPORTIONMENT OF CERTAIN BUSINESS INCOME OF AN AIRLINE

34 Sec. 52. Section 422.33, subsection 2, paragraph a,
35 subparagraph (2), Code 2019, is amended by adding the following

1 new subparagraph divisions:

2 NEW SUBPARAGRAPH DIVISION. (0f) Notwithstanding
3 subparagraph division (c), where income is derived by an
4 airline from transportation operations, the part attributable
5 to business within the state shall be in the proportion that
6 the miles of the airline traveled in this state bears to the
7 total miles of such airline traveled everywhere.

8 NEW SUBPARAGRAPH DIVISION. (00f) (i) Notwithstanding
9 subparagraph division (c), where income is derived by a
10 qualified air freight forwarder from transportation operations
11 through an affiliated airline, such income shall be apportioned
12 as follows:

13 (A) For tax years beginning during the 2020 calendar year,
14 ninety percent of such income shall be equitably apportioned
15 as provided in subparagraph division (c), and of the remaining
16 ten percent of such income, the part attributable to business
17 within the state shall be in the proportion that the miles
18 of the qualified air freight forwarder's affiliated airline
19 traveled in this state bears to the total miles of the
20 affiliated airline traveled everywhere.

21 (B) For tax years beginning during the 2021 calendar year,
22 eighty percent of such income shall be equitably apportioned
23 as provided in subparagraph division (c), and of the remaining
24 twenty percent of such income, the part attributable to
25 business within the state shall be in the proportion that the
26 miles of the qualified air freight forwarder's affiliated
27 airline traveled in this state bears to the total miles of the
28 affiliated airline traveled everywhere.

29 (C) For tax years beginning during the 2022 calendar year,
30 seventy percent of such income shall be equitably apportioned
31 as provided in subparagraph division (c), and of the remaining
32 thirty percent of such income, the part attributable to
33 business within the state shall be in the proportion that the
34 miles of the qualified air freight forwarder's affiliated
35 airline traveled in this state bears to the total miles of the

1 affiliated airline traveled everywhere.

2 (D) For tax years beginning during the 2023 calendar year,
3 sixty percent of such income shall be equitably apportioned as
4 provided in subparagraph division (c), and of the remaining
5 forty percent of such income, the part attributable to business
6 within the state shall be in the proportion that the miles
7 of the qualified air freight forwarder's affiliated airline
8 traveled in this state bears to the total miles of the
9 affiliated airline traveled everywhere.

10 (E) For tax years beginning during the 2024 calendar year,
11 fifty percent of such income shall be equitably apportioned as
12 provided in subparagraph division (c), and of the remaining
13 fifty percent of such income, the part attributable to business
14 within the state shall be in the proportion that the miles
15 of the qualified air freight forwarder's affiliated airline
16 traveled in this state bears to the total miles of the
17 affiliated airline traveled everywhere.

18 (F) For tax years beginning during the 2025 calendar year,
19 forty percent of such income shall be equitably apportioned as
20 provided in subparagraph division (c), and of the remaining
21 sixty percent of such income, the part attributable to business
22 within the state shall be in the proportion that the miles
23 of the qualified air freight forwarder's affiliated airline
24 traveled in this state bears to the total miles of the
25 affiliated airline traveled everywhere.

26 (G) For tax years beginning during the 2026 calendar year,
27 thirty percent of such income shall be equitably apportioned
28 as provided in subparagraph division (c), and of the remaining
29 seventy percent of such income, the part attributable to
30 business within the state shall be in the proportion that the
31 miles of the qualified air freight forwarder's affiliated
32 airline traveled in this state bears to the total miles of the
33 affiliated airline traveled everywhere.

34 (H) For tax years beginning during the 2027 calendar year,
35 twenty percent of such income shall be equitably apportioned

1 as provided in subparagraph division (c), and of the remaining
2 eighty percent of such income, the part attributable to
3 business within the state shall be in the proportion that the
4 miles of the qualified air freight forwarder's affiliated
5 airline traveled in this state bears to the total miles of the
6 affiliated airline traveled everywhere.

7 (I) For tax years beginning during the 2028 calendar year,
8 ten percent of such income shall be equitably apportioned as
9 provided in subparagraph division (c), and of the remaining
10 ninety percent of such income, the part attributable to
11 business within the state shall be in the proportion that the
12 miles of the qualified air freight forwarder's affiliated
13 airline traveled in this state bears to the total miles of the
14 affiliated airline traveled everywhere.

15 (J) For tax years beginning on or after January 1, 2029,
16 the part attributable to business within the state shall be
17 in the proportion that the miles of the qualified air freight
18 forwarder's affiliated airline traveled in this state bears to
19 the total miles of the affiliated airline traveled everywhere.

20 (ii) For purposes of this subparagraph division (00f),
21 "*qualified air freight forwarder*" means a taxpayer who meets all
22 of the following requirements:

23 (A) The taxpayer is primarily engaged in the facilitation of
24 the transportation of property by air.

25 (B) The taxpayer does not itself operate aircraft.

26 (C) The taxpayer is in the same affiliated group as an
27 airline.

28 Sec. 53. Section 422.33, subsection 2, paragraph a,
29 subparagraph (2), subparagraph division (g), Code 2019, is
30 amended to read as follows:

31 (g) Where income consists of more than one class of income
32 as provided in subparagraph divisions (a) through ~~(e)~~ (00f)
33 of this subparagraph, it shall be reasonably apportioned by
34 the business activity ratio provided in rules adopted by the
35 director.

