

Senate File 2206 - Introduced

SENATE FILE 2206

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3074)

A BILL FOR

1 An Act relating to state and local revenue and finances by
2 modifying sales and use taxes, individual and corporate
3 income taxes, the franchise tax, the insurance premiums tax,
4 the equipment tax, the automobile rental excise tax, the
5 water service tax, and local option taxes, crediting moneys
6 to the natural resources and outdoor recreation trust fund,
7 and including effective date and applicability provisions.
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SALES AND USE TAX RATES AND DISTRIBUTION

Section 1. Section 423.2, subsection 1, unnumbered paragraph 1, Code 2022, is amended to read as follows:

There is imposed a tax ~~of six percent~~ at the rate specified in subsection 12 upon the sales price of all sales of tangible personal property, 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 2022, are amended to read as follows:

2. A tax ~~of six percent~~ at the 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 the 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 the 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 the 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.

Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2022,

1 is amended to read as follows:

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

13 Sec. 4. Section 423.2, subsection 5, Code 2022, is amended
14 to read as follows:

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

18 Sec. 5. Section 423.2, subsection 7, paragraph a,
19 unnumbered paragraph 1, Code 2022, is amended to read as
20 follows:

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

24 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2022,
25 is amended to read as follows:

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

1 Sec. 7. Section 423.2, subsection 9, Code 2022, is amended
2 to read as follows:

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

25 Sec. 8. Section 423.2, subsection 10, paragraph a, Code
26 2022, is amended to read as follows:

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

35 Sec. 9. Section 423.2, subsection 12, Code 2022, is amended

1 by striking the subsection and inserting in lieu thereof the
2 following:

3 12. a. For the period beginning January 1, 2023, through
4 December 31, 2050, the sales tax rate is seven percent.

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

7 Sec. 10. Section 423.2A, subsection 2, paragraphs a, b, and
8 c, Code 2022, are amended to read as follows:

9 a. (1) Transfer For the period beginning January 1, 2023,
10 through December 31, 2050, transfer one-seventh of the revenues
11 collected under deposited into the general fund of the state
12 under subsection 1 to the appropriate county accounts under
13 chapter 423B for the counties from which the tax was collected.

14 (2) Beginning January 1, 2051, transfer one-sixth of the
15 revenues deposited into the general fund of the state under
16 subsection 1 to the appropriate county accounts under chapter
17 423B for the counties from which the tax was collected.

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

22 c. ~~Transfer one-sixth of~~ from the remaining revenues an
23 amount equal to one-seventh of the revenues deposited into the
24 general fund of the state under subsection 1 to the secure an
25 advanced vision for education fund created in [section 423F.2](#).
26 This paragraph "c" is repealed January 1, 2051.

27 Sec. 11. Section 423.5, subsection 1, unnumbered paragraph
28 1, Code 2022, is amended to read as follows:

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

32 Sec. 12. Section 423.5, subsection 4, Code 2022, is amended
33 by striking the subsection and inserting in lieu thereof the
34 following:

35 4. a. For the period beginning January 1, 2023, through

1 December 31, 2050, the use tax rate is seven percent.

2 *b.* Beginning January 1, 2051, the use tax rate is six
3 percent.

4 Sec. 13. Section 423.43, subsection 1, paragraph b, Code
5 2022, is amended by striking the paragraph and inserting in
6 lieu thereof the following:

7 *b.* Subsequent to the deposit into the general fund of
8 the state the department shall do the following in the order
9 prescribed:

10 (1) (a) For the period beginning January 1, 2023, through
11 December 31, 2050, transfer one-seventh of such revenues to the
12 appropriate county accounts under chapter 423B for the counties
13 from which the tax was paid.

14 (b) Beginning January 1, 2051, transfer one-sixth of such
15 revenues to the appropriate county accounts under chapter 423B
16 for the counties from which the tax was paid.

17 (2) Transfer one-sixth of such remaining revenues to the
18 secure an advanced vision for education fund created in section
19 423F.2. This subparagraph is repealed January 1, 2051.

20 Sec. 14. EFFECTIVE DATE. This division of this Act takes
21 effect January 1, 2023.

22 DIVISION II

23 SALES AND USE TAX ON SERVICES AND EXEMPTIONS

24 Sec. 15. Section 423.2, subsection 6, paragraph bu, Code
25 2022, is amended to read as follows:

26 *bu.* ~~Software as a service~~ Cloud computing.

27 Sec. 16. Section 423.2, subsection 6, Code 2022, is amended
28 by adding the following new paragraphs:

29 NEW PARAGRAPH. *bv.* Web hosting.

30 NEW PARAGRAPH. *bw.* Digital automated services.

31 NEW PARAGRAPH. *bx.* Scooter rentals.

32 Sec. 17. Section 423.3, subsection 47, paragraph a,
33 subparagraph (4), Code 2022, is amended by striking the
34 subparagraph.

35 Sec. 18. Section 423.3, subsection 104, paragraph a, Code

1 reputation and character, and the holder of an Iowa retailer's
2 sales or use tax permit, and if a foreign corporation, has
3 authority to do business in the state of Iowa, the secretary
4 shall issue to the applicant a license as a transient merchant
5 upon payment of the fee as herein prescribed for the period of
6 time requested in said application and for use at the location
7 and place where it is stated in said application the sale will
8 be held or the business conducted, both of which shall be set
9 out in said license. Such license shall be valid only for the
10 period of time and at the location and place described therein.

11 Sec. 23. Section 99G.30A, subsection 2, paragraph c, Code
12 2022, is amended to read as follows:

13 c. Frequency of deposits and ~~quarterly~~ monthly reports of
14 the monitor vending machine excise tax with the department of
15 revenue are governed by the tax provisions in [section 423.31](#).
16 Monitor vending machine excise tax collections shall not be
17 included in computation of the total tax to determine frequency
18 of filing under [section 423.31](#).

19 Sec. 24. Section 321.105A, subsection 4, paragraph b, Code
20 2022, is amended to read as follows:

21 b. [Section 422.25](#), subsection 4, [sections 422.30](#), [422.67](#),
22 and [422.68](#), [section 422.69](#), subsection 1, [sections 422.70](#),
23 [422.71](#), [422.72](#), [422.74](#), and [422.75](#), [section 423.14](#), subsection
24 2, and [sections 423.23](#), [423.24](#), [423.25](#), ~~[423.32](#)~~, [423.33](#), [423.35](#),
25 [423.37](#) through [423.42](#), [423.45](#), and [423.47](#), consistent with the
26 provisions of [this section](#), apply with respect to the fees
27 for new registration authorized under [this section](#) in the
28 same manner and with the same effect as if the fees for new
29 registration were retail use taxes within the meaning of those
30 statutes.

31 Sec. 25. Section 421.26, Code 2022, is amended to read as
32 follows:

33 **421.26 Personal liability for tax due.**

34 If a licensee or other person under [section 452A.65](#), a
35 retailer or purchaser under [chapter 423A](#), [423B](#), [423C](#), [423D](#),

1 or ~~423E~~, or [section 423.14](#), [423.14A](#), [423.29](#), [423.31](#), ~~423.32~~,
2 or [423.33](#), or a user under [section 423.34](#), or a permit holder
3 or licensee under [section 453A.13](#), [453A.16](#), or [453A.44](#) fails
4 to pay a tax under those sections when due, an officer of a
5 corporation or association, notwithstanding [section 489.304](#),
6 a member or manager of a limited liability company, or a
7 partner of a partnership, having control or supervision of
8 or the authority for remitting the tax payments and having
9 a substantial legal or equitable interest in the ownership
10 of the corporation, association, limited liability company,
11 or partnership, who has intentionally failed to pay the tax
12 is personally liable for the payment of the tax, interest,
13 and penalty due and unpaid. However, [this section](#) shall
14 not apply to taxes on accounts receivable. The dissolution
15 of a corporation, association, limited liability company,
16 or partnership shall not discharge a person's liability for
17 failure to remit the tax due.

18 Sec. 26. Section 423.2, subsection 1, paragraph b, Code
19 2022, is amended to read as follows:

20 *b.* Sales of building materials, supplies, and equipment
21 to owners, contractors, subcontractors, or builders for the
22 erection of buildings or the alteration, repair, or improvement
23 of real property are retail sales of tangible personal property
24 in whatever quantity sold. Where the owner, contractor,
25 subcontractor, or builder is also a retailer holding a ~~retail~~
26 sales or use tax permit and transacting retail sales of
27 building materials, supplies, and equipment, the person shall
28 purchase such items of tangible personal property without
29 liability for the tax if such property will be subject to the
30 tax at the time of resale or at the time it is withdrawn from
31 inventory for construction purposes. The sales tax shall be
32 due in the reporting period when the materials, supplies,
33 and equipment are withdrawn from inventory for construction
34 purposes or when sold at retail. The tax shall not be due when
35 materials are withdrawn from inventory for use in construction

1 outside of Iowa and the tax shall not apply to tangible
2 personal property purchased and consumed by the manufacturer as
3 building materials in the performance by the manufacturer or
4 its subcontractor of construction outside of Iowa. The sale
5 of carpeting is not a sale of building materials. The sale of
6 carpeting to owners, contractors, subcontractors, or builders
7 shall be treated as the sale of ordinary tangible personal
8 property and subject to the tax imposed under [this subsection](#)
9 and the use tax.

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

12 (2) The sale of all or substantially all of the tangible
13 personal property, or specified digital products, or services
14 held or used by a seller in the course of the seller's trade
15 or business for which the seller is required to hold a sales
16 or use tax permit when the seller sells or otherwise transfers
17 the trade or business to another person who shall engage in a
18 similar trade or business.

19 Sec. 28. Section 423.3, subsection 80, paragraph d, Code
20 2022, is amended to read as follows:

21 d. Subject to the limitations in paragraph "c", where the
22 owner, contractor, subcontractor, or builder is also a retailer
23 holding a retail sales or use tax permit and transacting
24 retail sales of building materials, supplies, and equipment,
25 the tax shall not be due when materials are withdrawn from
26 inventory for use in construction performed for a designated
27 exempt entity if an exemption certificate is received from such
28 entity.

29 Sec. 29. Section 423.5, subsection 2, Code 2022, is amended
30 to read as follows:

31 2. The excise tax is imposed upon every person using
32 the property within this state until the tax has been paid
33 directly to the county treasurer, the state department of
34 transportation, a retailer, or the department. This tax is
35 imposed on every person using the services or the product of

1 the services in this state until the user has paid the tax
2 either to an Iowa sales or use tax permit holder or to the
3 department.

4 Sec. 30. Section 423.14, subsection 2, paragraph b, Code
5 2022, is amended to read as follows:

6 *b.* The tax upon the use of all tangible personal property
7 and specified digital products other than that enumerated in
8 paragraph "a", which is sold by a seller who is a retailer or
9 its agent that is not otherwise required to collect sales tax
10 under the provisions of this chapter, may be collected by the
11 retailer or agent and remitted to the department, pursuant to
12 the provisions of paragraph "e", and sections 423.24, 423.29,
13 423.30, ~~423.32~~ 423.31, and 423.33.

14 Sec. 31. Section 423.14A, subsection 3, paragraph c,
15 subparagraph (2), Code 2022, is amended to read as follows:

16 (2) A marketplace facilitator shall collect sales and
17 use tax on the entire sales price or purchase price paid by
18 a purchaser on each Iowa sale subject to sales and use tax
19 that is made or facilitated by the marketplace facilitator,
20 regardless of whether the marketplace seller for whom an Iowa
21 sale is made or facilitated has or is required to have a ~~retail~~
22 sales or use tax permit or would have been required to collect
23 sales and use tax had the sale not been facilitated by the
24 marketplace facilitator, and regardless of the amount of the
25 sales price or purchase price that will ultimately accrue
26 to or benefit the marketplace facilitator, the marketplace
27 seller, or any other person. This sales and use tax collection
28 responsibility of a marketplace facilitator applies but shall
29 not be limited to sales facilitated through a computer software
30 application, commonly referred to as in-app purchases, or
31 through another specified digital product.

32 Sec. 32. Section 423.31, subsections 1, 3, 5, and 6, Code
33 2022, are amended to read as follows:

34 1. *a.* ~~Each~~ Except as provided in paragraph "b", each person
35 subject to this section and section 423.36 and in accordance

1 with the provisions of [this section](#) and [section 423.36](#) shall,
 2 on or before the last day of the month following the close of
 3 each calendar ~~quarter~~ month during which such person is or
 4 has become or ceased being subject to the provisions of this
 5 section and [section 423.36](#), make, sign, and file electronically
 6 a return for the calendar ~~quarter~~ month in the form as may be
 7 required. Returns shall show information relating to sales
 8 prices including tangible personal property, specified digital
 9 products, and services converted to the use of such person,
 10 the amounts of sales prices excluded and exempt from the tax,
 11 the amounts of sales prices subject to tax, a calculation of
 12 tax due, and any other information for the period covered by
 13 the return as may be required. Returns shall be signed by
 14 the retailer or the retailer's authorized agent and must be
 15 certified by the retailer to be correct in accordance with
 16 forms and rules prescribed by the director. A person required
 17 to file a sales or use tax return who is unable to do so may
 18 request permission from the director to file a return by
 19 another method.

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

25 ~~3. The sales tax forms prescribed by the director shall be~~
 26 ~~referred to as "retailers tax deposit". Deposit forms shall~~
 27 ~~be signed by the retailer or the retailer's duly authorized~~
 28 ~~agent, and shall be duly certified by the retailer or agent to~~
 29 ~~be correct. The director may authorize incorporated banks and~~
 30 ~~trust companies or other depositories authorized by law which~~
 31 ~~are depositories or financial agents of the United States,~~
 32 ~~or of this state, to receive any sales or use tax imposed~~
 33 ~~under [this chapter](#), in the manner, at the times, and under~~
 34 ~~the conditions the director prescribes. The director shall~~
 35 ~~prescribe the manner, times, and conditions under which the~~

1 receipt of the tax by those depositories is to be treated as
2 payment of the tax to the department.

3 5. *a.* Upon making application and receiving approval
4 from the director, a person and its affiliates that make
5 retail sales of tangible personal property, specified digital
6 products, or taxable enumerated services may make deposits and
7 file a consolidated sales or use tax return for the affiliated
8 group, pursuant to rules adopted by the director. A person and
9 each affiliate that files a consolidated return are jointly and
10 severally liable for all tax, penalty, and interest found due
11 for the tax period for which a consolidated return is filed or
12 required to be filed.

13 *b.* A business required to file a consolidated sales or use
14 tax return shall file a form entitled "schedule of consolidated
15 business locations" with its quarterly sales or use tax
16 return that shows the taxpayer's consolidated permit number,
17 the permit number for each Iowa business location, the state
18 sales tax amount by business location, and the amount of state
19 sales tax due on goods consumed that are not assigned to a
20 specific business location. Consolidated quarterly sales or
21 use tax returns that are not accompanied by the schedule of
22 consolidated business locations form are considered incomplete
23 and are subject to penalty under [section 421.27](#).

24 6. If necessary or advisable in order to ~~insure~~ ensure
25 the payment of the tax, the director may require returns and
26 payment of the tax to be made for other than ~~quarterly~~ monthly
27 periods, the provisions of [this section](#) or other provision to
28 the contrary notwithstanding.

29 Sec. 33. Section 423.31, subsection 2, Code 2022, is amended
30 by striking the subsection.

31 Sec. 34. Section 423.33, subsection 1, paragraph a, Code
32 2022, is amended to read as follows:

33 *a.* If a purchaser fails to pay sales tax to the retailer
34 required to collect the tax, then in addition to all of the
35 rights, obligations, and remedies provided, a use tax is

1 payable by the purchaser directly to the department, and
2 sections 423.31, ~~423.32~~, 423.37, 423.38, 423.39, 423.40,
3 423.41, and 423.42 apply to the purchaser.

4 Sec. 35. Section 423.33, subsection 3, Code 2022, is amended
5 to read as follows:

6 3. *Event sponsor's liability for sales tax.* A person
7 sponsoring a flea market or a craft, antique, coin, or stamp
8 show or similar event shall obtain from every retailer selling
9 tangible personal property, specified digital products, or
10 taxable services at the event proof that the retailer possesses
11 a valid sales or use tax permit or secure from the retailer
12 a statement, taken in good faith, that tangible personal
13 property, specified digital products, or services offered for
14 sale are not subject to sales tax. Failure to do so renders
15 a sponsor of the event liable for payment of any sales tax,
16 interest, and penalty due and owing from any retailer selling
17 property or services at the event. Sections 423.31, ~~423.32~~,
18 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the
19 sponsors. For purposes of this subsection, a "*person sponsoring*
20 *a flea market or a craft, antique, coin, or stamp show or similar*
21 *event*" does not include a marketplace facilitator as defined in
22 section 423.14A, subsection 1, an organization which sponsors
23 an event determined to qualify as an event involving casual
24 sales pursuant to section 423.3, subsection 39, or the state
25 fair or a fair as defined in section 174.1.

26 Sec. 36. Section 423.34, Code 2022, is amended to read as
27 follows:

28 **423.34 Liability of user.**

29 Any person who uses any tangible personal property,
30 specified digital products, or services enumerated in section
31 423.2 upon which the use tax has not been paid, either to the
32 county treasurer or to a retailer or direct to the department
33 as required by this subchapter, shall be liable for the payment
34 of tax, and shall on or before the last day of the month next
35 succeeding each ~~quarterly~~ monthly period pay the use tax upon

1 all tangible personal property, specified digital products,
2 or services used by the person during the preceding ~~quarterly~~
3 monthly period in the manner and accompanied by such returns
4 as the director shall prescribe. All of the provisions of
5 sections ~~423.32~~ 423.31 and 423.33 with reference to the returns
6 and payments shall be applicable to the returns and payments
7 required by this section.

8 Sec. 37. Section 423.36, subsection 4, paragraph b, Code
9 2022, is amended to read as follows:

10 b. If an applicant is making sales outside Iowa for use in
11 this state or furnishing services outside Iowa, the product
12 or result of which will be used in this state, that applicant
13 shall be issued one sales or use tax permit by the department
14 applicable to these out-of-state sales or services.

15 Sec. 38. Section 423.36, subsection 4, Code 2022, is amended
16 by adding the following new paragraph:

17 NEW PARAGRAPH. c. If an applicant is required to collect
18 sales or use tax and is not included in the definition of a
19 retailer maintaining a place of business in this state in
20 section 423.1, subsection 48, paragraph "a", subparagraph (1),
21 the applicant shall be issued one sales or use tax permit by
22 the department regardless of the number of locations from which
23 sales are made.

24 Sec. 39. Section 423.36, subsections 7 and 8, Code 2022, are
25 amended to read as follows:

26 7. a. Sellers who are not regularly engaged in selling
27 at retail and do not have a permanent place of business, but
28 who are temporarily engaged in selling from trucks, portable
29 roadside stands, concessionaires at state, county, district,
30 or local fairs, carnivals, or the like, shall report and remit
31 the sales tax on a temporary seasonal basis, under rules
32 the director shall provide for the efficient collection of
33 the sales tax. This subsection applies to sellers who are
34 temporarily engaged in furnishing services.

35 b. Persons engaged in selling tangible personal property,

1 specified digital products, or furnishing services shall not
2 be required to obtain or retain a sales or use tax permit for a
3 place of business at which taxable sales of tangible personal
4 property, specified digital products, or taxable performance of
5 services will not occur.

6 8. The provisions of [subsection 1](#), dealing with the lawful
7 right of a retailer to transact business, as applicable, apply
8 to persons having receipts from furnishing services enumerated
9 in [section 423.2](#), except that a person holding a permit
10 pursuant to [subsection 1](#) shall not be required to obtain any
11 separate sales or use tax permit for the purpose of engaging in
12 business involving the services.

13 Sec. 40. Section 423.40, subsections 1, 2, 3, and 5, Code
14 2022, are amended to read as follows:

15 1. In addition to the sales or use tax or additional sales
16 or use tax, the taxpayer shall pay a penalty as provided in
17 section 421.27. The taxpayer shall also pay interest on the
18 sales or use tax or additional sales or use tax at the rate
19 in effect under [section 421.7](#) for each month counting each
20 fraction of a month as an entire month, computed from the date
21 the ~~semimonthly or monthly tax deposit form or return~~ was
22 required to be filed. The penalty and interest shall be paid
23 to the department and disposed of in the same manner as other
24 receipts under [this subchapter](#). Unpaid penalties and interest
25 may be enforced in the same manner as the taxes imposed by this
26 chapter.

27 2. *a.* Any person who knowingly sells tangible personal
28 property, specified digital products, tickets or admissions
29 to places of amusement and athletic events, or gas, water,
30 electricity, or communication service at retail, or engages in
31 the furnishing of services enumerated in [section 423.2](#), in this
32 state without procuring a permit to collect tax, as provided
33 in [section 423.36](#), or who violates [section 423.24](#) and the
34 officers of any corporation who so act are guilty of a serious
35 misdemeanor.

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

10 3. A person who willfully attempts in any manner to evade
11 any tax imposed by [this chapter](#) or the payment of the tax or
12 a person who makes or causes to be made a false or fraudulent
13 ~~semimonthly or monthly tax deposit form or~~ return with intent
14 to evade any tax imposed by [subchapter II](#) or [III](#) or the payment
15 of the tax is guilty of a class "D" felony.

16 5. A person required to pay sales or use tax, or to make,
17 sign, or file a ~~tax deposit form or~~ return or supplemental
18 return, who willfully makes a false or fraudulent ~~tax deposit~~
19 ~~form or~~ return, or willfully fails to pay at least ninety
20 percent of the tax or willfully fails to make, sign, or file
21 the ~~tax deposit form or~~ return, at the time required by law, is
22 guilty of a fraudulent practice.

23 Sec. 41. Section 423.45, subsection 4, paragraph b, Code
24 2022, is amended to read as follows:

25 *b.* The sales tax liability for all sales of tangible
26 personal property and specified digital products and all sales
27 of services is upon the seller and the purchaser unless the
28 seller takes from the purchaser a valid exemption certificate
29 stating under penalty of perjury that the purchase is for a
30 nontaxable purpose and is not a retail sale as defined in
31 section 423.1, or the seller is not obligated to collect tax
32 due, or unless the seller takes a fuel exemption certificate
33 pursuant to [subsection 5](#). If the tangible personal property,
34 specified digital products, or services are purchased tax free
35 pursuant to a valid exemption certificate and the tangible

1 personal property, specified digital products, or services are
2 used or disposed of by the purchaser in a nonexempt manner, the
3 purchaser is solely liable for the taxes and shall remit the
4 taxes directly to the department and [sections 423.31, 423.32,](#)
5 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) shall apply
6 to the purchaser.

7 Sec. 42. Section 423.45, subsection 5, paragraph c, Code
8 2022, is amended to read as follows:

9 c. The seller may accept a completed fuel exemption
10 certificate, as prepared by the purchaser, for three
11 years unless the purchaser files a new completed exemption
12 certificate. If the fuel is purchased tax free pursuant to a
13 fuel exemption certificate which is taken by the seller, and
14 the fuel is used or disposed of by the purchaser in a nonexempt
15 manner, the purchaser is solely liable for the taxes, and shall
16 remit the taxes directly to the department and [sections 423.31,](#)
17 [423.32, 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#)
18 shall apply to the purchaser.

19 Sec. 43. Section 423.50, subsection 1, Code 2022, is amended
20 to read as follows:

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

28 Sec. 44. Section 423.57, Code 2022, is amended to read as
29 follows:

30 **423.57 Statutes applicable.**

31 The director shall administer [this subchapter](#) as it relates
32 to the taxes imposed in [this chapter](#) in the same manner and
33 subject to all the provisions of, and all of the powers,
34 duties, authority, and restrictions contained in sections
35 423.14, [423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,](#)

1 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,
2 ~~423.32~~, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,
3 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection
4 1, and sections 423.45, 423.46, and 423.47.

5 Sec. 45. Section 423.58, Code 2022, is amended to read as
6 follows:

7 **423.58 Collection, permit, and tax return exemption for**
8 **certain out-of-state businesses.**

9 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,
10 423.31, ~~423.32~~, and 423.36, a person meeting the requirements
11 of section 29C.24 is not required to obtain a sales or use tax
12 permit, collect and remit sales and use tax, or make and file
13 applicable sales or use tax returns, as provided in section
14 29C.24, subsection 3, paragraph "a", subparagraph (2).

