

Senate File 2417 - Reprinted

SENATE FILE 2417

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3195)

(As Amended and Passed by the Senate May 5, 2018)

A BILL FOR

1 An Act relating to state and local revenue and finance by
2 modifying the individual and corporate income taxes, the
3 franchise tax, tax credits, the sales and use taxes and
4 local option sales tax, the hotel and motel excise tax, the
5 automobile rental excise tax, the Iowa educational savings
6 plan trust, providing for other properly related matters,
7 making penalties applicable, and including immediate
8 and contingent effective date and retroactive and other
9 applicability provisions.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

INTEREST ACCRUAL ON CERTAIN TAX REFUNDS

Section 1. Section 15.335, subsection 8, Code 2018, is amended to read as follows:

8. Any credit in excess of the tax liability for the taxable year shall be refunded with interest ~~computed under section 422.25~~ in accordance with section 421.60, subsection 2, paragraph "e". In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on its final, completed return credited to the tax liability for the following year.

Sec. 2. NEW SECTION. 421.6 Definition of return.

For purposes of this title, unless the context otherwise requires, "return" means any tax or information return, amended return, declaration of estimated tax, or claim for refund that is required by, provided for, or permitted under, the provisions of this title and which is filed with the department by, on behalf of, or with respect to any person. "Return" includes any amendment or supplement to these items, including supporting schedules, attachments, or lists which are supplemental to or part of the filed return.

Sec. 3. Section 421.60, subsection 2, paragraph e, Code 2018, is amended to read as follows:

e. ~~Unless otherwise provided by law, all~~ All Iowa taxes which are administered by the department and which result in a refund shall accrue interest at the rate in effect under section 421.7 from the first day of the second calendar month following the date of payment or the date the return upon which the refund is claimed was due to be filed, including any extensions, or was filed, whichever is the latest.

Sec. 4. Section 422.10, subsection 4, Code 2018, is amended to read as follows:

4. Any credit in excess of the tax liability imposed by section 422.5 less the amounts of nonrefundable credits allowed under this division for the taxable year shall be refunded with interest ~~computed under section 422.25~~ 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 shown on the taxpayer's final, completed return credited to the
4 tax liability for the following taxable year.

5 Sec. 5. Section 422.16, subsection 9, Code 2018, is amended
6 to read as follows:

7 9. The amount of any overpayment of the individual income
8 tax liability of the employee taxpayer, nonresident, or other
9 person which may result from the withholding and payment of
10 withheld tax by the employer or withholding agent to the
11 department under [subsections 1 and 12](#), as compared to the
12 individual income tax liability of the employee taxpayer,
13 nonresident, or other person properly and correctly determined
14 under the provisions of [section 422.4](#), to and including section
15 422.25, may be credited against any income tax or installment
16 thereof then due the state of Iowa and any balance of one
17 dollar or more shall be refunded to the employee taxpayer,
18 nonresident, or other person with interest ~~at the rate in~~
19 ~~effect under [section 421.7](#) for each month or fraction of a~~
20 ~~month, the interest to begin to accrue on the first day of~~
21 ~~the second calendar month following the date the return was~~
22 ~~due to be filed or was filed, whichever is the later date~~
23 in accordance with section 421.60, subsection 2, paragraph
24 "e". Amounts less than one dollar shall be refunded to the
25 taxpayer, nonresident, or other person only upon written
26 application, in accordance with [section 422.73](#), and only if
27 the application is filed within twelve months after the due
28 date of the return. Refunds in the amount of one dollar
29 or more provided for by [this subsection](#) shall be paid by
30 the treasurer of state by warrants drawn by the director of
31 the department of administrative services, or an authorized
32 employee of the department, and the taxpayer's return of
33 income shall constitute a claim for refund for this purpose,
34 except in respect to amounts of less than one dollar. There
35 is appropriated, out of any funds in the state treasury not

1 otherwise appropriated, a sum sufficient to carry out the
2 provisions of [this subsection](#).

3 Sec. 6. Section 422.25, subsection 3, Code 2018, is amended
4 to read as follows:

5 3. a. If the amount of the tax as determined by the
6 department is less than the amount paid, the excess shall be
7 refunded with interest, ~~the interest to begin to accrue on the~~
8 ~~first day of the second calendar month following the date of~~
9 ~~payment or the date the return was due to be filed, or the~~
10 ~~extended due date by which the return was due to be filed if~~
11 ~~ninety percent of the tax was paid by the original due date,~~
12 ~~or was filed, whichever is the latest, at the rate in effect~~
13 ~~under [section 421.7](#) counting each fraction of a month as an~~
14 ~~entire month under the rules prescribed by the director. If~~
15 ~~an overpayment of tax results from a net operating loss or~~
16 ~~net capital loss which is carried back to a prior year, the~~
17 ~~overpayment, for purposes of computing interest on refunds,~~
18 ~~shall be considered as having been made on the date a claim~~
19 ~~for refund or amended return carrying back the net operating~~
20 ~~loss or net capital loss is filed with the department or on the~~
21 ~~first day of the second calendar month following the date of~~
22 ~~the actual payment of the tax, whichever is later. However, in~~
23 accordance with section 421.60, subsection 2, paragraph "e".

24 b. Notwithstanding section 421.60, subsection 2, paragraph
25 "e", and paragraph "a" of this subsection, when the net
26 operating loss or net capital loss carryback to a prior year
27 eliminates or reduces an underpayment of tax due for an earlier
28 year, the full amount of the underpayment of tax shall bear
29 interest at the rate in effect under [section 421.7](#) for each
30 month counting each fraction of a month as an entire month from
31 the due date of the tax for the earlier year to the last day of
32 the taxable year in which the net operating loss or net capital
33 loss occurred.

34 Sec. 7. Section 422.28, Code 2018, is amended to read as
35 follows:

1 **422.28 Revision of tax.**

2 A taxpayer may appeal to the director for revision of
3 the tax, interest, or penalties assessed at any time within
4 sixty days from the date of the notice of the assessment of
5 tax, additional tax, interest, or penalties. The director
6 shall grant a hearing and if, upon the hearing, the director
7 determines that the tax, interest, or penalties are excessive
8 or incorrect, the director shall revise them according to
9 the law and the facts and adjust the computation of the tax,
10 interest, or penalties accordingly. The director shall notify
11 the taxpayer by mail of the result of the hearing and shall
12 refund to the taxpayer the amount, if any, paid in excess of
13 the tax, interest, or penalties found by the director to be
14 due, with interest accruing ~~from the first day of the second~~
15 ~~calendar month following the date of payment by the taxpayer~~
16 ~~at the rate in effect under [section 421.7](#) for each month~~
17 ~~or fraction of a month~~ in accordance with section 421.60,
18 subsection 2, paragraph "e".

19 Sec. 8. Section 422.33, subsection 5, paragraph f, Code
20 2018, is amended to read as follows:

21 *f.* Any credit in excess of the tax liability for the
22 taxable year shall be refunded with interest ~~computed under~~
23 [section 422.25](#) in accordance with section 421.60, subsection
24 2, paragraph "e". In lieu of claiming a refund, a taxpayer may
25 elect to have the overpayment shown on its final, completed
26 return credited to the tax liability for the following taxable
27 year.

28 Sec. 9. Section 422.33, subsection 9, paragraph a, Code
29 2018, is amended to read as follows:

30 *a.* The taxes imposed under [this division](#) shall be reduced by
31 an assistive device tax credit. A small business purchasing,
32 renting, or modifying an assistive device or making workplace
33 modifications for an individual with a disability who is
34 employed or will be employed by the small business is eligible,
35 subject to availability of credits, to receive this assistive

1 device tax credit which is equal to fifty percent of the
2 first five thousand dollars paid during the tax year for the
3 purchase, rental, or modification of the assistive device
4 or for making the workplace modifications. Any credit in
5 excess of the tax liability shall be refunded with interest
6 ~~computed under section 422.25~~ in accordance with section
7 421.60, subsection 2, paragraph "e". In lieu of claiming a
8 refund, a taxpayer may elect to have the overpayment shown on
9 the taxpayer's final, completed return credited to the tax
10 liability for the following tax year. If the small business
11 elects to take the assistive device tax credit, the small
12 business shall not deduct for Iowa tax purposes any amount of
13 the cost of an assistive device or workplace modifications
14 which is deductible for federal income tax purposes.

15 Sec. 10. Section 422.91, Code 2018, is amended to read as
16 follows:

17 **422.91 Credit for estimated tax.**

18 1. Any amount of estimated tax paid is a credit against
19 the amount of tax due on a final, completed return, and any
20 overpayment of five dollars or more shall be refunded to the
21 taxpayer with interest, ~~the interest to begin to accrue on~~
22 ~~the first day of the second calendar month following the date~~
23 ~~of payment or the date the return was due to be filed or was~~
24 ~~filed, whichever is the latest, at the rate established under~~
25 section 421.7 in accordance with section 421.60, subsection 2,
26 paragraph "e", and the return constitutes a claim for refund for
27 this purpose. Amounts less than five dollars shall be refunded
28 to the taxpayer only upon written application in accordance
29 with section 422.73, and only if the application is filed
30 within twelve months after the due date for the return.

31 2. In lieu of claiming a refund, the taxpayer may elect
32 to have the overpayment shown on its final, completed return
33 for the taxable year credited to the tax liability for the
34 following taxable year.

35 Sec. 11. Section 423.4, subsection 1, paragraph c, Code

1 2018, is amended to read as follows:

2 c. Refunds authorized under this subsection shall accrue
3 interest ~~at the rate in effect under section 421.7~~ from the
4 ~~first day of the second calendar month following the date the~~
5 ~~refund claim is received by the department~~ in accordance with
6 section 421.60, subsection 2, paragraph "e".

7 Sec. 12. Section 423.4, subsection 6, paragraph c,
8 subparagraph (2), Code 2018, is amended to read as follows:

9 (2) Refunds authorized under this subsection shall accrue
10 interest ~~at the rate in effect under section 421.7~~ from the
11 ~~first day of the second calendar month following the date the~~
12 ~~refund claim is received by the department~~ in accordance with
13 section 421.60, subsection 2, paragraph "e".

14 Sec. 13. Section 450.94, subsection 3, Code 2018, is amended
15 to read as follows:

16 3. If the amount paid is greater than the correct tax,
17 penalty, and interest due, the department shall refund the
18 excess with interest. ~~Interest shall be computed at the rate~~
19 ~~in effect under section 421.7, under the rules prescribed by~~
20 ~~the director counting each fraction of a month as an entire~~
21 ~~month and the interest shall begin to accrue on the first day~~
22 ~~of the second calendar month following the date of payment~~
23 ~~or on the date the return was due to be filed or was filed,~~
24 ~~whichever is the latest~~ in accordance with section 421.60,
25 subsection 2, paragraph "e". However, the director shall
26 not allow a claim for refund or credit that has not been
27 filed with the department within three years after the tax
28 payment upon which a refund or credit is claimed became due,
29 or one year after the tax payment was made, whichever time is
30 later. A determination by the department of the amount of
31 tax, penalty, and interest due, or the amount of refund for
32 excess tax paid, is final unless the person aggrieved by the
33 determination appeals to the director for a revision of the
34 determination within sixty days from the date of the notice
35 of determination of tax, penalty, and interest due or refund

1 owing or unless the taxpayer contests the determination by
2 paying the tax, interest, and penalty and timely filing a claim
3 for refund. The director shall grant a hearing, and upon the
4 hearing the director shall determine the correct tax, penalty,
5 and interest or refund due, and notify the appellant of the
6 decision by mail. The decision of the director is final unless
7 the appellant seeks judicial review of the director's decision
8 under [section 450.59](#) within sixty days after the date of the
9 notice of the director's decision.

10 Sec. 14. Section 452A.65, subsection 1, Code 2018, is
11 amended to read as follows:

12 1. In addition to the tax or additional tax, the taxpayer
13 shall pay a penalty as provided in [section 421.27](#). The
14 taxpayer shall also pay interest on the tax or additional
15 tax at the rate in effect under [section 421.7](#) counting each
16 fraction of a month as an entire month, computed from the date
17 the return was required to be filed. If the amount of the tax
18 as determined by the appropriate state agency is less than the
19 amount paid, the excess shall be refunded with interest, ~~the~~
20 ~~interest to begin to accrue on the first day of the second~~
21 ~~calendar month following the date of payment or the date the~~
22 ~~return was due to be filed or was filed, whichever is the~~
23 ~~latest, at the rate in effect under [section 421.7](#) counting~~
24 ~~each fraction of a month as an entire month under the rules~~
25 ~~prescribed by the appropriate state agency in accordance with~~
26 [section 421.60, subsection 2, paragraph "e"](#). Claims for
27 refund filed under [sections 452A.17](#) and [452A.21](#) shall accrue
28 interest beginning with the first day of the second calendar
29 month following the date the refund claim is received by the
30 department.

31 Sec. 15. EFFECTIVE DATE. This division of this Act, being
32 deemed of immediate importance, takes effect upon enactment.

33 Sec. 16. RETROACTIVE APPLICABILITY. This division of this
34 Act applies retroactively to January 1, 2018, for tax years
35 beginning on or after that date, and for refunds issued on or

1 after that date.

2 DIVISION II
3 TAX PENALTIES

4 Sec. 17. Section 421.27, subsection 6, Code 2018, is amended
5 to read as follows:

6 6. *Improper receipt of refund or credit payments.* A person
7 who makes an erroneous application for refund, ~~or credit,~~
8 reimbursement, rebate, or other payment shall be liable for any
9 overpayment received or tax liability reduced plus interest
10 at the rate in effect under [section 421.7](#). In addition, a
11 person who willfully makes a false or frivolous application
12 for refund, ~~or credit,~~ reimbursement, rebate, or other payment
13 with intent to evade tax or with intent to receive a refund,
14 ~~or credit,~~ reimbursement, rebate, or other payment to which
15 the person is not entitled is guilty of a fraudulent practice
16 and is liable for a penalty equal to seventy-five percent of
17 the refund, ~~or credit,~~ reimbursement, rebate, or other payment
18 being claimed. Payments, penalties, and interest due under
19 this subsection may be collected and enforced in the same
20 manner as the tax imposed.

21 Sec. 18. Section 425.29, Code 2018, is amended to read as
22 follows:

23 **425.29 False claim — penalty.**

24 A person who makes a false affidavit for the purpose
25 of obtaining credit or reimbursement provided for in this
26 division or who knowingly receives the credit or reimbursement
27 without being legally entitled to it or makes claim for the
28 credit or reimbursement in more than one county in the state
29 without being legally entitled to it is guilty of a fraudulent
30 practice. The claim for credit or reimbursement shall be
31 disallowed in full and if the claim has been paid the amount
32 shall be recovered in the manner provided in [section 425.27](#).
33 The department of revenue may impose penalties under section
34 421.27. The department of revenue shall send a notice of
35 disallowance of the claim.

1 Sec. 19. LEGISLATIVE INTENT. It is the intent of the
2 general assembly that the provisions of this division of this
3 Act are conforming amendments consistent with current state
4 law, and that the amendments do not change the application of
5 current law but instead reflect current law both before and
6 after the enactment of this division of this Act.

7 Sec. 20. EFFECTIVE DATE. This division of this Act, being
8 deemed of immediate importance, takes effect upon enactment.

9 DIVISION III

10 MISCELLANEOUS TAX PROVISIONS

11 Sec. 21. Section 34A.7B, subsection 13, Code 2018, is
12 amended to read as follows:

13 13. The department shall transfer all ~~remitted~~ reported
14 prepaid wireless 911 surcharges to the treasurer of state
15 for deposit in the 911 emergency communications fund created
16 under section 34A.7A, subsection 2, within thirty days of
17 receipt after deducting an amount, not to exceed two percent of
18 collected surcharges, that shall be retained by the department
19 to reimburse its direct costs of administering the collection
20 and remittance of prepaid wireless 911 surcharges.

21 Sec. 22. Section 421.17, subsection 2, paragraph d, Code
22 2018, is amended to read as follows:

23 d. To facilitate uniformity and equalization of
24 assessments throughout the state of Iowa and to facilitate
25 transfers of funds to local governments, the director may
26 use geographic information system technology and may require
27 assessing authorities and local governments that have adopted
28 compatible technology to provide information to the department
29 electronically using electronic geographic information
30 system file formats. The department of revenue shall act on
31 behalf of political subdivisions and the state to deliver a
32 consolidated response to the boundary and annexation survey
33 and provide legal boundary geography data to the United States
34 census bureau. The department shall coordinate with political
35 subdivisions and the state to ensure that consistent, accurate,

1 and integrated geography is provided to the United States
2 census bureau. The office of the chief information officer
3 shall provide geographic information system and technical
4 support to the department to facilitate the exchange.

5 Sec. 23. Section 421.19, Code 2018, is amended to read as
6 follows:

7 **421.19 Counsel.**

8 1. It shall be the duty of the attorney general and of
9 the county attorneys in their respective counties to commence
10 and prosecute actions, prosecutions, and complaints, when
11 so directed by the director of revenue and to represent the
12 director in any litigation arising from the discharge of the
13 director's duties.

14 2. If the department has information that indicates a
15 taxpayer intentionally filed a false claim, affidavit, return,
16 or other information with intent to evade tax or to obtain
17 a refund, credit, or other benefit from the department, the
18 department may notify federal, state, or local law enforcement
19 and may disclose state returns, state return information,
20 state investigative or audit information, or any other state
21 information to such law enforcement, notwithstanding sections
22 422.20 and 422.72.

23 3. Notwithstanding sections 422.20 and 422.72, the
24 department may disclose state returns, state return
25 information, state investigative or audit information, or any
26 other state information under this section.

27 Sec. 24. NEW SECTION. **421.71 Class actions — implied right**
28 **of action — private cause of action immunity.**

29 *1. Class actions prohibited.* No class action may be brought
30 against the department, a taxpayer, or a person required to
31 collect any tax imposed under this title, in any court, agency,
32 or other adjudicative body, or in any other forum, based on
33 any act or omission arising from or related to any provision
34 of this title.

35 *2. No implied right of action.* Nothing in this title shall

1 be construed as creating or providing an implied private right
2 of action or any private common law claim against any taxpayer,
3 or against any person required to collect any tax imposed under
4 this title, in any court, agency, or other adjudicative body,
5 or in any other forum. This subsection shall not apply to or
6 otherwise limit any claim, action, mandate, power, remedy, or
7 discretion of the department, or an agent or designee of the
8 department.

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

11 a. A taxpayer, or any person required to collect taxes
12 imposed under chapters 423, 423A, 423B, 423C, and 423D, and
13 chapter 423G, as enacted in 2018 Iowa Acts, Senate File 512,
14 shall be immune from any private cause of action arising from
15 or related to the overpayment of taxes imposed under chapters
16 423, 423A, 423B, 423C, and 423D, and chapter 423G, as enacted
17 in 2018 Iowa Acts, Senate File 512, that are collected and
18 remitted to the 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,
26 423C, and 423D, and chapter 423G, as enacted in 2018 Iowa
27 Acts, Senate File 512, that are collected from or paid by the
28 taxpayer.

29 Sec. 25. Section 423G.5, subsection 1, as enacted by 2018
30 Iowa Acts, Senate File 512, section 15, is amended to read as
31 follows:

32 1. The director of revenue shall administer the water
33 service tax as nearly as possible in conjunction with the
34 administration of the state sales and use tax law, except that
35 portion of the law that implements the streamlined sales and

1 use tax agreement. The director shall provide appropriate
2 forms, or provide on the regular state tax forms, for reporting
3 water service tax liability, and for ease of administration may
4 require water service tax liability to be identified, reported,
5 and remitted to the department as sales and use tax liability,
6 provided the department has the ability to properly identify
7 such amounts as water service tax revenues upon receipt.

8 Sec. 26. Section 423G.6, subsection 2, paragraphs a, b, and
9 c, as enacted by 2018 Iowa Acts, Senate File 512, section 16,
10 are amended to read as follows:

11 a. For revenues ~~collected~~ reported on or after July 1, 2018,
12 but before August 1, 2019, one-twelfth of the revenues to the
13 water quality infrastructure fund created in section 8.57B,
14 and one-twelfth of the revenues to the water quality financial
15 assistance fund created in section 16.134A.

16 b. For revenues ~~collected~~ reported on or after August 1,
17 2019, but before August 1, 2020, one-sixth of the revenues to
18 the water quality infrastructure fund created in section 8.57B,
19 and one-sixth of the revenues to the water quality financial
20 assistance fund created in section 16.134A.

21 c. For revenues ~~collected~~ reported on or after August 1,
22 2020, one-half of the revenues to the water quality financial
23 assistance fund created in section 16.134A.

24 Sec. 27. IOWA ELECTION CAMPAIGN FUND TAX CHECKOFF AND
25 CONTRIBUTIONS — CREDIT TO GENERAL FUND. Notwithstanding
26 section 68A.601 or 422.12J, or any other provision of law to
27 the contrary, any amount of contribution to the Iowa election
28 campaign fund in section 68A.602 designated on an individual
29 income tax return for any tax year and filed on or after
30 January 1, 2018, is void and shall be disregarded, and such
31 contribution amount shall be credited to the general fund and
32 not to the Iowa election campaign fund.

33 Sec. 28. EFFECTIVE DATE. The following, being deemed of
34 immediate importance, take effect upon enactment:

35 1. The section of this division of this Act relating to the

1 Iowa election campaign fund tax checkoff and contributions.

2 2. The section of this division of this Act enacting section
3 421.71.

4 Sec. 29. RETROACTIVE APPLICABILITY. The following applies
5 retroactively to January 1, 2018, for individual income tax
6 returns filed on or after that date:

7 The section of this division of this Act relating to the Iowa
8 election campaign fund tax checkoff and contributions.

9

DIVISION IV

10

TAX CREDITS

11 Sec. 30. Section 15E.52, subsection 8, Code 2018, is amended
12 to read as follows:

13 8. The board shall not certify an innovation fund after June
14 30, ~~2018~~ 2023.

15 Sec. 31. Section 403.19A, subsection 3, paragraph c,
16 subparagraph (2), Code 2018, is amended to read as follows:

17 (2) The pilot project city and the economic development
18 authority shall not enter into a withholding agreement after
19 June 30, ~~2018~~ 2019.

20 Sec. 32. Section 422.10, subsection 1, Code 2018, is amended
21 by adding the following new paragraph:

22 NEW PARAGRAPH. *0a.* An individual shall only be eligible for
23 the credit provided in this section if the business conducting
24 the research meets all of the following requirements:

25 (1) (a) The business is engaged in the manufacturing,
26 life sciences, software engineering, or aviation and aerospace
27 industry.

28 (b) Persons that shall not be considered to be engaged in
29 the manufacturing, life sciences, software engineering, or
30 aviation and aerospace industry, and thus are not eligible
31 for the credit, include but are not limited to all of the
32 following:

33 (i) A person engaged in agricultural production as defined
34 in section 423.1.

35 (ii) A person who is a contractor, subcontractor, builder,

1 or a contractor-retailer that engages in commercial and
2 residential repair and installation, including but not limited
3 to heating or cooling installation and repair, plumbing and
4 pipe fitting, security system installation, and electrical
5 installation and repair. For purposes of this subparagraph
6 subdivision, "contractor-retailer" means a business that makes
7 frequent retail sales to the public or to other contractors and
8 that also engages in the performance of construction contracts.

- 9 (iii) A finance or investment company.
10 (iv) A retailer.
11 (v) A wholesaler.
12 (vi) A transportation company.
13 (vii) A publisher.
14 (viii) An agricultural cooperative association as defined
15 in section 502.102.
16 (ix) A real estate company.
17 (x) A collection agency.
18 (xi) An accountant.
19 (xii) An architect.

20 (2) The business claims and is allowed a research credit
21 for such qualified research expenses under section 41 of the
22 Internal Revenue Code for the same taxable year as it is
23 claiming the credit provided in this section.

24 Sec. 33. Section 422.10, subsection 3, Code 2018, is amended
25 by adding the following new paragraph:

26 NEW PARAGRAPH. *0a.* For purposes of this section, "base
27 amount" means the product of the fixed-based percentage times
28 the average annual gross receipts of the taxpayer for the four
29 taxable years preceding the taxable year for which the credit
30 is being determined, but in no event shall the base amount be
31 less than fifty percent of the qualified research expenses for
32 the credit year.

33 Sec. 34. Section 422.10, subsection 3, paragraph a, Code
34 2018, is amended to read as follows:

35 a. For purposes of this section, ~~"base amount"~~, "basic

1 *research payment* and *qualified research expense* mean the
2 same as defined for the federal credit for increasing research
3 activities under section 41 of the Internal Revenue Code,
4 except that for the alternative simplified credit such amounts
5 are for research conducted within this state.

6 Sec. 35. Section 422.11S, subsection 6, paragraph a, Code
7 2018, is amended to read as follows:

8 a. *Eligible student* means a student who is a member of a
9 household whose total annual income during the calendar year
10 before the student receives a tuition grant for purposes of
11 this section does not exceed an amount equal to ~~three~~ four
12 times the most recently published federal poverty guidelines in
13 the federal register by the United States department of health
14 and human services.

15 Sec. 36. Section 422.11S, subsection 8, paragraph a,
16 subparagraph (2), Code 2018, is amended to read as follows:

17 (2) *Total approved tax credits* means for the tax year
18 beginning in the 2006 calendar year, two million five hundred
19 thousand dollars, for the tax year beginning in the 2007
20 calendar year, five million dollars, for tax years beginning
21 on or after January 1, 2008, but before January 1, 2012, seven
22 million five hundred thousand dollars, for tax years beginning
23 on or after January 1, 2012, but before January 1, 2014, eight
24 million seven hundred fifty thousand dollars, and for tax years
25 beginning on or after January 1, 2014, but before January 1,
26 2019, twelve million dollars, and for tax years beginning on or
27 after January 1, 2019, thirteen million dollars.

28 Sec. 37. Section 422.33, subsection 5, Code 2018, is amended
29 by adding the following new paragraph:

30 NEW PARAGRAPH. *De.* A corporation shall only be
31 eligible for the credit provided in this subsection if the
32 business conducting the research meets all of the following
33 requirements:

34 (1) (a) The business is engaged in the manufacturing,
35 life sciences, software engineering, or aviation and aerospace

1 industry.

2 (b) Persons that shall not be considered to be engaged in
3 the manufacturing, life sciences, software engineering, or
4 aviation and aerospace industry, and thus are not eligible
5 for the credit, include but are not limited to all of the
6 following:

7 (i) A person engaged in agricultural production as defined
8 in section 423.1.

9 (ii) A person who is a contractor, subcontractor, builder,
10 or a contractor-retailer that engages in commercial and
11 residential repair and installation, including but not limited
12 to heating or cooling installation and repair, plumbing and
13 pipe fitting, security system installation, and electrical
14 installation and repair. For purposes of this subparagraph
15 subdivision, "contractor-retailer" means a business that makes
16 frequent retail sales to the public or to other contractors and
17 that also engages in the performance of construction contracts.

18 (iii) A finance or investment company.

19 (iv) A retailer.

20 (v) A wholesaler.

21 (vi) A transportation company.

22 (vii) A publisher.

23 (viii) An agricultural cooperative association as defined
24 in section 502.102.

25 (ix) A real estate company.

26 (x) A collection agency.

27 (xi) An accountant.

28 (xii) An architect.

29 (2) The business claims and is allowed a research credit
30 for such qualified research expenses under section 41 of the
31 Internal Revenue Code for the same taxable year as it is
32 claiming the credit provided in this subsection.

33 Sec. 38. Section 422.33, subsection 5, paragraph e, Code
34 2018, is amended by adding the following new subparagraph:

35 NEW SUBPARAGRAPH. (01) For purposes of this section, "base

1 *amount* means the product of the fixed-based percentage times
2 the average annual gross receipts of the taxpayer for the four
3 taxable years preceding the taxable year for which the credit
4 is being determined, but in no event shall the base amount be
5 less than fifty percent of the qualified research expenses for
6 the credit year.

7 Sec. 39. Section 422.33, subsection 5, paragraph e,
8 subparagraph (1), Code 2018, is amended to read as follows:

9 (1) For purposes of **this subsection**, ~~“base amount”~~, *“basic*
10 *research payment”*, and *“qualified research expense”* mean the
11 same as defined for the federal credit for increasing research
12 activities under section 41 of the Internal Revenue Code,
13 except that for the alternative simplified credit such amounts
14 are for research conducted within this state.

15 Sec. 40. 2019 INTERIM TAX CREDIT STUDY.

16 1. The legislative council is requested to authorize a
17 study committee to evaluate tax credits available under Iowa
18 law, including Iowa’s utilization of tax credits as a tool
19 for promoting and supporting economic growth and development.
20 The study committee shall also consider new or different
21 tax credits or incentive programs, or tax rate or structure
22 changes, that will foster economic growth and improve Iowa’s
23 overall tax and economic development climate. The study
24 committee shall make recommendations that the committee
25 believes will improve predictability for the state’s budget,
26 improve accountability to the taxpayers of Iowa, maximize
27 flexibility in utilization, and place Iowa in the best position
28 for attracting and retaining workers and businesses in the
29 future. In developing recommendations, the study committee
30 shall place significant emphasis on directing tax credits,
31 incentive programs, or tax rate or structure changes toward
32 Iowa workers and programs to strengthen Iowa’s workforce by
33 incentivizing efforts to expand Iowans’ skills and capabilities
34 in high-demand career fields.

35 2. The study committee shall consist of five members of

1 the senate, three of whom shall be appointed by the majority
2 leader of the senate and two of whom shall be appointed by
3 the minority leader of the senate, and five members of the
4 house of representatives, three of whom shall be appointed by
5 the speaker of the house of representatives and two of whom
6 shall be appointed by the minority leader of the house of
7 representatives.

8 3. The study committee shall meet during the 2019
9 legislative interim to make recommendations for consideration
10 during the 2020 legislative session in a report submitted to
11 the general assembly.

12 Sec. 41. LEGISLATIVE INTENT. It is the intent of the
13 general assembly that the provisions of this division of this
14 Act enacting section 422.10, subsection 3, paragraph "0a",
15 amending section 422.10, subsection 3, paragraph "a", enacting
16 section 422.33, subsection 5, paragraph e, subparagraph (01),
17 and amending section 422.33, subsection 5, paragraph "e",
18 subparagraph (1), are conforming amendments consistent with
19 current state law, and that the amendments do not change the
20 application of current law but instead reflect current law both
21 before and after the enactment of this division of this Act.

22 Sec. 42. REPEAL. Sections 422.10A and 422.11I, Code 2018,
23 are repealed.

24 Sec. 43. EFFECTIVE DATE. The following, being deemed of
25 immediate importance, take effect upon enactment:

26 1. The section of this division of this Act amending section
27 15E.52, subsection 8.

28 2. The section of this division of this Act enacting section
29 422.10, subsection 1, paragraph "0a".

30 3. The section of this division of this Act enacting section
31 422.10, subsection 3, paragraph "0a".

32 4. The section of this division of this Act amending section
33 422.10, subsection 3, paragraph "a".

34 5. The section of this division of this Act enacting section
35 422.33, subsection 5, paragraph "0e".

1 6. The section of this division of this Act enacting section
2 422.33, subsection 5, paragraph "e", subparagraph (01).

3 7. The section of this division of this Act amending section
4 422.33, subsection 5, paragraph "e", subparagraph (1).

5 8. The section of this division of this Act entitled
6 "legislative intent" which describes the intent of the general
7 assembly with respect to certain amendments in this division of
8 this Act to sections 422.10 and 422.33.

9 Sec. 44. EFFECTIVE DATE. The following take effect January
10 1, 2019:

11 1. The sections of this division of this Act amending
12 section 422.11S.

13 2. The section of this division of this Act repealing
14 sections 422.10A and 422.11I.