1 Sec. 54. APPLICABILITY. This division of this Act applies
2 to tax years beginning on or after January 1, 2020.

3 DIVISION VIII

4 BURIAL TRUSTS

5 Sec. 55. Section 422.7, Code 2019, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 6. Subtract, to the extent included, income
8 from interest and earnings received from a burial trust fund
9 as defined in section 523A.102.

10 DIVISION IX

11 ADOPTION TAX CREDIT

12 Sec. 56. Section 422.12A, subsection 2, Code 2019, is
13 amended to read as follows:

14 2. The taxes imposed under **this division**, less the credits
15 allowed under **section 422.12**, shall be reduced by an adoption
16 tax credit equal to the amount of qualified adoption expenses
17 paid or incurred by the taxpayer ~~during the tax year~~ in
18 connection with the adoption of a child by the taxpayer, not to
19 exceed five thousand dollars per adoption.

20 Sec. 57. Section 422.12A, Code 2019, is amended by adding
21 the following new subsection:

22 NEW SUBSECTION. 3A. The credit under this section with
23 respect to any qualified adoption expense shall be allowed
24 during a tax year as follows:

25 *a.* For any qualified adoption expense paid or incurred prior
26 to or during the tax year in which the adoption becomes final,
27 the tax year in which the adoption becomes final.

28 *b.* For any qualified adoption expense paid or incurred after
29 the tax year in which the adoption becomes final, the tax year
30 in which an adoption expense is paid or incurred.

31 Sec. 58. RETROACTIVE APPLICABILITY. This division of this
32 Act applies retroactively to January 1, 2019, for tax years
33 beginning on or after that date.

34 DIVISION X

35 TARGETED JOBS WITHHOLDING CREDIT

1 Sec. 59. Section 403.19A, subsection 3, paragraph c,
2 subparagraph (2), Code 2019, is amended to read as follows:

3 (2) The pilot project city and the economic development
4 authority shall not enter into a withholding agreement after
5 June 30, ~~2019~~ 2023.

6 Sec. 60. EFFECTIVE DATE. This division of this Act, being
7 deemed of immediate importance, takes effect upon enactment.

8 DIVISION XI

9 SCHOOL TUITION ORGANIZATION TAX CREDITS

10 Sec. 61. 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 years beginning
16 on or after January 1, 2008, but before January 1, 2012, seven
17 million five hundred thousand dollars, for tax years beginning
18 on or after January 1, 2012, but before January 1, 2014, eight
19 million seven hundred fifty thousand dollars, ~~and~~ for tax years
20 beginning on or after January 1, 2014, but before January 1,
21 2019, twelve million dollars, ~~and~~ for tax years beginning on
22 or after January 1, 2019, but before January 1, 2020, thirteen
23 million dollars, and for tax years beginning on or after
24 January 1, 2020, seventeen million dollars.

25 Sec. 62. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor
26 is directed to harmonize the section of this division of this
27 Act amending section 422.11S with the other division of this
28 Act amending section 422.11S, if enacted, by changing tax year
29 to calendar year where appropriate and to make other related
30 changes, if necessary, to effectuate such changes.

31 DIVISION XII

32 DEDUCTING RESIDUAL FERTILIZER

33 Sec. 63. Section 422.7, Code 2019, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 60. a. For purposes of this subsection,

1 *“residual fertilizer supply”* means an asset or an improvement to
2 land that meets all of the following requirements:

3 (1) The asset or improvement consists of residual
4 fertilizer or excess available nutrients that are incorporated
5 into and inseparable from land.

6 (2) The asset or improvement is sold or exchanged in
7 conjunction with the sale or exchange of land upon which the
8 asset or improvement is located.

9 (3) Following the sale or exchange, an expense deduction,
10 amortization deduction, or depreciation deduction is allowable
11 for federal tax purposes under the Internal Revenue Code with
12 respect to the asset or improvement in the hands of a taxpayer
13 other than the seller.

14 *b.* For any sale or exchange of a residual fertilizer supply
15 executed on or after July 1, 2019, an expense deduction,
16 depreciation deduction, or amortization deduction with respect
17 to the residual fertilizer supply shall not be allowed under
18 this division unless all of the following requirements are
19 satisfied:

20 (1) The expense deduction, depreciation deduction, or
21 amortization deduction is allowable to the taxpayer under the
22 Internal Revenue Code.

23 (2) The residual fertilizer supply is part of a signed,
24 written agreement between the seller and buyer that identifies
25 the residual fertilizer supply and the consideration paid by
26 the buyer for the residual fertilizer supply.

27 *c.* If a taxpayer has taken a deduction in computing federal
28 adjusted gross income that is disallowed under paragraph *“b”*,
29 the taxpayer shall make the following adjustments:

30 (1) Add back the total amount of the deduction in computing
31 net income for state tax purposes.

32 (2) Reallocate the amount of the deduction to the taxpayer’s
33 basis, if any, in the land upon which the residual fertilizer
34 supply is located.

35 (3) Any other adjustments to gains, losses, deductions, or

1 tax basis of assets pursuant to rules adopted by the director.

2 Sec. 64. Section 422.35, Code 2019, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 26. *a.* For purposes of this subsection,
5 "*residual fertilizer supply*" means an asset or an improvement to
6 land that meets all of the following requirements:

7 (1) The asset or improvement consists of residual
8 fertilizer or excess available nutrients that are incorporated
9 into and inseparable from land.

10 (2) The asset or improvement is sold or exchanged in
11 conjunction with the sale or exchange of land upon which the
12 asset or improvement is located.