15 Sec. 46. Section 423A.6, subsection 4, Code 2022, is amended
16 to read as follows:

17 4. 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, 423.33,
21 423.35, 423.37 through 423.42, and 423.47, consistent with the
22 provisions of this chapter, apply with respect to the taxes
23 authorized under this chapter, in the same manner and with the
24 same effect as if the state and local hotel and motel taxes
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. The director may require all persons who are
30 engaged in the business of deriving any sales price subject
31 to tax under this chapter to register with the department.
32 All taxes collected under this chapter by a retailer, lodging
33 provider, lodging facilitator, lodging platform, or any other
34 person are deemed to be held in trust for the state of Iowa and
35 the local jurisdictions imposing the taxes.

1 Sec. 47. Section 423B.5, subsection 3, Code 2022, is amended
2 to read as follows:

3 3. A tax permit other than the state sales or use tax permit
4 required under [section 423.36](#) shall not be required by local
5 authorities.

6 Sec. 48. Section 423B.6, subsection 2, paragraph c, Code
7 2022, is amended to read as follows:

8 c. Frequency of deposits and ~~quarterly~~ monthly reports of a
9 local sales and services tax with the department of revenue are
10 governed by the tax provisions in [section 423.31](#). Local tax
11 collections shall not be included in computation of the total
12 tax to determine frequency of filing under [section 423.31](#).

13 Sec. 49. Section 423C.4, Code 2022, is amended to read as
14 follows:

15 **423C.4 Administration and enforcement.**

16 All powers and requirements of the director of revenue
17 to administer the state sales tax law under [chapter 423](#) are
18 applicable to the administration of the tax imposed under
19 section 423C.3, including but not limited to section 422.25,
20 subsection 4, [sections 422.30, 422.67, and 422.68](#), section
21 422.69, subsection 1, [sections 422.70 through 422.75](#), section
22 423.14, subsection 1, and [sections 423.15, 423.23, 423.24,](#)
23 [423.25, 423.31, 423.33, 423.35 and 423.37 through 423.42,](#)
24 [423.45, 423.46, and 423.47](#). However, as an exception to the
25 powers specified in [section 423.31](#), the director shall only
26 require the filing of ~~quarterly~~ monthly reports.

27 Sec. 50. Section 423D.4, subsection 3, Code 2022, is amended
28 to read as follows:

29 3. [Section 422.25, subsection 4, sections 422.30, 422.67,](#)
30 [and 422.68, section 422.69, subsection 1, sections 422.70,](#)
31 [422.71, 422.72, 422.74, and 422.75, section 423.14, subsection](#)
32 [1, and sections 423.23, 423.24, 423.25, 423.31 through](#)
33 [423.35, 423.37 through 423.42, and 423.47,](#) consistent with
34 the provisions of [this chapter](#), apply with respect to the tax
35 authorized under [this chapter](#), in the same manner and with the

1 same effect as if the excise taxes on equipment sales or use
2 were retail sales taxes within the meaning of those statutes.
3 Notwithstanding [this subsection](#), the director shall provide
4 for ~~quarterly~~ monthly filing of returns and for other than
5 ~~quarterly~~ monthly filing of returns both as prescribed in
6 section 423.31. All taxes collected under [this chapter](#) by a
7 retailer or any user are deemed to be held in trust for the
8 state of Iowa.

9 Sec. 51. Section 423G.5, subsection 3, Code 2022, is amended
10 to read as follows:

11 3. [Section 422.25, subsection 4, sections 422.30, 422.67,](#)
12 [and 422.68, section 422.69, subsection 1, sections 422.70,](#)
13 [422.71, 422.72, 422.74, and 422.75, section 423.14, subsection](#)
14 [1, and sections 423.23, 423.24, 423.25, 423.31 through](#)
15 [423.35, 423.37 through 423.42, and 423.47,](#) consistent with the
16 provisions of [this chapter](#), shall apply with respect to the tax
17 authorized under [this chapter](#), in the same manner and with the
18 same effect as if the excise taxes on the sale or furnishing of
19 a water service were retail sales taxes within the meaning of
20 those statutes. Notwithstanding [this subsection](#), the director
21 shall provide for ~~quarterly~~ monthly filing of returns and
22 for other than ~~quarterly~~ monthly filing of returns both as
23 prescribed in [section 423.31](#). All taxes collected under this
24 chapter by a retailer or any user are deemed to be held in trust
25 for the state of Iowa.

26 Sec. 52. Section 728.1, subsection 6, Code 2022, is amended
27 to read as follows:

28 6. *“Place of business”* means the premises of a business
29 required to obtain a sales or use tax permit pursuant to
30 chapter 423, the premises of a nonprofit or not-for-profit
31 organization, and the premises of an establishment which is
32 open to the public at large or where entrance is limited by a
33 cover charge or membership requirement.

34 Sec. 53. Section 728.5, subsection 1, unnumbered paragraph
35 1, Code 2022, is amended to read as follows:

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

5 Sec. 54. REPEAL. Section 423.32, Code 2022, is repealed.

6 DIVISION IV

7 DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS AND SCHOOL
8 DISTRICTS

9 Sec. 55. Section 423B.7, subsection 2, paragraph a, Code
10 2022, is amended to read as follows:

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

19 Sec. 56. Section 423B.7, subsection 2, paragraphs b and c,
20 Code 2022, are amended by striking the paragraphs.

21 Sec. 57. Section 423F.2, subsection 4, paragraph a, Code
22 2022, is amended to read as follows:

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

30 Sec. 58. Section 423F.2, subsection 4, paragraphs b and c,
31 Code 2022, are amended by striking the paragraphs.

32 Sec. 59. TRANSITION PROVISION FOR LOCAL OPTION SALES TAX
33 AND SECURING AN ADVANCED VISION FOR EDUCATION — TRANSFER
34 AMOUNTS. Notwithstanding any other provision of law to the
35 contrary, the department of revenue shall estimate monthly

1 local option sales tax and securing an advanced vision for
2 education transfer amounts through the end of the 2022 calendar
3 year. The department of revenue shall transfer estimated
4 amounts to each local government or school district for the
5 months of July, August, and September 2022. Beginning with the
6 October 2022 transfer, the department shall not use estimated
7 amounts and shall transfer the amount of tax attributable to
8 each local government or school district for the tax remitted
9 in September 2022. Any adjustment amount that is necessary to
10 the July, August, or September 2022 estimated transfer amount
11 to reflect the accurate attributable amount shall be made by
12 the department of revenue or the local government or school
13 district by the close of business on December 30, 2022.

14 DIVISION V

15 SALE OF CERTAIN QUALIFIED STOCK — NET CAPITAL GAIN EXCLUSION

16 Sec. 60. Section 422.7, Code 2022, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 63. *a.* Subtract the following percentage
19 of the net capital gain from the sale or exchange of capital
20 stock of a qualified corporation for which an election is made
21 by an employee-owner:

22 (1) For the tax year beginning in the 2023 calendar year,
23 thirty-three percent.

24 (2) For the tax year beginning in the 2024 calendar year,
25 sixty-six percent.

26 (3) For tax years beginning on or after January 1, 2025, one
27 hundred percent.

28 *b.* (1) An employee-owner is entitled to make one
29 irrevocable lifetime election to exclude the net capital gain
30 from the sale or exchange of capital stock of one qualified
31 corporation which capital stock was acquired by the employee-
32 owner while employed and on account of employment by such
33 qualified corporation.

34 (2) The election shall apply to all subsequent sales
35 or exchanges of qualifying capital stock of the elected

1 corporation within fifteen years of the date of the election,
2 provided that the subsequent sales or exchanges were of capital
3 stock in the same qualified corporation and were acquired by
4 the employee-owner while employed and on account of employment
5 by such qualified corporation.

6 (3) The election shall apply to qualifying capital stock
7 that has been transferred by inter vivos gift from the
8 employee-owner to the employee-owner's spouse or to a trust
9 for the benefit of the employee-owner's spouse following the
10 transfer. This subparagraph (3) shall apply to a spouse
11 only if the spouse was married to the employee-owner on the
12 date of the sale or exchange or the date of death of the
13 employee-owner.

14 (4) If the employee-owner dies after having sold or
15 exchanged qualifying capital stock without having made an
16 election under this subsection, the surviving spouse or, if
17 there is no surviving spouse, the personal representative of
18 the employee-owner's estate, may make the election that would
19 have qualified under this subsection.

20 (5) The election shall be made in the manner and form
21 prescribed by the department and shall be included with the
22 taxpayer's state income tax return for the taxable year in
23 which the election is made.

24 *c.* For purposes of this subsection:

25 (1) "*Capital stock*" means common or preferred stock, either
26 voting or nonvoting. "*Capital stock*" does not include stock
27 rights, stock warrants, stock options, or debt securities.

28 (2) "*Employee-owner*" means an individual who owns capital
29 stock in a qualified corporation for at least ten years, which
30 capital stock was acquired by the individual while employed and
31 on account of employment by such corporation for at least ten
32 cumulative years.

33 (3) "*Personal representative*" means the same as defined in
34 section 633.3, or if there is no such personal representative
35 appointed, then the person legally authorized to perform

1 substantially the same functions.

2 (4) (a) "*Qualified corporation*" means, with respect to an
3 employee-owner, a corporation which, at the time of the first
4 sale or exchange for which an election is made by the employee-
5 owner under this subsection, meets all of the following
6 conditions:

7 (i) The corporation employed individuals in this state for
8 at least ten years.

9 (ii) The corporation has had at least five shareholders for
10 the ten years prior to the first sale or exchange under this
11 subsection.

12 (iii) The corporation has had at least two shareholders or
13 groups of shareholders who are not related for the ten years
14 prior to the first sale or exchange under this subsection.

15 Two persons are considered related when, under section 318 of
16 the Internal Revenue Code, one is a person who owns, directly
17 or indirectly, capital stock that if directly owned would be
18 attributed to the other person, or is the brother, sister,
19 aunt, uncle, cousin, niece, or nephew of the other person who
20 owns capital stock either directly or indirectly.

21 (b) "*Qualified corporation*" includes any member of an Iowa
22 affiliated group if the Iowa affiliated group includes a member
23 that has employed individuals in this state for at least ten
24 years. For purposes of this subparagraph division, "*Iowa*
25 *affiliated group*" means an affiliated group that has made a
26 valid election to file an Iowa consolidated income tax return
27 under section 422.37 in the year in which the deduction under
28 this subsection is claimed. "*Member*" includes any entity
29 included in the consolidated return under section 422.37,
30 subsection 2, for the tax year in which the deduction is
31 claimed.

32 (c) "*Qualified corporation*" also includes any corporation
33 that was a party to a reorganization that was entirely or
34 substantially tax free if such reorganization occurred during
35 or after the employment of the employee-owner.

1 Sec. 61. EFFECTIVE DATE. This division of this Act takes
2 effect January 1, 2023.

3 Sec. 62. APPLICABILITY. This division of this Act applies
4 to tax years beginning on or after January 1, 2023.

5 DIVISION VI

6 RETIRED FARMER LEASE INCOME EXCLUSION

7 Sec. 63. Section 422.7, Code 2022, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 21A. *a.* Subtract, to the extent included,
10 net income received by an eligible individual pursuant to a
11 farm tenancy agreement covering real property held by the
12 eligible individual for ten or more years, if the eligible
13 individual materially participated in a farming business for
14 ten or more years.

15 *b.* An individual who elects to exclude income received
16 pursuant to a farm tenancy agreement under this subsection
17 shall not claim any of the following in the tax year in which
18 the election is made or in any succeeding year:

19 (1) The capital gain exclusion under section 422.7,
20 subsection 21.

21 (2) The beginning farmer tax credit under section 422.11E.

22 *c.* Married individuals who file separate state income tax
23 returns shall allocate their combined annual exclusion limit
24 to each spouse in the proportion that each spouse's respective
25 net income from a farm tenancy agreement bears to the total net
26 income from a farm tenancy agreement.

27 *d.* The department shall establish criteria, by rule,
28 relating to whether and how a surviving spouse may claim the
29 income exclusion for which a deceased eligible individual would
30 have been eligible under this subsection.

31 *e.* Net income from a farm tenancy agreement earned,
32 received, or reported by an entity taxed as a partnership
33 for federal tax purposes, an S corporation, or a trust or
34 estate is not eligible for the election and deduction in this
35 subsection, even if such net income ultimately passes through

1 to an eligible individual.

2 *f.* For purposes of this subsection:

3 (1) "*Eligible individual*" means an individual who is
4 disabled or who is fifty-five years of age or older at the time
5 the election is made, who no longer materially participates in
6 a farming business at the time the election is made, and who,
7 as an owner-lessor, is party to a farm tenancy agreement.

8 (2) "*Farm tenancy agreement*" means a written agreement
9 outlining the rights and obligations of an owner-lessor and a
10 tenant-lessee where the tenant-lessee has a farm tenancy as
11 defined in section 562.1A. A "*farm tenancy agreement*" includes
12 cash leases, crop share leases, or livestock share leases.

13 (3) "*Farming business*" means the production, care, growing,
14 harvesting, preservation, handling, or storage of crops
15 or forest or fruit trees; the production, care, feeding,
16 management, and housing of livestock; or horticulture, all
17 intended for profit.

18 (4) "*Livestock*" means the same as defined in section 717.1.

19 (5) "*Materially participated*" means the same as "*material*
20 *participation*" in section 469(h) of the Internal Revenue Code.

21 Sec. 64. EFFECTIVE DATE. This division of this Act takes
22 effect January 1, 2023.

23 Sec. 65. APPLICABILITY. This division of this Act applies
24 to tax years beginning on or after January 1, 2023.

25 DIVISION VII

26 RETIRED FARMER CAPITAL GAIN EXCLUSION

27 Sec. 66. Section 422.7, subsection 21, Code 2022, is amended
28 by striking the subsection and inserting in lieu thereof the
29 following:

30 21. *a.* For purposes of this subsection:

31 (1) "*Farming business*" means the production, care, growing,
32 harvesting, preservation, handling, or storage of crops
33 or forest or fruit trees; the production, care, feeding,
34 management, and housing of livestock; or horticulture, all for
35 intended profit.

1 (2) "*Held*" shall be determined with reference to the holding
2 period provisions of section 1223 of the Internal Revenue Code
3 and the federal regulations pursuant thereto.

4 (3) "*Livestock*" means the same as defined in section 717.1.

5 (4) "*Materially participated*" means the same as "*material*
6 *participation*" in section 469(h) of the Internal Revenue Code.

7 (5) (a) "*Real property used in a farming business*" means
8 all tracts of land and the improvements and structures located
9 on such tracts which are in good faith used primarily for
10 a farming business. Buildings which are primarily used or
11 intended for human habitation are deemed to be used in a
12 farming business when the building is located on or adjacent
13 to the parcel used in the farming business. Land and the
14 nonresidential improvements and structures located on such land
15 that shall be considered to be used primarily in a farming
16 business include but are not limited to land, improvements
17 or structures used for the storage or maintenance of farm
18 machinery or equipment, for the drying, storage, handling,
19 or preservation of agricultural crops, or for the storage of
20 farm inputs, feed, or manure. Real property used in a farming
21 business shall also include woodland, wasteland, pastureland,
22 and idled land used for the conservation of natural resources
23 including soil and water.

24 (b) Real property classified as agricultural property for
25 Iowa property tax purposes, except real property described
26 in section 441.21, subsection 12, paragraph "a" or "b",
27 shall be presumed to be real property used in a farming
28 business. This presumption is rebuttable by the department by
29 a preponderance of evidence that the real property did not meet
30 the requirements of subparagraph division (a).

31 (6) "*Relative*" means a person that satisfies one or more of
32 the following conditions:

33 (a) The individual is related to the taxpayer by
34 consanguinity or affinity within the second degree as
35 determined by common law.

1 (b) The individual is a lineal descendent of the taxpayer.
2 For purposes of this subparagraph division, "*lineal descendent*"
3 means children of the taxpayer, including legally adopted
4 children and biological children, stepchildren, grandchildren,
5 great-grandchildren, and any other lineal descendent of the
6 taxpayer.

7 (c) An entity in which an individual who satisfies the
8 conditions of either subparagraph division (a) or (b) has a
9 legal or equitable interest as an owner, member, partner, or
10 beneficiary.

11 (7) "*Retired farmer*" means an individual who is disabled
12 or who is fifty-five years of age or older and who no longer
13 materially participates in a farming business when an exclusion
14 and deduction is claimed under this subsection.

15 b. Subtract the net capital gain from the sale of real
16 property used in a farming business if one of the following
17 conditions are satisfied:

18 (1) The taxpayer has materially participated in a farming
19 business for a minimum of ten years and has held the real
20 property used in a farming business for a minimum of ten years.
21 If the taxpayer is a retired farmer, the taxpayer is considered
22 to meet the material participation requirement if the taxpayer
23 materially participated in a farming business for ten years or
24 more in the aggregate, prior to making an election under this
25 subsection.

26 (2) The taxpayer has held the real property used in a
27 farming business which is sold to a relative of the taxpayer.

28 c. For a taxpayer who is a retired farmer, subtract the
29 net capital gain from the sale of cattle or horses held by
30 the taxpayer for breeding, draft, dairy, or sporting purposes
31 for a period of twenty-four months or more from the date of
32 acquisition; but only if the taxpayer materially participated
33 in the farming business for five of the eight years preceding
34 the farmer's retirement or disability and who has sold all or
35 substantially all of the taxpayer's interest in the farming

1 business by the time the election under this paragraph is made.

2 *d.* For a taxpayer who is a retired farmer, subtract the net
3 capital gain from the sale of breeding livestock, other than
4 cattle and horses, if the livestock is held by the taxpayer for
5 a period of twelve months or more from the date of acquisition;
6 but only if the taxpayer materially participated in the farming
7 business for five of the eight years preceding the farmer's
8 retirement or disability and who has sold all or substantially
9 all of the taxpayer's interest in the farming business by the
10 time the election under this paragraph is made.

11 *e.* A taxpayer who is a retired farmer may make, subject to
12 the limitations described in paragraphs "*f*" and "*g*", a single,
13 lifetime election to exclude all qualifying capital gains under
14 paragraphs "*b*", "*c*", and "*d*".

15 *f.* A taxpayer who is a retired farmer who elects to exclude
16 capital gains under paragraph "*b*", "*c*", or "*d*" shall not claim
17 the beginning farmer tax credit under section 422.11E or the
18 exclusion for net income received pursuant to a farm tenancy
19 agreement in section 422.7, subsection 21A, in the tax year in
20 which this election is made or in any subsequent year.

21 *g.* A taxpayer who is a retired farmer who claims the
22 beginning farmer tax credit under section 422.11E shall not,
23 in the same year, make an election under this subsection. A
24 taxpayer who is a retired farmer and who elects to exclude
25 the net income received from a farm tenancy agreement under
26 section 422.7, subsection 21A, shall not, in the same tax year
27 or in any subsequent tax year, make the election under this
28 subsection.

29 *h.* Married individuals who file separate state income tax
30 returns shall allocate their combined annual net capital gain
31 exclusion under paragraphs "*b*", "*c*", and "*d*" to each spouse in
32 the proportion that each spouse's respective net capital gain
33 bears to the total net capital gain.

34 *i.* The department shall establish criteria, by rule,
35 relating to whether and how a surviving spouse may claim the

1 income exclusion for which a deceased retired farmer would have
2 been eligible under this subsection.

3 Sec. 67. REPEAL. 2018 Iowa Acts, chapter 1161, section 113,
4 is repealed.

5 Sec. 68. REPEAL. 2019 Iowa Acts, chapter 162, section 1,
6 is repealed.

7 Sec. 69. EFFECTIVE DATE. This division of this Act takes
8 effect January 1, 2023.

9 Sec. 70. APPLICABILITY.

10 1. This division of this Act applies to tax years beginning
11 on or after January 1, 2023.

12 2. This division of this Act applies to sales consummated on
13 or after the effective date of this division of this Act, and
14 sales consummated prior to the effective date of this division
15 of this Act shall be governed by the law as it existed prior to
16 the effective date of this division of this Act.

17 DIVISION VIII

18 INDIVIDUAL INCOME TAX RATES — PHASE IN

19 Sec. 71. Section 422.5, subsection 3, paragraph b, Code
20 2022, is amended to read as follows:

21 *b.* (1) In lieu of the computation in subsection 1 or
22 2, or in paragraph "a" of [this subsection](#), if the married
23 persons', ~~filing jointly or filing separately on a combined~~
24 ~~return~~, head of household's, or surviving spouse's net income
25 exceeds thirteen thousand five hundred dollars, the regular
26 tax imposed under [this subchapter](#) shall be the lesser of the
27 ~~maximum~~ alternate state individual income tax rate specified in
28 subparagraph (2) times the portion of the net income in excess
29 of thirteen thousand five hundred dollars or the regular tax
30 liability computed without regard to this sentence. Taxpayers
31 electing to file separately shall compute the alternate tax
32 described in this paragraph using the total net income of the
33 ~~husband and wife~~ spouses. The alternate tax described in this
34 paragraph does not apply if one spouse elects to carry back or
35 carry forward the loss as provided in section 422.9, subsection

1 3.

2 (2) (a) (i) For the tax year beginning on or after January
3 1, 2023, but before January 1, 2024, the alternate tax rate is
4 6.00 percent.

5 (ii) For the tax year beginning on or after January 1, 2024,
6 but before January 1, 2025, the alternate tax rate is 5.70
7 percent.

8 (iii) For the tax year beginning on or after January 1,
9 2025, but before January 1, 2026, the alternate tax rate is
10 5.20 percent.

11 (iv) For the tax year beginning on or after January 1, 2026,
12 but before January 1, 2027, the alternate tax rate is 4.35
13 percent.

14 (b) For tax years beginning on or after January 1, 2027,
15 the alternate tax rate shall be one-half of one percent higher
16 than the maximum individual income tax rate unless the maximum
17 individual rate is zero, and in such a case the alternate tax
18 rate shall be zero.

19 Sec. 72. Section 422.5, subsection 3B, paragraph b, Code
20 2022, is amended to read as follows:

21 *b.* (1) In lieu of the computation in subsection 1, 2, or 3,
22 if the married persons', ~~filing jointly or filing separately on~~
23 ~~a combined return,~~ head of household's, or surviving spouse's
24 net income exceeds thirty-two thousand dollars, the regular
25 tax imposed under this subchapter shall be the lesser of the
26 ~~maximum~~ alternate state individual income tax rate specified in
27 subparagraph (2) times the portion of the net income in excess
28 of thirty-two thousand dollars or the regular tax liability
29 computed without regard to this sentence. Taxpayers electing
30 to file separately shall compute the alternate tax described in
31 this paragraph using the total net income of the ~~husband and~~
32 ~~wife~~ spouses. The alternate tax described in this paragraph
33 does not apply if one spouse elects to carry back or carry
34 forward the loss as provided in section 422.9, subsection 3.

35 (2) (a) (i) For the tax year beginning on or after January

1 1, 2023, but before January 1, 2024, the alternate tax rate is
2 6.00 percent.

3 (ii) For the tax year beginning on or after January 1, 2024,
4 but before January 1, 2025, the alternate tax rate is 5.70
5 percent.

6 (iii) For the tax year beginning on or after January 1,
7 2025, but before January 1, 2026, the alternate tax rate is
8 5.20 percent.

9 (iv) For the tax year beginning on or after January 1, 2026,
10 but before January 1, 2027, the alternate tax rate is 4.35
11 percent.

12 (b) For tax years beginning on or after January 1, 2027,
13 the alternate tax rate shall be one-half of one percent higher
14 than the maximum individual income tax rate unless the maximum
15 individual rate is zero, and in such a case the alternate tax
16 rate shall be zero.

17 Sec. 73. Section 422.5, subsection 6, Code 2022, is amended
18 to read as follows:

19 6. a. Upon determination of the latest cumulative inflation
20 factor, the director shall multiply each dollar amount set
21 forth in [section 422.5A](#) by this cumulative inflation factor,
22 shall round off the resulting product to the nearest one
23 dollar, and shall incorporate the result into the income tax
24 forms and instructions for each tax year.

25 b. This subsection is repealed on January 1, 2026.

