

CHAPTER 1161

STATE AND LOCAL TAXATION, REVENUE, AND FINANCE

S.F. 2417

AN ACT relating to state and local revenue and finance by modifying the individual and corporate income taxes, the franchise tax, tax credits, the sales and use taxes and local option sales tax, the hotel and motel excise tax, the automobile rental excise tax, the Iowa educational savings plan trust, providing for other properly related matters, making penalties applicable, and including immediate and contingent effective date and retroactive and other applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

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 with [section 421.60, subsection 2, paragraph "e"](#). In lieu of claiming a refund, a taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following taxable year.

Sec. 5. [Section 422.16, subsection 9](#), Code 2018, is amended to read as follows:

9. The amount of any overpayment of the individual income tax liability of the employee taxpayer, nonresident, or other person which may result from the withholding and payment of withheld tax by the employer or withholding agent to the department under [subsections 1 and 12](#), as compared to the individual income tax liability of the employee taxpayer, nonresident, or other person properly and correctly determined under the provisions of [section 422.4](#), to and including [section 422.25](#), may be credited against any income tax or installment thereof then due the state of Iowa and any balance of one dollar or more shall be refunded to the employee taxpayer, nonresident, or other person with interest ~~at the rate in effect under [section 421.7](#) for each month or fraction of a month, the interest to begin to accrue on the first day of the second calendar month following the date the return was due to be filed or was filed, whichever is the later date~~ in accordance with [section 421.60, subsection 2, paragraph](#)

“e”. Amounts less than one dollar shall be refunded to the taxpayer, nonresident, or other person only upon written application, in accordance with [section 422.73](#), and only if the application is filed within twelve months after the due date of the return. Refunds in the amount of one dollar or more provided for by [this subsection](#) shall be paid by the treasurer of state by warrants drawn by the director of the department of administrative services, or an authorized employee of the department, and the taxpayer’s return of income shall constitute a claim for refund for this purpose, except in respect to amounts of less than one dollar. There is appropriated, out of any funds in the state treasury not otherwise appropriated, a sum sufficient to carry out the provisions of [this subsection](#).

Sec. 6. [Section 422.25, subsection 3](#), Code 2018, is amended to read as follows:

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

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

Sec. 7. [Section 422.28](#), Code 2018, is amended to read as follows:

422.28 Revision of tax.

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

Sec. 8. [Section 422.33, subsection 5](#), paragraph f, Code 2018, is amended to read as follows:

f. 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 taxable year.

Sec. 9. [Section 422.33, subsection 9](#), paragraph a, Code 2018, is amended to read as follows:

a. The taxes imposed under [this division](#) shall be reduced by an assistive device tax credit. A small business purchasing, renting, or modifying an assistive device or making workplace modifications for an individual with a disability who is employed or will be employed by the

small business is eligible, subject to availability of credits, to receive this assistive device tax credit which is equal to fifty percent of the first five thousand dollars paid during the tax year for the purchase, rental, or modification of the assistive device or for making the workplace modifications. Any credit in excess of the tax liability 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 the taxpayer's final, completed return credited to the tax liability for the following tax year. If the small business elects to take the assistive device tax credit, the small business shall not deduct for Iowa tax purposes any amount of the cost of an assistive device or workplace modifications which is deductible for federal income tax purposes.

Sec. 10. [Section 422.91](#), Code 2018, is amended to read as follows:

422.91 Credit for estimated tax.

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

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

Sec. 11. [Section 423.4, subsection 1](#), paragraph c, Code 2018, is amended to read as follows:

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

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

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

Sec. 13. [Section 450.94, subsection 3](#), Code 2018, is amended to read as follows:

3. If the amount paid is greater than the correct tax, penalty, and interest due, the department shall refund the excess with interest. ~~Interest shall be computed at the rate in effect under section 421.7, under the rules prescribed by the director counting each fraction of a month as an entire month and the interest shall begin to accrue on the first day of the second calendar month following the date of payment or on the date the return was due to be filed or was filed, whichever is the latest~~ in accordance with [section 421.60, subsection 2, paragraph "e"](#). However, the director shall not allow a claim for refund or credit that has not been filed with the department within three years after the tax payment upon which a refund or credit is claimed became due, or one year after the tax payment was made, whichever time is later. A determination by the department of the amount of tax, penalty, and interest due, or the amount of refund for excess tax paid, is final unless the person aggrieved by the determination appeals to the director for a revision of the determination within sixty days from the date of the notice of determination of tax, penalty, and interest due or refund owing or unless the taxpayer contests the determination by paying the tax, interest, and penalty and timely filing a claim for refund. The director shall grant a hearing, and upon the hearing the director shall determine the correct tax, penalty, and interest or refund due, and notify the appellant of the decision by mail. The decision of the director is final unless the

appellant seeks judicial review of the director's decision under [section 450.59](#) within sixty days after the date of the notice of the director's decision.

Sec. 14. [Section 452A.65, subsection 1](#), Code 2018, is amended to read as follows:

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

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

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

DIVISION II TAX PENALTIES

Sec. 17. [Section 421.27, subsection 6](#), Code 2018, is amended to read as follows:

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

Sec. 18. [Section 425.29](#), Code 2018, is amended to read as follows:

425.29 False claim — penalty.

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

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

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

DIVISION III
MISCELLANEOUS TAX PROVISIONS

Sec. 21. [Section 34A.7B, subsection 13](#), Code 2018, is amended to read as follows:

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

Sec. 22. [Section 421.17, subsection 2](#), paragraph d, Code 2018, is amended to read as follows:

d. To facilitate uniformity and equalization of assessments throughout the state of Iowa and to facilitate transfers of funds to local governments, the director may use geographic information system technology and may require assessing authorities and local governments that have adopted compatible technology to provide information to the department electronically using electronic geographic information system file formats. The department of revenue shall act on behalf of political subdivisions and the state to deliver a consolidated response to the boundary and annexation survey and provide legal boundary geography data to the United States census bureau. The department shall coordinate with political subdivisions and the state to ensure that consistent, accurate, and integrated geography is provided to the United States census bureau. The office of the chief information officer shall provide geographic information system and technical support to the department to facilitate the exchange.

Sec. 23. [Section 421.19](#), Code 2018, is amended to read as follows:

421.19 Counsel.

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

2. If the department has information that indicates a taxpayer intentionally filed a false claim, affidavit, return, or other information with intent to evade tax or to obtain a refund, credit, or other benefit from the department, the department may notify federal, state, or local law enforcement and may disclose state returns, state return information, state investigative or audit information, or any other state information to such law enforcement, notwithstanding sections [422.20](#) and [422.72](#).

3. Notwithstanding sections [422.20](#) and [422.72](#), the department may disclose state returns, state return information, state investigative or audit information, or any other state information under [this section](#).

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

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

2. *No implied right of action.* Nothing in [this title](#) shall be construed as creating or providing an implied private right of action or any private common law claim against any taxpayer, or against any person required to collect any tax imposed under [this title](#), in any court, agency, or other adjudicative body, or in any other forum. [This subsection](#) shall not apply to or otherwise limit any claim, action, mandate, power, remedy, or discretion of the department, or an agent or designee of the department.

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

a. A taxpayer, or any person required to collect taxes imposed under [chapters 423, 423A, 423B, 423C, and 423D](#), and [chapter 423G](#), as enacted in 2018 Iowa Acts, Senate File 512, shall be immune from any private cause of action arising from or related to the overpayment

of taxes imposed under [chapters 423, 423A, 423B, 423C, and 423D](#), and [chapter 423G](#), as enacted in 2018 Iowa Acts, Senate File 512, that are collected and remitted to the department.

b. Nothing in [this subsection](#) shall apply to or otherwise limit any of the following:

(1) Any claim, action, mandate, power, remedy, or discretion of the department, or an agent or designee of the department.

(2) A taxpayer's right to seek a refund from the department related to taxes imposed under [chapters 423, 423A, 423B, 423C, and 423D](#), and [chapter 423G](#), as enacted in 2018 Iowa Acts, Senate File 512, that are collected from or paid by the taxpayer.

Sec. 25. [Section 423G.5, subsection 1](#), as enacted by 2018 Iowa Acts, Senate File 512,¹ section 15, is amended to read as follows:

1. The director of revenue shall administer the water service tax as nearly as possible in conjunction with the administration of the state sales and use tax law, except that portion of the law that implements the streamlined sales and use tax agreement. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting water service tax liability, and for ease of administration may require water service tax liability to be identified, reported, and remitted to the department as sales and use tax liability, provided the department has the ability to properly identify such amounts as water service tax revenues upon receipt.

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

a. For revenues ~~collected~~ reported on or after July 1, 2018, but before August 1, 2019, one-twelfth of the revenues to the water quality infrastructure fund created in [section 8.57B](#), and one-twelfth of the revenues to the water quality financial assistance fund created in [section 16.134A](#).

b. For revenues ~~collected~~ reported on or after August 1, 2019, but before August 1, 2020, one-sixth of the revenues to the water quality infrastructure fund created in [section 8.57B](#), and one-sixth of the revenues to the water quality financial assistance fund created in [section 16.134A](#).

c. For revenues ~~collected~~ reported on or after August 1, 2020, one-half of the revenues to the water quality financial assistance fund created in [section 16.134A](#).

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

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

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

2. The section of this division of this Act enacting [section 421.71](#).

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

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

¹ Chapter 1001 herein

² Chapter 1001 herein

DIVISION IV
TAX CREDITS

Sec. 30. [Section 15E.52, subsection 8](#), Code 2018, is amended to read as follows:

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

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

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

Sec. 32. [Section 422.10, subsection 1](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0a.* An individual shall only be eligible for the credit provided in [this section](#) if the business conducting the research meets all of the following requirements:

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

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

(i) A person engaged in agricultural production as defined in [section 423.1](#).

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

(iii) A finance or investment company.

(iv) A retailer.

(v) A wholesaler.

(vi) A transportation company.

(vii) A publisher.

(viii) An agricultural cooperative association as defined in [section 502.102](#).

(ix) A real estate company.

(x) A collection agency.

(xi) An accountant.

(xii) An architect.

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

Sec. 33. [Section 422.10, subsection 3](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0a.* For purposes of [this section](#), “*base amount*” means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.

Sec. 34. [Section 422.10, subsection 3](#), paragraph a, Code 2018, is amended to read as follows:

a. For purposes of [this section](#), “~~*base amount*~~”, “*basic research payment*”, and “*qualified research expense*” mean the same as defined for the federal credit for increasing research activities under section 41 of the Internal Revenue Code, except that for the alternative simplified credit such amounts are for research conducted within this state.

Sec. 35. [Section 422.11S, subsection 6](#), paragraph a, Code 2018, is amended to read as follows:

a. “*Eligible student*” means a student who is a member of a household whose total annual income during the calendar year before the student receives a tuition grant for purposes of [this section](#) does not exceed an amount equal to ~~three~~ four times the most recently published federal poverty guidelines in the federal register by the United States department of health and human services.

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

(2) “*Total approved tax credits*” means for the tax year beginning in the 2006 calendar year, two million five hundred thousand dollars, for the tax year beginning in the 2007 calendar year, five million dollars, for tax years beginning on or after January 1, 2008, but before January 1, 2012, seven million five hundred thousand dollars, for tax years beginning on or after January 1, 2012, but before January 1, 2014, eight million seven hundred fifty thousand dollars, and for tax years beginning on or after January 1, 2014, but before January 1, 2019, twelve million dollars, and for tax years beginning on or after January 1, 2019, thirteen million dollars.

Sec. 37. [Section 422.33, subsection 5](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0e.* A corporation shall only be eligible for the credit provided in [this subsection](#) if the business conducting the research meets all of the following requirements:

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

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

(i) A person engaged in agricultural production as defined in [section 423.1](#).

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

(iii) A finance or investment company.

(iv) A retailer.

(v) A wholesaler.

(vi) A transportation company.

(vii) A publisher.

(viii) An agricultural cooperative association as defined in [section 502.102](#).

(ix) A real estate company.

(x) A collection agency.

(xi) An accountant.

(xii) An architect.

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

Sec. 38. [Section 422.33, subsection 5](#), paragraph e, Code 2018, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (01) For purposes of [this section](#), “*base amount*” means the product of the fixed-based percentage times the average annual gross receipts of the taxpayer for the four taxable years preceding the taxable year for which the credit is being determined, but in no event shall the base amount be less than fifty percent of the qualified research expenses for the credit year.

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

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

Sec. 40. 2019 INTERIM TAX CREDIT STUDY.

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

2. The study committee shall consist of five members of the senate, three of whom shall be appointed by the majority leader of the senate and two of whom shall be appointed by the minority leader of the senate, and five members of the house of representatives, three of whom shall be appointed by the speaker of the house of representatives and two of whom shall be appointed by the minority leader of the house of representatives.

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

Sec. 41. LEGISLATIVE INTENT. It is the intent of the general assembly that the provisions of this division of this Act enacting [section 422.10, subsection 3](#), paragraph “0a”, amending [section 422.10, subsection 3](#), paragraph “a”, enacting [section 422.33, subsection 5](#), paragraph “e”, subparagraph (01), and amending [section 422.33, subsection 5](#), paragraph “e”, subparagraph (1), are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of this division of this Act.

Sec. 42. REPEAL. [Sections 422.10A](#) and [422.11I](#), Code 2018, are repealed.

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

1. The section of this division of this Act amending [section 15E.52, subsection 8](#).
2. The section of this division of this Act enacting [section 422.10, subsection 1](#), paragraph “0a”.
3. The section of this division of this Act enacting [section 422.10, subsection 3](#), paragraph “0a”.
4. The section of this division of this Act amending [section 422.10, subsection 3](#), paragraph “a”.
5. The section of this division of this Act enacting [section 422.33, subsection 5](#), paragraph “0e”.
6. The section of this division of this Act enacting [section 422.33, subsection 5](#), paragraph “e”, subparagraph (01).
7. The section of this division of this Act amending [section 422.33, subsection 5](#), paragraph “e”, subparagraph (1).
8. The section of this division of this Act entitled “legislative intent” which describes the intent of the general assembly with respect to certain amendments in this division of this Act to [sections 422.10](#) and [422.33](#).

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

1. The sections of this division of this Act amending [section 422.11S](#).
2. The section of this division of this Act repealing [sections 422.10A](#) and [422.11I](#).

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

1. The section of this division of this Act enacting [section 422.10, subsection 1](#), paragraph “0a”.
2. The section of this division of this Act enacting [section 422.33, subsection 5](#), paragraph “0e”.

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

The section of this division of this Act repealing [sections 422.10A](#) and [422.11I](#).

DIVISION V TAXPAYERS TRUST FUND AND TAXPAYERS TRUST FUND TAX CREDIT

Sec. 47. [Section 8.55, subsection 2](#), paragraph a, Code 2018, is amended to read as follows:

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

Sec. 48. [Section 8.57E](#), Code 2018, is amended to read as follows:

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

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

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

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

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

4. Notwithstanding [section 12C.7, subsection 2](#), interest or earnings on moneys deposited in the ~~taxpayers trust~~ taxpayer relief fund shall be credited to the fund.

Sec. 49. [Section 8.58](#), Code 2018, is amended to read as follows:

~~8.58 Exemption from automatic application~~.

1. To the extent that moneys appropriated under [section 8.57](#) do not result in moneys being credited to the general fund under [section 8.55, subsection 2](#), moneys appropriated under [section 8.57](#) and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, environment first fund, Iowa economic emergency fund, ~~taxpayers trust taxpayer relief~~ fund, and state bond repayment fund shall not be considered in the application of any formula,

index, or other statutory triggering mechanism which would affect appropriations, payments, or taxation rates, contrary provisions of the Code notwithstanding.

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

Sec. 50. [Section 257.21, subsection 2](#), Code 2018, is amended to read as follows:

2. The instructional support income surtax shall be imposed on the state individual income tax for the calendar year during which the school's budget year begins, or for a taxpayer's fiscal year ending during the second half of that calendar year and after the date the board adopts a resolution to participate in the program or the first half of the succeeding calendar year, and shall be imposed on all individuals residing in the school district on the last day of the applicable tax year. As used in [this section](#), "state individual income tax" means the taxes computed under [section 422.5](#), less the amounts of nonrefundable credits allowed under [chapter 422, division II](#), ~~except for the Iowa taxpayers trust fund tax credit allowed under [section 422.11E](#).~~

Sec. 51. [Section 422D.2](#), Code 2018, is amended to read as follows:

422D.2 Local income surtax.

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

Sec. 52. REPEAL. [Section 422.11E](#), Code 2018, is repealed.

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

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

1. The section of this division of this Act amending [section 257.21](#).
2. The section of this division of this Act repealing [section 422.11E](#).
3. The section of this division of this Act amending [section 422D.2](#).

DIVISION VI
TAXPAYERS TRUST FUND TRANSFER CAP

Sec. 55. [Section 8.55, subsection 2](#), paragraph a, Code 2018, is amended to read as follows:

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

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

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

DIVISION VII
INDIVIDUAL INCOME TAX CHANGES BEGINNING IN TAX YEAR 2018

Sec. 58. [Section 422.7](#), Code 2018, is amended by adding the following new subsections:

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

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

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

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

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

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

c. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

NEW SUBSECTION. 52. *a.* For tax years beginning on or after January 1, 2018, but before January 1, 2020, a taxpayer may elect to take advantage of [this subsection](#) in lieu of [subsection 51](#), but only if the taxpayer's total expensing allowance deduction for federal tax purposes under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, that is allocated to the taxpayer from one or more partnerships, S corporations, or limited liability companies electing to have the income taxed directly to the individual exceeds seventy thousand dollars for a tax year beginning during the 2018 calendar year, or exceeds one hundred thousand dollars for a tax year beginning during the 2019 calendar year, and would, except as provided in [this subsection](#), be limited for purposes of computing net income for state tax purposes pursuant to [subsection 51](#).

b. A taxpayer who elects to take advantage of [this subsection](#) shall make the following adjustments to federal adjusted gross income when computing net income for state tax purposes:

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

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

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

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

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

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

c. A taxpayer who elects to take advantage of [this subsection](#) shall not take the increased expensing allowance under section 179 of the Internal Revenue Code, as amended by Pub. L. No. 115-97, §13101, for any section 179 property placed in service by the taxpayer in computing adjusted gross income for state tax purposes. If the taxpayer has taken any such deduction for purposes of computing federal adjusted gross income, the taxpayer shall make the following adjustments to federal adjusted gross income when computing net income for state tax purposes:

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

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

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

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

e. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

Sec. 59. [Section 422.9, subsection 2](#), paragraph h, Code 2018, is amended to read as follows:

h. For purposes of calculating the deductions in [this subsection](#) that are authorized under the Internal Revenue Code, and to the extent that any of such deductions is determined by an individual's federal adjusted gross income, the individual's federal adjusted gross income is computed in accordance with [section 422.7, subsections 39, 39A, 39B, 51, 52, and 53](#).

