

**Senate Study Bill 1249 - Introduced**

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

**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  
32 of appropriate stakeholders identified by the director of  
33 the department of revenue. The director of revenue or the  
34 director's designee shall serve as chairperson of the task  
35 force.

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

12 Sec. 31. REFUNDS. Refunds of taxes, interest, or penalties  
13 that arise from claims resulting from the enactment of section  
14 423.3, subsection 16A, for sales occurring between January  
15 1, 2015, and the effective date of the enactment of section  
16 423.3, subsection 16A, shall be limited to twenty-five thousand  
17 dollars in the aggregate and shall not be allowed unless refund  
18 claims are filed prior to October 1, 2019, notwithstanding any  
19 other law to the contrary. If the amount of claims totals  
20 more than twenty-five thousand dollars in the aggregate, the  
21 department of revenue shall prorate the twenty-five thousand  
22 dollars among all claimants in relation to the amounts of the  
23 claimants' valid claims.

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

26 1. The section of this division of this Act enacting section  
27 423.3, subsection 16A.

28 2. The section of this division of this Act amending section  
29 423.3, subsection 47, paragraph "c", subparagraph (3).

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

33 Sec. 33. RETROACTIVE APPLICABILITY. The following applies  
34 retroactively to January 1, 2016, for tax years beginning on  
35 or after that date:

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

3 Sec. 34. RETROACTIVE APPLICABILITY. The following applies  
4 retroactively to tax years beginning on or after January 1,  
5 2015:

6 The section of this division of this Act enacting section  
7 423.3, subsection 16A.

8 DIVISION IV

9 AUTOMOBILE RENTAL EXCISE TAX

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

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

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

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

29 b. A person or any affiliate of a person who possesses or  
30 acquires a right or interest in any automobile with an intent  
31 to rent the automobile to another person, or through the person  
32 ~~or any affiliate, or through a rental platform or a rental~~  
33 ~~facilitator~~ any other person required to collect sales or use  
34 tax under chapter 423.

35 Sec. 37. Section 423C.2, subsection 6, Code 2019, is amended

1 to read as follows:

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

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

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

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

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

27 **423C.3 Tax on rental of automobiles — collection and**  
28 **remittance of tax.**

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

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

33 ~~b. "*Travel package*" means an automobile rental bundled~~  
34 ~~with one or more separate components such as lodging, air~~  
35 ~~transportation, or similar items and charged for a single~~

1 ~~retail price.~~

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

10     3. 2. ~~This subsection shall govern the collection and~~  
11 ~~remittance of the tax imposed under subsection 2~~ The tax  
12 imposed under subsection 1 shall be collected and remitted to  
13 the department by all persons required to collect state sales  
14 and use tax on the rental transaction under chapter 423.

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

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

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

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

32         (b) ~~No assessment shall be made against a rental facilitator~~  
33 ~~for tax due on a discount rental charge if the rental~~  
34 ~~facilitator collected the tax and remitted it to an automobile~~  
35 ~~provider that has a valid tax permit required under this~~

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

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

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

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

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

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

35 ~~(2) 3. A rental platform person is not required to collect~~

1 and remit the tax imposed under this chapter ~~in the same manner~~  
2 ~~as an automobile provider under paragraph "a"~~ if the rental  
3 platform person meets all of the following requirements:

4 a. The person or any affiliate of the person is not an  
5 automobile provider.

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

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

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

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

26 ~~{b}~~ d. The rental platform person operates a peer-to-peer  
27 automobile sharing marketplace.

28 ~~{3}~~ 4. For any rental transaction for which ~~the rental~~  
29 platform a person is required to or elects to collect and  
30 remit the tax under this chapter, the rental platform person  
31 shall also be liable for the collection and remittance of any  
32 sales or use tax due on that transaction under section 423.2,  
33 subsection 6, paragraph "bf", or section 423.5, subsection  
34 1, paragraph "e", notwithstanding any other provision to the  
35 contrary in chapter 423.



1 provider or a local exchange utility holding a certificate  
2 issued under section 476.29, subsection 12.

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

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

7 The section of this division of this Act enacting section  
8 476.1D, subsection 10.

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

12 The section of this division of this Act enacting section  
13 476.1D, subsection 10.

14 Sec. 45. EFFECTIVE DATE. The following takes effect July  
15 1, 2021:

16 The section of this division of this Act striking section  
17 476.1D, subsection 10.

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

20 The section of this division of this Act striking section  
21 476.1D, subsection 10.

22 DIVISION VI

23 CHILD AND DEPENDENT CARE CREDIT AND EARLY CHILDHOOD DEVELOPMENT

24 CREDIT

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

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

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

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

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

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

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

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

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

22     Sec. 48. Section 422.12C, subsection 2, paragraph a, Code  
23 2019, is amended to read as follows:

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

1 income is less than ~~forty-five~~ fifty-seven thousand three  
2 hundred sixty dollars. If the early childhood development  
3 tax credit is claimed for a tax year, the taxpayer and the  
4 taxpayer's spouse shall not claim the child and dependent care  
5 credit under subsection 1.

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

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

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

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

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

30 DIVISION VII

31 APPORTIONMENT OF CERTAIN BUSINESS INCOME OF AN AIRLINE

32 Sec. 52. Section 422.33, subsection 2, paragraph a,  
33 subparagraph (2), Code 2019, is amended by adding the following  
34 new subparagraph divisions:

35 NEW SUBPARAGRAPH DIVISION. (Of) Notwithstanding

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

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

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

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

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

35 (D) For tax years beginning during the 2023 calendar year,

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

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

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

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

32 (H) For tax years beginning during the 2027 calendar year,  
33 twenty percent of such income shall be equitably apportioned  
34 as provided in subparagraph division (c), and of the remaining  
35 eighty percent of such income, the part attributable to

1 business within the state shall be in the proportion that the  
2 miles of the qualified air freight forwarder's affiliated  
3 airline traveled in this state bears to the total miles of the  
4 affiliated airline traveled everywhere.