13 (3) Following the sale or exchange, an expense deduction,
14 amortization deduction, or depreciation deduction is allowable
15 for federal tax purposes under the Internal Revenue Code with
16 respect to the asset or improvement in the hands of a taxpayer
17 other than the seller.

18 *b.* For any sale or exchange of a residual fertilizer supply
19 executed on or after July 1, 2019, an expense deduction,
20 depreciation deduction, or amortization deduction with respect
21 to the residual fertilizer supply shall not be allowed under
22 this division unless all of the following requirements are
23 satisfied:

24 (1) The expense deduction, depreciation deduction, or
25 amortization deduction is allowable to the taxpayer under the
26 Internal Revenue Code.

27 (2) The residual fertilizer supply is part of a signed,
28 written agreement between the seller and buyer that identifies
29 the residual fertilizer supply and the consideration paid by
30 the buyer for the residual fertilizer supply.

31 *c.* If a taxpayer has taken a deduction in computing federal
32 taxable income that is disallowed under paragraph "*b*", the
33 taxpayer shall make the following adjustments:

34 (1) Add back the total amount of the deduction in computing
35 net income for state tax purposes.

1 (2) Reallocate the amount of the deduction to the taxpayer's
2 basis, if any, in the land upon which the residual fertilizer
3 supply is located.

4 (3) Any other adjustments to gains, losses, deductions, or
5 tax basis of assets pursuant to rules adopted by the director.

6 DIVISION XIII

7 FRANCHISE TAX — ALTERNATIVE MINIMUM TAX (AMT) REPEAL

8 Sec. 65. Section 422.60, subsection 2, Code 2019, is amended
9 by adding the following new paragraph:

10 NEW PARAGRAPH. *c.* This subsection is repealed January 1,
11 2021, for tax years beginning on or after that date.

12 Sec. 66. Section 422.60, subsection 3, Code 2019, is amended
13 to read as follows:

14 3. *a.* (1) ~~There~~ For tax years beginning before January 1,
15 2022, there is allowed as a credit against the tax determined
16 in [section 422.63](#) for a tax year an amount equal to the minimum
17 tax credit for that tax year.

18 (2) The minimum tax credit for a tax year is the excess,
19 if any, of the net minimum tax imposed for all prior tax years
20 beginning on or after January 1, 1987, but before January
21 1, 2021, over the amount allowable as a credit under this
22 subsection for those prior tax years.

23 *b.* (1) The allowable credit under paragraph "a" for a tax
24 year beginning before January 1, 2021, shall not exceed the
25 excess, if any, of the tax determined in [section 422.63](#) over
26 the state alternative minimum tax as determined in subsection
27 2. The allowable credit under paragraph "a" for a tax year
28 beginning in the 2021 calendar year shall not exceed the tax
29 determined in section 422.63.

30 (2) The net minimum tax for a tax year is the excess, if
31 any, of the tax determined in [subsection 2](#) for the tax year
32 over the tax determined in [section 422.63](#) for the tax year.

33 *c.* This subsection is repealed January 1, 2022, for tax
34 years beginning on or after that date.

35 DIVISION XIV

1 FEDERAL RESEARCH CREDIT — INTERNAL REVENUE CODE

2 Sec. 67. Section 15.335, subsection 4, paragraph a, Code
3 2019, is amended to read as follows:

4 a. In lieu of the credit amount computed in subsection 2, an
5 eligible business may elect to compute the credit amount for
6 qualified research expenses incurred in this state in a manner
7 consistent with the alternative simplified credit described in
8 section ~~41(e)(5)~~ 41(c)(4) of the Internal Revenue Code. The
9 taxpayer may make this election regardless of the method used
10 for the taxpayer's federal income tax. The election made under
11 this paragraph is for the tax year and the taxpayer may use
12 another or the same method for any subsequent year.

13 Sec. 68. Section 15.335, subsection 4, paragraph b,
14 unnumbered paragraph 1, Code 2019, is amended to read as
15 follows:

16 For purposes of the alternate credit computation method in
17 paragraph "a", the credit percentages applicable to qualified
18 research expenses described in section ~~41(e)(5)(A)~~ 41(c)(4)(A)
19 and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B) of the
20 Internal Revenue Code are as follows:

21 Sec. 69. Section 422.10, subsection 1, paragraphs c and d,
22 Code 2019, are amended to read as follows:

23 c. In lieu of the credit amount computed in paragraph "b",
24 subparagraph (1), subparagraph division (a), a taxpayer may
25 elect to compute the credit amount for qualified research
26 expenses incurred in this state in a manner consistent with the
27 alternative simplified credit described in section ~~41(e)(5)~~
28 41(c)(4) of the Internal Revenue Code. The taxpayer may make
29 this election regardless of the method used for the taxpayer's
30 federal income tax. The election made under this paragraph is
31 for the tax year and the taxpayer may use another or the same
32 method for any subsequent year.

33 d. For purposes of the alternate credit computation
34 method in paragraph "c", the credit percentages applicable
35 to qualified research expenses described in section

1 ~~41(e)(5)(A)~~41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~
2 41(c)(4)(B) of the Internal Revenue Code are four and
3 fifty-five hundredths percent and one and ninety-five
4 hundredths percent, respectively.

