

APR 10 2006
WAYS & MEANS CALENDAR

HOUSE FILE 2794
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 776)

Passed House, Date 5-1-06 Passed Senate, Date 5/2/06
Vote: Ayes 89 Nays 5 Vote: Ayes 50 Nays 0
Approved _____

A BILL FOR

1 An Act relating to the policy and technical administration of the
2 tax and related laws by the department of revenue, including
3 administration of and tax exemptions under the income, sales,
4 use, local option sales, and property taxes, updating the
5 streamlined sales and use tax, and including effective and
6 retroactive applicability date provisions.

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

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HF 2794

DIVISION I

TAX ADMINISTRATION AND POLICY

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3 Section 1. Section 15E.193B, subsection 8, unnumbered
4 paragraph 1, Code Supplement 2005, is amended to read as
5 follows:

6 The amount of the tax credits determined pursuant to
7 subsection 6, paragraph "a", for each project shall be
8 approved by the department of economic development. The
9 department shall utilize the financial information required to
10 be provided under subsection 5, paragraph "e", to determine
11 the tax credits allowed for each project. In determining the
12 amount of tax credits to be allowed for a project, the
13 department shall not include the portion of the project cost
14 financed through federal, state, and local government tax
15 credits, grants, and forgivable loans. Upon approving the
16 amount of the tax credit, the department of economic
17 development shall issue a tax credit certificate to the
18 eligible housing business except when low-income housing tax
19 credits authorized under section 42 of the Internal Revenue
20 Code are used to assist in the financing of the housing
21 development in which case the tax credit certificate may be
22 issued to a partner if the business is a partnership, a
23 shareholder if the business is an S corporation, or a member
24 if the business is a limited liability company in the amounts
25 designated by the eligible partnership, S corporation, or
26 limited liability company. An eligible housing business or
27 the designated partner if the business is a partnership,
28 designated shareholder if the business is an S corporation, or
29 designated member if the business is a limited liability
30 company, or transferee shall not claim the tax credit unless a
31 tax credit certificate ~~issued by the department of economic~~
32 ~~development~~ is attached to the taxpayer's return for the tax
33 year for which the tax credit is claimed. The tax credit
34 certificate shall contain the taxpayer's name, address, tax
35 identification number, the amount of the tax credit, and other

1 information required by the department of revenue. The tax
2 credit certificate shall be transferable if the housing
3 development is located in a brownfield site as defined in
4 section 15.291, if the housing development is located in a
5 blighted area as defined in section 403.17, or if low-income
6 housing tax credits authorized under section 42 of the
7 Internal Revenue Code are used to assist in the financing of
8 the housing development. Not more than three million dollars
9 worth of tax credits for housing developments that are located
10 in a brownfield site as defined in section 15.291 or housing
11 developments located in a blighted area as defined in section
12 403.17 shall be transferred in one calendar year. The three
13 million dollar annual limit does not apply to tax credits
14 awarded to an eligible housing business having low-income
15 housing tax credits authorized under section 42 of the
16 Internal Revenue Code to assist in the financing of the
17 housing development. The department may approve an
18 application for tax credit certificates for transfer from an
19 eligible housing business located in a brownfield site as
20 defined in section 15.291 or in a blighted area as defined in
21 section 403.17 that would result in the issuance of more than
22 three million dollars of tax credit certificates for transfer
23 provided the department, through negotiation with the eligible
24 business, allocates those tax credit certificates for transfer
25 over more than one calendar year. The department shall not
26 issue approve more than one million five hundred thousand
27 dollars in tax credit certificates for transfer to any one
28 eligible housing business located in a brownfield site as
29 defined in section 15.291 or in a blighted area as defined in
30 section 403.17 in a calendar year. If three million dollars
31 in tax credit certificates for transfer have not been issued
32 at the end of a calendar year, the remaining tax credit
33 certificates for transfer may be issued in advance to an
34 eligible housing business scheduled to receive a tax credit
35 certificate for transfer in a later calendar year. Any time

1 the department ~~issues~~ approves a tax credit certificate for
2 transfer which has not been allocated at the end of a calendar
3 year, the department may prorate the remaining certificates to
4 more than one eligible applicant. If the entire three million
5 dollars of tax credit certificates for transfer is not issued
6 in a given calendar year, the remaining amount may be carried
7 over to a succeeding calendar year. Tax credit certificates
8 issued under this chapter may be transferred to any person or
9 entity. The department of economic development shall notify
10 the department of revenue of the tax credit certificates which
11 have been approved for transfer. Within ninety days of
12 transfer, the transferee must submit the transferred tax
13 credit certificate to the department of ~~economic-development~~
14 revenue along with a statement containing the transferee's
15 name, tax identification number, and address, and the
16 denomination that each replacement tax credit certificate is
17 to carry and any other information required by the department
18 of revenue. Within thirty days of receiving the transferred
19 tax credit certificate and the transferee's statement, the
20 department of ~~economic-development~~ revenue shall issue one or
21 more replacement tax credit certificates to the transferee.
22 Each replacement certificate must contain the information
23 required to receive the original certificate and must have the
24 same expiration date that appeared in the transferred tax
25 credit certificate. Tax credit certificate amounts of less
26 than the minimum amount established by rule of the department
27 of economic development shall not be transferable. A tax
28 credit shall not be claimed by a transferee under subsection
29 6, paragraph "a", until a replacement tax credit certificate
30 identifying the transferee as the proper holder has been
31 issued.

32 Sec. 2. Section 68A.102, subsection 21, Code Supplement
33 2005, is amended to read as follows:

34 21. "State income tax liability" means the state
35 individual income tax imposed under section 422.5 ~~reduced-by~~

1 ~~the sum of the deductions from the computed tax as provided~~
2 ~~under section 422.12, less the amounts of nonrefundable~~
3 ~~credits allowed under chapter 422, division II.~~

4 Sec. 3. Section 257.21, unnumbered paragraph 2, Code 2005,
5 is amended to read as follows:

6 The instructional support income surtax shall be imposed on
7 the state individual income tax for the calendar year during
8 which the school's budget year begins, or for a taxpayer's
9 fiscal year ending during the second half of that calendar
10 year and after the date the board adopts a resolution to
11 participate in the program or the first half of the succeeding
12 calendar year, and shall be imposed on all individuals
13 residing in the school district on the last day of the
14 applicable tax year. As used in this section, "state
15 individual income tax" means the taxes computed under section
16 422.5, less the amounts of nonrefundable credits allowed in
17 sections 422.11A, 422.11B, 422.12, and 422.12B under chapter
18 422, division II.

19 Sec. 4. Section 331.605B, Code 2005, is amended to read as
20 follows:

21 331.605B FEES COLLECTED -- AUDIT.

22 1. The recorder shall make available any information
23 required by the county or state auditor concerning the fees
24 collected under section 331.605A for the purposes of
25 determining the amount of fees collected and the uses for
26 which such fees are expended.

27 2. A recorder shall collect only statutorily authorized
28 fees for land records management. A recorder shall not
29 collect a fee for viewing, accessing, or printing documents in
30 the county land record information system unless specifically
31 authorized by statute. However, a recorder may collect actual
32 third-party fees associated with accepting and processing
33 statutorily authorized fees including credit card fees,
34 treasury management fees, and other transaction fees required
35 to enable electronic payment. For the purposes of this

1 subsection, the term "third-party" does not include the county
2 land record information system, the Iowa state association of
3 counties, or any of the association's affiliates.

4 Sec. 5. Section 368.7, subsection 5, Code Supplement 2005,
5 is amended to read as follows:

6 5. In the discretion of a city council, the resolution
7 provided for in subsection 1, paragraph "d", or subsection 2
8 or 3, may include a provision for a transition for the
9 imposition of city taxes against property within the
10 annexation area as provided in section 368.11, subsection 3,
11 paragraph "m". However, the city shall provide for such
12 transition for the imposition of city taxes against that
13 property that is included in the territory to be annexed
14 without the consent of the landowner.

15 Sec. 6. Section 368.11, subsection 3, paragraph m, Code
16 Supplement 2005, is amended to read as follows:

17 ~~m. In the discretion of a city council,~~ A provision for
18 a transition for the imposition of city taxes against property
19 within an annexation area. The provision shall allow for an
20 exemption from taxation of the following percentages of
21 assessed valuation according to the following schedule:

- 22 (1) For the first and second years, seventy-five percent.
- 23 (2) For the third and fourth years, sixty percent.
- 24 (3) For the fifth and sixth years, forty-five percent.
- 25 (4) For the seventh and eighth years, thirty percent.
- 26 (5) For the ninth and tenth years, fifteen percent.

27 An alternative schedule may be adopted by the city council.
28 ~~However,~~ An alternative schedule shall ~~not~~ allow ~~a greater~~
29 an exemption that is equivalent to or greater than that
30 provided in this paragraph. The exemption shall be applied in
31 the levy and collection of taxes. The provision may also
32 allow for the partial provision of city services during the
33 time in which the exemption from taxation is in effect.

34 Sec. 7. Section 404A.4, subsection 5, unnumbered paragraph
35 1, Code Supplement 2005, is amended to read as follows:

1 Tax credit certificates issued under this chapter may be
2 transferred to any person or entity. Within ninety days of
3 transfer, the transferee must submit the transferred tax
4 credit certificate to the ~~state-historic-preservation-office~~
5 department of revenue along with a statement containing the
6 transferee's name, tax identification number, and address, and
7 the denomination that each replacement tax credit certificate
8 is to carry and any other information required by the
9 department of revenue. Within thirty days of receiving the
10 transferred tax credit certificate and the transferee's
11 statement, the ~~office~~ department of revenue shall issue one or
12 more replacement tax credit certificates to the transferee.
13 Each replacement certificate must contain the information
14 required under subsection 2 and must have the same expiration
15 date that appeared in the transferred tax credit certificate.
16 Tax credit certificate amounts of less than the minimum amount
17 established by rule of the state historic preservation office
18 shall not be transferable. A tax credit shall not be claimed
19 by a transferee under this chapter until a replacement tax
20 credit certificate identifying the transferee as the proper
21 holder has been issued.

22 Sec. 8. Section 421.17, subsection 12, Code Supplement
23 2005, is amended to read as follows:

24 12. To make ~~a summary~~ an annual report of the tax
25 situation in the state, setting out the amount of moneys
26 raised by both direct and indirect taxation; and also to
27 formulate and recommend legislation for the better
28 administration of the fiscal laws so as to secure just and
29 equal taxation. To recommend such additions to and changes in
30 the present system of taxation that in the director's judgment
31 are for the best interest of the state and will eliminate the
32 necessity of any levy for state purposes. In compiling the
33 annual report, the department of management shall assist the
34 department and the annual report shall provide the revenues
35 from but not limited to all of the following sources:

- 1 a. Income tax.
- 2 b. Sales tax.
- 3 c. Property tax, by category.
- 4 d. School income tax.
- 5 e. Local option sales taxes.
- 6 f. Transfers-in from federal government agencies.
- 7 g. Fees and other dollars paid to state government
- 8 agencies.

9 Sec. 9. Section 421.17, subsection 14, Code Supplement
10 2005, is amended by striking the subsection.

11 Sec. 10. Section 422.5, subsection 1, paragraph j,
12 subparagraph (2), unnumbered paragraph 2, Code 2005, is
13 amended to read as follows:

14 This subparagraph shall not affect the amount of the
15 taxpayer's ~~checkoff-to-the-Iowa-election-campaign-fund-under~~
16 ~~section-68A-601,-the-checkoff-for-the-fish-and-game-fund-in~~
17 section-456A-16 checkoffs under this division, the credits
18 from tax provided ~~in-sections-422-10,-422-11A,-and-422-12~~
19 under this division, and the allocation of these credits
20 between spouses if the taxpayers filed separate returns or
21 separately on combined returns.

22 Sec. 11. Section 422.5, subsection 1, paragraph k,
23 subparagraph (2), subparagraph subdivision (b), Code 2005, is
24 amended to read as follows:

25 (b) Twenty-six thousand dollars for a single person or ~~an~~
26 unmarried a head of household.

27 Sec. 12. Section 422.5, subsection 2, Code 2005, is
28 amended to read as follows:

29 2. However, the tax shall not be imposed on a resident or
30 nonresident whose net income, as defined in section 422.7, is
31 thirteen thousand five hundred dollars or less in the case of
32 married persons filing jointly or filing separately on a
33 combined return, unmarried heads of household, and surviving
34 spouses or nine thousand dollars or less in the case of all
35 other persons; but in the event that the payment of tax under

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

32 In addition, if the married persons', filing jointly or
33 filing separately on a combined return, ~~unmarried~~ head of
34 household's, or surviving spouse's net income exceeds thirteen
35 thousand five hundred dollars, the regular tax imposed under

1 this division shall be the lesser of the maximum state
2 individual income tax rate times the portion of the net income
3 in excess of thirteen thousand five hundred dollars or the
4 regular tax liability computed without regard to this
5 sentence. Taxpayers electing to file separately shall compute
6 the alternate tax described in this paragraph using the total
7 net income of the husband and wife. The alternate tax
8 described in this paragraph does not apply if one spouse
9 elects to carry back or carry forward the loss as provided in
10 section 422.9, subsection 3.

11 Sec. 13. Section 422.6, unnumbered paragraph 1, Code 2005,
12 is amended to read as follows:

13 The tax imposed by section 422.5 less the amounts of
14 nonrefundable credits allowed under ~~sections 15.333, 15.335,~~
15 ~~422.10, 422.11, 422.11A, and 422.11B, and the personal~~
16 ~~exemption credit allowed under section 422.12~~ this division
17 apply to and are a charge against estates and trusts with
18 respect to their taxable income, and the rates are the same as
19 those applicable to individuals. The fiduciary shall make the
20 return of income for the estate or trust for which the
21 fiduciary acts, whether the income is taxable to the estate or
22 trust or to the beneficiaries. However, for tax years ending
23 after August 5, 1997, if the trust is a qualified preneed
24 funeral trust as set forth in section 685 of the Internal
25 Revenue Code and the trustee has elected the special tax
26 treatment under section 685 of the Internal Revenue Code,
27 neither the trust nor the beneficiary is subject to Iowa
28 income tax on income accruing to the trust.

29 Sec. 14. Section 422.7, subsection 21, paragraph a,
30 subparagraph (1), unnumbered paragraph 1, Code Supplement
31 2005, is amended to read as follows:

32 Net capital gain from the sale of real property used in a
33 business, in which the taxpayer materially participated for
34 ten years, as defined in section 469(h) of the Internal
35 Revenue Code, and which has been held for a minimum of ten

1 years, or from the sale of a business, as defined in section
2 423.1, ~~in which the taxpayer was employed or~~ in which the
3 taxpayer materially participated for ten years, as defined in
4 section 469(h) of the Internal Revenue Code, and which has
5 been held for a minimum of ten years. The sale of a business
6 means the sale of all or substantially all of the tangible
7 personal property or service of the business.

8 Sec. 15. Section 422.9, subsection 1, Code Supplement
9 2005, is amended to read as follows:

10 1. An optional standard deduction, after deduction of
11 federal income tax, equal to one thousand two hundred thirty
12 dollars for a married person who files separately or a single
13 person or equal to three thousand thirty dollars for a husband
14 and wife who file a joint return, a surviving spouse, or ~~an~~
15 unmarried a head of household. The optional standard
16 deduction shall not exceed the amount remaining after
17 deduction of the federal income tax. The amount of federal
18 income tax deducted shall be computed as provided in
19 subsection 2, paragraph "b".

20 Sec. 16. Section 422.10, subsection 4, Code Supplement
21 2005, is amended to read as follows:

22 4. Any credit in excess of the tax liability imposed by
23 section 422.5 less the amounts of nonrefundable credits
24 allowed under ~~sections 422.11A, 422.12, and 422.12B~~ this
25 division for the taxable year shall be refunded with interest
26 computed under section 422.25. In lieu of claiming a refund,
27 a taxpayer may elect to have the overpayment shown on the
28 taxpayer's final, completed return credited to the tax
29 liability for the following taxable year.

30 Sec. 17. Section 422.10, Code Supplement 2005, is amended
31 by adding the following new subsection:

32 NEW SUBSECTION. 5. An individual may claim an additional
33 research activities credit authorized pursuant to section
34 15.335 if the eligible business is a partnership, S
35 corporation, limited liability company, or estate or trust

1 which elects to have the income taxed directly to the
2 individual. The amount of the credit shall be as provided in
3 section 15.335.

4 Sec. 18. Section 422.11, Code 2005, is amended to read as
5 follows:

6 422.11 FRANCHISE TAX CREDIT.