26 Sec. 74. Section 422.5A, Code 2022, is amended by striking
27 the section and inserting in lieu thereof the following:

28 **422.5A Tax rates.**

29 1. The tax imposed in section 422.5 shall be calculated
30 using the following rates in the following tax years in the
31 case of married persons filing jointly:

32 a. For the tax year beginning on or after January 1, 2023,
33 but before January 1, 2024:

34 (1) On taxable income from 0 through \$12,000, the rate of
35 4.40 percent.

1 (2) On taxable income exceeding \$12,000 but not exceeding
2 \$60,000, the rate of 4.82 percent.

3 (3) On taxable income exceeding \$60,000 but not exceeding
4 \$150,000, the rate of 5.70 percent.

5 (4) On taxable income exceeding \$150,000, the rate of 6.00
6 percent.

7 *b.* For the tax year beginning on or after January 1, 2024,
8 but before January 1, 2025:

9 (1) On taxable income from 0 through \$12,000, the rate of
10 4.40 percent.

11 (2) On taxable income exceeding \$12,000 but not exceeding
12 \$60,000, the rate of 4.82 percent.

13 (3) On taxable income exceeding \$60,000, the rate of 5.70
14 percent.

15 *c.* For the tax year beginning on or after January 1, 2025,
16 but before January 1, 2026:

17 (1) On taxable income from 0 through \$12,000, the rate of
18 4.40 percent.

19 (2) On taxable income exceeding \$12,000, the rate of 4.82
20 percent.

21 2. The tax imposed in section 422.5 shall be calculated
22 using the following rates in the following tax years in the
23 case of any other taxpayer other than married persons filing
24 jointly:

25 *a.* For the tax year beginning on or after January 1, 2023,
26 but before January 1, 2024:

27 (1) On taxable income from 0 through \$6,000, the rate of
28 4.40 percent.

29 (2) On taxable income exceeding \$6,000 but not exceeding
30 \$30,000, the rate of 4.82 percent.

31 (3) On taxable income exceeding \$30,000 but not exceeding
32 \$75,000, the rate of 5.70 percent.

33 (4) On taxable income exceeding \$75,000, the rate of 6.00
34 percent.

35 *b.* For the tax year beginning on or after January 1, 2024,

1 but before January 1, 2025:

2 (1) On taxable income from 0 through \$6,000, the rate of
3 4.40 percent.

4 (2) On taxable income exceeding \$6,000 but not exceeding
5 \$30,000, the rate of 4.82 percent.

6 (3) On taxable income exceeding \$30,000, the rate of 5.70
7 percent.

8 c. For the tax year beginning on or after January 1, 2025,
9 but before January 1, 2026:

10 (1) On taxable income from 0 through \$6,000, the rate of
11 4.40 percent.

12 (2) On taxable income exceeding \$6,000, the rate of 4.82
13 percent.

14 Sec. 75. REPEAL. 2018 Iowa Acts, chapter 1161, section 107,
15 is repealed.

16 Sec. 76. EFFECTIVE DATE. This division of this Act takes
17 effect January 1, 2023.

18 Sec. 77. APPLICABILITY. This division of this Act applies
19 to tax years beginning on or after January 1, 2023.

20 DIVISION IX

21 INDIVIDUAL INCOME TAX — FLAT RATE — CONTINGENT ELIMINATION

22 Sec. 78. Section 421.27, subsection 9, paragraph a,
23 subparagraph (3), Code 2022, is amended to read as follows:

24 (3) In the case of all other entities, including
25 corporations described in [section 422.36, subsection 5](#), and all
26 other entities required to file an information return under
27 section 422.15, subsection 2, the entity's Iowa net income
28 after the application of the Iowa business activity ratio,
29 if applicable, multiplied by the ~~top~~ income tax rate imposed
30 under [section 422.5A 422.5](#) for the tax year, less any Iowa tax
31 credits available to the entity.

32 Sec. 79. Section 422.5, subsection 1, paragraph a, Code
33 2022, is amended to read as follows:

34 a. (1) A tax is imposed upon every resident and nonresident
35 of the state which tax shall be levied, collected, and paid

1 annually upon and with respect to the entire taxable income
2 as defined in this subchapter at ~~rates as provided in section~~
3 422.5A a rate of three and eighty-five hundredths percent for
4 the tax year beginning January 1, 2026, but before January 1,
5 2027, and at a rate of three and six-tenths percent for tax
6 years beginning on or after January 1, 2027.

7 (2) (a) Notwithstanding the rate in subparagraph (1), the
8 department of revenue shall determine the individual income
9 tax rate as provided in this subparagraph. The tax rate in
10 subparagraph (1) shall remain in effect until the rate is
11 adjusted pursuant to this subparagraph. A rate adjusted in
12 this subparagraph shall remain in effect until the rate is
13 adjusted again pursuant to this subparagraph.

14 (b) By November 1, 2029, and by November 1 each year
15 thereafter, until the individual income tax rate equals zero,
16 the department of management shall determine the amount of
17 moneys available in the individual income tax elimination fund
18 in section 8.57E, and the net individual income tax receipts
19 at the close of the preceding fiscal year. The department of
20 revenue shall adjust and apply a new rate based upon the amount
21 of moneys available in the individual income tax elimination
22 fund as provided in subparagraph division (c).

23 (c) (i) The rate shall be adjusted in such a way that the
24 rate would have generated an amount equal to the net receipts
25 generated from the rate in the preceding fiscal year less the
26 amount available in the individual income tax elimination
27 fund in section 8.57E that is used in the calculation in this
28 subparagraph division.

29 (ii) The rate shall not be adjusted unless the rate is able
30 to be adjusted at least one-tenth of one percent. The rate,
31 when adjusted, shall be rounded down to the nearest one-tenth
32 of one percent.

33 (iii) If a determination is made by the department of
34 revenue that the rate is subject to adjustment, the department
35 of revenue shall adjust the rate specified in subparagraph

1 (1), or if the rate has been previously adjusted, adjust the
2 previously adjusted rate.

3 (d) If an adjustment is made pursuant to subparagraph
4 division (c), the amount of moneys in the individual income
5 tax elimination fund used in the calculation in subparagraph
6 division (c) shall be transferred to the general fund of the
7 state in the fiscal year the rate is adjusted.

8 (e) If a rate is adjusted pursuant to subparagraph division
9 (c), the director of revenue shall cause an advisory notice
10 containing the new individual income tax rate to be published
11 in the Iowa administrative bulletin and on the internet site
12 of the department of revenue. The calculation and publication
13 of the adjusted tax rate by the director of revenue is exempt
14 from chapter 17A, and shall be submitted for publication by the
15 first December 31 following the determination date to adjust
16 the rate.

17 Sec. 80. Section 422.16B, subsection 2, paragraph a, Code
18 2022, is amended to read as follows:

19 a. (1) A pass-through entity shall file a composite return
20 on behalf of all nonresident members and shall report and pay
21 the income or franchise tax imposed under [this chapter](#) at the
22 maximum state income or franchise tax rate applicable to the
23 member under [section 422-5A 422.5](#), [422.33](#), or [422.63](#) on the
24 nonresident members' distributive shares of the income from the
25 pass-through entity.

26 (2) The tax rate applicable to a tiered pass-through entity
27 shall be the ~~maximum~~ state income tax rate under [section 422-5A](#)
28 [422.5](#).

29 Sec. 81. Section 422.25A, subsection 5, paragraph c,
30 subparagraphs (3), (4), and (5), Code 2022, are amended to read
31 as follows:

32 (3) Determine the total distributive share of all final
33 federal partnership adjustments and positive reallocation
34 adjustments as modified by [this title](#) that are reported to
35 nonresident individual partners and nonresident fiduciary

1 partners and allocate and apportion such adjustments as
2 provided in [section 422.33](#) at the partnership or tiered
3 partner level, and multiply the resulting amount by the ~~maximum~~
4 individual income tax rate pursuant to [section 422.5A 422.5](#) for
5 the reviewed year.

6 (4) For the total distributive share of all final federal
7 partnership adjustments and positive reallocation adjustments
8 as modified by [this title](#) that are reported to tiered partners:

9 (a) Determine the amount of such adjustments which are of a
10 type that would be subject to sourcing to Iowa under section
11 422.8, subsection 2, paragraph "a", as a nonresident, and then
12 determine the portion of this amount that would be sourced to
13 Iowa under those provisions as if the tiered partner were a
14 nonresident.

15 (b) Determine the amount of such adjustments which are of
16 a type that would not be subject to sourcing to Iowa under
17 section 422.8, subsection 2, paragraph "a", as a nonresident.

18 (c) Determine the portion of the amount in subparagraph
19 division (b) that can be established, as prescribed by the
20 department by rule, to be properly allocable to indirect
21 partners that are nonresident partners or other partners not
22 subject to tax on the adjustments.

23 (d) Multiply the total of the amounts determined in
24 subparagraph divisions (a) and (b), reduced by any amount
25 determined in subparagraph division (c), by the ~~highest~~
26 individual income tax rate pursuant to [section 422.5A 422.5](#) for
27 the reviewed year.

28 (5) For the total distributive share of all final federal
29 partnership adjustments and positive reallocation adjustments
30 as modified by [this title](#) that are reported to resident
31 individual partners and resident fiduciary partners, multiply
32 that amount by the ~~highest~~ individual income tax rate pursuant
33 to [section 422.5A 422.5](#) for the reviewed year.

34 Sec. 82. EFFECTIVE DATE. This division of this Act takes
35 effect January 1, 2026.

1 Sec. 83. APPLICABILITY. This division of this Act applies
2 to tax years beginning on or after January 1, 2026.

3 DIVISION X

4 RETIREMENT INCOME

5 Sec. 84. Section 422.5, subsection 3, paragraph a, Code
6 2022, is amended to read as follows:

7 a. The tax shall not be imposed on a resident or nonresident
8 whose net income, as defined in [section 422.7](#), is thirteen
9 thousand five hundred dollars or less in the case of married
10 persons filing jointly or filing separately on a combined
11 return, heads of household, and surviving spouses or nine
12 thousand dollars or less in the case of all other persons; but
13 in the event that the payment of tax under [this subchapter](#)
14 would reduce the net income to less than thirteen thousand five
15 hundred dollars or nine thousand dollars as applicable, then
16 the tax shall be reduced to that amount which would result
17 in allowing the taxpayer to retain a net income of thirteen
18 thousand five hundred dollars or nine thousand dollars as
19 applicable. The preceding sentence does not apply to estates
20 or trusts. For the purpose of [this subsection](#), the entire net
21 income, including any part of the net income not allocated
22 to Iowa, shall be taken into account. ~~For purposes of this~~
23 ~~subsection, net income includes all amounts of pensions or~~
24 ~~other retirement income, except for military retirement pay~~
25 ~~excluded under [section 422.7, subsection 31A](#), paragraph "a", or~~
26 ~~[section 422.7, subsection 31B](#), paragraph "a", received from any~~
27 ~~source which is not taxable under [this subchapter](#) as a result~~
28 ~~of the government pension exclusions in [section 422.7](#), or any~~
29 ~~other state law.~~ If the combined net income of a husband and
30 wife exceeds thirteen thousand five hundred dollars, neither
31 of them shall receive the benefit of [this subsection](#), and it
32 is immaterial whether they file a joint return or separate
33 returns. However, if a husband and wife file separate returns
34 and have a combined net income of thirteen thousand five
35 hundred dollars or less, neither spouse shall receive the

1 benefit of this paragraph, if one spouse has a net operating
2 loss and elects to carry back or carry forward the loss as
3 provided in [section 422.9, subsection 3](#). A person who is
4 claimed as a dependent by another person as defined in section
5 422.12 shall not receive the benefit of [this subsection](#) if
6 the person claiming the dependent has net income exceeding
7 thirteen thousand five hundred dollars or nine thousand dollars
8 as applicable or the person claiming the dependent and the
9 person's spouse have combined net income exceeding thirteen
10 thousand five hundred dollars or nine thousand dollars as
11 applicable.

12 Sec. 85. Section 422.5, subsection 3B, paragraph a, Code
13 2022, is amended to read as follows:

14 a. The tax shall not be imposed on a resident or nonresident
15 who is at least sixty-five years old on December 31 of
16 the tax year and whose net income, as defined in section
17 422.7, is thirty-two thousand dollars or less in the case
18 of married persons filing jointly or filing separately on a
19 combined return, heads of household, and surviving spouses or
20 twenty-four thousand dollars or less in the case of all other
21 persons; but in the event that the payment of tax under this
22 subchapter would reduce the net income to less than thirty-two
23 thousand dollars or twenty-four thousand dollars as applicable,
24 then the tax shall be reduced to that amount which would result
25 in allowing the taxpayer to retain a net income of thirty-two
26 thousand dollars or twenty-four thousand dollars as applicable.
27 The preceding sentence does not apply to estates or trusts.
28 For the purpose of [this subsection](#), the entire net income,
29 including any part of the net income not allocated to Iowa,
30 shall be taken into account. ~~For purposes of [this subsection](#),~~
31 ~~net income includes all amounts of pensions or other retirement~~
32 ~~income, except for military retirement pay excluded under~~
33 ~~[section 422.7, subsection 31A](#), paragraph "a", or section 422.7,~~
34 ~~subsection 31B, paragraph "a", received from any source which is~~
35 ~~not taxable under [this subchapter](#) as a result of the government~~

1 ~~pension exclusions in section 422.7, or any other state law.~~
2 If the combined net income of a husband and wife exceeds
3 thirty-two thousand dollars, neither of them shall receive the
4 benefit of this subsection, and it is immaterial whether they
5 file a joint return or separate returns. However, if a husband
6 and wife file separate returns and have a combined net income
7 of thirty-two thousand dollars or less, neither spouse shall
8 receive the benefit of this paragraph, if one spouse has a net
9 operating loss and elects to carry back or carry forward the
10 loss as provided in section 422.9, subsection 3. A person
11 who is claimed as a dependent by another person as defined in
12 section 422.12 shall not receive the benefit of this subsection
13 if the person claiming the dependent has net income exceeding
14 thirty-two thousand dollars or twenty-four thousand dollars
15 as applicable or the person claiming the dependent and the
16 person's spouse have combined net income exceeding thirty-two
17 thousand dollars or twenty-four thousand dollars as applicable.

18 Sec. 86. Section 422.7, subsection 31, Code 2022, is amended
19 to read as follows:

20 31. a. ~~For a person who is disabled, or is fifty-five years~~
21 ~~of age or older, or is the surviving spouse of an individual or~~
22 ~~a survivor having an insurable interest in an individual who~~
23 ~~would have qualified for the exemption under this subsection~~
24 ~~for the tax year, subtract Subtract, to the extent included,~~
25 ~~the total amount of received from a governmental or other~~
26 ~~pension or retirement pay plan, including, but not limited~~
27 ~~to, defined benefit or defined contribution plans, annuities,~~
28 ~~individual retirement accounts, plans maintained or contributed~~
29 ~~to by an employer, or maintained or contributed to by a~~
30 ~~self-employed person as an employer, and deferred compensation~~
31 ~~plans or any earnings attributable to the deferred compensation~~
32 ~~plans, up to a maximum of six thousand dollars for a person,~~
33 ~~other than a husband or wife, who files a separate state income~~
34 ~~tax return and up to a maximum of twelve thousand dollars~~
35 ~~for a husband and wife who file a joint state income tax~~

1 ~~return. However, a surviving spouse who is not disabled or~~
2 ~~fifty-five years of age or older can only exclude the amount~~
3 ~~of pension or retirement pay received as a result of the death~~
4 ~~of the other spouse. A husband and wife filing separate state~~
5 ~~income tax returns or separately on a combined state return~~
6 ~~are allowed a combined maximum exclusion under this subsection~~
7 ~~of up to twelve thousand dollars. The twelve thousand dollar~~
8 ~~exclusion shall be allocated to the husband or wife in the~~
9 ~~proportion that each spouse's respective pension and retirement~~
10 ~~pay received bears to total combined pension and retirement~~
11 ~~pay received received by a person who is disabled, or is~~
12 fifty-five years of age or older, or is the surviving spouse of
13 an individual or is a survivor having an insurable interest in
14 an individual who would have qualified for the exemption under
15 this subsection for the tax year.

16 b. Married taxpayers who file separate state income tax
17 returns shall allocate their combined annual exclusion amount
18 to each spouse in the proportion that each spouse's respective
19 income received from a pension or retirement plan bears to the
20 total combined pension or retirement pay received.

21 c. A taxpayer who is not disabled or fifty-five years of
22 age or older and who receives pension or retirement pay as a
23 surviving spouse or as a survivor with an insurable interest
24 in an individual who would have qualified for the exemption
25 for the tax year may only exclude the amount received from a
26 pension or retirement plan in the tax year as a result of the
27 death of the decedent.

28 Sec. 87. EFFECTIVE DATE. This division of this Act takes
29 effect January 1, 2023.

30 Sec. 88. APPLICABILITY. This division of this Act applies
31 to tax years beginning on or after January 1, 2023.

32 DIVISION XI

33 CORPORATE INCOME TAX

34 Sec. 89. Section 422.33, subsection 1, paragraphs a, b, c,
35 and d, Code 2022, are amended to read as follows:

1 percent.

2 (b) On taxable income between one hundred thousand dollars
3 and two hundred fifty thousand dollars, or any part thereof,
4 the rate of nine percent.

5 (c) On taxable income of two hundred fifty thousand dollars
6 or more, the rate of nine and eight-tenths percent.

7 (2) For the tax year beginning on or after January 1, 2024,
8 but before January 1, 2025:

9 (a) On taxable income from zero through one hundred thousand
10 dollars, or any part thereof, the rate of five and one-half
11 percent.

12 (b) On taxable income between one hundred thousand dollars
13 and two hundred fifty thousand dollars, or any part thereof,
14 the rate of nine percent.

15 (c) On taxable income of two hundred fifty thousand dollars
16 or more, the rate of nine and four-tenths percent.

17 (3) For the tax year beginning on or after January 1, 2025,
18 but before January 1, 2026:

19 (a) On taxable income from zero through one hundred thousand
20 dollars, or any part thereof, the rate of five and one-half
21 percent.

22 (b) On taxable income exceeding one hundred thousand
23 dollars, the rate of nine percent.

24 (4) For the tax year beginning on or after January 1, 2026,
25 but before January 1, 2027:

26 (a) On taxable income from zero through one hundred thousand
27 dollars, or any part thereof, the rate of five and four-tenths
28 percent.

29 (b) On taxable income exceeding one hundred thousand
30 dollars, the rate of eight and six-tenths percent.

31 (5) For the tax year beginning on or after January 1, 2027,
32 but before January 1, 2028:

33 (a) On taxable income from zero through one hundred thousand
34 dollars, or any part thereof, the rate of five and four-tenths
35 percent.

1 (b) On taxable income exceeding one hundred thousand
2 dollars, the rate of eight and two-tenths percent.

3 b. For tax years beginning on or after January 1, 2028, a
4 tax is imposed annually upon each corporation doing business
5 in this state, or deriving income from sources within this
6 state, in an amount computed by applying the following rates of
7 taxation to the net income received by the corporation during
8 the income year:

9 (1) On taxable income from zero through one hundred thousand
10 dollars, or any part thereof, the rate of five and three-tenths
11 percent.

12 (2) On taxable income exceeding one hundred thousand
13 dollars, the rate of seven and eight-tenths percent.

14 Sec. 91. EFFECTIVE DATE. This division of this Act takes
15 effect January 1, 2024.

16 DIVISION XIII

17 FRANCHISE TAX

18 Sec. 92. Section 422.63, Code 2022, is amended to read as
19 follows:

20 **422.63 Amount of tax.**

21 1. The franchise tax is imposed annually in an amount equal
22 to ~~five~~ the percent specified in subsection 2 of the net income
23 received or accrued during the taxable year. If the net income
24 of the financial institution is derived from its business
25 carried on entirely within the state, the tax shall be imposed
26 on the entire net income, but if the business is carried on
27 partly within and partly without the state, the portion of net
28 income reasonably attributable to the business within the state
29 shall be specifically allocated or equitably apportioned within
30 and without the state under rules of the director.

31 2. a. For tax years beginning prior to January 1, 2023,
32 five percent.

33 b. For tax years beginning on or after January 1, 2023, but
34 before January 1, 2024, four and four-fifths percent.

35 c. For tax years beginning on or after January 1, 2024, but

1 before January 1, 2025, four and three-fifths percent.

2 d. For tax years beginning on or after January 1, 2025, but
3 before January 1, 2026, four and two-fifths percent.

4 e. For tax years beginning on or after January 1, 2026, but
5 before January 1, 2027, four and one-fifth percent.

6 f. For tax years beginning on or after January 1, 2027, four
7 percent.

8 DIVISION XIV

9 INSURANCE PREMIUM TAX

10 Sec. 93. Section 432.1, subsection 2, Code 2022, is amended
11 to read as follows:

12 2. The "*applicable percent*" for purposes of [subsection 1](#) of
13 this section and [section 432.2](#) is the following:

14 a. For calendar years beginning before the 2003 calendar
15 year, two percent.

16 b. For the 2003 calendar year, one and three-fourths
17 percent.

18 c. For the 2004 calendar year, one and one-half percent.

19 d. For the 2005 calendar year, one and one-fourth percent.

20 e. For the 2006 ~~and subsequent~~ calendar years year through
21 the 2022 calendar year, one percent.

22 f. For the 2023 calendar year, ninety-five hundredths of one
23 percent.

24 g. For the 2024 and subsequent calendar years, nine-tenths
25 of one percent.

26 Sec. 94. Section 432.1, subsection 4, Code 2022, is amended
27 to read as follows:

28 4. The "*applicable percent*" for purposes of [subsection 3](#) is
29 the following:

30 a. For calendar years beginning before the 2004 calendar
31 year, two percent.

32 b. For the 2004 calendar year, one and three-fourths
33 percent.

34 c. For the 2005 calendar year, one and one-half percent.

35 d. For the 2006 calendar year, one and one-fourth percent.

1 e. For the 2007 ~~and subsequent calendar years~~ year through
2 the 2022 calendar year, one percent.

3 f. For the 2023 calendar year, ninety-five hundredths of one
4 percent.

5 g. For the 2024 and subsequent calendar years, nine-tenths
6 of one percent.

7 DIVISION XV

8 AUTOMOBILE RENTAL EXCISE TAX

9 Sec. 95. Section 423C.2, subsection 7, Code 2022, is amended
10 by striking the subsection.

11 Sec. 96. Section 423C.3, subsection 1, Code 2022, is amended
12 to read as follows:

13 1. A tax of ~~five~~ seven percent is imposed upon the rental
14 price of an automobile if the rental transaction is subject
15 to the sales tax under [chapter 423, subchapter II](#), or the use
16 tax under [chapter 423, subchapter III](#). The tax shall not be
17 imposed on any rental transaction not taxable under the state
18 sales tax, as provided in [section 423.3](#), or the state use tax,
19 as provided in [section 423.6](#), on automobile rental receipts.

20 Sec. 97. Section 423C.3, subsection 3, Code 2022, is amended
21 by striking the subsection.

22 Sec. 98. Section 423.14A, subsection 1, paragraph b,
23 subparagraph (3), Code 2022, is amended by striking the
24 subparagraph.

25 Sec. 99. EFFECTIVE DATE. This division of this Act takes
26 effect January 1, 2023.

27 DIVISION XVI

28 EQUIPMENT TAX

29 Sec. 100. Section 423D.2, Code 2022, is amended to read as
30 follows:

31 **423D.2 Tax imposed.**

32 A tax of ~~five~~ six percent is imposed on the sales price
33 or purchase price of all equipment sold or used in the state
34 of Iowa. This tax shall be collected and paid over to the
35 department by any retailer, retailer maintaining a place of

1 business in this state, or user who would be responsible for
2 collection and payment of the tax if it were a sales or use tax
3 imposed under [chapter 423](#).

4 Sec. 101. EFFECTIVE DATE. This division of this Act takes
5 effect January 1, 2023.

6 DIVISION XVII

7 WATER SERVICE TAX

8 Sec. 102. Section 421.71, subsection 3, Code 2022, is
9 amended to read as follows:

10 3. *Private cause of action immunity for overpayment of*
11 *certain taxes.*

12 a. A taxpayer, or any person required to collect taxes
13 imposed under [chapters 423, 423A, ~~423B~~, 423C, and 423D](#), and
14 [chapter 423G](#), Code 2022, shall be immune from any private cause
15 of action arising from or related to the overpayment of taxes
16 imposed under [chapters 423, 423A, ~~423B~~, 423C, and 423D](#), and
17 [chapter 423G](#), Code 2022, that are collected and remitted to the
18 department.