15 Sec. 45. RETROACTIVE APPLICABILITY. The following apply
16 retroactively to January 1, 2017, for tax years beginning on
17 or after that date:

18 1. The section of this division of this Act enacting section
19 422.10, subsection 1, paragraph "0a".

20 2. The section of this division of this Act enacting section
21 422.33, subsection 5, paragraph "0e".

22 Sec. 46. APPLICABILITY. The following applies to tax
23 years beginning on or after January 1, 2019, and to qualified
24 geothermal heat pump property installations occurring on or
25 after January 1, 2019:

26 The section of this division of this Act repealing sections
27 422.10A and 422.11I.

28 DIVISION V

29 TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

30 Sec. 47. Section 8.55, subsection 2, paragraph a, Code 2018,
31 is amended to read as follows:

32 a. The first sixty million dollars of the difference
33 between the actual net revenue for the general fund of the
34 state for the fiscal year and the adjusted revenue estimate for
35 the fiscal year shall be transferred to the ~~taxpayers trust~~

1 taxpayer relief fund created in [section 8.57E](#).

2 Sec. 48. Section 8.57E, Code 2018, is amended to read as
3 follows:

4 **8.57E ~~Taxpayers trust~~ Taxpayer relief fund.**

5 1. A ~~taxpayers trust~~ taxpayer relief fund is created. The
6 fund shall be separate from the general fund of the state and
7 the balance in the fund shall not be considered part of the
8 balance of the general fund of the state. The moneys credited
9 to the fund are not subject to [section 8.33](#) and shall not
10 be transferred, used, obligated, appropriated, or otherwise
11 encumbered except as provided in [this section](#).

12 2. Moneys in the ~~taxpayers trust~~ taxpayer relief fund shall
13 only be used pursuant to appropriations or transfers made by
14 the general assembly for tax relief, including but not limited
15 to increases in the general retirement income exclusion under
16 section 422.7, subsection 31, or reductions in income tax
17 rates. ~~During each fiscal year beginning on or after July 1,~~
18 ~~2014, in which the balance of the taxpayers trust fund equals~~
19 ~~or exceeds thirty million dollars, there is transferred from~~
20 ~~the taxpayers trust fund to the Iowa taxpayers trust fund tax~~
21 ~~credit fund created in [section 422.11E](#), the entire balance of~~
22 ~~the taxpayers trust fund to be used for the Iowa taxpayers~~
23 ~~trust fund tax credit in accordance with [section 422.11E](#),~~
24 ~~subsection 5.~~

25 3. a. Moneys in the ~~taxpayers trust~~ taxpayer relief
26 fund may be used for cash flow purposes during a fiscal year
27 provided that any moneys so allocated are returned to the fund
28 by the end of that fiscal year.

29 b. Except as provided in [section 8.58](#), the ~~taxpayers trust~~
30 taxpayer relief fund shall be considered a special account for
31 the purposes of [section 8.53](#) in determining the cash position
32 of the general fund of the state for the payment of state
33 obligations.

34 4. Notwithstanding [section 12C.7, subsection 2](#), interest or
35 earnings on moneys deposited in the ~~taxpayers trust~~ taxpayer

1 relief fund shall be credited to the fund.

2 Sec. 49. Section 8.58, Code 2018, is amended to read as
3 follows:

4 **8.58 Exemption from automatic application.**

5 1. To the extent that moneys appropriated under section
6 8.57 do not result in moneys being credited to the general
7 fund under [section 8.55, subsection 2](#), moneys appropriated
8 under [section 8.57](#) and moneys contained in the cash reserve
9 fund, rebuild Iowa infrastructure fund, environment first fund,
10 Iowa economic emergency fund, ~~taxpayers trust~~ taxpayer relief
11 fund, and state bond repayment fund shall not be considered
12 in the application of any formula, index, or other statutory
13 triggering mechanism which would affect appropriations,
14 payments, or taxation rates, contrary provisions of the Code
15 notwithstanding.

16 2. To the extent that moneys appropriated under section
17 8.57 do not result in moneys being credited to the general fund
18 under [section 8.55, subsection 2](#), moneys appropriated under
19 section 8.57 and moneys contained in the cash reserve fund,
20 rebuild Iowa infrastructure fund, environment first fund, Iowa
21 economic emergency fund, ~~taxpayers trust~~ taxpayer relief fund,
22 and state bond repayment fund shall not be considered by an
23 arbitrator or in negotiations under [chapter 20](#).

24 Sec. 50. Section 257.21, subsection 2, Code 2018, is amended
25 to read as follows:

26 2. The instructional support income surtax shall be imposed
27 on the state individual income tax for the calendar year during
28 which the school's budget year begins, or for a taxpayer's
29 fiscal year ending during the second half of that calendar year
30 and after the date the board adopts a resolution to participate
31 in the program or the first half of the succeeding calendar
32 year, and shall be imposed on all individuals residing in the
33 school district on the last day of the applicable tax year.
34 As used in [this section](#), "state individual income tax" means
35 the taxes computed under [section 422.5](#), less the amounts of

1 nonrefundable credits allowed under [chapter 422, division II](#),
2 ~~except for the Iowa taxpayers trust fund tax credit allowed~~
3 ~~under [section 422.11E](#).~~

4 Sec. 51. Section 422D.2, Code 2018, is amended to read as
5 follows:

6 **422D.2 Local income surtax.**

7 A county may impose by ordinance a local income surtax as
8 provided in [section 422D.1](#) at the rate set by the board of
9 supervisors, of up to one percent, on the state individual
10 income tax of each individual residing in the county at the
11 end of the individual's applicable tax year. However, the
12 cumulative total of the percents of income surtax imposed on
13 any taxpayer in the county shall not exceed twenty percent.
14 The reason for imposing the surtax and the amount needed
15 shall be set out in the ordinance. The surtax rate shall be
16 set to raise only the amount needed. For purposes of this
17 section, "*state individual income tax*" means the tax computed
18 under [section 422.5](#), less the amounts of nonrefundable credits
19 allowed under [chapter 422, division II](#), ~~except for the Iowa~~
20 ~~taxpayers trust fund tax credit allowed under [section 422.11E](#).~~

21 Sec. 52. REPEAL. Section 422.11E, Code 2018, is repealed.

22 Sec. 53. EFFECTIVE DATE. This division of this Act, being
23 deemed of immediate importance, takes effect upon enactment.

24 Sec. 54. RETROACTIVE APPLICABILITY. The following apply
25 retroactively to January 1, 2018, for tax years beginning on
26 or after that date:

27 1. The section of this division of this Act amending section
28 257.21.

29 2. The section of this division of this Act repealing
30 section 422.11E.

31 3. The section of this division of this Act amending section
32 422D.2.

33 DIVISION VI

34 TAXPAYERS TRUST FUND TRANSFER CAP

35 Sec. 55. Section 8.55, subsection 2, paragraph a, Code 2018,

1 is amended to read as follows:

2 *a.* ~~The first sixty million dollars of the difference between~~
3 the actual net revenue for the general fund of the state for
4 the fiscal year and the adjusted revenue estimate for the
5 fiscal year shall be transferred to the taxpayers trust fund
6 created in [section 8.57E](#).

7 Sec. 56. EFFECTIVE DATE. This division of this Act takes
8 effect July 1, 2019.

9 Sec. 57. APPLICABILITY. This division of this Act is first
10 applicable to calculate the state general fund expenditure
11 limitation for the fiscal year beginning July 1, 2020.

12 DIVISION VII

13 INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

14 Sec. 58. Section 422.7, Code 2018, is amended by adding the
15 following new subsections:

16 NEW SUBSECTION. 51. *a.* Notwithstanding any other provision
17 of law to the contrary, the increased expensing allowance under
18 section 179 of the Internal Revenue Code, as amended by Pub.
19 L. No. 115-97, §13101, applies in computing net income for
20 state tax purposes for tax years beginning on or after January
21 1, 2018, subject to the limitations in this subsection for tax
22 years beginning prior to January 1, 2020.

23 *b.* If the taxpayer has taken the increased expensing
24 allowance under section 179 of the Internal Revenue Code,
25 as amended by Pub. L. No. 115-97, §13101, for purposes of
26 computing federal adjusted gross income for tax years beginning
27 on or after January 1, 2018, but before January 1, 2020, then
28 the taxpayer shall make the following adjustments to federal
29 adjusted gross income when computing net income for state tax
30 purposes for the same tax year:

31 (1) Add the total amount of expense deduction taken on
32 section 179 property allowable for federal tax purposes under
33 section 179 of the Internal Revenue Code, as amended by Pub.
34 L. No. 115-97, §13101.

35 (2) (a) For tax years beginning on or after January

1 1, 2018, but before January 1, 2019, subtract the amount
2 of expense deduction on section 179 property allowable for
3 federal tax purposes under section 179 of the Internal Revenue
4 Code, as amended by Pub. L. No. 115-97, §13101, not to exceed
5 seventy thousand dollars. The subtraction in this subparagraph
6 division shall be reduced, but not below zero, by the amount by
7 which the total cost of section 179 property placed in service
8 by the taxpayer during the tax year exceeds two hundred eighty
9 thousand dollars.

10 (b) For tax years beginning on or after January 1, 2019,
11 but before January 1, 2020, subtract the amount of expense
12 deduction on section 179 property allowable for federal tax
13 purposes under section 179 of the Internal Revenue Code, as
14 amended by Pub. L. No. 115-97, §13101, not to exceed one
15 hundred thousand dollars. The subtraction in this subparagraph
16 division shall be reduced, but not below zero, by the amount by
17 which the total cost of section 179 property placed in service
18 by the taxpayer during the tax year exceeds four hundred
19 thousand dollars.

20 (3) Any other adjustments to gains or losses necessary to
21 reflect adjustments made in subparagraphs (1) and (2).

22 c. The director shall adopt rules pursuant to chapter 17A
23 to administer this subsection.

24 NEW SUBSECTION. 52. a. For tax years beginning on or
25 after January 1, 2018, but before January 1, 2020, a taxpayer
26 may elect to take advantage of this subsection in lieu of
27 subsection 51, but only if the taxpayer's total expensing
28 allowance deduction for federal tax purposes under section 179
29 of the Internal Revenue Code, as amended by Pub. L. No. 115-97,
30 §13101, that is allocated to the taxpayer from one or more
31 partnerships, S corporations, or limited liability companies
32 electing to have the income taxed directly to the individual
33 exceeds seventy thousand dollars for a tax year beginning
34 during the 2018 calendar year, or exceeds one hundred thousand
35 dollars for a tax year beginning during the 2019 calendar year,

1 and would, except as provided in this subsection, be limited
2 for purposes of computing net income for state tax purposes
3 pursuant to subsection 51.

4 *b.* A taxpayer who elects to take advantage of this
5 subsection shall make the following adjustments to federal
6 adjusted gross income when computing net income for state tax
7 purposes:

8 (1) Add the total amount of section 179 expense
9 deduction allocated to the taxpayer from all partnerships, S
10 corporations, or limited liability companies electing to have
11 the income taxed directly to the individual, to the extent the
12 allocated amount was allowed as a deduction to the taxpayer
13 for federal tax purposes for the tax year under section 179 of
14 the Internal Revenue Code, as amended by Pub. L. No. 115-97,
15 §13101.

16 (2) From the amount added in subparagraph (1), do the
17 following:

18 (a) For tax years beginning on or after January 1, 2018,
19 but before January 1, 2019, subtract the first seventy thousand
20 dollars of expensing allowance deduction on section 179
21 property.

22 (b) For tax years beginning on or after January 1, 2019,
23 but before January 1, 2020, subtract the first one hundred
24 thousand dollars of expensing allowance deduction on section
25 179 property.

26 (3) The remaining amount, equal to the difference between
27 the amount added in subparagraph (1), and the amount subtracted
28 in subparagraph (2), may be deducted by the taxpayer but such
29 deduction shall be amortized equally over five tax years
30 beginning in the following tax year.

31 (4) Any other adjustments to gains or losses necessary to
32 reflect adjustments made in subparagraphs (1) through (3).

33 *c.* A taxpayer who elects to take advantage of this
34 subsection shall not take the increased expensing allowance
35 under section 179 of the Internal Revenue Code, as amended by

1 Pub. L. No. 115-97, §13101, for any section 179 property placed
2 in service by the taxpayer in computing adjusted gross income
3 for state tax purposes. If the taxpayer has taken any such
4 deduction for purposes of computing federal adjusted gross
5 income, the taxpayer shall make the following adjustments to
6 federal adjusted gross income when computing net income for
7 state tax purposes:

8 (1) Add the total amount of expense deduction for federal
9 tax purposes taken on section 179 property placed in service by
10 the taxpayer under section 179 of the Internal Revenue Code, as
11 amended by Pub. L. No. 115-97, §13101.

12 (2) Subtract the amount of depreciation allowable on such
13 property under the modified accelerated cost recovery system
14 described in section 168 of the Internal Revenue Code, without
15 regard to section 168(k) of the Internal Revenue Code. The
16 taxpayer shall continue to take depreciation on the applicable
17 property in future tax years to the extent allowed under the
18 modified accelerated cost recovery system described in section
19 168 of the Internal Revenue Code, without regard to section
20 168(k) of the Internal Revenue Code.

21 (3) Any other adjustments to gains or losses necessary to
22 reflect the adjustments made in subparagraphs (1) and (2).

23 *d.* The election made under this subsection is for one tax
24 year and the taxpayer may elect or not elect to take advantage
25 of this subsection in any subsequent tax year. However, not
26 electing to take advantage of this subsection in a subsequent
27 tax year shall not affect the taxpayer's ability to claim the
28 tax deduction under paragraph "b", subparagraph (3), that
29 originated from a previous tax year.

30 *e.* The director shall adopt rules pursuant to chapter 17A
31 to administer this subsection.

32 Sec. 59. Section 422.9, subsection 2, paragraph h, Code
33 2018, is amended to read as follows:

34 *h.* For purposes of calculating the deductions in this
35 subsection that are authorized under the Internal Revenue Code,

1 and to the extent that any of such deductions is determined by
2 an individual's federal adjusted gross income, the individual's
3 federal adjusted gross income is computed in accordance with
4 section 422.7, subsections 39, 39A, 39B, 51, 52, and 53.

5 Sec. 60. TAX-FREE IRA DISTRIBUTIONS TO CERTAIN PUBLIC
6 CHARITIES FOR INDIVIDUALS SEVENTY AND ONE-HALF YEARS OF AGE
7 OR OLDER. Notwithstanding any other provision of law to the
8 contrary, for tax years beginning during the 2018 calendar
9 year, the exclusion from federal adjusted gross income for
10 certain qualified charitable distributions from an individual
11 retirement plan provided in section 408(d)(8) of the Internal
12 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
13 §112, applies in computing net income for state tax purposes.

14 Sec. 61. STATE SALES AND USE TAX DEDUCTION.

15 Notwithstanding any other provision of law to the contrary, for
16 tax years beginning during the 2018 calendar year, a taxpayer
17 who elects to itemize deductions for state tax purposes under
18 section 422.9, subsection 2, is allowed to take the deduction
19 for state sales and use tax in lieu of the deduction for state
20 and local income taxes under section 164(b)(5) of the Internal
21 Revenue Code, as amended by Pub. L. No. 114-113, division Q,
22 §106, in computing taxable income for state tax purposes, but
23 only if the taxpayer elected to deduct state sales and use
24 taxes in lieu of state and local income taxes for federal tax
25 purposes for the same tax year.

26 Sec. 62. EARNED INCOME TAX CREDIT FOR 2018.

27 Notwithstanding the definition of "Internal Revenue Code"
28 in section 422.3, for tax years beginning during the 2018
29 calendar year, any reference to the term "Internal Revenue
30 Code" in section 422.12B shall mean the Internal Revenue Code
31 of 1954, prior to the date of its redesignation as the Internal
32 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
33 the Internal Revenue Code of 1986 as amended and in effect on
34 January 1, 2016, but shall not be construed to include any
35 amendment to the Internal Revenue Code enacted after January 1,

1 2016, including any amendment with retroactive applicability
2 or effectiveness.

3 Sec. 63. ACCOUNTING METHOD AND OTHER MISCELLANEOUS
4 COUPLING PROVISIONS FOR TAX YEAR 2018. Notwithstanding any
5 other provision of law to the contrary, amendments to the
6 Internal Revenue Code enacted in Pub. L. No. 115-97, §13102,
7 §13221, §13504, §13541, §13543, §13611, and §13613, apply in
8 calculating federal adjusted gross income or federal taxable
9 income, as applicable, for state tax purposes for purposes of
10 chapter 422 for tax years beginning during the 2018 calendar
11 year to the extent those amendments affect the calculation of
12 federal adjusted gross income or federal taxable income, as
13 applicable, for federal tax purposes for tax years beginning
14 during the 2018 calendar year.

15 Sec. 64. TEACHER EXPENSE DEDUCTION. Notwithstanding
16 any other provision of law to the contrary, for tax years
17 beginning during the 2018 calendar year, a taxpayer is allowed
18 to take the deduction for certain expenses of elementary and
19 secondary school teachers allowed under section 62(a)(2)(D) of
20 the Internal Revenue Code, as amended by Pub. L. No. 114-113,
21 division Q, §104, in computing net income for state tax
22 purposes.

23 Sec. 65. EFFECTIVE DATE. This division of this Act, being
24 deemed of immediate importance, takes effect upon enactment.

25 Sec. 66. RETROACTIVE APPLICABILITY. Except as otherwise
26 provided in this division of this Act, this division of this
27 Act applies retroactively to January 1, 2018, for tax years
28 beginning on or after that date, but before January 1, 2019.

29 Sec. 67. RETROACTIVE APPLICABILITY. The following apply
30 retroactively to January 1, 2018, for tax years beginning on
31 or after that date:

32 1. The section of this division of this Act enacting section
33 422.7, subsections 51 and 52.

34 2. The section of this division of this Act amending section
35 422.9, subsection 2, paragraph "h".

1 DIVISION VIII
2 INDIVIDUAL AND CORPORATE INCOME TAX AND FRANCHISE TAX CHANGES
3 BEGINNING IN TAX YEAR 2019

4 Sec. 68. Section 15.335, subsection 7, paragraph b, Code
5 2018, is amended by striking the paragraph and inserting in
6 lieu thereof the following:

7 b. For purposes of this section, "*Internal Revenue Code*"
8 means the same as defined in section 422.3.

9 Sec. 69. Section 422.3, subsection 5, Code 2018, is amended
10 to read as follows:

11 5. "*Internal Revenue Code*" means one of the following:

12 a. For tax years beginning during the 2019 calendar year,
13 "Internal Revenue Code" means the Internal Revenue Code of
14 1954, prior to the date of its redesignation as the Internal
15 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
16 the Internal Revenue Code of 1986 as amended and in effect on
17 January 1, 2015 March 24, 2018. This definition shall not be
18 construed to include any amendment to the Internal Revenue Code
19 enacted after the date specified in the preceding sentence,
20 including any amendment with retroactive applicability or
21 effectiveness.

22 b. For tax years beginning on or after January 1, 2020,
23 "Internal Revenue Code" means the Internal Revenue Code of
24 1954, prior to the date of its redesignation as the Internal
25 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
26 Internal Revenue Code of 1986, as amended.

27 Sec. 70. Section 422.4, subsection 16, Code 2018, is amended
28 to read as follows:

29 16. The words "*taxable income*" mean the net income as
30 defined in section 422.7 minus the deductions allowed by
31 section 422.9, in the case of individuals; in the case of
32 estates or trusts, the words "*taxable income*" mean the taxable
33 income ~~(without a deduction for personal exemption)~~ as
34 computed for federal income tax purposes under the Internal
35 Revenue Code, but with the following adjustments specified in

1 ~~section 422.7~~ plus the Iowa income tax deducted in computing
2 the federal taxable income and minus federal income taxes as
3 provided in ~~section 422.9~~ .:

4 a. Add back the personal exemption deduction taken in
5 computing federal taxable income.

6 b. Make the adjustments specified in section 422.7.

7 c. Add back Iowa income tax deducted in computing federal
8 taxable income.

9 d. Subtract federal income taxes as provided in section
10 422.9.

11 e. Add back the following percentage of the qualified
12 business income deduction under section 199A of the Internal
13 Revenue Code taken in calculating federal taxable income for
14 the applicable tax year:

15 (1) For tax years beginning on or after January 1, 2019, but
16 before January 1, 2021, seventy-five percent.

17 (2) For tax years beginning during the 2021 calendar year,
18 fifty percent.

19 (3) For tax years beginning on or after January 1, 2022,
20 twenty-five percent.

21 Sec. 71. Section 422.5, subsection 1, Code 2018, is amended
22 to read as follows:

23 1. a. A tax is imposed upon every resident and nonresident
24 of the state which tax shall be levied, collected, and paid
25 annually upon and with respect to the entire taxable income
26 as defined in this division at rates as follows: provided in
27 section 422.5A.

28 ~~a. On all taxable income from zero through one thousand~~
29 ~~dollars, thirty-six hundredths of one percent.~~

30 ~~b. On all taxable income exceeding one thousand dollars but~~
31 ~~not exceeding two thousand dollars, seventy-two hundredths of~~
32 ~~one percent.~~

33 ~~c. On all taxable income exceeding two thousand dollars~~
34 ~~but not exceeding four thousand dollars, two and forty-three~~
35 ~~hundredths percent.~~

1 ~~d. On all taxable income exceeding four thousand dollars but~~
2 ~~not exceeding nine thousand dollars, four and one-half percent.~~

3 ~~e. On all taxable income exceeding nine thousand dollars~~
4 ~~but not exceeding fifteen thousand dollars, six and twelve~~
5 ~~hundredths percent.~~

6 ~~f. On all taxable income exceeding fifteen thousand dollars~~
7 ~~but not exceeding twenty thousand dollars, six and forty-eight~~
8 ~~hundredths percent.~~

9 ~~g. On all taxable income exceeding twenty thousand dollars~~
10 ~~but not exceeding thirty thousand dollars, six and eight-tenths~~
11 ~~percent.~~

12 ~~h. On all taxable income exceeding thirty thousand dollars~~
13 ~~but not exceeding forty-five thousand dollars, seven and~~
14 ~~ninety-two hundredths percent.~~

15 ~~i. On all taxable income exceeding forty-five thousand~~
16 ~~dollars, eight and ninety-eight hundredths percent.~~

17 ~~j. b.~~ (1) The tax imposed upon the taxable income of a
18 nonresident shall be computed by reducing the amount determined
19 pursuant to ~~paragraphs "a" through "i"~~ paragraph "a" by the
20 amounts of nonrefundable credits under [this division](#) and by
21 multiplying this resulting amount by a fraction of which the
22 nonresident's net income allocated to Iowa, as determined in
23 section 422.8, subsection 2, paragraph "a", is the numerator and
24 the nonresident's total net income computed under [section 422.7](#)
25 is the denominator. This provision also applies to individuals
26 who are residents of Iowa for less than the entire tax year.

27 (2) (a) The tax imposed upon the taxable income of a
28 resident shareholder in an S corporation or of an estate
29 or trust with a situs in Iowa that is a shareholder in an S
30 corporation, which S corporation has in effect for the tax
31 year an election under subchapter S of the Internal Revenue
32 Code and carries on business within and without the state,
33 may be computed by reducing the amount determined pursuant
34 to ~~paragraphs "a" through "i"~~ paragraph "a" by the amounts of
35 nonrefundable credits under [this division](#) and by multiplying

1 this resulting amount by a fraction of which the resident's
2 or estate's or trust's net income allocated to Iowa, as
3 determined in [section 422.8, subsection 2](#), paragraph "b", is
4 the numerator and the resident's or estate's or trust's total
5 net income computed under [section 422.7](#) is the denominator. If
6 a resident shareholder, or an estate or trust with a situs in
7 Iowa that is a shareholder, has elected to take advantage of
8 this subparagraph (2), and for the next tax year elects not to
9 take advantage of this subparagraph, the resident or estate or
10 trust shareholder shall not reelect to take advantage of this
11 subparagraph for the three tax years immediately following the
12 first tax year for which the shareholder elected not to take
13 advantage of this subparagraph, unless the director consents to
14 the reelection. This subparagraph also applies to individuals
15 who are residents of Iowa for less than the entire tax year.

16 (b) This subparagraph (2) shall not affect the amount of
17 the taxpayer's checkoffs under [this division](#), the credits from
18 tax provided under [this division](#), and the allocation of these
19 credits between spouses if the taxpayers filed separate returns
20 or separately on combined returns.

21 Sec. 72. Section 422.5, subsection 2, paragraph a, Code
22 2018, is amended to read as follows:

23 a. There is imposed upon every resident and nonresident of
24 this state, including estates and trusts, the greater of the
25 tax determined in [subsection 1](#), ~~paragraphs "a" through "j"~~, or
26 the state alternative minimum tax equal to seventy-five percent
27 of the maximum state individual income tax rate for the tax
28 year, rounded to the nearest one-tenth of one percent, times
29 the state alternative minimum taxable income of the taxpayer as
30 computed under [this subsection](#).

31 Sec. 73. NEW SECTION. **422.5A Tax rates.**

32 The tax imposed in section 422.5 shall be calculated at the
33 following rates:

34 1. On all taxable income from 0 through \$1,000, the rate of
35 0.33 percent.

1 2. On all taxable income exceeding \$1,000 but not exceeding
2 \$2,000, the rate of 0.67 percent.

3 3. On all taxable income exceeding \$2,000 but not exceeding
4 \$4,000, the rate of 2.25 percent.

5 4. On all taxable income exceeding \$4,000 but not exceeding
6 \$9,000, the rate of 4.14 percent.

7 5. On all taxable income exceeding \$9,000 but not exceeding
8 \$15,000, the rate of 5.63 percent.

9 6. On all taxable income exceeding \$15,000 but not exceeding
10 \$20,000, the rate of 5.96 percent.

11 7. On all taxable income exceeding \$20,000 but not exceeding
12 \$30,000, the rate of 6.25 percent.

13 8. On all taxable income exceeding \$30,000 but not exceeding
14 \$45,000, the rate of 7.44 percent.

15 9. On all taxable income exceeding \$45,000, the rate of 8.53
16 percent.

17 Sec. 74. Section 422.5, subsection 6, Code 2018, is amended
18 to read as follows:

19 6. Upon determination of the latest cumulative inflation
20 factor, the director shall multiply each dollar amount set
21 forth in ~~subsection 1, paragraphs "a" through "i"~~ section
22 422.5A by this cumulative inflation factor, shall round
23 off the resulting product to the nearest one dollar, and
24 shall incorporate the result into the income tax forms and
25 instructions for each tax year.

26 Sec. 75. Section 422.7, subsection 39A, unnumbered
27 paragraph 1, Code 2018, is amended by striking the unnumbered
28 paragraph and inserting in lieu thereof the following:

29 The additional first-year depreciation allowance authorized
30 in section 168(k) of the Internal Revenue Code does not
31 apply in computing net income for state tax purposes. If the
32 taxpayer has taken the additional first-year depreciation
33 allowance for purposes of computing federal adjusted gross
34 income, then the taxpayer shall make the following adjustments
35 to federal adjusted gross income when computing net income for

1 state tax purposes:

2 Sec. 76. Section 422.7, Code 2018, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 59. *a.* The rules for nonrecognition
5 of gain or loss from exchanges of real property held for
6 productive use or investment and not held primarily for sale,
7 as provided in section 1031 of the Internal Revenue Code, apply
8 for state income tax purposes with regard to exchanges of real
9 property.

10 *b.* (1) The rules for nonrecognition of gain or loss
11 from exchanges of property other than real property held for
12 productive use or investment as provided in section 1031 of the
13 Internal Revenue Code, as amended up to and including December
14 21, 2017, apply for state income tax purposes for tax years
15 beginning during the 2019 calendar year, notwithstanding any
16 other provision of law to the contrary. If the taxpayer's
17 federal adjusted gross income includes gain or loss from
18 property, other than real property described in paragraph "a",
19 and the taxpayer elects to have this paragraph apply, the
20 following adjustments shall be made:

21 (a) (i) Subtract the total amount of gain related to the
22 sale or exchange of the property as properly reported for
23 federal tax purposes under the Internal Revenue Code.

24 (ii) Add back any gain related to the sale or exchange
25 of the property to the extent such gain does not qualify for
26 deferral under section 1031 of the Internal Revenue Code, as
27 amended up to and including December 21, 2017, which gain
28 shall be calculated using the taxpayer's adjusted basis in the
29 property for state tax purposes.

30 (b) (i) Add the total amount of loss related to the sale or
31 exchange of the property as properly reported for federal tax
32 purposes under the Internal Revenue Code.

33 (ii) Subtract any loss related to the sale or exchange
34 of the property to the extent such loss does not qualify for
35 deferral under section 1031 of the Internal Revenue Code, as

1 amended up to and including December 21, 2017, which loss
2 shall be calculated using the taxpayer's adjusted basis in the
3 property for state tax purposes.

4 (c) Any other adjustments to gains, losses, deductions, or
5 tax basis for the property given up or received in the sale or
6 exchange pursuant to rules adopted by the director.

7 (2) The director shall adopt rules pursuant to chapter 17A
8 to administer this paragraph.

9 c. This subsection is repealed January 1, 2020, for tax
10 years beginning on or after that date.

11 Sec. 77. Section 422.8, subsection 2, paragraph a, Code
12 2018, is amended to read as follows:

13 a. Nonresident's net income allocated to Iowa is the net
14 income, or portion of net income, which is derived from a
15 business, trade, profession, or occupation carried on within
16 this state or income from any property, trust, estate, or
17 other source within Iowa. However, income derived from a
18 business, trade, profession, or occupation carried on within
19 this state and income from any property, trust, estate, or
20 other source within Iowa shall not include distributions from
21 pensions, including defined benefit or defined contribution
22 plans, annuities, individual retirement accounts, and deferred
23 compensation plans or any earnings attributable thereto so long
24 as the distribution is directly related to an individual's
25 documented retirement and received while the individual is a
26 nonresident of this state. If a business, trade, profession,
27 or occupation is carried on partly within and partly without
28 the state, only the portion of the net income which is fairly
29 and equitably attributable to that part of the business,
30 trade, profession, or occupation carried on within the state
31 is allocated to Iowa for purposes of section 422.5, subsection
32 1, paragraph ~~"j"~~ "b", and [section 422.13](#) and income from any
33 property, trust, estate, or other source partly within and
34 partly without the state is allocated to Iowa in the same
35 manner, except that annuities, interest on bank deposits and

1 interest-bearing obligations, and dividends are allocated
2 to Iowa only to the extent to which they are derived from a
3 business, trade, profession, or occupation carried on within
4 the state. Net income described in section 29C.24, subsection
5 3, paragraph "a", subparagraph (3), and paragraph "b",
6 subparagraph (2), shall not be allocated and apportioned to the
7 state, as provided in [section 29C.24](#).

8 Sec. 78. Section 422.9, unnumbered paragraph 1, Code 2018,
9 is amended to read as follows:

10 In computing taxable income of individuals, there shall be
11 deducted from net income the larger of the ~~following~~ amounts:
12 computed under subsection 1 or 2, plus the amount computed
13 under subsection 2A.

14 Sec. 79. Section 422.9, Code 2018, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 2A. a. The following percentage of the
17 qualified business income deduction under section 199A of the
18 Internal Revenue Code taken in calculating federal taxable
19 income for the applicable tax year:

20 (1) For tax years beginning on or after January 1, 2019, but
21 before January 1, 2021, twenty-five percent.

22 (2) For tax years beginning during the 2021 calendar year,
23 fifty percent.

24 (3) For tax years beginning on or after January 1, 2022,
25 seventy-five percent.

26 b. Notwithstanding paragraph "a", and section 422.4,
27 subsection 16, paragraph "e", for an entity electing or required
28 to file a composite return under section 422.13, subsection 5,
29 the deduction allowed under this subsection for purposes of the
30 composite return shall be an amount equal to the applicable
31 percentage described in paragraph "a" of the deduction that
32 would be allowable for federal income tax purposes under
33 section 199A of the Internal Revenue Code by an individual
34 taxpayer reporting the same items of income and loss that are
35 included in the composite return.