7 The taxes imposed under this division, less the credits
8 allowed under ~~section~~ sections 422.12 and 422.12B, shall be
9 reduced by a franchise tax credit. A taxpayer who is a
10 shareholder in a financial institution, as defined in section
11 581 of the Internal Revenue Code, which has in effect for the
12 tax year an election under subchapter S of the Internal
13 Revenue Code, or is a member of a financial institution
14 organized as a limited liability company under chapter 524
15 that is taxed as a partnership for federal income tax
16 purposes, shall compute the amount of the tax credit by
17 recomputing the amount of tax under this division by reducing
18 the taxable income of the taxpayer by the taxpayer's pro rata
19 share of the items of income and expense of the financial
20 institution and subtracting the credits allowed under ~~section~~
21 sections 422.12 and 422.12B. This recomputed tax shall be
22 subtracted from the amount of tax computed under this division
23 after the deduction for credits allowed under ~~section~~ sections
24 422.12 and 422.12B. The resulting amount, which shall not
25 exceed the taxpayer's pro rata share of the franchise tax paid
26 by the financial institution, is the amount of the franchise
27 tax credit allowed.

28 Sec. 19. Section 422.11B, subsection 1, unnumbered
29 paragraph 2, Code 2005, is amended to read as follows:

30 The minimum tax credit for a tax year is the excess, if
31 any, of the ~~adjusted~~ net minimum tax imposed for all prior tax
32 years beginning on or after January 1, 1987, over the amount
33 allowable as a credit under this section for those prior tax
34 years.

35 Sec. 20. Section 422.11B, subsection 2, unnumbered

1 paragraph 3, Code 2005, is amended to read as follows:

2 ~~The adjusted net minimum tax for a tax year is the net~~
3 ~~minimum tax for the tax year reduced by the amount which would~~
4 ~~be the net minimum tax if the only item of tax preference~~
5 ~~taken into account was that described in paragraph (6) of~~
6 ~~section 57(a) of the Internal Revenue Code.~~

7 Sec. 21. Section 422.11F, Code 2005, is amended to read as
8 follows:

9 422.11F INVESTMENT TAX CREDITS.

10 1. The taxes imposed under this division, less the credits
11 allowed under sections 422.12 and 422.12B, shall be reduced by
12 an investment tax credit authorized pursuant to section 15E.43
13 for an investment in a qualifying business or a community-
14 based seed capital fund.

15 2. The taxes imposed under this division, less the credits
16 allowed under sections 422.12 and 422.12B, shall be reduced by
17 investment tax credits authorized pursuant to sections 15.333
18 and 15E.193B, subsection 6.

19 Sec. 22. NEW SECTION. 422.11M IOWA FUND OF FUNDS TAX
20 CREDIT.

21 The taxes imposed under this division, less the credits
22 allowed under sections 422.12 and 422.12B, shall be reduced by
23 a tax credit authorized pursuant to section 15E.66, if
24 redeemed, for investments in the Iowa fund of funds.

25 Sec. 23. Section 422.12, subsection 3, Code 2005, is
26 amended to read as follows:

27 3. For the purpose of this section, the determination of
28 whether an individual is married shall be made ~~as of the close~~
29 ~~of the individual's tax year unless the individual's spouse~~
30 ~~dies during the individual's tax year, in which case the~~
31 ~~determination shall be made as of the date of the spouse's~~
32 death in accordance with section 7703 of the Internal Revenue
33 Code. An individual legally separated from the individual's
34 spouse under a decree of divorce or of separate maintenance
35 shall not be considered married.

1 Sec. 24. Section 422.12A, subsection 2, Code 2005, is
2 amended to read as follows:

3 2. The director of revenue shall draft the income tax form
4 to allow the designation of contributions to the keep Iowa
5 beautiful fund on the tax return. The department of revenue,
6 on or before January 31, shall transfer the total amount
7 designated on the tax return forms due in the preceding
8 calendar year to the keep Iowa beautiful fund. However,
9 before a checkoff pursuant to this section shall be permitted,
10 all liabilities on the books of the department of ~~revenue~~
11 administrative services and accounts identified as owing under
12 section ~~421-17~~ 8A.504 and the political contribution allowed
13 under section 68A.601 shall be satisfied.

14 Sec. 25. Section 422.12C, subsection 1, unnumbered
15 paragraph 1, Code Supplement 2005, is amended to read as
16 follows:

17 The taxes imposed under this division, less the amounts of
18 nonrefundable credits allowed under ~~sections-422-11A7-422-11B7,~~
19 ~~422-127,-and-422-12B~~ this division, shall be reduced by a child
20 and dependent care credit equal to the following percentages
21 of the federal child and dependent care credit provided in
22 section 21 of the Internal Revenue Code:

23 Sec. 26. Section 422.12C, subsection 2, paragraph a,
24 unnumbered paragraph 1, Code Supplement 2005, is amended to
25 read as follows:

26 ~~In-lieu-of-the-child-and-dependent-care-credit-authorized~~
27 ~~in-subsection-1,-a-taxpayer-may-claim~~ The taxes imposed under
28 this division, less the amounts of nonrefundable credits
29 allowed under this division, may be reduced by an early
30 childhood development tax credit equal to twenty-five percent
31 of the first one thousand dollars which the taxpayer has paid
32 to others for each dependent, as defined in the Internal
33 Revenue Code, ages three through five for early childhood
34 development expenses. In determining the amount of early
35 childhood development expenses, such expenses paid during

1 November and December of the previous tax year shall be
2 considered paid in the tax year for which the tax credit is
3 claimed. This credit is available to a taxpayer whose net
4 income is less than forty-five thousand dollars. If the early
5 childhood development tax credit is claimed for a tax year,
6 the taxpayer and the taxpayer's spouse shall not claim the
7 child and dependent care credit under subsection 1. As used
8 in this subsection, "early childhood development expenses"
9 means services provided to the dependent by a preschool, as
10 defined in section 237A.1, materials, and other activities as
11 follows:

12 Sec. 27. Section 422.12F, subsection 2, Code 2005, is
13 amended to read as follows:

14 2. The director of revenue shall draft the income tax form
15 to allow the designation of contributions to the volunteer
16 fire fighter preparedness fund on the tax return. The
17 department of revenue, on or before January 31, shall certify
18 the total amount designated on the tax return forms due in the
19 preceding calendar year and shall report the amount to the
20 treasurer of state. The treasurer of state shall credit the
21 amount to the volunteer fire fighter preparedness fund.
22 However, before a checkoff pursuant to this section shall be
23 permitted, all liabilities on the books of the department of
24 revenue administrative services and accounts identified as
25 owing under section ~~421.17~~ 8A.504 and the political
26 contribution allowed under section 68A.601 shall be satisfied.

27 Sec. 28. NEW SECTION. 422.12G INCOME TAX CHECKOFF FOR
28 IOWA ELECTION CAMPAIGN FUND.

29 A person who files an individual or a joint income tax
30 return with the department of revenue under section 422.13 may
31 designate a contribution to the Iowa election campaign fund
32 authorized pursuant to section 68A.601.

33 Sec. 29. NEW SECTION. 422.12H INCOME TAX CHECKOFF FOR
34 FISH AND GAME PROTECTION FUND.

35 A person who files an individual or a joint income tax

1 return with the department of revenue under section 422.13 may
2 designate a contribution to the state fish and game protection
3 fund authorized pursuant to section 456A.16.

4 Sec. 30. Section 422.33, subsection 5, Code Supplement
5 2005, is amended by adding the following new paragraphs:

6 NEW PARAGRAPH. f. A corporation which is a primary
7 business or a supporting business in a quality jobs enterprise
8 zone may claim the research activities credit authorized
9 pursuant to section 15A.9, subsection 8, in lieu of the credit
10 computed in paragraph "a" or "b".

11 NEW PARAGRAPH. g. A corporation which is an eligible
12 business may claim an additional research activities credit
13 authorized pursuant to section 15.335.

14 Sec. 31. Section 422.33, subsection 7, paragraph a,
15 unnumbered paragraph 2, Code Supplement 2005, is amended to
16 read as follows:

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

22 Sec. 32. Section 422.33, subsection 7, paragraph b,
23 unnumbered paragraph 3, Code Supplement 2005, is amended to
24 read as follows:

25 ~~The adjusted net minimum tax for a tax year is the net~~
26 ~~minimum tax for the tax year reduced by the amount which would~~
27 ~~be the net minimum tax if the only item of tax preference~~
28 ~~taken into account was that described in paragraph (6) of~~
29 ~~section 57(a) of the Internal Revenue Code.~~

30 Sec. 33. Section 422.33, subsection 12, Code Supplement
31 2005, is amended to read as follows:

32 12. a. The taxes imposed under this division shall be
33 reduced by an investment tax credit authorized pursuant to
34 section 15E.43 for an investment in a qualifying business or a
35 community-based seed capital fund.

1 b. The taxes imposed under this division shall be reduced
2 by investment tax credits authorized pursuant to sections
3 15.333, 15A.9, subsection 4, and 15E.193B, subsection 6.

4 Sec. 34. Section 422.33, Code Supplement 2005, is amended
5 by adding the following new subsections:

6 NEW SUBSECTION. 20. The taxes imposed under this division
7 shall be reduced by a corporate tax credit authorized pursuant
8 to section 15.331C for certain sales taxes paid by a third-
9 party developer.

10 NEW SUBSECTION. 21. The taxes imposed under this division
11 shall be reduced by a tax credit authorized pursuant to
12 section 15E.66, if redeemed, for investments in the Iowa fund
13 of funds.

14 Sec. 35. Section 422.34A, Code 2005, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 8. Storing tangible personal property in
17 a warehouse located in Iowa which is not owned by the
18 corporation provided that none of the goods are delivered or
19 shipped so as to be included in the gross sales of the
20 corporation within this state as provided in section 422.33,
21 subsection 2, paragraph "b", subparagraph (6).

22 Sec. 36. Section 422.60, subsection 2, paragraphs a and b,
23 Code Supplement 2005, are amended to read as follows:

24 a. Add items of tax preference included in federal
25 alternative minimum taxable income under section 57, except
26 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
27 make the adjustments included in federal alternative minimum
28 taxable income under section 56, except subsections (a)(4),
29 (c)(1), (d), ~~(f)~~, and (g), of the Internal Revenue Code, and
30 add losses as required by section 58 of the Internal Revenue
31 Code.

32 b. Make the adjustments provided in section 56(c)(1) of
33 the Internal Revenue Code, except that in making the
34 calculation under ~~sections 56(f)(1) and~~ section 56(g)(1) of
35 the Internal Revenue Code the state alternative minimum

1 taxable income, computed without regard to the adjustments
2 made by this paragraph, the exemption provided for in
3 paragraph "d", and the state alternative tax net operating
4 loss described in paragraph "e", shall be substituted for the
5 items described in ~~sections-56(f)(1)(B)-and~~ section
6 56(g)(1)(B) of the Internal Revenue Code.

7 Sec. 37. Section 422.60, subsection 3, paragraph a,
8 unnumbered paragraph 2, Code Supplement 2005, is amended to
9 read as follows:

10 The minimum tax credit for a tax year is the excess, if
11 any, of the ~~adjusted~~ net minimum tax imposed for all prior tax
12 years beginning on or after January 1, 1987, over the amount
13 allowable as a credit under this subsection for those prior
14 tax years.

15 Sec. 38. Section 422.60, subsection 3, paragraph b,
16 unnumbered paragraph 3, Code Supplement 2005, is amended to
17 read as follows:

18 ~~The-adjusted-net-minimum-tax-for-a-tax-year-is-the-net~~
19 ~~minimum-tax-for-the-tax-year-reduced-by-the-amount-which-would~~
20 ~~be-the-net-minimum-tax-if-the-only-item-of-tax-preference~~
21 ~~taken-into-account-was-that-described-in-paragraph-(6)-of~~
22 ~~section-57(a)-of-the-Internal-Revenue-Code-~~

23 Sec. 39. Section 422.60, subsection 5, Code Supplement
24 2005, is amended to read as follows:

25 5. a. The taxes imposed under this division shall be
26 reduced by an investment tax credit authorized pursuant to
27 section 15E.43 for an investment in a qualifying business or a
28 community-based seed capital fund.

29 b. The taxes imposed under this division shall be reduced
30 by investment tax credits authorized pursuant to sections
31 15.333 and 15E.193B, subsection 6.

32 Sec. 40. Section 422.60, Code Supplement 2005, is amended
33 by adding the following new subsections:

34 NEW SUBSECTION. 11. The taxes imposed under this division
35 shall be reduced by a corporate tax credit authorized pursuant

1 to section 15.331C for certain sales taxes paid by a third-
2 party developer.

3 NEW SUBSECTION. 12. The taxes imposed under this division
4 shall be reduced by a tax credit authorized pursuant to
5 section 15E.66, if redeemed, for investments in the Iowa fund
6 of funds.

7 Sec. 41. Section 422D.2, Code 2005, is amended to read as
8 follows:

9 422D.2 LOCAL INCOME SURTAX.

10 A county may impose by ordinance a local income surtax as
11 provided in section 422D.1 at the rate set by the board of
12 supervisors, of up to one percent, on the state individual
13 income tax of each individual residing in the county at the
14 end of the individual's applicable tax year. However, the
15 cumulative total of the percents of income surtax imposed on
16 any taxpayer in the county shall not exceed twenty percent.
17 The reason for imposing the surtax and the amount needed shall
18 be set out in the ordinance. The surtax rate shall be set to
19 raise only the amount needed. For purposes of this section,
20 "state individual income tax" means the tax computed under
21 section 422.5, less the amounts of nonrefundable credits
22 ~~allowed in sections 422.11A, 422.11B, 422.12, and 422.12B~~
23 under chapter 422, division II.

24 Sec. 42. Section 423.3, subsection 18, Code Supplement
25 2005, is amended by adding the following new paragraph:

26 NEW PARAGRAPH. f. Home and community based services
27 providers certified to offer Medicaid waiver services by the
28 department of human services that are any of the following:

- 29 (1) Ill and handicapped waiver service providers,
30 described in 441 IAC 77.30.
31 (2) Hospice providers, described in 441 IAC 77.32.
32 (3) Elderly waiver service providers, described in 441 IAC
33 77.33.
34 (4) AIDS/HIV waiver service providers, described in 441
35 IAC 77.34.

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1 (5) Federally qualified health centers, described in 441
2 IAC 77.35.

3 (6) MR waiver service providers, described in 441 IAC
4 77.37.

5 (7) Brain injury waiver service providers, described in
6 441 IAC 77.39.

7 Sec. 43. Section 423.3, subsection 39, Code Supplement
8 2005, is amended by adding the following new paragraph:

9 NEW PARAGRAPH. c. Notwithstanding paragraph "a", the
10 sale, furnishing, or performance of a service that is of a
11 recurring nature by the owner if, at the time of the sale, all
12 of the following apply:

13 (1) The seller is not engaged for profit in the business
14 of the selling, furnishing, or performance of services taxed
15 under section 423.2. For purposes of this subparagraph, the
16 fact of the recurring nature of selling, furnishing, or
17 performance of services does not constitute by itself engaging
18 for profit in the business of selling, furnishing, or
19 performance of services.

20 (2) The owner of the business is the only person
21 performing the service.

22 (3) The owner of the business is a full-time student.

23 (4) The total gross receipts from the sales, furnishing,
24 or performance of services during the calendar year does not
25 exceed five thousand dollars.

26 Sec. 44. Section 423.3, subsection 50, Code Supplement
27 2005, is amended to read as follows:

28 50. The sales price of sales of electricity, steam, or any
29 taxable service when purchased and used in the processing of
30 tangible personal property intended to be sold ultimately at
31 retail or of any fuel which is consumed in creating power,
32 heat, or steam for processing or for generating electric
33 current.

34 Sec. 45. Section 423.3, subsection 86, Code Supplement
35 2005, is amended to read as follows:

1 86. The sales price from services performed on a vessel if
2 all of the following apply:

3 a. The vessel is a licensed vessel under the laws of the
4 United States coast guard.

5 ~~b. The vessel is not moored or tied to a physical location~~
6 ~~in this state.~~

7 e. b. The service is used to repair or restore a defect
8 in the vessel.

9 d. c. The vessel is engaged in interstate commerce and
10 will continue in interstate commerce once the repairs or
11 restoration is completed.

12 e. d. The vessel is in navigable water that borders the
13 eastern a boundary of this state.

14 For purposes of this exemption, "vessel" includes a ship,
15 barge, or other waterborne vessel.

16 Sec. 46. Section 423.3, Code Supplement 2005, is amended
17 by adding the following new subsection:

18 NEW SUBSECTION. 89. a. The sales price from the sale of
19 coins, currency, or bullion.

20 b. For purposes of this subsection:

21 (1) "Bullion" means bars, ingots, or commemorative
22 medallions of gold, silver, platinum, palladium, or a
23 combination of these where the value of the metal depends on
24 its content and not the form.