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

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

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

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

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

24 (C) The taxpayer is in the same affiliated group as an  
25 airline.

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

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

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

1 DIVISION VIII  
2 BURIAL TRUSTS

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

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

8 DIVISION IX  
9 ADOPTION TAX CREDIT

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

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

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

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

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

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

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

32 DIVISION X  
33 TARGETED JOBS WITHHOLDING CREDIT

34 Sec. 59. Section 403.19A, subsection 1, Code 2019, is  
35 amended by adding the following new paragraph:

1 NEW PARAGRAPH. *Ob.* "Created job" means a new and permanent  
2 full-time equivalent position added to the payroll of a  
3 business in excess of the base employment level at the time of  
4 application for withholding credits under this section.

5 Sec. 60. Section 403.19A, subsection 1, paragraph c, Code  
6 2019, is amended to read as follows:

7 *c.* "Employer" means a business creating ~~or retaining~~  
8 targeted jobs in a pilot project city pursuant to a withholding  
9 agreement.

10 Sec. 61. Section 403.19A, subsection 1, paragraph f, Code  
11 2019, is amended by striking the paragraph.

12 Sec. 62. Section 403.19A, subsection 1, paragraph g, Code  
13 2019, is amended to read as follows:

14 *g.* "Targeted job" means a job in a business which is or will  
15 be located in a pilot project city that pays a wage at least  
16 equal to the countywide average wage. "Targeted job" includes  
17 ~~new or retained~~ created jobs from Iowa business expansions ~~or~~  
18 ~~retentions~~ within the city limits of the pilot project city and  
19 those jobs resulting from established out-of-state businesses,  
20 as defined by the economic development authority, moving to or  
21 expanding in Iowa.

22 Sec. 63. Section 403.19A, subsection 3, paragraph c,  
23 subparagraphs (1) and (2), Code 2019, are amended to read as  
24 follows:

25 (1) The pilot project city and the economic development  
26 authority shall enter into a withholding agreement with  
27 each employer concerning the targeted jobs withholding  
28 credit. The withholding agreement shall provide for the  
29 total amount of withholding credits awarded, as negotiated  
30 by the economic development authority, the pilot project  
31 city, and the employer. An agreement shall not provide for  
32 an amount of withholding credits that exceeds the amount of  
33 the qualifying investment made in the project. An agreement  
34 shall not be entered into with a business currently located  
35 in this state unless the business either creates ~~or retains~~

1 ten jobs or makes a qualifying investment of at least five  
2 hundred thousand dollars within the pilot project city. The  
3 withholding agreement may have a term of years negotiated by  
4 the economic development authority, the pilot project city, and  
5 the employer, of up to ten years. A withholding agreement  
6 specifying a term of years or a total amount of withholding  
7 credits shall terminate upon the expiration of the term of  
8 years specified in the agreement or upon the award of the total  
9 amount of withholding credits specified in the agreement,  
10 whichever occurs first. An employer shall not be obligated to  
11 enter into a withholding agreement. An agreement shall not be  
12 entered into with an employer not already located in a pilot  
13 project city when another Iowa community is competing for the  
14 same project and both the pilot project city and the other Iowa  
15 community are seeking assistance from the authority.

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

19 Sec. 64. Section 403.19A, subsection 3, paragraphs f and g,  
20 Code 2019, are amended to read as follows:

21 *f.* Pursuant to rules adopted by the economic development  
22 authority, the pilot project city shall provide on an annual  
23 basis to the economic development authority information  
24 documenting the compliance of each employer with each  
25 requirement of the withholding agreement, including but not  
26 limited to the number of jobs created ~~or retained~~ and the  
27 amount of investment made by the employer. The economic  
28 development authority shall, in response to receiving such  
29 information from the pilot project city, assess the level  
30 of compliance by each employer and provide to the pilot  
31 project city recommendations for either maintaining employer  
32 compliance with the withholding agreement or terminating the  
33 agreement for noncompliance under paragraph *g*. The economic  
34 development authority shall also provide each such assessment  
35 and recommendation report to the department of revenue.

1 ~~g. If the economic development authority, following an~~  
2 ~~eighteen-month performance period beginning on the date the~~  
3 ~~withholding agreement is approved by the authority board,~~  
4 ~~determines that the employer ceases to meet the requirements~~  
5 ~~of the withholding agreement relating to retaining jobs, if~~  
6 ~~applicable, the agreement shall be terminated by the economic~~  
7 ~~development authority and the pilot project city and any~~  
8 ~~withholding credits for the benefit of the employer shall~~  
9 ~~cease.~~ If the economic development authority, following  
10 a three-year performance period beginning on the date the  
11 withholding agreement is approved by the authority board,  
12 determines that the employer has not or is incapable of  
13 meeting the requirements of the withholding agreement relating  
14 to creating jobs, if applicable, or the requirement of the  
15 withholding agreement relating to the qualifying investment  
16 prior to the end of the withholding agreement, the economic  
17 development authority may reduce the future benefits to the  
18 employer under the agreement or negotiate with the other  
19 parties to terminate the agreement early. Notice shall be  
20 provided promptly by the pilot project city to the department  
21 of revenue following termination of a withholding agreement.

22 Sec. 65. Section 403.19A, subsection 3, paragraph 1,  
23 subparagraph (1), Code 2019, is amended to read as follows:

24 (1) The total number of targeted jobs and a breakdown as to  
25 those that are Iowa business expansions ~~or retentions~~ within  
26 the city limits of the pilot project city and those that are  
27 jobs resulting from established out-of-state businesses moving  
28 to or expanding in Iowa.

29 Sec. 66. APPLICABILITY. The amendments to section 403.19A  
30 in this division of this Act do not apply to a withholding  
31 agreement entered into prior to the effective date of this  
32 division of this Act.

