

House File 2583 - Introduced

HOUSE FILE 2583

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 552)

A BILL FOR

1 An Act relating to sales, use, franchise, and motor vehicle
2 fuel taxes administered by the department of revenue
3 including distributions to local governments and school
4 districts, the liability of sellers, tax refund and tax
5 credit incentives, sales tax on food ingredients, and motor
6 fuel tax reporting modifications, and providing penalties,
7 and including effective date, applicability, and retroactive
8 applicability provisions.

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

DIVISION I

SALES, USE, AND EXCISE TAX — RETURNS DUE

1
2
3 Section 1. Section 9C.3, subsection 3, Code 2022, is amended
4 to read as follows:

5 3. The application shall state whether or not the applicant
6 has an Iowa retailers sales or use tax permit and if the
7 applicant has such permit, shall state the number of such
8 permit.

9 Sec. 2. Section 9C.5, Code 2022, is amended to read as
10 follows:

11 **9C.5 Issuance of license.**

12 Upon receiving an application for a transient merchant's
13 license, the secretary of state shall investigate or cause to
14 be investigated, the reputation and character of the applicant.
15 If, upon making such investigation, the secretary of state is
16 satisfied that the statements and representations contained in
17 the application are true, and that the applicant is of good
18 reputation and character, and the holder of an Iowa ~~retailer's~~
19 sales or use tax permit, and if a foreign corporation, has
20 authority to do business in the state of Iowa, the secretary
21 shall issue to the applicant a license as a transient merchant
22 upon payment of the fee as herein prescribed for the period of
23 time requested in said application and for use at the location
24 and place where it is stated in said application the sale will
25 be held or the business conducted, both of which shall be set
26 out in said license. Such license shall be valid only for the
27 period of time and at the location and place described therein.

28 Sec. 3. Section 99G.30A, subsection 2, paragraph c, Code
29 2022, is amended to read as follows:

30 c. Frequency of deposits and ~~quarterly~~ monthly reports of
31 the monitor vending machine excise tax with the department of
32 revenue are governed by the tax provisions in [section 423.31](#).
33 Monitor vending machine excise tax collections shall not be
34 included in computation of the total tax to determine frequency
35 of filing under [section 423.31](#).

1 Sec. 4. Section 321.105A, subsection 4, paragraph b, Code
2 2022, is amended to read as follows:

3 **b.** Section 422.25, subsection 4, sections 422.30, 422.67,
4 and 422.68, section 422.69, subsection 1, sections 422.70,
5 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
6 2, and sections 423.23, 423.24, 423.25, ~~423.32~~, 423.33, 423.35,
7 423.37 through 423.42, 423.45, and 423.47, consistent with the
8 provisions of **this section**, apply with respect to the fees
9 for new registration authorized under **this section** in the
10 same manner and with the same effect as if the fees for new
11 registration were retail use taxes within the meaning of those
12 statutes.

13 Sec. 5. Section 421.26, Code 2022, is amended to read as
14 follows:

15 **421.26 Personal liability for tax due.**

16 If a licensee or other person under section 452A.65, a
17 retailer or purchaser under chapter 423A, 423B, 423C, 423D,
18 or 423E, or section 423.14, 423.14A, 423.29, 423.31, ~~423.32~~,
19 or 423.33, or a user under section 423.34, or a permit holder
20 or licensee under section 453A.13, 453A.16, or 453A.44 fails
21 to pay a tax under those sections when due, an officer of a
22 corporation or association, notwithstanding section 489.304,
23 a member or manager of a limited liability company, or a
24 partner of a partnership, having control or supervision of
25 or the authority for remitting the tax payments and having
26 a substantial legal or equitable interest in the ownership
27 of the corporation, association, limited liability company,
28 or partnership, who has intentionally failed to pay the tax
29 is personally liable for the payment of the tax, interest,
30 and penalty due and unpaid. However, **this section** shall
31 not apply to taxes on accounts receivable. The dissolution
32 of a corporation, association, limited liability company,
33 or partnership shall not discharge a person's liability for
34 failure to remit the tax due.

35 Sec. 6. Section 423.2, subsection 1, paragraph b, Code 2022,

1 is amended to read as follows:

2 *b.* Sales of building materials, supplies, and equipment
3 to owners, contractors, subcontractors, or builders for the
4 erection of buildings or the alteration, repair, or improvement
5 of real property are retail sales of tangible personal property
6 in whatever quantity sold. Where the owner, contractor,
7 subcontractor, or builder is also a retailer holding a ~~retail~~
8 sales or use tax permit and transacting retail sales of
9 building materials, supplies, and equipment, the person shall
10 purchase such items of tangible personal property without
11 liability for the tax if such property will be subject to the
12 tax at the time of resale or at the time it is withdrawn from
13 inventory for construction purposes. The sales tax shall be
14 due in the reporting period when the materials, supplies,
15 and equipment are withdrawn from inventory for construction
16 purposes or when sold at retail. The tax shall not be due when
17 materials are withdrawn from inventory for use in construction
18 outside of Iowa and the tax shall not apply to tangible
19 personal property purchased and consumed by the manufacturer as
20 building materials in the performance by the manufacturer or
21 its subcontractor of construction outside of Iowa. The sale
22 of carpeting is not a sale of building materials. The sale of
23 carpeting to owners, contractors, subcontractors, or builders
24 shall be treated as the sale of ordinary tangible personal
25 property and subject to the tax imposed under [this subsection](#)
26 and the use tax.

27 Sec. 7. Section 423.3, subsection 39, paragraph a,
28 subparagraph (2), Code 2022, is amended to read as follows:

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

1 Sec. 8. Section 423.3, subsection 80, paragraph d, Code
2 2022, is amended to read as follows:

3 *d.* Subject to the limitations in paragraph “*c*”, where the
4 owner, contractor, subcontractor, or builder is also a retailer
5 holding a retail sales or use tax permit and transacting
6 retail sales of building materials, supplies, and equipment,
7 the tax shall not be due when materials are withdrawn from
8 inventory for use in construction performed for a designated
9 exempt entity if an exemption certificate is received from such
10 entity.

11 Sec. 9. Section 423.3, subsection 104, paragraph b,
12 subparagraph (1), Code 2022, is amended to read as follows:

13 (1) “*Commercial enterprise*” means the same as defined in
14 section 423.3, subsection 47, paragraph “*d*”, subparagraph (1),
15 ~~but also includes professions and occupations~~ and includes
16 public utilities as defined in section 476.1, subsection 3.