25 (2) "Coins" or "currency" means a coin or currency made of
26 gold, silver, or other metal or paper which is or has been
27 used as legal tender.

28 Sec. 47. Section 423.6, subsection 10, Code 2005, is
29 amended by adding the following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. This exemption applies to
31 corporations that have been in existence for not longer than
32 twenty-four months.

33 Sec. 48. Section 423.6, Code 2005, is amended by adding
34 the following new subsection:

35 NEW SUBSECTION. 25. Exempted from the purchase price of a

1 replacement motor vehicle owned by a motor vehicle dealer
2 licensed under chapter 322 which is being registered by that
3 dealer and is not otherwise exempt from tax is the fair market
4 value of a replaced motor vehicle if all of the following
5 conditions are met:

6 a. The motor vehicle being registered is being placed in
7 service as a replacement motor vehicle for a motor vehicle
8 registered by the motor vehicle dealer.

9 b. The motor vehicle being registered is taken from the
10 motor vehicle dealer's inventory.

11 c. Use tax on the motor vehicle being replaced was paid by
12 the motor vehicle dealer when that motor vehicle was
13 registered.

14 d. The replaced motor vehicle is returned to the motor
15 vehicle dealer's inventory for sale.

16 e. The application for registration and title of the motor
17 vehicle being registered is filed with the county treasurer
18 within two weeks of the date the replaced motor vehicle is
19 returned to the motor vehicle dealer's inventory.

20 f. The motor vehicle being registered is placed in the
21 same or substantially similar service as the replaced motor
22 vehicle.

23 Sec. 49. Section 423.8, Code 2005, is amended to read as
24 follows:

25 423.8 LEGISLATIVE FINDING AND INTENT.

26 The general assembly finds that Iowa should enter into an
27 agreement with one or more states to simplify and modernize
28 sales and use tax administration in order to substantially
29 reduce the burden of tax compliance for all sellers and for
30 all types of commerce. It is the intent of the general
31 assembly that entering into this agreement will lead to
32 simplification and modernization of the sales and use tax law
33 and not to the imposition of new taxes or an increase or
34 decrease in the existing number of exemptions, unless such a
35 result is unavoidable under the terms of the agreement.

1 Entering into this agreement should not cause businesses to
2 sustain additional administrative burden.

3 It is the intent of the general assembly to provide Iowa
4 sellers, impacted by the agreement, with the assistance
5 necessary to alleviate administrative burdens that result in
6 participation in the agreement. The director and the Iowa
7 streamlined sales tax advisory council shall provide
8 recommendations to address the new administrative burden
9 identified in the Iowa streamlined sales tax advisory council
10 2005 report submitted to the Iowa general assembly. The
11 recommendations must be submitted to the general assembly by
12 January 1, 2007, and shall include the expenses associated and
13 all relevant data including but not limited to the number of
14 intrastate sellers impacted by the agreement.

15 Sec. 50. Section 423.9, Code 2005, is amended to read as
16 follows:

17 423.9 AUTHORITY TO ENTER AGREEMENT AND TO REPRESENT THE
18 STATE.

19 1. The director is authorized and directed to enter into
20 the streamlined sales and use tax agreement with one or more
21 states to simplify and modernize sales and use tax
22 administration in order to substantially reduce the burden of
23 tax compliance for all sellers and for all types of commerce.

24 2. The director is further authorized to take other
25 actions reasonably required to implement the provisions set
26 forth in this chapter. Other actions authorized by this
27 section include, but are not limited to, the adoption of rules
28 and the joint procurement, with other member states, of goods
29 and services in furtherance of the cooperative agreement.

30 ~~The director or the director's designee is authorized to be~~
31 ~~a member of the governing board established pursuant to the~~
32 ~~agreement and to represent Iowa before that body.~~

33 3. Four representatives are authorized to be members of
34 the governing board established pursuant to the agreement and
35 to represent Iowa before that body as one vote. The

1 representatives shall be appointed as follows:

2 a. One representative shall be a member of the house of
3 representatives who is appointed by the speaker of the house
4 of representatives or the delegate's designee who shall also
5 be a member of the house of representatives.

6 b. One representative shall be a member of the senate who
7 is appointed by the majority leader of the senate or the
8 delegate's designee who shall also be a member of the senate.

9 c. Two representatives from the executive branch shall be
10 appointed by the governor, one of whom shall be the director,
11 or each delegate's designee who shall also be employed by the
12 executive branch.

13 Sec. 51. NEW SECTION. 423.9A IOWA STREAMLINED SALES TAX
14 ADVISORY COUNCIL.

15 1. An Iowa streamlined sales tax advisory council is
16 created. The advisory council shall review, study, and submit
17 recommendations to the Iowa streamlined sales and use tax
18 representatives appointed pursuant to section 423.9,
19 subsection 3, regarding the streamlined sales and use tax
20 agreement formalized by the project's member states on
21 November 12, 2002, agreement amendments, proposed language
22 conforming Iowa's sales and use tax to the national agreement,
23 and the following issues:

24 a. Uniform definitions proposed in the current agreement
25 and future proposals.

26 b. Effects upon taxability of items newly defined in Iowa.

27 c. Impacts upon business as a result of the agreement.

28 d. Technology implementation issues.

29 e. Any other issues that are brought before the
30 streamlined sales and use tax member state or the streamlined
31 sales and use tax governing board.

32 2. The department shall provide administrative support to
33 the Iowa streamlined sales tax advisory council. The advisory
34 council shall be representative of Iowa's business community
35 and economy when reviewing and recommending solutions to

1 streamlined sales and use tax issues. The advisory council
2 shall provide the general assembly and the governor with final
3 recommendations made to the Iowa streamlined sales and use tax
4 representatives upon the conclusion of each calendar year.

5 3. The director, in consultation with the Iowa taxpayers
6 association and the Iowa association of business and industry,
7 shall appoint members to the Iowa streamlined sales tax
8 advisory council, which shall consist of the following
9 members:

10 a. One member from the department.

11 b. Three members representing small Iowa businesses, at
12 least one of whom must be a retailer, and at least one of whom
13 shall be a supplier.

14 c. Three members representing medium Iowa businesses, at
15 least one of whom shall be a retailer, and at least one of
16 whom shall be a supplier.

17 d. Three members representing large Iowa businesses, at
18 least one of whom shall be a retailer, and at least one of
19 whom shall be a supplier.

20 e. One member representing taxpayers as a whole.

21 f. One member representing the retail community as a
22 whole.

23 g. Any other member representative of business the
24 director deems appropriate.

25 Sec. 52. Section 423.33, subsection 3, Code Supplement
26 2005, is amended to read as follows:

27 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A person
28 sponsoring a flea market or a craft, antique, coin, or stamp
29 show or similar event shall obtain from every retailer selling
30 tangible personal property or taxable services at the event
31 proof that the retailer possesses a valid sales tax permit or
32 secure from the retailer a statement, taken in good faith,
33 that property or services offered for sale are not subject to
34 sales tax. Failure to do so renders a sponsor of the event
35 liable for payment of any sales tax, interest, and penalty due

1 and owing from any retailer selling property or services at
2 the event. Sections 423.31, 423.32, 423.37, 423.38, 423.39,
3 423.40, 423.41, and 423.42 apply to the sponsors. For
4 purposes of this subsection, a person sponsoring a flea market
5 or a craft, antique, coin, or stamp show or similar event does
6 not include an organization which sponsors an event ~~less-than~~
7 three-times-a-year determined to qualify as an event involving
8 casual sales pursuant to section 423.3, subsection 39, or the
9 state fair or a fair as defined in section 174.1.

10 Sec. 53. Section 423.37, subsection 2, Code 2005, is
11 amended to read as follows:

12 2. If a return required by this subchapter is not filed,
13 or if a return when filed is incorrect or insufficient and the
14 maker fails to file a corrected or sufficient return within
15 twenty days after the same is required by notice from the
16 department, the department shall determine the amount of tax
17 due from information as the department may be able to obtain
18 and, if necessary, may estimate the tax on the basis of
19 external indices, such as number of employees of the person
20 concerned, rentals paid by the person, stock on hand, or other
21 factors. The determination may be made using any generally
22 recognized valid and reliable sampling technique, whether or
23 not the person being audited has complete records. The
24 department shall give notice of the determination to the
25 person liable for the tax. The determination shall fix the
26 tax unless the person against whom it is assessed shall,
27 within sixty days after the giving of notice of the
28 determination, apply to the director for a hearing or unless
29 the taxpayer contests the determination by paying the tax,
30 interest, and penalty and timely filing a claim for refund.
31 At the hearing, evidence may be offered to support the
32 determination or to prove that it is incorrect. After the
33 hearing the director shall give notice of the decision to the
34 person liable for the tax.

35 Sec. 54. Section 423B.1, subsection 3, Code 2005, is

1 amended to read as follows:

2 3. A local option tax shall be imposed only after an
3 election at which a majority of those voting on the question
4 favors imposition and shall then be imposed until repealed as
5 provided in subsection 6, paragraph "a". If the tax is a
6 local vehicle tax imposed by a county, it shall apply to all
7 incorporated and unincorporated areas of the county. If the
8 tax is a local sales and services tax imposed by a county, it
9 shall only apply to those incorporated areas and the
10 unincorporated area of that county in which a majority of
11 those voting in the area on the tax favors its imposition.
12 For purposes of the local sales and services tax, all cities
13 contiguous to each other shall be treated as part of one
14 incorporated area and the tax would be imposed in each of
15 those contiguous cities only if the majority of those voting
16 in the total area covered by the contiguous cities favors its
17 imposition. In the case of a local sales and services tax
18 submitted to the registered voters of two or more contiguous
19 counties as provided in subsection 4, paragraph "c", all
20 cities contiguous to each other shall be treated as part of
21 one incorporated area, even if the corporate boundaries of one
22 or more of the cities include areas of more than one county,
23 and the tax shall be imposed in each of those contiguous
24 cities only if a majority of those voting on the tax in the
25 total area covered by the contiguous cities favored its
26 imposition. For purposes of the local sales and services tax,
27 a city is not contiguous to another city if the only road
28 access between the two cities is through another state.

29 Sec. 55. Section 423B.1, subsection 4, Code 2005, is
30 amended by adding the following new paragraph:

31 NEW PARAGRAPH. c. Upon receipt of petitions or motions
32 calling for the submission of the question of the imposition
33 of a local sales and services tax as described in paragraph
34 "a" or "b", the boards of supervisors of two or more
35 contiguous counties in which the question is to be submitted

1 may enter into a joint agreement providing that for purposes
2 of this chapter, a city whose corporate boundaries include
3 areas of more than one county shall be treated as part of the
4 county in which a majority of the residents of the city
5 reside. In such event, the county commissioners of elections
6 from each such county shall cooperate in the selection of a
7 single date upon which the election shall be held, and for all
8 purposes of this chapter relating to the imposition, repeal,
9 change of use, or collection of the tax, such a city shall be
10 deemed to be part of the county in which a majority of the
11 residents of the city reside. A copy of the joint agreement
12 shall be provided promptly to the director of revenue.

13 Sec. 56. Section 423B.1, subsection 6, paragraph a, Code
14 2005, is amended to read as follows:

15 a. If a majority of those voting on the question of
16 imposition of a local option tax favors imposition of a local
17 option tax, the governing body of that county shall impose the
18 tax at the rate specified for an unlimited period. However,
19 in the case of a local sales and services tax, the county
20 shall not impose the tax in any incorporated area or the
21 unincorporated area if the majority of those voting on the tax
22 in that area did not favor its imposition. For purposes of
23 the local sales and services tax, all cities contiguous to
24 each other shall be treated as part of one incorporated area
25 and the tax shall be imposed in each of those contiguous
26 cities only if the majority of those voting on the tax in the
27 total area covered by the contiguous cities favored its
28 imposition. In the case of a local sales and services tax
29 submitted to the registered voters of two or more contiguous
30 counties as provided in subsection 4, paragraph "c", all
31 cities contiguous to each other shall be treated as part of
32 one incorporated area, even if the corporate boundaries of one
33 or more of the cities include areas of more than one county,
34 and the tax shall be imposed in each of those contiguous
35 cities only if a majority of those voting on the tax in the

1 total area covered by the contiguous cities favored its
2 imposition.

3 PARAGRAPH DIVIDED. The local option tax may be repealed or
4 the rate increased or decreased or the use thereof changed
5 after an election at which a majority of those voting on the
6 question of repeal or rate or use change favored the repeal or
7 rate or use change. The date on which the repeal, rate, or
8 use change is to take effect shall not be earlier than ninety
9 days following the election. The election at which the
10 question of repeal or rate or use change is offered shall be
11 called and held in the same manner and under the same
12 conditions as provided in subsections 4 and 5 for the election
13 on the imposition of the local option tax. However, in the
14 case of a local sales and services tax where the tax has not
15 been imposed countywide, the question of repeal or imposition
16 or rate or use change shall be voted on only by the registered
17 voters of the areas of the county where the tax has been
18 imposed or has not been imposed, as appropriate. However, the
19 governing body of the incorporated area or unincorporated area
20 where the local sales and services tax is imposed may, upon
21 its own motion, request the county commissioner of elections
22 to hold an election in the incorporated or unincorporated
23 area, as appropriate, on the question of the change in use of
24 local sales and services tax revenues. The election may be
25 held at any time but not sooner than sixty days following
26 publication of the ballot proposition. If a majority of those
27 voting in the incorporated or unincorporated area on the
28 change in use favors the change, the governing body of that
29 area shall change the use to which the revenues shall be used.
30 The ballot proposition shall list the present use of the
31 revenues, the proposed use, and the date after which revenues
32 received will be used for the new use.

33 When submitting the question of the imposition of a local
34 sales and services tax, the county board of supervisors may
35 direct that the question contain a provision for the repeal,

1 without election, of the local sales and services tax on a
2 specific date, which date shall be as provided in section
3 423B.6, subsection 1.

4 Sec. 57. Section 423B.5, unnumbered paragraph 1, Code
5 Supplement 2005, is amended to read as follows:

6 A local sales and services tax at the rate of not more than
7 one percent may be imposed by a county on the sales price
8 taxed by the state under chapter 423, subchapter II. A local
9 sales and services tax shall be imposed on the same basis as
10 the state sales and services tax or in the case of the use of
11 natural gas, natural gas service, electricity, or electric
12 service on the same basis as the state use tax and shall not
13 be imposed on the sale of any property or on any service not
14 taxed by the state, except the tax shall not be imposed on the
15 sales price from the sale of motor fuel or special fuel as
16 defined in chapter 452A which is consumed for highway use or
17 in watercraft or aircraft if the fuel tax is paid on the
18 transaction and a refund has not or will not be allowed, on
19 the sales price from the sale of equipment by the state
20 department of transportation, and except the tax shall not be
21 imposed on the sales price from the sale or use of natural
22 gas, natural gas service, electricity, or electric service in
23 a city or county where the sales price from the sale of
24 natural gas or electric energy is subject to a franchise fee
25 or user fee during the period the franchise or user fee is
26 imposed. A local sales and services tax is applicable to
27 transactions within those incorporated and unincorporated
28 areas of the county where it is imposed and shall be collected
29 by all persons required to collect state sales taxes. All
30 cities contiguous to each other shall be treated as part of
31 one incorporated area and the tax would be imposed in each of
32 those contiguous cities only if the majority of those voting
33 in the total area covered by the contiguous cities favors its
34 imposition. In the case of a local sales and services tax
35 submitted to the registered voters of two or more contiguous

1 counties as provided in section 423B.1, subsection 4,
2 paragraph "c", all cities contiguous to each other shall be
3 treated as part of one incorporated area, even if the
4 corporate boundaries of one or more of the cities include
5 areas of more than one county, and the tax shall be imposed in
6 each of those contiguous cities only if a majority of those
7 voting on the tax in the total area covered by the contiguous
8 cities favored its imposition.

