

**Senate File 2372 - Reprinted**

SENATE FILE 2372

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3154)

(As Amended and Passed by the Senate March 22, 2022)

**A BILL FOR**

1 An Act relating to state taxation and administration by  
2 modifying sales and use taxes, individual and corporate  
3 income taxes, the franchise tax, and the insurance premiums  
4 tax, and including effective date, applicability, and  
5 retroactive applicability provisions.

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

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DIVISION I

SALES AND USE TAX ON SERVICES AND EXEMPTIONS

Section 1. Section 423.2, subsection 6, paragraph bu, Code 2022, is amended to read as follows:

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

Sec. 2. Section 423.2, subsection 6, Code 2022, is amended by adding the following new paragraphs:

NEW PARAGRAPH. *bv.* Web hosting.

NEW PARAGRAPH. *bw.* Digital automated services.

NEW PARAGRAPH. *bx.* Scooter rentals.

Sec. 3. Section 423.2, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 13. The department shall adopt rules pursuant to chapter 17A to administer subsection 6, paragraphs *bu*, *bv*, and *bw*.

Sec. 4. Section 423.3, subsection 8, paragraph d, subparagraph (1), Code 2022, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (e) A specified digital product.

Sec. 5. Section 423.3, subsection 47, paragraph a, subparagraph (4), Code 2022, is amended by striking the subparagraph.

Sec. 6. Section 423.3, subsection 68, paragraph c, subparagraph (1), subparagraph division (a), Code 2022, is amended to read as follows:

(a) *Clothing* includes but is not limited to the following: aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; ~~diapers (children and adults, including disposable diapers)~~; earmuffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals;

1 scarves; shoes and shoelaces; slippers; sneakers; socks and  
2 stockings; steel-toed shoes; underwear; uniforms, athletic and  
3 nonathletic; and wedding apparel.

4 Sec. 7. Section 423.3, subsection 104, paragraph a, Code  
5 2022, is amended to read as follows:

6 a. The sales price of specified digital products and of  
7 prewritten computer software sold, and of enumerated services  
8 described in section 423.2, subsection 1, paragraph "a",  
9 subparagraph (5), or section 423.2, subsection 6, paragraphs  
10 "bq", "br", "bs", and "bu", "bv", and "bw" furnished, to a  
11 commercial enterprise for use exclusively by the commercial  
12 enterprise. The use of prewritten computer software, a  
13 specified digital product, or service fails to qualify as a  
14 use exclusively by the commercial enterprise if its use for  
15 noncommercial purposes is more than de minimis.

16 Sec. 8. Section 423.3, subsection 104, paragraph b,  
17 subparagraph (1), Code 2022, is amended to read as follows:

18 (1) "*Commercial enterprise*" means the same as defined in  
19 section 423.3, subsection 47, paragraph "d", subparagraph (1),  
20 ~~but also includes professions and occupations~~ and includes  
21 public utilities as defined in section 476.1, subsection 3.

22 Sec. 9. Section 423.3, Code 2022, is amended by adding the  
23 following new subsections:

24 NEW SUBSECTION. 108. The sales price from the sale of  
25 feminine hygiene products. For purposes of this subsection,  
26 "*feminine hygiene products*" means tampons, panty liners,  
27 menstrual cups, sanitary napkins, and other similar tangible  
28 personal property designed for feminine hygiene in connection  
29 with the human menstrual cycle.

30 NEW SUBSECTION. 109. The sales price from the sale of a  
31 child or adult diaper, whether cloth or disposable.

32 Sec. 10. Section 423.4, subsection 1, paragraph a, Code  
33 2022, is amended by adding the following new subparagraphs:

34 NEW SUBPARAGRAPH. (10) A nonprofit facility licensed by  
35 the state built on or after January 1, 2022, that provides

1 residential addiction recovery and emergency shelter services  
2 for children. For purposes of this subparagraph, "*children*"  
3 means the same as "*child*" as defined in section 234.1.

4 NEW SUBPARAGRAPH. (11) A fair as defined in section 174.1.  
5 Sec. 11. REFUNDS. Refunds of taxes, interest, or penalties  
6 which arise from claims resulting from the enactment of section  
7 423.4, subsection 1, paragraph "a", subparagraph (11), in this  
8 division of this Act, occurring between January 1, 2021, and  
9 the effective date of this section of this Act shall be limited  
10 to twenty-five thousand dollars in the aggregate, and shall not  
11 be allowed unless refund claims are filed by October 1, 2022,  
12 notwithstanding any other law to the contrary. If the amount  
13 of the claims totals more than twenty-five thousand dollars  
14 in the aggregate, the department of revenue shall prorate the  
15 twenty-five thousand dollars in the aggregate among all the  
16 claimants' in relation to the amounts of the claimants valid  
17 claims.