33 DIVISION XI

34 SCHOOL TUITION ORGANIZATION TAX CREDITS

35 Sec. 67. Section 422.11S, subsection 8, paragraph a,

1 subparagraph (2), Code 2019, is amended to read as follows:

2 (2) *"Total approved tax credits"* means for the tax year  
3 beginning in the 2006 calendar year, two million five hundred  
4 thousand dollars, for the tax year beginning in the 2007  
5 calendar year, five million dollars, for tax years beginning  
6 on or after January 1, 2008, but before January 1, 2012, seven  
7 million five hundred thousand dollars, for tax years beginning  
8 on or after January 1, 2012, but before January 1, 2014, eight  
9 million seven hundred fifty thousand dollars, ~~and~~ for tax years  
10 beginning on or after January 1, 2014, but before January 1,  
11 2019, twelve million dollars, ~~and~~ for tax years beginning on  
12 or after January 1, 2019, but before January 1, 2020, thirteen  
13 million dollars, and for tax years beginning on or after  
14 January 1, 2020, seventeen million dollars.

15 Sec. 68. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor  
16 is directed to harmonize the section of this division of this  
17 Act amending section 422.11S with the other division of this  
18 Act amending section 422.11S, if enacted, by changing tax year  
19 to calendar year where appropriate and to make other related  
20 changes, if necessary, to effectuate such changes.

21 DIVISION XII

22 DEDUCTING RESIDUAL FERTILIZER

23 Sec. 69. Section 422.7, Code 2019, is amended by adding the  
24 following new subsection:

25 NEW SUBSECTION. 60. a. For purposes of this subsection,  
26 *"residual fertilizer supply"* means an asset or an improvement to  
27 land that meets all of the following requirements:

28 (1) The asset or improvement consists of residual  
29 fertilizer or excess available nutrients that are incorporated  
30 into and inseparable from land.

31 (2) The asset or improvement is sold or exchanged in  
32 conjunction with the sale or exchange of land upon which the  
33 asset or improvement is located.

34 (3) Following the sale or exchange, an expense deduction,  
35 amortization deduction, or depreciation deduction is allowable

1 for federal tax purposes under the Internal Revenue Code with  
2 respect to the asset or improvement in the hands of a taxpayer  
3 other than the seller.

4 *b.* For any sale or exchange of a residual fertilizer supply  
5 executed on or after July 1, 2019, an expense deduction,  
6 depreciation deduction, or amortization deduction with respect  
7 to the residual fertilizer supply shall not be allowed under  
8 this division unless all of the following requirements are  
9 satisfied:

10 (1) The expense deduction, depreciation deduction, or  
11 amortization deduction is allowable to the taxpayer under the  
12 Internal Revenue Code.

13 (2) The residual fertilizer supply is part of a signed,  
14 written agreement between the seller and buyer that identifies  
15 the residual fertilizer supply and the consideration paid by  
16 the buyer for the residual fertilizer supply.

17 *c.* If a taxpayer has taken a deduction in computing federal  
18 adjusted gross income that is disallowed under paragraph "b",  
19 the taxpayer shall make the following adjustments:

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

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

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

27 Sec. 70. Section 422.35, Code 2019, is amended by adding the  
28 following new subsection:

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

32 (1) The asset or improvement consists of residual  
33 fertilizer or excess available nutrients that are incorporated  
34 into and inseparable from land.

35 (2) The asset or improvement is sold or exchanged in

1 conjunction with the sale or exchange of land upon which the  
2 asset or improvement is located.

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

8 *b.* For any sale or exchange of a residual fertilizer supply  
9 executed on or after July 1, 2019, an expense deduction,  
10 depreciation deduction, or amortization deduction with respect  
11 to the residual fertilizer supply shall not be allowed under  
12 this division unless all of the following requirements are  
13 satisfied:

14 (1) The expense deduction, depreciation deduction, or  
15 amortization deduction is allowable to the taxpayer under the  
16 Internal Revenue Code.

17 (2) The residual fertilizer supply is part of a signed,  
18 written agreement between the seller and buyer that identifies  
19 the residual fertilizer supply and the consideration paid by  
20 the buyer for the residual fertilizer supply.

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

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

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

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

31 DIVISION XIII

32 FRANCHISE TAX — ALTERNATIVE MINIMUM TAX (AMT) REPEAL

33 Sec. 71. Section 422.60, subsection 2, Code 2019, is amended  
34 by adding the following new paragraph:

35 NEW PARAGRAPH. *c.* This subsection is repealed January 1,

1 2021, for tax years beginning on or after that date.

2 Sec. 72. Section 422.60, subsection 3, Code 2019, is amended  
3 to read as follows:

4 3. a. (1) ~~There~~ For tax years beginning before January 1,  
5 2022, there is allowed as a credit against the tax determined  
6 in section 422.63 for a tax year an amount equal to the minimum  
7 tax credit for that tax year.

8 (2) The minimum tax credit for a tax year is the excess,  
9 if any, of the net minimum tax imposed for all prior tax years  
10 beginning on or after January 1, 1987, but before January  
11 1, 2021, over the amount allowable as a credit under this  
12 subsection for those prior tax years.

13 b. (1) The allowable credit under paragraph "a" for a tax  
14 year beginning before January 1, 2021, shall not exceed the  
15 excess, if any, of the tax determined in section 422.63 over  
16 the state alternative minimum tax as determined in subsection  
17 2. The allowable credit under paragraph "a" for a tax year  
18 beginning in the 2021 calendar year shall not exceed the tax  
19 determined in section 422.63.

20 (2) The net minimum tax for a tax year is the excess, if  
21 any, of the tax determined in subsection 2 for the tax year  
22 over the tax determined in section 422.63 for the tax year.

23 c. This subsection is repealed January 1, 2022, for tax  
24 years beginning on or after that date.