9 Sec. 58. Section 425.11, subsection 4, Code Supplement
10 2005, is amended to read as follows:

11 4. The word "owner" shall mean the person who holds the
12 fee simple title to the homestead, and in addition shall mean
13 the person occupying as a surviving spouse or the person
14 occupying under a contract of purchase which contract has been
15 recorded in the office of the county recorder of the county in
16 which the property is located; or the person occupying the
17 homestead under devise or by operation of the inheritance laws
18 where the whole interest passes or where the divided interest
19 is shared only by persons related or formerly related to each
20 other by blood, marriage or adoption; or the person occupying
21 the homestead is a shareholder of a family farm corporation
22 that owns the property; or the person occupying the homestead
23 under a deed which conveys a divided interest where the
24 divided interest is shared only by persons related or formerly
25 related to each other by blood, marriage or adoption; or where
26 the person occupying the homestead holds a life estate with
27 the reversion interest held by a nonprofit corporation
28 organized under chapter 504, provided that the holder of the
29 life estate is liable for and pays property tax on the
30 homestead; or where the person occupying the homestead holds
31 an interest in a horizontal property regime under chapter
32 499B, regardless of whether the underlying land committed to
33 the horizontal property regime is in fee or as a leasehold
34 interest, provided that the holder of the interest in the
35 horizontal property regime is liable for and pays property tax

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1 on the homestead; or where the person occupying the homestead
2 is a member of a community land trust as defined in 42 U.S.C.
3 § 12773, regardless of whether the underlying land is in fee
4 or as a leasehold interest, provided that the member of the
5 community land trust is occupying the homestead and is liable
6 for and pays property tax on the homestead. For the purpose
7 of this chapter the word "owner" shall be construed to mean a
8 bona fide owner and not one for the purpose only of availing
9 the person of the benefits of this chapter. In order to
10 qualify for the homestead tax credit, evidence of ownership
11 shall be on file in the office of the clerk of the district
12 court or recorded in the office of the county recorder at the
13 time the owner files with the assessor a verified statement of
14 the homestead claimed by the owner as provided in section
15 425.2.

16 Sec. 59. Section 427.1, subsection 2, Code Supplement
17 2005, is amended to read as follows:

18 2. MUNICIPAL AND MILITARY PROPERTY. The property of a
19 county, township, city, school corporation, levee district,
20 drainage district, or the Iowa national guard, when devoted to
21 public use and not held for pecuniary profit, except property
22 of a municipally owned electric utility held under joint
23 ownership and property of an electric power facility financed
24 under chapter 28F or 476A that shall be subject to taxation
25 under chapter 437A and facilities of a municipal utility that
26 are used for the provision of local exchange services pursuant
27 to chapter 476, but only to the extent such facilities are
28 used to provide such services, which shall be subject to
29 taxation under chapter 433, except that section 433.11 shall
30 not apply. The exemption for property owned by a city or
31 county also applies to property which is operated by a city or
32 county as a library, art gallery or museum, conservatory,
33 botanical garden or display, observatory or science museum, or
34 as a location for holding athletic contests, sports or
35 entertainment events, expositions, meetings or conventions, or

1 leased from the city or county for any such purposes, or
2 leased from the city or county by the Iowa national guard or
3 by a federal agency for the benefit of the Iowa national guard
4 when devoted for public use and not for pecuniary profit.
5 Food and beverages may be served at the events or locations
6 without affecting the exemptions, provided the city has
7 approved the serving of food and beverages on the property if
8 the property is owned by the city or the county has approved
9 the serving of food and beverages on the property if the
10 property is owned by the county. The exemption for property
11 owned by a city or county also applies to property which is
12 located at an airport and leased to a fixed base operator
13 providing aeronautical services to the public.

14 Sec. 60. Section 427.1, subsection 21A, Code Supplement
15 2005, is amended to read as follows:

16 21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT
17 ORGANIZATIONS. Dwelling unit property owned and managed by a
18 nonprofit organization if the nonprofit organization owns and
19 manages more than forty dwelling units that are located in a
20 city with a population of more than one hundred ten thousand
21 which has a public housing authority that does not own or
22 manage housing stock for the purpose of low-rent housing. For
23 the 2005 and 2006 assessment years, an application is not
24 required to be filed to receive the exemption. For the 2007
25 and subsequent assessment years, an application for exemption
26 must be filed with the assessing authority not later than
27 February 1 of the assessment year for which the exemption is
28 sought. Upon the filing and allowance of the claim, the claim
29 shall be allowed on the property for successive years without
30 further filing as long as the property continues to qualify
31 for the exemption.

32 Sec. 61. Section 427A.1, Code 2005, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 5A. Notwithstanding the other provisions
35 of this section, property that is equipment used for the

1 washing, waxing, drying, or vacuuming of motor vehicles and
2 point-of-sale equipment necessary for the purchase of car wash
3 services shall not be assessed and taxed as real property.

4 Sec. 62. Section 432.12C, Code 2005, is amended to read as
5 follows:

6 432.12C INVESTMENT TAX CREDITS.

7 1. The tax imposed under this chapter shall be reduced by
8 an investment tax credit authorized pursuant to section 15E.43
9 for an investment in a qualifying business or a community-
10 based seed capital fund.

11 2. The taxes imposed under this division shall be reduced
12 by investment tax credits authorized pursuant to sections
13 15.333A and 15E.193B, subsection 6.

14 Sec. 63. NEW SECTION. 432.12H TAX CREDIT FOR CERTAIN
15 SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

16 The taxes imposed under this chapter shall be reduced by a
17 tax credit authorized pursuant to section 15.331C for certain
18 sales taxes paid by a third-party developer.

19 Sec. 64. NEW SECTION. 432.12I IOWA FUND OF FUNDS TAX
20 CREDIT.

21 The taxes imposed under this chapter shall be reduced by a
22 tax credit authorized pursuant to section 15E.66, if redeemed,
23 for investments in the Iowa fund of funds.

24 Sec. 65. Section 441.38, subsection 2, Code Supplement
25 2005, is amended to read as follows:

26 2. Notice If the appeal to district court is taken from
27 the action of the local board of review, notice of appeal
28 shall be served as an original notice on the chairperson,
29 presiding officer, or clerk of the board of review within
30 twenty-days-after-its-adournment-or-May-31-7-whichever-is
31 later,7-and after the filing of notice under subsection 1 with
32 the clerk of district court. If the appeal to district court
33 is taken from the action of the property assessment appeal
34 board, notice of appeal shall be served as an original notice
35 on the secretary of the property assessment appeal board,7-if

1 applicable after the filing of notice under subsection 1 with
2 the clerk of district court.

3 Sec. 66. NEW SECTION. 441.38A NOTICE TO SCHOOL DISTRICT.

4 In addition to any other requirement for providing of
5 notice, a property owner or aggrieved taxpayer who files a
6 protest against the assessment of property valued at five
7 million dollars or more or files an appeal to the property
8 assessment appeal board or the district court with regard to
9 such property shall provide notice to the school district in
10 which such property is located within ten days of the filing
11 of the protest or the appeal, as applicable.

12 Sec. 67. Section 533.24, Code Supplement 2005, is amended
13 by adding the following new subsections:

14 NEW SUBSECTION. 8. The moneys and credits tax imposed
15 under this section shall be reduced by an investment tax
16 credit authorized pursuant to section 15.333.

17 NEW SUBSECTION. 9. The moneys and credits tax imposed
18 under this section shall be reduced by a tax credit authorized
19 pursuant to section 15.331C for certain sales taxes paid by a
20 third-party developer.

21 NEW SUBSECTION. 10. The moneys and credits tax imposed
22 under this section shall be reduced by a tax credit authorized
23 pursuant to section 15E.66, if redeemed, for investments in
24 the Iowa fund of funds.

25 Sec. 68. 2005 Iowa Acts, chapter 140, section 72, is
26 amended to read as follows:

27 SEC. 72. REFUNDS. Refunds of taxes, interest, or
28 penalties which arise from claims resulting from the amendment
29 to section 423.3, subsection 5, in this division of this Act,
30 for the sale of agricultural drain tile materials occurring
31 between January 1, 1998, and the effective date of the section
32 amending section 423.3, subsection 5, in this division of this
33 Act, shall be limited to ~~twenty-five~~ fifty thousand dollars in
34 the aggregate and shall not be allowed unless refund claims
35 are filed prior to October 1, 2005, notwithstanding any other

1 provision of law. If the amount of claims totals more than
2 ~~twenty-five~~ fifty thousand dollars in the aggregate, the
3 department of revenue shall prorate the ~~twenty-five~~ fifty
4 thousand dollars among all claimants in relation to the
5 amounts of the claimants' valid claims.

6 Sec. 69. 2005 Iowa Acts, chapter 179, section 100, is
7 amended to read as follows:

8 SEC. 100. COUNTY REAL ESTATE ELECTRONIC GOVERNMENT
9 ADVISORY COMMITTEE.

10 1. A county real estate electronic government advisory
11 committee is created. ~~Staffing-services-for-the-advisory~~
12 ~~committee-shall-be-provided-by-the-auditor-of-state.~~ The
13 advisory committee membership shall consist of the following:

14 a. Two members selected by the Iowa state association of
15 county auditors.

16 b. Two members selected by the Iowa state county
17 treasurers association.

18 c. Two members selected by the Iowa county recorders
19 association.

20 d. Two members selected by the Iowa state association of
21 assessors.

22 e. One member selected by each of the following
23 organizations:

24 (1) Iowa state association of counties.

25 (2) Iowa land title association.

26 (3) Iowa bankers association.

27 (4) Iowa credit union league.

28 (5) Iowa state bar association.

29 (6) Iowa association of realtors.

30 2. The county real estate electronic government advisory
31 committee shall facilitate discussion to integrate the county
32 land record information system ~~created-pursuant-to-section~~
33 ~~331-605E~~ with the electronic government internet applications
34 of county treasurers, county recorders, county auditors, and
35 county assessors. The advisory committee shall file an

1 updated integration plan with the governor and the general
2 assembly on or before November 1, ~~2005~~ 2006.

3 Sec. 70. 2005 Iowa Acts, chapter 179, section 101,
4 subsection 3, is repealed.

5 Sec. 71. EFFECTIVE AND APPLICABILITY DATES.

6 1. The sections of this division of this Act amending
7 sections 368.7 and 368.11, being deemed of immediate
8 importance, take effect upon enactment and apply to annexation
9 applications submitted to a city council and petitions for
10 involuntary annexation filed with the city development board
11 on or after the date of enactment.

12 2. The section of this division of this Act amending
13 section 425.11, being deemed of immediate importance, takes
14 effect upon enactment and applies to taxes due and payable in
15 fiscal years beginning on or after July 1, 2006.

16 3. The section of this division of this Act enacting
17 section 427A.1, subsection 5A, being deemed of immediate
18 importance, takes effect upon enactment and applies
19 retroactively to January 1, 2006, for assessment years
20 beginning on or after that date.

21 4. The section of this division of this Act enacting
22 section 441.38A takes effect January 1, 2007, and applies to
23 assessment years beginning on or after that date.

24 5. The section of this division of this Act amending 2005
25 Iowa Acts, chapter 140, section 72, being deemed of immediate
26 importance, takes effect upon enactment and applies
27 retroactively to June 30, 2005.

28 DIVISION II

29 STREAMLINED SALES AND USE TAX UPDATES

30 Sec. 72. Section 423.2, subsection 8, Code Supplement
31 2005, is amended by striking the subsection and inserting in
32 lieu thereof the following:

33 8. a. A tax of five percent is imposed on the sales price
34 from sales of bundled transactions. For the purposes of this
35 subsection, a "bundled transaction" is the retail sale of two

1 or more distinct and identifiable products, except real
2 property and services to real property, which are sold for one
3 nonitemized price. A "bundled transaction" does not include
4 the sale of any products in which the sales price varies, or
5 is negotiable, based on the selection by the purchaser of the
6 products included in the transaction.

7 b. "Distinct and identifiable products" does not include
8 any of the following:

9 (1) Packaging or other materials that accompany the retail
10 sale of the products and are incidental or immaterial to the
11 retail sale of the products.

12 (2) A product provided free of charge with the required
13 purchase of another product. A product is "provided free of
14 charge" if the sales price of the product purchased does not
15 vary depending on the inclusion of the product which is
16 provided free of charge.

17 (3) Items included in the definition of "sales price"
18 pursuant to section 423.1.

19 c. "One nonitemized price" does not include a price that
20 is separately identified by product on binding sales or other
21 supporting sales-related documentation made available to the
22 customer in paper or electronic form.

23 Sec. 73. Section 423.18, Code Supplement 2005, is amended
24 by striking the section and inserting in lieu thereof the
25 following:

26 423.18 MULTIPLE POINTS OF USE.

27 1. Notwithstanding the provisions of section 423.15, a
28 business purchaser that is not a holder of a direct pay permit
29 that knows at the time of purchase of a digital good, computer
30 software, or a service that the digital good, computer
31 software, or service will be concurrently available for use in
32 more than one jurisdiction shall deliver to the seller in
33 conjunction with its purchase an exemption certificate
34 claiming multiple points of use or meet the requirements of
35 subsection 2 or 3. For the purpose of this section only,

1 "computer software" includes but is not limited to computer
2 software delivered electronically, by load and leave, or in
3 tangible form. "Computer software" does not include computer
4 software received in person by a business purchaser at a
5 business location of the seller.

6 a. Upon receipt of an exemption certificate claiming
7 multiple points of use, the seller is relieved of all
8 obligation to collect, pay, or remit the applicable tax, and
9 the purchaser shall be obligated to collect, pay, or remit the
10 applicable tax on a direct pay basis.

11 b. A purchaser delivering an exemption certificate
12 claiming multiple points of use may use any reasonable, but
13 consistent and uniform, method of apportionment that is
14 supported by the purchaser's business books and records as
15 they exist at the time the transaction is reported for sales
16 or use tax purposes.

17 c. A purchaser delivering an exemption certificate
18 claiming multiple points of use shall report and pay the
19 appropriate tax to each jurisdiction where concurrent use
20 occurs. The tax due shall be calculated as if the apportioned
21 amount of the digital good, computer software, or service had
22 been delivered to each jurisdiction to which the sale is
23 apportioned pursuant to paragraph "b".

24 d. The exemption certificate claiming multiple points of
25 use shall remain in effect for all future sales by the seller
26 to the purchaser, except as to the subsequent sale's specific
27 apportionment that is governed by the principles of paragraphs
28 "b" and "c", until the exemption certificate is revoked in
29 writing.

30 2. Notwithstanding subsection 1, when the seller knows
31 that the product will be concurrently available for use in
32 more than one jurisdiction, but the purchaser does not provide
33 an exemption certificate claiming multiple points of use as
34 required in subsection 1, the seller may work with the
35 purchaser to produce the correct apportionment. The purchaser

1 and seller may use any reasonable, but consistent and uniform,
2 method of apportionment that is supported by the seller's and
3 purchaser's business books and records as they exist at the
4 time the transaction is reported for sales or use tax
5 purposes. If the purchaser certifies the accuracy of the
6 apportionment and the seller accepts the certification, the
7 seller shall collect and remit the tax pursuant to subsection
8 1, paragraph "c". In the absence of bad faith, the seller is
9 relieved of any further obligation to collect tax on any
10 transaction where the seller has collected tax pursuant to the
11 information certified by the purchaser.

12 3. When the seller knows that the product will be
13 concurrently available for use in more than one jurisdiction
14 and the purchaser does not have a direct pay permit and does
15 not provide the seller with an exemption certificate claiming
16 a multiple points of use exemption as required in subsection
17 1, or certification pursuant to subsection 2, the seller shall
18 collect and remit the tax based on the provisions of section
19 423.15.

20 4. A holder of a direct pay permit shall not be required
21 to deliver an exemption certificate claiming multiple points
22 of use to the seller. A direct pay permit holder shall follow
23 the provisions of subsection 1, paragraphs "b" and "c", in
24 apportioning the tax due on a digital good, computer software,
25 or a service that will be concurrently available for use in
26 more than one jurisdiction.

27 5. Nothing in this section shall limit a person's
28 obligation for sales or use tax to this state in which the
29 qualifying purchases are concurrently available for use, or
30 limit a person's ability under local, state, federal, or
31 constitutional law, to claim a credit for sales or use taxes
32 legally due and paid to other jurisdictions.

33 Sec. 74. Section 423.20, subsection 1, paragraph j, Code
34 2005, is amended to read as follows:

35 j. "Postpaid calling service" means the telecommunications

1 service obtained by making a payment on a call-by-call basis
2 either through the use of a credit card or payment mechanism
3 such as a bank card, travel card, credit card, or debit card,
4 or by charge made to a telephone number which is not
5 associated with the origination or termination of the
6 telecommunications service. A "postpaid calling service"
7 includes a telecommunications service, except a prepaid
8 wireless calling service, that would be a prepaid calling
9 service except it is not exclusively a telecommunications
10 service.

11 Sec. 75. Section 423.20, subsection 1, Code 2005, is
12 amended by adding the following new paragraph after paragraph
13 k, and relettering the remaining paragraphs:

14 NEW PARAGRAPH. 1. "Prepaid wireless calling service"
15 means a telecommunications service that provides the right to
16 utilize mobile wireless service as well as other
17 nontelecommunications services, including the download of
18 digital products delivered electronically, content and
19 ancillary services, which must be paid for in advance and that
20 is sold in predetermined units or dollars of which the amount
21 declines with use in a known amount.