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

Sec. 61. STATE SALES AND USE TAX DEDUCTION.

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

and use taxes in lieu of state and local income taxes for federal tax purposes for the same tax year.

Sec. 62. EARNED INCOME TAX CREDIT FOR 2018.

Notwithstanding the definition of “Internal Revenue Code” in [section 422.3](#), for tax years beginning during the 2018 calendar year, any reference to the term “Internal Revenue Code” in [section 422.12B](#) shall mean the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2016, but shall not be construed to include any amendment to the Internal Revenue Code enacted after January 1, 2016, including any amendment with retroactive applicability or effectiveness.

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

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

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

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

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

1. The section of this division of this Act enacting [section 422.7](#), [subsections 51 and 52](#).
2. The section of this division of this Act amending [section 422.9](#), [subsection 2](#), paragraph “h”.

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

Sec. 68. [Section 15.335](#), [subsection 7](#), paragraph b, Code 2018, is amended by striking the paragraph and inserting in lieu thereof the following:

b. For purposes of [this section](#), “Internal Revenue Code” means the same as defined in [section 422.3](#).

Sec. 69. [Section 422.3](#), [subsection 5](#), Code 2018, is amended to read as follows:

5. “Internal Revenue Code” means one of the following:

a. For tax years beginning during the 2019 calendar year, “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on ~~January 1, 2015~~ March 24, 2018. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after

the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

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

Sec. 70. [Section 422.4, subsection 16](#), Code 2018, is amended to read as follows:

16. The words “taxable income” mean the net income as defined in [section 422.7](#) minus the deductions allowed by [section 422.9](#), in the case of individuals; in the case of estates or trusts, the words “taxable income” mean the taxable income ~~(without a deduction for personal exemption)~~ as computed for federal income tax purposes under the Internal Revenue Code, but with the following adjustments specified in [section 422.7](#) plus the Iowa income tax deducted in computing the federal taxable income and minus federal income taxes as provided in [section 422.9](#):

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

b. Make the adjustments specified in [section 422.7](#).

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

d. Subtract federal income taxes as provided in [section 422.9](#).

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

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

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

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

Sec. 71. [Section 422.5, subsection 1](#), Code 2018, is amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

(2) (a) The tax imposed upon the taxable income of a resident shareholder in an S corporation or of an estate or trust with a situs in Iowa that is a shareholder in an S corporation, which S corporation has in effect for the tax year an election under subchapter S of the Internal Revenue Code and carries on business within and without the state, may be computed by reducing the amount determined pursuant to paragraphs “a” through “i” paragraph “a” by the amounts of nonrefundable credits under [this division](#) and by multiplying this resulting amount by a fraction of which the resident’s or estate’s or trust’s net income allocated to Iowa, as determined in [section 422.8, subsection 2](#), paragraph “b”, is the numerator and the resident’s or estate’s or trust’s total net income computed under [section 422.7](#) is the denominator. If a resident shareholder, or an estate or trust with a situs in Iowa that is a shareholder, has elected to take advantage of this subparagraph (2), and for the next tax year elects not to take advantage of this subparagraph, the resident or estate or trust shareholder shall not reelect to take advantage of this subparagraph for the three tax years immediately following the first tax year for which the shareholder elected not to take advantage of this subparagraph, unless the director consents to the reelection. This subparagraph also applies to individuals who are residents of Iowa for less than the entire tax year.

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

Sec. 72. [Section 422.5, subsection 2](#), paragraph a, Code 2018, is amended to read as follows:

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

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

The tax imposed in [section 422.5](#) shall be calculated at the following rates:

1. On all taxable income from 0 through \$1,000, the rate of 0.33 percent.
2. On all taxable income exceeding \$1,000 but not exceeding \$2,000, the rate of 0.67 percent.
3. On all taxable income exceeding \$2,000 but not exceeding \$4,000, the rate of 2.25 percent.
4. On all taxable income exceeding \$4,000 but not exceeding \$9,000, the rate of 4.14 percent.
5. On all taxable income exceeding \$9,000 but not exceeding \$15,000, the rate of 5.63 percent.
6. On all taxable income exceeding \$15,000 but not exceeding \$20,000, the rate of 5.96 percent.
7. On all taxable income exceeding \$20,000 but not exceeding \$30,000, the rate of 6.25 percent.
8. On all taxable income exceeding \$30,000 but not exceeding \$45,000, the rate of 7.44 percent.
9. On all taxable income exceeding \$45,000, the rate of 8.53 percent.

Sec. 74. [Section 422.5, subsection 6](#), Code 2018, is amended to read as follows:

6. Upon determination of the latest cumulative inflation factor, the director shall multiply each dollar amount set forth in [subsection 1](#), paragraphs “a” through “i” [section 422.5A](#) by this cumulative inflation factor, shall round off the resulting product to the nearest one dollar, and shall incorporate the result into the income tax forms and instructions for each tax year.

Sec. 75. [Section 422.7, subsection 39A](#), unnumbered paragraph 1, Code 2018, is amended by striking the unnumbered paragraph and inserting in lieu thereof the following:

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

Sec. 76. [Section 422.7](#), Code 2018, is amended by adding the following new subsection:

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

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

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

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

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

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

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

(2) The director shall adopt rules pursuant to [chapter 17A](#) to administer this paragraph.

c. [This subsection](#) is repealed January 1, 2020, for tax years beginning on or after that date.

Sec. 77. [Section 422.8, subsection 2](#), paragraph a, Code 2018, is amended to read as follows:

a. Nonresident's net income allocated to Iowa is the net income, or portion of net income, which is derived from a business, trade, profession, or occupation carried on within this state or income from any property, trust, estate, or other source within Iowa. However, income derived from a business, trade, profession, or occupation carried on within this state and income from any property, trust, estate, or other source within Iowa shall not include distributions from pensions, including defined benefit or defined contribution plans, annuities, individual retirement accounts, and deferred compensation plans or any earnings attributable thereto so long as the distribution is directly related to an individual's documented retirement and received while the individual is a nonresident of this state. If a business, trade, profession, or occupation is carried on partly within and partly without the state, only the portion of the net income which is fairly and equitably attributable to that part of the business, trade, profession, or occupation carried on within the state is allocated to Iowa for purposes of [section 422.5, subsection 1](#), paragraph "j" "b", and [section 422.13](#) and income from any property, trust, estate, or other source partly within and partly without the state is allocated to Iowa in the same manner, except that annuities, interest on bank deposits and interest-bearing obligations, and dividends are allocated to Iowa only to the extent to which they are derived from a business, trade, profession, or occupation carried on within the state. Net income described in [section 29C.24, subsection 3](#), paragraph

“a”, subparagraph (3), and paragraph “b”, subparagraph (2), shall not be allocated and apportioned to the state, as provided in [section 29C.24](#).

Sec. 78. [Section 422.9](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

In computing taxable income of individuals, there shall be deducted from net income the larger of the following amounts: computed under [subsection 1 or 2](#), plus the amount computed under [subsection 2A](#).

Sec. 79. [Section 422.9](#), Code 2018, is amended by adding the following new subsection:

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

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

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

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

b. Notwithstanding paragraph “a”, and [section 422.4, subsection 16](#), paragraph “e”, for an entity electing or required to file a composite return under [section 422.13, subsection 5](#), the deduction allowed under [this subsection](#) for purposes of the composite return shall be an amount equal to the applicable percentage described in paragraph “a” of the deduction that would be allowable for federal income tax purposes under section 199A of the Internal Revenue Code by an individual taxpayer reporting the same items of income and loss that are included in the composite return.

Sec. 80. [Section 422.9, subsection 2](#), paragraph i, Code 2018, is amended to read as follows:

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

Sec. 81. [Section 422.9, subsection 2](#), Code 2018, is amended by adding the following new paragraph:

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

Sec. 82. [Section 422.9, subsection 3](#), paragraph d, Code 2018, is amended to read as follows:

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

Sec. 83. [Section 422.9, subsection 5](#), Code 2018, is amended to read as follows:

5. A taxpayer affected by [section 422.8](#) shall, ~~if the optional standard deduction is not used,~~ be permitted to deduct only such portion of the total referred to in [subsection subsections 2 above and 2A](#) as is fairly and equitably allocable to Iowa under the rules prescribed by the director.

Sec. 84. [Section 422.9, subsections 6 and 7](#), Code 2018, are amended by striking the subsections.

Sec. 85. [Section 422.10, subsection 3](#), paragraph b, Code 2018, is amended by striking the paragraph.

Sec. 86. [Section 422.11B](#), Code 2018, is amended to read as follows:

422.11B Minimum tax credit.

1. a. There is allowed as a credit against the tax determined in [section 422.5, subsection 1, paragraphs “a” through “j”](#) for a tax year an amount equal to the minimum tax credit for that tax year.

b. The minimum tax credit for a tax year is the excess, if any, of the net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, over the amount allowable as a credit under [this section](#) for those prior tax years.

2. a. The allowable credit under [subsection 1](#) for a tax year shall not exceed the excess, if any, of the tax determined in [section 422.5, subsection 1, paragraphs “a” through “j”](#) over the state alternative minimum tax as determined in [section 422.5, subsection 2](#).

b. The net minimum tax for a tax year is the excess, if any, of the tax determined in [section 422.5, subsection 2](#), for the tax year over the tax determined in [section 422.5, subsection 1, paragraphs “a” through “j”](#) for the tax year.

Sec. 87. [Section 422.32, subsection 1](#), paragraph h, Code 2018, is amended to read as follows:

h. *“Internal Revenue Code”* means one of the following:

(1) For tax years beginning during the 2019 calendar year, “Internal Revenue Code” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on ~~January 1, 2015~~ March 24, 2018. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

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

Sec. 88. [Section 422.33, subsection 1](#), paragraphs a, b, c, and d, Code 2018, are amended to read as follows:

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

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

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

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

Sec. 89. [Section 422.33, subsection 4](#), paragraph a, Code 2018, is amended to read as follows:

a. In addition to all taxes imposed under [this division](#), there is imposed upon each corporation doing business within the state the greater of the tax determined in [subsection 1, paragraphs “a” through “d”](#) or the state alternative minimum tax equal to sixty percent

of the maximum state corporate income tax rate for the tax year, rounded to the nearest one-tenth of one percent, of the state alternative minimum taxable income of the taxpayer computed under [this subsection](#).

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

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

Sec. 91. [Section 422.33, subsection 4](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. [This subsection](#) is repealed January 1, 2021, for tax years beginning on or after that date.

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

Sec. 93. [Section 422.33, subsection 7](#), Code 2018, is amended to read as follows:

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

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

b. (1) The allowable credit under paragraph “a” for a tax year beginning before January 1, 2021, shall not exceed the excess, if any, of the tax determined in [subsection 1](#) over the state alternative minimum tax as determined in [subsection 4](#). The allowable credit under paragraph “a” for a tax year beginning in the 2021 calendar year shall not exceed the tax determined in [subsection 1](#).

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

c. [This subsection](#) is repealed January 1, 2022, for tax years beginning on or after that date.

Sec. 94. [Section 422.35, subsection 4](#), Code 2018, is amended to read as follows:

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

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

Sec. 95. [Section 422.35](#), Code 2018, is amended by adding the following new subsections:

NEW SUBSECTION. 14. a. The increased expensing allowance under section 179 of the Internal Revenue Code applies in computing net income for state tax purposes for tax years

beginning on or after January 1, 2019, subject to the limitations in [this subsection](#) for tax years beginning on or after January 1, 2019, but before January 1, 2020.

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

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

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

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

c. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

NEW SUBSECTION. 15. a. For tax years beginning on or after January 1, 2019, but before January 1, 2020, a taxpayer may elect to take advantage of [this subsection](#) in lieu of [subsection 14](#), but only if the taxpayer's total expensing allowance deduction for federal tax purposes under section 179 of the Internal Revenue Code that is allocated to the taxpayer from one or more partnerships or limited liability companies electing to have the income taxed directly to the owners exceeds one hundred thousand dollars and would, except as provided in [this subsection](#), be limited for purposes of computing net income for state tax purposes pursuant to [subsection 14](#).

b. A taxpayer who elects to take advantage of [this subsection](#) shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

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

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

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

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

c. A taxpayer who elects to take advantage of [this subsection](#) shall not take the increased expensing allowance under section 179 of the Internal Revenue Code for any section 179 property placed in service by the taxpayer in computing taxable income for state tax purposes. If the taxpayer has taken any such deduction for purposes of computing federal taxable income, the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

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

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

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

d. The director shall adopt rules pursuant to [chapter 17A](#) to administer [this subsection](#).

Sec. 96. [Section 422.35, subsection 19A](#), unnumbered paragraph 1, Code 2018, is amended by striking the unnumbered paragraph and inserting in lieu thereof the following:

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

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

Sec. 98. APPLICABILITY. This division of this Act applies to tax years beginning on or after January 1, 2019.

DIVISION IX
FUTURE CONTINGENT INCOME AND CORPORATE TAX AND FRANCHISE TAX
CHANGES

Sec. 99. [Section 12D.9, subsection 2](#), Code 2018, is amended to read as follows:

2. State income tax treatment of the Iowa educational savings plan trust shall be as provided in [section 422.7, subsections 18, 32, and 33](#).

Sec. 100. [Section 217.39](#), Code 2018, is amended to read as follows:

217.39 Persecuted victims of World War II — reparations — heirs.

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

Sec. 101. [Section 422.4, subsection 1](#), paragraphs b and c, Code 2018, are amended to read as follows:

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

c. The annual inflation factor for the ~~1988~~ calendar year beginning on January 1 of the calendar year that this division of this Act takes effect is one hundred percent.

Sec. 102. [Section 422.4, subsection 2](#), Code 2018, is amended by striking the subsection.

Sec. 103. [Section 422.4, subsection 16](#), Code 2018, is amended by striking the subsection and inserting in lieu thereof the following:

16. “*Taxable income*” means, in the case of individuals, the net income as defined in [section 422.7](#) minus the deduction allowed by [section 422.9](#), if available. “*Taxable income*” means, in the case of estates or trusts, the taxable income without a deduction for personal exemption as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in [section 422.7](#), and the deduction allowed by [section 422.9](#), if available.

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

(b) This subparagraph (2) shall not affect the amount of the taxpayer’s checkoffs under [this division](#), the credits from tax provided under [this division](#), and the allocation of these

credits between spouses if the taxpayers filed separate returns ~~or separately on a combined return~~.

Sec. 105. [Section 422.5, subsection 2](#), Code 2018, is amended by striking the subsection.

Sec. 106. [Section 422.5, subsections 3 and 3B](#), Code 2018, are amended to read as follows:

3. a. The tax shall not be imposed on a resident or nonresident whose net income, as defined in [section 422.7](#), is thirteen thousand five hundred dollars or less in the case of married persons filing jointly ~~or filing separately on a combined return~~, heads of household, and surviving spouses or nine thousand dollars or less in the case of all other persons; but in the event that the payment of tax under [this division](#) would reduce the net income to less than thirteen thousand five hundred dollars or nine thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirteen thousand five hundred dollars or nine thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of [this subsection](#), the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of [this subsection](#), net income includes all amounts of pensions or other retirement income, except for military retirement pay excluded under [section 422.7, subsection 31A](#), paragraph “a”, or [section 422.7, subsection 31B](#), paragraph “a”, received from any source which is not taxable under [this division](#) as a result of the government pension exclusions in [section 422.7](#), or any other state law. In calculating net income for purposes of [this subsection](#), any amount of itemized or standard deduction, personal exemption deduction, or qualified business income deduction that was allowed as a deduction in computing federal taxable income under the Internal Revenue Code shall be added back. If the combined net income of a husband and wife exceeds thirteen thousand five hundred dollars, neither of them shall receive the benefit of [this subsection](#), and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirteen thousand five hundred dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in [section 422.9, subsection 3](#). A person who is claimed as a dependent by another person as defined in [section 422.12](#) shall not receive the benefit of [this subsection](#) if the person claiming the dependent has net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable or the person claiming the dependent and the person’s spouse have combined net income exceeding thirteen thousand five hundred dollars or nine thousand dollars as applicable.