1 Sec. 80. Section 422.9, subsection 2, paragraph i, Code
2 2018, is amended to read as follows:

3 *i.* The deduction for state sales and use taxes is allowable
4 only if the taxpayer elected to deduct the state sales and use
5 taxes in lieu of state income taxes under section 164 of the
6 Internal Revenue Code. A deduction for state sales and use
7 taxes is not allowed if the taxpayer has taken the deduction
8 for state income taxes or claimed the standard deduction under
9 section 63 of the Internal Revenue Code. This paragraph
10 applies to taxable years beginning after ~~December 31, 2003,~~ and
11 ~~before January 1, 2008,~~ and to taxable years beginning after
12 ~~December 31, 2009,~~ and before January 1, 2015 December 31,
13 2018.

14 Sec. 81. Section 422.9, subsection 2, Code 2018, is amended
15 by adding the following new paragraph:

16 NEW PARAGRAPH. 1. The limitation on the deduction of
17 certain taxes in section 164(b)(6) of the Internal Revenue
18 Code does not apply in computing taxable income for state tax
19 purposes. A taxpayer is allowed to deduct taxes in computing
20 taxable income as otherwise provided in this subsection without
21 regard to section 164(b)(6), as enacted by Pub. L. No. 115-97,
22 §11042.

23 Sec. 82. Section 422.9, subsection 3, paragraph d, Code
24 2018, is amended to read as follows:

25 *d.* Notwithstanding paragraph "a", for a taxpayer who is
26 engaged in the trade or business of farming as defined in
27 section 263A(e)(4) of the Internal Revenue Code and has a loss
28 from farming as defined in section ~~172(b)(1)(F)~~ 172(b)(1)(B) of
29 the Internal Revenue Code including modifications prescribed by
30 rule by the director, the Iowa loss from the trade or business
31 of farming is a net operating loss which may be carried back
32 five taxable years prior to the taxable year of the loss.

33 Sec. 83. Section 422.9, subsection 5, Code 2018, is amended
34 to read as follows:

35 5. A taxpayer affected by [section 422.8](#) shall, ~~if the~~

1 ~~optional standard deduction is not used~~, be permitted to deduct
2 only such portion of the total referred to in ~~subsection~~
3 subsections 2 above and 2A as is fairly and equitably allocable
4 to Iowa under the rules prescribed by the director.

5 Sec. 84. Section 422.9, subsections 6 and 7, Code 2018, are
6 amended by striking the subsections.

7 Sec. 85. Section 422.10, subsection 3, paragraph b, Code
8 2018, is amended by striking the paragraph.

9 Sec. 86. Section 422.11B, Code 2018, is amended to read as
10 follows:

11 **422.11B Minimum tax credit.**

12 1. a. There is allowed as a credit against the tax
13 determined in section 422.5, subsection 1, ~~paragraphs "a"~~
14 ~~through "j"~~ for a tax year an amount equal to the minimum tax
15 credit for that tax year.

16 b. The minimum tax credit for a tax year is the excess,
17 if any, of the net minimum tax imposed for all prior tax
18 years beginning on or after January 1, 1987, over the amount
19 allowable as a credit under this section for those prior tax
20 years.

21 2. a. The allowable credit under subsection 1 for a tax
22 year shall not exceed the excess, if any, of the tax determined
23 in section 422.5, subsection 1, ~~paragraphs "a" through "j"~~ over
24 the state alternative minimum tax as determined in section
25 422.5, subsection 2.

26 b. The net minimum tax for a tax year is the excess, if any,
27 of the tax determined in section 422.5, subsection 2, for the
28 tax year over the tax determined in section 422.5, subsection
29 1, ~~paragraphs "a" through "j"~~ for the tax year.

30 Sec. 87. Section 422.32, subsection 1, paragraph h, Code
31 2018, is amended to read as follows:

32 h. "Internal Revenue Code" means one of the following:

33 (1) For tax years beginning during the 2019 calendar year,
34 "Internal Revenue Code" means the Internal Revenue Code of
35 1954, prior to the date of its redesignation as the Internal

1 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
2 the Internal Revenue Code of 1986 as amended and in effect on
3 ~~January 1, 2015~~ March 24, 2018. This definition shall not be
4 construed to include any amendment to the Internal Revenue Code
5 enacted after the date specified in the preceding sentence,
6 including any amendment with retroactive applicability or
7 effectiveness.

8 (2) For tax years beginning on or after January 1, 2020,
9 "Internal Revenue Code" means the Internal Revenue Code of
10 1954, prior to the date of its redesignation as the Internal
11 Revenue Code of 1986 by the Tax Reform Act of 1986, or means the
12 Internal Revenue Code of 1986, as amended.

13 Sec. 88. Section 422.33, subsection 1, paragraphs a, b, c,
14 and d, Code 2018, are amended to read as follows:

15 a. On the first twenty-five thousand dollars of taxable
16 income, or any part thereof, the rate of six percent for tax
17 years beginning prior to January 1, 2021, and the rate of
18 five and one-half percent for tax years beginning on or after
19 January 1, 2021.

20 b. On taxable income between twenty-five thousand dollars
21 and one hundred thousand dollars or any part thereof, the rate
22 of eight percent for tax years beginning prior to January 1,
23 2021, and the rate of five and one-half percent for tax years
24 beginning on or after January 1, 2021.

25 c. On taxable income between one hundred thousand dollars
26 and two hundred fifty thousand dollars or any part thereof, the
27 rate of ten percent for tax years beginning prior to January 1,
28 2021, and the rate of nine percent for tax years beginning on
29 or after January 1, 2021.

30 d. On taxable income of two hundred fifty thousand dollars
31 or more, the rate of twelve percent for tax years beginning
32 prior to January 1, 2021, and the rate of nine and eight-tenths
33 percent for tax years beginning on or after January 1, 2021.

34 Sec. 89. Section 422.33, subsection 4, paragraph a, Code
35 2018, is amended to read as follows:

1 a. In addition to all taxes imposed under this division,
2 there is imposed upon each corporation doing business within
3 the state the greater of the tax determined in subsection 1,
4 paragraphs "a" through "d" or the state alternative minimum tax
5 equal to sixty percent of the maximum state corporate income
6 tax rate for the tax year, rounded to the nearest one-tenth of
7 one percent, of the state alternative minimum taxable income of
8 the taxpayer computed under this subsection.

9 Sec. 90. Section 422.33, subsection 4, paragraph b,
10 subparagraph (1), Code 2018, is amended to read as follows:

11 (1) Add items of tax preference included in federal
12 alternative minimum taxable income under section 57, except
13 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
14 make the adjustments included in federal alternative minimum
15 taxable income under section 56, except subsections (a)(4) and
16 (d), of the Internal Revenue Code, and add losses as required
17 by section 58 of the Internal Revenue Code. In making the
18 adjustment under section 56(c)(1) of the Internal Revenue Code,
19 interest and dividends from federal securities and interest
20 and dividends from state and other political subdivisions and
21 from regulated investment companies exempt from federal income
22 tax under the Internal Revenue Code, net of amortization of
23 any discount or premium, shall be subtracted. For purposes of
24 this subparagraph, "Internal Revenue Code" means the Internal
25 Revenue Code of 1954, prior to the date of its redesignation
26 as the Internal Revenue Code of 1986 by the Tax Reform Act of
27 1986, or means the Internal Revenue Code of 1986 as amended and
28 in effect on December 21, 2017. This definition shall not be
29 construed to include any amendment to the Internal Revenue Code
30 enacted after the date specified in the preceding sentence,
31 including any amendment with retroactive applicability or
32 effectiveness.

33 Sec. 91. Section 422.33, subsection 4, Code 2018, is amended
34 by adding the following new paragraph:

35 NEW PARAGRAPH. c. This subsection is repealed January 1,

1 2021, for tax years beginning on or after that date.

2 Sec. 92. Section 422.33, subsection 5, paragraph e,
3 subparagraph (2), Code 2018, is amended by striking the
4 subparagraph.

5 Sec. 93. Section 422.33, subsection 7, Code 2018, is amended
6 to read as follows:

7 7. a. (1) ~~There~~ For tax years beginning before January 1,
8 2022, there is allowed as a credit against the tax determined
9 in subsection 1 for a tax year an amount equal to the minimum
10 tax credit for that tax year.

11 (2) The minimum tax credit for a tax year is the excess,
12 if any, of the net minimum tax imposed for all prior tax years
13 beginning on or after January 1, 1987, but before January
14 1, 2021, over the amount allowable as a credit under this
15 subsection for those prior tax years.

16 b. (1) The allowable credit under paragraph "a" for a tax
17 year beginning before January 1, 2021, shall not exceed the
18 excess, if any, of the tax determined in subsection 1 over
19 the state alternative minimum tax as determined in subsection
20 4. The allowable credit under paragraph "a" for a tax year
21 beginning in the 2021 calendar year shall not exceed the tax
22 determined in subsection 1.

23 (2) The net minimum tax for a tax year is the excess, if
24 any, of the tax determined in subsection 4 for the tax year
25 over the tax determined in subsection 1 for the tax year.

26 c. This subsection is repealed January 1, 2022, for tax
27 years beginning on or after that date.

28 Sec. 94. Section 422.35, subsection 4, Code 2018, is amended
29 to read as follows:

30 4. a. ~~Subtract~~ For tax years beginning before January 1,
31 2022, subtract fifty percent of the federal income taxes paid
32 ~~or accrued, as the case may be,~~ during the tax year to the
33 extent payment is for a tax year beginning prior to January 1,
34 2021, adjusted by any federal income tax refunds, ~~and add the~~
35 ~~Iowa income tax deducted in computing said taxable income to~~

1 the extent the tax was deducted for a tax year beginning prior
2 to January 1, 2021.

3 b. Add the Iowa income tax deducted in computing federal
4 taxable income.

5 Sec. 95. Section 422.35, Code 2018, is amended by adding the
6 following new subsections:

7 NEW SUBSECTION. 14. *a.* The increased expensing allowance
8 under section 179 of the Internal Revenue Code applies in
9 computing net income for state tax purposes for tax years
10 beginning on or after January 1, 2019, subject to the
11 limitations in this subsection for tax years beginning on or
12 after January 1, 2019, but before January 1, 2020.

13 *b.* If the taxpayer has taken the increased expensing
14 allowance under section 179 of the Internal Revenue Code for
15 purposes of computing federal taxable income for tax years
16 beginning on or after January 1, 2019, but before January 1,
17 2020, then the taxpayer shall make the following adjustments to
18 federal taxable income when computing net income for state tax
19 purposes for the same tax year:

20 (1) Add the total amount of expense deduction taken on
21 section 179 property allowable for federal tax purposes under
22 section 179 of the Internal Revenue Code.

23 (2) Subtract the amount of expense deduction on section
24 179 property allowable for federal tax purposes under section
25 179 of the Internal Revenue Code, not to exceed one hundred
26 thousand dollars. The subtraction in this subparagraph shall
27 be reduced, but not below zero, by the amount by which the
28 total cost of section 179 property placed in service by the
29 taxpayer during the tax year exceeds four hundred thousand
30 dollars.

31 (3) Any other adjustments to gains or losses necessary to
32 reflect adjustments made in subparagraphs (1) and (2).

33 *c.* The director shall adopt rules pursuant to chapter 17A
34 to administer this subsection.

35 NEW SUBSECTION. 15. *a.* For tax years beginning on or

1 after January 1, 2019, but before January 1, 2020, a taxpayer
2 may elect to take advantage of this subsection in lieu of
3 subsection 14, but only if the taxpayer's total expensing
4 allowance deduction for federal tax purposes under section
5 179 of the Internal Revenue Code that is allocated to the
6 taxpayer from one or more partnerships or limited liability
7 companies electing to have the income taxed directly to the
8 owners exceeds one hundred thousand dollars and would, except
9 as provided in this subsection, be limited for purposes
10 of computing net income for state tax purposes pursuant to
11 subsection 14.

12 *b.* A taxpayer who elects to take advantage of this
13 subsection shall make the following adjustments to federal
14 taxable income when computing net income for state tax
15 purposes:

16 (1) Add the total amount of section 179 expense deduction
17 allocated to the taxpayer from all partnerships or limited
18 liability companies electing to have the income taxed directly
19 to the owners, to the extent the allocated amount was allowed
20 as a deduction to the taxpayer for federal tax purposes for the
21 tax year under section 179 of the Internal Revenue Code.

22 (2) From the amount added in subparagraph (1), subtract
23 the first one hundred thousand dollars of expensing allowance
24 deduction on section 179 property.

25 (3) The remaining amount, equal to the difference between
26 the amount added in subparagraph (1), and the amount subtracted
27 in subparagraph (2), may be deducted by the taxpayer but such
28 deduction shall be amortized equally over five tax years
29 beginning in the following tax year.

30 (4) Any other adjustments to gains or losses necessary to
31 reflect adjustments made in subparagraphs (1) through (3).

32 *c.* A taxpayer who elects to take advantage of this
33 subsection shall not take the increased expensing allowance
34 under section 179 of the Internal Revenue Code for any section
35 179 property placed in service by the taxpayer in computing

1 taxable income for state tax purposes. If the taxpayer has
2 taken any such deduction for purposes of computing federal
3 taxable income, the taxpayer shall make the following
4 adjustments to federal taxable income when computing net income
5 for state tax purposes:

6 (1) Add the total amount of expense deduction for federal
7 tax purposes taken on section 179 property placed in service by
8 the taxpayer under section 179 of the Internal Revenue Code.

9 (2) Subtract the amount of depreciation allowable on such
10 property under the modified accelerated cost recovery system
11 described in section 168 of the Internal Revenue Code, without
12 regard to section 168(k) of the Internal Revenue Code. The
13 taxpayer shall continue to take depreciation on the applicable
14 property in future tax years to the extent allowed under the
15 modified accelerated cost recovery system described in section
16 168 of the Internal Revenue Code, without regard to section
17 168(k) of the Internal Revenue Code.

18 (3) Any other adjustments to gains or losses necessary to
19 reflect the adjustments made in subparagraphs (1) and (2).

20 *d.* The director shall adopt rules pursuant to chapter 17A
21 to administer this subsection.

22 Sec. 96. Section 422.35, subsection 19A, unnumbered
23 paragraph 1, Code 2018, is amended by striking the unnumbered
24 paragraph and inserting in lieu thereof the following:

25 The additional first-year depreciation allowance authorized
26 in section 168(k) of the Internal Revenue Code does not
27 apply in computing net income for state tax purposes. If the
28 taxpayer has taken the additional first-year depreciation
29 allowance for purposes of computing federal taxable income,
30 then the taxpayer shall make the following adjustments to
31 federal taxable income when computing net income for state tax
32 purposes:

33 Sec. 97. EFFECTIVE DATE. This division of this Act takes
34 effect January 1, 2019.

35 Sec. 98. APPLICABILITY. This division of this Act applies

1 to tax years beginning on or after January 1, 2019.

2 DIVISION IX

3 FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX
4 CHANGES

5 Sec. 99. Section 12D.9, subsection 2, Code 2018, is amended
6 to read as follows:

7 2. State income tax treatment of the Iowa educational
8 savings plan trust shall be as provided in section 422.7,
9 subsections 18, 32, and 33.

10 Sec. 100. Section 217.39, Code 2018, is amended to read as
11 follows:

12 **217.39 Persecuted victims of World War II — reparations —**
13 **heirs.**

14 Notwithstanding any other law of this state, payments paid
15 to and income from lost property of a victim of persecution
16 for racial, ethnic, or religious reasons by Nazi Germany or
17 any other Axis regime or as an heir of such victim which is
18 ~~exempt from state income tax as provided~~ described in section
19 422.7, subsection 35, Code 2018, shall not be considered as
20 income or an asset for determining the eligibility for state or
21 local government benefit or entitlement programs. The proceeds
22 are not subject to recoupment for the receipt of governmental
23 benefits or entitlements, and liens, except liens for child
24 support, are not enforceable against these sums for any reason.

25 Sec. 101. Section 422.4, subsection 1, paragraphs b and c,
26 Code 2018, are amended to read as follows:

27 *b. "Cumulative inflation factor"* means the product of the
28 annual inflation factor for the ~~1988~~ calendar year beginning on
29 January 1 of the calendar year that this division of this Act
30 takes effect and all annual inflation factors for subsequent
31 calendar years as determined pursuant to this subsection. The
32 cumulative inflation factor applies to all tax years beginning
33 on or after January 1 of the calendar year for which the latest
34 annual inflation factor has been determined.

35 *c.* The annual inflation factor for the ~~1988~~ calendar year

1 beginning on January 1 of the calendar year that this division
2 of this Act takes effect is one hundred percent.

3 Sec. 102. Section 422.4, subsection 2, Code 2018, is amended
4 by striking the subsection.

5 Sec. 103. Section 422.4, subsection 16, Code 2018, is
6 amended by striking the subsection and inserting in lieu
7 thereof the following:

8 16. "*Taxable income*" means, in the case of individuals,
9 the net income as defined in section 422.7 minus the deduction
10 allowed by section 422.9, if available. "*Taxable income*" means,
11 in the case of estates or trusts, the taxable income without
12 a deduction for personal exemption as computed for federal
13 income tax purposes under the Internal Revenue Code, but with
14 the adjustments specified in section 422.7, and the deduction
15 allowed by section 422.9, if available.

16 Sec. 104. Section 422.5, subsection 1, paragraph j,
17 subparagraph (2), subparagraph division (b), Code 2018, is
18 amended to read as follows:

19 (b) This subparagraph (2) shall not affect the amount of
20 the taxpayer's checkoffs under [this division](#), the credits from
21 tax provided under [this division](#), and the allocation of these
22 credits between spouses if the taxpayers filed separate returns
23 ~~or separately on combined returns.~~

24 Sec. 105. Section 422.5, subsection 2, Code 2018, is amended
25 by striking the subsection.

26 Sec. 106. Section 422.5, subsections 3 and 3B, Code 2018,
27 are amended to read as follows:

28 3. a. The tax shall not be imposed on a resident or
29 nonresident whose net income, as defined in [section 422.7](#), is
30 thirteen thousand five hundred dollars or less in the case
31 of married persons filing jointly ~~or filing separately on a~~
32 ~~combined return~~, heads of household, and surviving spouses or
33 nine thousand dollars or less in the case of all other persons;
34 but in the event that the payment of tax under [this division](#)
35 would reduce the net income to less than thirteen thousand five

1 hundred dollars or nine thousand dollars as applicable, then
2 the tax shall be reduced to that amount which would result
3 in allowing the taxpayer to retain a net income of thirteen
4 thousand five hundred dollars or nine thousand dollars as
5 applicable. The preceding sentence does not apply to estates
6 or trusts. For the purpose of [this subsection](#), the entire net
7 income, including any part of the net income not allocated
8 to Iowa, shall be taken into account. For purposes of this
9 subsection, net income includes all amounts of pensions or
10 other retirement income, except for military retirement pay
11 excluded under [section 422.7, subsection 31A](#), paragraph "a",
12 or [section 422.7, subsection 31B](#), paragraph "a", received from
13 any source which is not taxable under [this division](#) as a result
14 of the government pension exclusions in [section 422.7](#), or any
15 other state law. In calculating net income for purposes of
16 this subsection, any amount of itemized or standard deduction,
17 personal exemption deduction, or qualified business income
18 deduction that was allowed as a deduction in computing federal
19 taxable income under the Internal Revenue Code shall be added
20 back. If the combined net income of a husband and wife exceeds
21 thirteen thousand five hundred dollars, neither of them shall
22 receive the benefit of [this subsection](#), and it is immaterial
23 whether they file a joint return or separate returns. However,
24 if a husband and wife file separate returns and have a combined
25 net income of thirteen thousand five hundred dollars or less,
26 neither spouse shall receive the benefit of this paragraph,
27 if one spouse has a net operating loss and elects to carry
28 back or carry forward the loss as provided under the Internal
29 Revenue Code or in [section 422.9, subsection 3](#). A person who
30 is claimed as a dependent by another person as defined in
31 [section 422.12](#) shall not receive the benefit of [this subsection](#)
32 if the person claiming the dependent has net income exceeding
33 thirteen thousand five hundred dollars or nine thousand dollars
34 as applicable or the person claiming the dependent and the
35 person's spouse have combined net income exceeding thirteen

1 thousand five hundred dollars or nine thousand dollars as
2 applicable.

3 *b.* In lieu of the computation in [subsection 1 ~~or~~ 2](#), or in
4 paragraph "a" of [this subsection](#), if the married persons',
5 filing jointly ~~or filing separately on a combined return~~,
6 head of household's, or surviving spouse's net income exceeds
7 thirteen thousand five hundred dollars, the regular tax imposed
8 under [this division](#) shall be the lesser of the maximum state
9 individual income tax rate times the portion of the net income
10 in excess of thirteen thousand five hundred dollars or the
11 regular tax liability computed without regard to this sentence.
12 Taxpayers electing to file separately shall compute the
13 alternate tax described in this paragraph using the total net
14 income of the husband and wife. The alternate tax described
15 in this paragraph does not apply if one spouse elects to carry
16 back or carry forward ~~the~~ a net operating loss as provided
17 under the Internal Revenue Code or in section 422.9, subsection
18 3.

19 3B. *a.* The tax shall not be imposed on a resident or
20 nonresident who is at least sixty-five years old on December
21 31 of the tax year and whose net income, as defined in section
22 422.7, is thirty-two thousand dollars or less in the case
23 of married persons filing jointly ~~or filing separately on a~~
24 ~~combined return~~, heads of household, and surviving spouses or
25 twenty-four thousand dollars or less in the case of all other
26 persons; but in the event that the payment of tax under this
27 division would reduce the net income to less than thirty-two
28 thousand dollars or twenty-four thousand dollars as applicable,
29 then the tax shall be reduced to that amount which would result
30 in allowing the taxpayer to retain a net income of thirty-two
31 thousand dollars or twenty-four thousand dollars as applicable.
32 The preceding sentence does not apply to estates or trusts.
33 For the purpose of [this subsection](#), the entire net income,
34 including any part of the net income not allocated to Iowa,
35 shall be taken into account. For purposes of [this subsection](#),

1 net income includes all amounts of pensions or other retirement
 2 income, except for military retirement pay excluded under
 3 section 422.7, subsection 31A, paragraph "a", or section 422.7,
 4 subsection 31B, paragraph "a", received from any source which is
 5 not taxable under [this division](#) as a result of the government
 6 pension exclusions in [section 422.7](#), or any other state law.
 7 In calculating net income for purposes of this subsection, any
 8 amount of itemized or standard deduction, personal exemption
 9 deduction, or qualified business income deduction that was
 10 allowed as a deduction in computing federal taxable income
 11 under the Internal Revenue Code shall be added back. If the
 12 combined net income of a husband and wife exceeds thirty-two
 13 thousand dollars, neither of them shall receive the benefit
 14 of [this subsection](#), and it is immaterial whether they file a
 15 joint return or separate returns. However, if a husband and
 16 wife file separate returns and have a combined net income of
 17 thirty-two thousand dollars or less, neither spouse shall
 18 receive the benefit of this paragraph, if one spouse has a net
 19 operating loss and elects to carry back or carry forward the
 20 loss as provided under the Internal Revenue Code or in section
 21 ~~422.9, subsection 3~~. A person who is claimed as a dependent by
 22 another person as defined in [section 422.12](#) shall not receive
 23 the benefit of [this subsection](#) if the person claiming the
 24 dependent has net income exceeding thirty-two thousand dollars
 25 or twenty-four thousand dollars as applicable or the person
 26 claiming the dependent and the person's spouse have combined
 27 net income exceeding thirty-two thousand dollars or twenty-four
 28 thousand dollars as applicable.

29 *b.* In lieu of the computation in [subsection 1, 2, or 3](#), if
 30 the married persons', ~~filing jointly or filing separately on~~
 31 ~~a combined return~~, head of household's, or surviving spouse's
 32 net income exceeds thirty-two thousand dollars, the regular
 33 tax imposed under [this division](#) shall be the lesser of the
 34 maximum state individual income tax rate times the portion of
 35 the net income in excess of thirty-two thousand dollars or the

1 regular tax liability computed without regard to this sentence.
2 Taxpayers electing to file separately shall compute the
3 alternate tax described in this paragraph using the total net
4 income of the husband and wife. The alternate tax described
5 in this paragraph does not apply if one spouse elects to carry
6 back or carry forward the a net operating loss as provided
7 under the Internal Revenue Code or in section 422.9, subsection
8 3.

9 *c.* **This subsection** applies even though one spouse has not
10 attained the age of sixty-five, if the other spouse is at least
11 sixty-five at the end of the tax year.

12 **Sec. 107.** Section 422.5A, as enacted in this Act, Code
13 2018, is amended by striking the section and inserting in lieu
14 thereof the following:

15 **422.5A Tax rates.**

16 1. The tax imposed in section 422.5 shall be calculated
17 at the following rates in the case of a married couple filing
18 jointly:

19 *a.* On all taxable income from 0 through \$12,000, the rate of
20 4.40 percent.

21 *b.* On all taxable income exceeding \$12,000 but not exceeding
22 \$60,000, the rate of 4.82 percent.

23 *c.* On all taxable income exceeding \$60,000 but not exceeding
24 \$150,000, the rate of 5.70 percent.

25 *d.* On all taxable income exceeding \$150,000, the rate of
26 6.50 percent.

27 2. The tax imposed in section 422.5 shall be calculated at
28 the following rates in the case of any taxpayer other than a
29 married couple filing jointly:

30 *a.* On all taxable income from 0 through \$6,000, the rate of
31 4.40 percent.

32 *b.* On all taxable income exceeding \$6,000 but not exceeding
33 \$30,000, the rate of 4.82 percent.

34 *c.* On all taxable income exceeding \$30,000 but not exceeding
35 \$75,000, the rate of 5.70 percent.

1 *d.* On all taxable income exceeding \$75,000, the rate of 6.50
2 percent.

3 Sec. 108. Section 422.7, unnumbered paragraph 1, Code 2018,
4 is amended to read as follows:

5 The term "*net income*" means the ~~adjusted gross income before~~
6 ~~the net operating loss deduction~~ taxable income as properly
7 computed for federal income tax purposes under section 63 of
8 the Internal Revenue Code, with the following adjustments:

9 Sec. 109. Section 422.7, Code 2018, is amended by adding the
10 following new subsections:

11 NEW SUBSECTION. 4. Add any federal net operating loss
12 deduction carried over from a taxable year beginning prior to
13 January 1 of the calendar year that this division of this Act
14 takes effect.

15 NEW SUBSECTION. 6. *a.* For tax years beginning in the
16 calendar year that this division of this Act takes effect,
17 subtract the amount of federal income taxes paid during the
18 tax year to the extent payment is for a tax year beginning
19 prior to January 1 of the calendar year that this division of
20 this Act takes effect, and add any federal income tax refunds
21 received during the tax year to the extent the federal income
22 tax was deducted for a tax year beginning prior to January 1 of
23 the calendar year that this division of this Act takes effect.
24 Where married persons who have filed a joint federal income
25 tax return file separately for state tax purposes, such total
26 shall be divided between them according to the portion of the
27 total paid by each. Federal income taxes paid for a tax year
28 in which an Iowa return was not required to be filed shall not
29 be subtracted.

30 *b.* Notwithstanding any other provision of law to the
31 contrary, amounts subtracted or added pursuant to this
32 subsection shall not be included in the calculation of net
33 income for purposes of section 422.5, subsection 3 or 3B, or
34 section 422.13.

35 Sec. 110. Section 422.7, subsection 5, Code 2018, is amended

1 to read as follows:

2 5. Individual taxpayers and married taxpayers who file a
3 joint federal income tax return and who elect to file a joint
4 return, or separate returns, ~~or separate filing on a combined~~
5 ~~return~~ for Iowa income tax purposes, may avail themselves of
6 the disability income exclusion and shall compute the amount
7 of the disability income exclusion subject to the limitations
8 for joint federal income tax return filers provided by section
9 105(d) of the Internal Revenue Code. The disability income
10 exclusion provided in section 105(d) of the Internal Revenue
11 Code, as amended up to and including December 31, 1982,
12 continues to apply for state income tax purposes for tax years
13 beginning on or after January 1, 1984.

14 Sec. 111. Section 422.7, subsection 13, Code 2018, is
15 amended by striking the subsection and inserting in lieu
16 thereof the following:

17 13. Subtract, to the extent included, the amount of social
18 security benefits taxable under section 86 of the Internal
19 Revenue Code.

20 Sec. 112. Section 422.7, Code 2018, is amended by adding the
21 following new subsections:

22 NEW SUBSECTION. 18. Add, to the extent deducted for federal
23 tax purposes, charitable contributions under section 170 of
24 the Internal Revenue Code to the extent such contribution was
25 made to an organization for the purpose of deposit in the Iowa
26 education savings plan trust established in chapter 12D, and
27 the taxpayer designated that any part of the contribution be
28 used for the direct benefit of any dependent of the taxpayer or
29 any other single beneficiary designated by the taxpayer.

30 NEW SUBSECTION. 19. a. Subtract, to the extent included,
31 income resulting from the payment by an employer of the
32 taxpayer, whether paid to the taxpayer or to a lender, of
33 principal or interest on any qualified education loan incurred
34 by the taxpayer.

35 b. If the taxpayer has a deduction in computing federal

1 taxable income under section 221 of the Internal Revenue Code
2 for interest on a qualified education loan, the taxpayer shall
3 recompute for purposes of this subsection the amount of the
4 deduction under paragraph "a" by not subtracting any amount of
5 income resulting from the employer's payment of interest on a
6 qualified education loan that was also deducted by the taxpayer
7 under section 221 of the Internal Revenue Code.

8 c. For purposes of this subsection, "*qualified education*
9 *loan*" means the same as defined in section 221 of the Internal
10 Revenue Code.

11 Sec. 113. Section 422.7, subsection 21, Code 2018, is
12 amended by striking the subsection and inserting in lieu
13 thereof the following:

14 21. a. For purposes of this subsection:

15 (1) "*Farming business*" means the raising and harvesting
16 of crops or forest or fruit trees, the rearing, feeding, and
17 management of livestock, or horticulture, all for intended
18 profit.

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

22 (3) "*Materially participated*" means the same as "*material*
23 *participation*" in section 469(h) of the Internal Revenue Code.

24 (4) (a) "*Real property used in a farming business*" means all
25 tracts of land and the improvements and structures located on
26 them which are in good faith used primarily for agricultural
27 purposes except buildings which are primarily used or intended
28 for human habitation. Land and the nonresidential improvements
29 and structures located on it shall be considered to be used
30 primarily for agricultural purposes if its principal use is
31 devoted to the raising and harvesting of crops or forest or
32 fruit trees, the rearing, feeding, and management of livestock,
33 or horticulture, all for intended profit. Woodland, wasteland,
34 and pastureland shall qualify but only if such land is held or
35 operated in conjunction with real property that otherwise meets

1 the requirements of this paragraph.

2 (b) Real property classified as agricultural property for
3 Iowa property tax purposes, except real property described
4 in section 441.21, subsection 12, paragraphs "a" or "b",
5 shall be presumed to be real property used in a farming
6 business. This presumption is rebuttable by the department by
7 a preponderance of evidence that the real property did not meet
8 the requirements of subparagraph division (a).

9 (5) "Relative" means an individual that satisfies one or
10 more of the following conditions:

11 (a) The individual is related to the taxpayer by
12 consanguinity within the second degree as determined by common
13 law.

14 (b) The individual is a lineal descendent of the taxpayer.
15 For purposes of this subparagraph division, "lineal descendent"
16 means children of the taxpayer, including legally adopted
17 children and biological children, stepchildren, grandchildren,
18 great-grandchildren, and any other lineal descendent of the
19 taxpayer.