22 Sec. 76. Section 423.20, subsection 2, paragraph c,
23 subparagraphs (1) and (3), Code 2005, are amended to read as
24 follows:

25 (1) A sale of mobile telecommunications services other
26 than air-to-ground radiotelephone service, or prepaid calling
27 service, or prepaid wireless calling service is sourced to the
28 customer's place of primary use as required by the federal
29 Mobile Telecommunications Sourcing Act.

30 (3) A sale of prepaid calling service or a sale of prepaid
31 wireless calling service is sourced in accordance with section
32 423.15. However, in the case of a sale of ~~mobile~~
33 ~~telecommunications-services-that-is-a-prepaid~~
34 ~~telecommunications~~ a prepaid wireless calling service, the
35 rule provided in section 423.15, subsection 1, paragraph "e",

1 shall include as an option the location associated with the
2 mobile telephone number.

3 Sec. 77. Section 423.45, subsection 4, paragraph b, Code
4 2005, is amended to read as follows:

5 b. The sales tax liability for all sales of tangible
6 personal property and all sales of services is upon the seller
7 and the purchaser unless the seller takes ~~in-good-faith~~ from
8 the purchaser a valid exemption certificate stating under
9 penalty of perjury that the purchase is for a nontaxable
10 purpose and is not a retail sale as defined in section 423.1,
11 or the seller is not obligated to collect tax due, or unless
12 the seller takes a fuel exemption certificate pursuant to
13 subsection 5. If the tangible personal property or services
14 are purchased tax free pursuant to a valid exemption
15 certificate ~~which-is-taken-in-good-faith-by-the-seller~~, and
16 the tangible personal property or services are used or
17 disposed of by the purchaser in a nonexempt manner, the
18 purchaser is solely liable for the taxes and shall remit the
19 taxes directly to the department and sections 423.31, 423.32,
20 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
21 to the purchaser.

22 Sec. 78. Section 423.45, subsection 4, paragraph d, Code
23 2005, is amended by striking the paragraph and inserting in
24 lieu thereof the following:

25 d. The protection afforded a seller by paragraph "b" does
26 not apply to a seller who fraudulently fails to collect tax or
27 to a seller who solicits purchasers to participate in the
28 unlawful claim of an exemption.

29 Sec. 79. Section 423.51, subsection 2, Code 2005, is
30 amended to read as follows:

31 2. Sellers that follow the requirements of this section
32 are relieved from any tax otherwise applicable if it is
33 determined that the purchaser improperly claimed an exemption
34 and that the purchaser is liable for the nonpayment of tax.
35 This relief from liability does not apply to a seller who

1 fraudulently does any of the following:

2 a. Fraudulently fails to collect the tax or solicits tax.

3 b. Solicits purchasers to participate in the unlawful
4 claim of an exemption.

5 c. Accepts an exemption certificate when the purchaser
6 claims an entity-based exemption when the following conditions
7 are met:

8 (1) The subject of the transaction sought to be covered by
9 the exemption certificate is actually received by the
10 purchaser at a location operated by the seller.

11 (2) The state provides an exemption certificate that
12 clearly and affirmatively indicates that the claimed exemption
13 is not available in the state.

14 d. Accepts an exemption certificate claiming multiple
15 points of use for tangible personal property other than
16 computer software for which an exemption claiming multiple
17 points of use is acceptable under section 423.18.

18 Sec. 80. Section 423.51, Code 2005, is amended by adding
19 the following new subsections:

20 NEW SUBSECTION. 3. a. A seller otherwise obligated to
21 collect tax from a purchaser is relieved of that obligation if
22 the seller obtains a fully completed exemption certificate or
23 secures the relevant data elements of a fully completed
24 exemption certificate within ninety days after the date of
25 sale.

26 b. If the seller has not obtained an exemption certificate
27 or all relevant data elements as provided in paragraph "a",
28 the seller may, within one hundred twenty days after a request
29 for substantiation by the department, either prove that the
30 transaction was not subject to tax by other means or obtain a
31 fully completed exemption certificate from the purchaser,
32 taken in good faith.

33 c. Nothing in this subsection shall affect the ability of
34 the state to require purchasers to update exemption
35 certificate information or to reapply with the state to claim

1 certain exemptions.

2 d. Notwithstanding paragraphs "a", "b", and "c", a seller
3 is relieved of its obligation to collect tax from a purchaser
4 if the seller obtains a blanket exemption certificate from the
5 purchaser, and the seller and purchaser have a recurring
6 business relationship. For the purposes of this paragraph, a
7 recurring business relationship exists when a period of no
8 more than twelve months elapses between sales transactions.
9 The department may not request from the seller renewal of
10 blanket certificates or updates of exemption certificate
11 information or data elements when there is a recurring
12 business relationship between the purchaser and seller.

13 NEW SUBSECTION. 4. All relief that this section provides
14 to sellers is also provided to certified service providers
15 under this chapter.

16 Sec. 81. Section 423.52, Code 2005, is amended to read as
17 follows:

18 423.52 RELIEF FROM LIABILITY FOR SELLERS AND CERTIFIED
19 SERVICE PROVIDERS.

20 1. Sellers and certified service providers using databases
21 derived from zip codes or state or vendor provided address-
22 based databases are relieved from liability to this state or
23 its local taxing jurisdictions for having charged and
24 collected the incorrect amount of sales or use tax resulting
25 from the seller or certified service provider relying on
26 erroneous data provided by this state on tax rates,
27 boundaries, or taxing jurisdiction assignments. If this state
28 provides an address-based system for assigning taxing
29 jurisdictions ~~whether-or-not-pursuant-to-the-federal-Mobile~~
30 ~~Telecommunications-Sourcing-Act~~, the director is not required
31 to provide liability relief for errors resulting from reliance
32 on the information provided by this state if the director has
33 given adequate notice, as determined by the governing board,
34 to affected parties of the decision to end this relief.

35 2. a. Model 2 sellers and certified service providers are

1 relieved of liability to Iowa for any failure to charge and
2 collect the correct amount of sales or use tax if this failure
3 results from the model 2 seller's or the certified service
4 provider's reliance upon this state's certification to the
5 governing board that Iowa has accepted the governing board's
6 certification of a piece of software as a certified automated
7 system. The relief provided by this paragraph to a model 2
8 seller or certified service provider does not extend to a
9 seller or provider who has incorrectly classified an item or
10 transaction into the product-based exemptions portion of a
11 certified automated system. However, any model 2 seller or
12 certified service provider who has relied upon an individual
13 listing of items or transactions within a product definition
14 approved by the governing board or Iowa may claim the relief
15 allowed by this paragraph.

16 b. If the department determines that an item or
17 transaction is incorrectly classified as to its taxability,
18 the department shall notify the model 2 seller or certified
19 service provider of the incorrect classification. The model 2
20 seller or certified service provider shall have ten days to
21 revise the classification after receipt of notice of the
22 determination. Upon expiration of the ten days, the model 2
23 seller or certified service provider shall be liable for the
24 failure to collect the correct amount of sales or use taxes
25 due and owing to the member state.

26 **Sec. 82. EFFECTIVE DATES.**

27 1. Except as provided in subsection 2, this division of
28 this Act takes effect January 1, 2008.

29 2. The sections of this division of this Act amending
30 section 423.45, subsection 4, being deemed of immediate
31 importance, take effect upon enactment.

32 **EXPLANATION**

33 **DIVISION I -- TAX ADMINISTRATION AND POLICY.** Code section
34 15E.193B is amended to state that replacement tax credit
35 certificates for the eligible housing investment tax credit

1 when transferred are to be issued by the department of revenue
2 instead of being issued by the department of economic
3 development.

4 Code sections 68A.102, 257.21, 422.10(4), 422.12C(1) and
5 (2), and 422D.2 are amended to state that all nonrefundable
6 income tax credits are subtracted in determining the Iowa
7 individual income tax liability.

8 Code section 331.605B is amended to limit a county recorder
9 to collecting only statutorily authorized fees for land
10 records management. A fee shall not be collected for viewing,
11 accessing, or printing documents in the county land record
12 information system unless specifically authorized.

13 Code section 368.7 is amended to require a city to
14 implement the statutory transition for the imposition of city
15 taxes against property to be annexed if the property is
16 included in a voluntary annexation application without the
17 consent of the landowner (i.e., where up to 20 percent of the
18 annexed property may be annexed without consent) or if the
19 property is included in an involuntary annexation petition.

20 Code section 368.11 is amended to provide that if a city
21 provides its own schedule of exemption from city taxes as an
22 alternative to the statutory schedule, the alternative
23 exemption must be equivalent to or greater than the statutory
24 exemption. These amendments take effect upon enactment and
25 apply to annexation applications submitted to a city council
26 and petitions for involuntary annexation filed with the city
27 development board on or after the date of enactment.

28 Code section 404A.4 is amended to state that replacement
29 tax credit certificates for the historic preservation and
30 cultural and entertainment district tax credit when
31 transferred are to be issued by the department of revenue
32 instead of being issued by the state historic preservation
33 office of the department of cultural affairs.

34 Code section 421.17(12) is amended to require the
35 department of revenue to make an annual report in conjunction

1 with the department of management to provide the amount and
2 source of revenues from various taxes and fees.

3 Code section 421.17(14) is amended to delete the
4 requirement that the director of revenue publish in pamphlet
5 form the revenue laws of the state and distribute them to
6 county auditors, assessors, and boards of review.

7 Code section 422.5(1)(j) is amended to state that all
8 checkoffs and all tax credits are not affected by the
9 allocation of income available to resident shareholders of S
10 corporations.

11 Code sections 422.5(1)(k), 422.5(2), and 422.9(1) are
12 amended to strike the reference to unmarried heads of
13 household since there are instances when heads of household
14 can be married.

15 Code section 422.6 is amended to state that all
16 nonrefundable credits are subtracted in determining the Iowa
17 fiduciary income tax.

18 Code section 422.7(21) is amended to strike the reference
19 to employed in a business for purposes of the capital gains
20 exclusion from income tax since such employment is already an
21 element in the material participation test under section
22 469(h) of the Internal Revenue Code.

23 Code section 422.10 is amended to provide a reference to
24 the additional research activities credit authorized pursuant
25 to Code section 15.335.

26 Code section 422.11 is amended to state that credits
27 allowed under Code section 422.12B are subtracted before
28 determining the franchise tax credit.

29 Code sections 422.11B, 422.33(7), 422.60(2), and 422.60(3)
30 are amended to eliminate references to sections of the
31 Internal Revenue Code relating to the alternative minimum tax
32 which have been repealed.

33 Code section 422.11F is amended to state that the
34 investment tax credit relates to investments in a qualifying
35 business or a community-based seed capital fund and adds a

1 reference to the investment tax credits authorized pursuant to
2 Code sections 15.333 and 15E.193B(6).

3 New Code section 422.11M provides a reference to the tax
4 credit for investments in the Iowa fund of funds authorized
5 pursuant to Code section 15E.66.

6 Code section 422.12(3) is amended to provide the same
7 definition for a married individual as set forth in section
8 7703 of the Internal Revenue Code.

9 Code sections 422.12A and 422.12F are amended to correct
10 references to the department of revenue reorganization due to
11 the creation of the department of administrative services.

12 New Code sections 422.12G and 422.12H provide references to
13 the income tax checkoffs for the Iowa election campaign fund
14 and the state fish and game protection fund.

15 Code section 422.33(5) is amended to provide references to
16 the alternative research activities credit authorized pursuant
17 to Code section 15A.9(8) and the additional research
18 activities credit authorized pursuant to Code section 15.335.

19 Code section 422.33(12) is amended to state that the
20 investment tax credit relates to investments in a qualifying
21 business or a community-based seed capital fund and adds
22 references to the investment tax credits authorized pursuant
23 to Code sections 15.333, 15A.9(4), and 15E.193B(6).

24 Code sections 422.33 and 422.60 are amended to add new
25 subsections to refer to the tax credits for certain sales
26 taxes paid by a third-party developer authorized pursuant to
27 Code section 15.331C, and the tax credit for investments in
28 the Iowa fund of funds authorized pursuant to Code section
29 15E.66.

30 Code section 422.34A is amended to provide that a
31 corporation is not doing business in the state for purposes of
32 the corporate income tax solely because the corporation stores
33 tangible personal property in a warehouse in the state if none
34 of the goods from the warehouse are considered sold in the
35 state.

1 Code section 422.60(5) is amended to state that the
2 investment tax credit relates to investments in a qualifying
3 business or a community-based seed capital fund and adds
4 references to the investment tax credits authorized pursuant
5 to Code sections 15.333 and 15E.193B(6).

6 Code section 423.3(18) is amended to exempt the sale of
7 tangible property and services to home and community-based
8 service providers certified to offer Medicaid waiver services
9 by the department of human services.

10 Code section 423.3(39), relating to the sales tax exemption
11 for casual sales, is amended to include as a casual sale the
12 furnishing of a service which is recurring if the seller is
13 not in the business of selling or furnishing services, the
14 seller is a full-time student and the total gross receipts
15 from these recurring sales and services do not exceed \$5,000
16 in a calendar year.

17 Code section 423.3(50) is amended to exempt from tax the
18 sale of fuel consumed in the process of generating electric
19 current.

20 Code section 423.3(86) is amended to alter the exemption
21 from the sales and use taxes of repair services performed on
22 certain river vessels enacted during the 2005 Legislative
23 Session. The amendment eliminates the condition that the
24 vessel is not to be moored or tied to a physical location in
25 this state and provides that the vessel is in navigable waters
26 bordering the state rather than just the eastern border. The
27 amendment also defines, for purposes of the exemption,
28 "vessel" as including a ship, barge, or other waterborne
29 vessel.

30 Code section 423.3 is amended to add a new exemption from
31 the sales tax for the sale of coins, currency, and bullion.

32 Code section 423.6(10) is amended to provide that the
33 exemption from the use tax on motor vehicles transferred from
34 one business entity to a corporation applies to corporations
35 that have been in existence for not longer than 24 months.

1 Present rule limits that transfer to a corporation that has
2 been in existence for less than a year.

3 Code section 423.6 is amended to establish that the
4 exempted purchase price of a vehicle withdrawn from a motor
5 vehicle dealer's inventory to be used as a replacement for a
6 motor vehicle that was registered and the tax was paid at the
7 time of registration is the fair market value of the replaced
8 vehicle. This has the effect of allowing a trade of the
9 registered motor vehicle against the value of the new motor
10 vehicle to be used in determining the price subject to the use
11 tax. All the criteria must be met in order to compute the
12 fair market value subject to use tax of the new motor vehicle.

13 Code section 423.8 is amended to express the intent of the
14 general assembly that Iowa sellers be provided assistance to
15 alleviate the administrative burdens of the state's
16 participation in the streamlined sales and use tax agreement
17 (agreement).

18 Code section 423.9 is amended to codify the present Iowa
19 representatives to the governing board established pursuant to
20 the agreement.

21 New Code section 423.9A is added to establish an Iowa
22 streamlined sales tax advisory council made up of a member of
23 the department of revenue and representatives from businesses
24 and consumers to review, study, and make recommendations to
25 the Iowa representatives regarding the agreement.

26 Code section 423.33(3) is amended to specify how the casual
27 sales tax exemption would apply to a person sponsoring a sales
28 event.

29 Code section 423.37(2) is amended to allow the department
30 of revenue to use various sampling techniques to establish the
31 amount of tax due for a sales or use tax return.

32 Code sections 423B.1 and 423B.5 are amended to authorize
33 contiguous counties to enter into joint agreements relating to
34 local option sales tax elections, and to provide that, in the
35 event of elections conducted under a joint agreement between

1 contiguous counties, all cities contiguous to each other shall
2 be treated as one incorporated area, even if the corporate
3 boundaries of one or more cities include areas of more than
4 one county.

5 Code section 425.11(4) is amended to include in the
6 definition of "owner" for purposes of the homestead credit the
7 person occupying the homestead as a member of a community land
8 trust so long as the person is liable for and pays the
9 property taxes. This amendment takes effect upon enactment
10 and applies to taxes due and payable in fiscal years beginning
11 on or after July 1, 2006.

12 Code section 427.1(2) is amended to expand the exemption
13 from property taxation of property owned by a city or county
14 to include property which is located at an airport and leased
15 to a fixed base operator providing aeronautical services to
16 the public.

17 Code section 427.1(21A) is amended to require that a
18 nonprofit organization requesting a property tax exemption for
19 providing low-rent housing for the 2007 and subsequent
20 assessment years file a claim for exemption with the assessor.
21 Upon approval of the claim, further filing is not required.