19 b. Nothing in [this subsection](#) shall apply to or otherwise
20 limit any of the following:

21 (1) Any claim, action, mandate, power, remedy, or
22 discretion of the department, or an agent or designee of the
23 department.

24 (2) A taxpayer's right to seek a refund from the department
25 related to taxes imposed under [chapters 423, 423A, ~~423B~~, 423C,](#)
26 [and 423D](#), and [chapter 423G](#), Code 2022, that are collected from
27 or paid by the taxpayer.

28 Sec. 103. Section 423.3, subsection 103, Code 2022, is
29 amended by striking the subsection.

30 Sec. 104. REPEAL. Chapter 423G, Code 2022, is repealed.

31 Sec. 105. EFFECTIVE DATE. This division of this Act takes
32 effect January 1, 2023.

33 DIVISION XVIII

34 TAX CREDITS

35 Sec. 106. Section 15.119, subsection 2, paragraph a, Code

1 2022, is amended by adding the following new subparagraph:

2 NEW SUBPARAGRAPH. (3) In allocating tax credits pursuant
3 to this subsection, the authority shall prioritize issuing
4 additional research activities tax credits pursuant to section
5 15.335.

6 Sec. 107. Section 15.293A, subsection 1, paragraph c,
7 subparagraph (2), unnumbered paragraph 1, Code 2022, is amended
8 to read as follows:

9 A For the tax year beginning on or after January 1, 2023,
10 but before January 1, 2024, seventy-five percent of the tax
11 credit in excess of the taxpayer's liability for the tax year
12 is refundable, and for tax years beginning on or after January
13 1, 2024, fifty percent of the tax credit in excess of the
14 taxpayer's liability for the tax year is refundable, if all of
15 the following conditions are met:

16 Sec. 108. Section 15.319, subsection 5, Code 2022, is
17 amended to read as follows:

18 5. Any For the tax year beginning on or after January 1,
19 2023, but before January 1, 2024, seventy-five percent of any
20 tax credit in excess of the tax liability is refundable. For
21 tax years beginning on or after January 1, 2024, fifty percent
22 of any tax credit in excess of the tax liability is refundable.
23 In lieu of claiming a refund, the taxpayer may elect to have
24 the overpayment shown on the taxpayer's final, completed return
25 credited to the tax liability for the following tax year.

26 Sec. 109. Section 15E.305, subsection 2, paragraph a, Code
27 2022, is amended to read as follows:

28 a. The maximum amount of tax credits granted to a taxpayer
29 shall not exceed ~~five percent~~ one hundred thousand dollars of
30 the aggregate amount of tax credits authorized.

31 Sec. 110. Section 422.5, subsection 1, paragraph b,
32 subparagraph (2), Code 2022, is amended by striking the
33 subparagraph.

34 Sec. 111. Section 422.5, subsection 2, paragraph d, Code
35 2022, is amended to read as follows:

1 *d.* In the case of a resident, including a resident
 2 estate or trust, the state's apportioned share of the state
 3 alternative minimum tax is one hundred percent of the state
 4 alternative minimum tax computed in this subsection 2. In the
 5 case of a resident or part-year resident shareholder in an S
 6 corporation which has in effect for the tax year an election
 7 under subchapter S of the Internal Revenue Code and carries
 8 on business within and without the state, a nonresident,
 9 including a nonresident estate or trust, or an individual,
 10 estate, or trust that is domiciled in the state for less than
 11 the entire tax year, the state's apportioned share of the
 12 state alternative minimum tax is the amount of tax computed
 13 under this subsection 2, reduced by the applicable credits in
 14 sections 422.10 through 422.12 and this result multiplied by
 15 a fraction with a numerator of the sum of state net income
 16 allocated to Iowa as determined in section 422.8, subsection 2,
 17 paragraph "a" or ~~"b"~~ as applicable, plus tax preference items,
 18 adjustments, and losses under subparagraph (1) attributable
 19 to Iowa and with a denominator of the sum of total net income
 20 computed under section 422.7 plus all tax preference items,
 21 adjustments, and losses under subparagraph (1). In computing
 22 this fraction, those items excludable under subparagraph (1)
 23 shall not be used in computing the tax preference items.

24 Married taxpayers electing to file separate returns or
 25 separately on a combined return must allocate the minimum
 26 tax computed in this subsection in the proportion that each
 27 spouse's respective preference items, adjustments, and losses
 28 under subparagraph (1) bear to the combined preference items,
 29 adjustments, and losses under subparagraph (1) of both spouses.

30 Sec. 112. Section 422.8, subsection 2, paragraph b, Code
 31 2022, is amended by striking the paragraph.

32 Sec. 113. Section 422.8, subsection 6, Code 2022, is amended
 33 by striking the subsection.

34 Sec. 114. Section 422.10, subsection 1, paragraph a, Code
 35 2022, is amended by adding the following new subparagraph:

1 NEW SUBPARAGRAPH. (3) The credit provided in this section
2 is claimed on a return filed by the due date for filing the
3 return, including extensions of time. If timely claimed, the
4 business shall not increase the credit claim on an amended
5 return or otherwise unless the increase results from an
6 audit or examination by the internal revenue service or the
7 department.

8 Sec. 115. Section 422.10, subsection 1, paragraph b,
9 subparagraph (1), subparagraph divisions (a) and (b), Code
10 2022, are amended to read as follows:

11 (a) ~~Six and one-half~~ Four percent of the excess of qualified
12 research expenses during the tax year over the base amount for
13 the tax year based upon the state's apportioned share of the
14 qualifying expenditures for increasing research activities.

15 (b) ~~Six and one-half~~ Four percent of the basic research
16 payments determined under section 41(e)(1)(A) of the Internal
17 Revenue Code during the tax year based upon the state's
18 apportioned share of the qualifying expenditures for increasing
19 research activities.

20 Sec. 116. Section 422.10, subsection 1, paragraph b, Code
21 2022, is amended by adding the following new subparagraph:

22 NEW SUBPARAGRAPH. (3) For the purpose of calculating
23 the state's apportioned share of the qualifying expenditures
24 for increasing research activities in subparagraph (2), the
25 following criteria shall apply only to the determination of
26 qualified research expenditures in this state:

27 (a) Wages paid to an employee for qualified services,
28 or contract research expenses paid to a third party for
29 the performance of qualified research services, shall only
30 constitute qualified research expenses in this state if the
31 services are performed in this state, and if the following
32 conditions are met, as applicable:

33 (i) For qualified services performed by employees, during
34 the period of the tax year that the business is engaging in one
35 or more research projects, a majority of the total services

1 performed by the employee for the business are directly related
2 to those research projects.

3 (ii) For the performance of qualified research services
4 by a third party, during the period of the business's tax
5 year that the third party is performing research services for
6 the business, a majority of the total services performed by
7 the person for the third party are directly related to those
8 research projects of the business.

9 (b) The substantially all rule for determining qualified
10 services as described in section 41(b)(2)(B) of the Internal
11 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

12 (c) Amounts paid for supplies as defined in section
13 41(b)(2)(C) of the Internal Revenue Code, or for the right to
14 use computers as described in section 41(b)(2)(A)(iii) of the
15 Internal Revenue Code, shall not be qualified research expenses
16 in this state.

17 Sec. 117. Section 422.10, subsection 1, paragraphs c and d,
18 Code 2022, are amended to read as follows:

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

31 d. For purposes of the alternate credit computation method
32 in paragraph "c", the following criteria shall apply:

33 (1) The credit percentages applicable to qualified research
34 expenses described in section 41(c)(4)(A) and clause (ii) of
35 section 41(c)(4)(B) of the Internal Revenue Code are ~~four and~~

1 ~~fifty-five hundredths~~ two and eight-tenths percent and one and
2 ~~ninety-five hundredths~~ two-tenths percent, respectively.

3 (2) Basic research payments and qualified research expenses
4 shall only include amounts for research conducted in this
5 state. A taxpayer's qualified research expenses in this state
6 and average prior year qualified research expenses in this
7 state shall be determined in accordance with the criteria in
8 subsection 1, paragraph "b", subparagraph (3).

9 Sec. 118. Section 422.10, subsection 3, paragraph b, Code
10 2022, is amended to read as follows:

11 *b.* For purposes of [this section](#), "*basic research payment*"
12 and "*qualified research expense*" mean the same as defined
13 for the federal credit for increasing research activities
14 under section 41 of the Internal Revenue Code, except that
15 ~~for the alternative simplified credit such amounts are for~~
16 ~~research conducted within this state as otherwise described in~~
17 subsection 1, paragraph "b", subparagraph (3), and subsection
18 1, paragraph "d", subparagraph (2).

19 Sec. 119. Section 422.10, subsection 4, Code 2022, is
20 amended to read as follows:

21 4. *a.* Any Commencing with the tax year beginning on or
22 after January 1, 2023, but before January 1, 2024, seventy-five
23 percent of any credit in excess of the tax liability imposed by
24 section 422.5 less the amounts of nonrefundable credits allowed
25 under [this subchapter](#) for the taxable year shall be refunded
26 with interest in accordance with [section 421.60, subsection 2,](#)
27 paragraph "e". In lieu of claiming a refund, a taxpayer may
28 elect to have the overpayment otherwise eligible for a refund
29 shown on the taxpayer's final, completed return credited to the
30 tax liability for the following taxable year.

31 *b.* Commencing with tax years beginning on or after
32 January 1, 2024, fifty percent of any credit in excess of the
33 tax liability imposed by section 422.5 less the amounts of
34 nonrefundable credits allowed under this subchapter for the
35 taxable year shall be refunded with interest in accordance

1 with section 421.60, subsection 2, paragraph "e". In lieu of
2 claiming a refund, a taxpayer may elect to have the overpayment
3 otherwise eligible for a refund shown on the taxpayer's
4 final, completed return credited to the tax liability for the
5 following taxable year.

6 c. In applying the credit in this section against tax
7 liability and computing the eligible refund amount, the credit
8 shall be applied after all nonrefundable credits available
9 to the taxpayer are applied, but before any other refundable
10 credit available to the taxpayer is applied.

11 Sec. 120. Section 422.11W, Code 2022, is amended by adding
12 the following new subsection:

13 NEW SUBSECTION. 5. Commencing with tax years beginning
14 on or after January 1, 2023, a charitable conservation
15 contribution tax credit shall not be claimed against taxes as
16 provided in this section, except for tax credits claimed for
17 qualified real property interests conveyed prior to January 1,
18 2023.

19 Sec. 121. Section 422.12N, Code 2022, is amended by adding
20 the following new subsections:

21 NEW SUBSECTION. 6. This section does not apply to a
22 geothermal heat pump installation occurring after December 31,
23 2023.

24 NEW SUBSECTION. 7. This section is repealed January 1,
25 2034.

26 Sec. 122. Section 422.33, subsection 5, paragraph a,
27 subparagraphs (1) and (2), Code 2022, are amended to read as
28 follows:

29 (1) ~~Six and one-half~~ Four percent of the excess of qualified
30 research expenses during the tax year over the base amount for
31 the tax year based upon the state's apportioned share of the
32 qualifying expenditures for increasing research activities.

33 (2) ~~Six and one-half~~ Four percent of the basic research
34 payments determined under section 41(e)(1)(A) of the Internal
35 Revenue Code during the tax year based upon the state's

1 apportioned share of the qualifying expenditures for increasing
2 research activities.

3 Sec. 123. Section 422.33, subsection 5, paragraph b, Code
4 2022, is amended to read as follows:

5 b. (1) The state's apportioned share of the qualifying
6 expenditures for increasing research activities is a percent
7 equal to the ratio of qualified research expenditures in this
8 state to the total qualified research expenditures.

9 (2) For the purpose of calculating the state's apportioned
10 share of the qualifying expenditures for increasing research
11 activities in subparagraph (1), the following criteria
12 shall apply only to the determination of qualified research
13 expenditures in this state:

14 (a) Wages paid to an employee for qualified services,
15 or contract research expenses paid to a third party for
16 the performance of qualified research services, shall only
17 constitute qualified research expenses in this state if the
18 services are performed in this state, and if the following
19 conditions are met, as applicable:

20 (i) For qualified services performed by employees, during
21 the period of the tax year that the business is engaging in one
22 or more research projects, a majority of the total services
23 performed by the employee for the business are directly related
24 to those research projects.

25 (ii) For the performance of qualified research services
26 by a third party, during the period of the business's tax
27 year that the third party is performing research services for
28 the business, a majority of the total services performed by
29 the person for the third party are directly related to those
30 research projects of the business.

31 (b) The substantially all rule for determining qualified
32 services as described in section 41(b)(2)(B) of the Internal
33 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

34 (c) Amounts paid for supplies as defined in section
35 41(b)(2)(C) of the Internal Revenue Code, or for the right to

1 use computers as described in section 41(b)(2)(A)(iii) of the
2 Internal Revenue Code, shall not be qualified research expenses
3 in this state.

4 Sec. 124. Section 422.33, subsection 5, paragraphs c and d,
5 Code 2022, are amended to read as follows:

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

18 d. For purposes of the alternate credit computation method
19 in paragraph "c", the following criteria shall apply:

20 (1) The credit percentages applicable to qualified research
21 expenses described in section 41(c)(4)(A) and clause (ii) of
22 section 41(c)(4)(B) of the Internal Revenue Code are ~~four and~~
23 ~~fifty-five hundredths~~ two and eight-tenths percent and one and
24 ~~ninety-five hundredths~~ two-tenths percent, respectively.

25 (2) Basic research payments and qualified research expenses
26 shall only include amounts for research conducted in this
27 state. A taxpayer's qualified research expenses in this state
28 and average prior year qualified research expenses in this
29 state shall be determined in accordance with the rules in
30 paragraph "b", subparagraph (2).

31 Sec. 125. Section 422.33, subsection 5, paragraph e, Code
32 2022, is amended by adding the following new subparagraph:

33 NEW SUBPARAGRAPH. (3) The credit provided in this
34 subsection is claimed on a return filed by the due date for
35 filing the return, including extensions of time. If timely

1 claimed, the business shall not increase the credit claim on an
2 amended return or otherwise unless the increase results from
3 an audit or examination by the internal revenue service or the
4 department.

5 Sec. 126. Section 422.33, subsection 5, paragraph f,
6 subparagraph (2), Code 2022, is amended to read as follows:

7 (2) For purposes of this subsection, "*basic research*
8 *payment*" and "*qualified research expense*" mean the same as
9 defined for the federal credit for increasing research
10 activities under section 41 of the Internal Revenue Code,
11 ~~except that for the alternative simplified credit such amounts~~
12 ~~are for research conducted within this state as otherwise~~
13 described in paragraph "b", subparagraph (2), and paragraph "d",
14 subparagraph (2).

15 Sec. 127. Section 422.33, subsection 5, paragraph g, Code
16 2022, is amended to read as follows:

17 g. (1) Any Commencing with the tax year beginning on or
18 after January 1, 2023, but before January 1, 2024, seventy-five
19 percent of any credit in excess of the tax liability for the
20 taxable year shall be refunded with interest in accordance
21 with section 421.60, subsection 2, paragraph "e". In lieu of
22 claiming a refund, a taxpayer may elect to have the overpayment
23 otherwise eligible for a refund shown on its final, completed
24 return credited to the tax liability for the following taxable
25 year.

26 (2) Commencing with tax years beginning on or after January
27 1, 2024, fifty percent of any credit in excess of the tax
28 liability for the taxable year shall be refunded with interest
29 in accordance with section 421.60, subsection 2, paragraph "e".
30 In lieu of claiming a refund, a taxpayer may elect to have
31 the overpayment otherwise eligible for a refund shown on its
32 final, completed return credited to the tax liability for the
33 following taxable year.

34 (3) In applying the credit in this subsection against tax
35 liability and computing the eligible refund amount, the credit

1 shall be applied after all nonrefundable credits available
2 to the taxpayer are applied, but before any other refundable
3 credit available to the taxpayer is applied.

4 Sec. 128. Section 422.33, subsection 25, Code 2022, is
5 amended by striking the subsection and inserting in lieu
6 thereof the following:

7 25. The taxes imposed under this subchapter shall be reduced
8 by a charitable conservation contribution tax credit as allowed
9 under section 422.11W for each tax year the taxpayer has
10 credit, in excess of tax liability, for qualified real property
11 interests conveyed prior to January 1, 2023.

12 Sec. 129. PRESERVATION OF EXISTING RIGHTS.

13 1. This division of this Act is not intended to and shall
14 not limit, modify, or otherwise adversely affect any amount
15 of tax credit issued, awarded, or allowed prior to January 1,
16 2023, nor shall it limit, modify, or otherwise adversely affect
17 a taxpayer's right to claim or redeem a tax credit issued,
18 awarded, or allowed prior to January 1, 2023, including but not
19 limited to any tax credit carryforward amount.

20 2. The repeal of a provision of law pursuant to this
21 division of this Act shall not constitute grounds for
22 rescission or modification of agreements entered into under
23 those provisions of law, if any. Any agreement entered into
24 prior to January 1, 2023, under a provision of law repealed
25 in this division of this Act, shall remain in effect until
26 it expires under its own terms, and shall be governed by the
27 applicable provisions of law as they existed immediately prior
28 to January 1, 2023.

29 Sec. 130. TAX CREDIT REVIEW STUDY COMMITTEE DURING 2029
30 LEGISLATIVE INTERIM. The legislative council is requested to
31 authorize a study committee to review tax credits available
32 against state taxes by developing options for replacing tax
33 credits that produce equivalent results as the tax credit
34 being replaced. The study committee shall review tax credits
35 including but not limited to the adoption tax credit in section

1 422.12A, the tuition and textbook tax credit in section 422.12,
2 and the school tuition organization tax credit in section
3 422.11S.

4 The study committee shall consist of five voting members of
5 the senate, three of whom shall be appointed by the majority
6 leader of the senate and two of whom shall be appointed by the
7 minority leader of the senate, and five voting members of the
8 house of representatives, three of whom shall be appointed by
9 the speaker of the house of representatives and two of whom
10 shall be appointed by the minority leader of the house of
11 representatives. The co-chairpersons of the committee shall
12 also appoint taxpayer representatives as nonvoting members of
13 the committee. The study committee shall meet during the 2029
14 legislative interim to make appropriate recommendations for
15 consideration during the 2030 legislative session in a report
16 submitted to the general assembly by January 15, 2030.

17 Sec. 131. EFFECTIVE DATE. This division of this Act takes
18 effect January 1, 2023.

19 Sec. 132. APPLICABILITY. This division of this Act applies
20 to tax years beginning on or after January 1, 2023.

21 DIVISION XIX

22 TAX EXPENDITURE COMMITTEE

23 Sec. 133. Section 2.45, subsection 5, Code 2022, is amended
24 by striking the subsection.

25 Sec. 134. Section 2.48, subsections 1 and 2, Code 2022,
26 are amended by striking the subsections and inserting in lieu
27 thereof the following:

28 1. As used in this section, "*tax expenditure*" means an
29 exclusion from the operation or collection of a tax imposed in
30 this state. Tax expenditures include tax credits, exemptions,
31 deductions, and rebates. Tax expenditures also include sales
32 tax refunds issued pursuant to section 423.3 or 423.4.

33 2. a. (1) The department administering a tax expenditure
34 described in subsection 3 shall engage in a review of the
35 tax expenditure based upon the schedule in subsection 3. If

1 multiple departments administer the tax expenditure, the
2 departments shall cooperate in the review.

3 (2) The review shall consist of evaluating any tax
4 expenditure described in subsection 3 and assess its equity,
5 simplicity, competitiveness, public purpose, adequacy,
6 and extent of conformance with the original purpose of the
7 legislation that enacted the tax expenditure, as those issues
8 pertain to taxation in Iowa.

9 b. (1) The department shall file a report detailing the
10 review with the general assembly no later than December 15 of
11 the year the credit is scheduled to be reviewed in subsection
12 3.

13 (2) The report may include recommendations for better
14 aligning tax expenditures with the original intent of the
15 legislation that enacted the tax expenditure.

16 Sec. 135. Section 2.48, subsection 3, unnumbered paragraph
17 1, Code 2022, is amended to read as follows:

18 The ~~committee~~ applicable department shall review the
19 following tax expenditures and incentives according to the
20 following schedule:

21 Sec. 136. Section 2.48, subsection 3, paragraph b,
22 subparagraph (3), Code 2022, is amended to read as follows:

23 (3) Funding of urban renewal projects ~~with increased local~~
24 ~~sales and services tax revenues~~ under [section 423B.10](#).

25 Sec. 137. Section 2.48, subsection 4, Code 2022, is amended
26 to read as follows:

27 4. ~~Subsequent additional review.~~ A tax expenditure or
28 incentive reviewed pursuant to [subsection 3](#) shall be reviewed
29 again not more than five years after the tax expenditure or
30 incentive was most recently reviewed.

31 DIVISION XX

32 INDIVIDUAL INCOME TAX ELIMINATION FUND

33 Sec. 138. Section 8.55, subsection 2, paragraph a, Code
34 2022, is amended to read as follows:

35 a. The difference between the actual net revenue for the

1 general fund of the state for the fiscal year and the adjusted
2 revenue estimate for the fiscal year shall be transferred to
3 the ~~taxpayer relief~~ individual income tax elimination fund
4 created in [section 8.57E](#).

5 Sec. 139. Section 8.57E, Code 2022, is amended to read as
6 follows:

7 **8.57E ~~Taxpayer relief~~ Individual income tax elimination fund.**

8 1. ~~A taxpayer relief~~ An individual income tax elimination
9 fund is created. The fund shall be separate from the general
10 fund of the state and the balance in the fund shall not be
11 considered part of the balance of the general fund of the
12 state. The moneys credited to the fund are not subject to
13 section 8.33 and shall not be transferred, used, obligated,
14 appropriated, or otherwise encumbered except as provided in
15 this section.

16 2. Moneys in the ~~taxpayer relief~~ fund shall only be used
17 pursuant to appropriations or transfers made by the general
18 assembly for tax relief, including but not limited to increases
19 in the general retirement income exclusion under section 422.7,
20 subsection 31, or reductions in income tax rates.

21 3. *a.* Moneys in the ~~taxpayer relief~~ fund may be used for
22 cash flow purposes during a fiscal year provided that any
23 moneys so allocated are returned to the fund by the end of that
24 fiscal year.

25 *b.* Except as provided in [section 8.58](#), the ~~taxpayer relief~~
26 fund shall be considered a special account for the purposes of
27 section 8.53 in determining the cash position of the general
28 fund of the state for the payment of state obligations.

29 4. Notwithstanding [section 12C.7, subsection 2](#), interest or
30 earnings on moneys deposited in the ~~taxpayer relief~~ fund shall
31 be credited to the fund.

32 Sec. 140. Section 8.58, Code 2022, is amended to read as
33 follows:

34 **8.58 Exemption from automatic application.**

35 1. To the extent that moneys appropriated under section

1 8.57 do not result in moneys being credited to the general fund
2 under [section 8.55, subsection 2](#), moneys appropriated under
3 section 8.57 and moneys contained in the cash reserve fund,
4 rebuild Iowa infrastructure fund, environment first fund, Iowa
5 economic emergency fund, ~~taxpayer relief~~ individual income tax
6 elimination fund, state bond repayment fund, Iowa coronavirus
7 fiscal recovery fund, and Iowa coronavirus capital projects
8 fund shall not be considered in the application of any formula,
9 index, or other statutory triggering mechanism which would
10 affect appropriations, payments, or taxation rates, contrary
11 provisions of the Code notwithstanding.

12 2. To the extent that moneys appropriated under section
13 8.57 do not result in moneys being credited to the general
14 fund under [section 8.55, subsection 2](#), moneys appropriated
15 under [section 8.57](#) and moneys contained in the cash reserve
16 fund, rebuild Iowa infrastructure fund, environment first
17 fund, Iowa economic emergency fund, ~~taxpayer relief~~ individual
18 income tax elimination fund, state bond repayment fund, Iowa
19 coronavirus fiscal recovery fund, and Iowa coronavirus capital
20 projects fund shall not be considered by an arbitrator or in
21 negotiations under [chapter 20](#).