20 b. Subtract the net capital gain from the sale of real
21 property used in a farming business if all of the following
22 conditions are satisfied:

23 (1) The taxpayer has materially participated in the farming
24 business for a minimum of ten years immediately preceding the
25 sale.

26 (2) The taxpayer has held the real property used in a
27 farming business for a minimum of ten years immediately
28 preceding the sale.

29 (3) The real property used in a farming business is sold to
30 a relative of the taxpayer.

31 c. (1) If the relative to whom the taxpayer sold the
32 real property used in a farming business that qualified
33 for the deduction in this subsection subsequently sells or
34 otherwise transfers all or part of said real property to a
35 person who is not a relative of the taxpayer within five years

1 of the original sale, the subsequent sale or transfer shall
2 be considered prima facie evidence that the original sale
3 was entered into by the taxpayer primarily to obtain the tax
4 benefits provided in this subsection, and the deduction under
5 this subsection for the original sale shall be disallowed for
6 the taxpayer with respect to that real property subsequently
7 sold or transferred by the relative.

8 (2) The prima facie determination in subparagraph (1) may be
9 rebutted by the taxpayer by a preponderance of evidence showing
10 that at the time of the original sale by the taxpayer of the
11 real property used in a farming business, all of the following
12 conditions were satisfied:

13 (a) The taxpayer had a substantial purpose for entering into
14 the sale transaction apart from the state tax benefits.

15 (b) The taxpayer did not intend that the real property would
16 subsequently be sold or transferred to a person who is not a
17 relative of the taxpayer.

18 (c) The taxpayer had no actual or constructive knowledge of
19 the buyer's intent to subsequently sell or transfer the real
20 property to a person who is not a relative of the taxpayer.

21 (3) Notwithstanding section 422.25, subsection 1, paragraph
22 "a", the period of limitation for examination and determination
23 of tax with regard to the deduction provided in this subsection
24 shall be one of the following dates, whichever occurs later:

25 (a) The date which is three years after the date that the
26 return upon which the deduction in this subsection is claimed
27 is filed.

28 (b) The date which is three years after the date that the
29 return upon which the deduction in this subsection is claimed
30 is due, including any extensions.

31 (c) The date which is six years after the date of the sale
32 of the real property used in a farming business for which the
33 deduction in this subsection is claimed.

34 d. To the extent otherwise allowed, the deduction provided
35 in this subsection is not allowed for purposes of computing the

1 income for the taxable year or years for which a net operating
2 loss is deducted under the Internal Revenue Code or under
3 subsection 422.9.

4 Sec. 114. Section 422.7, subsection 29, Code 2018, is
5 amended to read as follows:

6 29. a. Subtract For a taxpayer who is sixty-five years
7 of age or older and whose net income is less than one hundred
8 thousand dollars, subtract, to the extent not otherwise
9 deducted in computing adjusted-gross federal taxable income,
10 the amounts paid by the taxpayer for the purchase of health
11 benefits coverage or insurance for the taxpayer or taxpayer's
12 spouse or dependent.

13 b. For purposes of this subsection, "net income" means net
14 income as properly computed under this section without regard
15 to the deduction in this subsection and with the following
16 additional adjustments:

17 (1) Add back any amount of pensions or other retirement
18 income received from any source which is not taxable under this
19 division, including but not limited to amounts deductible under
20 subsections 13, 31, 31A, and 31B.

21 (2) Add back any amount of itemized or standard deduction,
22 personal exemption deduction, or qualified business income
23 deduction that was allowed as a deduction from federal adjusted
24 gross income in computing federal taxable income under the
25 Internal Revenue Code.

26 Sec. 115. Section 422.7, subsection 31, Code 2018, is
27 amended to read as follows:

28 31. For a person who is disabled, or is fifty-five years of
29 age or older, or is the surviving spouse of an individual or
30 a survivor having an insurable interest in an individual who
31 would have qualified for the exemption under **this subsection**
32 for the tax year, subtract, to the extent included, the
33 total amount of a governmental or other pension or retirement
34 pay, including, but not limited to, defined benefit or
35 defined contribution plans, annuities, individual retirement

1 accounts, plans maintained or contributed to by an employer,
2 or maintained or contributed to by a self-employed person as
3 an employer, and deferred compensation plans or any earnings
4 attributable to the deferred compensation plans, up to a
5 maximum of six thousand dollars for a person, other than a
6 husband or wife, who files a separate state income tax return
7 and up to a maximum of twelve thousand dollars for a husband
8 and wife who file a joint state income tax return. However, a
9 surviving spouse who is not disabled or fifty-five years of age
10 or older can only exclude the amount of pension or retirement
11 pay received as a result of the death of the other spouse. A
12 husband and wife filing separate state income tax returns ~~or~~
13 ~~separately on a combined state return~~ are allowed a combined
14 maximum exclusion under [this subsection](#) of up to twelve
15 thousand dollars. The twelve thousand dollar exclusion shall
16 be allocated to the husband or wife in the proportion that each
17 spouse's respective pension and retirement pay received bears
18 to total combined pension and retirement pay received.

19 Sec. 116. Section 422.7, subsection 41, Code 2018, is
20 amended by adding the following new paragraph:

21 NEW PARAGRAPH. *oe.* Add, to the extent deducted for
22 federal tax purposes, interest, taxes, and other miscellaneous
23 expenses to the extent such amounts are eligible home costs
24 in connection with a qualified home purchase that were paid
25 or reimbursed from funds in a first-time homebuyer savings
26 account.

27 Sec. 117. Section 422.7, subsection 47, Code 2018, is
28 amended to read as follows:

29 47. Subtract, to the extent not otherwise deducted in
30 computing ~~adjusted-gross~~ federal taxable income, the amounts
31 paid by the taxpayer to the department of veterans affairs for
32 the purpose of providing grants under the injured veterans
33 grant program established in [section 35A.14](#). Amounts
34 subtracted under [this subsection](#) shall not be used by the
35 taxpayer in computing the amount of charitable contributions as

1 defined by section 170 of the Internal Revenue Code.

2 Sec. 118. Section 422.7, subsections 3, 7, 8, 9, 10, 11, 14,
3 15, 16, 20, 22, 24, 25, 26, 30, 35, 36, 37, 39, 39B, 40, 43, 45,
4 49, 53, 55, 56, 57, and 58, Code 2018, are amended by striking
5 the subsections.

6 Sec. 119. Section 422.8, subsection 4, Code 2018, is amended
7 by striking the subsection.

8 Sec. 120. Section 422.9, Code 2018, is amended by striking
9 the section and inserting in lieu thereof the following:

10 **422.9 Carry over of Iowa net operating loss.**

11 Any Iowa net operating loss carried over from a taxable year
12 beginning prior to January 1 of the calendar year that this
13 division of this Act takes effect may be deducted as provided
14 in section 422.9, subsection 3, Code 2018.

15 Sec. 121. Section 422.11B, Code 2018, is amended to read as
16 follows:

17 **422.11B Minimum tax credit.**

18 1. ~~a.~~ For tax years beginning before January 1 of the
19 calendar year following the calendar year that this division
20 of this Act takes effect, there is allowed as a credit against
21 the tax determined in section 422.5, subsection 1, paragraphs
22 "a" through "j" for a tax year an amount equal to the minimum
23 tax credit for that tax year.

24 b. The minimum tax credit for a tax year is the excess, if
25 any, of the net minimum tax imposed for all prior tax years
26 beginning on or after January 1, 1987, but before January 1 of
27 the calendar year that this division of this Act takes effect,
28 over the amount allowable as a credit under this section for
29 those prior tax years.

30 2. a. The allowable credit under subsection 1 for a tax
31 year beginning before January 1 of the calendar year that this
32 division of this Act takes effect shall not exceed the excess,
33 if any, of the tax determined in section 422.5, subsection
34 1, ~~paragraphs "a" through "j"~~ over the state alternative
35 minimum tax as determined in section 422.5, subsection 2, Code

1 2018. The allowable credit under subsection 1 for a tax year
2 beginning in the calendar year that this division of this Act
3 takes effect shall not exceed the tax determined under section
4 422.5, subsection 1.

5 *b.* The net minimum tax for a tax year is the excess, if
6 any, of the tax determined in [section 422.5, subsection 2](#),
7 Code 2018, for the tax year over the tax determined in section
8 422.5, subsection 1, ~~paragraphs "a" through "j"~~ for the tax
9 year.

10 3. This section is repealed January 1 of the calendar year
11 following the calendar year that this division of this Act
12 takes effect, for tax years beginning on or after January 1
13 of the calendar year following the calendar year that this
14 division of this Act takes effect.

15 Sec. 122. Section 422.11S, subsection 4, Code 2018, is
16 amended to read as follows:

17 4. Married taxpayers who file separate returns ~~or file~~
18 ~~separately on a combined return form~~ must determine the tax
19 credit under [subsection 1](#) based upon their combined net income
20 and allocate the total credit amount to each spouse in the
21 proportion that each spouse's respective net income bears to
22 the total combined net income. Nonresidents or part-year
23 residents of Iowa must determine their tax credit in the ratio
24 of their Iowa source net income to their all source net income.
25 Nonresidents or part-year residents who are married and elect
26 to file separate returns ~~or to file separately on a combined~~
27 ~~return form~~ must allocate the tax credit between the spouses
28 in the ratio of each spouse's Iowa source net income to the
29 combined Iowa source net income of the taxpayers.

30 Sec. 123. Section 422.12B, subsection 2, Code 2018, is
31 amended to read as follows:

32 2. Married taxpayers electing to file separate returns ~~or~~
33 ~~filing separately on a combined return~~ may avail themselves
34 of the earned income credit by allocating the earned income
35 credit to each spouse in the proportion that each spouse's

1 respective earned income bears to the total combined earned
2 income. Taxpayers affected by the allocation provisions of
3 section 422.8 shall be permitted a deduction for the credit
4 only in the amount fairly and equitably allocable to Iowa under
5 rules prescribed by the director.

6 Sec. 124. Section 422.12C, subsection 4, Code 2018, is
7 amended to read as follows:

8 4. Married taxpayers who have filed joint federal returns
9 electing to file separate returns ~~or to file separately on a~~
10 ~~combined return form~~ must determine the child and dependent
11 care credit under [subsection 1](#) or the early childhood
12 development tax credit under [subsection 2](#) based upon their
13 combined net income and allocate the total credit amount to
14 each spouse in the proportion that each spouse's respective net
15 income bears to the total combined net income. Nonresidents
16 or part-year residents of Iowa must determine their Iowa child
17 and dependent care credit in the ratio of their Iowa source
18 net income to their all source net income. Nonresidents or
19 part-year residents who are married and elect to file separate
20 returns ~~or to file separately on a combined return form~~ must
21 allocate the Iowa child and dependent care credit between the
22 spouses in the ratio of each spouse's Iowa source net income to
23 the combined Iowa source net income of the taxpayers.

24 Sec. 125. Section 422.13, subsection 1, paragraph c, Code
25 2018, is amended by striking the paragraph.

26 Sec. 126. Section 422.16, subsection 1, paragraph f, Code
27 2018, is amended by striking the paragraph.

28 Sec. 127. Section 422.21, subsections 2, 5, and 7, Code
29 2018, are amended to read as follows:

30 2. An individual in the armed forces of the United States
31 serving in an area designated by the president of the United
32 States or the United States Congress as a combat zone or as a
33 qualified hazardous duty area, or deployed outside the United
34 States away from the individual's permanent duty station while
35 participating in an operation designated by the United States

1 secretary of defense as a contingency operation as defined
2 in 10 U.S.C. §101(a)(13), or which became such a contingency
3 operation by the operation of law, or an individual serving in
4 support of those forces, is allowed the same additional time
5 period after leaving the combat zone or the qualified hazardous
6 duty area, or ceasing to participate in such contingency
7 operation, or after a period of continuous hospitalization, to
8 file a state income tax return or perform other acts related
9 to the department, as would constitute timely filing of the
10 return or timely performance of other acts described in section
11 7508(a) of the Internal Revenue Code. An individual on active
12 duty federal military service in the armed forces, armed forces
13 military reserve, or national guard who is deployed outside
14 the United States in other than a combat zone, qualified
15 hazardous duty area, or contingency operation is allowed the
16 same additional period of time described in section 7508(a)
17 of the Internal Revenue Code to file a state income tax
18 return or perform other acts related to the department. For
19 the purposes of [this subsection](#), "*other acts related to the*
20 *department*" includes filing claims for refund for any tax
21 administered by the department, making tax payments other than
22 withholding payments, filing appeals on the tax matters, filing
23 other tax returns, and performing other acts described in the
24 department's rules. The additional time period allowed applies
25 to the spouse of the individual described in [this subsection](#)
26 to the extent the spouse files jointly ~~or separately on the~~
27 ~~combined return form~~ with the individual or when the spouse
28 is a party with the individual to any matter for which the
29 additional time period is allowed.

30 5. The director shall determine for the ~~1989~~ calendar year
31 that this division of this Act takes effect and each subsequent
32 calendar year the annual and cumulative inflation factors for
33 each calendar year to be applied to tax years beginning on or
34 after January 1 of that calendar year. The director shall
35 compute the new dollar amounts as specified to be adjusted in

1 section 422.5 by the latest cumulative inflation factor and
2 round off the result to the nearest one dollar. The annual and
3 cumulative inflation factors determined by the director are not
4 rules as defined in [section 17A.2, subsection 11](#). ~~The director~~
5 ~~shall determine for the 1990 calendar year and each subsequent~~
6 ~~calendar year the annual and cumulative standard deduction~~
7 ~~factors to be applied to tax years beginning on or after~~
8 ~~January 1 of that calendar year. The director shall compute~~
9 ~~the new dollar amounts of the standard deductions specified in~~
10 ~~[section 422.9, subsection 1](#), by the latest cumulative standard~~
11 ~~deduction factor and round off the result to the nearest ten~~
12 ~~dollars. The annual and cumulative standard deduction factors~~
13 ~~determined by the director are not rules as defined in section~~
14 ~~17A.2, subsection 11.~~

15 7. If married taxpayers file a joint return ~~or file~~
16 ~~separately on a combined return~~ in accordance with rules
17 prescribed by the director, both spouses are jointly and
18 severally liable for the total tax due on the return, except
19 when one spouse is considered to be an innocent spouse under
20 criteria established pursuant to section 6015 of the Internal
21 Revenue Code.

22 Sec. 128. Section 422.35, unnumbered paragraph 1, Code
23 2018, is amended to read as follows:

24 The term "*net income*" means the taxable income ~~before the~~
25 ~~net operating loss deduction~~, as properly computed for federal
26 income tax purposes under the Internal Revenue Code, with the
27 following adjustments:

28 Sec. 129. Section 422.35, subsection 11, Code 2018, is
29 amended by striking the subsection and inserting in lieu
30 thereof the following:

31 11. a. Add any federal net operating loss deduction carried
32 over from a taxable year beginning prior to January 1 of the
33 calendar year that this division of this Act takes effect.

34 b. Any Iowa net operating loss carried over from a taxable
35 year beginning prior to January 1 of the calendar year that

1 this division of this Act takes effect may be deducted as
2 provided in section 422.35, subsection 11, Code 2018.

3 Sec. 130. Section 422.35, subsections 3, 4, 5, 7, 8, 10,
4 16, 17, 18, 19, 19B, 20, 22, and 24, Code 2018, are amended by
5 striking the subsections.

6 Sec. 131. Section 541B.3, subsection 1, paragraph b, Code
7 2018, is amended to read as follows:

8 b. A married couple electing to file a joint Iowa individual
9 income tax return may establish a joint first-time homebuyer
10 savings account. Married taxpayers electing to file separate
11 tax returns ~~or separately on a combined tax return~~ for Iowa tax
12 purposes shall not establish or maintain a joint first-time
13 homebuyer savings account.

14 Sec. 132. Section 541B.6, Code 2018, is amended to read as
15 follows:

16 **541B.6 Tax considerations.**

17 The state income tax treatment of a first-time homebuyer
18 savings account shall be as provided in section 422.7,
19 subsection 41, ~~and section 422.9, subsection 2, paragraph "k"~~.

20 Sec. 133. CONTINGENT EFFECTIVE DATE — NET GENERAL FUND
21 REVENUES CALCULATION — ANNUAL REPORTS.

22 1. This division of this Act takes effect on January 1,
23 2023, if both of the following conditions are satisfied:

24 a. The net general fund revenues for the fiscal year ending
25 June 30, 2022, equal or exceed eight billion three hundred
26 fourteen million six hundred thousand dollars.

27 b. The net general fund revenues for the fiscal year ending
28 June 30, 2022, equal or exceed one hundred and four percent of
29 the net general fund revenues for the fiscal year ending June
30 30, 2021.

31 2. If the provisions of subsection 1 are not satisfied
32 and this division of this Act does not take effect on January
33 1, 2023, then this division of this Act shall take effect on
34 January 1 following the first fiscal year for which both of the
35 following conditions are satisfied:

1 a. The net general fund revenues for that fiscal year ending
2 June 30 equal or exceed eight billion three hundred fourteen
3 million six hundred thousand dollars.

4 b. The net general fund revenues for that fiscal year ending
5 June 30 equal or exceed one hundred and four percent of the
6 net general fund revenues for the fiscal year ending June 30
7 immediately preceding that fiscal year.

8 3. a. For purposes of this section, "net general fund
9 revenues" means total appropriated general fund revenues
10 excluding transfers from reserve funds, less the sum of tax and
11 other refunds and school infrastructure transfers, all made on
12 an accrual basis as computed for purposes of the comprehensive
13 annual financial reports of the state.

14 b. Net general fund revenues shall be calculated by
15 the department of management, in consultation with the
16 department of revenue, for each fiscal year beginning on
17 or after July 1, 2020, until such time as this division of
18 this Act takes effect, in accordance with rules adopted by
19 the department of management. The department of management
20 shall adopt rules pursuant to chapter 17A for calculating net
21 general fund revenues as defined in paragraph "a", including
22 rules defining "total appropriated general fund revenues",
23 "transfers from reserve funds", "tax and other refunds", and
24 "school infrastructure transfers", and including the types
25 and categories of receipts that will be included within each
26 definition and in the calculation of net general fund revenues.

27 c. The department of management shall submit an annual
28 report to the governor and general assembly by November 1
29 following the close of each fiscal year beginning on or after
30 July 1, 2020, until such time as this division of this Act
31 takes effect, which report shall identify the net general fund
32 revenues for the fiscal year and shall include a detailed
33 description of the net general fund revenues calculation made
34 by the department of management.

35 Sec. 134. APPLICABILITY. This division of this Act applies

1 to tax years beginning on or after the effective date of this
2 division of this Act.

3

DIVISION X

4 CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE
5 SAVINGS PLAN TRUST

6 Sec. 135. Section 12D.1, Code 2018, is amended to read as
7 follows:

8 **12D.1 Purpose and definitions.**

9 1. The general assembly finds that the general welfare and
10 well-being of the state are directly related to educational
11 levels and skills of the citizens of the state, and that a
12 vital and valid public purpose is served by the creation and
13 implementation of programs which encourage and make possible
14 the attainment of higher formal education by the greatest
15 number of citizens of the state. ~~The state has limited~~
16 ~~resources to provide additional programs for higher education~~
17 ~~funding and the continued operation and maintenance of the~~
18 ~~state's public institutions of higher education and the general~~
19 welfare of the citizens of the state will be enhanced by
20 establishing a program which allows citizens of the state to
21 invest money in a public trust for future application to the
22 payment of ~~higher education costs~~ qualified education expenses.
23 The creation of the means of encouragement for citizens to
24 invest in such a program represents the carrying out of a
25 vital and valid public purpose. In order to make available
26 to the citizens of the state an opportunity to fund future
27 higher formal education needs, it is necessary that a public
28 trust be established in which moneys may be invested for future
29 educational use.

30 2. As used in [this chapter](#), unless the context otherwise
31 requires:

32 a. "Account balance limit" means the maximum allowable
33 aggregate balance of accounts established for the same
34 beneficiary. Account earnings, if any, are included in the
35 account balance limit.

- 1 *b.* "Administrative fund" means the administrative fund
2 established under [section 12D.4](#).
- 3 *c.* "Beneficiary" means the individual designated by a
4 participation agreement to benefit from advance payments of
5 ~~higher education costs~~ qualified education expenses on behalf
6 of the beneficiary.
- 7 *d.* "Benefits" means the payment of ~~higher education costs~~
8 qualified education expenses on behalf of a beneficiary by the
9 trust during the beneficiary's attendance at an ~~institution of~~
10 ~~higher education~~ a qualified educational institution.
- 11 ~~*e.* "Higher education costs" means the same as "qualified~~
12 ~~higher education expenses" as defined in section 529(e)(3) of~~
13 ~~the Internal Revenue Code.~~
- 14 ~~*f.*~~ *e.* "Institution of higher education" means an institution
15 described in section 481 of the federal Higher Education Act of
16 1965, 20 U.S.C. §1088, which is eligible to participate in the
17 United States department of education's student aid programs.
- 18 ~~*g.*~~ *f.* "Internal Revenue Code" means the same as defined
19 in [section 12I.1](#).
- 20 ~~*h.*~~ *g.* "Iowa educational savings plan trust" or "trust" means
21 the trust created under [section 12D.2](#).
- 22 ~~*i.*~~ *h.* "Participant" means an individual, individual's legal
23 representative, trust, estate, or an organization described
24 in section 501(c)(3) of the Internal Revenue Code and exempt
25 from taxation under section 501(a) of the Internal Revenue
26 Code, that has entered into a participation agreement under
27 this chapter for the advance payment of ~~higher education costs~~
28 qualified education expenses on behalf of a beneficiary.
- 29 ~~*j.*~~ *i.* "Participation agreement" means an agreement between
30 a participant and the trust entered into under [this chapter](#).
- 31 ~~*k.*~~ *j.* "Program fund" means the program fund established
32 under [section 12D.4](#).
- 33 *k.* "Qualified education expenses" means the same as
34 "qualified higher education expenses" as defined in section
35 529(e)(3) of the Internal Revenue Code, as amended by Pub. L.

1 No. 115-97, and shall include elementary and secondary school
2 expenses for tuition described in section 529(c)(7) of the
3 Internal Revenue Code, subject to the limitations imposed by
4 section 529(e)(3)(A) of the Internal Revenue Code.

5 1. "Qualified educational institution" means an institution
6 of higher education, or any elementary or secondary public,
7 private, or religious school described in section 529(c)(7) of
8 the Internal Revenue Code.

9 l. m. "~~Tuition and fees~~" "Tuition" means the quarter, or
10 semester, or annual charges imposed to attend an institution
11 of higher education a qualified educational institution and
12 required as a condition of enrollment or attendance.

13 Sec. 136. Section 12D.2, subsections 2, 5, 9, and 14, Code
14 2018, are amended to read as follows:

15 2. Enter into agreements with any ~~institution of higher~~
16 education qualified educational institution, the state, or any
17 federal or other state agency, or other entity as required to
18 implement [this chapter](#).

19 5. Carry out studies and projections so the treasurer of
20 state may advise participants regarding present and estimated
21 ~~future higher education costs~~ qualified education expenses
22 and levels of financial participation in the trust required
23 in order to enable participants to achieve their educational
24 funding objectives.

25 9. Make payments to ~~institutions of higher education~~
26 qualified educational institutions, participants, or
27 beneficiaries, pursuant to participation agreements on behalf
28 of beneficiaries.

29 14. Establish, impose, and collect administrative fees
30 and charges in connection with transactions of the trust, and
31 provide for reasonable service charges, ~~including penalties for~~
32 ~~cancellations and late payments with respect to participation~~
33 ~~agreements~~.

34 Sec. 137. Section 12D.3, subsections 1 and 2, Code 2018, are
35 amended to read as follows:

1 1. ~~a.~~ Each participation agreement may require a
2 participant to agree to invest a specific amount of money in
3 the trust for a specific period of time for the benefit of a
4 specific beneficiary. A participant shall not be required to
5 make an annual contribution on behalf of a beneficiary. The
6 maximum contribution that may be deducted for Iowa income tax
7 purposes shall not exceed two thousand dollars per beneficiary
8 per year adjusted annually to reflect increases in the consumer
9 price index. The treasurer of state shall set an account
10 balance limit to maintain compliance with section 529 of the
11 Internal Revenue Code. A contribution shall not be permitted
12 to the extent it causes the aggregate balance of all accounts
13 established for the same beneficiary under the trust to exceed
14 the applicable account balance limit.

15 ~~b. Participation agreements may be amended to provide for~~
16 ~~adjusted levels of payments based upon changed circumstances or~~
17 ~~changes in educational plans.~~

18 2. The execution of a participation agreement by the trust
19 shall not guarantee in any way that ~~higher education costs~~
20 qualified education expenses will be equal to projections
21 and estimates provided by the trust or that the beneficiary
22 named in any participation agreement will attain any of the
23 following:

24 a. Be admitted to ~~an institution of higher education~~ a
25 qualified educational institution.

26 b. If admitted, be determined a resident for tuition
27 purposes by the ~~institution of higher education~~ qualified
28 educational institution.

29 c. Be allowed to continue attendance at the ~~institution of~~
30 ~~higher education~~ qualified educational institution following
31 admission.

32 d. Graduate from the ~~institution of higher education~~
33 qualified educational institution.

34 Sec. 138. Section 12D.3, Code 2018, is amended by adding the
35 following new subsection:

1 NEW SUBSECTION. 5. A participant may designate a successor
2 in accordance with rules adopted by the treasurer of state.
3 The designated successor shall succeed to the ownership of the
4 account in the event of the death of the participant. In the
5 event a participant dies and has not designated a successor to
6 the account, the following criteria shall apply:

7 *a.* The beneficiary of the account, if eighteen years of
8 age or older, shall become the owner of the account as well as
9 remain the beneficiary upon filing the appropriate forms in
10 accordance with rules adopted by the treasurer of state.

11 *b.* If the beneficiary of the account is under the age of
12 eighteen, account ownership shall be transferred to the first
13 surviving parent or other legal guardian of the beneficiary to
14 file the appropriate forms in accordance with rules adopted by
15 the treasurer of state.

16 Sec. 139. Section 12D.4, Code 2018, is amended to read as
17 follows:

18 **12D.4 Program and administrative funds — investment and**
19 **payments.**

20 1. *a.* The treasurer of state shall segregate moneys
21 received by the trust into two funds: the program fund and the
22 administrative fund.

23 *b.* All moneys paid by participants in connection with
24 participation agreements shall be deposited as received into
25 separate accounts within the program fund.

26 *c.* Contributions to the trust made by participants may only
27 be made in the form of cash.

28 *d.* A participant or beneficiary ~~shall not provide investment~~
29 ~~direction regarding program contributions or earnings held by~~
30 ~~the trust~~ may, directly or indirectly, direct the investment of
31 any contributions to the trust or any earnings thereon no more
32 than two times in a calendar year.

33 *e.* The amount of cash distributions from the trust and all
34 other qualified state tuition programs under section 529 of
35 the Internal Revenue Code to a beneficiary during any taxable

1 year shall, in the aggregate, include no more than ten thousand
2 dollars in expenses for tuition in connection with enrollment
3 at an elementary or secondary public, private, or religious
4 school incurred during the taxable year.

5 2. Moneys accrued by participants in the program fund of
6 the trust may be used for payments to any ~~institution of higher~~
7 ~~education~~ qualified educational institution. Payments can be
8 made to the qualified educational institution, the participant,
9 or the beneficiary.

10 Sec. 140. Section 12D.6, subsection 1, paragraph a, Code
11 2018, is amended to read as follows:

12 a. A participant retains ownership of all payments made
13 under a participation agreement up to the date of utilization
14 for payment of ~~higher education costs~~ qualified education
15 expenses for the beneficiary.

16 Sec. 141. Section 12D.6, subsections 2, 3, and 5, Code 2018,
17 are amended to read as follows:

18 2. In the event the program is terminated prior to payment
19 of ~~higher education costs~~ qualified education expenses for the
20 beneficiary, the participant is entitled to a refund of the
21 participant's account balance.

22 3. The ~~institution of higher education~~ qualified
23 educational institution shall obtain ownership of the payments
24 made for the ~~higher education costs~~ qualified education
25 expenses paid to the institution at the time each payment is
26 made to the institution.

27 5. A participant may transfer ownership rights to another
28 ~~eligible individual, including a gift of the ownership rights~~
29 ~~to a minor beneficiary~~ participant, or may transfer funds to
30 another plan under the trust or to an ABLE account as permitted
31 under section 529(c)(3)(C) of the Internal Revenue Code.
32 The transfer shall be made and the property distributed in
33 accordance with rules adopted by the treasurer of state or with
34 the terms of the participation agreement.

35 Sec. 142. Section 12D.7, Code 2018, is amended to read as

1 follows:

2 **12D.7 Effect of payments on determination of need and**
3 **eligibility for student financial aid.**

4 A student loan program, student grant program, or other
5 program administered by any agency of the state, except as
6 may be otherwise provided by federal law or the provisions
7 of any specific grant applicable to that law, shall not take
8 into account and shall not consider amounts available for
9 the payment of ~~higher education costs~~ qualified education
10 expenses pursuant to the Iowa educational savings plan trust in
11 determining need and eligibility for student aid.

12 Sec. 143. Section 12D.9, subsection 1, paragraph a, Code
13 2018, is amended to read as follows:

14 a. Pursuant to [section 12D.3, subsection 1](#), paragraph "a",
15 a participant may make contributions to an account which is
16 established for the purpose of meeting the qualified ~~higher~~
17 education expenses of the designated beneficiary of the
18 account.

19 Sec. 144. Section 422.7, subsection 32, paragraph c, Code
20 2018, is amended by striking the paragraph and inserting in
21 lieu thereof the following:

22 c. (1) Add, to the extent previously deducted as a
23 contribution to the trust, the amount resulting from a
24 withdrawal or transfer made by the taxpayer from the Iowa
25 educational savings plan trust for purposes other than any of
26 the following:

27 (a) The payment of qualified higher education expenses.

28 (b) The payment of tuition to an elementary or secondary
29 school if the tuition amounts are qualified education expenses.

30 (c) A change in beneficiaries under, or transfer to another
31 account within, the Iowa educational savings plan trust, or a
32 transfer to the Iowa ABLE savings plan trust, provided such
33 change or transfer is permitted under section 12D.6, subsection
34 5.

35 (2) For purposes of this paragraph:

1 (a) *“Elementary or secondary school”* means an elementary
2 or secondary school in this state which is accredited under
3 section 256.11, and adheres to the provisions of the federal
4 Civil Rights Act of 1964 and chapter 216.

5 (b) *“Qualified education expenses”* and *“tuition”* all mean the
6 same as defined in section 12D.1, subsection 2.

7 (c) (i) *“Qualified higher education expenses”* means the same
8 as defined in section 529(e)(3) of the Internal Revenue Code.

9 (ii) For purposes of this subparagraph division (c),
10 *“Internal Revenue Code”* means the Internal Revenue Code of
11 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
13 the Internal Revenue Code of 1986 as amended and in effect on
14 January 1, 2018. This definition shall not be construed to
15 include any amendment to the Internal Revenue Code enacted
16 after the date specified in the preceding sentence, including
17 any amendment with retroactive applicability or effectiveness.

18 Sec. 145. Section 422.7, subsection 34, Code 2018, is
19 amended to read as follows:

20 34. a. (1) Subtract the amount contributed during the tax
21 year on behalf of a designated beneficiary that is a resident
22 of this state to the Iowa ABLE savings plan trust or to the
23 qualified ABLE program with which the state has contracted
24 pursuant to [section 12I.10](#), not to exceed the maximum
25 contribution level established in [section 12I.3, subsection 1](#),
26 paragraph *“d”*, or [section 12I.10, subsection 2](#), paragraph *“a”*,
27 as applicable.