25 DIVISION XIV

26 GROSS GLOBAL INCOME LOW-TAXED INCOME

27 Sec. 73. Section 422.35, subsection 21, Code 2019, is  
28 amended to read as follows:

29 21. Subtract the amount of net foreign dividend income,  
30 including based upon the percentage of ownership as set forth  
31 in section 243 of the Internal Revenue Code. Net foreign  
32 dividend income includes subpart F income as defined in section  
33 952 of the Internal Revenue Code, ~~based upon the percentage of~~  
34 ~~ownership as set forth in section 243 of the Internal Revenue~~  
35 ~~Code~~ and includes global intangible low-taxed income as defined

1 in section 951A of the Internal Revenue Code after applying  
2 the deduction allowed for global intangible low-taxed income  
3 allowed under section 250(a)(1)(B) of the Internal Revenue  
4 Code.

5 Sec. 74. RETROACTIVE APPLICABILITY. This division of this  
6 Act applies retroactively to January 1, 2019, for tax years  
7 beginning on or after that date.

8 DIVISION XV

9 FEDERAL RESEARCH CREDIT — INTERNAL REVENUE CODE

10 Sec. 75. Section 15.335, subsection 4, paragraph a, Code  
11 2019, is amended to read as follows:

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

21 Sec. 76. Section 15.335, subsection 4, paragraph b,  
22 unnumbered paragraph 1, Code 2019, is amended to read as  
23 follows:

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

29 Sec. 77. Section 422.10, subsection 1, paragraphs c and d,  
30 Code 2019, are amended to read as follows:

31 c. In lieu of the credit amount computed in paragraph "b",  
32 subparagraph (1), subparagraph division (a), a taxpayer may  
33 elect to compute the credit amount for qualified research  
34 expenses incurred in this state in a manner consistent with the  
35 alternative simplified credit described in section ~~41(e)(5)~~

1 41(c)(4) of the Internal Revenue Code. The taxpayer may make  
2 this election regardless of the method used for the taxpayer's  
3 federal income tax. The election made under this paragraph is  
4 for the tax year and the taxpayer may use another or the same  
5 method for any subsequent year.

6 *d.* For purposes of the alternate credit computation  
7 method in paragraph "c", the credit percentages applicable to  
8 qualified research expenses described in section ~~41(e)(5)(A)~~  
9 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)  
10 of the Internal Revenue Code are four and fifty-five  
11 hundredths percent and one and ninety-five hundredths percent,  
12 respectively.

13 Sec. 78. Section 422.33, subsection 5, paragraphs c and d,  
14 Code 2019, are amended to read as follows:

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

25 *d.* For purposes of the alternate credit computation  
26 method in paragraph "c", the credit percentages applicable to  
27 qualified research expenses described in section ~~41(e)(5)(A)~~  
28 41(c)(4)(A) and clause (ii) of section ~~41(e)(5)(B)~~ 41(c)(4)(B)  
29 of the Internal Revenue Code are four and fifty-five  
30 hundredths percent and one and ninety-five hundredths percent,  
31 respectively.

32 Sec. 79. RETROACTIVE APPLICABILITY. This division of this  
33 Act applies retroactively to January 1, 2019, for tax years  
34 beginning on or after that date.

35

DIVISION XVI

1 RESEARCH ACTIVITIES TAX CREDIT

2 Sec. 80. Section 422.10, subsection 1, paragraph a,  
3 subparagraph (1), subparagraph division (a), Code 2019, is  
4 amended to read as follows:

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

8 Sec. 81. Section 422.10, subsection 1, paragraph a,  
9 subparagraph (1), subparagraph division (b), unnumbered  
10 paragraph 1, Code 2019, is amended to read as follows:

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

16 Sec. 82. Section 422.10, subsection 3, Code 2019, is amended  
17 by adding the following new paragraphs:

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

22 NEW PARAGRAPH. d. For purposes of this section,  
23 "*agricultural animal production*" means activities related to  
24 producing or maintaining an agricultural animal.

25 Sec. 83. Section 422.33, subsection 5, paragraph e,  
26 subparagraph (1), subparagraph division (a), Code 2019, is  
27 amended to read as follows:

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

31 Sec. 84. Section 422.33, subsection 5, paragraph e,  
32 subparagraph (1), subparagraph division (b), unnumbered  
33 paragraph 1, Code 2019, is amended to read as follows:

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

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

4 Sec. 85. Section 422.33, subsection 5, Code 2019, is amended  
5 by adding the following new paragraph:

6 NEW PARAGRAPH. *Og.* As used in this subsection:

7 (1) "*Agricultural animal*" means an animal belonging to the  
8 bovine, caprine, equine, ovine, or porcine species; ostriches,  
9 rheas, or emus; farm deer as defined in section 170.1; or  
10 poultry.

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

13 Sec. 86. EFFECTIVE DATE. This division of this Act, being  
14 deemed of immediate importance, takes effect upon enactment.

15 Sec. 87. RETROACTIVE APPLICABILITY. This division of this  
16 Act applies retroactively to January 1, 2017, for tax years  
17 beginning on or after that date.

18 DIVISION XVII

19 NEW JOBS CREDIT — FRANCHISE TAXES — MONEYS AND CREDITS TAXES

20 Sec. 88. Section 422.60, Code 2019, is amended by adding the  
21 following new subsection:

22 NEW SUBSECTION. 14. The taxes imposed under this division  
23 shall be reduced by a new jobs tax credit. An industry which  
24 has entered into an agreement under chapter 260E and which has  
25 increased its base employment level by at least ten percent  
26 within the time set in the agreement or, in the case of an  
27 industry without a base employment level, adds new jobs within  
28 the time set in the agreement is entitled to this new jobs  
29 tax credit for the tax year selected by the industry. In  
30 determining if the industry has increased its base employment  
31 level by ten percent or added new jobs, only those new jobs  
32 directly resulting from the project covered by the agreement  
33 and those directly related to those new jobs shall be counted.  
34 The amount of this credit is equal to the product of six  
35 percent of the taxable wages upon which an employer is required

1 to contribute to the state unemployment compensation fund, as  
2 defined in section 96.19, subsection 37, times the number of  
3 new jobs existing in the tax year that directly result from  
4 the project covered by the agreement or new jobs that directly  
5 result from those new jobs. The tax year chosen by the  
6 industry shall either begin or end during the period beginning  
7 with the date of the agreement and ending with the date by  
8 which the project is to be completed under the agreement. Any  
9 credit in excess of the tax liability for the tax year may be  
10 credited to the tax liability for the following ten tax years  
11 or until depleted in less than the ten years. For purposes  
12 of this subsection, "agreement", "industry", "new job", and  
13 "project" mean the same as defined in section 260E.2 and "base  
14 employment level" means the number of full-time jobs an industry  
15 employs at the site which is covered by an agreement under  
16 chapter 260E on the date of that agreement.