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

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

subsection, net income includes all amounts of pensions or other retirement income, except for military retirement pay excluded under [section 422.7, subsection 31A](#), paragraph “a”, or [section 422.7, subsection 31B](#), paragraph “a”, received from any source which is not taxable under [this division](#) as a result of the government pension exclusions in [section 422.7](#), or any other state law. In calculating net income for purposes of [this subsection](#), any amount of itemized or standard deduction, personal exemption deduction, or qualified business income deduction that was allowed as a deduction in computing federal taxable income under the Internal Revenue Code shall be added back. If the combined net income of a husband and wife exceeds thirty-two thousand dollars, neither of them shall receive the benefit of [this subsection](#), and it is immaterial whether they file a joint return or separate returns. However, if a husband and wife file separate returns and have a combined net income of thirty-two thousand dollars or less, neither spouse shall receive the benefit of this paragraph, if one spouse has a net operating loss and elects to carry back or carry forward the loss as provided under the Internal Revenue Code or in [section 422.9, subsection 3](#). A person who is claimed as a dependent by another person as defined in [section 422.12](#) shall not receive the benefit of [this subsection](#) if the person claiming the dependent has net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable or the person claiming the dependent and the person’s spouse have combined net income exceeding thirty-two thousand dollars or twenty-four thousand dollars as applicable.

b. In lieu of the computation in [subsection 1, 2, or 3](#), if the married persons’, filing jointly or ~~filing separately on a combined return~~, head of household’s, or surviving spouse’s net income exceeds thirty-two thousand dollars, the regular tax imposed under [this division](#) shall be the lesser of the maximum state individual income tax rate times the portion of the net income in excess of thirty-two thousand dollars or the regular tax liability computed without regard to this sentence. Taxpayers electing to file separately shall compute the alternate tax described in this paragraph using the total net income of the husband and wife. The alternate tax described in this paragraph does not apply if one spouse elects to carry back or carry forward ~~the a net operating loss~~ as provided under the Internal Revenue Code or in [section 422.9, subsection 3](#).

c. [This subsection](#) applies even though one spouse has not attained the age of sixty-five, if the other spouse is at least sixty-five at the end of the tax year.

Sec. 107. [Section 422.5A](#), as enacted in this Act, is amended by striking the section and inserting in lieu thereof the following:

422.5A Tax rates.

1. The tax imposed in [section 422.5](#) shall be calculated at the following rates in the case of a married couple filing jointly:

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

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

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

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

2. The tax imposed in [section 422.5](#) shall be calculated at the following rates in the case of any taxpayer other than a married couple filing jointly:

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

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

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

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

Sec. 108. [Section 422.7](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

The term “net income” means the ~~adjusted gross income before the net operating loss deduction~~ taxable income as properly computed for federal income tax purposes under [section 63](#) of the Internal Revenue Code, with the following adjustments:

Sec. 109. [Section 422.7](#), Code 2018, is amended by adding the following new subsections:
NEW SUBSECTION. 4. Add any federal net operating loss deduction carried over from a taxable year beginning prior to January 1 of the calendar year that this division of this Act takes effect.

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

b. Notwithstanding any other provision of law to the contrary, amounts subtracted or added pursuant to [this subsection](#) shall not be included in the calculation of net income for purposes of [section 422.5](#), [subsection 3 or 3B](#), or [section 422.13](#).

Sec. 110. [Section 422.7, subsection 5](#), Code 2018, is amended to read as follows:

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

Sec. 111. [Section 422.7, subsection 13](#), Code 2018, is amended by striking the subsection and inserting in lieu thereof the following:

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

Sec. 112. [Section 422.7](#), Code 2018, is amended by adding the following new subsections:
NEW SUBSECTION. 18. Add, to the extent deducted for federal tax purposes, charitable contributions under section 170 of the Internal Revenue Code to the extent such contribution was made to an organization for the purpose of deposit in the Iowa education savings plan trust established in [chapter 12D](#), and the taxpayer designated that any part of the contribution be used for the direct benefit of any dependent of the taxpayer or any other single beneficiary designated by the taxpayer.

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

b. If the taxpayer has a deduction in computing federal taxable income under section 221 of the Internal Revenue Code for interest on a qualified education loan, the taxpayer shall recompute for purposes of [this subsection](#) the amount of the deduction under paragraph “a” by not subtracting any amount of income resulting from the employer’s payment of interest on a qualified education loan that was also deducted by the taxpayer under section 221 of the Internal Revenue Code.

c. For purposes of [this subsection](#), “*qualified education loan*” means the same as defined in section 221 of the Internal Revenue Code.

Sec. 113. [Section 422.7, subsection 21](#), Code 2018, is amended by striking the subsection and inserting in lieu thereof the following:

21. *a.* For purposes of [this subsection](#):

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

(2) “Held” shall be determined with reference to the holding period provisions of section 1223 of the Internal Revenue Code and the federal regulations pursuant thereto.

(3) “Materially participated” means the same as “material participation” in section 469(h) of the Internal Revenue Code.

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

(b) Real property classified as agricultural property for Iowa property tax purposes, except real property described in [section 441.21, subsection 12](#), paragraphs “a” or “b”, shall be presumed to be real property used in a farming business. This presumption is rebuttable by the department by a preponderance of evidence that the real property did not meet the requirements of subparagraph division (a).

(5) “Relative” means an individual that satisfies one or more of the following conditions:

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

(b) The individual is a lineal descendent of the taxpayer. For purposes of this subparagraph division, “lineal descendent” means children of the taxpayer, including legally adopted children and biological children, stepchildren, grandchildren, great-grandchildren, and any other lineal descendent of the taxpayer.

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

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

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

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

c. (1) If the relative to whom the taxpayer sold the real property used in a farming business that qualified for the deduction in [this subsection](#) subsequently sells or otherwise transfers all or part of said real property to a person who is not a relative of the taxpayer within five years of the original sale, the subsequent sale or transfer shall be considered prima facie evidence that the original sale was entered into by the taxpayer primarily to obtain the tax benefits provided in [this subsection](#), and the deduction under [this subsection](#) for the original sale shall be disallowed for the taxpayer with respect to that real property subsequently sold or transferred by the relative.

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

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

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

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

(3) Notwithstanding [section 422.25, subsection 1](#), paragraph “a”, the period of limitation for examination and determination of tax with regard to the deduction provided in [this subsection](#) shall be one of the following dates, whichever occurs later:

(a) The date which is three years after the date that the return upon which the deduction in [this subsection](#) is claimed is filed.

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

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

d. To the extent otherwise allowed, the deduction provided in [this subsection](#) is not allowed for purposes of computing the income for the taxable year or years for which a net operating loss is deducted under the Internal Revenue Code or under subsection ³ 422.9.

Sec. 114. [Section 422.7, subsection 29](#), Code 2018, is amended to read as follows:

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

b. For purposes of [this subsection](#), "net income" means net income as properly computed under [this section](#) without regard to the deduction in [this subsection](#) and with the following additional adjustments:

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

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

Sec. 115. [Section 422.7, subsection 31](#), Code 2018, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under [this subsection](#) for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of twelve thousand dollars for a husband and wife who file a joint state income tax return. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns ~~or separately on a combined state return~~ are allowed a combined maximum exclusion under [this subsection](#) of up to twelve thousand dollars. The twelve thousand dollar exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 116. [Section 422.7, subsection 41](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. 0e. Add, to the extent deducted for federal tax purposes, interest, taxes, and other miscellaneous expenses to the extent such amounts are eligible home costs in connection with a qualified home purchase that were paid or reimbursed from funds in a first-time homebuyer savings account.

Sec. 117. [Section 422.7, subsection 47](#), Code 2018, is amended to read as follows:

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

³ According to Act; the word "section" probably intended

in computing the amount of charitable contributions as defined by section 170 of the Internal Revenue Code.

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

Sec. 119. [Section 422.8, subsection 4](#), Code 2018, is amended by striking the subsection.

Sec. 120. [Section 422.9](#), Code 2018, is amended by striking the section and inserting in lieu thereof the following:

422.9 Carry over of Iowa net operating loss.

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

Sec. 121. [Section 422.11B](#), Code 2018, is amended to read as follows:

422.11B Minimum tax credit.

1. *a.* There For tax years beginning before January 1 of the calendar year following the calendar year that this division of this Act takes effect, there is allowed as a credit against the tax determined in [section 422.5, subsection 1](#), paragraphs “a” through “j” for a tax year an amount equal to the minimum tax credit for that tax year.

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

2. *a.* The allowable credit under [subsection 1](#) for a tax year beginning before January 1 of the calendar year that this division of this Act takes effect shall not exceed the excess, if any, of the tax determined in [section 422.5, subsection 1](#), paragraphs “a” through “j” over the state alternative minimum tax as determined in [section 422.5, subsection 2](#), Code 2018. The allowable credit under [subsection 1](#) for a tax year beginning in the calendar year that this division of this Act takes effect shall not exceed the tax determined under [section 422.5, subsection 1](#).

b. The net minimum tax for a tax year is the excess, if any, of the tax determined in [section 422.5, subsection 2](#), Code 2018, for the tax year over the tax determined in [section 422.5, subsection 1](#), paragraphs “a” through “j” for the tax year.

3. [This section](#) is repealed January 1 of the calendar year following the calendar year that this division of this Act takes effect, for tax years beginning on or after January 1 of the calendar year following the calendar year that this division of this Act takes effect.

Sec. 122. [Section 422.11S, subsection 4](#), Code 2018, is amended to read as follows:

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

Sec. 123. [Section 422.12B, subsection 2](#), Code 2018, is amended to read as follows:

2. Married taxpayers electing to file separate returns ~~or filing separately on a combined return~~ may avail themselves of the earned income credit by allocating the earned income credit to each spouse in the proportion that each spouse’s respective earned income bears to the total combined earned income. Taxpayers affected by the allocation provisions of [section 422.8](#) shall be permitted a deduction for the credit only in the amount fairly and equitably allocable to Iowa under rules prescribed by the director.

Sec. 124. [Section 422.12C, subsection 4](#), Code 2018, is amended to read as follows:

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

Sec. 125. [Section 422.13, subsection 1](#), paragraph c, Code 2018, is amended by striking the paragraph.

Sec. 126. [Section 422.16, subsection 1](#), paragraph f, Code 2018, is amended by striking the paragraph.

Sec. 127. [Section 422.21, subsections 2, 5, and 7](#), Code 2018, are amended to read as follows:

2. An individual in the armed forces of the United States serving in an area designated by the president of the United States or the United States Congress as a combat zone or as a qualified hazardous duty area, or deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the United States secretary of defense as a contingency operation as defined in 10 U.S.C. §101(a)(13), or which became such a contingency operation by the operation of law, or an individual serving in support of those forces, is allowed the same additional time period after leaving the combat zone or the qualified hazardous duty area, or ceasing to participate in such contingency operation, or after a period of continuous hospitalization, to file a state income tax return or perform other acts related to the department, as would constitute timely filing of the return or timely performance of other acts described in section 7508(a) of the Internal Revenue Code. An individual on active duty federal military service in the armed forces, armed forces military reserve, or national guard who is deployed outside the United States in other than a combat zone, qualified hazardous duty area, or contingency operation is allowed the same additional period of time described in section 7508(a) of the Internal Revenue Code to file a state income tax return or perform other acts related to the department. For the purposes of [this subsection](#), "other acts related to the department" includes filing claims for refund for any tax administered by the department, making tax payments other than withholding payments, filing appeals on the tax matters, filing other tax returns, and performing other acts described in the department's rules. The additional time period allowed applies to the spouse of the individual described in [this subsection](#) to the extent the spouse files jointly ~~or separately on the combined return form~~ with the individual or when the spouse is a party with the individual to any matter for which the additional time period is allowed.

5. The director shall determine for the ~~1989~~ calendar year that this division of this Act takes effect and each subsequent calendar year the annual and cumulative inflation factors for each calendar year to be applied to tax years beginning on or after January 1 of that calendar year. The director shall compute the new dollar amounts as specified to be adjusted in [section 422.5](#) by the latest cumulative inflation factor and round off the result to the nearest one dollar. The annual and cumulative inflation factors determined by the director are not rules as defined in [section 17A.2, subsection 11](#). ~~The director shall determine for the 1990 calendar year and each subsequent calendar year the annual and cumulative standard deduction factors to be applied to tax years beginning on or after January 1 of that calendar year. The director shall compute the new dollar amounts of the standard deductions specified in [section 422.9, subsection 1](#), by the latest cumulative standard deduction factor and round off the result to~~

~~the nearest ten dollars. The annual and cumulative standard deduction factors determined by the director are not rules as defined in [section 17A.2, subsection 11](#).~~

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

Sec. 128. [Section 422.35](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 129. [Section 422.35, subsection 11](#), Code 2018, is amended by striking the subsection and inserting in lieu thereof the following:

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

b. Any Iowa net operating loss carried over from a taxable year beginning prior to January 1 of the calendar year that this division of this Act takes effect may be deducted as provided in [section 422.35, subsection 11](#), Code 2018.

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

Sec. 131. [Section 541B.3, subsection 1](#), paragraph b, Code 2018, is amended to read as follows:

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

Sec. 132. [Section 541B.6](#), Code 2018, is amended to read as follows:

541B.6 Tax considerations.

The state income tax treatment of a first-time homebuyer savings account shall be as provided in [section 422.7, subsection 41](#), and ~~[section 422.9, subsection 2](#)~~, paragraph “*k*”.

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

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

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

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

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

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

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

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

b. Net general fund revenues shall be calculated by the department of management, in consultation with the department of revenue, for each fiscal year beginning on or after July 1, 2020, until such time as this division of this Act takes effect, in accordance with rules adopted by the department of management. The department of management shall adopt rules pursuant to [chapter 17A](#) for calculating net general fund revenues as defined in paragraph “a”, including rules defining “total appropriated general fund revenues”, “transfers from reserve funds”, “tax and other refunds”, and “school infrastructure transfers”, and including the types and categories of receipts that will be included within each definition and in the calculation of net general fund revenues.

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

Sec. 134. APPLICABILITY. This division of this Act applies to tax years beginning on or after the effective date of this division of this Act.

DIVISION X
CHANGES TO IOWA EDUCATIONAL SAVINGS PLAN TRUST AND IOWA ABLE SAVINGS
PLAN TRUST

Sec. 135. [Section 12D.1](#), Code 2018, is amended to read as follows:

12D.1 Purpose and definitions.

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

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

a. “*Account balance limit*” means the maximum allowable aggregate balance of accounts established for the same beneficiary. Account earnings, if any, are included in the account balance limit.

b. “*Administrative fund*” means the administrative fund established under [section 12D.4](#).

c. “*Beneficiary*” means the individual designated by a participation agreement to benefit from advance payments of ~~higher education costs~~ qualified education expenses on behalf of the beneficiary.

d. “*Benefits*” means the payment of ~~higher education costs~~ qualified education expenses on behalf of a beneficiary by the trust during the beneficiary’s attendance at ~~an institution of higher education~~ a qualified educational institution.

e. ~~“Higher education costs” means the same as “qualified higher education expenses” as defined in section 529(e)(3) of the Internal Revenue Code.~~

f. e. “*Institution of higher education*” means an institution described in section 481 of the federal Higher Education Act of 1965, 20 U.S.C. §1088, which is eligible to participate in the United States department of education’s student aid programs.

g. f. “*Internal Revenue Code*” means the same as defined in [section 12I.1](#).

h. g. “*Iowa educational savings plan trust*” or “*trust*” means the trust created under [section 12D.2](#).

i. h. “Participant” means an individual, individual’s legal representative, trust, estate, or an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Internal Revenue Code, that has entered into a participation agreement under [this chapter](#) for the advance payment of ~~higher education costs~~ qualified education expenses on behalf of a beneficiary.

j. i. “Participation agreement” means an agreement between a participant and the trust entered into under [this chapter](#).

k. j. “Program fund” means the program fund established under [section 12D.4](#).

k. “Qualified education expenses” means the same as “qualified higher education expenses” as defined in section 529(e)(3) of the Internal Revenue Code, as amended by Pub. L. No. 115-97, and shall include elementary and secondary school expenses for tuition described in section 529(c)(7) of the Internal Revenue Code, subject to the limitations imposed by section 529(e)(3)(A) of the Internal Revenue Code.

l. “Qualified educational institution” means an institution of higher education, or any elementary or secondary public, private, or religious school described in section 529(c)(7) of the Internal Revenue Code.

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

Sec. 136. [Section 12D.2, subsections 2, 5, 9, and 14](#), Code 2018, are amended to read as follows:

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

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

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

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

Sec. 137. [Section 12D.3, subsections 1 and 2](#), Code 2018, are amended to read as follows:

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

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

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

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

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

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

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

Sec. 138. [Section 12D.3](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 5. A participant may designate a successor in accordance with rules adopted by the treasurer of state. The designated successor shall succeed to the ownership of the account in the event of the death of the participant. In the event a participant dies and has not designated a successor to the account, the following criteria shall apply:

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

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

Sec. 139. [Section 12D.4](#), Code 2018, is amended to read as follows:

12D.4 Program and administrative funds — investment and payments.

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

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

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

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

e. The amount of cash distributions from the trust and all other qualified state tuition programs under section 529 of the Internal Revenue Code to a beneficiary during any taxable year shall, in the aggregate, include no more than ten thousand dollars in expenses for tuition in connection with enrollment at an elementary or secondary public, private, or religious school incurred during the taxable year.

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

Sec. 140. [Section 12D.6, subsection 1](#), paragraph a, Code 2018, is amended to read as follows:

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

Sec. 141. [Section 12D.6, subsections 2, 3, and 5](#), Code 2018, are amended to read as follows:

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

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

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

Sec. 142. [Section 12D.7](#), Code 2018, is amended to read as follows:

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

A student loan program, student grant program, or other program administered by any agency of the state, except as may be otherwise provided by federal law or the provisions of

any specific grant applicable to that law, shall not take into account and shall not consider amounts available for the payment of ~~higher education costs~~ qualified education expenses pursuant to the Iowa educational savings plan trust in determining need and eligibility for student aid.

Sec. 143. [Section 12D.9, subsection 1](#), paragraph a, Code 2018, is amended to read as follows:

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

Sec. 144. [Section 422.7, subsection 32](#), paragraph c, Code 2018, is amended by striking the paragraph and inserting in lieu thereof the following:

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

(a) The payment of qualified higher education expenses.

