

**House File 544 - Introduced**

HOUSE FILE 544

BY WESSEL-KROESCHELL

**A BILL FOR**

1 An Act relating to the state sales and use tax by funding  
2 the natural resources and outdoor recreation trust fund  
3 through the sales tax, using sales and use taxes to create  
4 a baby bond program and fund, and including effective date  
5 provisions.

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

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DIVISION I  
SALES AND USE TAXES

Section 1. Section 423.2, subsection 1, unnumbered paragraph 1, Code 2021, is amended to read as follows:

There is imposed a tax ~~of six percent~~ at a rate specified in subsection 12 upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, sold at retail in the state to consumers or users except as otherwise provided in [this subchapter](#).

Sec. 2. Section 423.2, subsections 2 and 3, Code 2021, are amended to read as follows:

2. A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed upon the sales price of the sale or furnishing of gas, electricity, water, heat, pay television service, and communication service, including the sales price from such sales by any municipal corporation or joint water utility furnishing gas, electricity, water, heat, pay television service, and communication service to the public in its proprietary capacity, except as otherwise provided in this subchapter, when sold at retail in the state to consumers or users.

3. A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed upon the sales price of all sales of tickets or admissions to places of amusement, fairs, and athletic events except those of elementary and secondary educational institutions. A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed on the sales price of an entry fee or like charge imposed solely for the privilege of participating in an activity at a place of amusement, fair, or athletic event unless the sales price of tickets or admissions charges for observing the same activity are taxable under [this subchapter](#). A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed upon that part of private club membership fees or charges paid for the privilege of participating in any athletic sports provided club members.

1     Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2021,  
2 is amended to read as follows:

3     a. ~~A tax of six percent~~ at a rate specified in subsection  
4 12 is imposed upon the sales price derived from the operation  
5 of all forms of amusement devices and games of skill, games of  
6 chance, raffles, and bingo games as defined in [chapter 99B](#), and  
7 card game tournaments conducted under [section 99B.27](#), that are  
8 operated or conducted within the state, the tax to be collected  
9 from the operator in the same manner as for the collection of  
10 taxes upon the sales price of tickets or admission as provided  
11 in [this section](#). Nothing in [this subsection](#) shall legalize any  
12 games of skill or chance or slot-operated devices which are now  
13 prohibited by law.

14     Sec. 4. Section 423.2, subsection 5, Code 2021, is amended  
15 to read as follows:

16     5. There is imposed a tax ~~of six percent~~ at a rate specified  
17 in subsection 12 upon the sales price from the furnishing of  
18 services as defined in [section 423.1](#).

19     Sec. 5. Section 423.2, subsection 7, paragraph a,  
20 unnumbered paragraph 1, Code 2021, is amended to read as  
21 follows:

22     A tax ~~of six percent~~ at a rate specified in subsection 12  
23 is imposed upon the sales price from the sales, furnishing, or  
24 service of solid waste collection and disposal service.

25     Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2021,  
26 is amended to read as follows:

27     a. ~~A tax of six percent~~ at a rate specified in subsection  
28 12 is imposed on the sales price from sales of bundled  
29 transactions. For the purposes of [this subsection](#), a “*bundled*  
30 *transaction*” is the retail sale of two or more distinct and  
31 identifiable products, except real property and services to  
32 real property, which are sold for one nonitemized price. A  
33 “*bundled transaction*” does not include the sale of any products  
34 in which the sales price varies, or is negotiable, based on  
35 the selection by the purchaser of the products included in the

1 transaction.