17 Sec. 10. Section 423.5, subsection 2, Code 2022, is amended
18 to read as follows:

19 2. The excise tax is imposed upon every person using
20 the property within this state until the tax has been paid
21 directly to the county treasurer, the state department of
22 transportation, a retailer, or the department. This tax is
23 imposed on every person using the services or the product of
24 the services in this state until the user has paid the tax
25 either to an Iowa sales or use tax permit holder or to the
26 department.

27 Sec. 11. Section 423.14, subsection 2, paragraph b, Code
28 2022, is amended to read as follows:

29 *b.* The tax upon the use of all tangible personal property
30 and specified digital products other than that enumerated in
31 paragraph “*a*”, which is sold by a seller who is a retailer or
32 its agent that is not otherwise required to collect sales tax
33 under the provisions of **this chapter**, may be collected by the
34 retailer or agent and remitted to the department, pursuant to
35 the provisions of paragraph “*e*”, and **sections 423.24, 423.29,**

1 423.30, ~~423.32~~ 423.31, and 423.33.

2 Sec. 12. Section 423.14A, subsection 3, paragraph c,
3 subparagraph (2), Code 2022, is amended to read as follows:

4 (2) A marketplace facilitator shall collect sales and
5 use tax on the entire sales price or purchase price paid by
6 a purchaser on each Iowa sale subject to sales and use tax
7 that is made or facilitated by the marketplace facilitator,
8 regardless of whether the marketplace seller for whom an Iowa
9 sale is made or facilitated has or is required to have a ~~retail~~
10 sales or use tax permit or would have been required to collect
11 sales and use tax had the sale not been facilitated by the
12 marketplace facilitator, and regardless of the amount of the
13 sales price or purchase price that will ultimately accrue
14 to or benefit the marketplace facilitator, the marketplace
15 seller, or any other person. This sales and use tax collection
16 responsibility of a marketplace facilitator applies but shall
17 not be limited to sales facilitated through a computer software
18 application, commonly referred to as in-app purchases, or
19 through another specified digital product.

20 Sec. 13. Section 423.31, subsections 1, 3, 5, and 6, Code
21 2022, are amended to read as follows:

22 1. a. ~~Each~~ Except as provided in paragraph "b", each person
23 subject to this section and section 423.36 and in accordance
24 with the provisions of this section and section 423.36 shall,
25 on or before the last day of the month following the close of
26 each calendar ~~quarter~~ month during which such person is or
27 has become or ceased being subject to the provisions of this
28 section and section 423.36, make, sign, and file electronically
29 a return for the calendar ~~quarter~~ month in the form as may be
30 required. Returns shall show information relating to sales
31 prices including tangible personal property, specified digital
32 products, and services converted to the use of such person,
33 the amounts of sales prices excluded and exempt from the tax,
34 the amounts of sales prices subject to tax, a calculation of
35 tax due, and any other information for the period covered by

1 the return as may be required. Returns shall be signed by
2 the retailer or the retailer's authorized agent and must be
3 certified by the retailer to be correct in accordance with
4 forms and rules prescribed by the director. A person required
5 to file a sales or use tax return who is unable to do so may
6 request permission from the director to file a return by
7 another method.

8 b. Notwithstanding paragraph "a", each person subject to
9 this section who collects and remits less than one thousand
10 two hundred dollars in sales or use tax to the department per
11 calendar year may file a return on or before the last day of the
12 month following the close of the calendar year.

13 ~~3. The sales tax forms prescribed by the director shall be~~
14 ~~referred to as "retailers tax deposit". Deposit forms shall~~
15 ~~be signed by the retailer or the retailer's duly authorized~~
16 ~~agent, and shall be duly certified by the retailer or agent to~~
17 ~~be correct. The director may authorize incorporated banks and~~
18 ~~trust companies or other depositories authorized by law which~~
19 ~~are depositories or financial agents of the United States,~~
20 ~~or of this state, to receive any sales or use tax imposed~~
21 ~~under [this chapter](#), in the manner, at the times, and under~~
22 ~~the conditions the director prescribes. The director shall~~
23 ~~prescribe the manner, times, and conditions under which the~~
24 ~~receipt of the tax by those depositories is to be treated as~~
25 ~~payment of the tax to the department.~~

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

1 **b.** A business required to file a consolidated sales or use
2 tax return shall file a form entitled "schedule of consolidated
3 business locations" with its ~~quarterly~~ sales or use tax
4 return that shows the taxpayer's consolidated permit number,
5 the permit number for each Iowa business location, the state
6 sales tax amount by business location, and the amount of state
7 sales tax due on goods consumed that are not assigned to a
8 specific business location. Consolidated ~~quarterly~~ sales or
9 use tax returns that are not accompanied by the schedule of
10 consolidated business locations form are considered incomplete
11 and are subject to penalty under [section 421.27](#).

12 **6.** If necessary or advisable in order to ~~insure~~ ensure
13 the payment of the tax, the director may require returns and
14 payment of the tax to be made for other than ~~quarterly~~ monthly
15 periods, the provisions of [this section](#) or other provision to
16 the contrary notwithstanding.

17 **Sec. 14.** Section 423.31, subsection 2, Code 2022, is amended
18 by striking the subsection.

19 **Sec. 15.** Section 423.33, subsection 1, paragraph a, Code
20 2022, is amended to read as follows:

21 **a.** If a purchaser fails to pay sales tax to the retailer
22 required to collect the tax, then in addition to all of the
23 rights, obligations, and remedies provided, a use tax is
24 payable by the purchaser directly to the department, and
25 sections 423.31, ~~423.32~~, [423.37](#), [423.38](#), [423.39](#), [423.40](#),
26 [423.41](#), and [423.42](#) apply to the purchaser.

27 **Sec. 16.** Section 423.33, subsection 3, Code 2022, is amended
28 to read as follows:

29 **3. *Event sponsor's liability for sales tax.*** A person
30 sponsoring a flea market or a craft, antique, coin, or stamp
31 show or similar event shall obtain from every retailer selling
32 tangible personal property, specified digital products, or
33 taxable services at the event proof that the retailer possesses
34 a valid sales or use tax permit or secure from the retailer
35 a statement, taken in good faith, that tangible personal

1 property, specified digital products, or services offered for
2 sale are not subject to sales tax. Failure to do so renders
3 a sponsor of the event liable for payment of any sales tax,
4 interest, and penalty due and owing from any retailer selling
5 property or services at the event. Sections 423.31, ~~423.32,~~
6 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
7 sponsors. For purposes of this subsection, a "person sponsoring
8 a flea market or a craft, antique, coin, or stamp show or similar
9 event" does not include a marketplace facilitator as defined in
10 section 423.14A, subsection 1, an organization which sponsors
11 an event determined to qualify as an event involving casual
12 sales pursuant to section 423.3, subsection 39, or the state
13 fair or a fair as defined in section 174.1.