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

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

(2) For purposes of this paragraph:

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

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

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

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

Sec. 145. [Section 422.7, subsection 34](#), Code 2018, is amended to read as follows:

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

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

b. Add the amount resulting from the cancellation of a participation agreement refunded to the taxpayer as an account owner in the Iowa ABLE savings plan trust or the qualified ABLE program with which the state has contracted pursuant to [section 12I.10](#) to the extent previously deducted pursuant to [this subsection](#) by the taxpayer or any other person as a contribution to the trust or qualified ABLE program, or to the extent the amount was previously deducted by the taxpayer or any other person pursuant to [subsection 32, paragraph “a”](#), and qualified as a transfer under paragraph “a”, subparagraph (2), of [this subsection](#).

c. Add the amount resulting from a withdrawal made by a taxpayer from the Iowa ABLE savings plan trust or the qualified ABLE program with which the state has contracted

pursuant to [section 12I.10](#) for purposes other than the payment of qualified disability expenses to the extent previously deducted pursuant to [this subsection](#) by the taxpayer or any other person as a contribution to the trust or qualified ABLE program, or to the extent the amount was previously deducted by the taxpayer or any other person pursuant to [subsection 32](#), paragraph “a”, and qualified as a transfer under paragraph “a”, subparagraph (2), of [this subsection](#).

Sec. 146. [Section 627.6](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 17. The debtor’s interest, whether as participant or beneficiary, in contributions and assets, including the accumulated earnings and market increases in value, held in an account in the Iowa educational savings plan trust organized under [chapter 12D](#).

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

Sec. 148. RETROACTIVE APPLICABILITY.

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

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

DIVISION XI SALES AND USE TAXES

Sec. 149. [Section 15J.4](#), [subsection 3](#), paragraph f, Code 2018, is amended to read as follows:

f. The total aggregate amount of state sales tax revenues and state hotel and motel tax revenues that may be approved by the board for remittance to all municipalities and that may be transferred to the state reinvestment district fund under [section 423.2](#), [subsection 11](#), [423.2A](#) or [section 423A.6](#), and remitted to all municipalities having a reinvestment district under [this chapter](#) shall not exceed one hundred million dollars.

Sec. 150. [Section 15J.5](#), [subsection 1](#), paragraph a, Code 2018, is amended to read as follows:

a. The department shall calculate quarterly the amount of new state sales tax revenues for each district established in the state to be deposited in the state reinvestment district fund created in [section 15J.6](#), pursuant to [section 423.2](#), [subsection 11](#), paragraph “b” [423.2A](#), [subsection 2](#), subject to remittance limitations established by the board pursuant to [section 15J.4](#), [subsection 3](#).

Sec. 151. [Section 15J.6](#), [subsection 1](#), Code 2018, is amended to read as follows:

1. A state reinvestment district fund is established in the state treasury under the control of the department consisting of the new state sales tax revenues collected within each district and deposited in the fund pursuant to [section 423.2](#), [subsection 11](#), paragraph “b” [423.2A](#), [subsection 2](#), and the new state hotel and motel tax revenues collected within each district and deposited in the fund pursuant to [section 423A.6](#). Moneys deposited in the fund are appropriated to the department for the purposes of [this section](#). Moneys in the fund shall only be used for the purposes of [this section](#).

Sec. 152. [Section 418.11](#), [subsection 1](#), Code 2018, is amended to read as follows:

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

Sec. 153. [Section 418.12, subsection 1](#), Code 2018, is amended to read as follows:

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

Sec. 154. [Section 421.26](#), Code 2018, is amended to read as follows:

421.26 Personal liability for tax due.

If a licensee or other person under [section 452A.65](#), a retailer or purchaser under [chapter 423A](#), [423B](#), [423C](#), [423D](#), or [423E](#), or [section 423.14](#), [423.14A](#), [423.29](#), [423.31](#), [423.32](#), or [423.33](#), ~~or a retailer or purchaser under [section 423.32](#)~~, or a user under [section 423.34](#), or a permit holder or licensee under [section 453A.13](#), [453A.16](#), or [453A.44](#) fails to pay a tax under those sections when due, an officer of a corporation or association, notwithstanding [section 489.304](#), a member or manager of a limited liability company, or a partner of a partnership, having control or supervision of or the authority for remitting the tax payments and having a substantial legal or equitable interest in the ownership of the corporation, association, limited liability company, or partnership, who has intentionally failed to pay the tax is personally liable for the payment of the tax, interest, and penalty due and unpaid. However, [this section](#) shall not apply to taxes on accounts receivable. The dissolution of a corporation, association, limited liability company, or partnership shall not discharge a person’s liability for failure to remit the tax due.

Sec. 155. [Section 423.1](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 22A. “*Information services*” means delivering or providing access to databases or subscriptions to information through any tangible or electronic medium. “*Information services*” includes but is not limited to database files, research databases, genealogical information, and other similar information.

Sec. 156. [Section 423.1, subsection 24](#), paragraph a, Code 2018, is amended to read as follows:

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

Sec. 157. [Section 423.1, subsection 37](#), Code 2018, is amended to read as follows:

37. “*Place of business*” means any warehouse, store, place, office, building, or structure where ~~goods, wares, or merchandise~~ tangible personal property, specified digital products, or services are offered for sale at retail or where any taxable amusement is conducted, or each office where gas, water, heat, communication, or electric services are offered for sale at retail. When a retailer or amusement operator sells merchandise by means of vending machines or operates music or amusement devices by coin-operated machines at more than one location within the state, the office, building, or place where the books, papers, and records of the taxpayer are kept shall be deemed to be the taxpayer’s place of business.

Sec. 158. [Section 423.1](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 36A. “*Personal property*” includes but is not limited to tangible personal property and specified digital products.

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

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

Sec. 160. [Section 423.1, subsection 47](#), Code 2018, is amended to read as follows:

47. “Retailer” means and includes every person engaged in the business of selling tangible personal property, specified digital products, or taxable services at retail, or the furnishing of gas, electricity, water, or communication service, and tickets or admissions to places of amusement and athletic events or operating amusement devices or other forms of commercial amusement from which revenues are derived. However, when in the opinion of the director it is necessary for the efficient administration of [this chapter](#) to regard any agent or affiliate of a retailer as a retailer for purposes of this chapter, the director may so regard them, or when it is necessary for the efficient administration of [this chapter](#) to regard any salespersons, representatives, truckers, peddlers, or canvassers, or other persons as agents of the dealers, distributors, supervisors, employers, or persons under whom they operate or from whom they obtain tangible personal property, services, or specified digital products sold by them irrespective of whether or not they are making sales on their own behalf or on behalf of such dealers, distributors, supervisors, employers, or persons, the director may so regard them, and may regard such dealers, distributors, supervisors, employers, or persons as retailers for the purposes of [this chapter](#). “Retailer” includes a seller obligated to collect sales or use tax, including any person obligated to collect sales and use tax pursuant to [section 423.14A](#).

Sec. 161. [Section 423.1, subsection 48](#), paragraph a, Code 2018, is amended to read as follows:

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

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

(2) A person obligated to collect sales and use tax pursuant to [section 423.14A](#).

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

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

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

(b) Maintains an office, distribution facility, warehouse, storage place, or similar place of business in this state to facilitate the delivery of personal property or services sold by the retailer to the retailer’s customers.

Sec. 164. [Section 423.1, subsection 50](#), Code 2018, is amended to read as follows:

50. “Sales” or “sale” means any transfer, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for consideration, including but not limited to any such transfer, exchange, or barter on a subscription basis.

Sec. 165. [Section 423.1](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 55A. “Sold at retail in the state” and other references to sales “in the state” or “in this state” includes but is not limited to sales sourced to this state under [this chapter](#).

Sec. 166. [Section 423.1](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 55B. a. “Specified digital products” means electronically transferred digital audio-visual works, digital audio works, digital books, or other digital products.

b. For purposes of [this subsection](#):

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

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

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

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

(5) “*Other digital products*” means greeting cards, images, video or electronic games or entertainment, news or information products, and computer software applications.

Sec. 167. [Section 423.1](#), Code 2018, is amended by adding the following new subsection:

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

Sec. 168. [Section 423.1, subsections 62, 63, and 64](#), Code 2018, are amended to read as follows:

62. “*Use*” means and includes the exercise by any person of any right or power over or access to tangible personal property or a specified digital product incident to the ownership of that property, or any right or power over or access to the product or result of a service. A retailer’s or building contractor’s sale of manufactured housing for use in this state, whether in the form of tangible personal property or of realty, is a use of that property for the purposes of [this chapter](#).

63. “*Use tax*” means the tax levied under [subchapter III of this chapter](#) for which the retailer collects and remits tax to the department.

64. “*User*” means the immediate recipient of the personal property or services who is entitled to exercise a right of or power over or access to the personal property, or the product or result of such services.

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

(1) Sales of engraving, ~~photography, retouching~~, printing, and binding services.

Sec. 170. [Section 423.2, subsection 6](#), Code 2018, is amended to read as follows:

6. ~~6.~~ The sales price of any of the following enumerated services is subject to the tax imposed by [subsection 5](#):

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

b. Armored car; ~~vehicle.~~

c. Vehicle repair; ~~battery.~~

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

e. Investment counseling; ~~service.~~

f. Service charges of all financial institutions; barber. For the purposes of this paragraph, “*financial institutions*” means all national banks, federally chartered savings and loan associations, federally chartered savings banks, federally chartered credit unions, banks organized under [chapter 524](#), credit unions organized under [chapter 533](#), and all banks, savings banks, credit unions, and savings and loan associations chartered or otherwise created under the laws of any state and doing business in Iowa.

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

h. Boat repair; ~~vehicle.~~

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

- j. Campgrounds.
- k. Carpentry.
- l. Roof, shingle, and glass repair; ~~dance.~~
- m. Dance schools and dance studios; ~~dating.~~
- n. Dating services; ~~dry.~~
- o. Dry cleaning, pressing, dyeing, and laundering excluding the use of self-pay washers and dryers; ~~electrical.~~
- p. Electrical and electronic repair and installation; ~~excavating.~~
- q. Excavating and grading; ~~farm.~~
- r. Farm implement repair of all kinds; ~~flying.~~
- s. Flying service; ~~furniture.~~
- t. Furniture, rug, carpet, and upholstery repair and cleaning; ~~fur.~~
- u. Fur storage and repair; ~~golf.~~
- v. Golf and country clubs and all commercial recreation; ~~gun.~~
- w. Gun and camera repair; ~~house.~~
- x. House and building moving; ~~household.~~
- y. Household appliance, television, and radio repair; ~~janitorial.~~
- z. Janitorial and building maintenance or cleaning; ~~jewelry.~~
- aa. Jewelry and watch repair; ~~lawn.~~
- ab. Lawn care, landscaping, and tree trimming and removal; ~~;~~
- ac. Personal transportation service, including but not limited to taxis, driver service, ride sharing service, rides for hire, and limousine service, ~~including driver; machine.~~
- ad. Machine operator; ~~machine.~~
- ae. Machine repair of all kinds; ~~motor.~~
- af. Motor repair; ~~motorcycle.~~
- ag. Motorcycle, scooter, and bicycle repair; ~~oilers.~~
- ah. Oilers and lubricators; ~~office.~~
- ai. Office and business machine repair; ~~painting.~~
- aj. Painting, papering, and interior decorating; ~~parking.~~
- ak. Parking facilities; ~~pay.~~
- al. Pay television; ~~pet,~~ including but not limited to streaming video, video on-demand, and pay-per-view.
- am. Pet grooming; ~~pipe.~~
- an. Pipe fitting and plumbing; ~~wood.~~
- ao. Wood preparation; ~~executive.~~
- ap. Executive search agencies; ~~private.~~
- aq. Private employment agencies, excluding services for placing a person in employment where the principal place of employment of that person is to be located outside of the state; ~~reflexology; security.~~
- ar. Reflexology.
- as. Security and detective services, excluding private security and detective services furnished by a peace officer with the knowledge and consent of the chief executive officer of the peace officer's law enforcement agency; ~~sewage.~~
- at. Sewage services for nonresidential commercial operations; ~~sewing.~~
- au. Sewing and stitching; ~~shoe.~~
- av. Shoe repair and shoeshine; ~~sign.~~
- aw. Sign construction and installation; ~~storage.~~
- ax. Storage of household goods, mini-storage, and warehousing of raw agricultural products; ~~swimming.~~
- ay. Swimming pool cleaning and maintenance; ~~tanning.~~
- az. Tanning beds or salons; ~~taxidermy.~~
- ba. Taxidermy services; ~~telephone.~~
- bb. Telephone answering service; ~~test.~~
- bc. Test laboratories, including mobile testing laboratories and field testing by testing laboratories, and excluding tests on humans or animals and excluding environmental testing services; ~~termite.~~
- bd. Termite, bug, roach, and pest eradicators; ~~tin.~~

be. Tin and sheet metal repair; ~~transportation.~~

bf. Transportation service consisting of the rental of recreational vehicles or recreational boats, or the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less, or the rental of aircraft for a period of sixty days or less;

bg. Turkish baths, massage, and reducing salons, excluding services provided by massage therapists licensed under [chapter 152C](#); ~~water.~~

bh. Water conditioning and softening; ~~weighing; welding; well.~~

bi. Weighing.

bj. Welding.

bk. Well drilling; ~~wrapping.~~

bl. Wrapping, packing, and packaging of merchandise other than processed meat, fish, fowl, and vegetables; ~~wrecking.~~

bm. Wrecking service; ~~wrecker.~~

bn. Wrecker and towing.

b. For the purposes of [this subsection](#), “financial institutions” means all national banks, federally chartered savings and loan associations, federally chartered savings banks, federally chartered credit unions, banks organized under [chapter 524](#), credit unions organized under [chapter 533](#), and all banks, savings banks, credit unions, and savings and loan associations chartered or otherwise created under the laws of any state and doing business in Iowa.

bo. Photography.

bp. Retouching.

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

br. Information services.

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

bt. Video game services and tournaments.

bu. Software as a service.

Sec. 171. [Section 423.2, subsection 8](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. d. A transaction that otherwise meets the definition of “bundled transaction” as defined in [this subsection](#) is not a bundled transaction if it is any of the following:

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

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

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

(b) For purposes of this subparagraph, “de minimis” means the seller’s purchase or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sale price of the products to determine if the taxable products are de minimis. Sellers may not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis.

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

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

(b) The seller’s purchase price or sales price of the taxable tangible personal property is fifty percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers may not use a combination of the purchase price and sales price of the tangible personal property when making the fifty percent determination for a transaction.

Sec. 172. [Section 423.2](#), Code 2018, is amended by adding the following new subsection: **NEW SUBSECTION. 9A.** *a.* A tax of six percent is imposed on the sales price of specified digital products sold at retail in the state. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the sale is conditioned or not conditioned upon continued payment from the purchaser, and whether the sale is on a subscription basis or is not on a subscription basis.

b. The sale of a digital code that may be used to obtain or access a specified digital product shall be taxed in the same manner as the specified digital product. For purposes of this paragraph, “digital code” means a method that permits a purchaser to obtain or access at a later date a specified digital product.

Sec. 173. [Section 423.2, subsections 10, 11, and 12](#), Code 2018, are amended by striking the subsections.

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

1. *a.* All revenues arising under the operation of the provisions of [this subchapter II](#) shall be deposited into the general fund of the state.

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

2. Subsequent to the deposit into the general fund of the state pursuant to [subsection 1](#), the department shall do the following in the order prescribed:

a. Transfer the revenues collected under [chapter 423B](#).

b. Transfer from the remaining revenues the amounts required under Article VII, section 10, of the Constitution of the State of Iowa to the natural resources and outdoor recreation trust fund created in [section 461.31](#), if applicable.

c. Transfer one-sixth of the remaining revenues to the secure an advanced vision for education fund created in [section 423F.2](#). This paragraph “c” is repealed December 31, 2029.

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

e. Beginning the first day of the calendar quarter beginning on the reinvestment district’s commencement date, subject to remittance limitations established by the economic development authority board pursuant to [section 15J.4, subsection 3](#), transfer to a district account created in the state reinvestment district fund for each reinvestment district established under [chapter 15J](#), the amount of new state sales tax revenue, determined in [section 15J.5, subsection 1](#), paragraph “b”, in the district, that remains after the prior transfers required under [this subsection 2](#). Such transfers shall cease pursuant to [section 15J.8](#).

f. Subject to the limitation on the calculation and deposit of sales tax increment revenues in [section 418.12](#), beginning the first day of the quarter following adoption of the resolution pursuant to [section 418.4, subsection 3](#), paragraph “d”, transfer to the account created in the sales tax increment fund for each governmental entity approved to use sales tax increment revenues under [chapter 418](#), that portion of the increase in sales tax revenue, determined in [section 418.11, subsection 2](#), paragraph “d”, in the applicable area of the governmental entity, that remains after the other transfers required under [this subsection 2](#).

g. Beginning the first day of the quarter following July 1, 2014, transfer to the raceway facility tax rebate fund created in [section 423.4, subsection 11](#), paragraph “e”, that portion of the sales tax receipts collected and remitted upon sales of tangible personal property or

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

3. Of the amount of sales tax revenue actually transferred per quarter pursuant to [subsection 2](#), paragraphs “e” and “f”, the department shall retain an amount equal to the actual cost of administering the transfers under [subsection 2](#), paragraphs “e” and “f”, or twenty-five thousand dollars, whichever is less. The amount retained by the department pursuant to [this subsection](#) shall be divided pro rata each quarter between the amounts that would have been transferred pursuant to [subsection 2](#), paragraphs “e” and “f”, without the deduction made by operation of [this subsection](#). Revenues retained by the department pursuant to [this subsection](#) shall be considered repayment receipts as defined in [section 8.2](#).

Sec. 175. [Section 423.3, subsections 1 and 17](#), Code 2018, are amended to read as follows:

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

17. The sales price of all ~~goods, wares, or merchandise~~, tangible personal property, specified digital products, or services, used for educational purposes sold to any private nonprofit educational institution in this state. For the purpose of [this subsection](#), “*educational institution*” means an institution which primarily functions as a school, college, or university with students, faculty, and an established curriculum. The faculty of an educational institution must be associated with the institution and the curriculum must include basic courses which are offered every year. “*Educational institution*” includes an institution primarily functioning as a library.

