

**House File 376 - Introduced**

HOUSE FILE 376

BY ISENHART

**A BILL FOR**

1 An Act relating to water quality by increasing the sales and  
2 use tax rates and conditioning the use of moneys from the  
3 natural resources and outdoor recreation trust fund, and  
4 including effective date provisions.

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

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DIVISION I

SALES AND USE TAXES AND THE NATURAL RESOURCES AND OUTDOOR  
RECREATION TRUST FUND

Section 1. Section 423.2, subsection 1, unnumbered paragraph 1, Code 2023, 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 2023, 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.

1     Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2023,  
2 is amended to read as follows:

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

14     Sec. 4. Section 423.2, subsection 5, Code 2023, is amended  
15 to read as follows:

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

19     Sec. 5. Section 423.2, subsection 7, paragraph a,  
20 unnumbered paragraph 1, Code 2023, is amended to read as  
21 follows:

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

25     Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2023,  
26 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 from sales of bundled  
29 transactions. For the purposes of [this subsection](#), a “*bundled*  
30 *transaction*” is the retail sale of two or more distinct and  
31 identifiable products, except real property and services to  
32 real property, which are sold for one nonitemized price. A  
33 “*bundled transaction*” does not include the sale of any products  
34 in which the sales price varies, or is negotiable, based on  
35 the selection by the purchaser of the products included in the

1 transaction.

2 Sec. 7. Section 423.2, subsection 9, Code 2023, is amended  
3 to read as follows:

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

26 Sec. 8. Section 423.2, subsection 10, paragraph a, Code  
27 2023, is amended to read as follows:

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

1     Sec. 9. Section 423.2, subsection 12, Code 2023, is amended  
2 by striking the subsection and inserting in lieu thereof the  
3 following:

4     12. *a.* For the period beginning January 1, 2024, and ending  
5 December 31, 2024, the sales tax rate is six and one-eighth  
6 percent.

7     *b.* For the period beginning January 1, 2025, and ending  
8 December 31, 2025, the sales tax rate is six and one-fourth  
9 percent.

10    *c.* For the period beginning January 1, 2026, and ending  
11 December 31, 2050, the sales tax rate is six and three-eighths  
12 percent.

13    *d.* Beginning January 1, 2051, the sales tax rate is five and  
14 three-eighths percent.

15    Sec. 10. Section 423.2A, subsection 2, Code 2023, is amended  
16 by adding the following new paragraph:

17    NEW PARAGRAPH. *Ob.* (1) Transfer the applicable percentage  
18 as specified in this paragraph of the remaining revenues to the  
19 secure an advanced vision and education fund created in section  
20 423F.2, as follows:

21    (a) For the period beginning January 1, 2024, and ending  
22 December 31, 2024, the applicable percentage is sixteen and  
23 three thousand two hundred sixty-five ten-thousandths percent.

24    (b) For the period beginning January 1, 2025, and ending  
25 December 31, 2025, the applicable percentage is sixteen  
26 percent.

27    (c) For the period beginning January 1, 2026, and ending  
28 December 31, 2050, the applicable percentage is fifteen and six  
29 thousand eight hundred sixty-three ten-thousandths percent.

30    (2) This paragraph is repealed on January 1, 2051.

31    Sec. 11. Section 423.2A, subsection 2, paragraphs b, c, and  
32 d, Code 2023, are amended to read as follows:

33    *b.* Transfer from the remaining revenues the amounts required  
34 under Article VII, section 10, of the Constitution of the State  
35 of Iowa to the natural resources and outdoor recreation trust

1 fund created in [section 461.31](#), if applicable.

2 ~~c. Transfer one-sixth of the remaining revenues to the~~  
3 ~~secure an advanced vision for education fund created in section~~  
4 ~~423F.2. This paragraph "c" is repealed January 1, 2051.~~

5 d. Transfer to the baseball and softball complex sales tax  
6 rebate fund that portion of the sales tax receipts described  
7 in [subsection 1](#), paragraph "b", remaining after the transfers  
8 required under paragraphs "a", "0b", and "b", and "~~c~~" of this  
9 subsection 2. This paragraph is repealed thirty days following  
10 the date on which five million dollars in total rebates have  
11 been provided under [section 423.4, subsection 10](#).

12 Sec. 12. Section 423.5, subsection 1, unnumbered paragraph  
13 1, Code 2023, is amended to read as follows:

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

17 Sec. 13. Section 423.5, subsection 4, Code 2023, is amended  
18 by striking the subsection and inserting in lieu thereof the  
19 following:

20 4. a. For the period beginning January 1, 2024, and ending  
21 December 31, 2024, the use tax rate is six and one-eighth  
22 percent.

23 b. For the period beginning January 1, 2025, and ending  
24 December 31, 2025, the use tax rate is six and one-fourth  
25 percent.

26 c. For the period beginning January 1, 2026, and ending  
27 December 31, 2050, the use tax rate is six and three-eighths  
28 percent.

29 d. Beginning January 1, 2051, the use tax rate is five and  
30 three-eighths percent.