2 Sec. 7. Section 423.2, subsection 9, Code 2021, is amended  
3 to read as follows:

4 9. A tax of six percent at a rate specified in subsection  
5 12 is imposed upon the sales price from any mobile  
6 telecommunications service, including all paging services,  
7 that this state is allowed to tax pursuant to the provisions  
8 of the federal Mobile Telecommunications Sourcing Act, Pub.  
9 L. No. 106-252, 4 U.S.C. §116 et seq. For purposes of this  
10 subsection, taxes on mobile telecommunications service, as  
11 defined under the federal Mobile Telecommunications Sourcing  
12 Act that are deemed to be provided by the customer's home  
13 service provider, shall be paid to the taxing jurisdiction  
14 whose territorial limits encompass the customer's place of  
15 primary use, regardless of where the mobile telecommunications  
16 service originates, terminates, or passes through and  
17 shall in all other respects be taxed in conformity with  
18 the federal Mobile Telecommunications Sourcing Act. All  
19 other provisions of the federal Mobile Telecommunications  
20 Sourcing Act are adopted by the state of Iowa and incorporated  
21 into [this subsection](#) by reference. With respect to mobile  
22 telecommunications service under the federal Mobile  
23 Telecommunications Sourcing Act, the director shall, if  
24 requested, enter into agreements consistent with the provisions  
25 of the federal Act.

26 Sec. 8. Section 423.2, subsection 10, paragraph a, Code  
27 2021, is amended to read as follows:

28 a. A tax of six percent at a rate specified in subsection  
29 12 is imposed on the sales price of specified digital products  
30 sold at retail in the state. The tax applies whether the  
31 purchaser obtains permanent use or less than permanent use of  
32 the specified digital product, whether the sale is conditioned  
33 or not conditioned upon continued payment from the purchaser,  
34 and whether the sale is on a subscription basis or is not on a  
35 subscription basis.

1     Sec. 9. Section 423.2, subsection 12, Code 2021, is amended  
2 by striking the subsection and inserting in lieu thereof the  
3 following:

4     12. *a.* For the period beginning January 1, 2022, and ending  
5 December 31, 2050, the sales tax rate is seven percent.

6     *b.* Beginning January 1, 2051, the sales tax rate is six  
7 percent.

8     Sec. 10. Section 423.2A, subsection 2, Code 2021, is amended  
9 by adding the following new paragraph:

10     NEW PARAGRAPH. *Ob.* Transfer one-seventh of the remaining  
11 revenues to the secure an advanced vision for education fund  
12 created in section 423F.2. This paragraph "*Ob*" is repealed  
13 January 1, 2051.

14     Sec. 11. Section 423.2A, subsection 2, paragraph b, Code  
15 2021, is amended to read as follows:

16     *b.* Transfer from the remaining revenues the amounts required  
17 under Article VII, section 10, of the Constitution of the State  
18 of Iowa to the natural resources and outdoor recreation trust  
19 fund created in [section 461.31](#), ~~if applicable~~.

20     Sec. 12. Section 423.2A, subsection 2, paragraph c, Code  
21 2021, is amended by striking the paragraph and inserting in  
22 lieu thereof the following:

23     *c.* Each fiscal year transfer from the remaining revenues to  
24 the baby bond fund established in section 12.101 an equivalent  
25 amount of revenue necessary to fund active savings accounts as  
26 required pursuant to section 12.101, subsection 2, paragraph  
27 "*b*".

28     Sec. 13. Section 423.2A, subsection 2, paragraph d, Code  
29 2021, is amended to read as follows:

30     *d.* Transfer to the baseball and softball complex sales tax  
31 rebate fund that portion of the sales tax receipts described  
32 in [subsection 1](#), paragraph "*b*", remaining after the transfers  
33 required under paragraphs "*a*", "*Ob*", "*b*", and "*c*" of this  
34 subsection 2. This paragraph is repealed thirty days following  
35 the date on which five million dollars in total rebates have

1 been provided under [section 423.4, subsection 10](#).

2 Sec. 14. Section 423.5, subsection 1, unnumbered paragraph  
3 1, Code 2021, is amended to read as follows:

4 Except as provided in paragraph "b", an excise tax at the  
5 rate of ~~six percent~~ specified in subsection 4 of the purchase  
6 price or installed purchase price is imposed on the following:

7 Sec. 15. Section 423.5, subsection 4, Code 2021, is amended  
8 by striking the subsection and inserting in lieu thereof the  
9 following:

10 4. a. For the period beginning January 1, 2022, and ending  
11 December 31, 2050, the use tax rate is seven percent.