14 Sec. 17. Section 423.34, Code 2022, is amended to read as
15 follows:

16 **423.34 Liability of user.**

17 Any person who uses any tangible personal property,
18 specified digital products, or services enumerated in section
19 423.2 upon which the use tax has not been paid, either to the
20 county treasurer or to a retailer or direct to the department
21 as required by this subchapter, shall be liable for the payment
22 of tax, and shall on or before the last day of the month next
23 succeeding each ~~quarterly~~ monthly period pay the use tax upon
24 all tangible personal property, specified digital products,
25 or services used by the person during the preceding ~~quarterly~~
26 monthly period in the manner and accompanied by such returns
27 as the director shall prescribe. All of the provisions of
28 sections ~~423.32~~ 423.31 and 423.33 with reference to the returns
29 and payments shall be applicable to the returns and payments
30 required by this section.

31 Sec. 18. Section 423.36, subsection 4, paragraph b, Code
32 2022, is amended to read as follows:

33 *b.* If an applicant is making sales outside Iowa for use in
34 this state or furnishing services outside Iowa, the product
35 or result of which will be used in this state, that applicant

1 shall be issued one sales or use tax permit by the department
2 applicable to these out-of-state sales or services.

3 Sec. 19. Section 423.36, subsection 4, Code 2022, is amended
4 by adding the following new paragraph:

5 NEW PARAGRAPH. *c.* If an applicant is required to collect
6 sales or use tax and is not included in the definition of a
7 retailer maintaining a place of business in this state in
8 section 423.1, subsection 48, paragraph "a", subparagraph (1),
9 the applicant shall be issued one sales or use tax permit by
10 the department regardless of the number of locations from which
11 sales are made.

12 Sec. 20. Section 423.36, subsections 7 and 8, Code 2022, are
13 amended to read as follows:

14 7. *a.* Sellers who are not regularly engaged in selling
15 at retail and do not have a permanent place of business, but
16 who are temporarily engaged in selling from trucks, portable
17 roadside stands, concessionaires at state, county, district,
18 or local fairs, carnivals, or the like, shall report and remit
19 the sales tax on a ~~temporary~~ seasonal basis, under rules
20 the director shall provide for the efficient collection of
21 the sales tax. **This subsection** applies to sellers who are
22 temporarily engaged in furnishing services.

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

29 8. The provisions of **subsection 1**, dealing with the lawful
30 right of a retailer to transact business, as applicable, apply
31 to persons having receipts from furnishing services enumerated
32 in **section 423.2**, except that a person holding a permit
33 pursuant to **subsection 1** shall not be required to obtain any
34 separate sales or use tax permit for the purpose of engaging in
35 business involving the services.

1 Sec. 21. Section 423.40, subsections 1, 2, 3, and 5, Code
2 2022, are amended to read as follows:

3 1. In addition to the sales or use tax or additional sales
4 or use tax, the taxpayer shall pay a penalty as provided in
5 section 421.27. The taxpayer shall also pay interest on the
6 sales or use tax or additional sales or use tax at the rate
7 in effect under [section 421.7](#) for each month counting each
8 fraction of a month as an entire month, computed from the date
9 the ~~semimonthly or monthly tax deposit form~~ or return was
10 required to be filed. The penalty and interest shall be paid
11 to the department and disposed of in the same manner as other
12 receipts under [this subchapter](#). Unpaid penalties and interest
13 may be enforced in the same manner as the taxes imposed by this
14 chapter.

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

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

33 3. A person who willfully attempts in any manner to evade
34 any tax imposed by [this chapter](#) or the payment of the tax or
35 a person who makes or causes to be made a false or fraudulent

1 ~~semimonthly or monthly tax deposit form~~ or return with intent
2 to evade any tax imposed by [subchapter II](#) or [III](#) or the payment
3 of the tax is guilty of a class "D" felony.

4 5. A person required to pay sales or use tax, or to make,
5 sign, or file a ~~tax deposit form~~ or return or supplemental
6 return, who willfully makes a false or fraudulent ~~tax deposit~~
7 ~~form~~ or return, or willfully fails to pay at least ninety
8 percent of the tax or willfully fails to make, sign, or file
9 the ~~tax deposit form~~ or return, at the time required by law, is
10 guilty of a fraudulent practice.

11 Sec. 22. Section 423.45, subsection 4, paragraph b, Code
12 2022, is amended to read as follows:

13 b. The sales tax liability for all sales of tangible
14 personal property and specified digital products and all sales
15 of services is upon the seller and the purchaser unless the
16 seller takes from the purchaser a valid exemption certificate
17 stating under penalty of perjury that the purchase is for a
18 nontaxable purpose and is not a retail sale as defined in
19 section 423.1, or the seller is not obligated to collect tax
20 due, or unless the seller takes a fuel exemption certificate
21 pursuant to [subsection 5](#). If the tangible personal property,
22 specified digital products, or services are purchased tax free
23 pursuant to a valid exemption certificate and the tangible
24 personal property, specified digital products, or services are
25 used or disposed of by the purchaser in a nonexempt manner, the
26 purchaser is solely liable for the taxes and shall remit the
27 taxes directly to the department and [sections 423.31, 423.32,](#)
28 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply
29 to the purchaser.

30 Sec. 23. Section 423.45, subsection 5, paragraph c, Code
31 2022, is amended to read as follows:

32 c. The seller may accept a completed fuel exemption
33 certificate, as prepared by the purchaser, for three
34 years unless the purchaser files a new completed exemption
35 certificate. If the fuel is purchased tax free pursuant to a

1 fuel exemption certificate which is taken by the seller, and
2 the fuel is used or disposed of by the purchaser in a nonexempt
3 manner, the purchaser is solely liable for the taxes, and shall
4 remit the taxes directly to the department and [sections 423.31,](#)
5 ~~423.32,~~ [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#)
6 shall apply to the purchaser.