31 Sec. 14. Section 423.43, subsection 1, paragraph b, Code  
32 2023, is amended to read as follows:

33 b. Subsequent to the deposit into the general fund of the  
34 state and ~~after the transfer of such~~ pursuant to paragraph "a",  
35 the department shall do the following in the order prescribed:



1     Sec. 18. NEW SECTION.   **461.12 Conditions on appropriations.**

2     Appropriations of trust fund moneys from the trust fund  
3 to the department of natural resources, the department of  
4 agriculture and land stewardship, the Iowa finance authority,  
5 the economic development authority, or any other public or  
6 private entity or person, for any initiative related to the  
7 Iowa nutrient reduction strategy or for any other water quality  
8 or flood mitigation initiative, shall be made subject to  
9 satisfaction of all of the following conditions:

10    1. The Iowa nutrient reduction strategy is updated to  
11 include the interim goals and timelines of the gulf hypoxia  
12 Mississippi river task force that call for a twenty percent  
13 reduction in nitrates and phosphorus by calendar year 2025.

14    2. Each initiative shall require a comprehensive  
15 watershed-based assessment and planning process open to all  
16 landowners and other stakeholders, with an absolute preference  
17 for initiatives recommended or conducted by, or included in  
18 the plans of, a watershed management authority, with financial  
19 participation by local participants based on principles adopted  
20 according to the Iowa smart planning principles in chapter 18B.

21    3. Funding preference shall be given for initiatives that  
22 achieve one or more benefits in addition to nutrient reduction,  
23 including but not limited to soil health, erosion prevention,  
24 flood mitigation, reductions in other pollutants, wildlife  
25 habitat creation or preservation, and public recreational  
26 access. Trust funds shall not be used for initiatives that are  
27 solely demonstration projects or initiatives under the Iowa  
28 nutrient reduction strategy.

29    4. The initiative establishes specific benchmarks,  
30 priorities, goals, timelines, and milestones, including  
31 regular ambient water quality measurements for the initiative,  
32 which are consistent with the goals and timelines of the Iowa  
33 nutrient reduction strategy, including but not limited to the  
34 changes required in subsection 1.

35    5. The initiative has its performance evaluated by a



1 competent and independent third-party entity at least once  
2 every two years starting from the beginning of the initiative  
3 and again at the conclusion of the initiative.

4 6. The initiative publicly reports participation, progress,  
5 and results at least once every two years, which reports shall  
6 include, at a minimum, measured changes in water quality.

7 7. The initiative shall require, at a minimum, at least  
8 a fifty percent cost share from landowners or other private  
9 entities or persons for improvements to private property,  
10 including both installation and maintenance, and including  
11 regular maintenance in accordance with public easements for a  
12 minimum of twenty years. Any public moneys appropriated for  
13 improvements that are not maintained or that are removed shall  
14 be returned to the trust fund.

15

EXPLANATION

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

18 This bill relates to water quality by increasing the sales  
19 and use tax rates and conditioning the use of moneys from the  
20 natural resources and outdoor recreation trust fund.

21 DIVISION I — SALES AND USE TAXES. Division I of the bill  
22 relates to state sales and use taxes and to an amendment to  
23 the Iowa Constitution ratified on November 2, 2010, which  
24 created a natural resources and outdoor recreation trust fund  
25 (fund) and dedicated a portion of state revenues to the fund  
26 for the purposes of protecting and enhancing water quality and  
27 natural areas in the state including parks, trails, and fish  
28 and wildlife habitat, and conserving agricultural soils in  
29 the state (Article VII, section 10). The fund is codified in  
30 Code section 461.31. Pursuant to the amendment, the amount  
31 credited to the fund will be equal to the amount generated  
32 by an increase in the state sales tax rate occurring after  
33 the effective date of the constitutional amendment, but shall  
34 not exceed the amount that a state sales tax rate of 0.375  
35 percent would generate. The state sales tax rate has not

1 been increased since the effective date of the constitutional  
2 amendment, so no amounts have been credited to the fund. The  
3 division increases the sales tax rate and the use tax rate  
4 from 6 percent to 6.125 percent on January 1, 2024, from 6.125  
5 percent to 6.25 percent on January 1, 2025, and from 6.25  
6 percent to 6.375 percent on January 1, 2026. The division also  
7 amends the transfer of sales and use tax revenues to the secure  
8 an advanced vision for education fund (SAVE) in Code section  
9 423F.2 to ensure that SAVE receives approximately the same  
10 proportion of the total sales and use tax revenue as it did  
11 prior to the use tax rate increases provided in the division.

12 The division takes effect January 1, 2024.

13 DIVISION II — NATURAL RESOURCES AND OUTDOOR RECREATION.

14 Division II relates to the natural resources and outdoor  
15 recreation trust fund codified in Code chapter 461. The  
16 division defines "Iowa nutrient reduction strategy" for  
17 purposes of Code chapter 461. The division also prescribes  
18 numerous conditions that must be satisfied in order for  
19 an appropriation of trust fund moneys to be made from the  
20 trust fund to any public or private entity or person for an  
21 initiative related to the Iowa nutrient reduction strategy,  
22 or for another similar water quality or flood mitigation  
23 initiative. The conditions require that the Iowa nutrient  
24 reduction strategy be updated to include certain goals and  
25 timelines of the gulf hypoxia Mississippi river task force, and  
26 in general require initiatives to engage in or include certain  
27 assessments, goals, measurements, evaluations, or reports as  
28 described in the division, and establishes certain funding  
29 preferences and cost-share requirements as described in the  
30 division. The conditions also prohibit trust fund moneys  
31 from being used for initiatives that are solely demonstration  
32 projects, and requires the repayment of certain public moneys  
33 appropriated for improvements to private property if the  
34 improvements are not maintained or are removed.