12 b. Beginning January 1, 2051, the use tax rate is six  
13 percent.

14 Sec. 16. Section 423.43, subsection 1, paragraph b, Code  
15 2021, is amended to read as follows:

16 b. (1) Subsequent to the deposit into the general fund of  
17 the state and after the transfer of such revenues collected  
18 under [chapter 423B](#), the department shall transfer ~~one-sixth~~  
19 one-seventh of such remaining revenues to the secure an  
20 advanced vision for education fund created in [section 423F.2](#).  
21 This ~~paragraph~~ subparagraph is repealed January 1, 2051.

22 (2) Subsequent to the deposit into the general fund of the  
23 state and the transfers in subparagraph (1), each fiscal year  
24 the department shall transfer from the remaining revenues to  
25 the baby bond fund established in section 12.101 an equivalent  
26 amount of revenue necessary to fund active savings accounts as  
27 required pursuant to section 12.101, subsection 2, paragraph  
28 "b".

29 DIVISION II

30 BABY BOND PROGRAM AND FUND

31 Sec. 17. NEW SECTION. 12.101 Baby bond program and fund.

32 1. As used in this section unless the context otherwise  
33 requires:

34 a. "Active savings account" means an account associated with  
35 a child under eighteen years of age.

1     *b.* "Child" means a person under eighteen years of age.

2     *c.* "Enrollee" means a person eligible to receive funds who  
3 is eighteen years of age or older.

4     *d.* "First home" means the first-time purchase of a residence  
5 by an enrollee who is a resident of this state and who does  
6 not own, either individually or jointly, a single-family or  
7 multifamily residence, and who has not owned or purchased,  
8 either individually or jointly, a single-family or multifamily  
9 residence.

10    *e.* "Fund" means the baby bond fund.

11    *f.* "Program" means the baby bond program.

12    2. *a.* The program is created by establishing an  
13 interest-bearing savings account for children in this state.  
14 The treasurer of state shall act as custodian of the savings  
15 accounts and disburse moneys contained in the savings accounts.  
16 The purpose of the program is to offer a fairer chance at  
17 economic stability and mobility by funding a savings account  
18 for children in this state.

19    *b.* (1) Commencing with the fiscal year beginning July 1,  
20 2022, and every fiscal year thereafter, there is transferred  
21 pursuant to section 423.2A, subsection 2, paragraph "c", and  
22 section 423.43, subsection 1, paragraph "b", subparagraph (2),  
23 an amount necessary to fund each active savings account in  
24 existence on October 1 with five hundred dollars until the  
25 child attains eighteen years of age.

26    (2) Each active savings account shall be funded with five  
27 hundred dollars on the enrollment date and five hundred dollars  
28 on each subsequent enrollment anniversary date until the child  
29 attains eighteen years of age.

30    *c.* The moneys in the fund shall be accessible to the child  
31 upon turning eighteen years of age to fund educational expenses  
32 or for the purchase of a first home located in this state.  
33 The moneys in the account shall remain accessible for these  
34 purposes until the enrollee attains thirty-five years of age,  
35 and at such time any remaining moneys in the savings account

1 shall revert to the general fund of the state.

2 *d.* Direct contributions shall not be made to the savings  
3 account established on behalf of the child, and the child or  
4 the parent or guardian of the child shall not be able to affect  
5 the account, except as provided in subsection 4.

6 *e.* An enrollee who is not a resident of this state on or  
7 after the eighteenth birthday of the enrollee is not eligible  
8 to receive funds from the savings account on or after the  
9 enrollee's eighteenth birthday.

10 *f.* Beginning with births in this state on or after July 1,  
11 2022, and on a form or in a manner prescribed by the treasurer  
12 of state, a parent or guardian of a child born in this state  
13 may notify the treasurer of state of the birth of the child to  
14 begin the enrollment process in the program. Upon receiving  
15 proper notification of the birth of the child in this state,  
16 the child shall be considered enrolled in the program.