22 Code section 427A.1 is amended to provide that equipment
23 used in washing, waxing, drying, and vacuuming motor vehicles
24 is not to be assessed and taxed as real property. This
25 amendment takes effect upon enactment and applies
26 retroactively to assessment years beginning on or after
27 January 1, 2006.

28 Code section 432.12C is amended to state that the
29 investment tax credit relates to investments in a qualifying
30 business or a community-based seed capital fund and adds a
31 reference to the investment tax credits authorized pursuant to
32 Code sections 15.333A and 15E.193B(6).

33 New Code sections 432.12H and 432.12I provide references to
34 the tax credit for certain sales taxes paid by a third-party
35 developer authorized pursuant to Code section 15.331C, and the

1 tax credit for investments in the Iowa fund of funds
2 authorized in Code section 15E.66.

3 Code section 441.38(2) is amended to require a taxpayer to
4 file a notice of appeal to the district court with the local
5 board of review and with the secretary of the property
6 assessment appeal board after the filing of the notice of
7 appeal with the district court.

8 New Code section 441.38A is added to require a property
9 owner or aggrieved taxpayer who files a protest against the
10 assessment of property valued at \$5 million or more to the
11 property assessment appeal board or the district court to
12 provide notice to the school district in which the property is
13 located. This new section takes effect January 1, 2007, for
14 assessment years beginning on or after that date.

15 Code section 533.24 is amended to add new subsections to
16 provide references to the investment tax credit authorized
17 pursuant to Code section 15.333, the tax credit for certain
18 sales taxes paid by a third-party developer authorized
19 pursuant to Code section 15.331C, and the tax credit for
20 investments in the Iowa fund of funds authorized pursuant to
21 Code section 15E.66.

22 2005 Iowa Acts, ch. 140, section 72, relating to the amount
23 of refunds that may be claimed in the aggregate as a result of
24 the retroactive exemption from sales tax of drainage tile
25 materials, is amended to increase the aggregate amount of
26 refunds from \$25,000 to \$50,000.

27 2005 Iowa Acts, ch. 179, section 100, is amended to strike
28 the requirements for the state auditor to provide staffing
29 services for the county real estate electronic government
30 advisory committee and to extend the time until November 1,
31 2006, by which the committee must submit an updated
32 integration plan to the governor and general assembly.

33 2005 Iowa Acts, ch. 179, section 101, is amended to repeal
34 the subsection relating to fees that may be charged for
35 records management because this provision has been codified.

1 DIVISION II -- STREAMLINED SALES AND USE TAX UPDATES. This
2 division updates the references to the Iowa sales and use tax
3 law as implemented by the streamlined sales and use tax
4 agreement (agreement). There were a number of amendments to
5 the agreement which need to be included in the sales and use
6 tax laws.

7 Code section 423.2(8) is amended to reflect a revision to
8 the bundled transaction provision. A bundled transaction
9 involves the sale of two or more products which are distinct
10 and identifiable, and the products are sold for one
11 nonitemized price.

12 Code section 423.18 is amended to reflect a revision to the
13 multiple points of use provision. The revision provides that
14 a business purchaser of digital goods, software, or a service
15 that will be used in more than one jurisdiction is to deliver
16 to the seller an exemption certificate claiming multiple
17 points of use. Upon receipt of this certificate, the seller
18 is relieved of collecting tax and the purchaser must pay tax
19 on an apportionment basis. If the purchaser does not have the
20 certificate, then the purchaser and seller will jointly arrive
21 at the apportionment.

22 Code sections 423.20(1) and 423.20(2) are amended to add
23 new provisions related to prepaid wireless calling service and
24 the method of sourcing such service. Prepaid wireless calling
25 service is a telecommunications service that provides the
26 right to utilize mobile wireless service as well as other
27 nontelecommunications services, including the download of
28 digital products delivered electronically which are paid for
29 in advance and sold in predetermined units which decline upon
30 use.

31 Code section 423.45(4) is amended to conform the exemption
32 certificate requirements for all retailers to the requirements
33 for retailers registered under the agreement. The amendments
34 are effective upon enactment.

35 Code section 423.51(2) is amended to add new provisions to

1 the requirements related to exemption certificates. These
2 provisions relate to the seller's loss of nonliability for
3 collection of tax if the seller accepts an exemption
4 certificate at the seller's business and the state has
5 affirmatively indicated that the claimed exemption is not
6 available in the state; and if the seller accepts an exemption
7 certificate claiming multiple points of use of tangible
8 personal property for which the multiple points of use
9 exemption provisions of a different Code section apply.

10 Code sections 423.51 and 423.52 are amended to include new
11 provisions related to the various types of relief available to
12 sellers. These provisions include relief for reliance on the
13 certification of the seller's software and classification of
14 an item under the taxability matrix.

15 This division of the bill takes effect January 1, 2008,
16 except for the provisions amending Code section 423.45, which
17 take effect upon enactment.

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HOUSE FILE 2794

H-8543

1 Amend House File 2794 as follows:

2 1. Page 34, by inserting after line 11 the
3 following:

4 "Sec. ____ Section 476B.6, subsection 5, Code
5 Supplement 2005, is amended by striking the subsection
6 and inserting in lieu thereof the following:

7 5. A tax credit certificate may be filed pursuant
8 to any of the following, to the extent applicable:

9 a. If the tax credit application is filed by a
10 partnership, limited liability company, S corporation,
11 estate, trust, or other reporting entity all of the
12 income of which is taxed directly to its equity
13 holders or beneficiaries, for the taxes imposed under
14 chapter 422, division II or III, the tax credit
15 certificate shall be issued directly to equity holders
16 or beneficiaries of the applicant in proportion to
17 their pro rata share of the income of such entity.
18 The applicant shall, in the application made under
19 this section, identify its equity holders or
20 beneficiaries, and the percentage of such entity's
21 income that is allocable to each equity holder or
22 beneficiary.

23 b. If the tax credit applicant under this section
24 is eligible to receive renewable electricity
25 production credits authorized under section 45 of the
26 Internal Revenue Code, as amended, and the tax credit
27 applicant is a partnership, limited liability company,
28 S corporation, estate, trust, or other reporting
29 entity all of the income of which is taxed directly to
30 its equity holders or beneficiaries, for the taxes
31 imposed under chapter 422, division II or III, the tax
32 credit certificate may be issued to a partner if the
33 business is a partnership, a shareholder if the
34 business is an S corporation, or a member if the
35 business is a limited liability company in the amounts
36 designated by the eligible partnership, S corporation,
37 or limited liability company. In absence of such
38 designation, the credits under this section shall flow
39 through to the partners, shareholders, or members in
40 accordance with their pro rata share of the income of
41 the entity.

42 The applicant shall, in the application made under
43 this section, identify the holders or beneficiaries
44 that are to receive the tax credit certificates and
45 the percentage of the tax credit that is allocable to
46 each holder or beneficiary.

47 c. If an applicant under this section is eligible
48 to receive renewable electricity production credits
49 authorized under section 45 of the Internal Revenue
50 Code, as amended, and the tax credit applicant is a

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Page 2

1 partnership, limited liability company, S corporation,
2 estate, trust, or other reporting entity all of the
3 income of which is taxed directly to its equity
4 holders or beneficiaries, for the taxes imposed under
5 chapter 422, division II or III, the tax credit
6 certificates and all future rights to the tax credit
7 in this section may be distributed to an equity holder
8 or beneficiary as a liquidating distribution or
9 portion thereof, of a holder or beneficiary's interest
10 in the applicant entity.

11 The applicant shall, in the application made under
12 this section, designate the percentage of the tax
13 credit allocable to the liquidating equity holder or
14 beneficiary that is to receive the current and future
15 tax credit certificates under this section.

16 d. If the tax credit application is filed by a
17 partnership, limited liability company, S corporation,
18 estate, trust, or other reporting entity, all of whose
19 income is taxed directly to its equity holders or
20 beneficiaries for the taxes imposed under chapter 422,
21 division V, or under chapter 432, the tax credit
22 certificate shall be issued directly to the
23 partnership, limited liability company, S corporation,
24 estate, trust, or other reporting entity."

By KURTENBACH of Story

H-8543 FILED APRIL 12, 2006

HOUSE FILE 2794

H-8534

1 Amend House File 2794 as follows:

2 1. Page 16, by striking lines 16 through 21 and
3 inserting the following:

4 "NEW SUBSECTION. 8. Storing tangible personal
5 property in a warehouse located in Iowa which is not
6 owned by the corporation provided that not more than
7 twenty-five percent of the dollar amount of the goods
8 are delivered or shipped so as to be included in the
9 gross sales of the corporation within this state as
10 provided in section 422.33, subsection 2, paragraph
11 "b", subparagraph (6), provided that not more than
12 twenty-five percent of the dollar amount of the goods
13 sold through the warehouse are sold to customers in
14 Iowa."

By KURTENBACH of Story

H-8534 FILED APRIL 12, 2006

HOUSE FILE 2794

H-8548

- 1 Amend House File 2794 as follows:
2 1. By striking page 25, line 35, through page 30,
3 line 8.

By WATTS of Dallas

H-8548 FILED APRIL 13, 2006

HOUSE FILE 2794

H-8549

- 1 Amend House File 2794 as follows:
2 1. Page 20, by striking lines 28 through 32 and
3 inserting the following:
4 "Sec. ____ . Section 423.6, subsection 10,
5 unnumbered paragraph 1, Code 2005, is amended to read
6 as follows:
7 Vehicles subject to registration which are
8 transferred from a business or individual conducting a
9 business within this state as a sole proprietorship,
10 partnership, or limited liability company to a
11 corporation formed by the sole proprietorship,
12 partnership, or limited liability company for the
13 purpose of continuing the business when all of the
14 stock of the corporation so formed is owned by the
15 sole proprietor and the sole proprietor's spouse, by
16 all the partners in the case of a partnership, or by
17 all the members in the case of a limited liability
18 company. For the purpose of this subsection, the
19 exemption applies without regard to the time the
20 corporation has been in existence. This exemption is
21 equally available where the vehicles subject to
22 registration are transferred from a corporation to a
23 sole proprietorship, partnership, or limited liability
24 company formed by that corporation for the purpose of
25 continuing the business when all of the incidents of
26 ownership are owned by the same person or persons who
27 were stockholders of the corporation."

By WATTS of Dallas

H-8549 FILED APRIL 13, 2006

HOUSE FILE 2794

H-8553

1 Amend House File 2794 as follows:

2 1. Page 30, by inserting after line 8 the
3 following:

4 "Sec. ____ . Section 423B.7, subsection 4, Code
5 2005, is amended to read as follows:

6 4. a. ~~Twenty-five~~ Except as provided in paragraph
7 "b", twenty-five percent of each county's account
8 shall be remitted based on the sum of property tax
9 dollars levied by the board of supervisors if the tax
10 was imposed in the unincorporated areas and each city
11 in the county where the tax was imposed during the
12 three-year period beginning July 1, 1982, and ending
13 June 30, 1985, as follows:

14 a- (1) To the board of supervisors a pro rata
15 share based upon the percentage of the total property
16 tax dollars levied by the board of supervisors during
17 the above three-year period.

18 b- (2) To each city council where the tax was
19 imposed a pro rata share based upon the percentage of
20 property tax dollars levied by the city during the
21 above three-year period of the above total property
22 tax dollars levied by the board of supervisors and
23 each city where the tax was imposed during the above
24 three-year period.

25 b. In the case of a county where the tax is not
26 imposed in any area of the county on June 30, 2006,
27 and subsequently is imposed in an area of the county
28 on or after July 1, 2006, twenty-five percent of each
29 county's account shall be remitted based on the sum of
30 property tax dollars levied by the board of
31 supervisors if the tax was imposed in the
32 unincorporated areas and each city in the county where
33 the tax was imposed during the fiscal year ending
34 after the most recent certified federal decennial
35 census as follows:

36 (1) To the board of supervisors a pro rata share
37 based upon the percentage of the total property tax
38 dollars levied by the board of supervisors during the
39 above fiscal year.

40 (2) To each city council where the tax was imposed
41 a pro rata share based upon the percentage of property
42 tax dollars levied by the city during the above fiscal
43 year of the above total property tax dollars levied by
44 the board of supervisors and each city where the tax
45 was imposed during the above fiscal year."

By WATTS of Dallas

H-8553 FILED APRIL 17, 2006

HOUSE FILE 2794

H-8551

1 Amend House File 2794 as follows:

2 1. Page 34, by inserting after line 11 the
3 following:

4 "Sec. ____ Section 468.55, Code 2005, is amended
5 to read as follows:

6 468.55 ASSESSMENTS -- MATURITY AND COLLECTION.

7 If a landowner selects an option provided in
8 section 468.57, all drainage or levee tax assessments
9 become due and payable with the first half of ordinary
10 taxes, and shall be collected in the same manner with
11 the same interest for delinquency and the same manner
12 of enforcing collection by tax sales. As an
13 alternative, the ~~certifying authority may request that~~
14 landowner may pay the annual installment ~~be payable~~ in
15 two equal payments, one-half with the September
16 payment of ordinary taxes and one-half payable with
17 the March payment of ordinary taxes. All drainage or
18 levee tax assessments not optioned for installment
19 payments by the landowner shall become due and payable
20 within thirty days after the levy of assessments."

By MERTZ of Kossuth

H-8551 FILED APRIL 17, 2006

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2794 Tax Technical, Policy & Exemptions (LSB 6655 HV)
Analyst: Jeff Robinson (Phone: [515] 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2794 relates to several tax subjects:

- Tax administration
- Tax policy
- Streamlined sales tax
- Local option sales tax – Specifies how voting is to be conducted in instances where two adjacent counties vote on a regular local option sales tax proposal and parts of a city are located in both counties.
- Tax exemptions and credits:
 - Provides that a business is not subject to the corporate income tax if the only nexus issue is the warehousing of property in the State and none of that property is sold in the State.
 - Exempts from State and local sales tax, sales made to home and community-based service providers certified to offer Medicaid waiver services by the Iowa Department of Human Services.
 - Exempts from State and local sales tax, the furnishing of services by a full-time student where the total gross sales receipts do not exceed \$5,000 in a year.
 - Exempts from State and local sales tax, fuel consumed in the process of generating electric current.
 - Expands a current sales tax exemption related to repair services performed on river vessels meeting specified conditions.
 - Exempts from State and local sales tax, sales of coins, currency, and bullion.
 - Allows owners of property within a community land trust to qualify for the Homestead property tax credit as long as the owner is liable for the tax on the property.
 - Expands the property tax exemption allowed for cities and counties to include property located at an airport and leased to an operator of an aeronautical business.
 - Exempts from property tax, washing, waxing, drying, vacuuming, and other equipment located at a car wash.
 - Increases the total amount of refunds that may be paid in association with the sales tax exemption on certain agricultural drainage equipment (enacted 2005) from the current limit of \$25,000 to \$50,000.
 - Specifies that the exemption from the vehicle use tax for vehicles transferred from one business entity to a corporation applies only to corporations in existence for no longer than 24 months.
 - Specifies how vehicle use taxes shall be calculated in certain instances where a dealer removes a vehicle from inventory and replaces it with another.

- Requires an annual report completed by the Department of Revenue and the Department of Management, detailing State and local revenue.

Fiscal Impact

The following table provides estimates for six portions of the Bill. All six impact the State General Fund and four also impact local option sales tax revenue. The first item listed relates to increased expenditures, while the remaining items relate to reduced revenue. All items first impact FY 2007.

General Fund Fiscal Impact Item	Bill Section	General Fund Impact	Local Option Tax Impact
Annual Revenue Report Expenditure	Section 8	\$175,000	\$0
Medicaid Waiver Exemption	Section 42	\$590,000	\$145,000
Student Service Exemption	Section 43	\$60,000	\$15,000
Missouri River Vessel Exemption	Section 45	\$25,000	\$5,000
Currency & Bullion Exemption	Section 46	\$65,000	\$16,000
Agricultural Drainage Refund	Section 68	\$25,000	\$0
Total		\$940,000	\$181,000

The following items were not estimated due to insufficient available information:

- Section 5 & 6, relating to annexation. Any revenue change would impact local government property tax.
- Section 35, relating to warehousing and corporate tax nexus. Any revenue change would impact the General Fund.
- Section 44, relating to fuel consumed in the generation of electricity. Any revenue change would impact the General Fund.
- Section 47, relating to the transfer of motor vehicles within the first 24 months of a business's existence. Any revenue change would impact the Road Use Tax Fund.
- Section 48, relating to licensed motor vehicle dealer inventories. Any revenue change would impact the Road Use Tax Fund.
- Section 58, relating to qualifications for the Homestead Property Tax Credit within a community land trust. Any revenue change would impact local government property tax.
- Section 59, relating to a property tax exemption for private aeronautical businesses located at a public airport. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.
- Section 61, relating to the property tax status of equipment located at a car wash. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.