22 DIVISION XXI

23 NATIONAL GUARD PAY

24 Sec. 141. Section 422.7, subsection 42A, Code 2022, is
25 amended to read as follows:

26 42A. Subtract, to the extent included, all pay received by
27 the taxpayer from the federal government for military service
28 performed while on active duty status in the armed forces, the
29 armed forces military reserve, or the national guard, including
30 pay for full-time service performed pursuant to 32 U.S.C.
31 §502(f) and 32 U.S.C. §709(a) and (b).

32 Sec. 142. APPLICABILITY. This division of this Act applies
33 to tax years beginning on or after January 1, 2023.

34 DIVISION XXII

35 LOCAL OPTION TAXES

1 Sec. 143. Section 15J.7, subsection 2, Code 2022, is amended
2 to read as follows:

3 2. In addition to the moneys received pursuant to section
4 15J.6, a municipality may deposit in the reinvestment project
5 fund any other moneys lawfully at the municipality's disposal,
6 including but not limited to ~~local sales and services tax~~
7 ~~receipts collected~~ revenues received under [chapter 423B](#) if such
8 use is a purpose authorized for the municipality under chapter
9 423B.

10 Sec. 144. Section 28A.17, Code 2022, is amended to read as
11 follows:

12 **28A.17 Local sales and services tax.**

13 1. If an authority is established as provided in section
14 28A.6 and after approval of a referendum by a simple majority
15 of votes cast in each metropolitan area in favor of the sales
16 and services tax, the governing board of a county in this state
17 within a metropolitan area which is part of the authority shall
18 impose, at the request of the authority, a local sales and
19 services tax at the rate of one-fourth of one percent on the
20 sales price taxed by this state under [section 423.2](#), within
21 the metropolitan area located in this state. The referendum
22 shall be called by resolution of the board and shall be held
23 as provided in [section 28A.6](#) to the extent applicable. The
24 ballot proposition shall contain a statement as to the specific
25 purpose or purposes for which the revenues shall be expended
26 and the date of expiration of the tax. The local sales and
27 services tax shall be imposed on the same basis, with the same
28 exceptions, and following the same administrative procedures as
29 provided for a county under [sections 423B.5 and 423B.6](#), Code
30 2022. The amount of the sale, for the purposes of determining
31 the amount of the local sales and services tax under this
32 section, does not include the amount of any local sales and
33 services tax imposed under [sections 423B.5 and 423B.6](#), Code
34 2022.

35 2. The treasurer of state shall credit the local sales

1 and services tax receipts and interest and penalties to the
2 authority's account. Moneys in this account shall be remitted
3 quarterly to the authority. The proceeds of the tax imposed
4 under [this section](#) shall be used only for the construction,
5 reconstruction, or repair of metropolitan facilities as
6 specified in the referendum. The local sales and services tax
7 imposed under [this section](#) may be suspended for not less than
8 a fiscal quarter or more than one year by action of the board.
9 The suspension may be renewed or continued by the board, but
10 the board shall act on the suspension at least annually.
11 The local sales and services tax may also be repealed by a
12 petition and favorable referendum following the procedures and
13 requirements of [sections 28A.5](#) and [28A.6](#) as applicable. The
14 board shall give the department of revenue at least forty days'
15 notice of the repeal, suspension, or reinstatement of the tax
16 and the effective dates for imposition, suspension, or repeal
17 of the tax shall be as provided in [section 423B.6](#), Code 2022.

18 3. A local sales and services tax authorized under this
19 section shall not be imposed or collected on or after January
20 1, 2023.

21 Sec. 145. Section 76.4, Code 2022, is amended to read as
22 follows:

23 **76.4 Permissive application of funds.**

24 Whenever the governing authority of such political
25 subdivision shall have on hand funds derived from any other
26 source than taxation which may be appropriated to the payment
27 either of interest or principal, or both principal and interest
28 of such bonds, such funds may be so appropriated and used
29 and the levy for the payment of the bonds correspondingly
30 reduced. [This section](#) shall not restrict the authority of a
31 political subdivision to apply ~~sales and services~~ tax receipts
32 ~~collected~~ received pursuant to [chapter 423B](#) for such purpose.
33 Notwithstanding [section 423F.3](#), a school district may apply tax
34 receipts received pursuant to [chapter 423F](#) for the purposes of
35 this section.

1 Sec. 146. Section 99B.1, subsection 23, Code 2022, is
2 amended to read as follows:

3 23. "*Net receipts*" means gross receipts less amounts awarded
4 as prizes and less state ~~and local~~ sales tax paid upon the
5 gross receipts.

6 Sec. 147. Section 99B.14, subsection 1, Code 2022, is
7 amended to read as follows:

8 1. A licensed qualified organization shall certify
9 that the receipts from all charitable gambling conducted
10 by the organization under *this chapter*, less reasonable
11 expenses, charges, fees, taxes, and deductions, either will
12 be distributed as prizes to participants or will be dedicated
13 and distributed for educational, civic, public, charitable,
14 patriotic, or religious uses. Reasonable expenses, charges,
15 fees, taxes other than the state ~~and local~~ sales tax, and
16 deductions allowed by the department shall not exceed forty
17 percent of net receipts.

18 Sec. 148. Section 99G.4, subsection 2, Code 2022, is amended
19 to read as follows:

20 2. The income and property of the authority shall be exempt
21 from all state and local taxes, and the sale of lottery tickets
22 and shares issued and sold by the authority and its retail
23 licensees shall be exempt from all state ~~and local~~ sales taxes.

24 Sec. 149. Section 99G.30A, subsection 2, paragraph a, Code
25 2022, is amended to read as follows:

26 a. The director of revenue shall administer the monitor
27 vending machine excise tax as nearly as possible in conjunction
28 with the administration of state sales tax laws. ~~The director~~
29 ~~shall provide appropriate forms or provide appropriate entries~~
30 ~~on the regular state tax forms for reporting local sales and~~
31 ~~services tax liability.~~

32 Sec. 150. Section 279.63, subsection 2, paragraph a, Code
33 2022, is amended to read as follows:

34 a. All property tax levies, and income surtaxes, ~~and local~~
35 ~~option sales taxes~~ in place in the school district, listed by

1 type of levy, rate, amount, duration, and notification of the
2 maximum rate and amount limitations permitted by statute.

3 Sec. 151. Section 321.40, subsection 5, Code 2022, is
4 amended by striking the subsection.

5 Sec. 152. Section 321.130, Code 2022, is amended to read as
6 follows:

7 **321.130 Fees in lieu of taxes.**

8 The registration fees imposed by [this chapter](#) upon private
9 passenger motor vehicles or semitrailers are in lieu of all
10 state and local taxes, ~~except local vehicle taxes,~~ to which
11 motor vehicles or semitrailers are subject.

12 Sec. 153. Section 418.13, subsection 2, Code 2022, is
13 amended to read as follows:

14 2. In addition to the moneys received pursuant to section
15 418.10 or [418.12](#), a governmental entity may deposit in the
16 flood project fund any other moneys lawfully received by the
17 governmental entity, including but not limited to ~~local sales~~
18 ~~and services tax receipts collected~~ amounts received under
19 chapter 423B.

20 Sec. 154. Section 421.26, Code 2022, is amended to read as
21 follows:

22 **421.26 Personal liability for tax due.**

23 If a licensee or other person under [section 452A.65](#), a
24 retailer or purchaser under [chapter 423A](#), ~~423B~~, [423C](#), [423D](#),
25 or [423E](#), or [section 423.14](#), [423.14A](#), [423.29](#), [423.31](#), [423.32](#),
26 or [423.33](#), or a user under [section 423.34](#), or a permit holder
27 or licensee under [section 453A.13](#), [453A.16](#), or [453A.44](#) fails
28 to pay a tax under those sections when due, an officer of a
29 corporation or association, notwithstanding [section 489.304](#),
30 a member or manager of a limited liability company, or a
31 partner of a partnership, having control or supervision of
32 or the authority for remitting the tax payments and having
33 a substantial legal or equitable interest in the ownership
34 of the corporation, association, limited liability company,
35 or partnership, who has intentionally failed to pay the tax

1 is personally liable for the payment of the tax, interest,
2 and penalty due and unpaid. However, **this section** shall
3 not apply to taxes on accounts receivable. The dissolution
4 of a corporation, association, limited liability company,
5 or partnership shall not discharge a person's liability for
6 failure to remit the tax due.

7 Sec. 155. Section 421.28, Code 2022, is amended to read as
8 follows:

9 **421.28 Exceptions to successor liability.**

10 The immediate successor to a licensee's or retailer's
11 business or stock of goods under **chapter 423A** ~~or 423B~~, or
12 section 423.33 or **452A.65**, is not personally liable for
13 the amount of delinquent tax, interest, or penalty due and
14 unpaid if the immediate successor shows that the purchase of
15 the business or stock of goods was made in good faith that
16 no delinquent tax, interest, or penalty was due and unpaid.
17 For purposes of **this section** the immediate successor shows
18 good faith by evidence that the department had provided
19 the immediate successor with a certified statement that
20 no delinquent tax, interest, or penalty is unpaid, or that
21 the immediate successor had taken in good faith a certified
22 statement from the licensee, retailer, or seller that no
23 delinquent tax, interest, or penalty is unpaid. When requested
24 to do so by a person with whom the licensee or retailer is
25 negotiating the sale of the business or stock of goods, the
26 director of revenue shall, upon being satisfied that such
27 a situation exists, inform that person as to the amount of
28 unpaid delinquent tax, interest, or penalty due by the licensee
29 or the retailer. The giving of the information under this
30 circumstance is not a violation of **section 422.20, 422.72**, or
31 **452A.63**.

32 Sec. 156. Section 421.60, subsection 2, paragraph m,
33 subparagraphs (1) and (2), Code 2022, are amended to read as
34 follows:

35 (1) The director may abate unpaid state sales and use

1 ~~taxes and local sales and services taxes~~ owed by a retailer
2 in the event that the retailer failed to collect tax from the
3 purchaser as a result of erroneous written advice issued by
4 the department that was specially directed to the retailer
5 by the department and the retailer is unable to collect the
6 tax, interest, or penalties from the purchaser. Before the
7 tax, interest, and penalties shall be abated on the basis of
8 erroneous written advice, the retailer must present a copy of
9 the retailer's request for written advice to the department and
10 a copy of the department's reply. The department shall not
11 maintain a position against the retailer that is inconsistent
12 with the erroneous written advice, except on the basis of
13 subsequent written advice sent by the department to that
14 retailer, or a change in state or federal law, a reported
15 court case to the contrary, a contrary rule adopted by the
16 department, a change in material facts or circumstances
17 relating to the retailer, or the retailer's misrepresentation
18 or incomplete or inadequate representation of material facts
19 and circumstances in requesting the written advice.

20 (2) (a) The director shall abate the unpaid state sales
21 and use taxes ~~and any local sales and services taxes~~ owed by a
22 retailer where the retailer failed to collect the tax from the
23 purchaser on the charges paid for access to on-line computer
24 services as a result of erroneous written advice issued by the
25 department regarding the taxability of charges paid for access
26 to on-line computer services. To qualify for the abatement
27 under this subparagraph, the erroneous written advice shall
28 have been issued by the department prior to July 1, 1999, and
29 shall have been specially directed to the retailer by the
30 department.

31 (b) If an abatement of unpaid state sales and use taxes ~~and~~
32 ~~any local sales and services taxes~~ is granted to the retailer
33 by the director pursuant to this subparagraph, the department
34 is precluded from collecting from the purchaser any unpaid
35 state sales and use taxes ~~and any local sales and services~~

1 ~~taxes~~ which were abated.

2 Sec. 157. Section 422.72, subsection 6, paragraph a, Code
3 2022, is amended to read as follows:

4 a. The department may enter into a written informational
5 exchange agreement for tax administration purposes with a city
6 or county which is entitled to receive funds due to a local
7 hotel and motel tax ~~or a local sales and services tax~~. The
8 written informational exchange agreement shall designate no
9 more than two paid city or county employees that have access to
10 actual return information relating to that city's or county's
11 receipts from a local hotel and motel tax ~~or a local sales and~~
12 ~~services tax~~.

13 Sec. 158. Section 423.4, subsection 2, paragraph d, Code
14 2022, is amended by striking the paragraph.

15 Sec. 159. Section 423.4, subsection 5, paragraph f, Code
16 2022, is amended to read as follows:

17 f. Notwithstanding the state sales tax imposed in section
18 423.2, a rebate issued pursuant to [this subsection](#) shall not
19 exceed an amount equal to five percent of the sales price
20 of the tangible personal property or services furnished to
21 purchasers at the automobile racetrack facility. ~~Any local~~
22 ~~option taxes paid and collected shall not be subject to rebate~~
23 ~~under [this subsection](#)~~.

24 Sec. 160. Section 423.4, subsection 7, paragraph f, Code
25 2022, is amended to read as follows:

26 f. ~~The refund in [this subsection](#) applies only to state~~
27 ~~sales and use tax paid and does not apply to local option~~
28 ~~sales and services taxes imposed pursuant to [chapter 423B](#)~~.
29 Notwithstanding the state sales tax imposed in [section 423.2](#),
30 a refund issued pursuant to [this section](#) shall not exceed
31 an amount equal to five percent of the sales price of the
32 fuel used to create heat, power, and steam for processing
33 or generating electrical current or from the sale price
34 of electricity consumed by computers, machinery, or other
35 equipment for operation of the data center business facility.

1 Sec. 161. Section 423.4, subsection 8, paragraph g, Code
2 2022, is amended to read as follows:

3 ~~g. The refund in this subsection applies only to state~~
4 ~~sales and use tax paid and does not apply to local option~~
5 ~~sales and services taxes imposed pursuant to chapter 423B.~~
6 Notwithstanding the state sales tax imposed in section 423.2,
7 a refund issued pursuant to this section shall not exceed an
8 amount equal to five percent of the sales price of the items
9 listed in paragraph "a", subparagraphs (1), (2), and (3).

10 Sec. 162. Section 423.14A, subsection 2, Code 2022, is
11 amended to read as follows:

12 2. In addition to and not in lieu of any application of
13 this chapter to sellers who are retailers and sellers who are
14 retailers maintaining a place of business in this state, any
15 person described in subsection 3, or the person's agents,
16 shall be considered a retailer in this state and a retailer
17 maintaining a place of business in this state for purposes of
18 this chapter on or after January 1, 2019, and shall be subject
19 to all requirements of this chapter imposed on retailers and
20 retailers maintaining a place of business in this state,
21 including but not limited to the requirement to collect and
22 remit sales and use taxes pursuant to sections 423.14 and
23 423.29, ~~and local option taxes under chapter 423B.~~

24 Sec. 163. Section 423.33, subsection 1, paragraph c, Code
25 2022, is amended to read as follows:

26 c. If the retailer fails to collect sales tax at the time
27 of the transaction, the retailer shall thereafter remit the
28 applicable sales tax, or the purchaser thereafter shall remit
29 the applicable use tax. ~~If the purchaser remits all applicable~~
30 ~~use tax, the retailer remains liable for any local sales and~~
31 ~~services tax under chapter 423B that the retailer failed to~~
32 ~~collect.~~

33 Sec. 164. Section 423.34A, unnumbered paragraph 1, Code
34 2022, is amended to read as follows:

35 A purchaser is relieved of liability for payment of state

1 sales or use tax, ~~for payment of any local option sales tax,~~
2 for payment of interest, or for payment of any penalty for
3 nonpayment of tax which nonpayment is not fraudulent, willful,
4 or intentional, under the following circumstances:

5 Sec. 165. Section 423.36, subsection 9, paragraph a, Code
6 2022, is amended to read as follows:

7 a. Except as provided in paragraph "b", purchasers, users,
8 and consumers of tangible personal property, specified digital
9 products, or enumerated services taxed pursuant to subchapter
10 II or III of ~~this chapter~~ ~~or chapter 423B~~ may be authorized,
11 pursuant to rules adopted by the director, to remit tax owed
12 directly to the department instead of the tax being collected
13 and paid by the seller. To qualify for a direct pay tax permit,
14 the purchaser, user, or consumer must accrue a tax liability
15 of more than four thousand dollars in tax under subchapters
16 II and III in a semimonthly period and make deposits and file
17 returns pursuant to ~~section 423.31~~. This authority shall not
18 be granted or exercised except upon application to the director
19 and then only after issuance by the director of a direct pay
20 tax permit.

21 Sec. 166. Section 423B.1, Code 2022, is amended by striking
22 the section and inserting in lieu thereof the following:

23 **423B.1 Use of revenues deposited in the local sales and use**
24 **tax fund — revenue purpose statement.**

25 1. a. Revenues credited to and deposited in each county's
26 account within the local sales and use tax fund shall be
27 expended by each recipient county and city as required by the
28 revenue purpose statement, subject to the requirements of
29 section 423B.7, subsection 7, and approved under this section
30 for the city or for the county for the unincorporated areas of
31 the county, or as required by subsection 3.

32 b. A revenue purpose statement for the use of local option
33 sales and services tax revenue under this chapter approved at
34 election prior to January 1, 2023, and in effect on or set
35 to take effect on or after January 1, 2023, and the use of

1 revenues received under this chapter for purposes authorized
2 under section 423B.10 for ordinances in effect and approved
3 before January 1, 2023, shall continue in effect for revenues
4 received under this chapter until the expiration of the revenue
5 purpose statement or ordinance, if applicable, or until the
6 county board of supervisors or city council, as applicable,
7 adopts a new revenue purpose statement under subsection 2 or
8 repeals or amends the ordinance for the use of revenues under
9 section 423B.10.

10 2. The board of supervisors of each county and the city
11 council of each city may adopt by resolution a revenue purpose
12 statement for the expenditure of funds received under this
13 chapter.

14 3. Each city and county without a valid revenue purpose
15 statement shall expend the revenues received for the following
16 purposes in the order prescribed in this subsection, except
17 that the payment of bonds for which the revenues have been
18 pledged shall be paid first:

19 a. Reduction of the county's basic levies under section
20 331.423 or reduction of the city general fund levy under
21 section 384.1, as applicable.

22 b. Reduction of any debt service levy of the county or city,
23 as applicable.

24 c. Reduction of the city's additional taxes levied under
25 section 384.12 or the county's supplemental levies under
26 section 331.424, as applicable.

27 d. Reduction of any other property tax levy of the county
28 or city, as applicable.

29 Sec. 167. Section 423B.7, subsection 1, Code 2022, is
30 amended to read as follows:

31 1. a. Except as provided in ~~paragraphs~~ paragraph "b" and
32 "e", the director shall credit the ~~local~~ sales and services tax
33 receipts ~~and interest and penalties from a county-imposed tax~~
34 as specified in section 423.2A, subsection 2, paragraph "a",
35 including any interest and penalties, to the county's account

1 in the local sales and ~~services~~ use tax fund for the county ~~in~~
2 from which the tax was collected. The director shall credit
3 the use tax receipts as specified in section 423.43, subsection
4 1, paragraph "b", subparagraph (1), including any interest
5 and penalties, to the county's account in the local sales and
6 use tax fund for the county from which the use tax was paid.

7 If the director is unable to determine from which county any
8 of the receipts were collected or paid, as applicable, those
9 receipts shall be allocated among the possible counties based
10 on allocation rules adopted by the director.

11 *b.* The director shall credit the designated amount of the
12 increase in ~~local~~ sales and services tax receipts, as computed
13 in [section 423B.10](#), collected in an urban renewal area of an
14 eligible city that has adopted an ordinance pursuant to section
15 423B.10, subsection 2, into a special city account in the local
16 sales and ~~services~~ use tax fund.

17 ~~*c.* The director shall credit the local sales and services~~
18 ~~tax receipts and interest and penalties from a city imposed tax~~
19 ~~under [section 423B.1, subsection 2](#), to the city's account in~~
20 ~~the local sales and services tax fund.~~

21 Sec. 168. Section 423B.7, subsection 2, paragraph a, Code
22 2022, as amended by this Act, is amended by striking the
23 paragraph and inserting in lieu thereof the following:

24 *a.* The director of revenue by the last day of each month
25 shall transfer to each city or county the amount of tax
26 receipts remitted to the department attributable to each city
27 or county from the preceding month.

28 Sec. 169. Section 423B.7, subsections 3 and 4, Code 2022,
29 are amended to read as follows:

30 3. Seventy-five percent of each county's account shall be
31 remitted on the basis of the county's population residing in
32 the unincorporated area ~~where the tax was imposed~~ and ~~those the~~
33 incorporated areas where the tax was imposed as follows:

34 *a.* To the board of supervisors a pro rata share based upon
35 the percentage of the above population of the county residing

1 in the unincorporated area of the county ~~where the tax was~~
2 ~~imposed~~ according to the most recent certified federal census.

3 *b.* To each city in the county ~~where the tax was imposed~~
4 a pro rata share based upon the percentage of the city's
5 population residing in the county to the above population of
6 the county according to the most recent certified federal
7 census.

8 *c.* If a subsequent certified census exists which modifies
9 that most recent certified federal census for a ~~participating~~
10 jurisdiction under paragraphs "a" and "b", the computations
11 under paragraphs "a" and "b" shall utilize the subsequent
12 certified census in the distribution formula under rules
13 established by the director of revenue.

14 4. Twenty-five percent of each county's account shall
15 be remitted based on the sum of property tax dollars levied
16 by the board of supervisors ~~if the tax was imposed~~ in the
17 unincorporated areas and by each city in the county ~~where the~~
18 ~~tax was imposed~~ during the three-year period beginning July 1,
19 1982, and ending June 30, 1985, as follows:

20 *a.* To the board of supervisors a pro rata share based upon
21 the percentage of the total property tax dollars levied by the
22 board of supervisors during the above three-year period.

23 *b.* To each city council ~~where the tax was imposed~~ a pro rata
24 share based upon the percentage of property tax dollars levied
25 by the city during the above three-year period of the above
26 total property tax dollars levied by the board of supervisors
27 and each city where the tax was imposed during the above
28 three-year period.

29 Sec. 170. Section 423B.7, subsection 5, Code 2022, is
30 amended by striking the subsection.

31 Sec. 171. Section 423B.7, subsections 6 and 7, Code 2022,
32 are amended to read as follows:

33 6. From each special city account under subsection 1,
34 paragraph "b", the sales and services tax revenues shall be
35 remitted to the city council for deposit in the special fund

1 created in [section 403.19, subsection 2](#), to be used by the city
2 as provided in [section 423B.10](#). The distribution from the
3 special city account is not subject to the distribution formula
4 provided in [subsections 3, 4, and 5](#).

5 7. a. Subject to the requirement of paragraph "b" and the
6 requirements under section 423B.1, subsection 3, local sales
7 and services tax moneys amounts received by a city or county
8 may be expended for any lawful purpose of the city or county,
9 including but not limited to expenses related to providing
10 emergency medical services within the applicable city or
11 county.

12 b. ~~Each city located in whole or in part in a qualified~~
13 ~~county and each qualified county for the unincorporated area~~
14 ~~for which the imposition of the local sales and services tax~~
15 ~~in the city or portion thereof or the unincorporated area, as~~
16 ~~applicable, was revenue purpose statement approved at election~~
17 on or after January 1, ~~2019~~ 2023, shall require the use of
18 not less than fifty percent of the moneys received from the
19 ~~qualified county's~~ applicable county account in the local sales
20 and services use tax fund for property tax relief.

21 Sec. 172. Section 423B.9, subsection 1, paragraphs b and c,
22 Code 2022, are amended to read as follows:

23 b. "*Designated portion*" means the portion of the ~~local~~
24 ~~option sales and services tax revenues~~ received under this
25 chapter which is authorized to be expended for one or a
26 combination of purposes under an adopted public measure.

27 c. "*Secondary recipient*" means a political subdivision of
28 the state which is to receive ~~revenues~~ amounts from a ~~local~~
29 ~~option sales and services tax~~ revenues under this chapter
30 over a period of years pursuant to the terms of a [chapter 28E](#)
31 agreement with one or more cities or counties.