28 (2) This paragraph *“a”* shall not apply to any amount
29 of contribution that represents a transfer from the Iowa
30 educational savings plan trust created in chapter 12D that
31 meets the requirements of subsection 32, paragraph *“c”*,
32 subparagraph (1), subparagraph division (c), and that was
33 previously deducted as a contribution to the Iowa educational
34 savings plan trust.

35 b. Add the amount resulting from the cancellation of a

1 participation agreement refunded to the taxpayer as an account
2 owner in the Iowa ABLE savings plan trust or the qualified
3 ABLE program with which the state has contracted pursuant to
4 section 12I.10 to the extent previously deducted pursuant
5 to this subsection by the taxpayer or any other person as a
6 contribution to the trust or qualified ABLE program, or to the
7 extent the amount was previously deducted by the taxpayer or
8 any other person pursuant to subsection 32, paragraph "a", and
9 qualified as a transfer under paragraph "a", subparagraph (2),
10 of this subsection.

11 c. Add the amount resulting from a withdrawal made by a
12 taxpayer from the Iowa ABLE savings plan trust or the qualified
13 ABLE program with which the state has contracted pursuant to
14 section 12I.10 for purposes other than the payment of qualified
15 disability expenses to the extent previously deducted pursuant
16 to this subsection by the taxpayer or any other person as a
17 contribution to the trust or qualified ABLE program, or to the
18 extent the amount was previously deducted by the taxpayer or
19 any other person pursuant to subsection 32, paragraph "a", and
20 qualified as a transfer under paragraph "a", subparagraph (2),
21 of this subsection.

22 Sec. 146. Section 627.6, Code 2018, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 17. The debtor's interest, whether as
25 participant or beneficiary, in contributions and assets,
26 including the accumulated earnings and market increases in
27 value, held in an account in the Iowa educational savings plan
28 trust organized under chapter 12D.

29 Sec. 147. EFFECTIVE DATE. This division of this Act, being
30 deemed of immediate importance, takes effect upon enactment.

31 Sec. 148. RETROACTIVE APPLICABILITY.

32 1. Except as provided in subsection 2, this division of this
33 Act applies retroactively to January 1, 2018, for withdrawals
34 from the Iowa educational savings plan trust made on or after
35 that date.

1 2. The sections of this division of this Act amending
2 section 422.7 apply retroactively to January 1, 2018, for tax
3 years beginning on or after that date, and for withdrawals from
4 the Iowa educational savings plan trust made on or after that
5 date.

6 DIVISION XI

7 SALES AND USE TAXES

8 Sec. 149. Section 15J.4, subsection 3, paragraph f, Code
9 2018, is amended to read as follows:

10 *f.* The total aggregate amount of state sales tax revenues
11 and state hotel and motel tax revenues that may be approved by
12 the board for remittance to all municipalities and that may
13 be transferred to the state reinvestment district fund under
14 ~~section 423.2, subsection 11,~~ 423.2A or section 423A.6, and
15 remitted to all municipalities having a reinvestment district
16 under this chapter shall not exceed one hundred million
17 dollars.

18 Sec. 150. Section 15J.5, subsection 1, paragraph a, Code
19 2018, is amended to read as follows:

20 *a.* The department shall calculate quarterly the amount of
21 new state sales tax revenues for each district established in
22 the state to be deposited in the state reinvestment district
23 fund created in section 15J.6, pursuant to ~~section 423.2,~~
24 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, subject to
25 remittance limitations established by the board pursuant to
26 section 15J.4, subsection 3.

27 Sec. 151. Section 15J.6, subsection 1, Code 2018, is amended
28 to read as follows:

29 1. A state reinvestment district fund is established in the
30 state treasury under the control of the department consisting
31 of the new state sales tax revenues collected within each
32 district and deposited in the fund pursuant to ~~section 423.2,~~
33 ~~subsection 11, paragraph "b"~~ 423.2A, subsection 2, and the
34 new state hotel and motel tax revenues collected within each
35 district and deposited in the fund pursuant to section 423A.6.

1 Moneys deposited in the fund are appropriated to the department
2 for the purposes of [this section](#). Moneys in the fund shall
3 only be used for the purposes of [this section](#).

4 Sec. 152. Section 418.11, subsection 1, Code 2018, is
5 amended to read as follows:

6 1. The department of revenue shall calculate quarterly the
7 amount of increased sales tax revenues for each governmental
8 entity approved to use sales tax increment revenues and the
9 amount of such revenues to be transferred to the sales tax
10 increment fund pursuant to [section 423.2, subsection 11,](#)
11 ~~paragraph "b"~~ [423.2A, subsection 2.](#)

12 Sec. 153. Section 418.12, subsection 1, Code 2018, is
13 amended to read as follows:

14 1. A sales tax increment fund is established as a separate
15 and distinct fund in the state treasury under the control of
16 the department of revenue consisting of the amount of the
17 increased state sales and services tax revenues collected by
18 the department of revenue within each applicable area specified
19 in [section 418.11, subsection 3](#), and deposited in the fund
20 pursuant to [section 423.2, subsection 11,](#) ~~paragraph "b"~~ [423.2A,](#)
21 [subsection 2.](#) Moneys deposited in the fund are appropriated
22 to the department of revenue for the purposes of [this section](#).
23 Moneys in the fund shall only be used for the purposes of this
24 section.

25 Sec. 154. Section 421.26, Code 2018, is amended to read as
26 follows:

27 **421.26 Personal liability for tax due.**

28 If a licensee or other person under [section 452A.65](#), a
29 retailer or purchaser under chapter 423A, 423B, [423C](#), [423D](#), or
30 [423E](#), or [section 423.14](#), [423.14A](#), [423.29](#), [423.31](#), [423.32](#), or
31 [423.33](#), ~~or a retailer or purchaser under [section 423.32](#), or~~
32 a user under [section 423.34](#), or a permit holder or licensee
33 under [section 453A.13](#), [453A.16](#), or [453A.44](#) fails to pay a tax
34 under those sections when due, an officer of a corporation
35 or association, notwithstanding [section 489.304](#), a member or

1 manager of a limited liability company, or a partner of a
2 partnership, having control or supervision of or the authority
3 for remitting the tax payments and having a substantial legal
4 or equitable interest in the ownership of the corporation,
5 association, limited liability company, or partnership, who has
6 intentionally failed to pay the tax is personally liable for
7 the payment of the tax, interest, and penalty due and unpaid.
8 However, **this section** shall not apply to taxes on accounts
9 receivable. The dissolution of a corporation, association,
10 limited liability company, or partnership shall not discharge a
11 person's liability for failure to remit the tax due.

12 Sec. 155. Section 423.1, Code 2018, is amended by adding the
13 following new subsection:

14 NEW SUBSECTION. 22A. "*Information services*" means
15 delivering or providing access to databases or subscriptions
16 to information through any tangible or electronic medium.
17 "*Information services*" includes but is not limited to database
18 files, research databases, genealogical information, and other
19 similar information.

20 Sec. 156. Section 423.1, subsection 24, paragraph a, Code
21 2018, is amended to read as follows:

22 a. "*Lease or rental*" means any transfer of possession
23 or control of, or access to, tangible personal property or
24 specified digital products for a fixed or indeterminate term
25 for consideration. A "*lease or rental*" may include future
26 options to purchase or extend.

27 Sec. 157. Section 423.1, subsection 37, Code 2018, is
28 amended to read as follows:

29 37. "*Place of business*" means any warehouse, store,
30 place, office, building, or structure where ~~goods, wares, or~~
31 ~~merchandise~~ tangible personal property, specified digital
32 products, or services are offered for sale at retail or where
33 any taxable amusement is conducted, or each office where gas,
34 water, heat, communication, or electric services are offered
35 for sale at retail. When a retailer or amusement operator

1 sells merchandise by means of vending machines or operates
2 music or amusement devices by coin-operated machines at more
3 than one location within the state, the office, building, or
4 place where the books, papers, and records of the taxpayer are
5 kept shall be deemed to be the taxpayer's place of business.

6 Sec. 158. Section 423.1, Code 2018, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 36A. "*Personal property*" includes but is
9 not limited to tangible personal property and specified digital
10 products.

11 Sec. 159. Section 423.1, subsection 43, paragraph a,
12 subparagraph (3), Code 2018, is amended to read as follows:

13 (3) Taking possession or making first use of ~~digital goods~~
14 specified digital products, whichever comes first.

15 Sec. 160. Section 423.1, subsection 47, Code 2018, is
16 amended to read as follows:

17 47. "*Retailer*" means and includes every person engaged
18 in the business of selling tangible personal property,
19 specified digital products, or taxable services at retail, or
20 the furnishing of gas, electricity, water, or communication
21 service, and tickets or admissions to places of amusement
22 and athletic events or operating amusement devices or other
23 forms of commercial amusement from which revenues are derived.
24 However, when in the opinion of the director it is necessary
25 for the efficient administration of [this chapter](#) to regard any
26 agent or affiliate of a retailer as a retailer for purposes
27 of this chapter, the director may so regard them, or when
28 it is necessary for the efficient administration of this
29 chapter to regard any salespersons, representatives, truckers,
30 peddlers, or canvassers, or other persons as agents of the
31 dealers, distributors, supervisors, employers, or persons under
32 whom they operate or from whom they obtain tangible personal
33 property, services, or specified digital products sold by
34 them irrespective of whether or not they are making sales on
35 their own behalf or on behalf of such dealers, distributors,

1 supervisors, employers, or persons, the director may so regard
2 them, and may regard such dealers, distributors, supervisors,
3 employers, or persons as retailers for the purposes of this
4 chapter. *“Retailer”* includes a seller obligated to collect
5 sales or use tax, including any person obligated to collect
6 sales and use tax pursuant to section 423.14A.

7 Sec. 161. Section 423.1, subsection 48, paragraph a, Code
8 2018, is amended to read as follows:

9 a. *“Retailer maintaining a place of business in this state”*
10 or any like term includes any of the following:

11 (1) A retailer having or maintaining within this state,
12 directly or by a subsidiary, an office, distribution house,
13 sales house, warehouse, or other place of business, or any
14 representative operating within this state under the authority
15 of the retailer or its subsidiary, irrespective of whether that
16 place of business or representative is located here permanently
17 or temporarily, or whether the retailer or subsidiary is
18 admitted to do business within this state pursuant to chapter
19 490.

20 (2) A person obligated to collect sales and use tax pursuant
21 to section 423.14A.

22 Sec. 162. Section 423.1, subsection 48, paragraph b,
23 subparagraph (1), unnumbered paragraph 1, Code 2018, is amended
24 to read as follows:

25 A retailer shall be presumed to be maintaining a place of
26 business in this state, ~~as defined in~~ for purposes of paragraph
27 “a”, subparagraph (1), if any person that has substantial nexus
28 in this state, other than a person acting in its capacity as a
29 common carrier, does any of the following:

30 Sec. 163. Section 423.1, subsection 48, paragraph b,
31 subparagraph (1), subparagraph division (b), Code 2018, is
32 amended to read as follows:

33 (b) Maintains an office, distribution facility, warehouse,
34 storage place, or similar place of business in this state to
35 facilitate the delivery of personal property or services sold

1 by the retailer to the retailer's customers.

2 Sec. 164. Section 423.1, subsection 50, Code 2018, is
3 amended to read as follows:

4 50. "*Sales*" or "*sale*" means any transfer, exchange, or
5 barter, conditional or otherwise, in any manner or by any means
6 whatsoever, for consideration, including but not limited to any
7 such transfer, exchange, or barter on a subscription basis.

8 Sec. 165. Section 423.1, Code 2018, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 55A. "*Sold at retail in the state*" and
11 other references to sales "in the state" or "in this state"
12 includes but is not limited to sales sourced to this state
13 under this chapter.

14 Sec. 166. Section 423.1, Code 2018, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 55B. *a.* "*Specified digital products*" means
17 electronically transferred digital audio-visual works, digital
18 audio works, digital books, or other digital products.

19 *b.* For purposes of this subsection:

20 (1) "*Digital audio-visual works*" means a series of related
21 images which, when shown in succession, impart an impression of
22 motion, together with accompanying sounds, if any.

23 (2) "*Digital audio works*" means works that result from
24 the fixation of a series of musical, spoken, or other sounds,
25 including but not limited to ringtones. For purposes of this
26 subparagraph, "*ringtones*" means digitized sound files that are
27 downloaded onto a device and that may be used to alert the
28 customer with respect to a communication.

29 (3) "*Digital books*" means works that are generally
30 recognized in the ordinary and usual sense as books.

31 (4) "*Electronically transferred*" means obtained or accessed
32 by the purchaser by means other than tangible storage media,
33 including but not limited to a specified digital product
34 purchased through a computer software application, commonly
35 referred to as an in-app purchase, or through another specified

1 digital product, or through any other means.

2 (5) "Other digital products" means greeting cards, images,
3 video or electronic games or entertainment, news or information
4 products, and computer software applications.

5 Sec. 167. Section 423.1, Code 2018, is amended by adding the
6 following new subsection:

7 NEW SUBSECTION. 57A. "Subscription" means any arrangement
8 in which a person has the right or ability to access,
9 receive, use, obtain, purchase, or otherwise acquire tangible
10 personal property, specified digital products, or services
11 on a permanent or less than permanent basis, regardless of
12 whether the person actually accesses, receives, uses, obtains,
13 purchases, or otherwise acquires such tangible personal
14 property, specified digital product, or service.

15 Sec. 168. Section 423.1, subsections 62, 63, and 64, Code
16 2018, are amended to read as follows:

17 62. "Use" means and includes the exercise by any person of
18 any right or power over or access to tangible personal property
19 or a specified digital product incident to the ownership of
20 that property, or any right or power over or access to the
21 product or result of a service. A retailer's or building
22 contractor's sale of manufactured housing for use in this
23 state, whether in the form of tangible personal property or
24 of realty, is a use of that property for the purposes of this
25 chapter.

26 63. "Use tax" means the tax levied under [subchapter III](#) of
27 this chapter ~~for which the retailer collects and remits tax to~~
28 ~~the department.~~

29 64. "User" means the immediate recipient of the personal
30 property or services who is entitled to exercise a right ~~of~~ or
31 power over or access to the personal property, or the product
32 or result of such services.

33 Sec. 169. Section 423.2, subsection 1, paragraph a,
34 subparagraph (1), Code 2018, is amended to read as follows:

35 (1) Sales of engraving, ~~photography, retouching,~~ printing,

1 and binding services.

2 Sec. 170. Section 423.2, subsection 6, Code 2018, is amended
3 to read as follows:

4 6. ~~a.~~ The sales price of any of the following enumerated
5 services is subject to the tax imposed by **subsection 5**:

6 a. alteration ~~Alteration~~ and garment repair; ~~armored.~~

7 b. Armored car; ~~vehicle.~~

8 c. Vehicle repair; ~~battery.~~

9 d. Battery, tire, and allied; ~~investment.~~

10 e. Investment counseling; ~~service.~~

11 f. Service charges of all financial institutions; ~~barber.~~

12 For the purposes of this paragraph, "financial institutions"
13 means all national banks, federally chartered savings and loan
14 associations, federally chartered savings banks, federally
15 chartered credit unions, banks organized under chapter 524,
16 credit unions organized under chapter 533, and all banks,
17 savings banks, credit unions, and savings and loan associations
18 chartered or otherwise created under the laws of any state and
19 doing business in Iowa.

20 g. Barber and beauty; ~~boat.~~

21 h. Boat repair; ~~vehiele.~~

22 i. Vehicle wash and wax; ~~campgrounds; carpentry; roof.~~

23 j. Campgrounds.

24 k. Carpentry.

25 l. Roof, shingle, and glass repair; ~~dance.~~

26 m. Dance schools and dance studios; ~~dating.~~

27 n. Dating services; ~~dry.~~

28 o. Dry cleaning, pressing, dyeing, and laundering excluding
29 the use of self-pay washers and dryers; ~~electrical.~~

30 p. Electrical and electronic repair and installation;
31 ~~excavating.~~

32 q. Excavating and grading; ~~farm.~~

33 r. Farm implement repair of all kinds; ~~flying.~~

34 s. Flying service; ~~furniture.~~

35 t. Furniture, rug, carpet, and upholstery repair and

- 1 cleaning; ~~fur~~.
2 u. Fur storage and repair; ~~golf~~.
3 v. Golf and country clubs and all commercial recreation;
4 ~~gun~~.
5 w. Gun and camera repair; ~~house~~.
6 x. House and building moving; ~~household~~.
7 y. Household appliance, television, and radio repair;
8 ~~janitorial~~.
9 z. Janitorial and building maintenance or cleaning; ~~jewelry~~.
10 aa. Jewelry and watch repair; ~~lawn~~.
11 ab. Lawn care, landscaping, and tree trimming and removal;.
12 ac. Personal transportation service, including but not
13 limited to taxis, driver service, ride sharing service, rides
14 for hire, and limousine service, including driver; machine.
15 ad. Machine operator; ~~machine~~.
16 ae. Machine repair of all kinds; ~~motor~~.
17 af. Motor repair; ~~motorcycle~~.
18 ag. Motorcycle, scooter, and bicycle repair; ~~oilers~~.
19 ah. Oilers and lubricators; ~~office~~.
20 ai. Office and business machine repair; ~~painting~~.
21 aj. Painting, papering, and interior decorating; parking.
22 ak. Parking facilities; ~~pay~~.
23 al. Pay television; ~~pet~~, including but not limited to
24 streaming video, video on-demand, and pay-per-view.
25 am. Pet grooming; ~~pipe~~.
26 an. Pipe fitting and plumbing; ~~wood~~.
27 ao. Wood preparation; ~~executive~~.
28 ap. Executive search agencies; ~~private~~.
29 aq. Private employment agencies, excluding services for
30 placing a person in employment where the principal place of
31 employment of that person is to be located outside of the
32 state; ~~reflexology; security~~.
33 ar. Reflexology.
34 as. Security and detective services, excluding private
35 security and detective services furnished by a peace officer

1 with the knowledge and consent of the chief executive officer
2 of the peace officer's law enforcement agency; ~~sewage.~~
3 at. Sewage services for nonresidential commercial
4 operations; ~~sewing.~~
5 au. Sewing and stitching; ~~shoe.~~
6 av. Shoe repair and shoeshine; ~~sign.~~
7 aw. Sign construction and installation; ~~storage.~~
8 ax. Storage of household goods, mini-storage, and
9 warehousing of raw agricultural products; ~~swimming.~~
10 ay. Swimming pool cleaning and maintenance; ~~tanning.~~
11 az. Tanning beds or salons; ~~taxidermy.~~
12 ba. Taxidermy services; ~~telephone.~~
13 bb. Telephone answering service; ~~test.~~
14 bc. Test laboratories, including mobile testing laboratories
15 and field testing by testing laboratories, and excluding tests
16 on humans or animals and excluding environmental testing
17 services; ~~termite.~~
18 bd. Termite, bug, roach, and pest eradicators; ~~tin.~~
19 be. Tin and sheet metal repair; ~~transportation.~~
20 bf. Transportation service consisting of the rental of
21 recreational vehicles or recreational boats, or the rental of
22 vehicles subject to registration which are registered for a
23 gross weight of thirteen tons or less for a period of sixty
24 days or less, or the rental of aircraft for a period of sixty
25 days or less; ~~.~~
26 bg. Turkish baths, massage, and reducing salons, excluding
27 services provided by massage therapists licensed under chapter
28 152C; ~~water.~~
29 bh. Water conditioning and softening; ~~weighing; welding;~~
30 well.
31 bi. Weighing.
32 bj. Welding.
33 bk. Well drilling; ~~wrapping.~~
34 bl. Wrapping, packing, and packaging of merchandise other
35 than processed meat, fish, fowl, and vegetables; ~~wrecking.~~

1 bm. Wrecking service; wrecker.

2 bn. Wrecker and towing.

3 ~~b. For the purposes of this subsection, "financial~~
4 ~~institutions" means all national banks, federally chartered~~
5 ~~savings and loan associations, federally chartered savings~~
6 ~~banks, federally chartered credit unions, banks organized under~~
7 ~~chapter 524, credit unions organized under chapter 533, and~~
8 ~~all banks, savings banks, credit unions, and savings and loan~~
9 ~~associations chartered or otherwise created under the laws of~~
10 ~~any state and doing business in Iowa.~~

11 bo. Photography.

12 bp. Retouching.

13 bq. Storage of tangible or electronic files, documents, or
14 other records.

15 br. Information services.

16 bs. Services arising from or related to installing,
17 maintaining, servicing, repairing, operating, upgrading, or
18 enhancing specified digital products.

19 bt. Video game services and tournaments.

20 bu. Software as a service.

21 Sec. 171. Section 423.2, subsection 8, Code 2018, is amended
22 by adding the following new paragraph:

23 NEW PARAGRAPH. d. A transaction that otherwise meets
24 the definition of "*bundled transaction*" as defined in this
25 subsection is not a bundled transaction if it is any of the
26 following:

27 (1) The retail sale of tangible personal property and a
28 service where the tangible personal property is essential
29 to the use of the service, and is provided exclusively in
30 connection with the service, and the true object of the
31 transaction is the service.

32 (2) The retail sale of services where one service is
33 provided that is essential to the use or receipt of a second
34 service and the first service is provided exclusively in
35 connection with the second service and the true object of the

1 transaction is the second service.

2 (3) (a) A transaction that includes taxable products and
3 nontaxable products and the purchase price or sales price of
4 the taxable products is de minimis.

5 (b) For purposes of this subparagraph, "*de minimis*" means
6 the seller's purchase or sales price of the taxable products
7 is ten percent or less of the total purchase price or sales
8 price of the bundled products. Sellers shall use either the
9 purchase price or the sale price of the products to determine
10 if the taxable products are de minimis. Sellers may not use
11 a combination of the purchase price and sales price of the
12 products to determine if the taxable products are de minimis.

13 (4) The retail sale of exempt tangible personal property and
14 taxable tangible personal property where all of the following
15 apply:

16 (a) The transaction includes food and food ingredients,
17 drugs, durable medical equipment, mobility enhancing equipment,
18 prosthetic devices, or medical supplies.

19 (b) The seller's purchase price or sales price of the
20 taxable tangible personal property is fifty percent or less
21 of the total purchase price or sales price of the bundled
22 tangible personal property. Sellers may not use a combination
23 of the purchase price and sales price of the tangible personal
24 property when making the fifty percent determination for a
25 transaction.

26 Sec. 172. Section 423.2, Code 2018, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 9A. a. A tax of six percent is imposed on
29 the sales price of specified digital products sold at retail
30 in the state. The tax applies whether the purchaser obtains
31 permanent use or less than permanent use of the specified
32 digital product, whether the sale is conditioned or not
33 conditioned upon continued payment from the purchaser, and
34 whether the sale is on a subscription basis or is not on a
35 subscription basis.

1 *b.* The sale of a digital code that may be used to obtain
2 or access a specified digital product shall be taxed in the
3 same manner as the specified digital product. For purposes
4 of this paragraph, "*digital code*" means a method that permits
5 a purchaser to obtain or access at a later date a specified
6 digital product.

7 Sec. 173. Section 423.2, subsections 10, 11, and 12, Code
8 2018, are amended by striking the subsections.

9 Sec. 174. NEW SECTION. **423.2A Deposit and transfer of**
10 **revenues.**

11 1. *a.* All revenues arising under the operation of the
12 provisions of this subchapter II shall be deposited into the
13 general fund of the state.

14 *b.* Subsequent to the deposit into the general fund of
15 the state, the director shall credit an amount equal to the
16 product of the sales tax rate imposed in section 423.2 times
17 the sales price of the tangible personal property or services
18 furnished to purchasers at a baseball and softball complex that
19 has received an award under section 15F.207 and that meets
20 the qualifications of section 423.4, subsection 10, into the
21 baseball and softball complex sales tax rebate fund created
22 under section 423.4, subsection 10, paragraph "e". The director
23 shall credit the moneys beginning the first day of the quarter
24 following July 1, 2016. This paragraph is repealed thirty
25 days following the date on which five million dollars in total
26 rebates have been provided under section 423.4, subsection 10.

27 2. Subsequent to the deposit into the general fund of the
28 state pursuant to subsection 1, the department shall do the
29 following in the order prescribed:

30 *a.* Transfer the revenues collected under chapter 423B.

31 *b.* Transfer from the remaining revenues the amounts required
32 under Article VII, section 10, of the Constitution of the State
33 of Iowa to the natural resources and outdoor recreation trust
34 fund created in section 461.31, if applicable.

35 *c.* Transfer one-sixth of the remaining revenues to the

1 secure an advanced vision for education fund created in section
2 423F.2. This paragraph "c" is repealed December 31, 2029.

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

10 e. Beginning the first day of the calendar quarter
11 beginning on the reinvestment district's commencement date,
12 subject to remittance limitations established by the economic
13 development authority board pursuant to section 15J.4,
14 subsection 3, transfer to a district account created in the
15 state reinvestment district fund for each reinvestment district
16 established under chapter 15J, the amount of new state sales
17 tax revenue, determined in section 15J.5, subsection 1,
18 paragraph "b", in the district, that remains after the prior
19 transfers required under this subsection 2. Such transfers
20 shall cease pursuant to section 15J.8.

21 f. Subject to the limitation on the calculation and
22 deposit of sales tax increment revenues in section 418.12,
23 beginning the first day of the quarter following adoption
24 of the resolution pursuant to section 418.4, subsection 3,
25 paragraph "d", transfer to the account created in the sales tax
26 increment fund for each governmental entity approved to use
27 sales tax increment revenues under chapter 418, that portion
28 of the increase in sales tax revenue, determined in section
29 418.11, subsection 2, paragraph "d", in the applicable area of
30 the governmental entity, that remains after the other transfers
31 required under this subsection 2.

32 g. Beginning the first day of the quarter following July 1,
33 2014, transfer to the raceway facility tax rebate fund created
34 in section 423.4, subsection 11, paragraph "e", that portion
35 of the sales tax receipts collected and remitted upon sales of

1 tangible personal property or services furnished by retailers
2 at a raceway facility meeting the qualifications of section
3 423.4, subsection 11, that remains after the transfers required
4 in paragraphs "a" through "f" of this subsection 2. This
5 paragraph is repealed June 30, 2025, or thirty days following
6 the date on which an amount of total rebates specified in
7 section 423.4, subsection 11, paragraph "c", subparagraph (4),
8 subparagraph division (a) or (b), whichever is applicable,
9 has been provided or thirty days following the date on which
10 rebates cease as provided in section 423.4, subsection 11,
11 paragraph "c", subparagraph (5), whichever is earliest.

12 3. Of the amount of sales tax revenue actually transferred
13 per quarter pursuant to subsection 2, paragraphs "e" and "f",
14 the department shall retain an amount equal to the actual cost
15 of administering the transfers under subsection 2, paragraphs
16 "e" and "f", or twenty-five thousand dollars, whichever is
17 less. The amount retained by the department pursuant to this
18 subsection shall be divided pro rata each quarter between
19 the amounts that would have been transferred pursuant to
20 subsection 2, paragraphs "e" and "f", without the deduction
21 made by operation of this subsection. Revenues retained by
22 the department pursuant to this subsection shall be considered
23 repayment receipts as defined in section 8.2.

24 Sec. 175. Section 423.3, subsections 1 and 17, Code 2018,
25 are amended to read as follows:

26 1. The sales price from sales of tangible personal property,
27 specified digital products, and services furnished which this
28 state is prohibited from taxing under the Constitution or laws
29 of the United States or under the Constitution of this state.

30 17. The sales price of all ~~goods, wares, or merchandise,~~
31 tangible personal property, specified digital products, or
32 services, used for educational purposes sold to any private
33 nonprofit educational institution in this state. For the
34 purpose of **this subsection**, "educational institution" means an
35 institution which primarily functions as a school, college,

1 or university with students, faculty, and an established
2 curriculum. The faculty of an educational institution must be
3 associated with the institution and the curriculum must include
4 basic courses which are offered every year. *“Educational*
5 *institution”* includes an institution primarily functioning as
6 a library.

7 Sec. 176. Section 423.3, subsection 18, unnumbered
8 paragraph 1, Code 2018, is amended to read as follows:

9 The sales price of tangible personal property or specified
10 digital products sold, or of services furnished, to the
11 following nonprofit corporations:

12 Sec. 177. Section 423.3, subsections 20, 21, 22, 23, 26, 27,
13 28, and 31, Code 2018, are amended to read as follows:

14 20. The sales price of tangible personal property or
15 specified digital products sold, or of services furnished, to
16 nonprofit legal aid organizations.

17 21. The sales price of ~~goods, wares, or merchandise,~~
18 tangible personal property, of specified digital products,
19 or of services, used for educational, scientific, historic
20 preservation, or aesthetic purpose sold to a nonprofit private
21 museum.

22 22. The sales price from sales of ~~goods, wares, or~~
23 ~~merchandise,~~ tangible personal property, of specified digital
24 products, or from services furnished, to a nonprofit private
25 art center to be used in the operation of the art center.

26 23. The sales price of tangible personal property or
27 specified digital products sold, or of services furnished, by a
28 fair organized under [chapter 174](#).

29 26. The sales price of tangible personal property or
30 specified digital products sold, or of services furnished, to a
31 statewide nonprofit organ procurement organization, as defined
32 in [section 142C.2](#).

33 27. The sales price of tangible personal property or
34 specified digital products sold, or of services furnished, to a
35 nonprofit hospital licensed pursuant to [chapter 135B](#) to be used

1 in the operation of the hospital.

2 28. The sales price of tangible personal property or
3 specified digital products sold, or of services furnished, to
4 a freestanding nonprofit hospice facility which operates a
5 hospice program as defined in 42 C.F.R. ch. IV, §418.3, which
6 property or services are to be used in the hospice program.

7 31. ~~a.~~ The sales price of ~~goods, wares, or merchandise~~
8 tangible personal property or specified digital products sold
9 to and of services furnished, and used for public purposes
10 sold to a tax-certifying or tax-levying body of the state or
11 a governmental subdivision of the state, including regional
12 transit systems, as defined in section 324A.1, the state board
13 of regents, department of human services, state department of
14 transportation, any municipally owned solid waste facility
15 which sells all or part of its processed waste as fuel to a
16 municipally owned public utility, and all divisions, boards,
17 commissions, agencies, or instrumentalities of state, federal,
18 county, or municipal government which have no earnings going to
19 the benefit of an equity investor or stockholder, except any
20 of the following:

21 ~~(1)~~ a. The sales price of ~~goods, wares, or merchandise~~
22 tangible personal property or specified digital products sold
23 to, or of services furnished, and used by or in connection with
24 the operation of any municipally owned public utility engaged
25 in selling gas, electricity, heat, pay television service, or
26 communication service to the general public.

27 ~~(2)~~ b. The sales price of furnishing of sewage services to
28 a county or municipality on behalf of nonresidential commercial
29 operations.

30 ~~(3)~~ c. The furnishing of solid waste collection and
31 disposal service to a county or municipality on behalf of
32 nonresidential commercial operations located within the county
33 or municipality.

34 ~~b.~~ The exemption provided by ~~this subsection~~ shall also
35 apply to all such sales of ~~goods, wares, or merchandise or of~~

1 ~~services furnished and subject to use tax.~~

2 Sec. 178. Section 423.3, subsection 32, unnumbered
3 paragraph 1, Code 2018, is amended to read as follows:

4 The sales price of tangible personal property or specified
5 digital products sold, or of services furnished, by a county or
6 city. This exemption does not apply to any of the following:

7 Sec. 179. Section 423.3, subsection 36, unnumbered
8 paragraph 1, Code 2018, is amended to read as follows:

9 The sales price from sales of tangible personal property
10 or specified digital products or of the sale or furnishing of
11 electrical energy, natural or artificial gas, or communication
12 service to another state or political subdivision of another
13 state if the other state provides a similar reciprocal
14 exemption for this state and political subdivision of this
15 state.