17 Sec. 89. Section 533.329, subsection 2, Code 2019, is  
18 amended by adding the following new paragraph:

19 NEW PARAGRAPH. 1. The moneys and credits tax imposed under  
20 this section shall be reduced by a new jobs tax credit. An  
21 industry which has entered into an agreement under chapter  
22 260E and which has increased its base employment level by at  
23 least ten percent within the time set in the agreement or,  
24 in the case of an industry without a base employment level,  
25 adds new jobs within the time set in the agreement is entitled  
26 to this new jobs tax credit for the tax year selected by the  
27 industry. In determining if the industry has increased its  
28 base employment level by ten percent or added new jobs, only  
29 those new jobs directly resulting from the project covered by  
30 the agreement and those directly related to those new jobs  
31 shall be counted. The amount of this credit is equal to the  
32 product of six percent of the taxable wages upon which an  
33 employer is required to contribute to the state unemployment  
34 compensation fund, as defined in section 96.19, subsection 37,  
35 times the number of new jobs existing in the tax year that

1 directly result from the project covered by the agreement or  
2 new jobs that directly result from those new jobs. The tax  
3 year chosen by the industry shall either begin or end during  
4 the period beginning with the date of the agreement and ending  
5 with the date by which the project is to be completed under  
6 the agreement. Any credit in excess of the tax liability for  
7 the tax year may be credited to the moneys and credits tax  
8 liability for the following ten tax years or until depleted  
9 in less than the ten years. For purposes of this paragraph,  
10 "agreement", "industry", "new job", and "project" mean the same  
11 as defined in section 260E.2 and "base employment level" means  
12 the number of full-time jobs an industry employs at the site  
13 which is covered by an agreement under chapter 260E on the date  
14 of that agreement.

15 DIVISION XVIII

16 UTILITY REPLACEMENT TASK FORCE

17 Sec. 90. Section 437A.15, subsection 7, paragraph b, Code  
18 2019, is amended to read as follows:

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

28 DIVISION XIX

29 MONEYS AND CREDITS TAX ON STATE CREDIT UNIONS

30 Sec. 91. Section 533.329, subsection 2, paragraph a, Code  
31 2019, is amended to read as follows:

32 a. The moneys and credits tax on state credit unions is  
33 imposed at a rate of one-half cent on each dollar of the legal  
34 and special reserves that are required to be maintained by the  
35 state credit union under [section 533.303](#), ~~and shall be levied~~

1 ~~by the board of supervisors and placed upon the tax list and~~  
2 ~~collected by the county treasurer.~~ However, an exemption shall  
3 be given to each state credit union in the amount of forty  
4 thousand dollars.

5

DIVISION XX

6

SALES AND USE TAX EXEMPTIONS RELATED TO MANUFACTURERS

7

Sec. 92. Section 423.3, subsection 47, paragraph d,

8

subparagraph (4), subparagraph division (c), unnumbered

9

paragraph 1, Code 2019, is amended to read as follows:

10

“*Manufacturer*” does not include persons who are not commonly

11

understood as manufacturers, including but not limited to

12

persons primarily engaged in any of the following activities:

13

EXPLANATION

14

The inclusion of this explanation does not constitute agreement with

15

the explanation’s substance by the members of the general assembly.

16

This bill relates to the administration of the tax and

17

related laws by the department of revenue, including the

18

administration and modification of certain taxes, tax credits,

19

and refunds.

20

DIVISION I — INCOME AND FRANCHISE TAX. The amendments to

21

Code sections 422.4(16) and 422.9 modify Internal Revenue Code

22

references relating to the qualified business income deduction.

23

The amendments to Code sections 422.4(16) and 422.9 apply

24

retroactively for tax years beginning on or after January 1,

25

2019.

26

The amendments to Code section 422.11S specify that school

27

tuition organization tax credits shall be authorized by the

28

department of revenue on a calendar year basis rather than

29

a tax year basis. The amendments to Code section 422.11S

30

also specify that a school tuition organization shall be

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controlled by a board of directors consisting of at least seven

32

members. Under current law, the board of directors shall be

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seven members. The bill provides that it is the intent of the

34

general assembly that the amendments to Code section 422.11S

35

are conforming amendments consistent with current law, and that

1 the amendments do not change the application of current law.

2 The amendment to Code section 422.12C specifies that a  
3 nonresident or part-year resident shall determine their early  
4 childhood development tax credit in the ratio of the taxpayer's  
5 Iowa source net income to their all source net income. The  
6 amendment to Code section 422.12C takes effect upon enactment  
7 and applies retroactively for tax years beginning on or  
8 after January 1, 2019. The bill specifies that for tax years  
9 beginning prior to January 1, 2019, refunds of the early  
10 childhood development tax credit requested on or after July 1,  
11 2019, shall not exceed the amount allowed under Code section  
12 422.12C(4), as amended by the bill.

13 The amendment to Code section 422.60 aligns the definition  
14 of "Internal Revenue Code" for franchise alternative minimum  
15 tax purposes with the definition of "Internal Revenue Code"  
16 for corporate alternative minimum tax purposes. The amendment  
17 to Code section 422.60 applies retroactively for tax years  
18 beginning on or after January 1, 2019.

