

House File 498 - Introduced

HOUSE FILE 498
BY JACOBY

A BILL FOR

- 1 An Act eliminating the state sales and use taxes and including
- 2 effective date provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 423.2, subsection 1, unnumbered paragraph
2 1, Code 2025, is amended to read as follows:

3 There is imposed a tax ~~of six percent~~ at the rate specified
4 in subsection 12 upon the sales price of all sales of tangible
5 personal property, sold at retail in the state to consumers or
6 users except as otherwise provided in this subchapter.

7 Sec. 2. Section 423.2, subsections 2 and 3, Code 2025, are
8 amended to read as follows:

9 2. A tax ~~of six percent~~ at the rate specified in subsection
10 12 is imposed upon the sales price of the sale or furnishing
11 of gas, electricity, water, heat, pay television service, and
12 communication service, including the sales price from such sales
13 by any municipal corporation or joint water utility furnishing
14 gas, electricity, water, heat, pay television service, and
15 communication service to the public in its proprietary capacity,
16 except as otherwise provided in this subchapter, when sold at
17 retail in the state to consumers or users.

18 3. A tax ~~of six percent~~ at the rate specified in subsection
19 12 is imposed upon the sales price of all sales of tickets
20 or admissions to places of amusement, fairs, and athletic
21 events except those of elementary and secondary educational
22 institutions. A tax ~~of six percent~~ at the rate specified in
23 subsection 12 is imposed on the sales price of an entry fee or
24 like charge imposed solely for the privilege of participating in
25 an activity at a place of amusement, fair, or athletic event
26 unless the sales price of tickets or admissions charges for
27 observing the same activity are taxable under this subchapter.
28 A tax ~~of six percent~~ at the rate specified in subsection 12 is
29 imposed upon that part of private club membership fees or charges
30 paid for the privilege of participating in any athletic sports
31 provided club members.

32 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2025,
33 is amended to read as follows:

34 a. A tax ~~of six percent~~ at the rate specified in subsection
35 12 is imposed upon the sales price derived from the operation

1 of all forms of amusement devices and games of skill, games of
2 chance, raffles, and bingo games as defined in chapter 99B, and
3 card game tournaments conducted under section 99B.27, that are
4 operated or conducted within the state, the tax to be collected
5 from the operator in the same manner as for the collection of
6 taxes upon the sales price of tickets or admission as provided
7 in this section. Nothing in this subsection shall legalize any
8 games of skill or chance or slot-operated devices which are now
9 prohibited by law.

10 Sec. 4. Section 423.2, subsection 5, Code 2025, is amended to
11 read as follows:

12 5. There is imposed a tax ~~of six percent~~ at the rate
13 specified in subsection 12 upon the sales price from the
14 furnishing of services as defined in section 423.1.

15 Sec. 5. Section 423.2, subsection 7, paragraph a, unnumbered
16 paragraph 1, Code 2025, is amended to read as follows:

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

20 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2025,
21 is amended to read as follows:

22 a. A tax ~~of six percent~~ at the rate specified in subsection
23 12 is imposed on the sales price from sales of bundled
24 transactions. For the purposes of this subsection, a "bundled
25 transaction" is the retail sale of two or more distinct and
26 identifiable products, except real property and services to real
27 property, which are sold for one nonitemized price. A "bundled
28 transaction" does not include the sale of any products in which
29 the sales price varies, or is negotiable, based on the selection
30 by the purchaser of the products included in the transaction.

31 Sec. 7. Section 423.2, subsection 9, Code 2025, is amended to
32 read as follows:

33 9. A tax ~~of six percent~~ at the rate specified in
34 subsection 12 is imposed upon the sales price from any mobile
35 telecommunications service, including all paging services, that

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

19 Sec. 8. Section 423.2, subsection 10, paragraph a, Code 2025,
20 is amended to read as follows:

21 a. A tax of ~~six percent~~ at the rate specified in subsection
22 12 is imposed on the sales price of specified digital products
23 sold at retail in the state. The tax applies whether the
24 purchaser obtains permanent use or less than permanent use of
25 the specified digital product, whether the sale is conditioned
26 or not conditioned upon continued payment from the purchaser,
27 and whether the sale is on a subscription basis or is not on a
28 subscription basis.

29 Sec. 9. Section 423.2, subsection 12, Code 2025, is amended
30 by striking the subsection and inserting in lieu thereof the
31 following:

32 12. The sales tax rate of seven percent is reduced to zero
33 beginning on or after January 1, 2026.

34 Sec. 10. Section 423.5, subsection 1, unnumbered paragraph 1,
35 Code 2025, is amended to read as follows:

1 Except as provided in paragraph "b", an excise tax at the rate
2 of six percent of the purchase price or installed purchase price
3 ~~is imposed on the following:~~ is reduced to zero beginning on or
4 after January 1, 2026.

5 Sec. 11. Section 423.5, subsection 4, Code 2025, is amended
6 by striking the subsection.

7 Sec. 12. EFFECTIVE DATE. This Act takes effect January 1,
8 2026.

9 EXPLANATION

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

12 Beginning on after January 1, 2026, this bill reduces the
13 statewide sales and use tax from 6 percent to 0. By reducing
14 the statewide sales tax to zero, the bill also eliminates the
15 1 percent sales tax dedicated to the secure an advanced vision
16 for education fund (SAVE). A local option tax adopted pursuant to
17 Code chapter 423B is not reduced by the bill.