5 Sec. 70. Section 422.33, subsection 5, paragraphs c and d,
6 Code 2019, are amended to read as follows:

7 c. In lieu of the credit amount computed in paragraph
8 "a", subparagraph (1), a corporation may elect to compute the
9 credit amount for qualified research expenses incurred in this
10 state in a manner consistent with the alternative simplified
11 credit described in section ~~41(e)(5)~~ 41(c)(4) of the Internal
12 Revenue Code. The taxpayer may make this election regardless
13 of the method used for the taxpayer's federal income tax. The
14 election made under this paragraph is for the tax year and the
15 taxpayer may use another or the same method for any subsequent
16 year.

17 d. For purposes of the alternate credit computation
18 method in paragraph "c", the credit percentages applicable to
19 qualified research expenses described in section ~~41(e)(5)(A)~~
20 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)
21 of the Internal Revenue Code are four and fifty-five
22 hundredths percent and one and ninety-five hundredths percent,
23 respectively.

24 Sec. 71. RETROACTIVE APPLICABILITY. This division of this
25 Act applies retroactively to January 1, 2019, for tax years
26 beginning on or after that date.

27 DIVISION XV

28 RESEARCH ACTIVITIES TAX CREDIT

29 Sec. 72. Section 422.10, subsection 1, paragraph a,
30 subparagraph (1), subparagraph division (a), Code 2019, is
31 amended to read as follows:

32 (a) The business is engaged in the manufacturing, life
33 sciences, agriscience, agricultural animal production, software
34 engineering, or aviation and aerospace industry.

35 Sec. 73. Section 422.10, subsection 1, paragraph a,

1 subparagraph (1), subparagraph division (b), unnumbered
2 paragraph 1, Code 2019, is amended to read as follows:

3 Persons that shall not be considered to be engaged in the
4 manufacturing, life sciences, agriscience, agricultural animal
5 production, software engineering, or aviation and aerospace
6 industry, and thus are not eligible for the credit, include but
7 are not limited to all of the following:

8 Sec. 74. Section 422.10, subsection 3, Code 2019, is amended
9 by adding the following new paragraphs:

10 NEW PARAGRAPH. c. For purposes of this section,
11 "*agricultural animal*" means an animal belonging to the bovine,
12 caprine, equine, ovine, or porcine species; ostriches, rheas,
13 or emus; farm deer as defined in section 170.1; or poultry.

14 NEW PARAGRAPH. d. For purposes of this section,
15 "*agricultural animal production*" means activities related to
16 producing or maintaining an agricultural animal.

17 Sec. 75. Section 422.33, subsection 5, paragraph e,
18 subparagraph (1), subparagraph division (a), Code 2019, is
19 amended to read as follows:

20 (a) The business is engaged in the manufacturing, life
21 sciences, agriscience, agricultural animal production, software
22 engineering, or aviation and aerospace industry.

23 Sec. 76. Section 422.33, subsection 5, paragraph e,
24 subparagraph (1), subparagraph division (b), unnumbered
25 paragraph 1, Code 2019, is amended to read as follows:

26 Persons that shall not be considered to be engaged in the
27 manufacturing, life sciences, agriscience, agricultural animal
28 production, software engineering, or aviation and aerospace
29 industry, and thus are not eligible for the credit, include but
30 are not limited to all of the following:

31 Sec. 77. Section 422.33, subsection 5, Code 2019, is amended
32 by adding the following new paragraph:

33 NEW PARAGRAPH. 0g. As used in this subsection:

34 (1) "*Agricultural animal*" means an animal belonging to the
35 bovine, caprine, equine, ovine, or porcine species; ostriches,

1 rheas, or emus; farm deer as defined in section 170.1; or
2 poultry.

3 (2) "*Agricultural animal production*" means activities
4 related to producing or maintaining an agricultural animal.

5 Sec. 78. EFFECTIVE DATE. This division of this Act, being
6 deemed of immediate importance, takes effect upon enactment.

7 Sec. 79. RETROACTIVE APPLICABILITY. This division of this
8 Act applies retroactively to January 1, 2017, for tax years
9 beginning on or after that date.

10

DIVISION XVI

11

NEW JOBS CREDIT — FRANCHISE TAX

12 Sec. 80. Section 422.60, Code 2019, is amended by adding the
13 following new subsection:

14 NEW SUBSECTION. 14. The taxes imposed under this division
15 shall be reduced by a new jobs tax credit. An industry which
16 has entered into an agreement under chapter 260E and which has
17 increased its base employment level by at least ten percent
18 within the time set in the agreement or, in the case of an
19 industry without a base employment level, adds new jobs within
20 the time set in the agreement is entitled to this new jobs
21 tax credit for the tax year selected by the industry. In
22 determining if the industry has increased its base employment
23 level by ten percent or added new jobs, only those new jobs
24 directly resulting from the project covered by the agreement
25 and those directly related to those new jobs shall be counted.
26 The amount of this credit is equal to the product of six
27 percent of the taxable wages upon which an employer is required
28 to contribute to the state unemployment compensation fund, as
29 defined in section 96.19, subsection 37, times the number of
30 new jobs existing in the tax year that directly result from
31 the project covered by the agreement or new jobs that directly
32 result from those new jobs. The tax year chosen by the
33 industry shall either begin or end during the period beginning
34 with the date of the agreement and ending with the date by
35 which the project is to be completed under the agreement. Any

1 credit in excess of the tax liability for the tax year may be
2 credited to the tax liability for the following ten tax years
3 or until depleted in less than the ten years. For purposes
4 of this subsection, "agreement", "industry", "new job", and
5 "project" mean the same as defined in section 260E.2 and "base
6 employment level" means the number of full-time jobs an industry
7 employs at the site which is covered by an agreement under
8 chapter 260E on the date of that agreement.