18 Sec. 12. EFFECTIVE DATE. Except as otherwise provided, this  
19 division of this Act takes effect January 1, 2023.

20 Sec. 13. EFFECTIVE DATE. The following takes effect January  
21 1, 2024:

22 The section of this division of this Act amending section  
23 423.3, subsection 47, paragraph "a", subparagraph (4).

24 Sec. 14. EFFECTIVE DATE. The following, being deemed of  
25 immediate importance, take effect upon enactment:

26 1. The section of this division of this Act enacting a  
27 provision allowing for refunds of taxes, interest, or penalties  
28 which arise from the enactment of section 423.4, subsection 1,  
29 paragraph "a", subparagraph (11).

30 2. The portion of the section of this division of this  
31 Act enacting section 423.4, subsection 1, paragraph "a",  
32 subparagraph (11).

33 Sec. 15. RETROACTIVE APPLICABILITY. The following apply  
34 retroactively to January 1, 2021:

35 1. The section of this division of this Act enacting a

1 provision allowing for refunds of taxes, interest, or penalties  
2 which arise from the enactment of section 423.4, subsection 1,  
3 paragraph "a", subparagraph (11).

4 2. The portion of the section of this division of this  
5 Act enacting section 423.4, subsection 1, paragraph "a",  
6 subparagraph (11).

7 DIVISION II

8 MANUFACTURED FOOD — SALES TAX EXEMPTION

9 Sec. 16. Section 423.3, subsection 49, Code 2022, is amended  
10 to read as follows:

11 49. a. The sales price from the sale of carbon dioxide  
12 in a liquid, solid, or gaseous form, electricity, steam, and  
13 other taxable services and the lease or rental of tangible  
14 personal property when used by a manufacturer ~~of food products~~  
15 to primarily produce marketable food products for human  
16 ~~consumption~~ food or food ingredients, including but not  
17 limited to treatment of material to change its form, context,  
18 or condition, in order to produce the food ~~product~~ or food  
19 ingredients, maintenance of quality or integrity of the  
20 food ~~product~~ or food ingredients, changing or maintenance of  
21 temperature levels necessary to avoid spoilage or to hold the  
22 food ~~product~~ or food ingredients in marketable condition,  
23 maintenance of environmental conditions necessary for the safe  
24 or efficient use of machinery and material used to produce  
25 the food ~~product~~ or food ingredients, sanitation and quality  
26 control activities, formation of packaging, placement into  
27 shipping containers, and movement of the material or food  
28 ~~product~~ or food ingredients until shipment from the building  
29 of manufacture.

30 b. For purposes of this subsection, "food or food  
31 ingredients" means the same as "food and food ingredients" as  
32 defined in subsection 57, paragraph "d", and includes tangible  
33 personal property that could be sold for ingestion or chewing  
34 by humans but is sold for another use.

35 Sec. 17. REFUNDS. Refunds of taxes, interest, or penalties

1 which arise from the enactment of this division of this Act,  
2 for sales or services occurring between January 1, 2019, and  
3 the effective date of this division of this Act, shall be  
4 limited to one hundred thousand dollars in the aggregate for  
5 any calendar year in which claims are eligible for a refund and  
6 shall not be allowed unless refund claims are filed by October  
7 1, 2022, notwithstanding any other law to the contrary. If the  
8 amount of claims totals more than one hundred thousand dollars  
9 in the aggregate for any calendar year in which claims are  
10 eligible for a refund, the department of revenue shall prorate  
11 the one hundred thousand dollars in the aggregate among all the  
12 claimants for that particular calendar year in relation to the  
13 amounts of the claimants' valid claims.

14 Sec. 18. EFFECTIVE DATE. This division of this Act, being  
15 deemed of immediate importance, takes effect upon enactment.

16 Sec. 19. RETROACTIVE APPLICABILITY. This division of this  
17 Act applies retroactively to January 1, 2019.

18 DIVISION III

19 NATIONAL GUARD PAY

20 Sec. 20. Section 422.7, Code 2022, is amended by adding the  
21 following new subsection:

22 NEW SUBSECTION. 42B. Subtract, to the extent included, up  
23 to twenty thousand dollars of pay received by the taxpayer for  
24 service pursuant to 32 U.S.C. §502.

25 Sec. 21. APPLICABILITY. This division of this Act applies  
26 to tax years beginning on or after January 1, 2023.

27 DIVISION IV

28 NET OPERATING LOSS DEDUCTION

29 Sec. 22. Section 422.7, unnumbered paragraph 1, Code 2022,  
30 is amended to read as follows:

31 The term "*net income*" means ~~the adjusted gross income before~~  
32 ~~the net operating loss deduction~~ taxable income as properly  
33 computed for federal income tax purposes under section 63  
34 of the Internal Revenue Code before the net operating loss  
35 deduction, with the following adjustments:

1     Sec. 23. Section 422.7, Code 2022, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION. 6. *a.* For tax years beginning in the 2023  
4 calendar year, subtract the amount of federal income taxes  
5 paid during the tax year to the extent payment is for a tax  
6 year beginning prior to January 1, 2023, and add any federal  
7 income tax refunds received during the tax year to the extent  
8 the federal income tax was deducted for a tax year beginning  
9 prior to January 1, 2023. Where married persons who have filed  
10 a joint federal income tax return file separately for state tax  
11 purposes, such total shall be divided between them according  
12 to the portion of the total paid by each. Federal income taxes  
13 paid for a tax year in which an Iowa return was not required to  
14 be filed shall not be subtracted.