Sources

Department of Revenue
Iowa Coin Dealers

/s/ Holly M. Lyons

April 17, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

H-8566

1 Amend House File 2794 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "DIVISION I

5 TAX ADMINISTRATION AND POLICY

6 Section 1. Section 15E.193B, subsection 8,
7 unnumbered paragraph 1, Code Supplement 2005, is
8 amended to read as follows:

9 The amount of the tax credits determined pursuant
10 to subsection 6, paragraph "a", for each project shall
11 be approved by the department of economic development.
12 The department shall utilize the financial information
13 required to be provided under subsection 5, paragraph
14 "e", to determine the tax credits allowed for each
15 project. In determining the amount of tax credits to
16 be allowed for a project, the department shall not
17 include the portion of the project cost financed
18 through federal, state, and local government tax
19 credits, grants, and forgivable loans. Upon approving
20 the amount of the tax credit, the department of
21 economic development shall issue a tax credit
22 certificate to the eligible housing business except
23 when low-income housing tax credits authorized under
24 section 42 of the Internal Revenue Code are used to
25 assist in the financing of the housing development in
26 which case the tax credit certificate may be issued to
27 a partner if the business is a partnership, a
28 shareholder if the business is an S corporation, or a
29 member if the business is a limited liability company
30 in the amounts designated by the eligible partnership,
31 S corporation, or limited liability company. An
32 eligible housing business or the designated partner if
33 the business is a partnership, designated shareholder
34 if the business is an S corporation, or designated
35 member if the business is a limited liability company,
36 or transferee shall not claim the tax credit unless a
37 tax credit certificate ~~issued by the department of~~
38 ~~economic development~~ is attached to the taxpayer's
39 return for the tax year for which the tax credit is
40 claimed. The tax credit certificate shall contain the
41 taxpayer's name, address, tax identification number,
42 the amount of the tax credit, and other information
43 required by the department of revenue. The tax credit
44 certificate shall be transferable if the housing
45 development is located in a brownfield site as defined
46 in section 15.291, if the housing development is
47 located in a blighted area as defined in section
48 403.17, or if low-income housing tax credits
49 authorized under section 42 of the Internal Revenue
50 Code are used to assist in the financing of the

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1 housing development. Not more than three million
2 dollars worth of tax credits for housing developments
3 that are located in a brownfield site as defined in
4 section 15.291 or housing developments located in a
5 blighted area as defined in section 403.17 shall be
6 transferred in one calendar year. The three million
7 dollar annual limit does not apply to tax credits
8 awarded to an eligible housing business having low-
9 income housing tax credits authorized under section 42
10 of the Internal Revenue Code to assist in the
11 financing of the housing development. The department
12 may approve an application for tax credit certificates
13 for transfer from an eligible housing business located
14 in a brownfield site as defined in section 15.291 or
15 in a blighted area as defined in section 403.17 that
16 would result in the issuance of more than three
17 million dollars of tax credit certificates for
18 transfer provided the department, through negotiation
19 with the eligible business, allocates those tax credit
20 certificates for transfer over more than one calendar
21 year. The department shall not ~~issue~~ approve more
22 than one million five hundred thousand dollars in tax
23 credit certificates for transfer to any one eligible
24 housing business located in a brownfield site as
25 defined in section 15.291 or in a blighted area as
26 defined in section 403.17 in a calendar year. If
27 three million dollars in tax credit certificates for
28 transfer have not been issued at the end of a calendar
29 year, the remaining tax credit certificates for
30 transfer may be issued in advance to an eligible
31 housing business scheduled to receive a tax credit
32 certificate for transfer in a later calendar year.
33 Any time the department ~~issues~~ approves a tax credit
34 certificate for transfer which has not been allocated
35 at the end of a calendar year, the department may
36 prorate the remaining certificates to more than one
37 eligible applicant. If the entire three million
38 dollars of tax credit certificates for transfer is not
39 issued in a given calendar year, the remaining amount
40 may be carried over to a succeeding calendar year.
41 Tax credit certificates issued under this chapter may
42 be transferred to any person or entity. The
43 department of economic development shall notify the
44 department of revenue of the tax credit certificates
45 which have been approved for transfer. Within ninety
46 days of transfer, the transferee must submit the
47 transferred tax credit certificate to the department
48 of ~~economic development~~ revenue along with a statement
49 containing the transferee's name, tax identification
50 number, and address, and the denomination that each

1 replacement tax credit certificate is to carry and any
2 other information required by the department of
3 revenue. Within thirty days of receiving the
4 transferred tax credit certificate and the
5 transferee's statement, the department of ~~economic-~~
6 ~~development~~ revenue shall issue one or more
7 replacement tax credit certificates to the transferee.
8 Each replacement certificate must contain the
9 information required to receive the original
10 certificate and must have the same expiration date
11 that appeared in the transferred tax credit
12 certificate. Tax credit certificate amounts of less
13 than the minimum amount established by rule of the
14 department of economic development shall not be
15 transferable. A tax credit shall not be claimed by a
16 transferee under subsection 6, paragraph "a", until a
17 replacement tax credit certificate identifying the
18 transferee as the proper holder has been issued.

19 Sec. 2. Section 68A.102, subsection 21, Code
20 Supplement 2005, is amended to read as follows:

21 21. "State income tax liability" means the state
22 individual income tax imposed under section 422.5
23 ~~reduced by the sum of the deductions from the computed~~
24 ~~tax as provided under section 422.12, less the amounts~~
25 of nonrefundable credits allowed under chapter 422,
26 division II.

27 Sec. 3. Section 257.21, unnumbered paragraph 2,
28 Code 2005, is amended to read as follows:

29 The instructional support income surtax shall be
30 imposed on the state individual income tax for the
31 calendar year during which the school's budget year
32 begins, or for a taxpayer's fiscal year ending during
33 the second half of that calendar year and after the
34 date the board adopts a resolution to participate in
35 the program or the first half of the succeeding
36 calendar year, and shall be imposed on all individuals
37 residing in the school district on the last day of the
38 applicable tax year. As used in this section, "state
39 individual income tax" means the taxes computed under
40 section 422.5, less the amounts of nonrefundable
41 credits allowed in sections 422.11A, 422.11B, 422.12,
42 and 422.12B under chapter 422, division II.

43 Sec. 4. Section 331.605B, Code 2005, is amended to
44 read as follows:

45 331.605B FEES COLLECTED -- AUDIT.

46 1. The recorder shall make available any
47 information required by the county or state auditor
48 concerning the fees collected under section 331.605A
49 for the purposes of determining the amount of fees
50 collected and the uses for which such fees are

1 expended.

2 2. A recorder shall collect only statutorily
3 authorized fees for land records management. A
4 recorder shall not collect a fee for viewing,
5 accessing, or printing documents in the county land
6 record information system unless specifically
7 authorized by statute. However, a recorder may
8 collect actual third-party fees associated with
9 accepting and processing statutorily authorized fees
10 including credit card fees, treasury management fees,
11 and other transaction fees required to enable
12 electronic payment. For the purposes of this
13 subsection, the term "third-party" does not include
14 the county land record information system, the Iowa
15 state association of counties, or any of the
16 association's affiliates.

17 Sec. 5. Section 368.7, subsection 5, Code
18 Supplement 2005, is amended to read as follows:

19 5. In the discretion of a city council, the
20 resolution provided for in subsection 1, paragraph
21 "d", or subsection 2 or 3, may include a provision for
22 a transition for the imposition of city taxes against
23 property within the annexation area as provided in
24 section 368.11, subsection 3, paragraph "m". However,
25 the city shall provide for such transition for the
26 imposition of city taxes against that property that is
27 included in the territory to be annexed without the
28 consent of the landowner.

29 Sec. 6. Section 368.11, subsection 3, paragraph m,
30 Code Supplement 2005, is amended to read as follows:

31 ~~m. In the discretion of a city council, a~~ A
32 provision for a transition for the imposition of city
33 taxes against property within an annexation area. The
34 provision shall allow for an exemption from taxation
35 of the following percentages of assessed valuation
36 according to the following schedule:

- 37 (1) For the first and second years, seventy-five
- 38 percent.
- 39 (2) For the third and fourth years, sixty percent:
- 40 (3) For the fifth and sixth years, forty-five
- 41 percent.
- 42 (4) For the seventh and eighth years, thirty
- 43 percent.
- 44 (5) For the ninth and tenth years, fifteen
- 45 percent.

46 An alternative schedule may be adopted by the city
47 council. ~~However, an~~ An alternative schedule shall
48 ~~not allow a greater~~ an exemption that is equivalent to
49 or greater than that provided in this paragraph. The
50 exemption shall be applied in the levy and collection

1 of taxes. The provision may also allow for the
2 partial provision of city services during the time in
3 which the exemption from taxation is in effect.

4 Sec. 7. Section 404A.4, subsection 5, unnumbered
5 paragraph 1, Code Supplement 2005, is amended to read
6 as follows:

7 Tax credit certificates issued under this chapter
8 may be transferred to any person or entity. Within
9 ninety days of transfer, the transferee must submit
10 the transferred tax credit certificate to the ~~state~~
11 ~~historic preservation office~~ department of revenue
12 along with a statement containing the transferee's
13 name, tax identification number, and address, and the
14 denomination that each replacement tax credit
15 certificate is to carry and any other information
16 required by the department of revenue. Within thirty
17 days of receiving the transferred tax credit
18 certificate and the transferee's statement, the ~~office~~
19 department of revenue shall issue one or more
20 replacement tax credit certificates to the transferee.
21 Each replacement certificate must contain the
22 information required under subsection 2 and must have
23 the same expiration date that appeared in the
24 transferred tax credit certificate. Tax credit
25 certificate amounts of less than the minimum amount
26 established by rule of the state historic preservation
27 office shall not be transferable. A tax credit shall
28 not be claimed by a transferee under this chapter
29 until a replacement tax credit certificate identifying
30 the transferee as the proper holder has been issued.

31 Sec. 8. Section 421.17, subsection 14, Code
32 Supplement 2005, is amended by striking the
33 subsection.

34 Sec. 9. Section 422.5, subsection 1, paragraph j,
35 subparagraph (2), unnumbered paragraph 2, Code 2005,
36 is amended to read as follows:

37 This subparagraph shall not affect the amount of
38 the taxpayer's ~~checkoff to the Iowa election campaign~~
39 ~~fund under section 68A.601, the checkoff for the fish~~
40 ~~and game fund in section 456A.16~~ checkoffs under this
41 division, the credits from tax provided in sections
42 422.10, 422.11A, and 422.12 under this division, and
43 the allocation of these credits between spouses if the
44 taxpayers filed separate returns or separately on
45 combined returns.

46 Sec. 10. Section 422.5, subsection 1, paragraph k,
47 subparagraph (2), subparagraph subdivision (b), Code
48 2005, is amended to read as follows:

49 (b) Twenty-six thousand dollars for a single
50 person or ~~an unmarried~~ a head of household.

1 Sec. 11. Section 422.5, subsection 2, Code 2005,
2 is amended to read as follows:
3 2. However, the tax shall not be imposed on a
4 resident or nonresident whose net income, as defined
5 in section 422.7, is thirteen thousand five hundred
6 dollars or less in the case of married persons filing
7 jointly or filing separately on a combined return,
8 ~~unmarried~~ heads of household, and surviving spouses or
9 nine thousand dollars or less in the case of all other
10 persons; but in the event that the payment of tax
11 under this division would reduce the net income to
12 less than thirteen thousand five hundred dollars or
13 nine thousand dollars as applicable, then the tax
14 shall be reduced to that amount which would result in
15 allowing the taxpayer to retain a net income of
16 thirteen thousand five hundred dollars or nine
17 thousand dollars as applicable. The preceding
18 sentence does not apply to estates or trusts. For the
19 purpose of this subsection, the entire net income,
20 including any part of the net income not allocated to
21 Iowa, shall be taken into account. For purposes of
22 this subsection, net income includes all amounts of
23 pensions or other retirement income received from any
24 source which is not taxable under this division as a
25 result of the government pension exclusions in section
26 422.7, or any other state law. If the combined net
27 income of a husband and wife exceeds thirteen thousand
28 five hundred dollars, neither of them shall receive
29 the benefit of this subsection, and it is immaterial
30 whether they file a joint return or separate returns.
31 However, if a husband and wife file separate returns
32 and have a combined net income of thirteen thousand
33 five hundred dollars or less, neither spouse shall
34 receive the benefit of this paragraph, if one spouse
35 has a net operating loss and elects to carry back or
36 carry forward the loss as provided in section 422.9,
37 subsection 3. A person who is claimed as a dependent
38 by another person as defined in section 422.12 shall
39 not receive the benefit of this subsection if the
40 person claiming the dependent has net income exceeding
41 thirteen thousand five hundred dollars or nine
42 thousand dollars as applicable or the person claiming
43 the dependent and the person's spouse have combined
44 net income exceeding thirteen thousand five hundred
45 dollars or nine thousand dollars as applicable.
46 In addition, if the married persons', filing
47 jointly or filing separately on a combined return,
48 ~~unmarried~~ head of household's, or surviving spouse's
49 net income exceeds thirteen thousand five hundred
50 dollars, the regular tax imposed under this division

1 shall be the lesser of the maximum state individual
2 income tax rate times the portion of the net income in
3 excess of thirteen thousand five hundred dollars or
4 the regular tax liability computed without regard to
5 this sentence. Taxpayers electing to file separately
6 shall compute the alternate tax described in this
7 paragraph using the total net income of the husband
8 and wife. The alternate tax described in this
9 paragraph does not apply if one spouse elects to carry
10 back or carry forward the loss as provided in section
11 422.9, subsection 3.

12 Sec. 12. Section 422.6, unnumbered paragraph 1,
13 Code 2005, is amended to read as follows:

14 The tax imposed by section 422.5 less the amounts
15 of nonrefundable credits allowed under sections
16 15.333, 15.335, 422.10, 422.11, 422.11A, and 422.11B,
17 and the personal exemption credit allowed under
18 section 422.12 this division apply to and are a charge
19 against estates and trusts with respect to their
20 taxable income, and the rates are the same as those
21 applicable to individuals. The fiduciary shall make
22 the return of income for the estate or trust for which
23 the fiduciary acts, whether the income is taxable to
24 the estate or trust or to the beneficiaries. However,
25 for tax years ending after August 5, 1997, if the
26 trust is a qualified preneed funeral trust as set
27 forth in section 685 of the Internal Revenue Code and
28 the trustee has elected the special tax treatment
29 under section 685 of the Internal Revenue Code,
30 neither the trust nor the beneficiary is subject to
31 Iowa income tax on income accruing to the trust.

32 Sec. 13. Section 422.7, subsection 21, paragraph
33 a, subparagraph (1), unnumbered paragraph 1, Code
34 Supplement 2005, is amended to read as follows:

35 Net capital gain from the sale of real property
36 used in a business, in which the taxpayer materially
37 participated for ten years, as defined in section
38 469(h) of the Internal Revenue Code, and which has
39 been held for a minimum of ten years, or from the sale
40 of a business, as defined in section 423.1, ~~in which~~
41 ~~the taxpayer was employed or~~ in which the taxpayer
42 materially participated for ten years, as defined in
43 section 469(h) of the Internal Revenue Code, and which
44 has been held for a minimum of ten years. The sale of
45 a business means the sale of all or substantially all
46 of the tangible personal property or service of the
47 business.

48 Sec. 14. Section 422.9, subsection 1, Code
49 Supplement 2005, is amended to read as follows:

50 1. An optional standard deduction, after deduction

1 of federal income tax, equal to one thousand two
2 hundred thirty dollars for a married person who files
3 separately or a single person or equal to three
4 thousand thirty dollars for a husband and wife who
5 file a joint return, a surviving spouse, or an
6 ~~unmarried~~ a head of household. The optional standard
7 deduction shall not exceed the amount remaining after
8 deduction of the federal income tax. The amount of
9 federal income tax deducted shall be computed as
10 provided in subsection 2, paragraph "b".

11 Sec. 15. Section 422.10, subsection 4, Code
12 Supplement 2005, is amended to read as follows:

13 4. Any credit in excess of the tax liability
14 imposed by section 422.5 less the amounts of
15 nonrefundable credits allowed under sections 422.11A,
16 422.12, and 422.12B this division for the taxable year
17 shall be refunded with interest computed under section
18 422.25. In lieu of claiming a refund, a taxpayer may
19 elect to have the overpayment shown on the taxpayer's
20 final, completed return credited to the tax liability
21 for the following taxable year.