Sec. 176. [Section 423.3, subsection 18](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 177. [Section 423.3, subsections 20, 21, 22, 23, 26, 27, 28, and 31](#), Code 2018, are amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

~~b.~~ The exemption provided by [this subsection](#) shall also apply to all such sales of ~~goods, wares, or merchandise or of services furnished and subject to use tax.~~

Sec. 178. [Section 423.3, subsection 32](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 179. [Section 423.3, subsection 36](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

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

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

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

Sec. 181. [Section 423.3, subsection 39](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. The exemption under [this subsection](#) does not apply to sales for which a person is required pursuant to [section 423.14A](#) to collect sales and use tax.

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

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

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

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

(b) “*Manufacturer*” includes contract manufacturers. A contract manufacturer is a manufacturer that otherwise falls within the definition of manufacturer, except that a contract manufacturer does not sell the tangible personal property the contract manufacturer processes on behalf of other manufacturers.

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

(i) Construction contracting.

(ii) Repairing tangible personal property or real property.

(iii) Providing health care.

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

(v) Transporting for hire.

(d) For purposes of this subparagraph:

(i) “*Business*” means those businesses conducted for profit, but excludes professions and occupations and nonprofit organizations.

(ii) “*Manufacturing*” means those activities commonly understood within the ordinary meaning of the term, and shall include:

(A) Refining.

(B) Purifying.

(C) Combining of different materials.

(D) Packing of meats.

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

(iii) “*Manufacturing*” does not include activities occurring on premises primarily used to make retail sales.

Sec. 184. [Section 423.3, subsection 63](#), Code 2018, is amended to read as follows:

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

Sec. 185. [Section 423.3, subsections 65, 66, and 67](#), Code 2018, are amended by striking the subsections.

Sec. 186. [Section 423.3, subsection 78](#), paragraph a, unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 187. [Section 423.3, subsection 79](#), Code 2018, is amended to read as follows:

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

Sec. 188. [Section 423.3](#), Code 2018, is amended by adding the following new subsections:

NEW SUBSECTION. 103. a. The sales price of specified digital products and of prewritten computer software sold, and of enumerated services described in [section 423.2, subsection 6](#), paragraphs “*bq*”, “*br*”, “*bs*”, and “*bu*” furnished, to a commercial enterprise for use exclusively

by the commercial enterprise. The use of prewritten computer software, a specified digital product, or service fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis.

b. For purposes of [this subsection](#):

(1) “Commercial enterprise” means the same as defined in [section 423.3, subsection 47](#), paragraph “d”, subparagraph (1), but also includes professions and occupations.

(2) “De minimis” and “noncommercial purposes” shall be defined by the director by rule.

NEW SUBSECTION. 104. The sales price of specified digital products sold to a non-end user. For purposes of [this subsection](#), “non-end user” means a person who receives by contract a specified digital product for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution, or exhibition of the product, in whole or in part, to another person.

NEW SUBSECTION. 105. The sales price for transportation services furnished by emergency or nonemergency medical transportation, by a paratransit service, and by a public transit system as defined in [section 324A.1](#).

Sec. 189. [Section 423.4, subsection 3](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

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

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

Sec. 191. [Section 423.4, subsection 10](#), paragraph e, Code 2018, is amended to read as follows:

e. There is established within the state treasury under the control of the department a baseball and softball complex sales tax rebate fund consisting of the amount of state sales tax revenues transferred pursuant to [section 423.2, subsection 11](#), paragraph “b”, subparagraph (4) [423.2A, subsection 2](#), paragraph “d”. An account is created within the fund for each baseball and softball complex receiving an award under [section 15F.207](#) and meeting the qualifications of [this subsection](#). Moneys in the fund shall only be used to provide rebates of state sales tax pursuant to [this subsection](#), and only the state sales tax revenues in the baseball and softball complex rebate fund are subject to rebate under [this subsection](#). The amount of rebates paid from each baseball and softball complex’s account within the fund shall not exceed the amount of the award under [section 15F.207](#), and not more than five million dollars in total rebates shall be paid from the fund. Any moneys in the fund which represent state sales tax revenue for which the time period in paragraph “c” for receiving a rebate has expired, or which otherwise represent state sales tax revenue that has become ineligible for rebate pursuant to [this subsection](#), shall immediately revert to the general fund of this state.

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

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

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

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

Sec. 194. [Section 423.4, subsection 11](#), paragraph e, Code 2018, is amended to read as follows:

e. There is established within the state treasury under the control of the department a raceway facility tax rebate fund consisting of the amount of state sales tax revenues transferred pursuant to ~~section 423.2, subsection 11, paragraph “b”, subparagraph (7)~~ [423.2A, subsection 2](#), paragraph “g”. An account is created within the fund for each raceway facility meeting the qualifications of [this subsection](#). Moneys in the fund shall only be used to provide rebates of state sales tax pursuant to paragraph “b”, subparagraph (1). The total amount of rebates paid from the fund shall not exceed the amount specified in paragraph “c”, subparagraph (4), subparagraph division (a) or (b), whichever is applicable. Any moneys in the fund which represent state sales tax revenue for which the time period in paragraph “c” for receiving a rebate has expired, or which otherwise represent state sales tax revenue that has become ineligible for rebate pursuant to [this subsection](#) shall immediately revert to the general fund of the state.

Sec. 195. [Section 423.5, subsection 1](#), paragraph a, Code 2018, is amended to read as follows:

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

Sec. 196. [Section 423.5, subsection 1](#), paragraph d, Code 2018, is amended to read as follows:

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

Sec. 197. [Section 423.5, subsection 1](#), Code 2018, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. (1) The use in this state of specified digital products. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the use is conditioned or not conditioned upon continued payment from the purchaser, and whether the use is on a subscription basis or is not on a subscription basis.

(2) The use of a digital code that may be used to obtain or access a specified digital product shall be taxed in the same manner as the specified digital product. For purposes of this subparagraph, “digital code” means the same as defined in [section 423.2, subsection 9A](#).

Sec. 198. [Section 423.5, subsection 3](#), Code 2018, is amended to read as follows:

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

Sec. 199. [Section 423.5, subsection 4](#), Code 2018, is amended by striking the subsection.

Sec. 200. [Section 423.6](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

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

Sec. 201. [Section 423.6, subsections 1, 2, 4, and 6](#), Code 2018, are amended to read as follows:

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

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

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

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

Sec. 202. [Section 423.14, subsection 2](#), paragraphs b and c, Code 2018, are amended to read as follows:

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

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

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

1. For purposes of [this section](#):

a. "Iowa sales" means sales of tangible personal property, services, or specified digital products sourced to this state pursuant to [section 423.15, 423.16, 423.17, 423.19, or 423.20](#), or that are otherwise sold in this state or for delivery into this state.

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

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

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

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

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

(iv) Provides a marketplace for making retail sales of tangible personal property, services, or specified digital products, or otherwise facilitates retail sales of tangible personal property,

services, or specified digital products, regardless of ownership or control of the tangible personal property, services, or specified digital products that are the subject of the retail sale.

(v) Provides software development or research and development activities related to any activity described in this subparagraph division (a), if such software development or research and development activities are directly related to the physical or electronic marketplace provided by a marketplace provider.

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

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

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

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

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

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

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

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

(iv) Through terms and conditions, agreements, or arrangements with a third party, collects payment in connection with a retail sale of tangible personal property, services, or specified digital products from a purchaser and transmits that payment to the marketplace seller, regardless of whether the person collecting and transmitting such payment receives compensation or other consideration in exchange for the service.

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

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

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

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

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

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

2. In addition to and not in lieu of any application of [this chapter](#) to sellers who are retailers and sellers who are retailers maintaining a place of business in this state, any person described in [subsection 3](#), or the person's agents, shall be considered a retailer in this state and a retailer maintaining a place of business in this state for purposes of [this chapter](#) on or after January 1, 2019, and shall be subject to all requirements of [this chapter](#) imposed on retailers and retailers maintaining a place of business in this state, including but not limited to the requirement to collect and remit sales and use taxes pursuant to [sections 423.14 and 423.29](#), and local option taxes under [chapter 423B](#).

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

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

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

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

(3) A retailer that provides, or enters into an agreement with another person to provide, a content distribution network in this state to facilitate, accelerate, or enhance the delivery of the retailer’s internet site to purchasers. For purposes of this subparagraph, “*content distribution network*” means a system of distributed servers that deliver internet sites and other internet content to a user based on the geographic location of the user, the origin of the internet site or internet content, and a content delivery server.

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

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

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

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

(a) If the marketplace facilitator demonstrates to the satisfaction of the department that the marketplace facilitator has made a reasonable effort to obtain accurate information from the marketplace seller about a retail sale and that the failure to collect and remit the correct tax was due to incorrect information provided to the marketplace facilitator by the marketplace seller, then the marketplace facilitator shall be relieved of liability for that retail sale. This subparagraph division does not apply with regard to a retail sale for which the marketplace facilitator is the seller or if the marketplace facilitator and the seller are affiliates. For Iowa sales for which a marketplace facilitator is relieved of liability under this subparagraph division, the marketplace seller and purchaser are liable for any amount of uncollected, unpaid, or unremitted tax.

(b) (i) Subject to the limitation in subparagraph subdivision (ii), if the marketplace facilitator demonstrates to the satisfaction of the department that the Iowa sale was made or facilitated for a marketplace seller prior to January 1, 2026, through a marketplace of the marketplace facilitator, that the marketplace facilitator is not the seller and that the marketplace facilitator and the seller are not affiliates, and that the failure to collect sales and use tax was due to an error other than an error in sourcing the sale. To the extent that a marketplace facilitator is relieved of liability for collection of sales and use tax under this subparagraph division, the marketplace seller for whom the marketplace facilitator has

made or facilitated the Iowa sale is also relieved of liability. The department may determine the manner in which a marketplace facilitator or marketplace seller shall claim the liability relief provided in this subparagraph division.

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

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

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

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

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

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

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

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

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

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

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

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

(v) Instructions for obtaining additional information from the department regarding whether and how to remit sales and use tax to the state of Iowa.

(b) The referrer provides a monthly notice to each marketplace seller to whom the referrer made a referral of a potential customer located in Iowa during the previous calendar year, which monthly notice shall contain all of the following:

(i) A statement that Iowa imposes a sales or use tax on Iowa sales.

(ii) A statement that a marketplace facilitator or other retailer making Iowa sales must collect and remit sales and use tax.

(iii) Instructions for obtaining additional information from the department regarding the collection and remittance of Iowa sales and use tax.

(c) The referrer provides the department with monthly reports in an electronic format and in the manner prescribed by the department, which monthly reports contain all of the following:

(i) A list of marketplace sellers who received the referrer's notice under subparagraph division (b).

(ii) A list of marketplace sellers that collect and remit Iowa sales and use tax and that list or advertise the marketplace seller's products for sale on a platform of the referrer.

(iii) An affidavit signed under penalty of perjury from an officer of the referrer affirming that the referrer made reasonable efforts to comply with the applicable sales and use tax notice and reporting requirements of this subparagraph.

(2) A referrer is deemed to be an agent of any marketplace seller making retail sales resulting from a referral of the referrer.

(3) For purposes of this paragraph:

(a) "Platform" means an electronic or physical medium, including but not limited to an internet site or catalog, that is owned, operated, or controlled by a referrer.

(b) “*Referral*” means the transfer through telephone, internet link, or other means by a referrer of a potential customer to a retailer or seller who advertises or lists products for sale on a platform of the referrer.

(c) (i) “*Referrer*” means a person who does all of the following:

(A) Contracts or otherwise agrees with a retailer, seller, or marketplace facilitator to list or advertise for sale a product of the retailer, seller, or marketplace facilitator on a platform, provided such listing or advertisement identifies whether or not the retailer, seller, or marketplace facilitator collects sales and use tax.

(B) Receives a commission, fee, or other consideration from the retailer, seller, or marketplace facilitator for the listing or advertisement.

(C) Provides referrals to a retailer, seller, or marketplace facilitator, or an affiliate of a retailer, seller, or marketplace facilitator.

(D) Does not collect money or other consideration from the customer for the transaction.

(ii) “*Referrer*” does not include any of the following:

(A) A person primarily engaged in the business of printing or publishing a newspaper.

(B) A person who does not provide the retailer’s, seller’s, or marketplace facilitator’s shipping terms and who does not advertise whether a retailer, seller, or marketplace facilitator collects sales or use tax.

(4) This paragraph only applies to referrals by a referrer and shall not preclude the applicability of other provisions of [this section](#) to a person who is a referrer and is also a retailer, a marketplace facilitator, or a marketplace seller.

f. (1) A retailer that makes Iowa sales through the use of a solicitor. For purposes of this paragraph, “*solicitor*” means a person that directly or indirectly solicits business for a retailer.

(2) (a) A retailer is deemed to have a solicitor in this state if the retailer enters into an agreement with a resident under which the resident, for a commission, fee, or other similar consideration, directly or indirectly refers potential customers, whether by link on an internet site, or otherwise, to the retailer. This determination may be rebutted by a showing of proof that the resident with whom the retailer has an agreement did not engage in any solicitation in this state on behalf of the retailer that would satisfy the nexus requirement of the United States Constitution during the calendar year in question.

(b) This subparagraph (2) shall not apply to a retailer that has Iowa gross revenue from Iowa sales of ten thousand dollars or less for an immediately preceding calendar year or a current calendar year.

(c) For purposes of this subparagraph (2):

(i) “*Iowa gross revenue*” means gross revenue from Iowa sales to purchasers who were referred to the retailer by all solicitors who are residents.

(ii) “*Resident*” includes an individual who is a resident of this state, as defined in [section 422.4](#), and any business that owns any tangible or intangible property with a situs in this state, or that has one or more employees performing or providing services for the business in this state.

(d) This paragraph “f” does not apply to [chapter 422](#) and does not expand or contract the state’s jurisdiction to tax a trade or business under [chapter 422](#).

g. A retailer that owns, controls, rents, licenses, makes available, or uses any tangible or intangible property in this state or with a situs in this state, to make or otherwise facilitate a retail sale.

h. (1) Any person that enters into a contract or agreement with a governmental entity, including but not limited to contracts for the provision of financial assistance or incentives such as a tax credit, forgivable loan, grant, tax rebate, or any other thing of value. For purposes of this subparagraph, “*governmental entity*” means any unit of government in the executive, legislative, or judicial branch, or any political subdivision of the state, including but not limited to a city, county, township, or school district.

(2) Every bid submitted and each contract or agreement executed by a state agency shall contain a certification by the bidder or contractor stating that the bidder or contractor is registered with the department pursuant to [this chapter](#) and will collect and remit Iowa sales and use tax due under [this chapter](#). In the certification, the bidder or contractor shall also acknowledge that the state agency may declare the contractor or bid void if the certification

is false or becomes false. Fraudulent certification, by act or omission, may result in the state agency or its representative filing for damages for breach of contract.

i. Any affiliate of any person that is required to collect and remit sales and use tax under [this chapter](#), provided the affiliate makes retail sales.

Sec. 204. NEW SECTION. 423.14B Sales and use tax reporting requirements — penalties.

1. For purposes of [this section](#), “Iowa sales” and “marketplace facilitator” all mean the same as defined in [section 423.14A](#).

2. The department may, in its discretion, adopt rules pursuant to [chapter 17A](#) establishing and imposing notice and reporting requirements related to Iowa sales for retailers, including but not limited to marketplace facilitators, who do not collect and remit sales and use tax under [this chapter](#). The rules may include but are not limited to rules requiring retailers, including but not limited to marketplace facilitators, to do any of the following:

a. Notify purchasers at the time of an Iowa sales transaction of sales and use tax obligations under [this chapter](#).

b. Provide purchasers with periodic reports of purchases that are Iowa sales.

c. Provide the department with annual reports that include but are not limited to information relating to purchases, purchasers, and Iowa sales.

3. a. The department may adopt rules pursuant to [chapter 17A](#) establishing and imposing penalties as described in and subject to the dollar limitations of paragraph “b”, provided that any such penalty shall include a procedure for waiver of the penalty upon a showing of reasonable cause for such failure.

b. (1) The department may impose penalties for failure to provide a notification to a purchaser in the manner and form prescribed by the department by rule. Such penalties shall not exceed five dollars for each failure.

(2) The department may impose penalties for failure to provide a purchaser with a periodic report of purchases in the manner and form prescribed by the department by rule. Such penalties shall not exceed ten dollars for each failure.

(3) The department may impose penalties for failure to provide the department with an annual report in the manner and form prescribed by the department. Such penalties shall not exceed an amount per annual report equal to ten dollars multiplied by the number of purchasers for whom information should have been but was not included in the annual report.

Sec. 205. [Section 423.15](#), unnumbered paragraph 1, Code 2018, is amended to read as follows:

All sales of products tangible personal property, services, or specified digital products, except those sales enumerated in [section 423.16](#), shall be sourced according to [this section](#) by sellers obligated to collect Iowa sales and use tax. The sourcing rules described in [this section](#) apply to sales of tangible personal property, specified digital goods products, and all services other than telecommunications services. [This section](#) only applies to determine a seller’s obligation to pay or collect and remit a Iowa sales or use tax with respect to the seller’s sale of a product. [This section](#) does not affect the obligation of a purchaser or lessee to remit tax on the use of the product to the taxing jurisdictions in which the use occurs. A seller’s obligation to collect Iowa sales tax or Iowa use tax only occurs if the sale is sourced to this state. ~~Whether Iowa sales tax applies to a sale sourced to Iowa shall be determined based on the location at which the sale is consummated by delivery or, in the case of a service, where the first use of the service occurs~~ made by a seller subject to [section 423.1, subsection 48, or section 423.14A](#).

Sec. 206. [Section 423.15, subsection 1](#), paragraph e, Code 2018, is amended to read as follows:

e. When paragraphs “a”, “b”, “c”, and “d” do not apply, including the circumstance where the seller is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped, from which the specified digital good product or the computer software delivered electronically was first

available for transmission by the seller, or from which the service was provided disregarding for these purposes any location that merely provided the digital transfer of the product sold.