7 Sec. 24. Section 423.50, subsection 1, Code 2022, is amended
8 to read as follows:

9 1. Only one remittance of tax per return is required ~~except~~
10 ~~as provided in [this subsection](#). Sellers that collect more~~
11 ~~than thirty thousand dollars in sales and use taxes for this~~
12 ~~state during the preceding calendar year shall be required to~~
13 ~~make additional remittances as required under rules adopted by~~
14 ~~the director. The filing of a return is not required with an~~
15 ~~additional remittance.~~

16 Sec. 25. Section 423.57, Code 2022, is amended to read as
17 follows:

18 **423.57 Statutes applicable.**

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

28 Sec. 26. Section 423.58, Code 2022, is amended to read as
29 follows:

30 **423.58 Collection, permit, and tax return exemption for**
31 **certain out-of-state businesses.**

32 Notwithstanding [sections 423.14, 423.14A, 423.14B, 423.29,](#)
33 [423.31, ~~423.32,~~ and 423.36,](#) a person meeting the requirements
34 of [section 29C.24](#) is not required to obtain a sales or use tax
35 permit, collect and remit sales and use tax, or make and file

1 applicable sales or use tax returns, as provided in section
2 29C.24, subsection 3, paragraph "a", subparagraph (2).

3 Sec. 27. Section 423A.6, subsection 4, Code 2022, is amended
4 to read as follows:

5 4. Section 422.25, subsection 4, sections 422.30, 422.67,
6 and 422.68, section 422.69, subsection 1, sections 422.70,
7 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
8 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,
9 423.35, 423.37 through 423.42, and 423.47, consistent with the
10 provisions of this chapter, apply with respect to the taxes
11 authorized under this chapter, in the same manner and with the
12 same effect as if the state and local hotel and motel taxes
13 were retail sales taxes within the meaning of those statutes.
14 Notwithstanding this subsection, the director shall provide
15 for ~~quarterly~~ monthly filing of returns and for other than
16 ~~quarterly~~ monthly filing of returns both as prescribed in
17 section 423.31. The director may require all persons who are
18 engaged in the business of deriving any sales price subject
19 to tax under this chapter to register with the department.
20 All taxes collected under this chapter by a retailer, lodging
21 provider, lodging facilitator, lodging platform, or any other
22 person are deemed to be held in trust for the state of Iowa and
23 the local jurisdictions imposing the taxes.

24 Sec. 28. Section 423B.5, subsection 3, Code 2022, is amended
25 to read as follows:

26 3. A tax permit other than the state sales or use tax permit
27 required under section 423.36 shall not be required by local
28 authorities.

29 Sec. 29. Section 423B.6, subsection 2, paragraph c, Code
30 2022, is amended to read as follows:

31 c. Frequency of deposits and ~~quarterly~~ monthly reports of a
32 local sales and services tax with the department of revenue are
33 governed by the tax provisions in section 423.31. Local tax
34 collections shall not be included in computation of the total
35 tax to determine frequency of filing under section 423.31.

1 Sec. 30. Section 423C.4, Code 2022, is amended to read as
2 follows:

3 **423C.4 Administration and enforcement.**

4 All powers and requirements of the director of revenue
5 to administer the state sales tax law under **chapter 423** are
6 applicable to the administration of the tax imposed under
7 section 423C.3, including but not limited to section 422.25,
8 subsection 4, **sections 422.30, 422.67, and 422.68**, section
9 422.69, subsection 1, **sections 422.70 through 422.75**, section
10 423.14, subsection 1, and **sections 423.15, 423.23, 423.24,**
11 **423.25, 423.31, 423.33, 423.35 and 423.37 through 423.42,**
12 **423.45, 423.46, and 423.47.** However, as an exception to the
13 powers specified in **section 423.31**, the director shall only
14 require the filing of ~~quarterly~~ monthly reports.

15 Sec. 31. Section 423D.4, subsection 3, Code 2022, is amended
16 to read as follows:

17 3. **Section 422.25, subsection 4, sections 422.30, 422.67,**
18 **and 422.68, section 422.69, subsection 1, sections 422.70,**
19 **422.71, 422.72, 422.74, and 422.75,** section 423.14, subsection
20 1, and **sections 423.23, 423.24, 423.25, 423.31 through**
21 **423.35, 423.37 through 423.42, and 423.47,** consistent with
22 the provisions of **this chapter**, apply with respect to the tax
23 authorized under **this chapter**, in the same manner and with the
24 same effect as if the excise taxes on equipment sales or use
25 were retail sales taxes within the meaning of those statutes.
26 Notwithstanding **this subsection**, the director shall provide
27 for ~~quarterly~~ monthly filing of returns and for other than
28 ~~quarterly~~ monthly filing of returns both as prescribed in
29 section 423.31. All taxes collected under **this chapter** by a
30 retailer or any user are deemed to be held in trust for the
31 state of Iowa.

32 Sec. 32. Section 423G.5, subsection 3, Code 2022, is amended
33 to read as follows:

34 3. **Section 422.25, subsection 4, sections 422.30, 422.67,**
35 **and 422.68, section 422.69, subsection 1, sections 422.70,**

1 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
2 1, and sections 423.23, 423.24, 423.25, 423.31 through
3 423.35, 423.37 through 423.42, and 423.47, consistent with the
4 provisions of *this chapter*, shall apply with respect to the tax
5 authorized under *this chapter*, in the same manner and with the
6 same effect as if the excise taxes on the sale or furnishing of
7 a water service were retail sales taxes within the meaning of
8 those statutes. Notwithstanding *this subsection*, the director
9 shall provide for ~~quarterly~~ monthly filing of returns and
10 for other than ~~quarterly~~ monthly filing of returns both as
11 prescribed in *section 423.31*. All taxes collected under this
12 chapter by a retailer or any user are deemed to be held in trust
13 for the state of Iowa.

14 Sec. 33. Section 728.1, subsection 6, Code 2022, is amended
15 to read as follows:

16 6. *"Place of business"* means the premises of a business
17 required to obtain a sales or use tax permit pursuant to
18 chapter 423, the premises of a nonprofit or not-for-profit
19 organization, and the premises of an establishment which is
20 open to the public at large or where entrance is limited by a
21 cover charge or membership requirement.

22 Sec. 34. Section 728.5, subsection 1, unnumbered paragraph
23 1, Code 2022, is amended to read as follows:

24 An owner, manager, or person who exercises direct control
25 over a place of business required to obtain a sales or use tax
26 permit shall be guilty of a serious misdemeanor under any of
27 the following circumstances:

28 Sec. 35. REPEAL. Section 423.32, Code 2022, is repealed.

29 Sec. 36. IMPLEMENTATION — EMERGENCY RULES. The department
30 of revenue may adopt emergency rules under section 17A.4,
31 subsection 3, and section 17A.5, subsection 2, paragraph "b",
32 to implement the provisions of this division of this Act and
33 the rules shall be effective immediately upon filing unless
34 a later date is specified in the rules. Any rules adopted
35 in accordance with this section shall also be published as a

1 notice of intended action as provided in section 17A.4.