32 Sec. 173. Section 423B.9, subsections 2 and 3, Code 2022,
33 are amended to read as follows:

34 2. An issuer of public bonds which is a recipient of
35 revenues ~~from a local option sales and services tax imposed~~

1 pursuant to [this chapter](#) may issue bonds in anticipation of
2 the collection of one or more designated portions of ~~the~~
3 ~~local option sales and services tax~~ such revenues and may
4 pledge irrevocably an amount of the revenue derived from the
5 designated portions for each of the years the bonds remain
6 outstanding to the payment of the bonds. Bonds may be issued
7 only for one or more of the purposes set forth ~~on the ballot~~
8 ~~proposition concerning the imposition of the local option sales~~
9 ~~and services tax~~ in the revenue purpose statement, except bonds
10 shall not be issued which are payable from that portion of tax
11 revenues designated for property tax relief. The bonds may be
12 issued in accordance with the procedures set forth in either
13 subsection 3 or 4.

14 3. The governing body of an issuer may authorize the
15 issuance of bonds which are payable from the designated portion
16 of the revenues ~~of the local option sales and services tax~~
17 received under this chapter, and not from property tax, by
18 following the authorization procedures set forth for cities
19 in [section 384.83](#). Bonds may be issued for the purpose of
20 refunding outstanding and previously issued bonds under this
21 subsection without otherwise complying with the provisions of
22 this subsection.

23 Sec. 174. Section 423B.9, subsection 4, paragraph b, Code
24 2022, is amended to read as follows:

25 *b.* The provisions of [chapter 76](#) apply to the bonds payable
26 as provided in [this subsection](#), except that the mandatory levy
27 to be assessed pursuant to [section 76.2](#) shall be at a rate
28 to generate an amount which together with the receipts from
29 the pledged designated portion of the ~~local option sales and~~
30 ~~services tax~~ revenues received under this chapter is sufficient
31 to pay the interest and principal on the bonds. All amounts
32 collected as a result of the levy assessed pursuant to section
33 76.2 and paid out in the first instance for bond principal
34 and interest shall be repaid to the bond issuer which levied
35 the tax from the first available designated portion of ~~local~~

1 ~~option sales and services tax collections~~ revenues received
2 under this chapter in excess of the requirement for the payment
3 of the principal and interest of the bonds and when repaid
4 shall be applied in reduction of property taxes. The amount
5 of bonds which may be issued under [section 76.3](#) shall be the
6 amount which could be retired from the actual collections of
7 the designated portions of the ~~local option sales and services~~
8 ~~tax~~ revenues received under this chapter for the last four
9 calendar quarters, as certified by the director of revenue.
10 The amount of tax revenues pledged jointly by other cities or
11 counties may be considered for the purpose of determining the
12 amount of bonds which may be issued. If the ~~local option sales~~
13 ~~and services tax has been in effect~~ revenues have been received
14 under this chapter for less than four calendar quarters, the
15 ~~tax collected~~ revenues received within the shorter period may
16 be adjusted to project the ~~collections~~ amount of the designated
17 portion for the full year for the purpose of determining the
18 amount of the bonds which may be issued. The provisions of
19 this section constitute separate authorization for the issuance
20 of bonds and shall prevail in the event of conflict with
21 any other provision of the Code limiting the amount of bonds
22 which may be issued or the source of payment of the bonds.
23 Bonds issued under [this section](#) shall not limit or restrict
24 the authority of the bond issuer to issue bonds under other
25 provisions of the Code.

26 Sec. 175. Section 423B.9, subsection 5, Code 2022, is
27 amended to read as follows:

28 5. A city or county, jointly with one or more other
29 political subdivisions as provided in [chapter 28E](#), may pledge
30 irrevocably any amount derived from the designated portions
31 of the revenues of the ~~local option sales and services tax~~
32 received under this chapter to the support or payment of bonds
33 of an issuer, issued for one or more purposes set forth ~~on~~
34 ~~the ballot proposition concerning the imposition of the local~~
35 ~~option sales and services tax~~ in the revenue purpose statement

1 or a political subdivision may apply the proceeds of its bonds
2 to the support of any such purpose.

3 Sec. 176. Section 423B.10, subsection 1, paragraph b, Code
4 2022, is amended to read as follows:

5 *b.* "*Eligible city*" means a city in which a ~~local sales and~~
6 ~~services tax imposed by the county applies or a city described~~
7 ~~in section 423B.1, subsection 2, paragraph "a", and in which an~~
8 urban renewal area has been designated.

9 Sec. 177. Section 423B.10, subsections 2, 3, 5, and 6, Code
10 2022, are amended to read as follows:

11 2. *a.* Upon approval by the board of supervisors of each
12 applicable county pursuant to paragraph "*b*", an eligible city
13 may by ordinance of the city council provide for the use of a
14 designated amount of the increased ~~local~~ sales and services
15 tax revenues ~~collected~~ received under this chapter which are
16 attributable to retail establishments in an urban renewal
17 area to fund urban renewal projects located in the area. The
18 designated amount may be all or a portion of such increased
19 revenues.

20 *b.* A city shall not adopt an ordinance under paragraph
21 "*a*" unless the board of supervisors of each county where the
22 urban renewal area from which such ~~local~~ sales and services
23 tax revenues are to be collected and used to fund urban
24 renewal projects is located first adopts a resolution approving
25 the ~~collection and~~ use of such ~~local~~ sales and services tax
26 revenues.

27 3. To determine the revenue increase for purposes of
28 subsection 2, revenue amounts shall be calculated by the
29 department of revenue as follows:

30 *a.* Determine the amount of ~~local~~ sales and services tax
31 revenue collected and attributable to a one percent sales and
32 services tax from retail establishments located in the area
33 comprising the urban renewal area during the base year.

34 *b.* Determine the current year one percent sales and services
35 tax revenue amount for each fiscal year following the base year

1 in the manner specified in paragraph "a".

2 c. The excess of the amount determined in paragraph "b" over
3 the base year revenue amount determined in paragraph "a" is the
4 increase in the ~~local~~ sales and services tax revenues of which
5 the designated amount is to be deposited in the special city
6 account created in [section 423B.7, subsection 6](#).

7 5. In addition to the moneys received pursuant to the
8 ordinance authorized under [subsection 2](#), an eligible city
9 may deposit any other ~~local~~ sales and services tax revenues
10 received by ~~it~~ the city pursuant to the distribution formula in
11 [section 423B.7, subsections 3, 4, and 5](#), to the special fund
12 described in [section 403.19, subsection 2](#).

13 6. For purposes of [this section](#), the eligible city shall
14 assist the department of revenue in identifying retail
15 establishments in the urban renewal area that are collecting
16 the ~~local~~ sales and services tax. This process shall be
17 ongoing until the ordinance is repealed.

18 Sec. 178. REPEAL. 2019 Iowa Acts, chapter 151, section 21,
19 is repealed.

20 Sec. 179. REPEAL. Sections 423B.2, 423B.3, 423B.4, 423B.5,
21 423B.6, and 423B.8, Code 2022, are repealed.

22 Sec. 180. EFFECTIVE DATE. This division of this Act takes
23 effect January 1, 2023.

24 DIVISION XXIII

25 NATURAL RESOURCES AND OUTDOOR RECREATION TRUST FUND

26 Sec. 181. Section 2.45, Code 2022, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 5A. a. The legislative natural resources
29 and outdoor recreation trust fund review committee which
30 shall be composed of ten members of the general assembly,
31 consisting of five members from each chamber, to be appointed
32 by the legislative council. In appointing the five members
33 of each chamber to the committee, the council shall appoint
34 three members from the majority party and two members from the
35 minority party.

1 *b.* The legislative natural resources and outdoor recreation
2 trust fund review committee shall have the powers and duties
3 described in section 2.49.

4 *c.* This subsection is repealed December 31, 2051.

5 Sec. 182. NEW SECTION. **2.49 Legislative natural resources**
6 **and outdoor recreation trust fund review committee.**

7 1. The legislative natural resources and outdoor recreation
8 trust fund review committee shall meet during the legislative
9 interim in calendar years 2030, 2040, and 2050. The committee
10 shall consider the most effective ways to manage trust fund
11 moneys to further the purpose of Article VII, section 10, of
12 the Constitution of the State of Iowa. As part of its duties,
13 the committee may consider any of the following:

14 *a.* The administration of the trust fund, trust accounts, and
15 designated funds as provided in chapter 461.

16 *b.* The effectiveness of initiatives supported by trust fund
17 moneys as provided in chapter 461.

18 2. The committee shall report to the legislative council
19 the results of its considerations, which may include
20 recommendations and proposed legislation for consideration
21 during the next session of the general assembly.

22 3. This section is repealed December 31, 2051.

23 Sec. 183. Section 8.57, subsection 5, paragraph f,
24 subparagraph (1), subparagraph division (c), Code 2022, is
25 amended by striking the subparagraph division.

26 Sec. 184. Section 8.57, subsection 5, paragraph f,
27 subparagraph (1), subparagraph division (f), Code 2022, is
28 amended to read as follows:

29 (f) For the fiscal year beginning July 1, 2018, and for
30 each fiscal year thereafter, the total moneys in excess of the
31 moneys deposited under this paragraph "f" in the revenue bonds
32 debt service fund, the revenue bonds federal subsidy holdback
33 fund, the vision Iowa fund, ~~the water quality infrastructure~~
34 ~~fund~~, the Iowa skilled worker and job creation fund, and the
35 general fund of the state shall be deposited in the rebuild

1 Iowa infrastructure fund and shall be used as provided in this
2 section, notwithstanding [section 8.60](#).

3 Sec. 185. Section 8.57B, subsection 1, Code 2022, is amended
4 to read as follows:

5 1. a. A water quality infrastructure fund is created within
6 the division of soil conservation and water quality of the
7 department of agriculture and land stewardship.

8 b. The fund shall consist of ~~moneys deposited in the~~
9 ~~fund pursuant to [section 8.57, subsection 5](#), paragraph "f",~~
10 ~~subparagraph (1), subparagraph division (c), moneys~~ all of the
11 following:

12 (1) (a) Moneys transferred to the fund pursuant to section
13 ~~423G.6, and 461.33.~~

14 (b) This subparagraph (1) is repealed December 31, 2051.

15 (2) Moneys transferred or appropriations made to the fund
16 and transfers of interest, earnings, and moneys from other
17 funds as provided by law.

18 Sec. 186. Section 16.134A, subsection 2, paragraph a,
19 subparagraphs (1) and (2), Code 2022, are amended to read as
20 follows:

21 (1) Moneys transferred to the fund pursuant to section
22 ~~423G.6~~ 461.34.

23 (2) This paragraph "a" is repealed on ~~January 1, 2040~~
24 December 31, 2051.

25 Sec. 187. Section 455A.17, Code 2022, is amended by striking
26 the section and inserting in lieu thereof the following:

27 **455A.17 Regional meetings.**

28 1. Beginning in calendar year 2023, and every four
29 calendar years thereafter, the department shall arrange
30 and conduct regional meetings to identify opportunities for
31 regional resource enhancement and protection, and to review
32 and recommend changes in resource enhancement and protection
33 policies, programs, and funding. The department shall provide
34 outreach and educational services to those attending, which
35 shall include the distribution of information regarding

1 resource enhancement and protection expenditures. The
2 department shall promote attendance of interested persons for
3 each regional meeting.

4 2. The expenses of the department in making the arrangements
5 for and conducting regional meetings and providing outreach and
6 educational services shall be paid from moneys credited to the
7 administration fund created in section 456A.17.

8 Sec. 188. Section 455A.18, subsection 1, Code 2022, is
9 amended to read as follows:

10 1. a. An Iowa resources enhancement and protection fund is
11 created in the office of the treasurer of state.

12 b. The fund consists of all ~~revenues~~ of the following:

13 (1) (a) Moneys allocated from the natural resources and
14 outdoor recreation trust fund as provided in section 461.35.

15 (b) This subparagraph (1) is repealed December 31, 2051.

16 (2) Revenues and ~~all~~ other moneys lawfully credited or
17 transferred to the fund. The director shall certify monthly
18 the portions of the fund that are allocated to the various
19 accounts as provided under [section 455A.19](#). The director shall
20 certify before the twentieth of each month the portions of
21 the fund resulting from the previous month's receipts to be
22 allocated to the various accounts.

23 Sec. 189. Section 455A.18, subsection 3, paragraph a, Code
24 2022, is amended by striking the paragraph.

25 Sec. 190. Section 455A.18, subsection 3, paragraph b, Code
26 2022, is amended to read as follows:

27 b. [Section 8.33](#) does not apply to moneys ~~appropriated under~~
28 ~~this subsection~~ credited to the fund.

29 Sec. 191. Section 461.2, Code 2022, is amended to read as
30 follows:

31 **461.2 Definitions.**

32 As used in [this chapter](#), unless the context otherwise
33 requires:

34 1. "Authority" means the economic development authority
35 created in section 15.105.

1 2. ~~“Department”~~ “Custodial department” means the department
2 of agriculture and land stewardship, the department of
3 management, the department of natural resources, or the
4 department of transportation.

5 3. “Designated fund” means the water quality infrastructure
6 fund created in section 8.57B, the water quality financial
7 assistance fund created in section 16.134A, or the Iowa
8 resources enhancement and protection fund created in section
9 455A.18.

10 ~~2.~~ 4. “Fiscal year” means the state fiscal year effective
11 as provided in [section 3.12](#).

12 ~~3.~~ 5. “Initiative” includes a program, project, practice,
13 strategy, or plan established or administered by ~~an agency that~~
14 furthers, or under the supervision or oversight of, a custodial
15 department or the Iowa finance authority, if the initiative is
16 supported in whole or in part by trust fund moneys to further a
17 constitutional purpose as provided in [section 461.3](#).

18 6. “Iowa nutrient reduction strategy” means the same as
19 defined in section 455B.171.

20 7. “Nonpoint source” means a source of pollution other than
21 a point source.

22 8. “Point source” means the same as defined in section
23 455B.171.

24 9. “Public use area” means a park, preserve, recreation
25 area, forest, water body, or a land or water trail owned or
26 managed by the state or a political subdivision of the state.

27 ~~4.~~ 10. “Recreational purpose” ~~includes~~ means only hunting;
28 trapping; angling; horseback riding; swimming; boating;
29 camping; picnicking; hiking; biking; recreational shooting;
30 archery; using land or water trails; bird watching; nature
31 study; water skiing; snowmobiling; ~~other summer and winter~~
32 ~~sports~~ and viewing ~~or enjoying~~ historical, archaeological,
33 scenic, or scientific sites.

34 11. “Trust account” means the natural resources trust
35 account created in section 461.32, the soil conservation and

1 nonpoint source water protection trust account created in
2 section 461.33, the watershed protection trust account created
3 in section 461.34, the local conservation partnership trust
4 account created in section 461.36, the water and land trails
5 trust account created in section 461.37, or the lake and stream
6 restoration trust account created in section 461.38.

7 ~~5.~~ 12. *"Trust fund"* means the natural resources and outdoor
8 recreation trust fund created in [section 461.31](#).

9 ~~6.~~ 13. *"Trust fund moneys"* means moneys ~~originating from~~
10 credited to the natural resources and outdoor recreation trust
11 fund or moneys allocated from the trust fund, including but not
12 limited to moneys allocated to a trust account or allocated or
13 transferred to a designated fund.

14 14. *"Water trail"* means a point-to-point travel system on a
15 navigable water body capable of supporting a floating vessel
16 capable of carrying one or more persons on a recommended route
17 connecting the points.

18 Sec. 192. Section 461.3, Code 2022, is amended to read as
19 follows:

20 **461.3 Constitutional purpose, and implementation, and**
21 **revenue.**

22 1. [This chapter](#) is created for the constitutional purposes
23 of protecting and enhancing water quality and natural areas
24 in this state, including parks, trails, and fish and wildlife
25 habitat, and conserving agricultural soils in this state.

26 2. [This chapter](#) is intended to implement Article VII,
27 section 10, of the Constitution of the State of Iowa by
28 establishing the natural resources and outdoor recreation
29 trust fund, ~~accounts in the~~ including trust fund ~~accounts,~~
30 and appropriating or allocating trust fund moneys to support
31 initiatives specified in [subchapter IV](#). This chapter shall not
32 be construed to require the state to appropriate, allocate,
33 or transfer other moneys to support those initiatives or
34 constitutional purposes.

35 Sec. 193. Section 461.11, subsection 2, Code 2022, is

1 amended to read as follows:

2 2. The heads of ~~each department receiving trust fund moneys~~
3 the custodial departments and the director of the authority
4 shall regularly meet and whenever practicable collaborate in
5 decision making including by adopting rules providing for
6 the administration of the trust fund and trust accounts,
7 establishing funding priorities, and determining when it is
8 beneficial to provide joint funding of initiatives.

9 Sec. 194. NEW SECTION. **461.20 Information regarding trust**
10 **fund moneys.**

11 1. Each year the department of revenue shall calculate
12 an estimate of the total revenue to be transferred to the
13 trust fund during the following fiscal year as required
14 pursuant to section 423.2A. Not later than May 1 of each
15 year, the department of revenue shall submit the estimate to
16 each custodial department, the authority, and the legislative
17 services agency.

18 2. A custodial department shall at least annually notify the
19 legislative services agency of transfers of trust fund moneys
20 from a trust account to another trust account or designated
21 fund as authorized in this chapter.

22 Sec. 195. Section 461.21, Code 2022, is amended to read as
23 follows:

24 **461.21 Audit.**

25 1. The auditor of state or a certified public accounting
26 firm appointed by the auditor of state shall conduct an ~~annual~~
27 audit of the trust fund and all trust accounts and transactions
28 of the trust fund and trust accounts in the same manner as
29 provided for departments pursuant to chapter 11, subchapter I.

30 2. The auditor of state or the certified public accounting
31 firm appointed by the auditor as provided in subsection 1
32 shall be paid from trust fund moneys without reducing the
33 percentage of trust fund moneys ~~distributed~~ allocated to the
34 ~~Iowa resources enhancement and protection fund or any one a~~
35 trust account ~~established~~ or designated fund pursuant to ~~this~~

1 ~~chapter~~ subchapter IV.

2 Sec. 196. Section 461.22, Code 2022, is amended to read as
3 follows:

4 **461.22 ~~Report~~ Trust fund report.**

5 The ~~three departments~~ department of management shall jointly
6 ~~prepare and~~ submit to the governor and the general assembly not
7 later than January 15 of each year a ~~complete~~ trust fund report
8 in an electronic format detailing all of the following:

9 1. The receipts and expenditures of the trust fund and its
10 trust accounts, a summary of initiatives supported by trust
11 fund moneys, the results of those expenditures, any performance
12 goals or measurements, and plans for future short-term or
13 long-term expenditures.

14 2. ~~Recommendations~~ An evaluation of the use of trust fund
15 moneys to further progress in achieving the goals of the Iowa
16 nutrient reduction strategy as prepared by the department of
17 agriculture and land stewardship, the department of natural
18 resources, and the college of agriculture and life sciences
19 of the Iowa state university of science and technology. The
20 evaluation shall be based on the latest credible findings and
21 recommendations recognized by those entities. The evaluation
22 may include recommendations to the governor and general
23 assembly, including legislation proposed by one or more of the
24 ~~departments~~ entities.

25 Sec. 197. Section 461.23, Code 2022, is amended to read as
26 follows:

27 **461.23 Rules.**

28 The department of revenue, the department of agriculture and
29 land stewardship, the department of management, the department
30 of natural resources, ~~and~~ the department of transportation, the
31 Iowa finance authority, and the economic development authority
32 shall adopt rules separately or jointly as necessary in order
33 to implement and administer **this chapter.**

34 Sec. 198. Section 461.24, Code 2022, is amended by striking
35 the section and inserting in lieu thereof the following:

1 **461.24 Public listing.**

2 The department of management shall publish and maintain a
3 public listing of moneys credited to and allocated from the
4 trust fund, trust fund moneys allocated or transferred from
5 trust accounts, and trust fund moneys allocated or transferred
6 to designated funds to support initiatives. This section does
7 not require the disclosure of information that is confidential
8 as provided by rules adopted pursuant to section 461.23.

9 Sec. 199. NEW SECTION. **461.25 Use of trust fund moneys.**

10 1. A custodial department shall not appropriate, allocate,
11 or transfer trust fund moneys except as provided in this
12 chapter. However, this subsection shall not be construed to
13 limit a custodial department from using trust fund moneys with
14 another person, including a custodial department, when engaging
15 in a joint initiative as authorized by law.

16 2. During any fiscal year, a custodial department shall not
17 use more than five percent of trust fund moneys allocated to
18 a trust account to pay for expenses incurred in administering
19 trust fund moneys allocated to that trust account.

20 3. In administering the use of trust fund moneys allocated
21 to a trust account, a custodial department shall provide a
22 higher priority to supporting initiatives that further goals of
23 the Iowa nutrient reduction strategy.

24 4. A custodial department shall administer the use of
25 trust fund moneys to support an initiative having primarily
26 a recreational purpose only if such use is in cooperation
27 with the authority. The authority shall review, score, and
28 rank applications to support such initiatives as part of a
29 competitive evaluation process. The scoring criteria must
30 further the economic development policy of the state as
31 provided in chapter 15.

32 5. When making a determination to support competing
33 proposed initiatives relating to a public use area that
34 benefits a locality, a custodial department or the authority
35 shall provide a higher priority to supporting an initiative to

1 improve an existing public use area.

2 6. When making a determination to support a proposed
3 initiative to establish, improve, or expand a land trail,
4 the proposal shall not be approved unless the sponsor of the
5 proposal demonstrates to the custodial department or other
6 entity making the funding decision how the trail is to be
7 maintained by other sources of revenue.

8 7. In administering the use of trust fund moneys allocated
9 to a trust account to support an initiative relating to
10 the management of land, this chapter does not do any of the
11 following:

12 a. Prohibit the farming of the land in a manner that is
13 consistent with the Iowa nutrient reduction strategy.

14 b. Require a separation distance between an animal feeding
15 operation and a public use area that is more restrictive than
16 if the land were not managed pursuant to the initiative.

17 8. Trust fund moneys shall not be used to support any of the
18 following:

19 a. An initiative that establishes, improves, or expands a
20 single or multipurpose athletic field, baseball or softball
21 diamond, tennis court, golf course, swimming pool, or other
22 group or organized sport facility.

23 b. The taking of property by exercising the power of eminent
24 domain, including by acquiring property as provided in chapters
25 6A and 6B.

26 Sec. 200. Section 461.31, Code 2022, is amended to read as
27 follows:

28 **461.31 Natural resources and outdoor recreation trust fund**
29 **— creation.**

30 1. A natural resources and outdoor recreation trust fund
31 is created within the state treasury. The trust fund shall be
32 administered by the department of management.

33 2. a. The trust fund shall be ~~composed~~ comprised of moneys
34 all of the following:

35 (1) Moneys transferred to the trust fund pursuant to section

1 423.2A.

2 (2) Other moneys required to be credited to the trust
3 fund by law and moneys accepted by a custodial department for
4 placement in an ~~account established in this subchapter~~ and the
5 trust fund from any source.

6 *b.* Trust fund moneys are exclusively appropriated by law
7 to carry out the constitutional purposes ~~provided~~ described in
8 section 461.3.

9 *c.* Trust fund moneys shall supplement and not replace
10 moneys appropriated by the general assembly to support the
11 constitutional purposes provided in section 461.3.

12 *d.* Trust fund moneys shall only be used to support voluntary
13 initiatives and shall not be used for regulatory efforts,
14 enforcement actions, or litigation.

15 3. In administering a trust ~~fund~~ account, a custodial
16 department may contract, sue and be sued, and authorize payment
17 for costs, fees, commissions, and other reasonable expenses
18 from the trust account. However, a custodial department shall
19 not in any manner directly or indirectly pledge the credit of
20 this state.

21 4. *a.* Except as provided in paragraph "b", the treasurer
22 of state shall, each month as directed by the department of
23 management, allocate all trust fund moneys that have been
24 credited to the trust fund, including moneys transferred to the
25 trust fund as provided in section 423.2A, to each trust account
26 and designated fund as provided in this subchapter.

27 *b.* Notwithstanding sections 461.32 through 461.38, for the
28 fiscal year beginning July 1, 2023, and for each subsequent
29 fiscal year, only that amount as authorized by an Act of
30 the general assembly shall be allocated from the trust fund
31 to a trust account or designated fund as provided in this
32 subchapter. However, if for a fiscal year no Act of the
33 general assembly authorizes trust fund moneys to be allocated
34 from the trust fund, the trust fund moneys shall be allocated
35 from the trust fund to the trust accounts and designated funds

1 as provided in this subchapter by operation of law.