Sec. 207. [Section 423.22](#), Code 2018, is amended to read as follows:

423.22 Taxation in another state.

If any person who causes tangible personal property or specified digital products to be brought into this state or who uses in this state services enumerated in [section 423.2](#) has already paid a tax in another state in respect to the sale or use of the property or the performance of the service, or an occupation tax in respect to the property or service, in an amount less than the tax imposed by [subchapter II](#) or [III](#), the provisions of those subchapters shall apply, but at a rate measured by the difference only between the rate fixed by [subchapter II](#) or [III](#) and the rate by which the previous tax on the sale or use, or the occupation tax, was computed. If the tax imposed and paid in the other state is equal to or more than the tax imposed by those subchapters, then a tax is not due in this state on the personal property or service.

Sec. 208. [Section 423.29, subsection 1](#), Code 2018, is amended to read as follows:

1. Every seller who is a retailer and who is making taxable sales of tangible personal property or specified digital products in Iowa shall, at the time of ~~selling the property making the sale~~, collect the sales tax. Every seller who is a retailer ~~maintaining a place of business in this state that is not otherwise required to collect sales tax under the provisions of this chapter~~ and who is selling tangible personal property or specified digital products for use in Iowa shall, at the time of making the sale, whether within or without the state, collect the use tax. Sellers required to collect sales or use tax shall give to any purchaser a receipt for the tax collected in the manner and form prescribed by the director.

Sec. 209. [Section 423.30, subsection 1](#), Code 2018, is amended to read as follows:

1. The director may, upon application, authorize the collection of the use tax by any seller who is a retailer not maintaining a place of business within this state and not registered under the agreement, who, to the satisfaction of the director, furnishes adequate security to ensure collection and payment of the tax. Such sellers shall be issued, without charge, permits to collect tax subject to any regulations which the director shall prescribe. When so authorized, it shall be the duty of foreign sellers to collect the tax upon all tangible personal property and specified digital products sold, to the retailer's knowledge, for use within this state, in the same manner and subject to the same requirements as a retailer maintaining a place of business within this state. The authority and permit may be canceled when, at any time, the director considers the security inadequate, or that tax can more effectively be collected from the person using property in this state.

Sec. 210. [Section 423.31, subsection 1](#), Code 2018, is amended to read as follows:

1. Each person subject to [this section](#) and [section 423.36](#) and in accordance with the provisions of [this section](#) and [section 423.36](#) shall, on or before the last day of the month following the close of each calendar quarter during which such person is or has become or ceased being subject to the provisions of [this section](#) and [section 423.36](#), make, sign, and file a return for the calendar quarter in the form as may be required. Returns shall show information relating to sales prices including ~~goods, wares,~~ tangible personal property, specified digital products, and services converted to the use of such person, the amounts of sales prices excluded and exempt from the tax, the amounts of sales prices subject to tax, a calculation of tax due, and any other information for the period covered by the return as may be required. Returns shall be signed by the retailer or the retailer's authorized agent and must be certified by the retailer to be correct in accordance with forms and rules prescribed by the director.

Sec. 211. [Section 423.31, subsection 5](#), paragraph a, Code 2018, is amended to read as follows:

a. Upon making application and receiving approval from the director, a ~~parent corporation person~~ and its ~~affiliated corporations~~ affiliates that make retail sales of tangible personal property, specified digital products, or taxable enumerated services may make deposits and

file a consolidated sales tax return for the affiliated group, pursuant to rules adopted by the director. A ~~parent corporation person~~ and each affiliate ~~corporation~~ that files a consolidated return are jointly and severally liable for all tax, penalty, and interest found due for the tax period for which a consolidated return is filed or required to be filed.

Sec. 212. [Section 423.32, subsection 1](#), paragraph b, Code 2018, is amended to read as follows:

b. The deposit form is due on or before the twentieth day of the month following the month of collection, except a deposit is not required for the third month of the calendar quarter, and the total quarterly amount, less the amounts deposited for the first two months of the quarter, is due with the quarterly report on the last day of the month following the month of collection. At that time, the retailer shall file with the department a return for the preceding quarterly period in the form prescribed by the director showing the purchase price of the tangible personal property, specified digital products, and services sold by the retailer during the preceding quarterly period, the use of which is subject to the use tax imposed by [this chapter](#), and other information the director deems necessary for the proper administration of the use tax.

Sec. 213. [Section 423.33, subsection 3](#), Code 2018, is amended to read as follows:

3. *Event sponsor's liability for sales tax.* A person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event shall obtain from every retailer selling tangible personal property, specified digital products, or taxable services at the event proof that the retailer possesses a valid sales tax permit or secure from the retailer a statement, taken in good faith, that tangible personal property, specified digital products, or services offered for sale are not subject to sales tax. Failure to do so renders a sponsor of the event liable for payment of any sales tax, interest, and penalty due and owing from any retailer selling property or services at the event. [Sections 423.31, 423.32, 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42](#) apply to the sponsors. For purposes of [this subsection](#), a "person sponsoring a flea market or a craft, antique, coin, or stamp show or similar event" does not include an organization which sponsors an event determined to qualify as an event involving casual sales pursuant to [section 423.3, subsection 39](#), or the state fair or a fair as defined in [section 174.1](#).

Sec. 214. [Section 423.33](#), Code 2018, is amended by adding the following new subsection:
NEW SUBSECTION. 4. *Liability of affiliates.*

a. Notwithstanding any other provision of law to the contrary, if any retailer required to collect and remit sales and use tax pursuant to [sections 423.14, 423.14A, and 423.29](#), or any other provision of [this chapter](#), fails to do so, all affiliates that directly, indirectly, or constructively control the retailer shall be jointly and severally liable for any tax, penalty, and interest under [this chapter](#), regardless of whether the affiliate is a retailer.

b. Pursuant to paragraph "a", the department may elect to assess the full amount of any tax, penalty, and interest against the retailer, an affiliate of the retailer described in paragraph "a", or any combination of the retailer and the retailer's affiliates described in paragraph "a".

c. Notwithstanding any other provision of law to the contrary, the department has the discretion to deem an affiliate of a retailer an agent or alter ego of that retailer.

d. Notwithstanding any other provision of law to the contrary, the department has the discretion to disregard or look through any organizational structure of an enterprise in order to assess and collect any tax, penalty, and interest against an affiliate that is acting to benefit an affiliate or an enterprise of which the affiliate is a part.

Sec. 215. [Section 423.34](#), Code 2018, is amended to read as follows:

423.34 Liability of user.

Any person who uses any tangible personal property, specified digital products, or services enumerated in [section 423.2](#) upon which the use tax has not been paid, either to the county treasurer or to a retailer or direct to the department as required by [this subchapter](#), shall be liable for the payment of tax, and shall on or before the last day of the month next succeeding each quarterly period pay the use tax upon all property or services used by the person during the preceding quarterly period in the manner and accompanied by such returns as the director

shall prescribe. All of the provisions of [sections 423.32](#) and [423.33](#) with reference to the returns and payments shall be applicable to the returns and payments required by [this section](#).

Sec. 216. [Section 423.36, subsection 1](#), Code 2018, is amended to read as follows:

1. A person shall not engage in or transact business as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services within this state or as a retailer making taxable sales of tangible personal property, specified digital products, or furnishing services for use within this state, unless a permit has been issued to the retailer under [this section](#), except as provided in [subsection 7](#). Every person desiring to engage in or transact business as a retailer shall file with the department an application for a permit to collect sales or use tax. Every application for a sales or use tax permit shall be made upon a form prescribed by the director and shall set forth any information the director may require. The application shall be signed by an owner of the business if a natural person; in the case of a retailer which is an association or partnership, by a member or partner; and in the case of a retailer which is a corporation, by an executive officer or some person specifically authorized by the corporation to sign the application, to which shall be attached the written evidence of the person's authority.

Sec. 217. [Section 423.36, subsection 2](#), paragraph a, Code 2018, is amended to read as follows:

a. Notwithstanding [subsection 1](#), if any person will make taxable sales of tangible personal property, specified digital products, or furnish services to any state agency, that person shall, prior to the sale, apply for and receive a permit to collect sales or use tax pursuant to [this section](#). A state agency shall not purchase tangible personal property, specified digital products, or services from any person unless that person has a valid, unexpired permit issued pursuant to [this section](#) and is in compliance with all other requirements in [this chapter](#) imposed upon retailers, including but not limited to the requirement to collect and remit sales and use tax and file sales and use tax returns.

Sec. 218. [Section 423.36, subsection 7](#), paragraph b, Code 2018, is amended to read as follows:

b. Persons engaged in selling tangible personal property, specified digital products, or furnishing services shall not be required to obtain or retain a sales tax permit for a place of business at which taxable sales of tangible personal property, specified digital products, or taxable performance of services will not occur.

Sec. 219. [Section 423.36, subsection 9](#), paragraph a, Code 2018, is amended to read as follows:

a. Except as provided in paragraph "b", purchasers, users, and consumers of tangible personal property, specified digital products, or enumerated services taxed pursuant to [subchapter II](#) or [III](#) of [this chapter](#) or [chapter 423B](#) may be authorized, pursuant to rules adopted by the director, to remit tax owed directly to the department instead of the tax being collected and paid by the seller. To qualify for a direct pay tax permit, the purchaser, user, or consumer must accrue a tax liability of more than four thousand dollars in tax under [subchapters II](#) and [III](#) in a semimonthly period and make deposits and file returns pursuant to [section 423.31](#). This authority shall not be granted or exercised except upon application to the director and then only after issuance by the director of a direct pay tax permit.

Sec. 220. [Section 423.40, subsection 2](#), Code 2018, is amended to read as follows:

2. a. Any person who knowingly sells tangible personal property, specified digital products, tickets or admissions to places of amusement and athletic events, or gas, water, electricity, or communication service at retail, or engages in the furnishing of services enumerated in [section 423.2](#), in this state without procuring a permit to collect tax, as provided in [section 423.36](#), or who violates [section 423.24](#) and the officers of any corporation who so act are guilty of a serious misdemeanor.

b. A person who knowingly sells tangible personal property, specified digital products, tickets or admissions to places of amusement and athletic events, or gas, water, electricity, or communication service at retail, or engages in the furnishing of services enumerated in

[section 423.2](#), in this state after the person's sales tax permit has been revoked and before it has been restored as provided in [section 423.36](#), [subsection 6](#), and the officers of any corporation who so act are guilty of an aggravated misdemeanor.

Sec. 221. [Section 423.41](#), Code 2018, is amended to read as follows:

423.41 Books — examination.

Every retailer required or authorized to collect taxes imposed by [this chapter](#) and every person using in this state tangible personal property, [specified digital products](#), services, or the product of services shall keep records, receipts, invoices, and other pertinent papers as the director shall require, in the form that the director shall require, for as long as the director has the authority to examine and determine tax due. The director or any duly authorized agent of the department may examine the books, papers, records, and equipment of any person either selling tangible personal property, [specified digital products](#), or services or liable for the tax imposed by [this chapter](#), and investigate the character of the business of any person in order to verify the accuracy of any return made, or if a return was not made by the person, ascertain and determine the amount due under [this chapter](#). These books, papers, and records shall be made available within this state for examination upon reasonable notice when the director deems it advisable and so orders. If the taxpayer maintains any records in an electronic format, the taxpayer shall comply with reasonable requests by the director or the director's authorized agents to provide those electronic records in a standard record format. The preceding requirements shall likewise apply to users and persons furnishing services enumerated in [section 423.2](#).

Sec. 222. [Section 423.45](#), [subsection 4](#), paragraphs a, b, and e, Code 2018, are amended to read as follows:

a. The department shall issue or the seller may separately provide exemption certificates in the form prescribed by the director, including certificates not made of paper, which conform to the requirements of paragraph "c", to assist retailers in properly accounting for nontaxable sales of tangible personal property, [specified digital products](#), or services to purchasers for a nontaxable purpose. The department shall also allow the use of exemption certificates for those circumstances in which a sale is taxable but the seller is not obligated to collect tax from the buyer.

b. The sales tax liability for all sales of tangible personal property [and specified digital products](#) and all sales of services is upon the seller and the purchaser unless the seller takes from the purchaser a valid exemption certificate stating under penalty of perjury that the purchase is for a nontaxable purpose and is not a retail sale as defined in [section 423.1](#), or the seller is not obligated to collect tax due, or unless the seller takes a fuel exemption certificate pursuant to [subsection 5](#). If the tangible personal property, [specified digital products](#), or services are purchased tax free pursuant to a valid exemption certificate and the tangible personal property, [specified digital products](#), or services are used or disposed of by the purchaser in a nonexempt manner, the purchaser is solely liable for the taxes and shall remit the taxes directly to the department and [sections 423.31](#), [423.32](#), [423.37](#), [423.38](#), [423.39](#), [423.40](#), [423.41](#), and [423.42](#) shall apply to the purchaser.

e. If the circumstances change and as a result the tangible personal property, [specified digital products](#), or services are used or disposed of by the purchaser in a nonexempt manner or the purchaser becomes obligated to pay the tax, the purchaser is liable solely for the taxes and shall remit the taxes directly to the department in accordance with [this subsection](#).

Sec. 223. [Section 423.57](#), Code 2018, is amended to read as follows:

423.57 Statutes applicable.

The director shall administer [this subchapter](#) as it relates to the taxes imposed in [this chapter](#) in the same manner and subject to all the provisions of, and all of the powers, duties, authority, and restrictions contained in [sections 423.14](#), [423.14A](#), [423.14B](#), [423.15](#), [423.16](#), [423.17](#), [423.19](#), [423.20](#), [423.21](#), [423.22](#), [423.23](#), [423.24](#), [423.25](#), [423.29](#), [423.31](#), [423.32](#), [423.33](#), [423.34](#), [423.34A](#), [423.35](#), [423.37](#), [423.38](#), [423.39](#), [423.40](#), [423.41](#), and [423.42](#), [section 423.43](#), [subsection 1](#), and [sections 423.45](#), [423.46](#), and [423.47](#).

Sec. 224. [Section 423.58](#), Code 2018, is amended to read as follows:

423.58 Collection, permit, and tax return exemption for certain out-of-state businesses.

Notwithstanding [sections 423.14, 423.14A, 423.14B, 423.29, 423.31, 423.32, and 423.36](#), a person meeting the requirements of [section 29C.24](#) is not required to obtain a sales or use tax permit, collect and remit sales and use tax, or make and file applicable sales or use tax returns, as provided in [section 29C.24, subsection 3](#), paragraph “a”, subparagraph (2).

Sec. 225. [Section 423B.5, subsection 1](#), Code 2018, is amended to read as follows:

1. A local sales and services tax at the rate of not more than one percent may be imposed by a county on the sales price taxed by the state under [chapter 423, subchapter II](#). A local sales and services tax shall be imposed on the same basis as the state sales and services tax or in the case of the use of natural gas, natural gas service, electricity, or electric service on the same basis as the state use tax and shall not be imposed on the sale of any property or on any service not taxed by the state, except the tax shall not be imposed on the sales price from the sale of motor fuel or special fuel as defined in [chapter 452A](#) which is consumed for highway use or in watercraft or aircraft if the fuel tax is paid on the transaction and a refund has not or will not be allowed, on the sales price from the sale of equipment by the state department of transportation, or on the sales price from the sale or use of natural gas, natural gas service, electricity, or electric service in a city or county where the sales price from the sale of natural gas or electric energy is subject to a franchise fee or user fee during the period the franchise or user fee is imposed. A local sales and services tax is applicable to transactions within those incorporated and unincorporated areas of the county where it is imposed and, which transactions include but are not limited to sales sourced pursuant to [section 423.15, 423.17, 423.19, or 423.20](#), to a location within that city or unincorporated area of the county. The tax shall be collected by all persons required to collect state sales taxes. All cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favors its imposition. In the case of a local sales and services tax submitted to the registered voters of two or more contiguous counties as provided in [section 423B.1, subsection 4](#), paragraph “c”, all cities contiguous to each other shall be treated as part of one incorporated area, even if the corporate boundaries of one or more of the cities include areas of more than one county, and the tax shall be imposed in each of those contiguous cities only if a majority of those voting on the tax in the total area covered by the contiguous cities favored its imposition.

Sec. 226. [Section 423B.6, subsection 2](#), paragraph b, Code 2018, is amended to read as follows:

b. The ordinance of a county board of supervisors imposing a local sales and services tax shall adopt by reference the applicable provisions of the appropriate sections of [chapter 423](#). All powers and requirements of the director to administer the state sales tax law and use tax law are applicable to the administration of a local sales and services tax law and the local excise tax, including but not limited to the provisions of [section 422.25, subsection 4, sections 422.30, 422.67, and 422.68, section 422.69, subsection 1, sections 422.70 through 422.75, section 423.14, subsection 1 and subsection 2](#), paragraphs “b” through “e”, and [sections 423.14A, 423.15, 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through 423.42, 423.46, and 423.47](#). Local officials shall confer with the director of revenue for assistance in drafting the ordinance imposing a local sales and services tax. A certified copy of the ordinance shall be filed with the director as soon as possible after passage.

Sec. 227. LEGISLATIVE INTENT. It is the intent of the general assembly that the provisions of this division of this Act amending the definition of “place of business” in [section 423.1, subsection 37](#), and “sales” in [section 423.1, subsection 50](#), enacting definitions of “sold at retail in the state” in [section 423.1, subsection 55A](#), and “subscription” in [section 423.1, subsection 57A](#), and amending the enumerated service of pay television in [423.2, subsection 6](#), paragraph “al”, are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of this division of this Act.

Sec. 228. RELATIONSHIP TO EXISTING LAW FOR TAXATION OF SPECIFIED DIGITAL PRODUCTS. The provisions of this division of this Act relating to the imposition of tax on the sale or use of “specified digital products”, as defined in this division of this Act, shall not be construed as affecting the taxability or nontaxability under other provisions of existing law of sales or uses occurring prior to the enactment of this division of this Act of products meeting the definition of “specified digital products”, as defined in this division of this Act.

Sec. 229. EFFECTIVE DATE. Except as otherwise provided in this division of this Act, this division of this Act takes effect January 1, 2019.