9

DIVISION XVII

10

UTILITY REPLACEMENT TASK FORCE

11 Sec. 81. Section 437A.15, subsection 7, paragraph b, Code
12 2019, is amended to read as follows:

13 b. The task force shall study the effects of the replacement
14 taxes under [this chapter](#) and [chapter 437B](#) on local taxing
15 authorities, local taxing districts, consumers, and taxpayers
16 through January 1, ~~2019~~ 2029. If the task force recommends
17 modifications to the replacement tax that will further the
18 purposes of tax neutrality for local taxing authorities, local
19 taxing districts, taxpayers, and consumers, consistent with the
20 stated purposes of [this chapter](#), the department of management
21 shall transmit those recommendations to the general assembly.

22

DIVISION XVIII

23

MONEYS AND CREDITS TAX ON STATE CREDIT UNIONS

24 Sec. 82. Section 533.329, subsection 2, paragraph a, Code
25 2019, is amended to read as follows:

26 a. The moneys and credits tax on state credit unions is
27 imposed at a rate of one-half cent on each dollar of the legal
28 and special reserves that are required to be maintained by the
29 state credit union under [section 533.303](#), ~~and shall be levied~~
30 ~~by the board of supervisors and placed upon the tax list and~~
31 ~~collected by the county treasurer.~~ However, an exemption shall
32 be given to each state credit union in the amount of forty
33 thousand dollars.

34

DIVISION XIX

35

SALES AND USE TAX EXEMPTIONS RELATED TO MANUFACTURERS

1 Sec. 83. Section 423.3, subsection 47, paragraph d,
2 subparagraph (4), subparagraph division (c), unnumbered
3 paragraph 1, Code 2019, is amended to read as follows:

4 “*Manufacturer*” does not include persons who are not commonly
5 understood as manufacturers, including but not limited to
6 persons primarily engaged in any of the following activities:

7 DIVISION XX

8 SALES AND USE TAX — PARKING FACILITIES

9 Sec. 84. Section 423.2, subsection 6, paragraph ak, Code
10 2019, is amended to read as follows:

11 ak. Parking Privately owned, for-profit parking facilities.

12 DIVISION XXI

13 SALES AND USE TAX EXEMPTIONS — MEDICAID

14 Sec. 85. Section 423.3, Code 2019, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 107. The sales price from sales of all
17 tangible personal property, specified digital products, or
18 services paid for or reimbursed by Medicaid, as defined in
19 section 249A.2, subsection 7.

20 DIVISION XXII

21 BROADCASTERS — APPORTIONMENT OF GROSS RECEIPTS

22 Sec. 86. 2015 Iowa Acts, chapter 86, section 3, is amended
23 to read as follows:

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

27 EXPLANATION

28 The inclusion of this explanation does not constitute agreement with
29 the explanation’s substance by the members of the general assembly.

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

34 DIVISION I — INCOME AND FRANCHISE TAX. The amendments to
35 Code sections 422.4(16) and 422.9 modify Internal Revenue Code

1 references relating to the qualified business income deduction.
2 The amendments to Code sections 422.4(16) and 422.9 apply
3 retroactively for tax years beginning on or after January 1,
4 2019.

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

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. This provision takes effect upon enactment
6 and applies retroactively to January 1, 2004, and applies to
7 tax years beginning on or after that date. The bill also
8 provides for refunds of taxes, interest, or penalties that
9 arise from claims resulting from the enactment of Code section
10 423.3(16A) for sales occurring between January 1, 2004, and the
11 effective date of the enactment of Code section 423.3(16A).

12 The bill limits the refunds to \$25,000 in the aggregate.

13 The amendment to Code section 423.3(47) changes the
14 exclusions from the sales tax exemptions in that subsection by
15 aligning the exclusions with the changes made to the exemptions
16 enacted in 2016 Iowa Acts, chapter 1007. This provision takes
17 effect upon enactment and applies retroactively to tax years
18 beginning January 1, 2016, for tax years beginning on or after
19 that date.

20 The amendment to Code section 423.3(104) exempts from the
21 sales tax the sales of optional service or warranty contracts
22 for computer software maintenance or support services furnished
23 to a commercial enterprise used exclusively by the commercial
24 enterprise. "Commercial enterprise" is defined in Code section
25 423.3(104).

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

1 preceding calendar year or a current calendar year.

2 The bill amends Code section 423.14A(3)(d) by striking
3 the requirement that a marketplace facilitator, as defined
4 in Code section 423.14A(1)(b), making Iowa sales, as defined
5 in Code section 423.14A(1)(a), collect sales, use, and local
6 option taxes if the marketplace facilitator has 200 or more
7 separate transactions for an immediately preceding calendar
8 year or a current calendar year. The bill does not strike the
9 requirement that a marketplace facilitator collect such taxes
10 if the marketplace facilitator makes or facilitates Iowa sales
11 on its own behalf or for one or more marketplace sellers equal
12 to or exceeding \$100,000.

13 The bill amends Code section 423.14A(3)(e) by striking
14 the requirement that a referrer, as defined in Code section
15 423.14A(3)(e)(3), making Iowa sales, as defined in Code section
16 423.14A(1)(a), collect sales, use, and local option taxes if
17 the referrer has 200 or more separate transactions for an
18 immediately preceding calendar year or a current calendar
19 year. The bill does not strike the requirement that a referrer
20 collect such taxes if the referrer has Iowa sales equal to or
21 exceeding \$100,000.