2 5. a. Notwithstanding section 8.33, any unexpended balance
3 in the trust fund or in an a trust account ~~created within the~~
4 ~~trust fund~~ at the end of each fiscal year shall be retained in
5 the trust fund or ~~the~~ respective trust account.

6 b. Notwithstanding section 12C.7, subsection 2, interest or
7 earnings on investments or time deposits of the moneys in the
8 trust fund and ~~its~~ respective trust accounts shall be credited
9 to the trust fund and ~~its~~ respective trust accounts.

10 c. The recapture of awards originating from ~~an a trust~~
11 account and other repayments to ~~an a trust~~ account shall be
12 retained in that trust account.

13 Sec. 201. Section 461.32, Code 2022, is amended to read as
14 follows:

15 **461.32 Natural resources trust account — allocations.**

16 1. A natural resources trust account is created in the trust
17 fund. ~~Twenty-three~~ The trust account shall be administered by
18 the department of natural resources.

19 2. Eighteen percent of ~~the~~ moneys credited to the trust fund
20 shall be allocated to the trust account.

21 ~~2.~~ 3. The trust account shall be used by the department of
22 natural resources to support all of the following initiatives:

23 a. The establishment, restoration, or enhancement of state
24 parks, state preserves, state forests, wildlife areas, wildlife
25 habitats, native prairies, and wetlands.

26 (1) A higher priority shall be provided to supporting
27 initiatives for the maintenance, preservation, or restoration
28 of land and a lower priority shall be provided to supporting
29 initiatives for the purchase or acquisition of land.

30 (2) The department shall utilize an index that includes a
31 comprehensive assessment mechanism to produce a statistically
32 verifiable basis for determining whether to approve or
33 disapprove the purchase or acquisition of the land. The
34 department shall establish index criteria that justifies the
35 land's removal from private ownership and use.

1 b. The construction or improvement of facilities located on
2 land owned or managed by the department.

3 ~~b.~~ c. Wildlife diversity.

4 ~~c.~~ d. Recreational purposes.

5 ~~d.~~ e. Technical assistance and financial incentives
6 provided to private landowners to promote the management of
7 forests, fisheries, recreational areas, wetlands, and wildlife.

8 ~~e.~~ f. The improvement of ~~water trails~~, rivers, and streams.

9 ~~f.~~ g. Education and outreach that provide instruction
10 regarding natural history and the outdoors. The subjects
11 of such instruction may relate to opportunities involving a
12 recreational ~~purposes~~ purpose, outdoor safety, and or ethics.

13 ~~3. The department of natural resources shall to every extent~~
14 ~~possible consider its comprehensive plan provided in section~~
15 ~~456A.31 when making funding decisions.~~

16 Sec. 202. Section 461.33, Code 2022, is amended to read as
17 follows:

18 **461.33 Soil conservation and nonpoint source water protection**
19 **trust account — allocations.**

20 1. A soil conservation and nonpoint source water protection
21 trust account is created in the trust fund. ~~Twenty~~ The trust
22 account shall be administered by the department of agriculture
23 and land stewardship.

24 2. Thirty-four percent of the moneys credited to the trust
25 fund shall be allocated to the trust account.

26 3. Forty-seven percent of trust fund moneys allocated to
27 the trust account shall first be transferred as directed by the
28 department to any or all of the following:

29 a. The water quality infrastructure fund created in section
30 8.57B to support water quality agriculture infrastructure
31 programs created in section 466B.43 in order to reduce nutrient
32 loads from nonpoint sources.

33 b. The water quality financial assistance fund created
34 in section 16.134A to support the water quality urban
35 infrastructure program created in section 466B.44.

1 ~~2. 4. a.~~ The account shall be used by the department of
2 agriculture and land stewardship remaining trust fund moneys
3 allocated to the trust account shall be used by the department
4 to support all of the following initiatives:

5 ~~a.~~ (1) Soil conservation and watershed protection,
6 including by supporting the department's division of
7 soil conservation and water quality ~~within the department~~
8 ~~of agriculture and land stewardship~~ and soil and water
9 conservation district commissioners. The department and
10 commissioners may provide for the ~~installation~~ establishment of
11 conservation practices and watershed protection improvements as
12 provided in chapters 161A, 161C, 461A, and 466, and 466B.

13 ~~b.~~ (2) The conservation of highly erodible land. The
14 department ~~of agriculture and land stewardship~~ may execute
15 contracts with private landowners who agree to reserve such
16 land only for uses that prevent erosion in excess of the
17 applicable soil loss limits as established in section 161A.44.

18 ~~c.~~ (3) Soil conservation or crop management practices
19 used on land producing biomass for biorefineries, including
20 cellulosic ethanol production.

21 ~~3. b.~~ The department ~~of agriculture and land stewardship~~
22 may use unencumbered or unobligated trust fund moneys allocated
23 to the trust account to provide financial incentives or
24 technical assistance to landowners.

25 5. During a fiscal year, the department may transfer
26 unencumbered or unobligated trust fund moneys allocated to
27 the trust account for use by the department as is provided in
28 subsection 4 to any of the following:

29 a. The water quality infrastructure fund created in section
30 8.57B to support water quality agriculture infrastructure
31 programs created in section 466B.43 in order to reduce nutrient
32 loads from nonpoint sources.

33 b. The water quality financial assistance fund created
34 in section 16.134A to support the water quality urban
35 infrastructure program created in section 466B.44.

1 Sec. 203. Section 461.34, Code 2022, is amended to read as
2 follows:

3 **461.34 Watershed protection trust account — allocations.**

4 1. A watershed protection trust account is created in the
5 trust fund. ~~Fourteen~~ The trust account shall be administered
6 by the department of natural resources.

7 2. Fifteen percent of the moneys credited to the trust fund
8 shall be allocated to the trust account.

9 3. Forty-seven percent of trust fund moneys allocated
10 to the trust account shall first be transferred to the water
11 quality financial assistance fund created in section 16.134A
12 for appropriation as provided in that section.

13 ~~2.~~ 4. ~~The account~~ Of the remaining trust fund moneys
14 allocated to the trust account, fifty percent shall be used
15 cooperatively distributed for use by the department of
16 natural resources ~~and the department of agriculture and land~~
17 ~~stewardship to support all of the following initiatives:~~

18 ~~a.~~ Water water quality resource projects administered by
19 the department of ~~natural resources~~ to preserve watersheds,
20 including but not limited to all of the following:

21 ~~(1)~~ a. Projects to protect, restore, or enhance water
22 quality in the state through the provision of financial
23 assistance to communities for impairment-based, locally
24 directed watershed projects. The department may use the
25 ~~account~~ trust fund moneys to support the water resource
26 restoration sponsor program as provided in [section 455B.199](#).

27 ~~(2)~~ b. Regional and community watershed assessment,
28 planning, and prioritization efforts, including as provided in
29 chapter 466B.

30 c. Water quality protection programs provided in section
31 466.7 that relate to any of the following:

32 (1) The administration of geographic information systems
33 for use in developing, monitoring, and displaying local
34 watershed information.

35 (2) An activity to support the collection and analysis of

1 water quality monitoring.

2 (3) Floodplain permitting.

3 (4) Flood protection education to provide information to
4 local officials regarding floodplain management.

5 ~~b.~~ 5. Surface Of the remaining trust fund moneys allocated
6 to the trust account, fifty percent shall be distributed for
7 use by the department of agriculture and land stewardship
8 to support surface water protection projects and practices
9 ~~administered by the department of agriculture and land~~
10 ~~stewardship or the department of natural resources, as~~
11 described in the Iowa nutrient reduction strategy including but
12 not limited to the installation of permanent vegetation cover,
13 filter strips, grass waterways, edge-of-field practices, and
14 riparian forest buffers; dredging; and bank stabilization. The
15 ~~departments of agriculture and land stewardship and natural~~
16 ~~resources~~ department may use the account trust fund moneys
17 to support the conservation buffer strip program provided in
18 section 466.4 and the conservation reserve enhancement program
19 as provided in section 466.5.

20 ~~3.~~ 6. The departments' A decision by a department to
21 prioritize initiatives may be based on the priority list of
22 watersheds provided in section 456A.33A.

23 7. During a fiscal year, the department of natural
24 resources or the department of agriculture and land stewardship
25 may transfer unencumbered or unobligated trust fund moneys
26 distributed to the custodial department pursuant to subsection
27 4 or 5 to the water quality financial assistance fund created
28 in section 16.134A.

29 Sec. 204. Section 461.35, Code 2022, is amended to read as
30 follows:

31 **461.35 Iowa resources enhancement and protection fund —**
32 **allocation.**

33 ~~Thirteen~~ Ten percent of the moneys credited to the trust
34 fund shall be allocated to the Iowa resources enhancement
35 and protection fund created in [section 455A.18](#) for further

1 allocation as provided in [section 455A.19](#).

2 Sec. 205. Section 461.36, Code 2022, is amended by striking
3 the section and inserting in lieu thereof the following:

4 **461.36 Local conservation partnership trust account —**
5 **allocations.**

6 1. A local conservation partnership trust account is
7 created in the trust fund. The trust account shall be
8 administered by the department of natural resources.

9 2. Nine percent of the moneys credited to the trust fund
10 shall be allocated to the trust account.

11 3. The department shall allocate the trust fund moneys
12 credited to the account to local communities participating
13 in the local conservation partnership program as provided in
14 section 461.36A.

15 Sec. 206. NEW SECTION. **461.36A Local conservation**
16 **partnership program.**

17 1. As used in this section, unless the context otherwise
18 requires:

19 *a.* "Department" means the department of natural resources.

20 *b.* "Local community" includes a political subdivision or
21 a watershed management authority created pursuant to section
22 466B.22.

23 2. The department shall establish and administer a local
24 conservation partnership program to provide financing to local
25 communities to do any of the following:

26 *a.* Maintain and improve parks, preserves, wildlife areas,
27 wildlife habitats, native prairies, forests, or wetlands.

28 *b.* Promote wildlife diversity.

29 *c.* Further a recreational purpose.

30 *d.* Improve rivers and streams.

31 *e.* Sponsor education and outreach programs and projects that
32 provide instruction regarding natural history and the outdoors.

33 The subjects of such instruction may relate to opportunities
34 involving a recreational purpose, outdoor safety, or ethics.

35 The programs and projects may assist Iowa students studying in

1 fields of science, technology, engineering, and mathematics.

2 *f.* Further any other purpose described in section 350.1.

3 3. As part of a local conservation partnership under the
4 program, two or more local communities may enter into chapter
5 28E agreements, and a local community may cooperate with
6 the federal government or a nongovernmental organization.
7 A nongovernmental organization shall not be eligible to
8 participate in a local community partnership under the program
9 unless the nongovernmental organization submits an application
10 in association with a political subdivision or county
11 conservation board and enters into a chapter 28E agreement with
12 the political subdivision or county conservation board.

13 4. *a.* A local community is not eligible to receive moneys
14 from the department under the program to support a local
15 conservation partnership, unless the local community finances
16 a minimum percentage of the estimated or total cost of the
17 initiative, whichever is less.

18 *b.* The minimum amount of the cost-share contribution by a
19 local community, as described in paragraph "a", shall be as
20 follows:

21 (1) Ten percent for a local community located in a county
22 having a population of fifteen thousand or less.

23 (2) Twenty-five percent for a local community located in a
24 county having a population of more than fifteen thousand but
25 less than one hundred thousand.

26 (3) Seventy-five percent for a local community located in a
27 county having a population of one hundred thousand or more.

28 Sec. 207. Section 461.37, Code 2022, is amended to read as
29 follows:

30 **461.37 Trails Water and land trails trust account —**
31 **allocations.**

32 1. A water and land trails trust account is created in the
33 trust fund. ~~For~~ The trust account shall be administered by the
34 department of transportation.

35 2. Four percent of the moneys credited to the trust fund

1 shall be allocated to the trust account.

2 ~~2.~~ 3. The Of the amount of trust fund moneys allocated
3 to the trust account, fifty percent shall be distributed for
4 use by the department of transportation and the department of
5 natural resources shall use moneys in the account to support
6 initiatives related to the design, establishment, maintenance,
7 improvement, and expansion of land trails.

8 ~~3.~~ 4. The Of the amount of trust fund moneys allocated to
9 the trust account, fifty percent shall be distributed for use
10 by the department of natural resources may use the account to
11 support the design, establishment, maintenance, improvement,
12 and expansion of water trails. The department shall provide
13 priority to stream restoration.

14 5. a. During a fiscal year, and pursuant to an agreement
15 between the department of transportation and the department
16 of natural resources, either custodial department that is
17 distributed trust fund moneys for use under this section may
18 transfer unencumbered or unobligated trust fund moneys to the
19 other custodial department for use by the other custodial
20 department as provided in this section.

21 b. During a fiscal year, and pursuant to an agreement
22 between the department of transportation and the department
23 of natural resources, the department of transportation
24 may transfer unencumbered or unobligated trust fund moneys
25 allocated to the trust account and distributed for use by
26 the department of transportation to another trust account
27 administered by the department of natural resources for use by
28 the department of natural resources.

29 Sec. 208. Section 461.38, Code 2022, is amended to read as
30 follows:

31 461.38 Lake and stream restoration trust account —
32 allocations.

33 1. A lake and stream restoration trust account is created in
34 the trust fund. ~~Seven~~ The trust account shall be administered
35 by the department of natural resources.

1 2. Ten percent of the moneys credited to the trust fund
2 shall be allocated to the trust account.

3 ~~2.~~ 3. The department ~~of natural resources~~ shall use moneys
4 ~~in~~ allocated to the trust account to support ~~public~~ all of the
5 following:

6 a. Public lake restoration initiatives as follows:

7 ~~a.~~ (1) An initiative shall account for a lake's
8 recreational purpose, and provide for environmental, aesthetic,
9 ecological, and social value. It must ~~improve water quality~~
10 further a goal of the Iowa nutrient reduction strategy.

11 ~~b.~~ (2) ~~The department's~~ A decision by the department to
12 prioritize an initiative may be based on the department's lake
13 restoration plan and report as provided in section 456A.33B and
14 the Iowa nutrient reduction strategy.

15 b. The stabilization and restoration of stream banks.

16 Sec. 209. NEW SECTION. 461.51 Repeal.

17 This chapter is repealed December 31, 2051.

18 Sec. 210. CODE EDITOR DIRECTIVE.

19 1. The Code editor is directed to make the following
20 transfers:

21 a. Section 461.36A, as enacted in this division of this Act,
22 to section 455A.31.

23 b. Section 461.35, as amended in this division of this Act,
24 to section 461.41.

25 2. The Code editor shall correct internal references in the
26 Code and in any enacted legislation as necessary due to the
27 enactment of this section.

28 Sec. 211. REPEAL. Section 455A.20, Code 2022, is repealed.

29 Sec. 212. EFFECTIVE DATE. This division of this Act takes
30 effect January 1, 2023.

31

DIVISION XXIV

32

CONTINGENT CODE EDITOR DIRECTIVE

33 Sec. 213. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor
34 is directed to harmonize amendments to sections 421.26, 422.33,
35 423B.5, 423B.6, and 423B.7, if necessary, which are amended by

1 two or more divisions of this Act, and to harmonize any other
2 Code provision amended in two or more operations or divisions
3 of this Act, and to make other related changes, if necessary,
4 to effectuate such changes.

5

EXPLANATION

6

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

7

8 This bill relates to state and local revenue and finances
9 and modifies sales and use taxes, individual and corporate
10 income taxes, the franchise tax, the insurance premiums tax,
11 the equipment tax, the automobile rental excise tax, the water
12 service tax, the local option tax, and credits moneys to the
13 natural resource and outdoor recreation trust fund.

14 DIVISION I — SALES AND USE TAX. An amendment to the Iowa
15 Constitution was ratified on November 2, 2010, which created
16 a natural resources and outdoor recreation trust fund (fund)
17 and dedicated a portion of state revenues to the fund for
18 the purposes of protecting and enhancing water quality and
19 natural areas in the state including parks, trails, and fish
20 and wildlife habitat, and conserving agricultural soils in
21 the state (Article VII, section 10). The fund is codified in
22 Code section 461.31. Pursuant to the amendment, the amount
23 credited to the fund will be equal to the amount generated
24 by an increase in the state sales tax rate occurring after
25 the effective date of the constitutional amendment, but shall
26 not exceed the amount that a state sales tax rate of 0.375
27 percent would generate. The state sales tax rate has not
28 been increased since the effective date of the constitutional
29 amendment, so no amounts have been credited to the fund. The
30 bill increases the sales tax rate and the use tax rate from 6
31 percent to 7 percent beginning January 1, 2023. In lieu of the
32 local option and sales services tax revenue repealed in another
33 division of the bill, the bill transfers a specified amount of
34 the state sales and use tax revenues collected to the local
35 sales and use tax fund established under Code chapter 423B,

1 for allocation and expenditure in a manner similar to that
2 which was provided for local sales and services tax revenues.
3 The bill, as the result of Article VII, section 10, of the
4 Constitution of the State of Iowa, also amends the transfer
5 of sales tax revenues to the secure an advanced vision for
6 education fund in Code section 423.2A(2).

7 DIVISION II — SALES AND USE TAX ON SERVICES AND EXEMPTIONS.
8 The bill strikes "software as a service" and substitutes "cloud
9 computing" as a service for purposes of imposing sales tax.
10 The bill makes the following services subject to the sales tax:
11 web hosting, digital automated services, and scooter. However,
12 the bill exempts web hosting and digital automated services
13 from the sales tax when furnished to a commercial enterprise
14 for use exclusively by the commercial enterprise.

15 The bill strikes the sales and use tax exemption on the
16 sales price from the sale or rental of computer or computer
17 peripherals by an insurance company, financial institution, or
18 commercial enterprise.

19 The bill strikes "professions and occupations" from
20 the definition of "commercial enterprise" in Code section
21 423.3(104) thus making sales to professions and occupations
22 related to prewritten software, specified digital services, and
23 other services subject to the sales tax.

24 The division takes effect January 1, 2023.

25 DIVISION III — SALES, USE, AND EXCISE TAX — RETURNS DUE.
26 The bill allows a taxpayer to have a combined sales and use tax
27 permit and to file a combined return for sales and use taxes.
28 Currently, a taxpayer must possess a separate sales and use tax
29 permit and file separate sales and use tax returns.

30 The bill changes numerous references to the phrase "sales
31 tax permit" in the Code to the phrase "sales or use tax
32 permit".

33 Currently, a person is required to file a sales or use tax
34 return on a quarterly basis. The bill changes this filing
35 requirement from a quarterly basis to a monthly basis. The

1 bill does allow a person required to file a sales or use tax
2 return and who collects less than \$1,200 in sales or use tax in
3 a calendar year, to file a return once a year on or before the
4 last day of the month following the close of the calendar year.

5 The bill allows certain persons required to collect sales
6 or use tax who do not meet the definition of a "retailer
7 maintaining a business in this state" in Code section
8 423.1(48)(a)(1), to be issued only one sales or use tax permit.

9 The bill allows the director of revenue, if necessary to
10 ensure the payment of sales or use tax, to require a sales or
11 use tax return be filed on a different basis other than on a
12 monthly basis.

13 The bill strikes a provision allowing a person required to
14 file a sales or use tax return to take a credit against the
15 total quarterly amount of tax due, upon a proper showing of
16 necessity, allowing for the balance of tax due to be paid up to
17 30 days after the return was due.

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

22 DIVISION IV — DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS
23 AND SCHOOL DISTRICTS. Currently, by August 15, the department
24 of revenue estimates the local option sale tax (LOST) and
25 securing an advanced vision for education (SAVE) tax amounts
26 that will be transferred to each local government or school
27 district on a fiscal year and monthly basis. The transfer
28 estimates may be revised for the year and remaining months by
29 the director of revenue if the estimates are incorrect.

30 Commencing with the fiscal year beginning July 1, 2022, the
31 bill changes the LOST and SAVE transfer amount procedures,
32 subject to changes to LOST and SAVE in other divisions of the
33 bill, by requiring the department of revenue to transfer the
34 actual LOST and SAVE taxes collected that are attributable
35 to each local government or school district to that local

1 government or school district.

2 The bill also creates a transition procedure for the LOST
3 and SAVE tax amounts transferred during July and August 2022.
4 Under the transition procedure, the department of revenue shall
5 transfer estimated amounts of LOST and SAVE to each local
6 government or school district for the months of July, August,
7 and September 2022. However, beginning with the October 2022
8 transfer, the department of revenue shall transfer the actual
9 amount of tax attributable to each local government or school
10 district for the LOST and SAVE tax remitted in September 2022.
11 The bill requires any adjustment amount that is necessary to
12 the July, August, or September 2022 estimated transfer amounts
13 be made by the close of business on December 30, 2022.

14 DIVISION V — SALE OF CERTAIN QUALIFIED STOCK — NET
15 CAPITAL GAIN EXCLUSION. The bill grants an employee-owner one
16 irrevocable lifetime election to exclude from state individual
17 income tax the net capital gain from the state of the capital
18 stock on one qualified corporation. The election applies to
19 all subsequent sales or exchanges of capital stock.

20 The bill phases in over a three-year period the complete
21 exclusion from the individual income tax the net capital gain
22 from the sale of capital stock on one qualified corporation.
23 The percentage of the capital gain that is excluded for tax
24 years beginning in 2023, 2024, and 2025 and beyond is 33
25 percent, 66 percent, and 100 percent, respectively. Several
26 requirements must be met for the capital stock to qualify
27 as capital stock of a qualified corporation. The qualified
28 corporation must have employed individuals in this state for
29 at least 10 years. The qualified corporation must have had at
30 least five shareholders for the 10 years prior to the first
31 sale or exchange pursuant to the bill, and the corporation must
32 have had at least two shareholders or groups of shareholders
33 who are not related for the 10 years prior to the sale or
34 exchange. The bill requires the capital stock to be common or
35 preferred stock, and may be either voting or nonvoting, but

1 does not include warrants, stock options, or debt securities.

2 The bill provides that the election applies to transfers of
3 the capital stock by inter vivos gift from the employee-owner
4 to a spouse, or to a trust for the benefit of the
5 employee-owner's spouse. The election will apply to a spouse
6 only if the spouse was married to the employee-owner on the
7 date of the sale or the date of the employee-owner's death.

8 If, after making a valid inter vivos gift of stock that meets
9 all the requirements for an election, an employee-owner dies
10 without making an election, the surviving spouse, or if there
11 is no surviving spouse, the personal representative of the
12 employee-owner's estate, may make the election.

13 An election under the bill is made on a form prescribed by
14 the department of revenue and included with the taxpayer's
15 state income tax return for the taxable year in which the
16 election is made.

17 The division takes effect January 1, 2023, and applies to tax
18 years beginning on or after that date.

19 DIVISION VI — RETIRED FARMER LEASE INCOME EXCLUSION.

20 Commencing with tax years beginning on or after January 1,
21 2023, the bill excludes from the individual income tax a
22 retired farmer's total net income received pursuant to a
23 farm tenancy agreement covering real property held by the
24 retired farmer for 10 or more years, if the farmer materially
25 participated in a farming business for 10 or more years.

26 Net income from a farm tenancy agreement earned by an
27 entity taxed as a partnership for federal tax purposes, an S
28 corporation, or a trust or estate is not eligible for the lease
29 income exclusion, even if the net income passes through to a
30 retired farmer.

31 A retired farmer is not eligible for the lease income
32 exclusion unless the farmer is at least 55 years of age and no
33 longer materially participating in farming.

34 A retired farmer who elects to claim the lease income
35 exclusion is not eligible, in the tax year the election is made

1 or in succeeding tax years, to claim the capital gain exclusion
2 under Code section 422.7(21), as amended by another division of
3 the bill, or the beginning farmer tax credit.

4 The division takes effect January 1, 2023, and applies to tax
5 years beginning on or after that date.

6 DIVISION VII — RETIRED FARMER CAPITAL GAIN EXCLUSION. The
7 bill modifies the individual income tax capital gain exclusion
8 for the sale of real property used in a farming business which
9 otherwise would have gone into effect in tax year 2023, which
10 was enacted in 2018 Iowa Acts, chapter 1161, section 113,
11 and later modified in 2019 Iowa Acts, chapter 162. The bill
12 repeals both 2018 Iowa Acts, chapter 1161, section 113, and
13 2019 Iowa Acts, chapter 162, and creates a new capital gain
14 exclusion provision based upon the 2019 Iowa Acts, chapter
15 162 provisions, effective for tax years beginning on or after
16 January 1, 2023.

