Senate Study Bill 3159 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS AND MEANS BILL BY CHAIRPERSON DAWSON)

A BILL FOR

An Act exempting certain leases or rentals between affiliates from the sales and use tax and from the fee for new vehicle registration, and including effective date and retroactive applicability provisions.

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

Section 1. Section 321.105A, subsection 3, paragraph f, Code 2022, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) (a) A vehicle leased between affiliates, when the lessor has paid the fee imposed in subsection 2 on the leased vehicle prior to the lease.

(b) For purposes of this subparagraph:

(i) *"Affiliate"* means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(ii) *"Control"* or *"controlled"* means any of the following:

(A) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(B) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(C) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

Sec. 2. Section 423.3, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 108. *a.* The sales price on the lease or rental of personal property between affiliates when the affiliate has paid a tax on the sales price imposed under this subchapter, a use tax imposed under subchapter III, or a fee imposed under section 321.105A on the personal property leased or rented prior to such lease or rental.

b. For purposes of this subsection:

(1) *"Affiliate"* means an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

(2) *"Control"* or *"controlled"* means any of the following:

(a) In the case of a United States corporation, the ownership, directly or indirectly, of fifty percent or more of the voting power to elect directors.

(b) In the case of a foreign corporation, if the voting power to elect the directors is less than fifty percent, the maximum amount allowed by applicable law.

(c) In the case of an entity other than a corporation, fifty percent or more ownership interest in the entity, or the power to direct the management of the entity.

Sec. 3. REFUNDS. Refunds of taxes, interest, or penalties which arise from the enactment of this Act, for leases or rentals occurring between January 1, 2015, and the effective date of this Act, shall be limited to fifteen thousand dollars in the aggregate for any calendar year in which claims are eligible for a refund and shall not be allowed unless refund claims are filed by October 1, 2022, notwithstanding any other law to the contrary. If the amount of claims totals more than fifteen thousand dollars in the aggregate for any calendar year in which claims are eligible for a refund, the department of revenue shall prorate the fifteen thousand dollars in the aggregate among all the claimants for that particular calendar year in relation to the amounts of the claimants' valid claims.

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

Sec. 5. RETROACTIVE APPLICABILITY. This Act applies retroactively to January 1, 2015, for leases or rentals occurring on or after that date.

EXPLANATION

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

This bill exempts certain leases or rentals between affiliates from the sales and use tax and from the fee for new vehicle registration.

The bill exempts from the fee for new registration under Code section 321.105A(3)(a) a vehicle leased between affiliates, when the fee for new registration imposed under Code section 321.105A(2) has been paid by the lessor prior to the lease.

The bill exempts from the sales and use tax the lease or rental of personal property between affiliates when a sales tax, use tax, or fee for new registration for a vehicle has been paid by an affiliate on the personal property leased or rented prior to such lease or rental.

The bill requires refunds of taxes, interest, or penalties arising from claims resulting from the enactment of the bill for leases or rentals occurring between January 1, 2015, and the effective date of the bill to be filed prior to October 1, 2022. Refunds of taxes, interest, or penalties shall not exceed $15,000 in the aggregate in any calendar year in which claims are eligible for a refund. If the amount of claims totals more than $15,000 in the aggregate for any calendar year in which claims are eligible for a refund, the department of revenue shall prorate the $15,000 in the aggregate among all the claimants for that particular calendar year.

The bill defines "affiliate" to mean an entity that directly or indirectly controls, is controlled with or by, or is under common control with another entity.

The bill defines "control" in most instances to mean the ownership, directly or indirectly, of 50 percent or more of the voting power to elect directors.

The bill takes effect upon enactment and applies retroactively to January 1, 2015, for leases or rentals occurring on or after that date.