19 The bill provides for a deferral of a gain or loss resulting  
20 from exchanging of property (1031 exchange) that meet certain  
21 conditions. The federal Tax Cuts and Jobs Act of 2017 repealed  
22 1031 exchanges with respect to exchanges of personal property.  
23 The Iowa tax bill enacted last year (2018 Iowa Acts, chapter  
24 1161) decouples, for Iowa individual tax purposes, from the  
25 federal repeal of 1031 exchanges relating to personal property,  
26 and permits individuals to defer gain or loss on qualifying  
27 personal property for tax year 2019 to the extent such deferral  
28 would have been permitted under federal law prior to its  
29 amendment by the federal Tax Cuts and Jobs Act of 2017. The  
30 bill permits a corporation or financial institution, for Iowa  
31 corporate income tax or franchise income tax purposes, the same  
32 deferral of gain or loss as individuals on qualifying personal  
33 property for tax year 2019 to the extent such deferral would  
34 have been permitted under federal law prior to its amendment  
35 by the federal Tax Cuts and Jobs Act of 2017. The 1031

1 exchange provision takes effect upon enactment, and applies  
2 retroactively for tax years beginning January 1, 2019, but  
3 before January 1, 2020.

4 DIVISION II — ADMINISTRATIVE PROVISIONS. The amendments  
5 to Code sections 422.20 and 422.72 permit the department of  
6 revenue, by rule, to disclose state tax information to a person  
7 a taxpayer has identified to receive such information in the  
8 manner prescribed by the department of revenue.

9 DIVISION III — SALES AND USE TAX. The amendment to Code  
10 section 423.2(1) provides that if a service or warranty  
11 contract does not specify a fee amount for nontaxable services  
12 or taxable personal property, the sales tax shall be imposed  
13 upon an amount equal to the sales price of the contract.  
14 Currently, the sales tax is imposed upon an amount equal to  
15 one-half of the sales price of such a contract.

16 The amendment to Code section 432.2(6) specifies that  
17 the sales price from the furnishing of carpentry repair and  
18 installation services are subject to the sales tax. Currently,  
19 carpentry services are subject to sales tax.

20 The bill enacts new Code section 423.3(16A), exempting from  
21 the state sales and use tax the purchase price of a grain bin,  
22 including material or replacement parts used to construct or  
23 repair a grain bin. "Grain bin" is defined to mean property  
24 that is vented and covered with corrugated metal or similar  
25 material, and that is primarily used to hold loose grain for  
26 drying or storage. This provision takes effect upon enactment  
27 and applies retroactively to January 1, 2015, and applies to  
28 tax years beginning on or after that date. The bill also  
29 provides for refunds of taxes, interest, or penalties that  
30 arise from claims resulting from the enactment of Code section  
31 423.3(16A) for sales occurring between January 1, 2015, and the  
32 effective date of the enactment of Code section 423.3(16A).  
33 The bill limits the refunds to \$25,000 in the aggregate.

34 The amendment to Code section 423.3(47) changes the  
35 exclusions from the sales tax exemptions in that subsection by

1 aligning the exclusions with the changes made to the exemptions  
2 enacted in 2016 Iowa Acts, chapter 1007. This provision takes  
3 effect upon enactment and applies retroactively to tax years  
4 beginning January 1, 2016, for tax years beginning on or after  
5 that date.

6 The amendment to Code section 423.3(104) exempts from the  
7 sales tax the sales of optional service or warranty contracts  
8 for computer software maintenance or support services furnished  
9 to a commercial enterprise used exclusively by the commercial  
10 enterprise. "Commercial enterprise" is defined in Code section  
11 423.3(104).

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

23 The bill amends Code section 423.14A(3)(d) by striking  
24 the requirement that a marketplace facilitator, as defined  
25 in Code section 423.14A(1)(b), making Iowa sales, as defined  
26 in Code section 423.14A(1)(a), collect sales, use, and local  
27 option taxes if the marketplace facilitator has 200 or more  
28 separate transactions for an immediately preceding calendar  
29 year or a current calendar year. The bill does not strike the  
30 requirement that a marketplace facilitator collect such taxes  
31 if the marketplace facilitator makes or facilitates Iowa sales  
32 on its own behalf or for one or more marketplace sellers equal  
33 to or exceeding \$100,000.

34 The bill amends Code section 423.14A(3)(e) by striking  
35 the requirement that a referrer, as defined in Code section

1 423.14A(3)(e)(3), making Iowa sales, as defined in Code section  
2 423.14A(1)(a), collect sales, use, and local option taxes if  
3 the referrer has 200 or more separate transactions for an  
4 immediately preceding calendar year or a current calendar  
5 year. The bill does not strike the requirement that a referrer  
6 collect such taxes if the referrer has Iowa sales equal to or  
7 exceeding \$100,000.

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

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

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

28 The bill establishes a taxation and exemption computers  
29 task force to be initiated, coordinated, and staffed by  
30 the department of revenue. The task force shall review the  
31 definition of "computer" as used throughout the portions of  
32 the Iowa Code and the Iowa Administrative Code administered  
33 by the department of revenue including the exemption for  
34 computers provided in Code section 423.3(47)(a)(4). If the  
35 task force recommends modifications to the current definition

1 of "computer" including the exemption for computers provided in  
2 Code section 423.3(47)(a)(4), the department of revenue shall  
3 provide any recommendations to the general assembly by January  
4 1, 2020.

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

10 The amendment to Code section 423C.2 substitutes a person  
11 required to collect sales or use tax under Code chapter 423  
12 for "rental facilitator" and "rental platform" and strikes the  
13 definitions of "rental facilitator" and "rental platform" from  
14 Code section 423C.2.

15 The amendment to Code section 423C.2(11) modifies the  
16 definition of "rental price" to mean the same as "sales price"  
17 defined in Code section 423.1, which includes facilitation  
18 fees, reservation fees, service fees, nonrefundable deposits,  
19 and any other direct or indirect charge made or consideration  
20 provided in connection with the renting or facilitation of  
21 renting automobiles.