2 Sec. 37. EFFECTIVE DATE. The following, being deemed of
3 immediate importance, takes effect upon enactment:

4 The section of this division of this Act enacting emergency
5 rules relating to the implementation of this division of this
6 Act.

7 DIVISION II

8 DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS AND SCHOOL
9 DISTRICTS

10 Sec. 38. Section 423B.7, subsection 2, paragraph a, Code
11 2022, is amended to read as follows:

12 a. The director of revenue by ~~August 15 of each fiscal~~
13 year the last day of each month shall ~~send~~ transfer to each
14 city or county where the local option tax is imposed, ~~an~~
15 ~~estimate of the amount of tax moneys remitted to the department~~
16 attributable to each city or county will receive for the year
17 and for each month of the year from the preceding month. ~~At the~~
18 ~~end of each month, the director may revise the estimates for~~
19 ~~the year and remaining months.~~

20 Sec. 39. Section 423B.7, subsection 2, paragraphs b and c,
21 Code 2022, are amended by striking the paragraphs.

22 Sec. 40. Section 423F.2, subsection 4, paragraph a, Code
23 2022, is amended to read as follows:

24 a. The director of revenue by ~~August 15 of each fiscal year~~
25 the last day of each month shall ~~send~~ transfer to each school
26 district ~~an estimate of the amount of tax moneys remitted~~
27 to the department attributable to each school district will
28 receive for the year and for each month of the year from the
29 preceding month. ~~At the end of each month, the director may~~
30 ~~revise the estimates for the year and remaining months.~~

31 Sec. 41. Section 423F.2, subsection 4, paragraph b, Code
32 2022, is amended by striking the paragraph and inserting in
33 lieu thereof the following:

34 b. On or before August 15 of each fiscal year the director
35 of revenue shall provide to each school district an estimate

1 of the amount of tax moneys to be distributed to each school
2 district for the current fiscal year.

3 Sec. 42. Section 423F.2, subsection 4, paragraph c, Code
4 2022, is amended by striking the paragraph.

5 Sec. 43. TRANSITION PROVISION FOR LOCAL OPTION SALES TAX
6 AND SECURING AN ADVANCED VISION FOR EDUCATION — TRANSFER
7 AMOUNTS. Notwithstanding any other provision of law to the
8 contrary, the department of revenue shall estimate monthly
9 local option sales tax and securing an advanced vision for
10 education transfer amounts through the end of the 2022 calendar
11 year. The department of revenue shall transfer estimated
12 amounts to each local government or school district for the
13 months of July, August, and September 2022. Beginning with the
14 October 2022 transfer, the department shall not use estimated
15 amounts and shall transfer the amount of tax attributable to
16 each local government or school district for the tax remitted
17 in September 2022. Any adjustment amount that is necessary to
18 the July, August, or September 2022 estimated transfer amount
19 to reflect the accurate attributable amount shall be made by
20 the department of revenue or the local government or school
21 district by the close of business on December 30, 2022.

22 DIVISION III

23 LIABILITY OF SELLERS USING CERTIFIED SERVICE PROVIDER

24 Sec. 44. Section 423.48, subsection 3, paragraph a, Code
25 2022, is amended to read as follows:

26 a. A model 1 seller's obligation to calculate, collect, and
27 remit sales and use taxes shall be performed by its certified
28 service provider, except for the seller's obligation to remit
29 tax on its own purchases. As the seller's agent, the certified
30 service provider is liable for its model 1 seller's sales
31 and use tax due Iowa on all sales transactions it processes
32 for the seller except as set out in [this section](#). A seller
33 that contracts with a certified service provider is not
34 liable to the state for sales or use tax due on transactions
35 processed by the certified service provider unless the seller

1 ~~misrepresents the types of items or services it sells or~~
2 ~~commits fraud~~ certified service provider establishes that
3 the certified service provider is not liable in accordance
4 with the agreement. In the absence of ~~probable cause to~~
5 ~~believe that the seller has committed fraud or made a material~~
6 ~~misrepresentation~~ liability relief established by the certified
7 service provider, the seller is not subject to audit on the
8 transactions processed by the certified service provider.
9 A model 1 seller is subject to audit for transactions not
10 processed by the certified service provider. The director is
11 authorized to perform a system check of the model 1 seller and
12 review the seller's procedures to determine if the certified
13 service provider's system is functioning properly and the
14 extent to which the seller's transactions are being processed
15 by the certified service provider.

16 DIVISION IV

17 AUTHORITY TO CANCEL VARIOUS PERMITS ISSUED BY THE DEPARTMENT

18 Sec. 45. Section 421.17, Code 2022, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 37. Notwithstanding any other provision
21 of law to the contrary, to cancel the following permits upon
22 verification by the department of revenue the permits are no
23 longer in use: income tax withholding, sales or use tax, or
24 motor fuel tax.

25 DIVISION V

26 ECONOMIC DEVELOPMENT AUTHORITY SALES AND USE TAX REFUND

27 INCENTIVES

28 Sec. 46. Section 15.331A, subsection 2, Code 2022, is
29 amended to read as follows:

30 2. To receive the refund, a claim shall be filed by the
31 eligible business with the department of revenue as follows:

32 a. The contractor or subcontractor shall state under oath,
33 on forms provided by the department of revenue, the amount of
34 the sales of tangible personal property or services rendered,
35 furnished, or performed including water, sewer, gas, and

1 electric utility services upon which sales or use tax has been
2 paid prior to the ~~project~~ contract completion, and shall file
3 the forms with the eligible business before final settlement
4 is made.

5 **b.** The eligible business shall, ~~not more than one year~~ after
6 ~~project~~ contract completion, make application to the department
7 of revenue for any refund of the amount of the sales and use
8 taxes paid pursuant to [chapter 423](#) upon any tangible personal
9 property, or services rendered, furnished, or performed,
10 including water, sewer, gas, and electric utility services.
11 The application shall be made in the manner and upon forms to
12 be provided by the department of revenue, and the department of
13 revenue shall audit the claim and, if approved, issue a warrant
14 to the eligible business in the amount of the sales or use tax
15 which has been paid to the state of Iowa under a contract. The
16 application must be made within one year after the project
17 completion date. A claim filed by the eligible business in
18 accordance with [this section](#) shall not be denied by reason of a
19 limitation provision set forth in [chapter 421](#) or [423](#).