16 Sec. 180. Section 423.3, subsection 39, paragraph a,
17 subparagraphs (1) and (2), Code 2018, are amended to read as
18 follows:

19 (1) Sales of tangible personal property or specified
20 digital products, or the furnishing of services, of a
21 nonrecurring nature, by the owner, if the seller, at the time
22 of the sale, is not engaged for profit in the business of
23 selling tangible personal property, specified digital products,
24 or services taxed under [section 423.2](#).

25 (2) The sale of all or substantially all of the tangible
26 personal property, or specified digital products, or services
27 held or used by a seller in the course of the seller's trade or
28 business for which the seller is required to hold a sales tax
29 permit when the seller sells or otherwise transfers the trade
30 or business to another person who shall engage in a similar
31 trade or business.

32 Sec. 181. Section 423.3, subsection 39, Code 2018, is
33 amended by adding the following new paragraph:

34 NEW PARAGRAPH. c. The exemption under this subsection does
35 not apply to sales for which a person is required pursuant to

1 section 423.14A to collect sales and use tax.

2 Sec. 182. Section 423.3, subsection 47, paragraph d,
3 subparagraph (1), Code 2018, is amended to read as follows:

4 (1) "*Commercial enterprise*" ~~includes~~ means businesses
5 and manufacturers conducted for profit ~~and centers for data~~
6 ~~processing services to,~~ for-profit and nonprofit insurance
7 companies, and for-profit and nonprofit financial institutions,
8 ~~businesses, and manufacturers,~~ but excludes other nonprofits
9 and professions and occupations ~~and nonprofit organizations.~~

10 Sec. 183. Section 423.3, subsection 47, paragraph d,
11 subparagraph (4), Code 2018, is amended by striking the
12 subparagraph and inserting in lieu thereof the following:

13 (4) (a) "*Manufacturer*" means a business that primarily
14 purchases, receives, or holds personal property of any
15 description for the purpose of adding to its value by a process
16 of manufacturing with a view to selling the property for gain
17 or profit.

18 (b) "*Manufacturer*" includes contract manufacturers. A
19 contract manufacturer is a manufacturer that otherwise falls
20 within the definition of manufacturer, except that a contract
21 manufacturer does not sell the tangible personal property
22 the contract manufacturer processes on behalf of other
23 manufacturers.

24 (c) "*Manufacturer*" does not include persons who are not
25 commonly understood as manufacturers, including but not limited
26 to persons engaged in any of the following activities:

27 (i) Construction contracting.

28 (ii) Repairing tangible personal property or real property.

29 (iii) Providing health care.

30 (iv) Farming, including cultivating agricultural products
31 and raising livestock.

32 (v) Transporting for hire.

33 (d) For purposes of this subparagraph:

34 (i) "*Business*" means those businesses conducted for
35 profit, but excludes professions and occupations and nonprofit

1 organizations.

2 (ii) "*Manufacturing*" means those activities commonly
3 understood within the ordinary meaning of the term, and shall
4 include:

5 (A) Refining.

6 (B) Purifying.

7 (C) Combining of different materials.

8 (D) Packing of meats.

9 (E) Activities subsequent to the extractive process of
10 quarrying or mining, such as crushing, washing, sizing, or
11 blending of aggregate materials.

12 (iii) "*Manufacturing*" does not include activities occurring
13 on premises primarily used to make retail sales.

14 Sec. 184. Section 423.3, subsection 63, Code 2018, is
15 amended to read as follows:

16 63. The sales price from the sale of tangible personal
17 property, specified digital products, or services which will be
18 given as prizes to players in games of skill, games of chance,
19 raffles, and bingo games as defined in [chapter 99B](#).

20 Sec. 185. Section 423.3, subsections 65, 66, and 67, Code
21 2018, are amended by striking the subsections.

22 Sec. 186. Section 423.3, subsection 78, paragraph a,
23 unnumbered paragraph 1, Code 2018, is amended to read as
24 follows:

25 The sales price from ~~sales or rental~~ the sale of tangible
26 personal property, specified digital products, or services
27 rendered by any entity where the profits from the ~~sales or~~
28 ~~rental~~ sale of the tangible personal property, specified
29 digital products, or services rendered, are used by or donated
30 to a nonprofit entity that is exempt from federal income
31 taxation pursuant to section 501(c)(3) of the Internal Revenue
32 Code, a government entity, or a nonprofit private educational
33 institution, and where the entire proceeds from the ~~sales,~~
34 ~~rental,~~ sale or services are expended for any of the following
35 purposes:

1 Sec. 187. Section 423.3, subsection 79, Code 2018, is
2 amended to read as follows:

3 79. The sales price from the sale ~~or rental~~ of tangible
4 personal property or specified digital products, or from
5 services furnished, to a recognized community action agency as
6 provided in [section 216A.93](#) to be used for the purposes of the
7 agency.

8 Sec. 188. Section 423.3, Code 2018, is amended by adding the
9 following new subsections:

10 NEW SUBSECTION. 103. *a.* The sales price of specified
11 digital products and of prewritten computer software sold, and
12 of enumerated services described in section 423.2, subsection
13 6, paragraphs "*bq*", "*br*", "*bs*", and "*bu*" furnished, to a
14 commercial enterprise for use exclusively by the commercial
15 enterprise. The use of prewritten computer software, a
16 specified digital product, or service fails to qualify as a
17 use exclusively by the commercial enterprise if its use for
18 noncommercial purposes is more than de minimis.

19 *b.* For purposes of this subsection:

20 (1) "*Commercial enterprise*" means the same as defined in
21 section 423.3, subsection 47, paragraph "*d*", subparagraph (1),
22 but also includes professions and occupations.

23 (2) "*De minimis*" and "*noncommercial purposes*" shall be
24 defined by the director by rule.

25 NEW SUBSECTION. 104. The sales price of specified digital
26 products sold to a non-end user. For purposes of this
27 subsection, "*non-end user*" means a person who receives by
28 contract a specified digital product for further commercial
29 broadcast, rebroadcast, transmission, retransmission,
30 licensing, relicensing, distribution, redistribution, or
31 exhibition of the product, in whole or in part, to another
32 person.

33 NEW SUBSECTION. 105. The sales price for transportation
34 services furnished by emergency or nonemergency medical
35 transportation, by a paratransit service, and by a public

1 transit system as defined in section 324A.1.

2 Sec. 189. Section 423.4, subsection 3, unnumbered paragraph
3 1, Code 2018, is amended to read as follows:

4 A relief agency may apply to the director for refund of the
5 amount of sales or use tax imposed and paid upon sales to it
6 of any ~~goods, wares, merchandise,~~ tangible personal property
7 or specified digital products, or services furnished, used for
8 free distribution to the poor and needy.

9 Sec. 190. Section 423.4, subsection 3, paragraph a,
10 subparagraph (1), Code 2018, is amended to read as follows:

11 (1) On forms furnished by the department, and filed within
12 the time as the director shall provide by rule, the relief
13 agency shall report to the department the total amount or
14 amounts, valued in money, expended directly or indirectly
15 for ~~goods, wares, merchandise,~~ tangible personal property or
16 specified digital products, or services furnished, used for
17 free distribution to the poor and needy.

18 Sec. 191. Section 423.4, subsection 10, paragraph e, Code
19 2018, is amended to read as follows:

20 e. There is established within the state treasury under the
21 control of the department a baseball and softball complex sales
22 tax rebate fund consisting of the amount of state sales tax
23 revenues transferred pursuant to ~~section 423.2, subsection 11,~~
24 ~~paragraph "b", subparagraph (4)~~ 423.2A, subsection 2, paragraph
25 "d". An account is created within the fund for each baseball
26 and softball complex receiving an award under section 15F.207
27 and meeting the qualifications of this subsection. Moneys
28 in the fund shall only be used to provide rebates of state
29 sales tax pursuant to this subsection, and only the state sales
30 tax revenues in the baseball and softball complex rebate fund
31 are subject to rebate under this subsection. The amount of
32 rebates paid from each baseball and softball complex's account
33 within the fund shall not exceed the amount of the award under
34 section 15F.207, and not more than five million dollars in
35 total rebates shall be paid from the fund. Any moneys in the

1 fund which represent state sales tax revenue for which the time
2 period in paragraph "c" for receiving a rebate has expired,
3 or which otherwise represent state sales tax revenue that has
4 become ineligible for rebate pursuant to [this subsection](#), shall
5 immediately revert to the general fund of this state.

6 Sec. 192. Section 423.4, subsection 11, paragraph b,
7 subparagraph (1), Code 2018, is amended to read as follows:

8 (1) Sales tax imposed and collected by retailers upon
9 sales of tangible personal property or services furnished to
10 purchasers at the raceway facility. Notwithstanding the state
11 sales tax imposed in [section 423.2](#), a sales tax rebate issued
12 pursuant to this subparagraph shall not exceed the amounts
13 transferred to the raceway facility tax rebate fund pursuant to
14 ~~section 423.2, subsection 11, paragraph "b", subparagraph (7)~~
15 423.2A, subsection 2, paragraph "g".

16 Sec. 193. Section 423.4, subsection 11, paragraph b,
17 subparagraph (2), subparagraph division (c), Code 2018, is
18 amended to read as follows:

19 (c) Notwithstanding the state sales tax imposed in section
20 423.2, a sales tax rebate issued pursuant to this subparagraph
21 shall not exceed the amounts remaining after the transfers
22 required under [section 423.2, subsection 11, paragraph "b"](#),
23 ~~subparagraphs (1) through (6)~~ 423.2A, subsection 2, paragraphs
24 "a" through "f", have been made from the total amount of sales
25 tax for which the rebate is requested.

26 Sec. 194. Section 423.4, subsection 11, paragraph e, Code
27 2018, is amended to read as follows:

28 e. There is established within the state treasury under
29 the control of the department a raceway facility tax rebate
30 fund consisting of the amount of state sales tax revenues
31 transferred pursuant to [section 423.2, subsection 11, paragraph](#)
32 ~~"b", subparagraph (7)~~ 423.2A, subsection 2, paragraph "g". An
33 account is created within the fund for each raceway facility
34 meeting the qualifications of [this subsection](#). Moneys in the
35 fund shall only be used to provide rebates of state sales tax

1 pursuant to paragraph "b", subparagraph (1). The total amount
2 of rebates paid from the fund shall not exceed the amount
3 specified in paragraph "c", subparagraph (4), subparagraph
4 division (a) or (b), whichever is applicable. Any moneys in
5 the fund which represent state sales tax revenue for which the
6 time period in paragraph "c" for receiving a rebate has expired,
7 or which otherwise represent state sales tax revenue that has
8 become ineligible for rebate pursuant to [this subsection](#) shall
9 immediately revert to the general fund of the state.

10 Sec. 195. Section 423.5, subsection 1, paragraph a, Code
11 2018, is amended to read as follows:

12 a. The use in this state of tangible personal property
13 as defined in [section 423.1](#), including aircraft subject to
14 registration under [section 328.20](#), purchased for use in this
15 state. For the purposes of [this subchapter](#), the furnishing
16 or use of the following services is also treated as the use
17 of tangible personal property: optional service or warranty
18 contracts, except residential service contracts regulated under
19 chapter 523C, vulcanizing, recapping, or retreading services,
20 engraving, ~~photography, retouching~~, printing, or binding
21 services, and communication service when furnished or delivered
22 to consumers or users within this state.

23 Sec. 196. Section 423.5, subsection 1, paragraph d, Code
24 2018, is amended to read as follows:

25 d. Purchases of tangible personal property or specified
26 digital products made from the government of the United States
27 or any of its agencies by ultimate consumers shall be subject
28 to the tax imposed by [this section](#). Services purchased from
29 the same source or sources shall be subject to the service
30 tax imposed by [this subchapter](#) and apply to the user of the
31 services.

32 Sec. 197. Section 423.5, subsection 1, Code 2018, is amended
33 by adding the following new paragraph:

34 NEW PARAGRAPH. f. (1) The use in this state of specified
35 digital products. The tax applies whether the purchaser

1 obtains permanent use or less than permanent use of the
2 specified digital product, whether the use is conditioned or
3 not conditioned upon continued payment from the purchaser,
4 and whether the use is on a subscription basis or is not on a
5 subscription basis.

6 (2) The use of a digital code that may be used to obtain
7 or access a specified digital product shall be taxed in the
8 same manner as the specified digital product. For purposes of
9 this subparagraph, "*digital code*" means the same as defined in
10 section 423.2, subsection 9A.

11 Sec. 198. Section 423.5, subsection 3, Code 2018, is amended
12 to read as follows:

13 3. For the purpose of the proper administration of the use
14 tax and to prevent its evasion, evidence that tangible personal
15 property was or specified digital products were sold by any
16 person for delivery in this state shall be prima facie evidence
17 that such tangible personal property was or specified digital
18 products were sold for use in this state.

19 Sec. 199. Section 423.5, subsection 4, Code 2018, is amended
20 by striking the subsection.

21 Sec. 200. Section 423.6, unnumbered paragraph 1, Code 2018,
22 is amended to read as follows:

23 The use in this state of the following tangible personal
24 property, specified digital products, and services is exempted
25 from the tax imposed by [this subchapter](#):

26 Sec. 201. Section 423.6, subsections 1, 2, 4, and 6, Code
27 2018, are amended to read as follows:

28 1. Tangible personal property, specified digital products,
29 and enumerated services, the sales price from the sale of which
30 are required to be included in the measure of the sales tax, if
31 that tax has been paid to the department or the retailer. This
32 exemption does not include vehicles subject to registration or
33 subject only to the issuance of a certificate of title.

34 2. The sale of tangible personal property, specified
35 digital products, or the furnishing of services in the regular

1 course of business.

2 4. All articles of tangible personal property and all
3 specified digital products brought into the state of Iowa by a
4 nonresident individual for the individual's use or enjoyment
5 while within the state.

6 6. Tangible personal property, specified digital products,
7 or services the sales price of which is exempt from the sales
8 tax under [section 423.3](#), except section 423.3, subsections 39
9 and 73, as it relates to the sale, but not the lease or rental,
10 of vehicles subject only to the issuance of a certificate of
11 title and as it relates to aircraft subject to registration
12 under [section 328.20](#).

13 Sec. 202. Section 423.14, subsection 2, paragraphs b and c,
14 Code 2018, are amended to read as follows:

15 b. The tax upon the use of all tangible personal property
16 and specified digital products other than that enumerated in
17 paragraph "a", which is sold by a seller who is a retailer
18 ~~maintaining a place of business in this state, or by such other~~
19 ~~retailer or agent as the director shall authorize pursuant to~~
20 ~~[section 423.30](#) or its agent that is not otherwise required~~
21 ~~to collect sales tax under the provisions of this chapter,~~
22 shall be collected by the retailer or agent and remitted to the
23 department, pursuant to the provisions of paragraph "e", and
24 sections 423.24, [423.29](#), [423.30](#), [423.32](#), and [423.33](#).

25 c. The tax upon the use of all tangible personal property
26 and specified digital products not paid pursuant to paragraphs
27 "a" and "b" shall be paid to the department directly by any
28 person using the property within this state, pursuant to the
29 provisions of [section 423.34](#).

30 Sec. 203. NEW SECTION. **423.14A Persons required to collect**
31 **sales and use tax — supplemental conditions, requirements, and**
32 **responsibilities.**

33 1. For purposes of this section:

34 a. "Iowa sales" means sales of tangible personal property,
35 services, or specified digital products sourced to this state

1 pursuant to section 423.15, 423.16, 423.17, 423.19, or 423.20,
2 or that are otherwise sold in this state or for delivery into
3 this state.

4 *b.* (1) "*Marketplace facilitator*" means a person, including
5 any affiliate of the person, who facilitates a retail sale by
6 satisfying subparagraph divisions (a) and (b) as follows:

7 (a) The person directly or indirectly does any of the
8 following:

9 (i) Lists, makes available, or advertises tangible personal
10 property, services, or specified digital products for sale
11 by a marketplace seller in a marketplace owned, operated, or
12 controlled by the person.

13 (ii) Facilitates the sale of a marketplace seller's
14 product through a marketplace by transmitting or otherwise
15 communicating an offer or acceptance of a retail sale of
16 tangible personal property, services, or specified digital
17 products between a marketplace seller and a purchaser in a
18 forum including a shop, store, booth, catalog, internet site,
19 or similar forum.

20 (iii) Owns, rents, licenses, makes available, or operates
21 any electronic or physical infrastructure or any property,
22 process, method, copyright, trademark, or patent that connects
23 marketplace sellers to purchasers for the purpose of making
24 retail sales of tangible personal property, services, or
25 specified digital products.

26 (iv) Provides a marketplace for making retail sales of
27 tangible personal property, services, or specified digital
28 products, or otherwise facilitates retail sales of tangible
29 personal property, services, or specified digital products,
30 regardless of ownership or control of the tangible personal
31 property, services, or specified digital products that are the
32 subject of the retail sale.

33 (v) Provides software development or research and
34 development activities related to any activity described in
35 this subparagraph division (a), if such software development or

1 research and development activities are directly related to the
2 physical or electronic marketplace provided by a marketplace
3 provider.

4 (vi) Provides or offers fulfillment or storage services for
5 a marketplace seller.

6 (vii) Sets prices for a marketplace seller's sale of
7 tangible personal property, services, or specified digital
8 products.

9 (viii) Provides or offers customer service to a marketplace
10 seller or a marketplace seller's customers, or accepts or
11 assists with taking orders, returns, or exchanges of tangible
12 personal property, services, or specified digital products sold
13 by a marketplace seller.

14 (ix) Brands or otherwise identifies sales as those of the
15 marketplace facilitator.

16 (b) The person directly or indirectly does any of the
17 following:

18 (i) Collects the sales price or purchase price of a retail
19 sale of tangible personal property, services, or specified
20 digital products.

21 (ii) Provides payment processing services for a retail sale
22 of tangible personal property, services, or specified digital
23 products.

24 (iii) Charges, collects, or otherwise receives selling
25 fees, listing fees, referral fees, closing fees, fees for
26 inserting or making available tangible personal property,
27 services, or specified digital products on a marketplace, or
28 other consideration from the facilitation of a retail sale of
29 tangible personal property, services, or specified digital
30 products, regardless of ownership or control of the tangible
31 personal property, services, or specified digital products that
32 are the subject of the retail sale.

33 (iv) Through terms and conditions, agreements, or
34 arrangements with a third party, collects payment in connection
35 with a retail sale of tangible personal property, services,

1 or specified digital products from a purchaser and transmits
2 that payment to the marketplace seller, regardless of whether
3 the person collecting and transmitting such payment receives
4 compensation or other consideration in exchange for the
5 service.

6 (v) Provides a virtual currency that purchasers are allowed
7 or required to use to purchase tangible personal property,
8 services, or specified digital products.

9 (2) "*Marketplace facilitator*" includes but is not limited
10 to a person who satisfies the requirements of this paragraph
11 through the ownership, operation, or control of a digital
12 distribution service, digital distribution platform, online
13 portal, or application store.

14 (3) A "*rental platform*", as defined in section 423C.2, that
15 meets the requirements described in section 423C.3, subsection
16 3, paragraph "c", subparagraph (2), shall not be considered
17 a "*marketplace facilitator*" with respect to any sale of a
18 transportation service under section 423.2, subsection 6,
19 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
20 consisting of the rental of vehicles subject to registration
21 which are registered for a gross weight of thirteen tons or
22 less for a period of sixty days or less.

23 c. "*Marketplace seller*" means any of the following:

24 (1) A seller that makes retail sales through any physical
25 or electronic marketplace owned, operated, or controlled by a
26 marketplace facilitator, even if such seller would not have
27 been required to collect and remit sales and use tax had the
28 sale not been made through such marketplace.

29 (2) A seller that makes retail sales resulting from a
30 referral by a referrer, even if such seller would not have been
31 required to collect and remit sales and use tax had the sale
32 not been made through such referrer.

33 2. In addition to and not in lieu of any application of
34 this chapter to sellers who are retailers and sellers who are
35 retailers maintaining a place of business in this state, any

1 person described in subsection 3, or the person's agents,
2 shall be considered a retailer in this state and a retailer
3 maintaining a place of business in this state for purposes of
4 this chapter on or after January 1, 2019, and shall be subject
5 to all requirements of this chapter imposed on retailers and
6 retailers maintaining a place of business in this state,
7 including but not limited to the requirement to collect and
8 remit sales and use taxes pursuant to sections 423.14 and
9 423.29, and local option taxes under chapter 423B.

10 3. a. A retailer that has gross revenue from Iowa sales
11 equal to or exceeding one hundred thousand dollars for an
12 immediately preceding calendar year or a current calendar year.

13 b. A retailer that makes Iowa sales in two hundred or more
14 separate transactions for an immediately preceding calendar
15 year or a current calendar year.

16 c. (1) A retailer that owns, licenses, or uses software
17 or data files that are installed or stored on property used
18 in this state. For purposes of this subparagraph, "*software*
19 *or data files*" include but are not limited to software that is
20 affirmatively downloaded by a user, software that is downloaded
21 as a result of the use of a website, preloaded software, and
22 cookies.

23 (2) A retailer that uses in-state software to make Iowa
24 sales. For purposes of this subparagraph, "*in-state software*"
25 means computer software that is installed or stored on property
26 located in this state or that is distributed within this state
27 for the purpose of facilitating a sale by the retailer.

28 (3) A retailer that provides, or enters into an agreement
29 with another person to provide, a content distribution network
30 in this state to facilitate, accelerate, or enhance the
31 delivery of the retailer's internet site to purchasers. For
32 purposes of this subparagraph, "*content distribution network*"
33 means a system of distributed servers that deliver internet
34 sites and other internet content to a user based on the
35 geographic location of the user, the origin of the internet

1 site or internet content, and a content delivery server.

2 (4) This paragraph "c" shall not apply to a retailer that
3 has gross revenue from Iowa sales of less than one hundred
4 thousand dollars for an immediately preceding calendar year or
5 a current calendar year.

6 d. (1) A marketplace facilitator that makes or facilitates
7 Iowa sales on its own behalf or for one or more marketplace
8 sellers equal to or exceeding one hundred thousand dollars,
9 or in two hundred or more separate transactions, for an
10 immediately preceding calendar year or a current calendar year.

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

27 (3) A marketplace facilitator shall be relieved of
28 liability under this paragraph "d" for failure to collect and
29 remit sales and use tax on an Iowa sale made or facilitated for
30 a marketplace seller under the following circumstances and up
31 to the amounts permitted under the following circumstances:

32 (a) If the marketplace facilitator demonstrates to the
33 satisfaction of the department that the marketplace facilitator
34 has made a reasonable effort to obtain accurate information
35 from the marketplace seller about a retail sale and that

1 the failure to collect and remit the correct tax was due to
2 incorrect information provided to the marketplace facilitator
3 by the marketplace seller, then the marketplace facilitator
4 shall be relieved of liability for that retail sale. This
5 subparagraph division does not apply with regard to a retail
6 sale for which the marketplace facilitator is the seller or if
7 the marketplace facilitator and the seller are affiliates. For
8 Iowa sales for which a marketplace facilitator is relieved of
9 liability under this subparagraph division, the marketplace
10 seller and purchaser are liable for any amount of uncollected,
11 unpaid, or unremitted tax.

12 (b) (i) Subject to the limitation in subparagraph
13 subdivision (ii), if the marketplace facilitator demonstrates
14 to the satisfaction of the department that the Iowa sale was
15 made or facilitated for a marketplace seller prior to January
16 1, 2026, through a marketplace of the marketplace facilitator,
17 that the marketplace facilitator is not the seller and that
18 the marketplace facilitator and the seller are not affiliates,
19 and that the failure to collect sales and use tax was due to
20 an error other than an error in sourcing the sale. To the
21 extent that a marketplace facilitator is relieved of liability
22 for collection of sales and use tax under this subparagraph
23 division, the marketplace seller for whom the marketplace
24 facilitator has made or facilitated the Iowa sale is also
25 relieved of liability. The department may determine the manner
26 in which a marketplace facilitator or marketplace seller shall
27 claim the liability relief provided in this subparagraph
28 division.

29 (ii) The liability relief provided in subparagraph
30 subdivision (i) shall not exceed the following percentage
31 of the total sales and use tax due on Iowa sales made or
32 facilitated by a marketplace facilitator for marketplace
33 sellers and sourced to this state during a calendar year,
34 which Iowa sales shall not include sales by the marketplace
35 facilitator or affiliates of the marketplace facilitator:

1 (A) For Iowa sales made or facilitated during the 2019
2 calendar year, ten percent.

3 (B) For Iowa sales made or facilitated during calendar years
4 2020 through 2024, five percent.

5 (C) For Iowa sales made or facilitated during the 2025
6 calendar year, three percent.

7 (c) Nothing in this subparagraph (3) shall be construed to
8 relieve any person of liability for collecting but failing to
9 remit to the department sales and use tax.

10 (d) A marketplace facilitator is deemed to be an agent
11 of any marketplace seller making retail sales through a
12 marketplace of the marketplace facilitator.

13 e. (1) A referrer if, for any immediately preceding
14 calendar year or a current calendar year, one hundred thousand
15 dollars or more in Iowa sales or two hundred or more separate
16 Iowa sales transactions result from referrals from a platform
17 of the referrer. A referrer is not required to collect and
18 remit sales and use tax pursuant to this paragraph if the
19 referrer does all of the following:

20 (a) The referrer posts a conspicuous notice on each platform
21 of the referrer that includes all of the following:

22 (i) A statement that sales or use tax is due on certain
23 purchases.

24 (ii) A statement that the marketplace seller from whom the
25 person is purchasing on the platform may or may not collect and
26 remit sales and use tax on a purchase.

27 (iii) A statement that Iowa requires the purchaser to pay
28 sales or use tax and file sales or use tax returns if sales
29 or use tax is not collected at the time of the sale by the
30 marketplace seller.

31 (iv) Information informing the purchaser that the notice is
32 provided under the requirements of this subparagraph.

33 (v) Instructions for obtaining additional information from
34 the department regarding whether and how to remit sales and use
35 tax to the state of Iowa.

1 (b) The referrer provides a monthly notice to each
2 marketplace seller to whom the referrer made a referral of a
3 potential customer located in Iowa during the previous calendar
4 year, which monthly notice shall contain all of the following:

5 (i) A statement that Iowa imposes a sales or use tax on Iowa
6 sales.

7 (ii) A statement that a marketplace facilitator or other
8 retailer making Iowa sales must collect and remit sales and use
9 tax.

10 (iii) Instructions for obtaining additional information
11 from the department regarding the collection and remittance of
12 Iowa sales and use tax.

13 (c) The referrer provides the department with monthly
14 reports in an electronic format and in the manner prescribed
15 by the department, which monthly reports contain all of the
16 following:

17 (i) A list of marketplace sellers who received the
18 referrer's notice under subparagraph division (b).

19 (ii) A list of marketplace sellers that collect and
20 remit Iowa sales and use tax and that list or advertise the
21 marketplace seller's products for sale on a platform of the
22 referrer.

23 (iii) An affidavit signed under penalty of perjury from
24 an officer of the referrer affirming that the referrer made
25 reasonable efforts to comply with the applicable sales and use
26 tax notice and reporting requirements of this subparagraph.

27 (2) A referrer is deemed to be an agent of any marketplace
28 seller making retail sales resulting from a referral of the
29 referrer.

30 (3) For purposes of this paragraph:

31 (a) "Platform" means an electronic or physical medium,
32 including but not limited to an internet site or catalog, that
33 is owned, operated, or controlled by a referrer.

34 (b) "Referral" means the transfer through telephone,
35 internet link, or other means by a referrer of a potential

1 customer to a retailer or seller who advertises or lists
2 products for sale on a platform of the referrer.

3 (c) (i) "Referrer" means a person who does all of the
4 following:

5 (A) Contracts or otherwise agrees with a retailer, seller,
6 or marketplace facilitator to list or advertise for sale a
7 product of the retailer, seller, or marketplace facilitator on
8 a platform, provided such listing or advertisement identifies
9 whether or not the retailer, seller, or marketplace facilitator
10 collects sales and use tax.

11 (B) Receives a commission, fee, or other consideration
12 from the retailer, seller, or marketplace facilitator for the
13 listing or advertisement.

14 (C) Provides referrals to a retailer, seller, or
15 marketplace facilitator, or an affiliate of a retailer, seller,
16 or marketplace facilitator.

17 (D) Does not collect money or other consideration from the
18 customer for the transaction.

19 (ii) "Referrer" does not include any of the following:

20 (A) A person primarily engaged in the business of printing
21 or publishing a newspaper.

22 (B) A person who does not provide the retailer's, seller's,
23 or marketplace facilitator's shipping terms and who does
24 not advertise whether a retailer, seller, or marketplace
25 facilitator collects sales or use tax.

26 (4) This paragraph only applies to referrals by a referrer
27 and shall not preclude the applicability of other provisions
28 of this section to a person who is a referrer and is also a
29 retailer, a marketplace facilitator, or a marketplace seller.

30 f. (1) A retailer that makes Iowa sales through the use of
31 a solicitor. For purposes of this paragraph, "solicitor" means
32 a person that directly or indirectly solicits business for a
33 retailer.

34 (2) (a) A retailer is deemed to have a solicitor in
35 this state if the retailer enters into an agreement with a

1 resident under which the resident, for a commission, fee, or
2 other similar consideration, directly or indirectly refers
3 potential customers, whether by link on an internet site,
4 or otherwise, to the retailer. This determination may be
5 rebutted by a showing of proof that the resident with whom the
6 retailer has an agreement did not engage in any solicitation
7 in this state on behalf of the retailer that would satisfy the
8 nexus requirement of the United States Constitution during the
9 calendar year in question.

10 (b) This subparagraph (2) shall not apply to a retailer that
11 has Iowa gross revenue from Iowa sales of ten thousand dollars
12 or less for an immediately preceding calendar year or a current
13 calendar year.

14 (c) For purposes of this subparagraph (2):

15 (i) "*Iowa gross revenue*" means gross revenue from Iowa
16 sales to purchasers who were referred to the retailer by all
17 solicitors who are residents.

18 (ii) "*Resident*" includes an individual who is a resident
19 of this state, as defined in section 422.4, and any business
20 that owns any tangible or intangible property with a situs in
21 this state, or that has one or more employees performing or
22 providing services for the business in this state.

23 (d) This paragraph "f" does not apply to chapter 422 and
24 does not expand or contract the state's jurisdiction to tax a
25 trade or business under chapter 422.

26 g. A retailer that owns, controls, rents, licenses, makes
27 available, or uses any tangible or intangible property in this
28 state or with a situs in this state, to make or otherwise
29 facilitate a retail sale.

30 h. (1) Any person that enters into a contract or agreement
31 with a governmental entity, including but not limited to
32 contracts for the provision of financial assistance or
33 incentives such as a tax credit, forgivable loan, grant, tax
34 rebate, or any other thing of value. For purposes of this
35 subparagraph, "*governmental entity*" means any unit of government

1 in the executive, legislative, or judicial branch, or any
2 political subdivision of the state, including but not limited
3 to a city, county, township, or school district.

4 (2) Every bid submitted and each contract or agreement
5 executed by a state agency shall contain a certification by
6 the bidder or contractor stating that the bidder or contractor
7 is registered with the department pursuant to this chapter
8 and will collect and remit Iowa sales and use tax due under
9 this chapter. In the certification, the bidder or contractor
10 shall also acknowledge that the state agency may declare the
11 contractor or bid void if the certification is false or becomes
12 false. Fraudulent certification, by act or omission, may
13 result in the state agency or its representative filing for
14 damages for breach of contract.

15 *i.* Any affiliate of any person that is required to collect
16 and remit sales and use tax under this chapter, provided the
17 affiliate makes retail sales.

18 Sec. 204. NEW SECTION. **423.14B Sales and use tax reporting**
19 **requirements — penalties.**

20 1. For purposes of this section, "*Iowa sales*" and
21 "*marketplace facilitator*" all mean the same as defined in
22 section 423.14A.