Sec. 230. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The sections of this division of this Act amending [section 423.1, subsections 37 and 50](#).
2. The sections of this division of this Act enacting [section 423.1, subsections 55A and 57A](#).
3. The section of this division of this Act amending [section 423.3, subsection 47](#), paragraph “d”, subparagraph (4).
4. The provision amending the enumerated service of pay television to include but not be limited to streaming video, video on-demand, and pay-per-view, in the section of this division of this Act amending [section 423.2, subsection 6](#), by designating paragraph “al”.
5. The section of this division of this Act entitled “legislative intent” which describes the intent of the general assembly with respect to certain amendments in this division of this Act to the definition of “place of business” in [section 423.1, subsection 37](#), “sales” in [section 423.1, subsection 50](#), the enactment of a definition for “subscription” in [section 423.1, subsection 57A](#), and “sold at retail”⁴ in [section 423.1, subsection 55A](#), and amendments to the enumerated service of pay television in [section 423.2, subsection 6](#), paragraph “al”.

Sec. 231. EFFECTIVE DATE. The following take effect July 1, 2018:

1. The section of this division of this Act amending [section 423.2, subsection 1](#), paragraph “a”, subparagraph (1).
2. The provisions adding photography and retouching to the list of enumerated services subject to the sales tax in the section of this division of this Act amending [section 423.2, subsection 6](#), by enacting paragraphs “bo” and “bp”.
3. The section of this division of this Act enacting [section 423.2, subsection 8](#), paragraph “d”.
4. The section of this division of this Act amending [section 423.5, subsection 1](#), paragraph “a”.

DIVISION XII

APPROVAL AND IMPOSITION OF LOCAL OPTION SALES AND SERVICES TAX

Sec. 232. [Section 423B.1, subsection 2](#), paragraph b, subparagraph (3), Code 2018, is amended to read as follows:

(3) The tax once imposed shall continue to be imposed until the county-imposed tax is reduced or increased in rate or repealed, and then the city-imposed tax shall also be reduced or increased in rate or repealed in the same amount and be effective on the same date.

Sec. 233. [Section 423B.1, subsections 3, 4, and 5](#), Code 2018, are amended to read as follows:

3. ~~a. A local option tax shall be imposed only after an election at which~~ If a majority of those voting on the question of imposition of a local option tax favors imposition and, the local option tax shall then be imposed at the rate specified on the ballot until repealed as provided in [subsection 6](#), paragraph “a” [this chapter](#).

b. If the tax is a local vehicle tax imposed by a county, it shall apply to all incorporated and unincorporated areas of the county.

c. (1) If the tax is a local sales and services tax imposed by a county, it shall only apply to those incorporated areas and the unincorporated area of that county in which a majority of

⁴ According to Act; the phrase “sold at retail in the state” probably intended

those voting in the area on the tax favors its imposition. For purposes of the local sales and services tax, all cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favors its imposition. ~~In the case of a local sales and services tax submitted to the registered voters of two or more contiguous counties as provided in subsection 4, paragraph "c", all cities contiguous to each other shall be treated as part of one incorporated area, even if the corporate boundaries of one or more of the cities include areas of more than one county, and the tax shall be imposed in each of those contiguous cities only if a majority of those voting on the tax in the total area covered by the contiguous cities favored its imposition.~~ For purposes of the local sales and services tax, a city is not contiguous to another city if the only road access between the two cities is through another state.

(2) The treatment of contiguous cities as one incorporated area for the purpose of determining whether a majority of those voting favors imposition does not apply to elections on the question of imposition of a local sales and services tax in all or a portion of a county that is a qualified county if the election occurs on or after January 1, 2019. For purposes of this chapter, "qualified county" means a county with a population in excess of four hundred thousand, a county with a population of at least one hundred thirty thousand but not more than one hundred thirty-one thousand, or a county with a population of at least sixty thousand but not more than seventy thousand, according to the 2010 federal decennial census.

4. a. ~~(1) A~~ The county board of supervisors shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local vehicle tax ~~or a local sales and services tax~~ to the registered voters of the incorporated and unincorporated areas of the county upon receipt of a petition, requesting imposition of a local vehicle tax ~~or a local sales and services tax~~, signed by eligible electors of the whole county equal in number to five percent of the persons in the whole county who voted at the last preceding general election. ~~In the case of a local vehicle tax, the~~ The petition requesting imposition shall specify the rate of tax and the classes, if any, that are to be exempt. If more than one valid petition is received, the earliest received petition shall be used.

(2) The county board of supervisors shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local sales and services tax to the registered voters of the incorporated and unincorporated areas of the county upon receipt of a petition requesting imposition of a local sales and services tax, signed by eligible electors of the whole county equal in number to five percent of the persons in the whole county who voted at the last preceding general election. If more than one valid petition is received, the earliest received petition shall be used.

(3) In lieu of the petition requirement of subparagraph (2), the county board of supervisors for a county that is a qualified county shall direct within thirty days the county commissioner of elections to submit the question of imposition of a local sales and services tax to the registered voters of a city, or the portion thereof located in the county, or to the registered voters of the unincorporated area of the county upon receipt by the board of supervisors of a petition requesting imposition of a local sales and services tax, signed by eligible electors of the city, or the portion thereof located in the county, or eligible electors of the unincorporated area of the county, as applicable, equal in number to five percent of the persons in the city, or applicable portion thereof, or in the unincorporated area of the county who voted at the last preceding general election. If more than one valid petition is received for a city or for the unincorporated area of the county, the earliest received petition shall be used. This subparagraph applies to petitions received on or after January 1, 2019.

b. (1) The question of the imposition of a local sales and services tax shall be submitted to the registered voters of the incorporated and unincorporated areas of the county upon receipt by the county commissioner of elections of the motion or motions, requesting such submission, adopted by the governing body or bodies of the city or cities located within the county or of the county, for the unincorporated areas of the county, representing at least one half of the population of the county. Upon adoption of such motion, the governing body of the city or county, for the unincorporated areas, shall submit the motion to the county commissioner of elections and in the case of the governing body of the city shall notify the

board of supervisors of the adoption of the motion. The county commissioner of elections shall keep a file on all the motions received and, upon reaching the population requirements, shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. A motion ceases to be valid at the time of the holding of the regular election for the election of members of the governing body which that adopted the motion. The county commissioner of elections shall eliminate from the file any motion that ceases to be valid.

(2) In lieu of the motion requirements of subparagraph (1), the question of the imposition of a local sales and services tax shall be submitted to the registered voters of a city located in a county that is a qualified county, or the portion thereof located in the county, or to the registered voters of the unincorporated area of a county that is a qualified county upon receipt by the county commissioner of elections of a motion requesting such submission, adopted by the governing body of the city or the county for the unincorporated area of the county, as applicable. Upon adoption of such motion, the governing body of the city or county for the unincorporated area shall submit the motion to the county commissioner of elections. The county commissioner of elections shall publish notice of the ballot proposition concerning the imposition of the local sales and services tax. This subparagraph applies to motions received by the county commissioner of elections on or after January 1, 2019.

(3) The manner methods provided under this paragraph for the submission of the question of imposition of a local sales and services tax is an alternative are alternatives to the manner methods provided in paragraph "a".

~~e. Upon receipt of petitions or motions calling for the submission of the question of the imposition of a local sales and services tax as described in paragraph "a" or "b", the boards of supervisors of two or more contiguous counties in which the question is to be submitted may enter into a joint agreement providing that for purposes of this chapter, a city whose corporate boundaries include areas of more than one county shall be treated as part of the county in which a majority of the residents of the city reside. In such event, the county commissioners of elections from each such county shall cooperate in the selection of a single date upon which the election shall be held, and for all purposes of this chapter relating to the imposition, repeal, change of use, or collection of the tax, such a city shall be deemed to be part of the county in which a majority of the residents of the city reside. A copy of the joint agreement shall be provided promptly to the director of revenue.~~

5. a. The county commissioner of elections shall submit the question of imposition of a local option tax at an election held on a date specified in [section 39.2, subsection 4](#), paragraph "a" or "b", as applicable. The election shall not be held sooner than sixty days after publication of notice of the ballot proposition.

b. The ballot proposition shall specify the type and rate of tax and, in the case of a vehicle tax, the classes that will be exempt and, in the case of a local sales and services tax, the date it will be imposed which date shall not be earlier than ninety days following the election. The ballot proposition shall also specify the approximate amount of local option tax revenues that will be used for property tax relief, subject to the requirement of [section 423B.7, subsection 7, paragraph "b"](#), and shall contain a statement as to the specific purpose or purposes for which the revenues shall otherwise be expended. If the county board of supervisors or governing body of the city, as applicable, decides under [subsection 6](#) to specify a date on which the local option sales and services tax shall automatically be repealed, the date of the repeal shall also be specified on the ballot.

c. The rate of the vehicle tax shall be in increments of one dollar per vehicle as set by the petition seeking to impose the tax.

d. The rate of a local sales and services tax shall not be more than one percent as set by the governing body.

e. The state commissioner of elections shall establish by rule the form for the ballot proposition which form shall be uniform throughout the state.

Sec. 234. [Section 423B.1, subsection 6](#), paragraph a, subparagraph (1), Code 2018, is amended by striking the subparagraph.

Sec. 235. [Section 423B.1, subsection 6](#), paragraph a, subparagraphs (2) and (3), Code 2018, are amended to read as follows:

(2) (a) ~~The A~~ local option tax may be repealed or the rate of the local vehicle tax increased or decreased or the use ~~thereof~~ of a local option tax changed after an election at which a majority of those voting on the question of repeal or rate or use change ~~avored~~ avors the repeal or rate or use change.

(b) The date on which the repeal, rate, or use change is to take effect shall not be earlier than ninety days following the election. The election at which the question of repeal or rate or use change is offered shall be called and held in the same manner and under the same conditions as provided in [subsections 4 and 5](#) for the election on the imposition of the local option tax. However, in the case of a local sales and services tax where the tax has not been imposed countywide, the question of repeal or imposition ~~or rate~~ or use change shall be voted on only by the registered voters of the areas of the county where the tax has been imposed or has not been imposed, as appropriate.

(c) ~~However, the~~ The governing body of the ~~incorporated area~~ city or unincorporated area where the local sales and services tax is imposed may, upon its own motion, request the county commissioner of elections to hold an election in the ~~incorporated city, or portion thereof located in the county,~~ or unincorporated area, as appropriate, on the question of the change in use of local sales and services tax revenues. The election may be held at any time but not sooner than sixty days following publication of the ballot proposition. If a majority of those voting in the ~~incorporated city, or portion thereof located in the county,~~ or unincorporated area on the change in use favors the change, the governing body of that area shall change the use to which the revenues shall be used. The ballot proposition shall list the present use of the revenues, the proposed use, and the date after which revenues received will be used for the new use.

(3) When submitting the question of the imposition of a local sales and services tax, the ~~county~~ board of supervisors or if the election is initiated under [subsection 4](#), paragraph “a”, subparagraph (3), or [subsection 4](#), paragraph “b”, subparagraph (2), the governing board of a city, may direct that the question contain a provision for the repeal, without election, of the local sales and services tax on a specific date, which date shall be as provided in [section 423B.6, subsection 1](#).

Sec. 236. [Section 423B.1, subsection 7](#), paragraph b, Code 2018, is amended to read as follows:

b. Costs of local option tax elections shall be apportioned among jurisdictions within the county voting on the question at the same election on a pro rata basis in proportion to the number of registered voters in each taxing jurisdiction voting on the question and the total number of registered voters in all of the taxing jurisdictions voting on the question.

Sec. 237. [Section 423B.1, subsection 8](#), Code 2018, is amended by striking the subsection.

Sec. 238. [Section 423B.1, subsections 9 and 10](#), Code 2018, are amended to read as follows:

9. a. In a county that has imposed a local option sales and services tax, the board of supervisors shall, notwithstanding any contrary provision of [this chapter](#), repeal the local option sales and services tax in the unincorporated areas or in an incorporated city area in which the tax has been imposed upon adoption of its the board’s own motion for repeal in the unincorporated areas or upon receipt of a motion adopted by the governing body of that incorporated city area requesting repeal. The board of supervisors shall repeal the local option sales and services tax effective on the ~~later of the date of the adoption of the repeal motion or the~~ earliest date specified in [section 423B.6, subsection 1](#), following adoption of the motion. For purposes of this [subsection](#) paragraph, incorporated city area includes an incorporated city which is contiguous to another incorporated city.

b. If imposition of the local option sales and services tax is initiated under [subsection 4](#), paragraph “a”, subparagraph (3), or [subsection 4](#), paragraph “b”, subparagraph (2), notwithstanding any contrary provision of [this chapter](#), the board of supervisors may repeal the local sales and services tax in a city, or portion thereof located in the county, upon

receipt of a motion adopted by the governing board of the city requesting the repeal. The board of supervisors shall repeal the local sales and services tax effective on the earliest date specified in [section 423B.6, subsection 1](#), following adoption of the motion.

10. Notwithstanding [subsection 9](#) or any other contrary provision of [this chapter](#), a local option sales and services tax shall not be repealed or reduced in rate if obligations are outstanding which are payable as provided in [section 423B.9](#), unless funds sufficient to pay the principal, interest, and premium, if any, on the outstanding obligations at and prior to maturity have been properly set aside and pledged for that purpose.

Sec. 239. [Section 423B.5, subsections 1 and 4](#), Code 2018, are amended to read as follows:

1. A local sales and services tax at the rate of not more than one percent may be imposed by a county on the sales price taxed by the state under [chapter 423, subchapter II](#). A local sales and services tax shall be imposed on the same basis as the state sales and services tax or in the case of the use of natural gas, natural gas service, electricity, or electric service on the same basis as the state use tax and shall not be imposed on the sale of any property or on any service not taxed by the state, except the tax shall not be imposed on the sales price from the sale of motor fuel or special fuel as defined in [chapter 452A](#) which is consumed for highway use or in watercraft or aircraft if the fuel tax is paid on the transaction and a refund has not or will not be allowed, on the sales price from the sale of equipment by the state department of transportation, or on the sales price from the sale or use of natural gas, natural gas service, electricity, or electric service in a city or county where the sales price from the sale of natural gas or electric energy is subject to a franchise fee or user fee during the period the franchise or user fee is imposed. A local sales and services tax is applicable to transactions within those incorporated cities and unincorporated areas of the county where it is imposed and shall be collected by all persons required to collect state sales taxes. ~~All cities contiguous to each other shall be treated as part of one incorporated area and the tax would be imposed in each of those contiguous cities only if the majority of those voting in the total area covered by the contiguous cities favors its imposition. In the case of a local sales and services tax submitted to the registered voters of two or more contiguous counties as provided in [section 423B.1, subsection 4](#), paragraph "c", all cities contiguous to each other shall be treated as part of one incorporated area, even if the corporate boundaries of one or more of the cities include areas of more than one county, and the tax shall be imposed in each of those contiguous cities only if a majority of those voting on the tax in the total area covered by the contiguous cities favored its imposition. However, a local sales and services tax is not applicable to transactions sourced under [chapter 423](#) to a place of business, as defined in [section 423.1](#), of a retailer if such place of business is located in part within a city or unincorporated area of the county where the tax is not imposed.~~

4. If a local sales and services tax is imposed by a county pursuant to [this chapter](#), a local excise tax at the same rate shall be imposed by the county on the purchase price of natural gas, natural gas service, electricity, or electric service subject to tax under [chapter 423, subchapter III](#), and not exempted from tax by any provision of [chapter 423, subchapter III](#). The local excise tax is applicable only to the use of natural gas, natural gas service, electricity, or electric service within those incorporated cities and unincorporated areas of the county where it is imposed and, except as otherwise provided in [this chapter](#), shall be collected and administered in the same manner as the local sales and services tax. For purposes of [this chapter](#), "local sales and services tax" shall also include the local excise tax.

Sec. 240. [Section 423B.6, subsection 1](#), paragraph c, Code 2018, is amended to read as follows:

c. The imposition of ~~or a rate change~~ for a local sales and services tax shall not be applied to purchases from a printed catalog wherein a purchaser computes the local tax based on rates published in the catalog unless a minimum of one hundred twenty days' notice of the imposition ~~or rate change~~ has been given to the seller from the catalog and the first day of a calendar quarter has occurred on or after the one hundred twentieth day.

Sec. 241. [Section 423B.7, subsection 1](#), Code 2018, is amended to read as follows:

1. *a.* Except as provided in ~~paragraph paragraphs “b” and “c”~~, the director shall credit the local sales and services tax receipts and interest and penalties from a county-imposed tax to the county’s account in the local sales and services tax fund ~~and from a city-imposed tax under [section 423B.1, subsection 2](#), to the city’s account in the local sales and services tax fund for the county in which the tax was collected~~. If the director is unable to determine from which county any of the receipts were collected, those receipts shall be allocated among the possible counties based on allocation rules adopted by the director.

b. ~~Notwithstanding paragraph “a”~~, The director shall credit the designated amount of the increase in local sales and services tax receipts, as computed in [section 423B.10](#), collected in an urban renewal area of an eligible city that has adopted an ordinance pursuant to [section 423B.10, subsection 2](#), into a special city account in the local sales and services tax fund.

c. The director shall credit the local sales and services tax receipts and interest and penalties from a city-imposed tax under [section 423B.1, subsection 2](#), to the city’s account in the local sales and services tax fund.

Sec. 242. [Section 423B.7, subsection 7](#), Code 2018, is amended to read as follows:

7. *a.* ~~Local~~ Subject to the requirement of paragraph “b”, local sales and services tax moneys received by a city or county may be expended for any lawful purpose of the city or county.

b. Each city located in whole or in part in a qualified county and each qualified county for the unincorporated area for which the imposition of the local sales and services tax in the city or portion thereof or the unincorporated area, as applicable, was approved at election on or after January 1, 2019, shall use not less than fifty percent of the moneys received from the qualified county’s account in the local sales and services tax fund for property tax relief.