15     *b.* Notwithstanding any other provision of law to the  
16 contrary, amounts subtracted or added pursuant to this  
17 subsection shall not be included in the calculation of net  
18 income for purposes of section 422.5, subsection 3 or 3B, or  
19 section 422.13.

20     *c.* This subsection is repealed January 1, 2028.

21     Sec. 24. Section 422.9, Code 2022, is amended by striking  
22 the section and inserting in lieu thereof the following:

23     **422.9 Carryforward of Iowa net operating loss — deduction.**

24     1. If, after applying all of the adjustments provided for in  
25 section 422.7 and the allocation provisions of section 422.8,  
26 and subject to the modifications provided in section 172(d)  
27 of the Internal Revenue Code, the taxable income results in  
28 a net operating loss, such Iowa net operating loss, if any,  
29 shall be carried forward and such carryforward amounts shall be  
30 available as a deduction under this subsection in future years.

31     2. The deduction allowed under subsection 1 shall be  
32 calculated by subtracting the sum of the following from net  
33 income:

34     *a.* The aggregate amount of net operating losses arising in  
35 taxable years beginning before January 1, 2023, carried to such

1 taxable year.

2     *b.* The lesser of the aggregate amount of net operating  
3 losses arising in taxable years beginning after December 31,  
4 2022, carried to such taxable year, or eighty percent of the  
5 excess of taxable income, if any, computed without regard to  
6 the deductions under this section and, to the extent included  
7 in the Iowa net income calculation, sections 199A and 250 of  
8 the Internal Revenue Code, over the amount determined under  
9 paragraph *a*.

10     Sec. 25. Section 422.35, subsection 11, Code 2022, is  
11 amended by striking the subsection and inserting in lieu  
12 thereof the following:

13     11. *a.* If, after applying all of the adjustments provided  
14 for in this section and the allocation and apportionment  
15 provisions of section 422.33, the Iowa taxable income results  
16 in a net operating loss, such Iowa net operating loss shall  
17 be carried forward and such carryforward amounts shall be  
18 available as a deduction under this subsection in future years.

19     *b.* For the current year subtract the sum of the following,  
20 to the extent available, any net operating loss carryforward  
21 amount as follows:

22         (1) The aggregate amount of net operating losses arising in  
23 taxable years beginning before January 1, 2023, carried to such  
24 taxable year.

25         (2) The lesser of the aggregate amount of net operating  
26 losses arising in taxable years beginning after December 31,  
27 2022, carried to such taxable year, or eighty percent of the  
28 excess of taxable income, if any, computed without regard to  
29 the deductions under this subsection to the extent included in  
30 the Iowa net income calculation, section 250 of the Internal  
31 Revenue Code, over the amount determined under subparagraph  
32 (1).

33     *c.* Any portion of a net operating loss which was sustained  
34 from that portion of the trade or business carried on outside  
35 the state of Iowa shall not be deducted.



1     *d.* The deductions described in this subsection are allowed  
2 subject to the requirement that a corporation affected by the  
3 allocation provisions of section 422.33 shall be permitted to  
4 deduct only that portion of the deductions for net operating  
5 loss that is fairly and equitably allocable to Iowa, under  
6 rules prescribed by the director.

7     Sec. 26. REPEAL. 2018 Iowa Acts, chapter 1161, sections  
8 108, 109, 120, 128, and 129, are repealed.

9     Sec. 27. EFFECTIVE DATE. This division of this Act takes  
10 effect January 1, 2023.

11     Sec. 28. APPLICABILITY. This division of this Act applies  
12 to tax years beginning on or after January 1, 2023.

13                                 DIVISION V

14                                 FRANCHISE TAX

15     Sec. 29. Section 422.63, Code 2022, is amended to read as  
16 follows:

17     **422.63 Amount of tax.**

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

28     2. a. For tax years beginning prior to January 1, 2023,  
29 five percent.

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

32     c. For tax years beginning on or after January 1, 2024, but  
33 before January 1, 2025, four and three-fifths percent.

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

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

3 f. For tax years beginning on or after January 1, 2027,  
4 three and nine-tenths percent.

5 DIVISION VI

6 INSURANCE PREMIUMS TAX

7 Sec. 30. Section 432.1, subsection 2, Code 2022, is amended  
8 to read as follows:

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

11 a. For calendar years beginning before the 2003 calendar  
12 year, two percent.

13 b. For the 2003 calendar year, one and three-fourths  
14 percent.

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

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

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

19 f. For the 2023 calendar year, ninety-five hundredths of one  
20 percent.

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

23 Sec. 31. Section 432.1, subsection 4, Code 2022, is amended  
24 to read as follows:

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

27 a. For calendar years beginning before the 2004 calendar  
28 year, two percent.

29 b. For the 2004 calendar year, one and three-fourths  
30 percent.

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

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

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

35 f. For the 2023 calendar year, ninety-five hundredths of one

1 percent.

2 g. For the 2024 and subsequent calendar years, nine-tenths

3 of one percent.