20 **c.** The eligible business shall inform the department of
21 revenue in writing after ~~project~~ contract completion. ~~For~~
22 ~~purposes of [this section](#), “*project completion*” means the~~
23 ~~first date upon which the average annualized production of~~
24 ~~finished product for the preceding ninety-day period at the~~
25 ~~manufacturing facility operated by the eligible business is~~
26 ~~at least fifty percent of the initial design capacity of the~~
27 ~~facility.~~

28 Sec. 47. Section 15.331A, Code 2022, is amended by adding
29 the following new subsection:

30 NEW SUBSECTION. 4. For purposes of this section, “*contract*
31 *completion*” means the date of completion of a written contract
32 relating to the construction or equipping of the facility that
33 is part of the project of the eligible business.

34 Sec. 48. Section 15.331C, subsections 1 and 2, Code 2022,
35 are amended to read as follows:

1 1. ~~An~~ In lieu of the sales and use tax refund provided
2 in section 15.331A, an eligible business may claim a tax
3 credit in an amount equal to the sales and use taxes paid by a
4 third-party developer under [chapter 423](#) for gas, electricity,
5 water, or sewer utility services, goods, wares, or merchandise,
6 or on services rendered, furnished, or performed to or for a
7 contractor or subcontractor and used in the fulfillment of a
8 written contract relating to the construction or equipping of
9 a facility of the eligible business. Taxes attributable to
10 intangible property and furniture and furnishings shall not
11 be included, but taxes attributable to racks, shelving, and
12 conveyor equipment to be used in a warehouse or distribution
13 center shall be included. Any credit in excess of the tax
14 liability for the tax year may be credited to the tax liability
15 for the following seven years or until depleted, whichever
16 occurs earlier. An eligible business may elect to receive a
17 refund of all or a portion of an unused tax credit.

18 2. A third-party developer shall state under oath, on
19 forms provided by the department of revenue, the amount of
20 taxes paid as described in [subsection 1](#) and shall submit such
21 forms to the department of revenue. The taxes paid shall be
22 itemized to allow identification of the taxes attributable
23 to racks, shelving, and conveyor equipment to be used in a
24 warehouse or distribution center. The eligible business
25 shall make application to the department of revenue in the
26 manner and form prescribed by the department of revenue, and
27 within the time for applying for a sales and use tax refund
28 under section 15.331A. After timely receiving the form from
29 the third-party developer and application from the eligible
30 business, the department of revenue shall audit the claim
31 and, if approved, shall issue a tax credit certificate to the
32 eligible business equal to the sales and use taxes paid by a
33 third-party developer under [chapter 423](#) for gas, electricity,
34 water, or sewer utility services, goods, wares, or merchandise,
35 or on services rendered, furnished, or performed to or for a

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

27 Sec. 49. Section 15.355, subsection 2, Code 2022, is amended
28 by striking the subsection and inserting in lieu thereof the
29 following:

30 2. *a.* A housing business may claim a refund of the sales
31 and use taxes paid under chapter 423 prior to the completion
32 of the housing project that are directly related to a housing
33 project and specified in the agreement.

34 *b.* To receive a refund, a claim shall be filed by the
35 housing business with the department of revenue as follows:

1 (1) The contractor or subcontractor shall state under oath,
2 on forms provided by the department of revenue, the amount
3 of sales and use taxes paid under chapter 423 prior to the
4 completion of the housing project that are directly related to
5 a housing project and specified in the agreement.

6 (2) The contractor or subcontractor shall file the forms
7 with the housing business before final settlement is made.

8 (3) (a) The housing business shall, after the agreement
9 completion date, make application to the department of revenue
10 for any refund of the amount of sales and use taxes paid under
11 chapter 423 prior to the completion of the housing project that
12 were directly related to a housing project and specified in the
13 agreement. The application shall be made in the manner and
14 upon forms to be provided by the department of revenue. The
15 department of revenue shall audit the claim and, if approved,
16 issue a warrant to the housing business. The application
17 must be made within one year after the agreement completion
18 date. A claim filed by the housing business in accordance with
19 this subsection shall not be denied by reason of a limitation
20 provision set forth in chapter 421 or 423.

21 (b) For purposes of this subparagraph, *"agreement completion*
22 *date"* means the date on which the authority notifies the
23 department of revenue that all applicable requirements of the
24 agreement entered into pursuant to section 15.354, subsection
25 3, paragraph "a", and all applicable requirements of this part,
26 including the rules the authority and the department of revenue
27 adopt pursuant to section 15.356, are satisfied.

28 c. A contractor or subcontractor who willfully makes a
29 false claim under oath in violation of the provisions of this
30 subsection shall be guilty of a simple misdemeanor and in
31 addition to any other penalty, the contractor or subcontractor
32 shall be liable for the payment of the tax and any applicable
33 penalty and interest.

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

1 Sec. 51. APPLICABILITY. This division of this Act applies
2 to claims for refunds filed on or after the effective date of
3 this division of this Act.

4 DIVISION VI
5 FRANCHISE TAX

6 Sec. 52. Section 422.63, Code 2022, is amended to read as
7 follows:

8 **422.63 Amount of tax.**

9 1. The franchise tax is imposed annually in an amount equal
10 to ~~five~~ the percent specified in subsection 2 of the net income
11 received or accrued during the taxable year. If the net income
12 of the financial institution is derived from its business
13 carried on entirely within the state, the tax shall be imposed
14 on the entire net income, but if the business is carried on
15 partly within and partly without the state, the portion of net
16 income reasonably attributable to the business within the state
17 shall be specifically allocated or equitably apportioned within
18 and without the state under rules of the director.

19 2. a. For tax years beginning prior to January 1, 2023,
20 five percent.

21 b. For tax years beginning on or after January 1, 2023, but
22 before January 1, 2024, four and seven-tenths percent.

23 c. For tax years beginning on or after January 1, 2024, but
24 before January 1, 2025, four and four-tenths percent.

25 d. For tax years beginning on or after January 1, 2025, but
26 before January 1, 2026, four and one-tenth percent.

27 e. For tax years beginning on or after January 1, 2026, but
28 before January 1, 2027, three and eight-tenths percent.

29 f. For tax years beginning on or after January 1, 2027,
30 three and one-half percent.