22 Currently, a referrer is required to provide the department
23 of revenue, on a monthly basis, a list of marketplace sellers
24 who collect and remit Iowa sales and use tax on the platform
25 of the referrer. Otherwise, the referrer is required to
26 collect and remit Iowa sales and use tax. The amendment to
27 Code section 423A.14A(3)(e)(1)(c) provides that a referrer may
28 provide the department of revenue such a report on an annual
29 basis, and avoid collecting the sales and use tax if other
30 conditions in Code section 423.14(3)(e)(1) are met.

31 The bill enacts new Code section 423.14A(3)(e)(5) specifying
32 that the paragraph relating to "referrers" is subject to
33 implementation by the department of revenue by rule, and shall
34 not require a referrer to collect tax or comply with the notice
35 and reporting requirements unless such administrative rules

1 take effect.

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

7 The bill establishes a taxation and exemption computers
8 task force to be initiated, coordinated, and staffed by
9 the department of revenue. The task force shall review the
10 definition of "computer" as used throughout the portions of
11 the Iowa Code and the Iowa Administrative Code administered
12 by the department of revenue including the exemption for
13 computers provided in Code section 423.3(47)(a)(4). If the
14 task force recommends modifications to the current definition
15 of "computer" including the exemption for computers provided in
16 Code section 423.3(47)(a)(4), the department of revenue shall
17 provide any recommendations to the general assembly by January
18 1, 2020.

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

24 The amendment to Code section 423C.2 substitutes a person
25 required to collect sales or use tax under Code chapter 423
26 for "rental facilitator" and "rental platform" and strikes the
27 definitions of "rental facilitator" and "rental platform" from
28 Code section 423C.2.

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

1 The amendment to Code section 423C.3 strikes the definitions
2 of "discount rental charge" and "travel package".

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

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

12 The amendment to Code section 423C.3 requires that any
13 person required to collect state sales and use tax on the
14 rental transaction under Code chapter 423 shall collect the
15 automobile rental excise tax as applicable. The amendment to
16 Code section 423C.3 provides that a person is not required
17 to collect and remit the automobile rental excise tax if the
18 person meets certain circumstances. For any rental transaction
19 for which the person is not required to collect and remit the
20 automobile rental excise tax, the amendment to Code section
21 423C.3 requires an automobile provider to be solely liable
22 for any amount of uncollected or unremitted automobile rental
23 excise tax and sales and use tax under Code chapter 423.

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

1 the bill are the same as provisions repealed on July 1, 2018,
2 by 2018 Iowa Acts, chapter 1160.

3 The section of Division V of the bill enacting Code section
4 476.1D, subsection 10, takes effect upon enactment and applies
5 retroactively to July 1, 2018, for assessment years beginning
6 on or after that date.

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

11 DIVISION VI — CHILDHOOD AND DEPENDENT CARE CREDIT AND
12 EARLY CHILDHOOD DEVELOPMENT CREDIT. The amendment to Code
13 section 422.12C(4) increases the Iowa net income threshold
14 levels for purposes of calculating the Iowa child and dependent
15 child care tax credit and the early childhood development tax
16 credit available against the individual income tax. The Iowa
17 child and dependent care tax credit is a refundable credit
18 calculated as a percentage of the nonrefundable federal child
19 and dependent care tax credit, depending on the Iowa net income
20 of the taxpayer. The early childhood development tax credit
21 is a refundable credit equaling 25 percent of the first \$1,000
22 which the taxpayer has paid to others for each dependent ages
23 three through five for early childhood development expenses.

24 IOWA CHILD AND DEPENDENT CHILD CARE TAX CREDIT. Currently,
25 there are seven graduated Iowa net income thresholds used to
26 calculate the credit. The bill increases these graduated
27 thresholds, but does not change the percentage of the
28 nonrefundable federal child and dependent care tax credit
29 used to calculate the Iowa child and dependent child care tax
30 credit.

31 Currently, the credit percentages in these seven Iowa
32 net income thresholds range from a high of 75 percent of
33 the federal credit for taxpayers with net income of less
34 than \$10,000, to a low of 30 percent of the federal credit
35 for taxpayers with net income of \$40,000 or more but less

1 than \$45,000. Under the bill, the credit percentages in the
2 thresholds range from a high of 75 percent of the federal
3 credit for taxpayers with a net income of less than \$12,750,
4 to a low of 30 percent of the federal credit for taxpayers with
5 net income of \$50,980 or more but less than \$57,360.

6 The bill also adjusts the future amount of each of the Iowa
7 net income amounts in the seven graduated Iowa net income
8 thresholds by indexing the thresholds to inflation.

9 EARLY CHILDHOOD DEVELOPMENT TAX CREDIT. The bill increases
10 the income threshold determining the eligibility of a taxpayer
11 for the early childhood development tax credit. The bill
12 increases the eligibility threshold from a taxpayer earning
13 \$45,000 per year to \$57,360 per year. By increasing the
14 eligibility threshold, taxpayers earning less than \$57,360 are
15 now eligible to take the early childhood development tax credit
16 equaling 25 percent of the first \$1,000 which the taxpayer has
17 paid to others for early childhood development expenses for
18 each dependent ages three through five. The bill also adjusts
19 the future amount of the net income threshold by indexing the
20 threshold to inflation.

21 EFFECTIVE DATE AND APPLICABILITY. The division takes effect
22 upon enactment and applies retroactively to tax years beginning
23 on or after January 1, 2019.

24 DIVISION VII — APPORTIONMENT OF CERTAIN BUSINESS INCOME
25 OF AN AIRLINE. The amendment to Code section 422.33(2)(a)(2)
26 relates to the apportionment of income of an airline and of
27 a qualified air freight forwarder for purposes of the Iowa
28 corporate income tax.