17 Under the provisions in 2019 Iowa Acts, chapter 162, section
18 1, which otherwise would have gone into effect during the 2023
19 tax year, a taxpayer who materially participates in a farming
20 business for at least 10 years and held real property used
21 in such a business for at least 10 years, may make a single
22 lifetime exclusion election from the individual income tax of
23 the capital gain of the sale of such property.

24 The bill modifies the term "materially participated" in a
25 farming business to include a retired farmer if the retired
26 farmer materially participated in a farming business for 10
27 years or more, in the aggregate, prior to making the election
28 to exclude the capital gain of the sale of real property used
29 in a farming business.

30 In addition to a single lifetime exclusion of the capital
31 gain from the sale of real property used in a farming business,
32 the bill also allows a retired farmer to make a single lifetime
33 exclusion of the net capital gain from the sale of cattle
34 or horses if held by the retired farmer for breeding, draft,
35 dairy, or sporting purposes for more than 24 months, and

1 only if the retired farmer materially participated in the
2 farming business for five of the eight years preceding the
3 retired farmer's retirement or disability, and who sold all
4 or substantially all of the retired farmer's interest in the
5 farming business by the time the election to exclude capital
6 gain of the sale of livestock from the individual income tax
7 is made.

8 Additionally, the bill allows a retired farmer to make a
9 single lifetime exclusion of the net capital gain from the
10 sale of breeding livestock, other than cattle and horses, if
11 the livestock is held by the retired farmer for more than 12
12 months, and only if the retired farmer materially participated
13 in the farming business for five of the eight years preceding
14 the retired farmer's retirement or disability, and who sold all
15 or substantially all of the retired farmer's interest in the
16 farming business by the time the election to exclude capital
17 gain of the sale of livestock from the individual income tax
18 is made.

19 Under the bill, a retired farmer is not eligible for the
20 capital gain exclusion if the retired farmer claims the
21 beginning farmer tax credit in the same tax year. A retired
22 farmer electing the capital gain exclusion is not eligible to
23 elect to exclude retired farmer lease income in the same tax
24 year or any succeeding tax year.

25 The division takes effect January 1, 2023, and applies to
26 sales consummated on or after that date.

27 For sales consummated prior to January 1, 2023, the existing
28 law in Code section 422.7(21) shall govern.

29 DIVISION VIII — INDIVIDUAL INCOME TAX — PHASE IN. The bill
30 repeals the individual income tax rates and brackets described
31 in 2018 Iowa Acts, chapter 1161, section 107, which otherwise
32 would have gone into effect January 1, 2023, and strikes and
33 replaces the individual income tax rates and brackets for the
34 tax year beginning January 1, 2023, in Code section 422.5A.
35 The bill reduces individual income tax rates beginning with

1 the 2023 tax year, and reduces the number of individual income
 2 tax brackets beginning with the 2024 tax year. The modified
 3 individual income tax rates and brackets are as follows:

4 For the 2023 tax year:

5 Married filing jointly

6	Income over:	But not over:	Tax rate:
7	1) \$0	\$12,000	4.40%
8	2) \$12,000	\$60,000	4.82%
9	3) \$60,000	\$150,000	5.70%
10	4) \$150,000		6.00%

11 All other filers other than married filing jointly

12	Income over:	But not over:	Tax rate:
13	1) \$0	\$6,000	4.40%
14	2) \$6,000	\$30,000	4.82%
15	3) \$30,000	\$75,000	5.70%
16	4) \$75,000		6.00%

17 For the 2024 tax year:

18 Married filing jointly

19	Income over:	But not over:	Tax rate:
20	1) \$0	\$12,000	4.40%
21	2) \$12,000	\$60,000	4.82%
22	3) \$60,000		5.70%

23 All other filers other than married filing jointly

24	Income over:	But not over:	Tax rate:
25	1) \$0	\$6,000	4.40%
26	2) \$6,000	\$30,000	4.82%
27	3) \$30,000		5.70%

28 For the 2025 tax year:

29 Married filing jointly

30	Income over:	But not over:	Tax rate:
31	1) \$0	\$12,000	4.40%
32	2) \$12,000		4.82%

33 All other filers other than married filing jointly

34	Income over:	But not over:	Tax rate:
35	1) \$0	\$6,000	4.40%

1 elimination fund.

2 By November 1, 2029, and by November 1 each year thereafter,
3 the department of management shall determine the amount of
4 moneys available in the individual income tax elimination fund,
5 and the net individual income tax receipts at the close of
6 the preceding fiscal year. The department of revenue shall
7 adjust and apply a new individual income tax rate based upon
8 the amount of money available in the individual income tax
9 elimination fund. The bill specifies the department of revenue
10 shall adjust and apply a new individual income tax rate in such
11 a way that the rate would have generated an amount equal to the
12 net receipts generated from the rate in the preceding fiscal
13 year less the amount used in the calculation in the individual
14 income tax elimination fund.

15 The bill prohibits the rate from being adjusted unless the
16 rate is able to be adjusted at least one-tenth of one percent.
17 The rate, when adjusted, shall be rounded down to the nearest
18 one-tenth of one percent.

19 The bill requires the moneys in the individual income tax
20 elimination fund be transferred to the general fund of the
21 state in the fiscal year the rate is adjusted.

22 If a tax rate is adjusted, the bill requires the director
23 of revenue to cause an advisory notice containing the new
24 individual income tax rate to be published in the Iowa
25 administrative bulletin and on the internet site of the
26 department of revenue. The calculation and publication of the
27 adjusted tax rate by the director of revenue is exempt from
28 Code chapter 17A, and shall be submitted for publication by the
29 first December 31 following the determination date to adjust
30 the tax rates.

31 The division takes effect January 1, 2026, and applies to tax
32 years beginning on or after that date.

33 DIVISION X — RETIREMENT INCOME EXCLUSION. Under current
34 law, a taxpayer who is disabled, who is at least 55 years of
35 age, or who is the surviving spouse or other specified survivor

1 of that qualifying taxpayer, may exclude a maximum of \$6,000 of
2 other retirement income (\$12,000 for married persons).

3 Commencing with tax years beginning January 1, 2023, the
4 bill excludes retirement income from the computation of net
5 income for purposes of the individual income tax. In order
6 to be eligible for the retirement income exclusion, a person
7 must be disabled, at least 55 years of age, or be the surviving
8 spouse of an individual or be a survivor having an insurable
9 interest in an individual who would have qualified for the
10 retirement income exclusion.

11 The bill does not change current law allowing a taxpayer
12 to exclude all retirement pay, including certain survivor
13 benefits, received from the federal government for military
14 service performed in the armed forces, the armed forces
15 military reserve, or national guard.

16 The bill also excludes this retirement income from the
17 calculation of net income for purposes of determining whether
18 or not a taxpayer's net income exceeds the amount at which the
19 individual income tax will not be imposed pursuant to Code
20 section 422.5(3) or 422.5(3B), and for which an individual
21 income tax return is not required to be filed, and for purposes
22 of calculating the alternate tax in Code section 422.5, and
23 further provides that any retirement income excluded from
24 the individual income tax will not be added back to these
25 calculations for tax years beginning in 2023 or later.

26 The division takes effect January 1, 2023, and applies to tax
27 years beginning on or after that date.

28 DIVISION XI — CORPORATE INCOME TAX. The bill repeals the
29 current corporate income tax rates in Code section 422.33(1)
30 for tax years beginning on or after January 1, 2024.

31 DIVISION XII — FUTURE CORPORATE INCOME TAX RATES. The bill
32 phases in reductions to corporate income tax rates commencing
33 with the tax year beginning on or after January 1, 2024, but
34 before January 1, 2025:

35 Income over: But not over: Tax rate:

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1	1) \$0	\$100,000	5.50%
2	2) \$100,000	\$250,000	9.00%
3	3) \$250,000		9.40%

4 For the tax year commencing on or after January 1, 2025, but
5 before January 1, 2026, the rates are as follows:

6	Income over:	But not over:	Tax rate:
7	1) \$0	\$100,000	5.50%
8	2) \$100,000		9.00%

9 For the tax year commencing on or after January 1, 2026, but
10 before January 1, 2027, the rates are as follows:

11	Income over:	But not over:	Tax rate:
12	1) \$0	\$100,000	5.40%
13	2) \$100,000		8.60%

14 For the tax year beginning on or after January 1, 2027, but
15 before January 1, 2028, the rates are as follows:

16	Income over:	But not over:	Tax rate:
17	1) \$0	\$100,000	5.40%
18	2) \$100,000		8.20%

19 For the tax years commencing on or after January 1, 2028, the
20 rates are permanently set at the following:

21	Income over:	But not over:	Tax rate:
22	1) \$0	\$100,000	5.30%
23	2) \$100,000		7.80%

24 DIVISION XIII — FRANCHISE TAX. The bill phases in a
25 reduction of the current franchise tax of 5 percent of net
26 income as follows: Commencing with the tax years beginning
27 during the 2023 calendar year, 4.80 percent; for tax years
28 beginning during the 2024 calendar year, 4.60 percent; for tax
29 years beginning during the 2025 calendar year, 4.40 percent;
30 for tax years beginning during the 2026 calendar year, 4.20
31 percent; and for all tax years beginning on or after January
32 1, 2027, 4.00 percent.

33 DIVISION XIV — INSURANCE PREMIUMS TAX. The bill reduces
34 the insurance premium tax on the gross amount of premiums
35 received by an insurance company from 1 percent to .95 percent

1 in calendar year 2023, and from .95 percent to .90 percent for
2 the 2024 calendar year and subsequent calendar years.

3 The division takes effect January 1, 2023.

4 DIVISION XV — AUTOMOBILE RENTAL EXCISE TAX. The bill
5 increases the automobile rental excise tax from 5 percent to 7
6 percent on the rental of automobiles rented on or after January
7 1, 2023. The bill repeals an exception for the collection of
8 the automobile rental excise tax of a person or an affiliate
9 of a person who owns, operates, or controls an automobile
10 peer-to-peer sharing marketplace.

11 DIVISION XVI — EQUIPMENT TAX. The bill increases the
12 equipment tax from 5 percent to 6 percent of the sales price on
13 all equipment sold or used in the state on or after January 1,
14 2023. Code section 423D.1 defines "equipment".

15 DIVISION XVII — WATER SERVICE TAX. The bill repeals Code
16 chapter 423G (water service tax) in the amount of six percent
17 imposed on the sales price from the sale or furnishing of
18 water by a water utility to consumers or users. However, in
19 division II of the bill, the sales tax exemption for the sale
20 of furnishing of water by a water utility is repealed, thus
21 making the sale or furnishing of water to the public subject to
22 the seven percent sales tax. The division takes effect January
23 1, 2023.

24 DIVISION XVIII — TAX CREDITS.

25 HIGH QUALITY JOBS. The bill specifies that in allocating tax
26 credits, the IEDA shall prioritize allocating tax credits for
27 additional research activities tax credits allowed pursuant to
28 Code section 15.335A.

29 REDEVELOPMENT. Currently, 100 percent of the redevelopment
30 tax credit in excess of tax liability is refundable if certain
31 conditions are met. The bill reduces the refundability of
32 the redevelopment tax credit as follows: for the tax year
33 beginning on or after January 1, 2023, but before January
34 1, 2024, the 75 percent of the tax credit in excess of the
35 taxpayer's liability for the tax year is refundable if certain

1 conditions are met; and for tax years beginning on or after
2 January 1, 2024, 50 percent of the tax credit in excess of tax
3 liability is refundable if certain conditions are met.

4 **ENDOW IOWA.** The bill changes the maximum amount of endow
5 Iowa tax credits that are available to an individual taxpayer
6 from 5 percent of the authorized credits to \$100,000 of the
7 authorized credits. Currently, the authorized credits shall
8 not annually exceed \$6 million.

9 **RENEWABLE CHEMICAL PRODUCTION.** Currently, 100 percent of
10 the renewable chemical production tax credit in excess of tax
11 liability is refundable. The bill reduces the refundability of
12 the renewable chemical production tax credit as follows: for
13 the tax year beginning on or after January 1, 2023, but before
14 January 1, 2024, 75 percent of the tax credit in excess of the
15 taxpayer's liability for the tax year is refundable; and for
16 tax years beginning on or after January 1, 2024, 50 percent of
17 the tax credit in excess of tax liability is refundable.

18 **S CORPORATION.** The bill repeals the S corporation tax
19 credit commencing with tax years beginning on or after January
20 1, 2023. In lieu of claiming the credit for taxes paid to
21 another state, the S corporation tax credit allows resident
22 shareholders of S corporations that do business within and
23 outside of the state to recompute their individual income tax
24 and claim a refund of tax paid if the recomputation is a lower
25 amount. The recomputation allocates the resident shareholder's
26 share of the income and expenses of the S corporation, as is
27 done for corporate income tax purposes, rather than all the
28 resident's share of the income and expenses being taxed.

29 **RESEARCH ACTIVITIES.** The bill modifies the research
30 activities tax credit available against the individual and
31 corporate income taxes. The bill specifies the tax credit
32 shall be claimed on a return filed by the due date for filing
33 the return, including extensions of time. If the tax credit is
34 timely claimed, the bill prohibits a taxpayer from increasing
35 the claim on an amended return unless the increase resulted

1 from an audit by the Internal Revenue Service or the department
2 of revenue.

3 The bill modifies the calculations for determining the
4 state's apportioned share of the qualifying expenditures for
5 increasing research activities.

6 The bill requires a taxpayer to use the alternative
7 simplified credit calculation described in federal law if
8 the taxpayer elected or was required to use the alternative
9 simplified credit method for federal income tax purposes for
10 the same taxable year. The bill modifies the alternative
11 credit computation for state tax purposes to require, for
12 purposes of claiming the credit, the basic research payments
13 and qualified research expenses to be conducted in this
14 state. The bill also specifies the basic research payments
15 and qualified research expenses under the alternate credit
16 computation shall be determined in accordance with the new
17 calculations for determining the state's apportioned share of
18 the qualifying expenditures in the bill.

19 The bill reduces the research activities tax credit from
20 6.5 percent of the excess qualified research expenses or basic
21 research payments to 4 percent of such expenses or payments.
22 If the taxpayer uses the alternate credit computation described
23 in section 41(c)(4) of the Internal Revenue Code, the bill
24 reduces the alternate credit computations from 4.55 percent to
25 2.80 percent and 1.95 percent to 1.20 percent, respectively.

26 For individual and corporate income taxpayers, commencing
27 with the tax year beginning January 1, 2023, but before January
28 1, 2024, the bill reduces the refundability of the research
29 activities tax credit from 100 percent of the credit in excess
30 of the tax liability imposed during the tax year, to 75 percent
31 of any credit in excess of the tax liability imposed during
32 the tax year. Commencing with tax years beginning on or after
33 January 1, 2024, and every tax year thereafter, the bill
34 reduces the refundability of the tax credit from 75 percent
35 of the credit in excess of the tax liability imposed during

1 the tax year, to 50 percent of any credit in excess of the tax
2 liability imposed during the tax year.

3 In applying the research activities credit, the bill
4 provides that the credit shall be applied after all
5 nonrefundable credits but before any other refundable credits.

6 GEOTHERMAL HEAT PUMP TAX CREDIT. Currently, the state
7 geothermal heat pump tax credit available against the
8 individual income tax is based upon the federal tax credit
9 which is set to expire for installations occurring on or after
10 December 31, 2023. The bill prohibits a taxpayer from claiming
11 the state geothermal heat pump tax credit for installations
12 occurring after December 31, 2023. The bill delays the repeal
13 of the geothermal heat pump tax credit until January 1, 2034,
14 to account for the 10-year carryforward period.

15 CHARITABLE CONSERVATION CONTRIBUTION. The bill prohibits
16 a charitable conservation contribution tax credit from being
17 claimed against the individual or corporate income tax, except
18 for qualified real property interests conveyed prior to January
19 1, 2023. The bill allows the credit in excess of tax liability
20 to carry forward for qualified real property interests conveyed
21 prior to January 1, 2023.

22 PRESERVATION OF EXISTING RIGHTS. The bill preserves
23 existing rights and is intended to not limit, modify, or
24 otherwise adversely affect any amount of the tax credit issued,
25 awarded, or allowed prior to the repeal date of any tax credit.

26 TAX CREDIT REVIEW STUDY COMMITTEE. During the 2029
27 legislative interim, the bill requests the legislative council
28 to authorize a study committee to review tax credits available
29 against state taxes by developing options for replacing tax
30 credits that produce equivalent results as the tax credit
31 being replaced. The study shall consist of voting legislative
32 members and nonvoting taxpayer representatives.

33 EFFECTIVE AND APPLICABILITY DATE. The division takes effect
34 January 1, 2023, and applies to tax years beginning on or after
35 that date.

1 DIVISION XIX — TAX EXPENDITURE COMMITTEE. The bill
2 changes the process of reviewing tax expenditures. The bill
3 strikes the review of tax expenditures by the tax expenditure
4 committee, and requires the applicable department charged
5 with administering a tax expenditure to submit a report to
6 the general assembly detailing the review in the year the
7 tax expenditure is scheduled to be reviewed. The bill does
8 not change the tax expenditure review schedule or the tax
9 expenditures to be reviewed.

10 DIVISION XX — INDIVIDUAL INCOME TAX ELIMINATION FUND.
11 The bill changes the name of the taxpayer relief fund to the
12 individual income tax elimination fund.

13 DIVISION XXI — NATIONAL GUARD PAY. The bill exempts from
14 the individual income tax all pay received by a taxpayer
15 from the federal government for full-time military service
16 performed in support of the national guard pursuant to 32
17 U.S.C. §502(f) and 32 U.S.C. §709(a) and (b). This exempts
18 certain income received by active duty and reserve personnel,
19 certain operational support personnel, and certain dual-status
20 federal technicians.

21 The division applies to tax years beginning on or after
22 January 1, 2023.

23 DIVISION XXII — LOCAL OPTION TAXES. Code chapter 423B
24 authorizes, following approval at election, the imposition of
25 a local option sales and services tax at a rate not to exceed
26 one percent to be administered similarly to the state sales
27 and services tax and authorizes the imposition of a local
28 vehicle tax. The bill strikes the authorization for the local
29 vehicle tax and also strikes the authorization to impose the
30 local option sales and services tax under Code chapter 423B,
31 but instead authorizes cities and counties to expend specified
32 state sales and use tax revenues that are deposited in the
33 local sales and use tax fund following the increase of the
34 state sales and use taxes rates in previous sections of the
35 bill.

1 Under the bill, sales and services tax revenue credited to
2 and deposited in each county's account within the local sales
3 and use tax fund must be expended by each recipient county
4 and city as required by the jurisdiction's revenue purpose
5 statement, including a revenue purpose statement approved at
6 election prior to January 1, 2023, and in effect on or set to
7 take effect on or after January 1, 2023, for the use of local
8 option sales and use tax revenue previously collected under
9 Code chapter 423B, or be used to reduce specified property tax
10 levies.

11 The board of supervisors of each county and the city
12 council of each city may adopt by resolution a revenue purpose
13 statement for the expenditure of funds received under Code
14 chapter 423B.

15 The revenues transferred to the local sales and use tax fund
16 continue to be allocated to the specific county account for
17 the county in which the tax was collected. Additionally, all
18 cities and counties are eligible to receive the allocation of
19 revenues, not just those that had previously approved the local
20 option tax.

21 Code section 423B.10 allows a city in which a local sales
22 and services tax is imposed to, by ordinance and following
23 approval of the board of supervisors, to provide for the use
24 of a designated amount of increased local option sales and
25 services tax revenue for urban renewal purposes. The bill
26 modifies provisions governing this authorization to provide for
27 the use of a specified amount of the applicable increase state
28 sales tax revenues deposited in the local sales and use tax
29 fund in lieu of the increased local option sales and services
30 tax revenue. The bill allows city ordinances providing for the
31 use of certain local option sales and services tax revenues for
32 urban renewal purposes in effect on January 1, 2023, to remain
33 in effect until expiration, amendment, or repeal.

34 The bill also eliminates the authority to impose a local
35 sales and services tax under the quad cities interstate

1 metropolitan authority compact under Code chapter 28A beginning
2 on January 1, 2023.

3 The division takes effect January 1, 2023.

4 DIVISION XXIII — NATURAL RESOURCES AND OUTDOOR RECREATION
5 TRUST FUND. The bill amends provisions in Code chapter 461
6 (the natural resources and outdoor recreation Act) that is
7 to implement Article VII, section 10, of the Constitution
8 of the State of Iowa when the sales tax is increased. The
9 bill increases the sales tax in division I. The Code chapter
10 establishes the natural resources and outdoor recreation trust
11 fund (trust fund) and associated accounts (renamed trust
12 accounts) supported by a portion of state revenue generated
13 by an increase in the state's sales tax. The purpose of
14 the constitutional provision is to protect and enhance water
15 quality and natural areas, including parks, trails, and fish
16 and wildlife habitat, and conserve agricultural soils in this
17 state.

18 ALLOCATIONS OF TRUST FUND MONEYS. The bill alters the
19 percentage of moneys to be allocated from the trust fund
20 (trust fund moneys) to its trust accounts, including the
21 natural resources trust account administered by the department
22 of natural resources (DNR), the soil conservation and water
23 protection trust account (renamed the soil conservation and
24 nonpoint source water protection trust account) administered
25 by the department of agriculture and land stewardship (DALs),
26 the watershed protection trust account administered by DNR
27 in cooperation with DALs, the local conservation partnership
28 trust account administered by DNR, the trails trust account
29 (renamed the water and land trails trust account) administered
30 by DOT in cooperation with DNR, and the lake restoration
31 trust account (renamed the lake and stream restoration trust
32 account) administered by DNR. It also reduces the allocations
33 of trust fund moneys to the Iowa resources enhancement and
34 protection (REAP) fund administered by DNR. It transfers
35 trust fund moneys allocated to the renamed soil conservation

1 and nonpoint source water protection trust account and the
2 watershed protection trust account to the water quality
3 infrastructure fund used to support nonpoint water quality
4 programs administered by DALSS; and to the water quality
5 financial assistance fund administered by the Iowa finance
6 authority (IFA) to support the wastewater and drinking water
7 treatment financial assistance program (administered by IFA),
8 the water quality financing program (administered by IFA), and
9 the water quality urban infrastructure program (administered by
10 DALSS). The bill revises provisions in the local conservation
11 partnership trust account as a program to be administered
12 by DNR. The bill provides that trust fund moneys may be
13 transferred from the renamed soil conservation and nonpoint
14 source water protection trust account to the water quality
15 infrastructure fund and from the watershed protection trust
16 account to the water quality financial assistance fund upon
17 direction by the custodial department. The bill eliminates
18 current funding sources, including the annual appropriation
19 to the REAP fund from the general fund which is due to expire
20 on June 30, 2026, and both a tax on the sales price on water
21 service, which another division of the bill repeals, and the
22 use of wagering tax receipts, which would otherwise expire on
23 July 1, 2039.

24 ADMINISTRATION. The bill provides that the legislative
25 council is to appoint a committee to review the trust fund and
26 its allocations. The bill requires the economic development
27 authority to be involved in decisions that use trust fund
28 moneys to support initiatives with a recreational purpose. In
29 making decisions to expend trust fund moneys, a higher priority
30 is given to supporting an initiative that furthers a goal of
31 the Iowa nutrient reduction strategy. A higher priority is
32 provided to maintaining or preserving existing public use lands
33 rather than acquiring new land. Several provisions place
34 restrictions upon the use of trust fund moneys for support
35 relating to certain initiatives, including athletic fields or

1 facilities. Trust fund moneys cannot be used to support an
2 exercise of eminent domain powers.

3 REPEAL. Code chapter 461 is repealed December 31, 2051.

4 EFFECTIVE DATE. The division of the bill takes effect
5 January 1, 2023.

6 DIVISION XXIV — CONTINGENT CODE EDITOR DIRECTIVE. The Code
7 editor is directed to harmonize amendments to sections of the
8 bill, if necessary, which are amended by two or more divisions
9 of the bill, and to make other related changes, if necessary,
10 to effectuate such changes.