31 DIVISION VII
32 MANUFACTURED FOOD — SALES TAX EXEMPTION

33 Sec. 53. Section 423.3, subsection 49, Code 2022, is amended
34 to read as follows:

35 49. a. The sales price from the sale of carbon dioxide

1 in a liquid, solid, or gaseous form, electricity, steam, and
 2 other taxable services and the lease or rental of tangible
 3 personal property when used by a manufacturer ~~of food products~~
 4 to primarily produce marketable food products for human
 5 consumption food or food ingredients, including but not
 6 limited to treatment of material to change its form, context,
 7 or condition, in order to produce the food ~~product~~ or food
 8 ingredients, maintenance of quality or integrity of the
 9 food ~~product~~ or food ingredients, changing or maintenance of
 10 temperature levels necessary to avoid spoilage or to hold the
 11 food ~~product~~ or food ingredients in marketable condition,
 12 maintenance of environmental conditions necessary for the safe
 13 or efficient use of machinery and material used to produce
 14 the food ~~product~~ or food ingredients, sanitation and quality
 15 control activities, formation of packaging, placement into
 16 shipping containers, and movement of the material or food
 17 ~~product~~ or food ingredients until shipment from the building
 18 of manufacture.

19 b. For purposes of this subsection, "food or food
 20 ingredients" means the same as "food and food ingredients" as
 21 defined in subsection 57, paragraph "d", and includes tangible
 22 personal property that could be sold for ingestion or chewing
 23 by humans but is sold for another use.

24 Sec. 54. REFUNDS. Refunds of taxes, interest, or penalties
 25 which arise from the enactment of this division of this Act,
 26 for sales or services occurring between January 1, 2019, and
 27 the effective date of this division of this Act, shall be
 28 limited to one hundred thousand dollars in the aggregate for
 29 any calendar year in which claims are eligible for a refund and
 30 shall not be allowed unless refund claims are filed by October
 31 1, 2022, notwithstanding any other law to the contrary. If the
 32 amount of claims totals more than one hundred thousand dollars
 33 in the aggregate for any calendar year in which claims are
 34 eligible for a refund, the department of revenue shall prorate
 35 the one hundred thousand dollars in the aggregate among all the

1 claimants for that particular calendar year in relation to the
2 amounts of the claimants' valid claims.

3 Sec. 55. EFFECTIVE DATE. This division of this Act, being
4 deemed of immediate importance, takes effect upon enactment.

5 Sec. 56. RETROACTIVE APPLICABILITY. This division of this
6 Act applies retroactively to January 1, 2019.

7 DIVISION VIII

8 MOTOR FUEL REPORTING REQUIREMENT — PENALTY

9 Sec. 57. Section 452A.33, subsection 1, paragraph c, Code
10 2022, is amended to read as follows:

11 c. (1) The retail dealer shall prepare and ~~submit~~ file
12 the report with the department in a manner and according to
13 procedures required by the department in compliance with
14 section 452A.61. However, the department may require that the
15 retail dealer file the report with the department by electronic
16 transmission. The department may require that retail dealers
17 report to the department on an annual, quarterly, or monthly
18 basis. The department, upon application by a retail dealer,
19 may grant a reasonable extension of time to file the report.

20 (2) If a retail dealer fails to file the report as required
21 by this section or fails to maintain records required to file
22 the report the department may impose a civil penalty of not
23 more than one hundred dollars per occurrence in addition to any
24 other penalty provided by law. The penalty amount shall be
25 deposited into the general fund of the state.

26 EXPLANATION

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

29 This bill relates to sales, use, franchise, and motor
30 vehicle fuel taxes administered by the department of revenue
31 including distributions to local governments and school
32 districts, sales tax on food ingredients, the liability of
33 sellers, tax refund and tax credit incentives, and motor fuel
34 tax reporting modifications.

35 DIVISION I — SALES, USE, AND EXCISE TAX — RETURNS DUE. The

1 bill allows a taxpayer to have a combined sales and use tax
2 permit and to file a combined return for sales and use taxes.
3 Currently, a taxpayer must possess a separate sales and use tax
4 permit and file separate sales and use tax returns.

5 The bill changes numerous references to the phrase "sales
6 tax permit" in the Code to the phrase "sales or use tax
7 permit".

8 Currently, a person is required to file a sales or use tax
9 return on a quarterly basis. The bill changes this filing
10 requirement from a quarterly basis to a monthly basis. The
11 bill does allow a person required to file a sales or use tax
12 return and who collects less than \$1,200 in sales or use tax in
13 a calendar year, to file a return once a year on or before the
14 last day of the month following the close of the calendar year.

15 The bill allows certain persons required to collect sales
16 or use tax who do not meet the definition of a "retailer
17 maintaining a business in this state" in Code section
18 423.1(48)(a)(1), to be issued only one sales or use tax permit.

19 The bill allows the director of revenue, if necessary, to
20 ensure the payment of sales or use tax, to require a sales or
21 use tax return be filed on a different basis other than on a
22 monthly basis.

23 The bill strikes "professions and occupations" from
24 the definition of "commercial enterprise" in Code section
25 423.3(104) thus making sales to professions and occupations
26 related to prewritten software, specified digital services,
27 and other services subject to the sales tax. The bill expands
28 the definition of "commercial enterprise" to include a "public
29 utility" as defined in Code section 476.1(3). As a result, the
30 sales price of specified digital products, prewritten computer
31 software, and other enumerated digital and computer services
32 furnished to a public utility are exempt from the sales tax, if
33 exclusively used by the public utility.

34 The bill strikes a provision allowing a person required to
35 file a sales or use tax return to take a credit against the

1 total quarterly amount of tax due, upon a proper showing of
2 necessity, allowing for the balance of tax due to be paid up to
3 30 days after the return was due.

4 The bill strikes a provision requiring a seller, who
5 collects more than \$30,000 of sales or use tax in the preceding
6 calendar year, to make additional remittances to the state
7 under the rules adopted by the director of revenue.

8 The bill allows the department of revenue to adopt emergency
9 rules to implement the division. The emergency rules provision
10 takes effect upon enactment.

11 DIVISION II — DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS
12 AND SCHOOL DISTRICTS. Currently, by August 15, the department
13 of revenue estimates the local option sale tax (LOST) and
14 securing an advanced vision for education (SAVE) tax amounts
15 that will be transferred to each local government or school
16 district on a fiscal year and monthly basis. The transfer
17 estimates may be revised for the year and remaining months by
18 the director of revenue if the estimates are incorrect.

19 Commencing with the fiscal year beginning July 1, 2022, the
20 bill changes the LOST and SAVE transfer amount procedures, by
21 requiring the department of revenue to transfer the actual
22 LOST and SAVE taxes collected that are attributable to each
23 local government or school district to that local government
24 or school district.