29 A corporation doing business both within and without Iowa is
30 required to apportion its business income among Iowa and the
31 other states in which it does business. The amount of business
32 income apportioned to Iowa is generally in the same percentage
33 as the business's gross sales made within Iowa if the business
34 involves the manufacture or sale of goods and products, or in
35 the same percentage as the business's gross receipts earned

1 within Iowa if the business involves something other than the
2 manufacture or sale of goods and products. However, airlines
3 and other specified industries have special rules provided
4 by administrative rule for apportioning the income of those
5 industries.

6 Under current law pursuant to 701 Iowa administrative code,
7 rule 54.7(2), an airline deriving income from transportation
8 operations is required to apportion its business income to
9 Iowa in the same proportion that its mileage traveled in Iowa
10 bears to its total mileage traveled everywhere. The bill
11 specifies that an airline shall apportion this business income
12 in the same manner described above as required under 701 Iowa
13 administrative code, rule 54.7(2).

14 The bill also provides rules for apportioning income derived
15 by a qualified air freight forwarder from transportation
16 operations through an affiliated airline. The bill defines
17 "qualified air freight forwarder" to be a taxpayer that is
18 primarily engaged in the facilitation of the transportation of
19 property by air, and that does not itself operate aircraft but
20 that is in the same affiliated group as an airline.

21 The bill states that the qualified air freight forwarder
22 income derived from transportation operations shall be
23 apportioned to Iowa either under the current rules of the
24 director of revenue (current statutory rules), or in the
25 same proportion that the miles of the qualified air freight
26 forwarder's affiliated airline traveled in this state bears to
27 the total miles of the affiliated airline traveled everywhere
28 (affiliated airline mileage rules), based on increasing
29 percentages as enumerated in the bill over a number of tax
30 years.

31 The division applies to tax years beginning on or after
32 January 1, 2020.

33 DIVISION VIII — BURIAL TRUSTS. The bill enacts new Code
34 section 422.7(6) by exempting from the individual income tax
35 interest and earnings received from a burial trust fund.

1 DIVISION IX — ADOPTION TAX CREDIT. The amendment to Code
2 section 422.12A relates to claiming the adoption tax credit for
3 qualified adoption expenses paid or incurred by an individual
4 taxpayer during a tax year.

5 Currently, in order to claim the adoption tax credit the
6 taxpayer must pay or incur "qualified adoption expenses" during
7 the tax year, which are unreimbursed, and connected with the
8 adoption. The bill strikes the requirement that the "qualified
9 adoption expenses" be paid or incurred by the taxpayer during
10 the tax year.

11 The bill specifies that if a qualified adoption expense is
12 incurred prior to or during the tax year in which the adoption
13 becomes final, the qualified adoption expense shall be allowed
14 during the tax year in which the adoption becomes final.

15 For qualified adoption expenses incurred after the tax year
16 in which the adoption becomes final, the qualified adoption
17 expense shall be allowed during the tax year such adoption
18 expense was paid or incurred.

19 The division applies retroactively to tax years beginning on
20 or after January 1, 2019.

21 DIVISION X — TARGETED JOBS WITHHOLDING CREDIT. The
22 amendment to Code section 403.19A extends by four years the
23 deadline for entering into withholding agreements under the
24 targeted jobs withholding credit pilot project from June 30,
25 2019, to June 30, 2023. This amendment takes effect upon
26 enactment.

27 DIVISION XI — SCHOOL TUITION ORGANIZATION TAX CREDITS. The
28 amendment to Code section 422.11S increases the total amount
29 of school tuition organization tax credits that may be issued
30 per tax year to \$17 million from \$13 million for tax years
31 beginning on or after January 1, 2020.

32 The Code editor is directed to harmonize the amendment to
33 Code section 422.11S in this division with the amendments to
34 Code section 422.11S in another division of the bill.

35 DIVISION XII — DEDUCTING RESIDUAL FERTILIZER. The bill

1 enacts new Code section 422.7(60), which relates to deducting
2 residual fertilizer supply in the soil for purposes of
3 individual and corporate income taxes.

4 The bill defines "residual fertilizer supply" to mean an
5 asset or an improvement to land that meets all of the following
6 requirements: the asset or improvement consists of residual
7 fertilizer or excess available nutrients that are in the soil;
8 the land upon which the asset or improvement is located is
9 sold or exchanged; and following the sale or exchange of the
10 land containing the residual fertilizer supply, an expense
11 deduction, amortization deduction, or depreciation deduction is
12 allowable for federal tax purposes with respect to the residual
13 fertilizer in the hands of a taxpayer other than the seller of
14 the land.

15 The bill provides that for any sale or exchange of a land
16 containing residual fertilizer supply executed on or after
17 July 1, 2019, an expense deduction, depreciation deduction, or
18 amortization deduction with respect to the residual fertilizer
19 supply shall not be allowed for individual or corporate income
20 tax purposes unless all of the following requirements are
21 satisfied: the expense deduction, depreciation deduction, or
22 amortization deduction is allowable to the taxpayer under the
23 Internal Revenue Code; and the residual fertilizer supply is
24 part of a written agreement between the seller and buyer that
25 identifies the residual fertilizer supply and the consideration
26 paid for the residual fertilizer supply.