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

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

28 The bill strikes numerous provisions in Code section 423C.3  
29 relating to the collection of the automobile rental excise tax  
30 by a "rental facilitator" and "rental platform" due to these  
31 definitions being stricken by another part of this division of  
32 the bill.

33 The amendment to Code section 423C.3 requires that any  
34 person required to collect state sales and use tax on the  
35 rental transaction under Code chapter 423 shall collect the

1 automobile rental excise tax as applicable. The amendment to  
2 Code section 423C.3 provides that a person is not required  
3 to collect and remit the automobile rental excise tax if the  
4 person meets certain circumstances. For any rental transaction  
5 for which the person is not required to collect and remit the  
6 automobile rental excise tax, the amendment to Code section  
7 423C.3 requires an automobile provider to be solely liable  
8 for any amount of uncollected or unremitted automobile rental  
9 excise tax and sales and use tax under Code chapter 423.

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

24 The section of Division V of the bill enacting Code section  
25 476.1D, subsection 10, takes effect upon enactment and applies  
26 retroactively to July 1, 2018, for assessment years beginning  
27 on or after that date.

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

32 DIVISION VI — CHILDHOOD AND DEPENDENT CARE CREDIT AND  
33 EARLY CHILDHOOD DEVELOPMENT CREDIT. The amendment to Code  
34 section 422.12C(4) increases the Iowa net income threshold  
35 levels for purposes of calculating the Iowa child and dependent

1 child care tax credit and the early childhood development tax  
2 credit available against the individual income tax. The Iowa  
3 child and dependent care tax credit is a refundable credit  
4 calculated as a percentage of the nonrefundable federal child  
5 and dependent care tax credit, depending on the Iowa net income  
6 of the taxpayer. The early childhood development tax credit  
7 is a refundable credit equaling 25 percent of the first \$1,000  
8 which the taxpayer has paid to others for each dependent ages  
9 three through five for early childhood development expenses.

10 IOWA CHILD AND DEPENDENT CHILD CARE TAX CREDIT. Currently,  
11 there are seven graduated Iowa net income thresholds used to  
12 calculate the credit. The bill increases these graduated  
13 thresholds, but does not change the percentage of the  
14 nonrefundable federal child and dependent care tax credit  
15 used to calculate the Iowa child and dependent child care tax  
16 credit.

17 Currently, the credit percentages in these seven Iowa  
18 net income thresholds range from a high of 75 percent of  
19 the federal credit for taxpayers with net income of less  
20 than \$10,000, to a low of 30 percent of the federal credit  
21 for taxpayers with net income of \$40,000 or more but less  
22 than \$45,000. Under the bill, the credit percentages in the  
23 thresholds range from a high of 75 percent of the federal  
24 credit for taxpayers with a net income of less than \$12,750,  
25 to a low of 30 percent of the federal credit for taxpayers with  
26 net income of \$50,980 or more but less than \$57,360.

27 The bill also adjusts the future amount of each of the Iowa  
28 net income amounts in the seven graduated Iowa net income  
29 thresholds by indexing the thresholds to inflation.

30 EARLY CHILDHOOD DEVELOPMENT TAX CREDIT. The bill increases  
31 the income threshold determining the eligibility of a taxpayer  
32 for the early childhood development tax credit. The bill  
33 increases the eligibility threshold from a taxpayer earning  
34 \$45,000 per year to \$57,360 per year. By increasing the  
35 eligibility threshold, taxpayers earning less than \$57,360 are

1 now eligible to take the early childhood development tax credit  
2 equaling 25 percent of the first \$1,000 which the taxpayer has  
3 paid to others for early childhood development expenses for  
4 each dependent ages three through five. The bill also adjusts  
5 the future amount of the net income threshold by indexing the  
6 threshold to inflation.

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

10 DIVISION VII — APPORTIONMENT OF CERTAIN BUSINESS INCOME  
11 OF AN AIRLINE. The amendment to Code section 422.33(2)(a)(2)  
12 relates to the apportionment of income of an airline and of  
13 a qualified air freight forwarder for purposes of the Iowa  
14 corporate income tax.

15 A corporation doing business both within and without Iowa is  
16 required to apportion its business income among Iowa and the  
17 other states in which it does business. The amount of business  
18 income apportioned to Iowa is generally in the same percentage  
19 as the business's gross sales made within Iowa if the business  
20 involves the manufacture or sale of goods and products, or in  
21 the same percentage as the business's gross receipts earned  
22 within Iowa if the business involves something other than the  
23 manufacture or sale of goods and products. However, airlines  
24 and other specified industries have special rules provided  
25 by administrative rule for apportioning the income of those  
26 industries.

27 Under current law pursuant to 701 Iowa administrative code,  
28 rule 54.7(2), an airline deriving income from transportation  
29 operations is required to apportion its business income to  
30 Iowa in the same proportion that its mileage traveled in Iowa  
31 bears to its total mileage traveled everywhere. The bill  
32 specifies that an airline shall apportion this business income  
33 in the same manner described above as required under 701 Iowa  
34 administrative code, rule 54.7(2).

35 The bill also provides rules for apportioning income derived

1 by a qualified air freight forwarder from transportation  
2 operations through an affiliated airline. The bill defines  
3 "qualified air freight forwarder" to be a taxpayer that is  
4 primarily engaged in the facilitation of the transportation of  
5 property by air, and that does not itself operate aircraft but  
6 that is in the same affiliated group as an airline.

7 The bill states that the qualified air freight forwarder  
8 income derived from transportation operations shall be  
9 apportioned to Iowa either under the current rules of the  
10 director of revenue (current statutory rules), or in the  
11 same proportion that the miles of the qualified air freight  
12 forwarder's affiliated airline traveled in this state bears to  
13 the total miles of the affiliated airline traveled everywhere  
14 (affiliated airline mileage rules), based on increasing  
15 percentages as enumerated in the bill over a number of tax  
16 years.