Sec. 243. [Section 423B.8, subsection 1](#), paragraph a, Code 2018, is amended to read as follows:

a. The goods, wares, or merchandise are incorporated into an improvement to real estate in fulfillment of a written contract fully executed prior to the date of the imposition ~~or increase in rate~~ of a local sales and services tax under [this chapter](#). The refund shall not apply to equipment transferred in fulfillment of a mixed construction contract.

Sec. 244. IMPLEMENTATION. This division of this Act shall not affect the imposition of local option taxes in effect on the effective date of this division of this Act and such taxes shall continue to be imposed until their repeal pursuant to [chapter 423B](#). The law regarding repeal in effect at the time of the repeal governs the repeal of the local option taxes.

Sec. 245. EFFECTIVE DATE. This division of this Act takes effect January 1, 2019.

DIVISION XIII

HOTEL AND MOTEL EXCISE TAX AND AUTOMOBILE RENTAL EXCISE TAX CHANGES

Sec. 246. [Section 423A.2, subsection 1](#), Code 2018, is amended to read as follows:

1. For the purposes of [this chapter](#), unless the context otherwise requires:

a. “Affiliate” means the same as defined in [section 423.1](#).

~~*b.*~~ *b.* “Department” means the department of revenue.

b. “Lessor” means any person engaged in the business of renting lodging to users.

c. “Facilitate” or “facilitation” includes brokering, coordinating, or in any way arranging for the rental of lodging by users.

d. “Facilitation fee” means any consideration, by whatever name called, that a lodging facilitator or lodging platform charges to a user for facilitating the user’s rental of lodging. “Facilitation fee” does not include any commission a lodging provider pays to a lodging facilitator or a lodging platform for facilitating the rental of lodging.

e. ~~*e.*~~ *e.* “Lodging” means rooms, apartments, or sleeping quarters in a hotel, motel, inn, public lodging house, rooming house, cabin, apartment, residential property, or manufactured or mobile home which is tangible personal property, or in a tourist court, or in any place where sleeping accommodations are furnished to transient guests for rent, whether with or without

meals. Lodging does not include conference, meeting, or banquet rooms that are not used for or offered as part of sleeping accommodations.

f. "Lodging facilitator" means a person or any affiliate of a person, other than a lodging provider or a lodging platform, that facilitates the renting of lodging and collects or processes the sales price charged to the user.

g. "Lodging platform" means a person or any affiliate of a person, other than a lodging provider, that facilitates the renting of lodging by doing all of the following:

(1) The person or an affiliate of the person owns, operates, or controls a lodging marketplace that allows a lodging provider who is not an affiliate of the person to offer or list lodging for rent on the marketplace. For purposes of this subparagraph, it is immaterial whether or not the lodging provider has a tax permit under [this chapter](#) or in what manner the lodging is classified for property tax or zoning purposes.

(2) The person or an affiliate of the person collects or processes the sales price charged to the user.

h. "Lodging provider" means any of the following:

(1) A person or any affiliate of a person that owns, operates, or manages lodging and makes the lodging available for rent through the person or any affiliate, or through a lodging platform or a lodging facilitator.

(2) A person or any affiliate of a person who possesses or acquires a right to or interest in any lodging with an intent to rent the lodging to another person through the person or any affiliate, or through a lodging platform or a lodging facilitator.

d. i. "Person" means the same as the term is defined in [section 423.1](#).

e. j. "Renting", "rental", or "rent" means a transfer of use, possession, or control of lodging for a fixed or indeterminate term for consideration and includes any kind of direct or indirect charge for such lodging or its use.

f. k. "Sales price" means the all consideration charged for the renting and facilitation of renting of lodging and means the same as the term is defined in [section 423.1](#) before taxes, including but not limited to facilitation fees, cleaning fees, linen fees, towel fees, nonrefundable deposits, and any other direct or indirect charge made or consideration provided in connection with the renting and facilitation of renting of lodging.

g. l. "User" means a person to whom lodging is rented.

Sec. 247. [Section 423A.3](#), Code 2018, is amended to read as follows:

423A.3 State-imposed hotel and motel tax.

A tax of five percent is imposed upon the sales price for the renting of any lodging if the renting occurs lodging is located in this state. The tax shall be collected by any lessor of lodging from the user of that lodging and remitted as provided in [section 423A.5A](#). The lessor shall add the tax to the sales price of the lodging, and the state imposed tax, when collected, shall be stated as a distinct item, separate and apart from the sales price of the lodging and the local tax imposed, if any, under [section 423A.4](#).

Sec. 248. [Section 423A.4](#), Code 2018, is amended by adding the following new subsection: NEW SUBSECTION. 5. The locally imposed hotel and motel tax shall be collected and remitted as provided in [section 423A.5A](#).

Sec. 249. [Section 423A.5](#), Code 2018, is amended to read as follows:

423A.5 Exemptions.

1. There are exempted from the provisions of [this chapter](#) and from the computation of any amount of tax imposed by [section 423A.3 this chapter](#) all of the following:

a. 1. The sales price from the renting of lodging which is rented by the same person for a period of more than thirty-one consecutive days.

b. 2. The sales price from the renting of sleeping rooms in dormitories and in memorial unions at all universities and colleges located in the state of Iowa.

2. There is exempted from the provisions of [this chapter](#) and from the computation of any amount of tax imposed by [section 423A.4](#) all of the following:

a. The sales price from the renting of lodging or rooms exempt under [subsection 1](#).

~~b.~~ 3. The sales price of lodging furnished to the guests of a religious institution if the property is exempt under [section 427.1, subsection 8](#), and the purpose of renting is to provide a place for a religious retreat or function and not a place for transient guests generally.

Sec. 250. **NEW SECTION. 423A.5A Collection and remittance of hotel and motel tax.**

1. For purposes of [this section](#):

a. “Discount room charge” means the amount a lodging provider charges a lodging facilitator for lodging, excluding any applicable tax.

b. “Travel package” means lodging bundled with one or more separate components such as air transportation, car rental, or similar items and charged for a single retail price.

2. [This section](#) shall govern the collection and remittance of all taxes imposed under [this chapter](#).

3. Unless otherwise provided in [this section](#), the state-imposed tax under [section 423A.3](#) and any locally imposed tax under [section 423A.4](#) shall be collected by the lodging provider from the user of that lodging and shall be remitted to the department. The lodging provider shall add the state-imposed tax to the sales price of the lodging and the tax, when collected, shall be stated as a distinct item, separate and apart from the sales price of the lodging and from the locally imposed tax, if any. The lodging provider shall add the locally imposed tax, if any, to the sales price of the lodging and the tax, when collected, shall be stated as a distinct item, separate and apart from the sales price of the lodging and from the state-imposed tax.

4. If a transaction for the rental of lodging involves a lodging facilitator, all of the following shall occur in the order prescribed:

a. The lodging facilitator shall collect the taxes imposed under [this chapter](#) on any sales price that the user pays to the lodging facilitator in the same manner as a lodging provider under [subsection 3](#).

b. (1) Unless otherwise required by rule or order of the department, the lodging facilitator shall remit to the lodging provider that portion of the taxes collected on the sales price that represents the discount room charge.

(2) No assessment shall be made against a lodging facilitator for tax due on a discount room charge if the lodging facilitator collected the tax and remitted it to a lodging provider that has a valid tax permit required under [this chapter](#). This subparagraph shall not apply if the lodging facilitator and lodging provider are affiliates, or if the department requires the lodging facilitator to remit taxes collected on that portion of the sales price that represents the discount room charge directly to the department.

c. The lodging facilitator shall remit any remaining tax it collected to the department.

d. (1) The lodging provider shall collect and remit to the department any taxes the lodging facilitator remitted to the lodging provider, and shall collect and remit to the department any taxes due on any amount of sales price the user paid to the lodging provider.

(2) No assessment shall be made against a lodging provider for any tax due on a discount room charge that was not remitted to the lodging provider by a lodging facilitator. This subparagraph shall not apply if the lodging provider and lodging facilitator are affiliates.

e. Notwithstanding any other provision of [this section](#) to the contrary, if a lodging facilitator and its affiliates facilitate total rentals under [this chapter](#) and [chapter 423C](#) that are equal to or less than an aggregate amount of sales price and rental price of ten thousand dollars for an immediately preceding calendar year or a current calendar year, or in ten or fewer separate transactions for an immediately preceding calendar year or a current calendar year, the lodging facilitator shall not be required to collect tax on the amount of sales price that represents the lodging facilitator’s facilitation fee.

5. If a transaction for the rental of lodging involves a lodging platform, the lodging platform shall collect and remit the taxes imposed under [this chapter](#) in the same manner as a lodging provider under [subsection 3](#).

6. If a transaction for the rental of lodging is part of a travel package, the portion of the total price that represents the sales price for the rental of lodging may be determined by the person required under [this section](#) to collect the taxes from the person’s books and records that are kept in the regular course of business including but not limited to books and records kept for non-tax purposes.

Sec. 251. [Section 423A.6, subsection 4](#), Code 2018, is amended to read as follows:

4. [Section 422.25, subsection 4](#), [sections 422.30, 422.67, and 422.68](#), [section 422.69, subsection 1](#), [sections 422.70, 422.71, 422.72, 422.74, and 422.75](#), [section 423.14, subsection 1](#), and [sections 423.23, 423.24, 423.25, 423.31, 423.33, 423.35, 423.37 through 423.42, and 423.47](#), consistent with the provisions of [this chapter](#), apply with respect to the taxes authorized under [this chapter](#), in the same manner and with the same effect as if the state and local hotel and motel taxes were retail sales taxes within the meaning of those statutes. Notwithstanding [this subsection](#), the director shall provide for quarterly filing of returns and for other than quarterly filing of returns both as prescribed in [section 423.31](#). The director may require all persons who are engaged in the business of deriving any sales price subject to tax under [this chapter](#) to register with the department. All taxes collected under [this chapter](#) by a retailer, lodging provider, lodging facilitator, lodging platform, or any individual other person are deemed to be held in trust for the state of Iowa and the local jurisdictions imposing the taxes.

Sec. 252. [Section 423C.2](#), Code 2018, is amended to read as follows:

423C.2 Definitions.

For purposes of [this chapter](#), unless the context otherwise requires:

1. "Affiliate" means the same as defined in [section 423.1](#).
- ~~1.~~ 2. "Automobile" means a motor vehicle subject to registration in any state designed primarily for carrying nine passengers or less, excluding motorcycles and motorized bicycles.
3. "Automobile provider" means any of the following:
 - a. A person or any affiliate of a person that owns or controls an automobile and makes the automobile available for rent through the person or any affiliate, or through a rental platform or rental facilitator.
 - b. A person or any affiliate of a person who possesses or acquires a right or interest in any automobile with an intent to rent the automobile to another person through the person or any affiliate, or through a rental platform or a rental facilitator.
- ~~2.~~ 4. "Department" means the department of revenue.
- ~~3.~~ "Lessor" means a person engaged in the business of renting automobiles to users. "Lessor" includes a motor vehicle dealer licensed pursuant to [chapter 322](#) who rents automobiles to users. For this purpose, the objective of making a profit is not necessary to make the renting activity a business.
5. "Facilitate" or "facilitation" includes brokering, coordinating, or in any way arranging for the rental of automobiles by users.
6. "Facilitation fee" means any consideration, by whatever name called, that a rental facilitator or a rental platform charges to a user for facilitating the user's rental of an automobile. "Facilitation fee" does not include any commission an automobile provider pays to a rental facilitator or a rental platform for facilitating the rental of an automobile.
- ~~4.~~ 7. "Person" means person as defined in [section 423.1](#).
- ~~5.~~ 8. "Rental", "renting", or "rent" means a transfer of the use, control, or possession or right to use, control, or possession of an automobile to a user for a valuable consideration for a period of sixty days or less.
9. "Rental facilitator" means a person or any affiliate of a person, other than an automobile provider or a rental platform, that facilitates the renting of an automobile and collects or processes the rental price charged to the user.
10. "Rental platform" means a person or any affiliate of a person, other than an automobile provider, that facilitates the renting of an automobile by doing all of the following:
 - a. The person or an affiliate of the person owns, operates, or controls an automobile rental marketplace that allows an automobile provider who is not an affiliate of the person to offer or list an automobile for rent on the marketplace. For purposes of this paragraph, it is immaterial whether or not the automobile provider has a tax permit under [this chapter](#) or [chapter 423](#) or whether the automobile is owned by a natural person or by a business entity.
 - b. The person or an affiliate of the person collects or processes the rental price charged to the user.

6. 11. “Rental price” means the all consideration charged for the renting and facilitation of renting of an automobile valued in money, and means the same as “sales price” as defined in [section 423.1](#) before taxes, including but not limited to facilitation fees, reservation fees, services fees, nonrefundable deposits, and any other direct or indirect charge made or consideration provided in connection with the renting or facilitation of renting of an automobile.

7. 12. “User” means a person to whom the possession or the right to possession of an automobile is transferred for a period of sixty days or less for a valuable consideration which is paid by the user or by another person an automobile is rented.

Sec. 253. [Section 423C.3](#), Code 2018, is amended to read as follows:

423C.3 Tax on rental of automobiles — collection and remittance of tax.

1. For purposes of [this section](#):

a. “Discount rental charge” means the amount an automobile provider charges to a rental facilitator for the rental of an automobile, excluding any applicable tax.

b. “Travel package” means an automobile rental bundled with one or more separate components such as lodging, air transportation, or similar items and charged for a single retail price.

1. 2. A tax of five percent is imposed upon the rental price of an automobile if the rental transaction is subject to the sales and services tax under [chapter 423, subchapter II](#), or the use tax under [chapter 423, subchapter III](#). The tax shall not be imposed on any rental transaction not taxable under the state sales and services tax, as provided in [section 423.3](#), or the state use tax, as provided in [section 423.6](#), on automobile rental receipts.

2. 3. The lessor ~~This subsection~~ shall govern the collection and remittance of the tax imposed under [subsection 2](#).

a. Unless otherwise provided in [this subsection](#), the automobile provider shall collect the tax by adding the tax to the rental price of the automobile.

3. The ~~and the~~ tax, when collected, shall be stated as a distinct item separate and apart from the rental price of the automobile and the sales and services tax imposed under [chapter 423, subchapter II](#), or the use tax imposed under [chapter 423, subchapter III](#).

b. If a transaction for the rental of an automobile involves a rental facilitator, all of the following shall occur in the order prescribed:

(1) The rental facilitator shall collect the tax on any rental price that the user pays to the rental facilitator in the same manner as an automobile provider under paragraph “a”.

(2) (a) Unless otherwise required by rule or order of the department, the rental facilitator shall remit to the automobile provider that portion of the tax collected on the rental price that represents the discount rental charge.

(b) No assessment shall be made against a rental facilitator for tax due on a discount rental charge if the rental facilitator collected the tax and remitted it to an automobile provider that has a valid tax permit required under [this chapter](#) or under [chapter 423](#). This subparagraph division shall not apply if the rental facilitator and automobile provider are affiliates, or if the department requires the rental facilitator to remit taxes collected on that portion of the sales price that represents the discount rental charge directly to the department.

(3) The rental facilitator shall remit any remaining tax it collected to the department.

(4) (a) The automobile provider shall collect and remit to the department any taxes the rental facilitator remitted to the automobile provider, and shall collect and remit to the department any taxes due on any amount of rental price the user paid to the automobile provider.

(b) No assessment shall be made against an automobile provider for any tax due on a discount rental charge that was not remitted to the automobile provider by a rental facilitator. This subparagraph division shall not apply if the automobile provider and the rental facilitator are affiliates.

(5) Notwithstanding any other provision of this paragraph to the contrary, if a rental facilitator and its affiliates facilitate total rentals under [this chapter](#) and [chapter 423A](#) that are equal to or less than an aggregate amount of rental price and sales price of ten thousand dollars for an immediately preceding calendar year or a current calendar year, or in ten or fewer separate transactions for an immediately preceding calendar year or a current

calendar year, the rental facilitator shall not be required to collect tax on the amount of sales price that represents the rental facilitator's facilitation fee.

c. (1) If a transaction for the rental of an automobile involves a rental platform, other than a rental platform described in subparagraph (2), the rental platform shall collect and remit the tax imposed under [this chapter](#) in the same manner as an automobile provider under paragraph "a".

(2) A rental platform is not required to collect and remit the tax imposed under [this chapter](#) in the same manner as an automobile provider under paragraph "a" if the rental platform meets all of the following requirements:

(a) The only sales the rental platform and its affiliates facilitate that are subject to tax under [chapter 423](#) are sales of a transportation service under [section 423.2, subsection 6](#), paragraph "bf", or [section 423.5, subsection 1](#), paragraph "e", consisting of the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less.

(b) The rental platform operates a peer-to-peer automobile sharing marketplace.

(3) For any rental transaction for which the rental platform is required to or elects to collect and remit the tax under [this chapter](#), the rental platform shall also be liable for the collection and remittance of any sales or use tax due on that transaction under [section 423.2, subsection 6](#), paragraph "bf", or [section 423.5, subsection 1](#), paragraph "e", notwithstanding any other provision to the contrary in [chapter 423](#).

(4) For any rental transaction for which the rental platform is not required to collect and remit the tax under [this chapter](#) as provided under subparagraph (2), the automobile provider shall be solely liable for any amount of uncollected or unremitted tax under [this chapter](#).

Sec. 254. LEGISLATIVE INTENT. It is the intent of the general assembly that the provision of this division of this Act amending the definition of "lodging" in [section 423A.2, subsection 1](#), is a conforming amendment consistent with current state law, and that the amendment does not change the application of current law but instead reflects current law both before and after the enactment of this division of this Act.

Sec. 255. EFFECTIVE DATE. Except as otherwise provided in this division of this Act, this division of this Act takes effect January 1, 2019.

Sec. 256. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The provision amending the definition of "lodging" in the section of this division of this Act amending [section 423A.2, subsection 1](#).

2. The section of this division of this Act entitled "legislative intent" which describes the intent of the general assembly with respect to the amendment in this division of this Act to the definition of "lodging" in [section 423A.2, subsection 1](#).

Approved May 30, 2018