17 *g.* For a child born in this state prior to July 1, 2022,  
18 and who remains a resident of this state, or for a child who  
19 has been a resident of this state for at least two years prior  
20 to, on, or after July 1, 2022, a parent or guardian of such a  
21 child may notify the treasurer of state to begin the enrollment  
22 process in the program. The notification shall be on a form or  
23 in the manner prescribed by the treasurer of state, and upon  
24 receiving proper notification the child shall be considered  
25 enrolled in the program.

26 *h.* The treasurer of state shall make account balances within  
27 the program available through a secured internet site to each  
28 parent or guardian of a child enrolled in the program, or to an  
29 enrollee.

30 3. *a.* The fund is established in the state treasury under  
31 the control of the treasurer of state consisting of funds  
32 transferred to the fund pursuant to subsection 2.

33 *b.* Notwithstanding section 12C.7, subsection 2, interest or  
34 earnings on moneys deposited in the fund shall be credited to  
35 the fund. Notwithstanding section 8.33, moneys credited to the



1 fund shall not revert at the close of a fiscal year.

2 *c.* The treasurer of state shall invest the moneys in the  
3 fund in accordance with the provisions of this section and  
4 in accordance with the public funds investment standards in  
5 section 12B.10.

6 *d.* The treasurer of state shall use the moneys in the fund  
7 to provide moneys to an enrollee for the purpose of paying  
8 educational expenses or for the purchase of a first home  
9 located in this state and to pay for the costs associated with  
10 the plan.

11 4. To receive money under the program, an enrollee must  
12 apply for the moneys with the treasurer of state on a form or in  
13 a manner prescribed by the treasurer. Approved payments by the  
14 treasurer of state may be in the form of a one-time payment or  
15 in the form of multiple payments over a period of time.

16 5. *a.* No property rights in the fund shall exist in favor  
17 of the child or enrollee.

18 *b.* A payment pursuant to this section is not guaranteed and  
19 is subject to future modifications and investment gain or loss.

20 6. The treasurer of state shall adopt rules pursuant to  
21 chapter 17A to administer this section, including establishing  
22 eligibility for the program based upon family income.

23 DIVISION III

24 EFFECTIVE DATE

25 Sec. 18. EFFECTIVE DATE. This Act takes effect January 1,  
26 2022.

27 EXPLANATION

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

30 This bill relates to the state sales and use tax by funding  
31 the natural resources and outdoor recreation trust fund through  
32 the sales tax, and using sales and use taxes to create a baby  
33 bond program and fund, and includes effective date provisions.

34 DIVISION I — SALES AND USE TAX. An amendment to the Iowa  
35 Constitution was ratified on November 2, 2010, which created

1 a natural resources and outdoor recreation trust fund (fund)  
2 and dedicated a portion of state revenues to the fund for  
3 the purposes of protecting and enhancing water quality and  
4 natural areas in the state including parks, trails, and fish  
5 and wildlife habitat, and conserving agricultural soils in  
6 the state (article VII, section 10). The fund is codified in  
7 Code section 461.31. Pursuant to the amendment, the amount  
8 credited to the fund will be equal to the amount generated  
9 by an increase in the state sales tax rate occurring after  
10 the effective date of the constitutional amendment, but shall  
11 not exceed the amount that a state sales tax rate of 0.375  
12 percent would generate. The state sales tax rate has not  
13 been increased since the effective date of the constitutional  
14 amendment, so no amounts have been credited to the fund. The  
15 bill increases the sales tax rate and the use tax rate from 6  
16 percent to 7 percent January 1, 2022. As a result, moneys will  
17 be credited to the fund. The bill also amends the transfer of  
18 sales and use tax revenues to the secure an advanced vision for  
19 education fund (SAVE) in Code sections 423.2A(2) and 423.43 to  
20 ensure that SAVE receives the same amount of sales and use tax  
21 revenues as it did prior to the sales and use tax increases  
22 provided in the bill.