25 The bill also creates a transition procedure for the LOST
26 and SAVE tax amounts transferred during July and August 2022.
27 Under the transition procedure, the department of revenue shall
28 transfer estimated amounts of LOST and SAVE to each local
29 government or school district for the months of July, August,
30 and September 2022. However, beginning with the October 2022
31 transfer, the department of revenue shall transfer the actual
32 amount of tax attributable to each local government or school
33 district for the LOST and SAVE tax remitted in September 2022.
34 The bill requires any adjustment amount that is necessary to
35 the July, August, or September 2022 estimated transfer amounts

1 be made by the close of business on December 30, 2022.

2 DIVISION III — LIABILITY OF SELLERS USING CERTIFIED
3 SERVICE PROVIDER. The bill specifies that a seller of personal
4 property or services who contracts with a certified service
5 provider is not liable to the state for sales or use tax due on
6 transactions processed by the certified service provider unless
7 the certified service provider establishes it is not liable
8 in accordance with the agreement with the seller. The bill
9 specifies that if the certified service provider is liable for
10 the sales or use tax due, the seller is not subject to audit
11 on transactions processed by the certified service provider.
12 "Certified service provider" is defined in Code section 423.1
13 to mean an agent certified under the agreement to perform
14 all of a seller's sales or use tax functions, other than the
15 seller's obligation to remit tax on its own purchases.

16 DIVISION IV — AUTHORITY TO CANCEL VARIOUS PERMITS ISSUED
17 BY THE DEPARTMENT. The bill allows the director of the
18 department of revenue to cancel the following tax permits if
19 the department determines the permits are no longer in use:
20 income tax withholding, sales or use tax, or motor fuel tax.

21 DIVISION V — ECONOMIC DEVELOPMENT AUTHORITY SALES AND USE
22 TAX REFUND INCENTIVES. Currently, for certain sales or use
23 tax refund incentives in Code section 15.331A administered
24 by the department of economic development authority, an
25 eligible business must apply for a sales or use tax refund for
26 items purchased prior to the "project" completion date. The
27 bill changes the refund procedures by requiring an eligible
28 business to apply for such sales or use tax refunds for items
29 purchased prior to the completion of the "contract" rather than
30 completion of the "project". The bill also requires such an
31 application be made within one year of the project completion
32 date, and that the department of revenue be informed in writing
33 after the contract completion. The bill defines "contract
34 completion" as the date of completion of a written contract
35 relating to the construction or equipping of the facility that

1 is part of the project of the eligible business.

2 For the third-party developer tax credit in Code section
3 15.331C relating to a tax credit for sales and use taxes paid
4 by a third-party developer, the bill specifies that this credit
5 is in lieu of the sales and use tax refund tax incentive
6 provided in Code section 15.331A. The bill also provides
7 that the eligible business shall make an application to the
8 department of revenue within one year of the project completion
9 date, and that the department be informed in writing after
10 the contract completion. The bill requires the department
11 of revenue to audit any third-party developer tax credit
12 claim, prior to issuing a third-party developer tax credit
13 certificate.

14 The bill makes changes to the procedures for workforce
15 housing tax incentives in Code section 15.355. The bill
16 permits a housing business to claim a refund of the sales
17 and use taxes paid prior to the completion of the housing
18 project that are directly related to the housing project and
19 specified in an agreement. In order to receive the sales and
20 use tax refund, the bill requires a contractor or subcontractor
21 working on the housing project to submit a form under oath
22 stating the amount of sales and use taxes paid prior to the
23 housing project. The bill makes it a simple misdemeanor if a
24 contractor or subcontractor willfully makes a false claim under
25 oath in relating to the workforce sales and use tax refund.
26 The bill then requires, after the agreement completion date,
27 the housing business to make an application to the department
28 of revenue for any sales and use tax refund. The bill defines
29 "agreement completion date" to mean the date the economic
30 development authority notifies the department of revenue that
31 all applicable requirements of the agreement have been met.
32 The bill also requires the department of revenue to audit the
33 claim prior to issuing the sales and use tax refund.

34 This division takes effect upon enactment and applies to
35 claims for refunds filed on or after the effective date of the

1 bill.

2 DIVISION VI — FRANCHISE TAX. The bill phases in a reduction
3 of the current franchise tax of 5 percent of net income as
4 follows: Commencing with the tax years beginning during the
5 2023 calendar year, 4.70 percent; for tax years beginning
6 during the 2024 calendar year, 4.40 percent; for tax years
7 beginning during the 2025 calendar year, 4.10 percent; for tax
8 years beginning during the 2026 calendar year, 3.80 percent;
9 and for all tax years beginning on or after January 1, 2027,
10 3.50 percent.

11 DIVISION VII — MANUFACTURED FOOD — SALES TAX EXEMPTION.
12 The bill exempts from the sales tax the sales of certain items
13 and services used by a manufacturer to primarily produce food
14 or food ingredients, including the lease or rental of tangible
15 personal property used to primarily produce such food or food
16 ingredients.

17 The bill defines “food or food ingredients” to mean the same
18 as defined in Code section 423.3(57)(d) and includes tangible
19 personal property that could be sold for ingestion or chewing
20 by humans but is sold for another use.

21 Under current law, in order to receive the sales tax
22 exemption the items or services must be used to produce
23 marketable food products for human consumption.

24 By operation of Code section 423.6, an item exempt from the
25 imposition of the sales tax is also exempt from the use tax
26 imposed in Code section 423.5.

27 The bill requires refunds of taxes, interest, or penalties
28 arising from claims resulting from the enactment of the bill
29 for sales or services occurring between January 1, 2019, and
30 the effective date of the division to be filed prior to October
31 1, 2022. Refunds of taxes, interest, or penalties shall not
32 exceed \$100,000 in the aggregate in any calendar year in which
33 claims are eligible for a refund. If the amount of claims
34 totals more than \$100,000 in the aggregate for any calendar
35 year in which claims are eligible for a refund, the department

1 of revenue shall prorate the \$100,000 in the aggregate among
2 all the claimants for that particular calendar year.

3 This division takes effect upon enactment and applies
4 retroactively to January 1, 2019.

5 DIVISION VIII — MOTOR FUEL REPORTING REQUIREMENT —
6 PENALTY. The bill specifies that each motor fuel retail dealer
7 shall file a report with the department of revenue detailing
8 their total motor fuel gallonage within a reporting period
9 in the manner required by the department and in compliance
10 within the time frames established in Code section 452A.61.
11 The bill permits the department of revenue to require a retail
12 dealer to file such a report with the department by electronic
13 transmission. The bill allows the department of revenue to
14 impose a civil penalty on the retail dealer, not to exceed
15 \$100, for each instance a retail dealer fails to timely file
16 a report or fails to maintain records required to file the
17 report.