27 If a taxpayer has taken a deduction relating to residual
28 fertilizer supply in computing federal adjusted gross income
29 that is disallowed under the bill, the taxpayer shall make
30 the following adjustments: add back the total amount of the
31 deduction in computing net income for state tax purposes;
32 reallocate the amount of the deduction to the taxpayer's basis,
33 if any, in the land upon which the residual fertilizer supply
34 is located; and make any other adjustments to gains, losses,
35 deductions, or tax basis of assets pursuant to rules adopted by

1 the director of revenue.

2 DIVISION XIII — FRANCHISE TAX — ALTERNATIVE MINIMUM TAX
3 (AMT) REPEAL. Current law imposes an AMT on a financial
4 institution to the extent the AMT exceeds the financial
5 institution's regular tax liability. The AMT is generally
6 calculated by adding certain "preference" items (deductions,
7 exemptions, and other adjustments) back to taxable income,
8 applying an exemption amount, and then multiplying the
9 resulting income amount by an AMT rate. The amendments to Code
10 section 422.60 repeal the AMT for the franchise tax beginning
11 in tax year 2021.

12 Current law also provides an alternative minimum tax credit,
13 which allows AMT paid by a financial institution in prior tax
14 years to be claimed against regular tax liability in future tax
15 years if the financial institution is not subject to the AMT
16 in that year. With the repeal of the franchise AMT in 2021,
17 the bill allows a taxpayer to claim any remaining alternative
18 minimum tax credit against the financial institution's regular
19 tax liability for the 2021 tax year, and the bill then repeals
20 the alternative minimum tax credit beginning in tax year 2022.

21 DIVISION XIV — FEDERAL RESEARCH CREDIT — INTERNAL REVENUE
22 CODE. The Consolidated Appropriations Act of 2018 (Pub. L.
23 No. 115-141), which Iowa is conformed to for tax year 2019
24 and beyond, struck and renumbered a provision of the federal
25 research credit, which resulted in a renumbering of the
26 simplified credit in the Internal Revenue Code. The amendments
27 in the division change the Internal Revenue references in the
28 Iowa Code to reflect the changes to the references in the
29 Internal Revenue Code.

30 The division applies retroactively to January 1, 2019, and
31 applies to tax years beginning on or after that date.

32 DIVISION XV — RESEARCH ACTIVITIES TAX CREDIT. The
33 amendments to Code section 422.10(1)(a) specify that the
34 research and activities tax credit is available against
35 the individual income tax if an individual is engaged in

1 agriscience or agricultural animal production, and if
2 certain conditions are met. The amendments to Code section
3 422.33(5)(e)(1) specify that a corporation engaged in
4 agriscience or agricultural animal production shall be eligible
5 for the research activities tax credit if certain conditions
6 are met.

7 The bill defines "agricultural animal production" to mean
8 activities related to producing or maintaining an agricultural
9 animal.

10 The division takes effect upon enactment and applies
11 retroactively to tax years beginning on or after January 1,
12 2017.

13 DIVISION XVI — NEW JOBS CREDIT — FRANCHISE TAX. The
14 amendment to Code section 422.60 makes the new jobs tax credit
15 under Code chapter 260E available against franchise taxes
16 imposed on financial institutions.

17 DIVISION XVII — UTILITY REPLACEMENT TASK FORCE. The
18 amendment to Code section 437A.15 extends the utility
19 replacement tax task force from January 1, 2019, to January
20 1, 2029. The task force is charged with studying the effects
21 of the replacement taxes under Code chapter 437A (taxes on
22 electricity and natural gas providers) and Code chapter 437B
23 (taxes on rate-regulated water utilities) on local taxing
24 authorities, local taxing districts, consumers, and taxpayers.

25 DIVISION XVIII — MONEYS AND CREDITS TAX ON STATE CREDIT
26 UNIONS. The amendment to Code section 533.329 strikes a
27 provision requiring the board of supervisors to impose the
28 moneys and credits tax on state credit unions and the county
29 treasurer to collect such tax, and aligns the imposition and
30 the collection of the tax with Code section 533.329(2)(b) and
31 Code section 533.329(3).

32 DIVISION XIX — SALES AND USE TAX EXEMPTIONS RELATED
33 TO MANUFACTURERS. The amendment to Code section
34 423.3(47)(d)(4)(c) modifies the definition of "manufacturer"
35 relating to the sales and use tax exemption for machinery,

1 equipment, and other items used directly and primarily in
2 processing by a manufacturer. The bill expands the definition
3 of "manufacturer" by adding the word "primarily" to the
4 exclusions of the definition of "manufacturer", thereby
5 allowing persons who do not primarily engage in certain
6 activities to qualify as a "manufacturer".

7 DIVISION XX — SALES AND USE TAX — PARKING FACILITIES.

8 The amendment to Code section 423.2(6)(ak) specifies that the
9 services provided by a privately owned, for-profit parking
10 facility are subject to the sales and use tax. Currently, the
11 services provided by any parking facility are subject to the
12 sales and use tax.

13 DIVISION XXI — SALES AND USE TAX EXEMPTIONS — MEDICAID.

14 The bill enacts new Code section 423.3(107), which exempts from
15 the state sales and use tax the sales of all tangible personal
16 property, specified digital products, or services paid for or
17 reimbursed by Medicaid, as defined in Code section 249A.2(7).

18 DIVISION XXII — BROADCASTERS — APPORTIONMENT OF GROSS
19 RECEIPTS. The amendment to 2015 Iowa Acts, chapter 86, section
20 3, extends the retroactive applicability of the apportionment
21 of the gross receipts of a broadcaster enacted during the 2015
22 legislative session in Senate File 479, from January 1, 2015,
23 to January 1, 2013.