23 2. The department may, in its discretion, adopt rules
24 pursuant to chapter 17A establishing and imposing notice and
25 reporting requirements related to Iowa sales for retailers,
26 including but not limited to marketplace facilitators,
27 who do not collect and remit sales and use tax under this
28 chapter. The rules may include but are not limited to rules
29 requiring retailers, including but not limited to marketplace
30 facilitators, to do any of the following:

31 *a.* Notify purchasers at the time of an Iowa sales
32 transaction of sales and use tax obligations under this
33 chapter.

34 *b.* Provide purchasers with periodic reports of purchases
35 that are Iowa sales.

1 c. Provide the department with annual reports that include
2 but are not limited to information relating to purchases,
3 purchasers, and Iowa sales.

4 3. a. The department may adopt rules pursuant to chapter
5 17A establishing and imposing penalties as described in and
6 subject to the dollar limitations of paragraph "b", provided
7 that any such penalty shall include a procedure for waiver
8 of the penalty upon a showing of reasonable cause for such
9 failure.

10 b. (1) The department may impose penalties for failure to
11 provide a notification to a purchaser in the manner and form
12 prescribed by the department by rule. Such penalties shall not
13 exceed five dollars for each failure.

14 (2) The department may impose penalties for failure to
15 provide a purchaser with a periodic report of purchases in the
16 manner and form prescribed by the department by rule. Such
17 penalties shall not exceed ten dollars for each failure.

18 (3) The department may impose penalties for failure to
19 provide the department with an annual report in the manner
20 and form prescribed by the department. Such penalties shall
21 not exceed an amount per annual report equal to ten dollars
22 multiplied by the number of purchasers for whom information
23 should have been but was not included in the annual report.

24 Sec. 205. Section 423.15, unnumbered paragraph 1, Code
25 2018, is amended to read as follows:

26 All sales of ~~products~~ tangible personal property, services,
27 or specified digital products, except those sales enumerated
28 in [section 423.16](#), shall be sourced according to [this section](#)
29 by sellers obligated to collect Iowa sales and use tax. The
30 sourcing rules described in [this section](#) apply to sales of
31 tangible personal property, specified digital goods products,
32 and all services other than telecommunications services. This
33 section only applies to determine a seller's obligation to pay
34 or collect and remit a Iowa sales or use tax with respect to
35 the seller's sale of a product. [This section](#) does not affect

1 the obligation of a purchaser or lessee to remit tax on the use
2 of the product to the taxing jurisdictions in which the use
3 occurs. A seller's obligation to collect Iowa sales tax or
4 Iowa use tax only occurs if the sale is sourced to this state.
5 ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall~~
6 ~~be determined based on the location at which the sale is~~
7 ~~consummated by delivery or, in the case of a service, where the~~
8 ~~first use of the service occurs~~ made by a seller subject to
9 section 423.1, subsection 48, or section 423.14A.

10 Sec. 206. Section 423.15, subsection 1, paragraph e, Code
11 2018, is amended to read as follows:

12 e. When paragraphs "a", "b", "c", and "d" do not apply,
13 including the circumstance where the seller is without
14 sufficient information to apply the previous rules, then the
15 location will be determined by the address from which tangible
16 personal property was shipped, from which the specified digital
17 ~~good~~ product or the computer software delivered electronically
18 was first available for transmission by the seller, or from
19 which the service was provided disregarding for these purposes
20 any location that merely provided the digital transfer of the
21 product sold.

22 Sec. 207. Section 423.22, Code 2018, is amended to read as
23 follows:

24 **423.22 Taxation in another state.**

25 If any person who causes tangible personal property or
26 specified digital products to be brought into this state or
27 who uses in this state services enumerated in [section 423.2](#)
28 has already paid a tax in another state in respect to the sale
29 or use of the property or the performance of the service, or
30 an occupation tax in respect to the property or service, in
31 an amount less than the tax imposed by [subchapter II](#) or [III](#),
32 the provisions of those subchapters shall apply, but at a rate
33 measured by the difference only between the rate fixed by
34 [subchapter II](#) or [III](#) and the rate by which the previous tax on
35 the sale or use, or the occupation tax, was computed. If the

1 tax imposed and paid in the other state is equal to or more than
2 the tax imposed by those subchapters, then a tax is not due in
3 this state on the personal property or service.

4 Sec. 208. Section 423.29, subsection 1, Code 2018, is
5 amended to read as follows:

6 1. Every seller who is a retailer and who is making taxable
7 sales of tangible personal property or specified digital
8 products in Iowa shall, at the time of ~~selling the property~~
9 making the sale, collect the sales tax. Every seller who
10 is a retailer ~~maintaining a place of business in this state~~
11 that is not otherwise required to collect sales tax under the
12 provisions of this chapter and who is selling tangible personal
13 property or specified digital products for use in Iowa shall,
14 at the time of making the sale, whether within or without the
15 state, collect the use tax. Sellers required to collect sales
16 or use tax shall give to any purchaser a receipt for the tax
17 collected in the manner and form prescribed by the director.

18 Sec. 209. Section 423.30, subsection 1, Code 2018, is
19 amended to read as follows:

20 1. The director may, upon application, authorize the
21 collection of the use tax by any seller who is a retailer not
22 maintaining a place of business within this state and not
23 registered under the agreement, who, to the satisfaction of
24 the director, furnishes adequate security to ensure collection
25 and payment of the tax. Such sellers shall be issued, without
26 charge, permits to collect tax subject to any regulations
27 which the director shall prescribe. When so authorized, it
28 shall be the duty of foreign sellers to collect the tax upon
29 all tangible personal property and specified digital products
30 sold, to the retailer's knowledge, for use within this state,
31 in the same manner and subject to the same requirements as a
32 retailer maintaining a place of business within this state.
33 The authority and permit may be canceled when, at any time, the
34 director considers the security inadequate, or that tax can
35 more effectively be collected from the person using property

1 in this state.

2 Sec. 210. Section 423.31, subsection 1, Code 2018, is
3 amended to read as follows:

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

21 Sec. 211. Section 423.31, subsection 5, paragraph a, Code
22 2018, is amended to read as follows:

23 a. Upon making application and receiving approval from
24 the director, a ~~parent corporation person~~ and its affiliated
25 ~~corporations~~ affiliates that make retail sales of tangible
26 personal property, specified digital products, or taxable
27 enumerated services may make deposits and file a consolidated
28 sales tax return for the affiliated group, pursuant to rules
29 adopted by the director. A ~~parent corporation person~~ and each
30 affiliate ~~corporation~~ that files a consolidated return are
31 jointly and severally liable for all tax, penalty, and interest
32 found due for the tax period for which a consolidated return is
33 filed or required to be filed.

34 Sec. 212. Section 423.32, subsection 1, paragraph b, Code
35 2018, is amended to read as follows:

1 *b.* The deposit form is due on or before the twentieth day of
 2 the month following the month of collection, except a deposit
 3 is not required for the third month of the calendar quarter,
 4 and the total quarterly amount, less the amounts deposited for
 5 the first two months of the quarter, is due with the quarterly
 6 report on the last day of the month following the month of
 7 collection. At that time, the retailer shall file with the
 8 department a return for the preceding quarterly period in the
 9 form prescribed by the director showing the purchase price of
 10 the tangible personal property, specified digital products, and
 11 services sold by the retailer during the preceding quarterly
 12 period, the use of which is subject to the use tax imposed
 13 by [this chapter](#), and other information the director deems
 14 necessary for the proper administration of the use tax.

15 Sec. 213. Section 423.33, subsection 3, Code 2018, is
 16 amended to read as follows:

17 3. *Event sponsor's liability for sales tax.* A person
 18 sponsoring a flea market or a craft, antique, coin, or stamp
 19 show or similar event shall obtain from every retailer selling
 20 tangible personal property, specified digital products,
 21 or taxable services at the event proof that the retailer
 22 possesses a valid sales tax permit or secure from the retailer
 23 a statement, taken in good faith, that tangible personal
 24 property, specified digital products, or services offered for
 25 sale are not subject to sales tax. Failure to do so renders
 26 a sponsor of the event liable for payment of any sales tax,
 27 interest, and penalty due and owing from any retailer selling
 28 property or services at the event. [Sections 423.31, 423.32,](#)
 29 [423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) apply to the
 30 sponsors. For purposes of [this subsection](#), a "*person sponsoring*
 31 *a flea market or a craft, antique, coin, or stamp show or similar*
 32 *event*" does not include an organization which sponsors an
 33 event determined to qualify as an event involving casual sales
 34 pursuant to [section 423.3, subsection 39](#), or the state fair or
 35 a fair as defined in [section 174.1](#).

1 Sec. 214. Section 423.33, Code 2018, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 4. *Liability of affiliates.*

4 *a.* Notwithstanding any other provision of law to the
5 contrary, if any retailer required to collect and remit sales
6 and use tax pursuant to sections 423.14, 423.14A, and 423.29,
7 or any other provision of this chapter, fails to do so, all
8 affiliates that directly, indirectly, or constructively control
9 the retailer shall be jointly and severally liable for any tax,
10 penalty, and interest under this chapter, regardless of whether
11 the affiliate is a retailer.

12 *b.* Pursuant to paragraph "a", the department may elect
13 to assess the full amount of any tax, penalty, and interest
14 against the retailer, an affiliate of the retailer described
15 in paragraph "a", or any combination of the retailer and the
16 retailer's affiliates described in paragraph "a".

17 *c.* Notwithstanding any other provision of law to the
18 contrary, the department has the discretion to deem an
19 affiliate of a retailer an agent or alter ego of that retailer.

20 *d.* Notwithstanding any other provision of law to the
21 contrary, the department has the discretion to disregard or
22 look through any organizational structure of an enterprise in
23 order to assess and collect any tax, penalty, and interest
24 against an affiliate that is acting to benefit an affiliate or
25 an enterprise of which the affiliate is a part.

26 Sec. 215. Section 423.34, Code 2018, 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 period pay the use tax upon all

1 property or services used by the person during the preceding
2 quarterly period in the manner and accompanied by such returns
3 as the director shall prescribe. All of the provisions of
4 sections 423.32 and 423.33 with reference to the returns and
5 payments shall be applicable to the returns and payments
6 required by [this section](#).

7 Sec. 216. Section 423.36, subsection 1, Code 2018, is
8 amended to read as follows:

9 1. A person shall not engage in or transact business as a
10 retailer making taxable sales of tangible personal property,
11 specified digital products, or furnishing services within
12 this state or as a retailer making taxable sales of tangible
13 personal property, specified digital products, or furnishing
14 services for use within this state, unless a permit has been
15 issued to the retailer under [this section](#), except as provided
16 in [subsection 7](#). Every person desiring to engage in or
17 transact business as a retailer shall file with the department
18 an application for a permit to collect sales or use tax. Every
19 application for a sales or use tax permit shall be made upon
20 a form prescribed by the director and shall set forth any
21 information the director may require. The application shall
22 be signed by an owner of the business if a natural person; in
23 the case of a retailer which is an association or partnership,
24 by a member or partner; and in the case of a retailer which
25 is a corporation, by an executive officer or some person
26 specifically authorized by the corporation to sign the
27 application, to which shall be attached the written evidence of
28 the person's authority.

29 Sec. 217. Section 423.36, subsection 2, paragraph a, Code
30 2018, is amended to read as follows:

31 a. Notwithstanding [subsection 1](#), if any person will make
32 taxable sales of tangible personal property, specified digital
33 products, or furnish services to any state agency, that person
34 shall, prior to the sale, apply for and receive a permit to
35 collect sales or use tax pursuant to [this section](#). A state

1 agency shall not purchase tangible personal property, specified
2 digital products, or services from any person unless that
3 person has a valid, unexpired permit issued pursuant to this
4 section and is in compliance with all other requirements in
5 this chapter imposed upon retailers, including but not limited
6 to the requirement to collect and remit sales and use tax and
7 file sales and use tax returns.

8 Sec. 218. Section 423.36, subsection 7, paragraph b, Code
9 2018, is amended to read as follows:

10 b. Persons engaged in selling tangible personal property,
11 specified digital products, or furnishing services shall not be
12 required to obtain or retain a sales tax permit for a place of
13 business at which taxable sales of tangible personal property,
14 specified digital products, or taxable performance of services
15 will not occur.

16 Sec. 219. Section 423.36, subsection 9, paragraph a, Code
17 2018, is amended to read as follows:

18 a. Except as provided in paragraph "b", purchasers, users,
19 and consumers of tangible personal property, specified digital
20 products, or enumerated services taxed pursuant to subchapter
21 II or III of [this chapter](#) or [chapter 423B](#) may be authorized,
22 pursuant to rules adopted by the director, to remit tax owed
23 directly to the department instead of the tax being collected
24 and paid by the seller. To qualify for a direct pay tax permit,
25 the purchaser, user, or consumer must accrue a tax liability
26 of more than four thousand dollars in tax under subchapters
27 II and III in a semimonthly period and make deposits and file
28 returns pursuant to [section 423.31](#). This authority shall not
29 be granted or exercised except upon application to the director
30 and then only after issuance by the director of a direct pay
31 tax permit.

32 Sec. 220. Section 423.40, subsection 2, Code 2018, is
33 amended to read as follows:

34 2. a. Any person who knowingly sells tangible personal
35 property, specified digital products, tickets or admissions

1 to places of amusement and athletic events, or gas, water,
2 electricity, or communication service at retail, or engages in
3 the furnishing of services enumerated in [section 423.2](#), in this
4 state without procuring a permit to collect tax, as provided
5 in [section 423.36](#), or who violates [section 423.24](#) and the
6 officers of any corporation who so act are guilty of a serious
7 misdemeanor.

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

17 Sec. 221. Section 423.41, Code 2018, is amended to read as
18 follows:

19 **423.41 Books — examination.**

20 Every retailer required or authorized to collect taxes
21 imposed by [this chapter](#) and every person using in this state
22 tangible personal property, specified digital products,
23 services, or the product of services shall keep records,
24 receipts, invoices, and other pertinent papers as the director
25 shall require, in the form that the director shall require,
26 for as long as the director has the authority to examine and
27 determine tax due. The director or any duly authorized agent
28 of the department may examine the books, papers, records,
29 and equipment of any person ~~either~~ selling tangible personal
30 property, specified digital products, or services or liable
31 for the tax imposed by [this chapter](#), and investigate the
32 character of the business of any person in order to verify
33 the accuracy of any return made, or if a return was not made
34 by the person, ascertain and determine the amount due under
35 this chapter. These books, papers, and records shall be made

1 available within this state for examination upon reasonable
2 notice when the director deems it advisable and so orders. If
3 the taxpayer maintains any records in an electronic format,
4 the taxpayer shall comply with reasonable requests by the
5 director or the director's authorized agents to provide those
6 electronic records in a standard record format. The preceding
7 requirements shall likewise apply to users and persons
8 furnishing services enumerated in [section 423.2](#).

9 Sec. 222. Section 423.45, subsection 4, paragraphs a, b, and
10 e, Code 2018, are amended to read as follows:

11 a. The department shall issue or the seller may separately
12 provide exemption certificates in the form prescribed by the
13 director, including certificates not made of paper, which
14 conform to the requirements of paragraph "c", to assist
15 retailers in properly accounting for nontaxable sales of
16 tangible personal property, specified digital products,
17 or services to purchasers for a nontaxable purpose. The
18 department shall also allow the use of exemption certificates
19 for those circumstances in which a sale is taxable but the
20 seller is not obligated to collect tax from the buyer.

21 b. The sales tax liability for all sales of tangible
22 personal property and specified digital products and all sales
23 of services is upon the seller and the purchaser unless the
24 seller takes from the purchaser a valid exemption certificate
25 stating under penalty of perjury that the purchase is for a
26 nontaxable purpose and is not a retail sale as defined in
27 section 423.1, or the seller is not obligated to collect tax
28 due, or unless the seller takes a fuel exemption certificate
29 pursuant to [subsection 5](#). If the tangible personal property,
30 specified digital products, or services are purchased tax free
31 pursuant to a valid exemption certificate and the tangible
32 personal property, specified digital products, or services are
33 used or disposed of by the purchaser in a nonexempt manner, the
34 purchaser is solely liable for the taxes and shall remit the
35 taxes directly to the department and [sections 423.31, 423.32,](#)

1 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
2 to the purchaser.

3 e. If the circumstances change and as a result the tangible
4 personal property, specified digital products, or services are
5 used or disposed of by the purchaser in a nonexempt manner or
6 the purchaser becomes obligated to pay the tax, the purchaser
7 is liable solely for the taxes and shall remit the taxes
8 directly to the department in accordance with this subsection.

9 Sec. 223. Section 423.57, Code 2018, is amended to read as
10 follows:

11 **423.57 Statutes applicable.**

12 The director shall administer this subchapter as it relates
13 to the taxes imposed in this chapter in the same manner and
14 subject to all the provisions of, and all of the powers,
15 duties, authority, and restrictions contained in sections
16 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,
17 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,
18 423.32, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,
19 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection
20 1, and sections 423.45, 423.46, and 423.47.

21 Sec. 224. Section 423.58, Code 2018, is amended to read as
22 follows:

23 **423.58 Collection, permit, and tax return exemption for
24 certain out-of-state businesses.**

25 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,
26 423.31, 423.32, and 423.36, a person meeting the requirements
27 of section 29C.24 is not required to obtain a sales or use tax
28 permit, collect and remit sales and use tax, or make and file
29 applicable sales or use tax returns, as provided in section
30 29C.24, subsection 3, paragraph "a", subparagraph (2).

31 Sec. 225. Section 423B.5, subsection 1, Code 2018, is
32 amended to read as follows:

33 1. A local sales and services tax at the rate of not more
34 than one percent may be imposed by a county on the sales price
35 taxed by the state under chapter 423, subchapter II. A local

1 sales and services tax shall be imposed on the same basis as
2 the state sales and services tax or in the case of the use of
3 natural gas, natural gas service, electricity, or electric
4 service on the same basis as the state use tax and shall not
5 be imposed on the sale of any property or on any service not
6 taxed by the state, except the tax shall not be imposed on
7 the sales price from the sale of motor fuel or special fuel
8 as defined in [chapter 452A](#) which is consumed for highway use
9 or in watercraft or aircraft if the fuel tax is paid on the
10 transaction and a refund has not or will not be allowed, on the
11 sales price from the sale of equipment by the state department
12 of transportation, or on the sales price from the sale or use
13 of natural gas, natural gas service, electricity, or electric
14 service in a city or county where the sales price from the sale
15 of natural gas or electric energy is subject to a franchise
16 fee or user fee during the period the franchise or user fee
17 is imposed. A local sales and services tax is applicable
18 to transactions within those incorporated and unincorporated
19 areas of the county where it is imposed and, which transactions
20 include but are not limited to sales sourced pursuant to
21 section 423.15, 423.17, 423.19, or 423.20, to a location within
22 that city or unincorporated area of the county. The tax shall
23 be collected by all persons required to collect state sales
24 taxes. All cities contiguous to each other shall be treated
25 as part of one incorporated area and the tax would be imposed
26 in each of those contiguous cities only if the majority of
27 those voting in the total area covered by the contiguous cities
28 favors its imposition. In the case of a local sales and
29 services tax submitted to the registered voters of two or more
30 contiguous counties as provided in section 423B.1, subsection
31 4, paragraph "c", all cities contiguous to each other shall be
32 treated as part of one incorporated area, even if the corporate
33 boundaries of one or more of the cities include areas of more
34 than one county, and the tax shall be imposed in each of those
35 contiguous cities only if a majority of those voting on the tax

1 in the total area covered by the contiguous cities favored its
2 imposition.

3 Sec. 226. Section 423B.6, subsection 2, paragraph b, Code
4 2018, is amended to read as follows:

5 b. The ordinance of a county board of supervisors imposing
6 a local sales and services tax shall adopt by reference the
7 applicable provisions of the appropriate sections of chapter
8 423. All powers and requirements of the director to administer
9 the state sales tax law and use tax law are applicable to the
10 administration of a local sales and services tax law and the
11 local excise tax, including but not limited to the provisions
12 of [section 422.25, subsection 4, sections 422.30, 422.67,](#)
13 [and 422.68, section 422.69, subsection 1, sections 422.70](#)
14 [through 422.75, section 423.14, subsection 1 and subsection](#)
15 [2, paragraphs "b" through "e", and sections 423.14A, 423.15,](#)
16 [423.23, 423.24, 423.25, 423.31 through 423.35,](#) 423.37 through
17 [423.42, 423.46, and 423.47.](#) Local officials shall confer
18 with the director of revenue for assistance in drafting the
19 ordinance imposing a local sales and services tax. A certified
20 copy of the ordinance shall be filed with the director as soon
21 as possible after passage.

22 Sec. 227. LEGISLATIVE INTENT. It is the intent of the
23 general assembly that the provisions of this division of this
24 Act amending the definition of "place of business" in section
25 423.1, subsection 37, and "sales" in section 423.1, subsection
26 50, enacting definitions of "sold at retail in the state" in
27 section 423.1, subsection 55A, and "subscription" in section
28 423.1, subsection 57A, and amending the enumerated service of
29 pay television in 423.2, subsection 6, paragraph "a", are
30 conforming amendments consistent with current state law, and
31 that the amendments do not change the application of current
32 law but instead reflect current law both before and after the
33 enactment of this division of this Act.

34 Sec. 228. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF
35 SPECIFIED DIGITAL PRODUCTS. The provisions of this division of

1 this Act relating to the imposition of tax on the sale or use of
2 "specified digital products", as defined in this division of
3 this Act, shall not be construed as affecting the taxability
4 or nontaxability under other provisions of existing law of
5 sales or uses occurring prior to the enactment of this division
6 of this Act of products meeting the definition of "specified
7 digital products", as defined in this division of this Act.

8 Sec. 229. EFFECTIVE DATE. Except as otherwise provided
9 in this division of this Act, this division of this Act takes
10 effect January 1, 2019.

11 Sec. 230. EFFECTIVE DATE. The following, being deemed of
12 immediate importance, take effect upon enactment:

13 1. The sections of this division of this Act amending
14 section 423.1, subsections 37 and 50.

15 2. The sections of this division of this Act enacting
16 section 423.1, subsections 55A and 57A.

17 3. The section of this division of this Act amending section
18 423.3, subsection 47, paragraph "d", subparagraph (4).

19 4. The provision amending the enumerated service of pay
20 television to include but not be limited to streaming video,
21 video on-demand, and pay-per-view, in the section of this
22 division of this Act amending section 423.2, subsection 6, by
23 designating paragraph "a1".

24 5. The section of this division of this Act entitled
25 "legislative intent" which describes the intent of the general
26 assembly with respect to certain amendments in this division of
27 this Act to the definition of "place of business" in section
28 423.1, subsection 37, "sales" in section 423.1, subsection 50,
29 the enactment of a definition for "subscription" in section
30 423.1, subsection 57A, and "sold at retail" in section 423.1,
31 subsection 55A, and amendments to the enumerated service of pay
32 television in section 423.2, subsection 6, paragraph "a1".

33 Sec. 231. EFFECTIVE DATE. The following take effect July
34 1, 2018:

35 1. The section of this division of this Act amending section

1 423.2, subsection 1, paragraph "a", subparagraph (1).

2 2. The provisions adding photography and retouching to the
3 list of enumerated services subject to the sales tax in the
4 section of this division of this Act amending section 423.2,
5 subsection 6, by enacting paragraphs "bo" and "bp".

6 3. The section of this division of this Act enacting section
7 423.2, subsection 8, paragraph "d".

8 4. The section of this division of this Act amending section
9 423.5, subsection 1, paragraph "a".

10

DIVISION XII

11 APPROVAL AND IMPOSITION OF LOCAL OPTION SALES AND SERVICES TAX

12 Sec. 232. Section 423B.1, subsection 2, paragraph b,
13 subparagraph (3), Code 2018, is amended to read as follows:

14 (3) The tax once imposed shall continue to be imposed until
15 the county-imposed tax is ~~reduced or increased in rate or~~
16 ~~repealed~~, and then the city-imposed tax shall also be ~~reduced~~
17 ~~or increased in rate or repealed in the same amount and be~~
18 effective on the same date.

19 Sec. 233. Section 423B.1, subsections 3, 4, and 5, Code
20 2018, are amended to read as follows:

21 3. a. ~~A local option tax shall be imposed only after an~~
22 ~~election at which~~ If a majority of those voting on the question
23 of imposition of a local option tax favors imposition and, the
24 local option tax shall then be imposed at the rate specified
25 on the ballot until repealed as provided in ~~subsection 6,~~
26 ~~paragraph "a"~~ this chapter.

27 b. If the tax is a local vehicle tax imposed by a county,
28 it shall apply to all incorporated and unincorporated areas of
29 the county.

30 c. (1) If the tax is a local sales and services tax
31 imposed by a county, it shall only apply to those incorporated
32 areas and the unincorporated area of that county in which a
33 majority of those voting in the area on the tax favors its
34 imposition. For purposes of the local sales and services tax,
35 all cities contiguous to each other shall be treated as part of

1 one incorporated area and the tax would be imposed in each of
2 those contiguous cities only if the majority of those voting
3 in the total area covered by the contiguous cities favors its
4 imposition. ~~In the case of a local sales and services tax~~
5 ~~submitted to the registered voters of two or more contiguous~~
6 ~~counties as provided in subsection 4, paragraph "c", all cities~~
7 ~~contiguous to each other shall be treated as part of one~~
8 ~~incorporated area, even if the corporate boundaries of one or~~
9 ~~more of the cities include areas of more than one county, and~~
10 ~~the tax shall be imposed in each of those contiguous cities~~
11 ~~only if a majority of those voting on the tax in the total area~~
12 ~~covered by the contiguous cities favored its imposition. For~~
13 ~~purposes of the local sales and services tax, a city is not~~
14 ~~contiguous to another city if the only road access between the~~
15 ~~two cities is through another state.~~

16 (2) The treatment of contiguous cities as one incorporated
17 area for the purpose of determining whether a majority of those
18 voting favors imposition does not apply to elections on the
19 question of imposition of a local sales and services tax in
20 all or a portion of a county that is a qualified county if the
21 election occurs on or after January 1, 2019. For purposes
22 of this chapter, "qualified county" means a county with a
23 population in excess of four hundred thousand, a county with
24 a population of at least one hundred thirty thousand but not
25 more than one hundred thirty-one thousand, or a county with a
26 population of at least sixty thousand but not more than seventy
27 thousand, according to the 2010 federal decennial census.

28 4. a. (1) ~~A~~ The county board of supervisors shall direct
29 within thirty days the county commissioner of elections to
30 submit the question of imposition of a local vehicle tax ~~or~~
31 ~~a local sales and services tax~~ to the registered voters of
32 the incorporated and unincorporated areas of the county upon
33 receipt of a petition, requesting imposition of a local vehicle
34 tax ~~or a local sales and services tax~~, signed by eligible
35 electors of the whole county equal in number to five percent of

1 the persons in the whole county who voted at the last preceding
2 general election. ~~In the case of a local vehicle tax, the~~ The
3 petition requesting imposition shall specify the rate of tax
4 and the classes, if any, that are to be exempt. If more than
5 one valid petition is received, the earliest received petition
6 shall be used.

7 (2) The county board of supervisors shall direct within
8 thirty days the county commissioner of elections to submit the
9 question of imposition of a local sales and services tax to the
10 registered voters of the incorporated and unincorporated areas
11 of the county upon receipt of a petition requesting imposition
12 of a local sales and services tax, signed by eligible electors
13 of the whole county equal in number to five percent of the
14 persons in the whole county who voted at the last preceding
15 general election. If more than one valid petition is received,
16 the earliest received petition shall be used.

17 (3) In lieu of the petition requirement of subparagraph
18 (2), the county board of supervisors for a county that is a
19 qualified county shall direct within thirty days the county
20 commissioner of elections to submit the question of imposition
21 of a local sales and services tax to the registered voters of a
22 city, or the portion thereof located in the county, or to the
23 registered voters of the unincorporated area of the county upon
24 receipt by the board of supervisors of a petition requesting
25 imposition of a local sales and services tax, signed by
26 eligible electors of the city, or the portion thereof located
27 in the county, or eligible electors of the unincorporated area
28 of the county, as applicable, equal in number to five percent
29 of the persons in the city, or applicable portion thereof, or
30 in the unincorporated area of the county who voted at the last
31 preceding general election. If more than one valid petition
32 is received for a city or for the unincorporated area of the
33 county, the earliest received petition shall be used. This
34 subparagraph applies to petitions received on or after January
35 1, 2019.

1 *b.* (1) The question of the imposition of a local sales
2 and services tax shall be submitted to the registered voters
3 of the incorporated and unincorporated areas of the county
4 upon receipt by the county commissioner of elections of the
5 motion or motions, requesting such submission, adopted by
6 the governing body or bodies of the city or cities located
7 within the county or of the county, for the unincorporated
8 areas of the county, representing at least one half of the
9 population of the county. Upon adoption of such motion, the
10 governing body of the city or county, for the unincorporated
11 areas, shall submit the motion to the county commissioner of
12 elections and in the case of the governing body of the city
13 shall notify the board of supervisors of the adoption of the
14 motion. The county commissioner of elections shall keep a file
15 on all the motions received and, upon reaching the population
16 requirements, shall publish notice of the ballot proposition
17 concerning the imposition of the local sales and services tax.
18 A motion ceases to be valid at the time of the holding of the
19 regular election for the election of members of the governing
20 body ~~which~~ that adopted the motion. The county commissioner of
21 elections shall eliminate from the file any motion that ceases
22 to be valid.

23 (2) In lieu of the motion requirements of subparagraph (1),
24 the question of the imposition of a local sales and services
25 tax shall be submitted to the registered voters of a city
26 located in a county that is a qualified county, or the portion
27 thereof located in the county, or to the registered voters
28 of the unincorporated area of a county that is a qualified
29 county upon receipt by the county commissioner of elections of
30 a motion requesting such submission, adopted by the governing
31 body of the city or the county for the unincorporated area of
32 the county, as applicable. Upon adoption of such motion, the
33 governing body of the city or county for the unincorporated
34 area shall submit the motion to the county commissioner of
35 elections. The county commissioner of elections shall publish

1 notice of the ballot proposition concerning the imposition of
2 the local sales and services tax. This subparagraph applies to
3 motions received by the county commissioner of elections on or
4 after January 1, 2019.

5 (3) The ~~manner methods~~ provided under this paragraph for the
6 submission of the question of imposition of a local sales and
7 services tax ~~is an alternative~~ are alternatives to the ~~manner~~
8 methods provided in paragraph "a".

9 ~~c. Upon receipt of petitions or motions calling for the~~
10 ~~submission of the question of the imposition of a local sales~~
11 ~~and services tax as described in paragraph "a" or "b", the~~
12 ~~boards of supervisors of two or more contiguous counties in~~
13 ~~which the question is to be submitted may enter into a joint~~
14 ~~agreement providing that for purposes of this chapter, a~~
15 ~~city whose corporate boundaries include areas of more than~~
16 ~~one county shall be treated as part of the county in which a~~
17 ~~majority of the residents of the city reside. In such event,~~
18 ~~the county commissioners of elections from each such county~~
19 ~~shall cooperate in the selection of a single date upon which~~
20 ~~the election shall be held, and for all purposes of this~~
21 ~~chapter relating to the imposition, repeal, change of use,~~
22 ~~or collection of the tax, such a city shall be deemed to be~~
23 ~~part of the county in which a majority of the residents of the~~
24 ~~city reside. A copy of the joint agreement shall be provided~~
25 ~~promptly to the director of revenue.~~

26 5. a. The county commissioner of elections shall submit
27 the question of imposition of a local option tax at an election
28 held on a date specified in section 39.2, subsection 4,
29 paragraph "a" or "b", as applicable. The election shall not be
30 held sooner than sixty days after publication of notice of the
31 ballot proposition.