23 DIVISION II — BABY BONDS PROGRAM AND FUND. The bill  
24 creates a baby bond program (program) by establishing an  
25 interest-bearing savings account for children in this state.  
26 The treasurer of state shall act as custodian of the savings  
27 accounts and disburse moneys contained in the savings accounts.  
28 The purpose of the program is to offer children in this state a  
29 fairer chance at economic stability and mobility.

30 Commencing with the fiscal year beginning July 1, 2022, and  
31 every fiscal year thereafter, the bill transfers from sales and  
32 use tax revenues an amount equal to fund each active savings  
33 account in existence in the program on October 1 with \$500  
34 until the child attains 18 years of age. The bill defines  
35 "active savings account" to mean an account associated with a

1 child under 18 years of age.

2 The bill requires each active savings account to be funded  
3 with \$500 on the enrollment date and \$500 on each subsequent  
4 enrollment anniversary date until the child attains 18 years  
5 of age.

6 The bill specifies the moneys in the fund shall be accessible  
7 to the child upon turning 18 years of age to fund educational  
8 expenses or for the purchase of a first home located in this  
9 state. The bill further specifies that moneys in the account  
10 remain accessible for these purposes until 35 years of age,  
11 and at such time any remaining moneys in the account revert  
12 to the general fund of the state. The bill defines "first  
13 home" to mean the first-time purchase of a residence by a  
14 resident, and who does not own, either individually or jointly,  
15 a single-family or multifamily residence, and who has not owned  
16 or purchased, either individually or jointly, a single-family  
17 or multifamily residence.

18 The bill prohibits direct contributions to the account by  
19 the child or the child's family.

20 The bill requires the savings account of the child to be  
21 funded on the enrollment date and subsequently funded on the  
22 enrollment anniversary date until the child attains 18 years  
23 of age.

24 The bill prohibits a child who is not a resident of this  
25 state on or after their 18th birthday from receiving funds from  
26 the savings account.

27 Beginning with births in this state on or after July 1, 2022,  
28 and on a form or in a manner prescribed by the treasurer of  
29 state, the parent or guardian of the child born in this state  
30 may notify the treasurer of state of the birth of the child to  
31 begin the enrollment process in the program. Upon receiving  
32 proper notification of the birth of the child in this state,  
33 the bill specifies the child shall be considered enrolled in  
34 the program.

35 For a child born in this state prior to July 1, 2022, and who

1 remains a resident of this state, or for a child who has been a  
2 resident of this state for at least two years prior to, on, or  
3 after July 1, 2022, a parent or guardian of a child may notify  
4 the treasurer of state to begin the enrollment process in the  
5 program. The bill requires the notification to be on a form or  
6 in the manner prescribed by the treasurer of state, and upon  
7 receiving proper notification the child shall be considered  
8 enrolled in the program.

9 The bill requires the treasurer of state to make account  
10 balances within the program available through a secured  
11 internet site to each parent or guardian of a child enrolled in  
12 the program, or to a child who has attained 18 years of age.

13 The bill establishes a baby bond fund (fund) in the state  
14 treasury under the control of the treasurer of state consisting  
15 of sales and use tax revenues transferred to the fund for  
16 purposes of establishing the program.

17 In order to receive moneys under the program established in  
18 the bill, a child who has attained 18 years of age must apply  
19 for the moneys with the treasurer of state on a form or in a  
20 manner prescribed by the treasurer. Approved payments by the  
21 treasurer of state may be in the form of a one-time payment or  
22 in the form of multiple payments over a period of time.

23 The bill specifies no property rights exist in the fund in  
24 favor of the child after the child has attained 18 years of  
25 age.

26 The bill requires the treasurer of state to adopt rules to  
27 administer the program, including establishing eligibility for  
28 the program based upon family income.

29 DIVISION II — EFFECTIVE DATE. The bill takes effect January  
30 1, 2022.