17 The division applies to tax years beginning on or after  
18 January 1, 2020.

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

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

26 Currently, in order to claim the adoption tax credit the  
27 taxpayer must pay or incur "qualified adoption expenses" during  
28 the tax year, which are unreimbursed, and connected with the  
29 adoption. The bill strikes the requirement that the "qualified  
30 adoption expenses" be paid or incurred by the taxpayer during  
31 the tax year.

32 The bill specifies that if a qualified adoption expense is  
33 incurred prior to or during the tax year in which the adoption  
34 becomes final, the qualified adoption expense shall be allowed  
35 during the tax year in which the adoption becomes final.

1 For qualified adoption expenses incurred after the tax year  
2 in which the adoption becomes final, the qualified adoption  
3 expense shall be allowed during the tax year such adoption  
4 expense was paid or incurred.

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

7 DIVISION X — TARGETED JOBS WITHHOLDING CREDIT. The  
8 amendment to Code section 403.19A strikes a provision defining  
9 "retained job" and establishes a definition for "created job".  
10 The bill defines "created job" to mean a new and permanent  
11 full-time equivalent position, added to the payroll of a  
12 business in excess of the base employment level at the time of  
13 application for withholding credits under the Code section.  
14 The amendment to Code section 403.19A also extends by four  
15 years the deadline for entering into withholding agreements  
16 under the targeted jobs withholding credit pilot project from  
17 June 30, 2019, to June 30, 2023.

18 A "withholding agreement" means an agreement between a  
19 pilot project city, the economic development authority, and an  
20 employer concerning the targeted jobs withholding credit.

21 The amendments to Code section 403.19A do not apply to a  
22 withholding agreement entered into prior to the effective date  
23 of this division.

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

29 The Code editor is directed to harmonize the amendment to  
30 Code section 422.11S in this division with the amendments to  
31 Code section 422.11S in another division of the bill.

32 DIVISION XII — DEDUCTING RESIDUAL FERTILIZER. The bill  
33 enacts new Code section 422.7(60), which relates to deducting  
34 residual fertilizer supply in the soil for purposes of  
35 individual and corporate income taxes.

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

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

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

34 DIVISION XIII — FRANCHISE TAX — ALTERNATIVE MINIMUM TAX  
35 (AMT) REPEAL. Current law imposes an AMT on a financial

1 institution to the extent the AMT exceeds the financial  
2 institution's regular tax liability. The AMT is generally  
3 calculated by adding certain "preference" items (deductions,  
4 exemptions, and other adjustments) back to taxable income,  
5 applying an exemption amount, and then multiplying the  
6 resulting income amount by an AMT rate. The amendments to Code  
7 section 422.60 repeal the AMT for the franchise tax beginning  
8 in tax year 2021.

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

18 DIVISION XIV — GROSS GLOBAL INCOME LOW-TAXED INCOME.

19 Federal law includes in a taxpayer's gross income global  
20 intangible low-taxed income (GILTI) as defined in section  
21 951A of the Internal Revenue Code, subject to a deduction  
22 equal to 50 percent of the corporation's GILTI under section  
23 250(a)(1)(B) of the Internal Revenue Code. The amendment to  
24 Code section 422.35(21) directs corporate taxpayers to treat  
25 the taxpayer's net GILTI amount as a foreign dividend for Iowa  
26 income tax purposes, meaning the taxpayer qualifies for the  
27 same dividends received deduction that applies to subpart F  
28 income and other foreign dividends.

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

31 DIVISION XV — FEDERAL RESEARCH CREDIT — INTERNAL REVENUE  
32 CODE. The Consolidated Appropriations Act of 2018 (Pub. L.  
33 No. 115-141), which Iowa is conformed to for tax year 2019  
34 and beyond, struck and renumbered a provision of the federal  
35 research credit, which resulted in a renumbering of the

1 simplified credit in the Internal Revenue Code. The amendments  
2 in the division change the Internal Revenue references in the  
3 Iowa Code to reflect the changes to the references in the  
4 Internal Revenue Code.

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

7 DIVISION XVI — RESEARCH ACTIVITIES TAX CREDIT. The  
8 amendments to Code section 422.10(1)(a) specify that the  
9 research and activities tax credit is available against  
10 the individual income tax if an individual is engaged in  
11 agriscience or agricultural animal production, and if  
12 certain conditions are met. The amendments to Code section  
13 422.33(5)(e)(1) specify that a corporation engaged in  
14 agriscience or agricultural animal production shall be eligible  
15 for the research activities tax credit if certain conditions  
16 are met.

17 The bill defines "agricultural animal production" to mean  
18 activities related to producing or maintaining an agricultural  
19 animal.

20 The division takes effect upon enactment and applies  
21 retroactively to tax years beginning on or after January 1,  
22 2017.

23 DIVISION XVII — NEW JOBS CREDIT — FRANCHISE TAXES — MONEYS  
24 AND CREDITS TAXES. The amendments to Code sections 422.60 and  
25 533.329 make the new jobs tax credit under Code chapter 260E  
26 available against franchise taxes and moneys and credits taxes  
27 imposed on financial institutions and state credit unions,  
28 respectively.

29 DIVISION XVIII — UTILITY REPLACEMENT TASK FORCE. The  
30 amendment to Code section 437A.15 extends the utility  
31 replacement tax task force from January 1, 2019, to January  
32 1, 2029. The task force is charged with studying the effects  
33 of the replacement taxes under Code chapter 437A (taxes on  
34 electricity and natural gas providers) and Code chapter 437B  
35 (taxes on rate-regulated water utilities) on local taxing

1 authorities, local taxing districts, consumers, and taxpayers.

2       DIVISION XIX — MONEYS AND CREDITS TAX ON STATE CREDIT  
3 UNIONS. The amendment to Code section 533.329 strikes a  
4 provision requiring the board of supervisors to impose the  
5 moneys and credits tax on state credit unions and the county  
6 treasurer to collect such tax, and aligns the imposition and  
7 the collection of the tax with Code section 533.329(2)(b) and  
8 Code section 533.329(3).

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