32 b. The ballot proposition shall specify the type and rate of
33 tax and, in the case of a vehicle tax, the classes that will be
34 exempt and, in the case of a local sales and services tax, the
35 date it will be imposed which date shall not be earlier than

1 ninety days following the election. The ballot proposition
2 shall also specify the approximate amount of local option tax
3 revenues that will be used for property tax relief, subject to
4 the requirement of section 423B.7, subsection 7, paragraph "b",
5 and shall contain a statement as to the specific purpose or
6 purposes for which the revenues shall otherwise be expended.
7 If the county board of supervisors or governing body of the
8 city, as applicable, decides under subsection 6 to specify a
9 date on which the local option sales and services tax shall
10 automatically be repealed, the date of the repeal shall also be
11 specified on the ballot.

12 c. The rate of the vehicle tax shall be in increments of one
13 dollar per vehicle as set by the petition seeking to impose the
14 tax.

15 d. The rate of a local sales and services tax shall ~~not~~ be
16 ~~more than one percent as set by the governing body.~~

17 e. The state commissioner of elections shall establish by
18 rule the form for the ballot proposition which form shall be
19 uniform throughout the state.

20 Sec. 234. Section 423B.1, subsection 6, paragraph a,
21 subparagraph (1), Code 2018, is amended by striking the
22 subparagraph.

23 Sec. 235. Section 423B.1, subsection 6, paragraph a,
24 subparagraphs (2) and (3), Code 2018, are amended to read as
25 follows:

26 (2) (a) ~~The~~ A local option tax may be repealed or the
27 rate of the local vehicle tax increased or decreased or the
28 ~~use thereof~~ of a local option tax changed after an election at
29 which a majority of those voting on the question of repeal or
30 rate or use change ~~favored~~ favours the repeal or rate or use
31 change.

32 (b) The date on which the repeal, rate, or use change is
33 to take effect shall not be earlier than ninety days following
34 the election. The election at which the question of repeal
35 or rate or use change is offered shall be called and held in

1 the same manner and under the same conditions as provided in
2 subsections 4 and 5 for the election on the imposition of the
3 local option tax. However, in the case of a local sales and
4 services tax where the tax has not been imposed countywide, the
5 question of repeal or imposition ~~or rate~~ or use change shall
6 be voted on only by the registered voters of the areas of the
7 county where the tax has been imposed or has not been imposed,
8 as appropriate.

9 (c) However, the The governing body of the ~~incorporated~~
10 ~~area~~ city or unincorporated area where the local sales and
11 services tax is imposed may, upon its own motion, request the
12 county commissioner of elections to hold an election in the
13 ~~incorporated~~ city, or portion thereof located in the county,
14 or unincorporated area, as appropriate, on the question of the
15 change in use of local sales and services tax revenues. The
16 election may be held at any time but not sooner than sixty days
17 following publication of the ballot proposition. If a majority
18 of those voting in the ~~incorporated~~ city, or portion thereof
19 located in the county, or unincorporated area on the change in
20 use favors the change, the governing body of that area shall
21 change the use to which the revenues shall be used. The ballot
22 proposition shall list the present use of the revenues, the
23 proposed use, and the date after which revenues received will
24 be used for the new use.

25 (3) When submitting the question of the imposition of a
26 local sales and services tax, the ~~county~~ board of supervisors
27 or if the election is initiated under subsection 4, paragraph
28 "a", subparagraph (3), or subsection 4, paragraph "b",
29 subparagraph (2), the governing board of a city, may direct
30 that the question contain a provision for the repeal, without
31 election, of the local sales and services tax on a specific
32 date, which date shall be as provided in section 423B.6,
33 subsection 1.

34 Sec. 236. Section 423B.1, subsection 7, paragraph b, Code
35 2018, is amended to read as follows:

1 *b.* Costs of local option tax elections shall be apportioned
2 among jurisdictions within the county voting on the question
3 at the same election on a pro rata basis in proportion to the
4 number of registered voters in each taxing jurisdiction voting
5 on the question and the total number of registered voters in
6 all of the taxing jurisdictions voting on the question.

7 Sec. 237. Section 423B.1, subsection 8, Code 2018, is
8 amended by striking the subsection.

9 Sec. 238. Section 423B.1, subsections 9 and 10, Code 2018,
10 are amended to read as follows:

11 9. *a.* In a county that has imposed a local option sales and
12 services tax, the board of supervisors shall, notwithstanding
13 any contrary provision of this chapter, repeal the local
14 option sales and services tax in the unincorporated areas or
15 in an incorporated city area in which the tax has been imposed
16 upon adoption of ~~its~~ the board's own motion for repeal in the
17 unincorporated areas or upon receipt of a motion adopted by
18 the governing body of that incorporated city area requesting
19 repeal. The board of supervisors shall repeal the local
20 option sales and services tax effective on the ~~later of the~~
21 ~~date of the adoption of the repeal motion or the~~ earliest date
22 specified in section 423B.6, subsection 1, following adoption
23 of the motion. For purposes of this subsection paragraph,
24 incorporated city area includes an incorporated city which is
25 contiguous to another incorporated city.

26 *b.* If imposition of the local option sales and services tax
27 is initiated under subsection 4, paragraph "a", subparagraph
28 (3), or subsection 4, paragraph "b", subparagraph (2),
29 notwithstanding any contrary provision of this chapter, the
30 board of supervisors may repeal the local sales and services
31 tax in a city, or portion thereof located in the county, upon
32 receipt of a motion adopted by the governing board of the city
33 requesting the repeal. The board of supervisors shall repeal
34 the local sales and services tax effective on the earliest date
35 specified in section 423B.6, subsection 1, following adoption

1 of the motion.

2 10. Notwithstanding [subsection 9](#) or any other contrary
3 provision of [this chapter](#), a local option sales and services
4 tax shall not be repealed ~~or reduced in rate~~ if obligations are
5 outstanding which are payable as provided in [section 423B.9](#),
6 unless funds sufficient to pay the principal, interest, and
7 premium, if any, on the outstanding obligations at and prior
8 to maturity have been properly set aside and pledged for that
9 purpose.

10 Sec. 239. Section 423B.5, subsections 1 and 4, Code 2018,
11 are amended to read as follows:

12 1. A local sales and services tax ~~at the rate of not more~~
13 ~~than one percent~~ may be imposed by a county on the sales price
14 taxed by the state under [chapter 423, subchapter II](#). A local
15 sales and services tax shall be imposed on the same basis as
16 the state sales and services tax or in the case of the use of
17 natural gas, natural gas service, electricity, or electric
18 service on the same basis as the state use tax and shall not
19 be imposed on the sale of any property or on any service not
20 taxed by the state, except the tax shall not be imposed on
21 the sales price from the sale of motor fuel or special fuel
22 as defined in [chapter 452A](#) which is consumed for highway use
23 or in watercraft or aircraft if the fuel tax is paid on the
24 transaction and a refund has not or will not be allowed,
25 on the sales price from the sale of equipment by the state
26 department of transportation, or on the sales price from the
27 sale or use of natural gas, natural gas service, electricity,
28 or electric service in a city or county where the sales price
29 from the sale of natural gas or electric energy is subject to
30 a franchise fee or user fee during the period the franchise
31 or user fee is imposed. A local sales and services tax is
32 applicable to transactions within those ~~incorporated~~ cities
33 and unincorporated areas of the county where it is imposed and
34 shall be collected by all persons required to collect state
35 sales taxes. ~~All cities contiguous to each other shall be~~

1 ~~treated as part of one incorporated area and the tax would be~~
2 ~~imposed in each of those contiguous cities only if the majority~~
3 ~~of those voting in the total area covered by the contiguous~~
4 ~~cities favors its imposition. In the case of a local sales and~~
5 ~~services tax submitted to the registered voters of two or more~~
6 ~~contiguous counties as provided in section 423B.1, subsection~~
7 ~~4, paragraph "c", all cities contiguous to each other shall be~~
8 ~~treated as part of one incorporated area, even if the corporate~~
9 ~~boundaries of one or more of the cities include areas of more~~
10 ~~than one county, and the tax shall be imposed in each of those~~
11 ~~contiguous cities only if a majority of those voting on the~~
12 ~~tax in the total area covered by the contiguous cities favored~~
13 ~~its imposition. However, a local sales and services tax is~~
14 not applicable to transactions sourced under chapter 423 to a
15 place of business, as defined in section 423.1, of a retailer
16 if such place of business is located in part within a city or
17 unincorporated area of the county where the tax is not imposed.

18 4. If a local sales and services tax is imposed by a county
19 pursuant to [this chapter](#), a local excise tax at the same rate
20 shall be imposed by the county on the purchase price of natural
21 gas, natural gas service, electricity, or electric service
22 subject to tax under [chapter 423, subchapter III](#), and not
23 exempted from tax by any provision of chapter 423, subchapter
24 III. The local excise tax is applicable only to the use of
25 natural gas, natural gas service, electricity, or electric
26 service within those ~~incorporated~~ cities and unincorporated
27 areas of the county where it is imposed and, except as
28 otherwise provided in [this chapter](#), shall be collected and
29 administered in the same manner as the local sales and services
30 tax. For purposes of [this chapter](#), "*local sales and services*
31 *tax*" shall also include the local excise tax.

32 Sec. 240. Section 423B.6, subsection 1, paragraph c, Code
33 2018, is amended to read as follows:

34 *c.* The imposition of ~~or a rate change for~~ a local sales and
35 services tax shall not be applied to purchases from a printed

1 catalog wherein a purchaser computes the local tax based on
2 rates published in the catalog unless a minimum of one hundred
3 twenty days' notice of the imposition ~~or rate change~~ has been
4 given to the seller from the catalog and the first day of a
5 calendar quarter has occurred on or after the one hundred
6 twentieth day.

7 Sec. 241. Section 423B.7, subsection 1, Code 2018, is
8 amended to read as follows:

9 1. *a.* Except as provided in ~~paragraph~~ paragraphs "b" and
10 "c", the director shall credit the local sales and services
11 tax receipts and interest and penalties from a county-imposed
12 tax to the county's account in the local sales and services
13 tax fund ~~and from a city-imposed tax under section 423B.1,~~
14 ~~subsection 2, to the city's account in the local sales~~
15 ~~and services tax fund~~ for the county in which the tax was
16 collected. If the director is unable to determine from which
17 county any of the receipts were collected, those receipts shall
18 be allocated among the possible counties based on allocation
19 rules adopted by the director.

20 *b.* ~~Notwithstanding paragraph "a",~~ The director shall
21 credit the designated amount of the increase in local sales
22 and services tax receipts, as computed in section 423B.10,
23 collected in an urban renewal area of an eligible city that has
24 adopted an ordinance pursuant to section 423B.10, subsection
25 2, into a special city account in the local sales and services
26 tax fund.

27 *c.* The director shall credit the local sales and services
28 tax receipts and interest and penalties from a city-imposed tax
29 under section 423B.1, subsection 2, to the city's account in
30 the local sales and services tax fund.

31 Sec. 242. Section 423B.7, subsection 7, Code 2018, is
32 amended to read as follows:

33 7. *a.* ~~Local~~ Subject to the requirement of paragraph "b",
34 local sales and services tax moneys received by a city or
35 county may be expended for any lawful purpose of the city or

1 county.

2 b. Each city located in whole or in part in a qualified
3 county and each qualified county for the unincorporated area
4 for which the imposition of the local sales and services tax
5 in the city or portion thereof or the unincorporated area,
6 as applicable, was approved at election on or after January
7 1, 2019, shall use not less than fifty percent of the moneys
8 received from the qualified county's account in the local sales
9 and services tax fund for property tax relief.

10 Sec. 243. Section 423B.8, subsection 1, paragraph a, Code
11 2018, is amended to read as follows:

12 a. The goods, wares, or merchandise are incorporated into
13 an improvement to real estate in fulfillment of a written
14 contract fully executed prior to the date of the imposition ~~or~~
15 ~~increase in rate~~ of a local sales and services tax under this
16 chapter. The refund shall not apply to equipment transferred
17 in fulfillment of a mixed construction contract.

18 Sec. 244. IMPLEMENTATION. This division of this Act shall
19 not affect the imposition of local option taxes in effect on
20 the effective date of this division of this Act and such taxes
21 shall continue to be imposed until their repeal pursuant to
22 chapter 423B. The law regarding repeal in effect at the time
23 of the repeal governs the repeal of the local option taxes.

24 Sec. 245. EFFECTIVE DATE. This division of this Act takes
25 effect January 1, 2019.

26 DIVISION XIII

27 HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX
28 CHANGES

29 Sec. 246. Section 423A.2, subsection 1, Code 2018, is
30 amended to read as follows:

31 1. For the purposes of **this chapter**, unless the context
32 otherwise requires:

33 a. "Affiliate" means the same as defined in section 423.1.

34 ~~a.~~ b. "Department" means the department of revenue.

35 ~~b.~~ "Lessor" means any person engaged in the business of

1 ~~renting lodging to users.~~

2 c. "Facilitate" or "facilitation" includes brokering,
3 coordinating, or in any way arranging for the rental of lodging
4 by users.

5 d. "Facilitation fee" means any consideration, by whatever
6 name called, that a lodging facilitator or lodging platform
7 charges to a user for facilitating the user's rental of
8 lodging. "Facilitation fee" does not include any commission
9 a lodging provider pays to a lodging facilitator or a lodging
10 platform for facilitating the rental of lodging.

11 ~~e.~~ e. "Lodging" means rooms, apartments, or sleeping
12 quarters in a hotel, motel, inn, public lodging house, rooming
13 house, cabin, apartment, residential property, or manufactured
14 or mobile home which is tangible personal property, or in a
15 tourist court, or in any place where sleeping accommodations
16 are furnished to transient guests for rent, whether with or
17 without meals. Lodging does not include conference, meeting,
18 or banquet rooms that are not used for or offered as part of
19 sleeping accommodations.

20 f. "Lodging facilitator" means a person or any affiliate of
21 a person, other than a lodging provider or a lodging platform,
22 that facilitates the renting of lodging and collects or
23 processes the sales price charged to the user.

24 g. "Lodging platform" means a person or any affiliate of
25 a person, other than a lodging provider, that facilitates the
26 renting of lodging by doing all of the following:

27 (1) The person or an affiliate of the person owns, operates,
28 or controls a lodging marketplace that allows a lodging
29 provider who is not an affiliate of the person to offer or
30 list lodging for rent on the marketplace. For purposes of
31 this subparagraph, it is immaterial whether or not the lodging
32 provider has a tax permit under this chapter or in what manner
33 the lodging is classified for property tax or zoning purposes.

34 (2) The person or an affiliate of the person collects or
35 processes the sales price charged to the user.

1 h. "Lodging provider" means any of the following:

2 (1) A person or any affiliate of a person that owns,
3 operates, or manages lodging and makes the lodging available
4 for rent through the person or any affiliate, or through a
5 lodging platform or a lodging facilitator.

6 (2) A person or any affiliate of a person who possesses or
7 acquires a right to or interest in any lodging with an intent
8 to rent the lodging to another person through the person or
9 any affiliate, or through a lodging platform or a lodging
10 facilitator.

11 ~~d.~~ i. "Person" means the same as the term is defined in
12 section 423.1.

13 ~~e.~~ j. "Renting", "rental", or "rent" means a transfer
14 of use, possession, or control of lodging for a fixed or
15 indeterminate term for consideration and includes any kind of
16 direct or indirect charge for such lodging or its use.

17 ~~f.~~ k. "Sales price" means the all consideration charged
18 for the renting and facilitation of renting of lodging and
19 means the same as the term is defined in [section 423.1](#) before
20 taxes, including but not limited to facilitation fees, cleaning
21 fees, linen fees, towel fees, nonrefundable deposits, and any
22 other direct or indirect charge made or consideration provided
23 in connection with the renting and facilitation of renting of
24 lodging.

25 ~~g.~~ l. "User" means a person to whom lodging is rented.

26 Sec. 247. Section 423A.3, Code 2018, is amended to read as
27 follows:

28 **423A.3 State-imposed hotel and motel tax.**

29 A tax of five percent is imposed upon the sales price for
30 the renting of any lodging if the ~~renting occurs~~ lodging is
31 located in this state. The tax shall be collected ~~by any~~
32 ~~lessor of lodging from the user of that lodging and remitted~~
33 as provided in section 423A.5A. ~~The lessor shall add the tax~~
34 ~~to the sales price of the lodging, and the state-imposed tax,~~
35 ~~when collected, shall be stated as a distinct item, separate~~

1 ~~and apart from the sales price of the lodging and the local tax~~
2 ~~imposed, if any, under section 423A.4.~~

3 Sec. 248. Section 423A.4, Code 2018, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 5. The locally imposed hotel and motel tax
6 shall be collected and remitted as provided in section 423A.5A.

7 Sec. 249. Section 423A.5, Code 2018, is amended to read as
8 follows:

9 **423A.5 Exemptions.**

10 ~~1.~~ There are exempted from the provisions of this chapter
11 and from the computation of any amount of tax imposed by
12 ~~section 423A.3~~ this chapter all of the following:

13 ~~a.~~ 1. The sales price from the renting of lodging which is
14 rented by the same person for a period of more than thirty-one
15 consecutive days.

16 ~~b.~~ 2. The sales price from the renting of sleeping rooms
17 in dormitories ~~and in memorial unions~~ at all universities and
18 colleges located in the state of Iowa.

19 ~~2.~~ ~~There is exempted from the provisions of this chapter and~~
20 ~~from the computation of any amount of tax imposed by section~~
21 ~~423A.4 all of the following:~~

22 ~~a.~~ ~~The sales price from the renting of lodging or rooms~~
23 ~~exempt under subsection 1.~~

24 ~~b.~~ 3. The sales price of lodging furnished to the guests of
25 a religious institution if the property is exempt under section
26 427.1, subsection 8, and the purpose of renting is to provide a
27 place for a religious retreat or function and not a place for
28 transient guests generally.

29 Sec. 250. NEW SECTION. **423A.5A Collection and remittance**
30 **of hotel and motel tax.**

31 1. For purposes of this section:

32 *a.* "Discount room charge" means the amount a lodging
33 provider charges a lodging facilitator for lodging, excluding
34 any applicable tax.

35 *b.* "Travel package" means lodging bundled with one or more

1 separate components such as air transportation, car rental, or
2 similar items and charged for a single retail price.

3 2. This section shall govern the collection and remittance
4 of all taxes imposed under this chapter.

5 3. Unless otherwise provided in this section, the
6 state-imposed tax under section 423A.3 and any locally
7 imposed tax under section 423A.4 shall be collected by the
8 lodging provider from the user of that lodging and shall be
9 remitted to the department. The lodging provider shall add
10 the state-imposed tax to the sales price of the lodging and
11 the tax, when collected, shall be stated as a distinct item,
12 separate and apart from the sales price of the lodging and from
13 the locally imposed tax, if any. The lodging provider shall
14 add the locally imposed tax, if any, to the sales price of
15 the lodging and the tax, when collected, shall be stated as a
16 distinct item, separate and apart from the sales price of the
17 lodging and from the state-imposed tax.

18 4. If a transaction for the rental of lodging involves a
19 lodging facilitator, all of the following shall occur in the
20 order prescribed:

21 a. The lodging facilitator shall collect the taxes imposed
22 under this chapter on any sales price that the user pays to the
23 lodging facilitator in the same manner as a lodging provider
24 under subsection 3.

25 b. (1) Unless otherwise required by rule or order of the
26 department, the lodging facilitator shall remit to the lodging
27 provider that portion of the taxes collected on the sales price
28 that represents the discount room charge.

29 (2) No assessment shall be made against a lodging
30 facilitator for tax due on a discount room charge if the
31 lodging facilitator collected the tax and remitted it to a
32 lodging provider that has a valid tax permit required under
33 this chapter. This subparagraph shall not apply if the lodging
34 facilitator and lodging provider are affiliates, or if the
35 department requires the lodging facilitator to remit taxes

1 collected on that portion of the sales price that represents
2 the discount room charge directly to the department.

3 *c.* The lodging facilitator shall remit any remaining tax it
4 collected to the department.

5 *d.* (1) The lodging provider shall collect and remit to the
6 department any taxes the lodging facilitator remitted to the
7 lodging provider, and shall collect and remit to the department
8 any taxes due on any amount of sales price the user paid to the
9 lodging provider.

10 (2) No assessment shall be made against a lodging provider
11 for any tax due on a discount room charge that was not remitted
12 to the lodging provider by a lodging facilitator. This
13 subparagraph shall not apply if the lodging provider and
14 lodging facilitator are affiliates.

15 *e.* Notwithstanding any other provision of this section
16 to the contrary, if a lodging facilitator and its affiliates
17 facilitate total rentals under this chapter and chapter
18 423C that are equal to or less than an aggregate amount of
19 sales price and rental price of ten thousand dollars for an
20 immediately preceding calendar year or a current calendar year,
21 or in ten or fewer separate transactions for an immediately
22 preceding calendar year or a current calendar year, the lodging
23 facilitator shall not be required to collect tax on the amount
24 of sales price that represents the lodging facilitator's
25 facilitation fee.

26 5. If a transaction for the rental of lodging involves a
27 lodging platform, the lodging platform shall collect and remit
28 the taxes imposed under this chapter in the same manner as a
29 lodging provider under subsection 3.

30 6. If a transaction for the rental of lodging is part of a
31 travel package, the portion of the total price that represents
32 the sales price for the rental of lodging may be determined by
33 the person required under this section to collect the taxes
34 from the person's books and records that are kept in the
35 regular course of business including but not limited to books

1 and records kept for non-tax purposes.

2 Sec. 251. Section 423A.6, subsection 4, Code 2018, is
3 amended to read as follows:

4 4. Section 422.25, subsection 4, sections 422.30, 422.67,
5 and 422.68, section 422.69, subsection 1, sections 422.70,
6 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
7 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,
8 423.35, 423.37 through 423.42, and 423.47, consistent with the
9 provisions of this chapter, apply with respect to the taxes
10 authorized under this chapter, in the same manner and with the
11 same effect as if the state and local hotel and motel taxes
12 were retail sales taxes within the meaning of those statutes.
13 Notwithstanding this subsection, the director shall provide
14 for quarterly filing of returns and for other than quarterly
15 filing of returns both as prescribed in section 423.31. The
16 director may require all persons who are engaged in the
17 business of deriving any sales price subject to tax under this
18 chapter to register with the department. All taxes collected
19 under this chapter by a retailer, lodging provider, lodging
20 facilitator, lodging platform, or any individual other person
21 are deemed to be held in trust for the state of Iowa and the
22 local jurisdictions imposing the taxes.

23 Sec. 252. Section 423C.2, Code 2018, is amended to read as
24 follows:

25 **423C.2 Definitions.**

26 For purposes of this chapter, unless the context otherwise
27 requires:

28 1. "Affiliate" means the same as defined in section 423.1.

29 ~~1.~~ 2. "Automobile" means a motor vehicle subject to
30 registration in any state designed primarily for carrying
31 nine passengers or less, excluding motorcycles and motorized
32 bicycles.

33 3. "Automobile provider" means any of the following:

34 a. A person or any affiliate of a person that owns or
35 controls an automobile and makes the automobile available for

1 rent through the person or any affiliate, or through a rental
2 platform or rental facilitator.

3 b. A person or any affiliate of a person who possesses or
4 acquires a right or interest in any automobile with an intent
5 to rent the automobile to another person through the person
6 or any affiliate, or through a rental platform or a rental
7 facilitator.

8 ~~2.~~ 4. "Department" means the department of revenue.

9 ~~3. "Lessor" means a person engaged in the business of~~
10 ~~renting automobiles to users. "Lessor" includes a motor vehicle~~
11 ~~dealer licensed pursuant to [chapter 322](#) who rents automobiles~~
12 ~~to users. For this purpose, the objective of making a profit~~
13 ~~is not necessary to make the renting activity a business.~~

14 5. "Facilitate" or "facilitation" includes brokering,
15 coordinating, or in any way arranging for the rental of
16 automobiles by users.

17 6. "Facilitation fee" means any consideration, by whatever
18 name called, that a rental facilitator or a rental platform
19 charges to a user for facilitating the user's rental of an
20 automobile. "Facilitation fee" does not include any commission
21 an automobile provider pays to a rental facilitator or a rental
22 platform for facilitating the rental of an automobile.

23 ~~4.~~ 7. "Person" means person as defined in [section 423.1](#).

24 ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer
25 of the use, control, or possession or right to use, control,
26 or possession of an automobile to a user for a valuable
27 consideration for a period of sixty days or less.

28 9. "Rental facilitator" means a person or any affiliate of a
29 person, other than an automobile provider or a rental platform,
30 that facilitates the renting of an automobile and collects or
31 processes the rental price charged to the user.

32 10. "Rental platform" means a person or any affiliate of a
33 person, other than an automobile provider, that facilitates the
34 renting of an automobile by doing all of the following:

35 a. The person or an affiliate of the person owns, operates,

1 or controls an automobile rental marketplace that allows an
2 automobile provider who is not an affiliate of the person to
3 offer or list an automobile for rent on the marketplace. For
4 purposes of this paragraph, it is immaterial whether or not
5 the automobile provider has a tax permit under this chapter or
6 chapter 423 or whether the automobile is owned by a natural
7 person or by a business entity.

8 b. The person or an affiliate of the person collects or
9 processes the rental price charged to the user.

10 ~~6.~~ 11. "Rental price" means the all consideration charged
11 for the renting and facilitation of renting of an automobile
12 valued in money, and means the same as "sales price" as
13 defined in ~~section 423.1~~ before taxes, including but not
14 limited to facilitation fees, reservation fees, services fees,
15 nonrefundable deposits, and any other direct or indirect charge
16 made or consideration provided in connection with the renting
17 or facilitation of renting of an automobile.

18 ~~7.~~ 12. "User" means a person to whom the possession or
19 the right to possession of an automobile is transferred for
20 a period of sixty days or less for a valuable consideration
21 which is paid by the user or by another person an automobile is
22 rented.

23 Sec. 253. Section 423C.3, Code 2018, is amended to read as
24 follows:

25 **423C.3 Tax on rental of automobiles — collection and**
26 **remittance of tax.**

27 1. For purposes of this section:

28 a. "Discount rental charge" means the amount an automobile
29 provider charges to a rental facilitator for the rental of an
30 automobile, excluding any applicable tax.

31 b. "Travel package" means an automobile rental bundled
32 with one or more separate components such as lodging, air
33 transportation, or similar items and charged for a single
34 retail price.

35 ~~1.~~ 2. A tax of five percent is imposed upon the rental

1 price of an automobile if the rental transaction is subject to
2 the sales and services tax under [chapter 423, subchapter II](#), or
3 the use tax under [chapter 423, subchapter III](#). The tax shall
4 not be imposed on any rental transaction not taxable under the
5 state sales and services tax, as provided in [section 423.3](#), or
6 the state use tax, as provided in [section 423.6](#), on automobile
7 rental receipts.

8 ~~2.~~ 3. The lessor This subsection shall govern the
9 collection and remittance of the tax imposed under subsection
10 2.

11 a. Unless otherwise provided in this subsection, the
12 automobile provider shall collect the tax by adding the tax to
13 the rental price of the automobile.

14 ~~3.~~ The and the tax, when collected, shall be stated as a
15 distinct item separate and apart from the rental price of the
16 automobile and the sales and services tax imposed under chapter
17 423, subchapter II, or the use tax imposed under chapter 423,
18 subchapter III.

19 b. If a transaction for the rental of an automobile involves
20 a rental facilitator, all of the following shall occur in the
21 order prescribed:

22 (1) The rental facilitator shall collect the tax on any
23 rental price that the user pays to the rental facilitator in
24 the same manner as an automobile provider under paragraph "a".

25 (2) (a) Unless otherwise required by rule or order of
26 the department, the rental facilitator shall remit to the
27 automobile provider that portion of the tax collected on the
28 rental price that represents the discount rental charge.

29 (b) No assessment shall be made against a rental facilitator
30 for tax due on a discount rental charge if the rental
31 facilitator collected the tax and remitted it to an automobile
32 provider that has a valid tax permit required under this
33 chapter or under chapter 423. This subparagraph division shall
34 not apply if the rental facilitator and automobile provider
35 are affiliates, or if the department requires the rental

1 facilitator to remit taxes collected on that portion of the
2 sales price that represents the discount rental charge directly
3 to the department.

4 (3) The rental facilitator shall remit any remaining tax it
5 collected to the department.

6 (4) (a) The automobile provider shall collect and remit
7 to the department any taxes the rental facilitator remitted to
8 the automobile provider, and shall collect and remit to the
9 department any taxes due on any amount of rental price the user
10 paid to the automobile provider.

11 (b) No assessment shall be made against an automobile
12 provider for any tax due on a discount rental charge that
13 was not remitted to the automobile provider by a rental
14 facilitator. This subparagraph division shall not apply if the
15 automobile provider and the rental facilitator are affiliates.

16 (5) Notwithstanding any other provision of this paragraph
17 to the contrary, if a rental facilitator and its affiliates
18 facilitate total rentals under this chapter and chapter
19 423A that are equal to or less than an aggregate amount of
20 rental price and sales price of ten thousand dollars for an
21 immediately preceding calendar year or a current calendar year,
22 or in ten or fewer separate transactions for an immediately
23 preceding calendar year or a current calendar year, the
24 rental facilitator shall not be required to collect tax on the
25 amount of sales price that represents the rental facilitator's
26 facilitation fee.

27 c. (1) If a transaction for the rental of an automobile
28 involves a rental platform, other than a rental platform
29 described in subparagraph (2), the rental platform shall
30 collect and remit the tax imposed under this chapter in the
31 same manner as an automobile provider under paragraph "a".

32 (2) A rental platform is not required to collect and remit
33 the tax imposed under this chapter in the same manner as an
34 automobile provider under paragraph "a" if the rental platform
35 meets all of the following requirements:

1 (a) The only sales the rental platform and its affiliates
2 facilitate that are subject to tax under chapter 423 are sales
3 of a transportation service under section 423.2, subsection 6,
4 paragraph "bf", or section 423.5, subsection 1, paragraph "e",
5 consisting of the rental of vehicles subject to registration
6 which are registered for a gross weight of thirteen tons or
7 less for a period of sixty days or less.

8 (b) The rental platform operates a peer-to-peer automobile
9 sharing marketplace.

10 (3) For any rental transaction for which the rental platform
11 is required to or elects to collect and remit the tax under
12 this chapter, the rental platform shall also be liable for the
13 collection and remittance of any sales or use tax due on that
14 transaction under section 423.2, subsection 6, paragraph "bf",
15 or section 423.5, subsection 1, paragraph "e", notwithstanding
16 any other provision to the contrary in chapter 423.

17 (4) For any rental transaction for which the rental platform
18 is not required to collect and remit the tax under this chapter
19 as provided under subparagraph (2), the automobile provider
20 shall be solely liable for any amount of uncollected or
21 unremitted tax under this chapter.

22 Sec. 254. LEGISLATIVE INTENT. It is the intent of the
23 general assembly that the provision of this division of this
24 Act amending the definition of "lodging" in section 423A.2,
25 subsection 1, is a conforming amendment consistent with
26 current state law, and that the amendment does not change the
27 application of current law but instead reflects current law
28 both before and after the enactment of this division of this
29 Act.

30 Sec. 255. EFFECTIVE DATE. Except as otherwise provided
31 in this division of this Act, this division of this Act takes
32 effect January 1, 2019.

33 Sec. 256. EFFECTIVE DATE. The following, being deemed of
34 immediate importance, take effect upon enactment:

35 1. The provision amending the definition of "lodging" in the

1 section of this division of this Act amending section 423A.2,
2 subsection 1.

3 2. The section of this division of this Act entitled
4 "legislative intent" which describes the intent of the general
5 assembly with respect to the amendment in this division of
6 this Act to the definition of "lodging" in section 423A.2,
7 subsection 1.