22 Sec. 16. Section 422.10, Code Supplement 2005, is
23 amended by adding the following new subsection:

24 NEW SUBSECTION. 5. An individual may claim an
25 additional research activities credit authorized
26 pursuant to section 15.335 if the eligible business is
27 a partnership, S corporation, limited liability
28 company, or estate or trust which elects to have the
29 income taxed directly to the individual. The amount
30 of the credit shall be as provided in section 15.335.

31 Sec. 17. Section 422.11, Code 2005, is amended to
32 read as follows:

33 422.11 FRANCHISE TAX CREDIT.

34 The taxes imposed under this division, less the
35 credits allowed under ~~section~~ sections 422.12 and
36 422.12B, shall be reduced by a franchise tax credit.
37 A taxpayer who is a shareholder in a financial
38 institution, as defined in section 581 of the Internal
39 Revenue Code, which has in effect for the tax year an
40 election under subchapter S of the Internal Revenue
41 Code, or is a member of a financial institution
42 organized as a limited liability company under chapter
43 524 that is taxed as a partnership for federal income
44 tax purposes, shall compute the amount of the tax
45 credit by recomputing the amount of tax under this
46 division by reducing the taxable income of the
47 taxpayer by the taxpayer's pro rata share of the items
48 of income and expense of the financial institution and
49 subtracting the credits allowed under ~~section~~ sections
50 422.12 and 422.12B. This recomputed tax shall be

1 subtracted from the amount of tax computed under this
2 division after the deduction for credits allowed under
3 ~~section~~ sections 422.12 and 422.12B. The resulting
4 amount, which shall not exceed the taxpayer's pro rata
5 share of the franchise tax paid by the financial
6 institution, is the amount of the franchise tax credit
7 allowed.

8 Sec. 18. Section 422.11B, subsection 1, unnumbered
9 paragraph 2, Code 2005, is amended to read as follows:

10 The minimum tax credit for a tax year is the
11 excess, if any, of the ~~adjusted~~ net minimum tax
12 imposed for all prior tax years beginning on or after
13 January 1, 1987, over the amount allowable as a credit
14 under this section for those prior tax years.

15 Sec. 19. Section 422.11B, subsection 2, unnumbered
16 paragraph 3, Code 2005, is amended to read as follows:

17 ~~The adjusted net minimum tax for a tax year is the~~
18 ~~net minimum tax for the tax year reduced by the amount~~
19 ~~which would be the net minimum tax if the only item of~~
20 ~~tax preference taken into account was that described~~
21 ~~in paragraph (6) of section 57(a) of the Internal~~
22 ~~Revenue Code.~~

23 Sec. 20. Section 422.11F, Code 2005, is amended to
24 read as follows:

25 422.11F INVESTMENT TAX CREDITS.

26 1. The taxes imposed under this division, less the
27 credits allowed under sections 422.12 and 422.12B,
28 shall be reduced by an investment tax credit
29 authorized pursuant to section 15E.43 for an
30 investment in a qualifying business or a community-
31 based seed capital fund.

32 2. The taxes imposed under this division, less the
33 credits allowed under sections 422.12 and 422.12B,
34 shall be reduced by investment tax credits authorized
35 pursuant to sections 15.333 and 15E.193B, subsection
36 6.

37 Sec. 21. NEW SECTION. 422.11M IOWA FUND OF FUNDS
38 TAX CREDIT.

39 The taxes imposed under this division, less the
40 credits allowed under sections 422.12 and 422.12B,
41 shall be reduced by a tax credit authorized pursuant
42 to section 15E.66, if redeemed, for investments in the
43 Iowa fund of funds.

44 Sec. 22. Section 422.12, subsection 3, Code 2005,
45 is amended to read as follows:

46 3. For the purpose of this section, the
47 determination of whether an individual is married
48 shall be made ~~as of the close of the individual's tax~~
49 ~~year unless the individual's spouse dies during the~~
50 ~~individual's tax year, in which case the determination~~

1 ~~shall be made as of the date of the spouse's death in~~
2 ~~accordance with section 7703 of the Internal Revenue~~
3 ~~Code. An individual legally separated from the~~
4 ~~individual's spouse under a decree of divorce or of~~
5 ~~separate maintenance shall not be considered married.~~

6 Sec. 23. Section 422.12A, subsection 2, Code 2005,
7 is amended to read as follows:

8 2. The director of revenue shall draft the income
9 tax form to allow the designation of contributions to
10 the keep Iowa beautiful fund on the tax return. The
11 department of revenue, on or before January 31, shall
12 transfer the total amount designated on the tax return
13 forms due in the preceding calendar year to the keep
14 Iowa beautiful fund. However, before a checkoff
15 pursuant to this section shall be permitted, all
16 liabilities on the books of the department of ~~revenue~~
17 administrative services and accounts identified as
18 ~~owing under section 421.17~~ 8A.504 and the political
19 contribution allowed under section 68A.601 shall be
20 satisfied.

21 Sec. 24. Section 422.12C, subsection 1, unnumbered
22 paragraph 1, Code Supplement 2005, is amended to read
23 as follows:

24 The taxes imposed under this division, less the
25 amounts of nonrefundable credits allowed under
26 ~~sections 422.11A, 422.11B, 422.12, and 422.12B~~ this
27 division, shall be reduced by a child and dependent
28 care credit equal to the following percentages of the
29 federal child and dependent care credit provided in
30 section 21 of the Internal Revenue Code:

31 Sec. 25. Section 422.12C, subsection 2, paragraph
32 a, unnumbered paragraph 1, Code Supplement 2005, is
33 amended to read as follows:

34 ~~In lieu of the child and dependent care credit~~
35 ~~authorized in subsection 1, a taxpayer may claim~~ The
36 taxes imposed under this division, less the amounts of
37 nonrefundable credits allowed under this division, may
38 be reduced by an early childhood development tax
39 credit equal to twenty-five percent of the first one
40 thousand dollars which the taxpayer has paid to others
41 for each dependent, as defined in the Internal Revenue
42 Code, ages three through five for early childhood
43 development expenses. In determining the amount of
44 early childhood development expenses, such expenses
45 paid during November and December of the previous tax
46 year shall be considered paid in the tax year for
47 which the tax credit is claimed. This credit is
48 available to a taxpayer whose net income is less than
49 forty-five thousand dollars. If the early childhood
50 development tax credit is claimed for a tax year, the

1 taxpayer and the taxpayer's spouse shall not claim the
 2 child and dependent care credit under subsection 1.
 3 As used in this subsection, "early childhood
 4 development expenses" means services provided to the
 5 dependent by a preschool, as defined in section
 6 237A.1, materials, and other activities as follows:
 7 Sec. 26. Section 422.12F, subsection 2, Code 2005,
 8 is amended to read as follows:

9 2. The director of revenue shall draft the income
 10 tax form to allow the designation of contributions to
 11 the volunteer fire fighter preparedness fund on the
 12 tax return. The department of revenue, on or before
 13 January 31, shall certify the total amount designated
 14 on the tax return forms due in the preceding calendar
 15 year and shall report the amount to the treasurer of
 16 state. The treasurer of state shall credit the amount
 17 to the volunteer fire fighter preparedness fund.
 18 However, before a checkoff pursuant to this section
 19 shall be permitted, all liabilities on the books of
 20 the department of ~~revenue~~ administrative services and
 21 accounts identified as owing under section ~~421.17~~
 22 8A.504 and the political contribution allowed under
 23 section 68A.601 shall be satisfied.

24 Sec. 27. NEW SECTION. 422.12G INCOME TAX
 25 CHECKOFF FOR IOWA ELECTION CAMPAIGN FUND.

26 A person who files an individual or a joint income
 27 tax return with the department of revenue under
 28 section 422.13 may designate a contribution to the
 29 Iowa election campaign fund authorized pursuant to
 30 section 68A.601.

31 Sec. 28. NEW SECTION. 422.12H INCOME TAX
 32 CHECKOFF FOR FISH AND GAME PROTECTION FUND.

33 A person who files an individual or a joint income
 34 tax return with the department of revenue under
 35 section 422.13 may designate a contribution to the
 36 state fish and game protection fund authorized
 37 pursuant to section 456A.16.

38 Sec. 29. Section 422.33, subsection 5, Code
 39 Supplement 2005, is amended by adding the following
 40 new paragraphs:

41 NEW PARAGRAPH. f. A corporation which is a
 42 primary business or a supporting business in a quality
 43 jobs enterprise zone may claim the research activities
 44 credit authorized pursuant to section 15A.9,
 45 subsection 8, in lieu of the credit computed in
 46 paragraph "a" or "b".

47 NEW PARAGRAPH. g. A corporation which is an
 48 eligible business may claim an additional research
 49 activities credit authorized pursuant to section
 50 15.335.

1 Sec. 30. Section 422.33, subsection 7, paragraph
2 a, unnumbered paragraph 2, Code Supplement 2005, is
3 amended to read as follows:

4 The minimum tax credit for a tax year is the
5 excess, if any, of the ~~adjusted~~ net minimum tax
6 imposed for all prior tax years beginning on or after
7 January 1, 1987, over the amount allowable as a credit
8 under this subsection for those prior tax years.

9 Sec. 31. Section 422.33, subsection 7, paragraph
10 b, unnumbered paragraph 3, Code Supplement 2005, is
11 amended to read as follows:

12 ~~The adjusted net minimum tax for a tax year is the~~
13 ~~net minimum tax for the tax year reduced by the amount~~
14 ~~which would be the net minimum tax if the only item of~~
15 ~~tax preference taken into account was that described~~
16 ~~in paragraph (6) of section 57(a) of the Internal~~
17 ~~Revenue Code.~~

18 Sec. 32. Section 422.33, subsection 12, Code
19 Supplement 2005, is amended to read as follows:

20 12. a. The taxes imposed under this division
21 shall be reduced by an investment tax credit
22 authorized pursuant to section 15E.43 for an
23 investment in a qualifying business or a community-
24 based seed capital fund.

25 b. The taxes imposed under this division shall be
26 reduced by investment tax credits authorized pursuant
27 to sections 15.333, 15A.9, subsection 4, and 15E.193B,
28 subsection 6.

29 Sec. 33. Section 422.33, Code Supplement 2005, is
30 amended by adding the following new subsections:

31 NEW SUBSECTION. 20. The taxes imposed under this
32 division shall be reduced by a corporate tax credit
33 authorized pursuant to section 15.331C for certain
34 sales taxes paid by a third-party developer.

35 NEW SUBSECTION. 21. The taxes imposed under this
36 division shall be reduced by a tax credit authorized
37 pursuant to section 15E.66, if redeemed, for
38 investments in the Iowa fund of funds.

39 Sec. 34. Section 422.60, subsection 2, paragraphs
40 a and b, Code Supplement 2005, are amended to read as
41 follows:

42 a. Add items of tax preference included in federal
43 alternative minimum taxable income under section 57,
44 except subsections (a) (1) and (a) (5), of the Internal
45 Revenue Code, make the adjustments included in federal
46 alternative minimum taxable income under section 56,
47 except subsections (a) (4), (c) (1), (d), ~~(f)~~, and (g),
48 of the Internal Revenue Code, and add losses as
49 required by section 58 of the Internal Revenue Code.

50 b. Make the adjustments provided in section

1 56(c)(1) of the Internal Revenue Code, except that in
 2 making the calculation under ~~sections 56(f)(1) and~~
 3 section 56(g)(1) of the Internal Revenue Code the
 4 state alternative minimum taxable income, computed
 5 without regard to the adjustments made by this
 6 paragraph, the exemption provided for in paragraph
 7 "d", and the state alternative tax net operating loss
 8 described in paragraph "e", shall be substituted for
 9 the items described in ~~sections 56(f)(1)(B) and~~
 10 section 56(g)(1)(B) of the Internal Revenue Code.

11 Sec. 35. Section 422.60, subsection 3, paragraph
 12 a, unnumbered paragraph 2, Code Supplement 2005, is
 13 amended to read as follows:

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

19 Sec. 36. Section 422.60, subsection 3, paragraph
 20 b, unnumbered paragraph 3, Code Supplement 2005, is
 21 amended to read as follows:

22 ~~The adjusted net minimum tax for a tax year is the~~
 23 ~~net minimum tax for the tax year reduced by the amount~~
 24 ~~which would be the net minimum tax if the only item of~~
 25 ~~tax preference taken into account was that described~~
 26 ~~in paragraph (6) of section 57(a) of the Internal~~
 27 ~~Revenue Code.~~

28 Sec. 37. Section 422.60, subsection 5, Code
 29 Supplement 2005, is amended to read as follows:

30 5. a. The taxes imposed under this division shall
 31 be reduced by an investment tax credit authorized
 32 pursuant to section 15E.43 for an investment in a
 33 qualifying business or a community-based seed capital
 34 fund.

35 b. The taxes imposed under this division shall be
 36 reduced by investment tax credits authorized pursuant
 37 to sections 15.333 and 15E.193B, subsection 6.

38 Sec. 38. Section 422.60, Code Supplement 2005, is
 39 amended by adding the following new subsections:

40 NEW SUBSECTION. 11. The taxes imposed under this
 41 division shall be reduced by a corporate tax credit
 42 authorized pursuant to section 15.331C for certain
 43 sales taxes paid by a third-party developer.

44 NEW SUBSECTION. 12. The taxes imposed under this
 45 division shall be reduced by a tax credit authorized
 46 pursuant to section 15E.66, if redeemed, for
 47 investments in the Iowa fund of funds.

48 Sec. 39. Section 422D.2, Code 2005, is amended to
 49 read as follows:

50 422D.2 LOCAL INCOME SURTAX.

1 A county may impose by ordinance a local income
2 surtax as provided in section 422D.1 at the rate set
3 by the board of supervisors, of up to one percent, on
4 the state individual income tax of each individual
5 residing in the county at the end of the individual's
6 applicable tax year. However, the cumulative total of
7 the percents of income surtax imposed on any taxpayer
8 in the county shall not exceed twenty percent. The
9 reason for imposing the surtax and the amount needed
10 shall be set out in the ordinance. The surtax rate
11 shall be set to raise only the amount needed. For
12 purposes of this section, "state individual income
13 tax" means the tax computed under section 422.5, less
14 the amounts of nonrefundable credits allowed in
15 ~~sections 422.11A, 422.11B, 422.12, and 422.12B~~ under
16 chapter 422, division II.

17 Sec. 40. Section 423.3, subsection 18, Code
18 Supplement 2005, is amended by adding the following
19 new paragraph:

20 NEW PARAGRAPH. f. Home and community based
21 services providers certified to offer Medicaid waiver
22 services by the department of human services that are
23 any of the following:

- 24 (1) Ill and handicapped waiver service providers,
25 described in 441 IAC 77.30.
- 26 (2) Hospice providers, described in 441 IAC 77.32.
- 27 (3) Elderly waiver service providers, described in
28 441 IAC 77.33.
- 29 (4) AIDS/HIV waiver service providers, described
30 in 441 IAC 77.34.
- 31 (5) Federally qualified health centers, described
32 in 441 IAC 77.35.
- 33 (6) MR waiver service providers, described in 441
34 IAC 77.37.
- 35 (7) Brain injury waiver service providers,
36 described in 441 IAC 77.39.

37 Sec. 41. Section 423.3, subsection 39, Code
38 Supplement 2005, is amended by adding the following
39 new paragraph:

40 NEW PARAGRAPH. c. Notwithstanding paragraph "a",
41 the sale, furnishing, or performance of a service that
42 is of a recurring nature by the owner if, at the time
43 of the sale, all of the following apply:

- 44 (1) The seller is not engaged for profit in the
45 business of the selling, furnishing, or performance of
46 services taxed under section 423.2. For purposes of
47 this subparagraph, the fact of the recurring nature of
48 selling, furnishing, or performance of services does
49 not constitute by itself engaging for profit in the
50 business of selling, furnishing, or performance of

1 services.

2 (2) The owner of the business is the only person
3 performing the service.

4 (3) The owner of the business is a full-time
5 student.

6 (4) The total gross receipts from the sales,
7 furnishing, or performance of services during the
8 calendar year does not exceed five thousand dollars.

9 Sec. 42. Section 423.3, subsection 50, Code
10 Supplement 2005, is amended to read as follows:

11 50. The sales price of sales of electricity,
12 steam, or any taxable service when purchased and used
13 in the processing of tangible personal property
14 intended to be sold ultimately at retail or of any
15 fuel which is consumed in creating power, heat, or
16 steam for processing or for generating electric
17 current.

18 Sec. 43. Section 423.3, subsection 86, Code
19 Supplement 2005, is amended to read as follows:

20 86. The sales price from services performed on a
21 vessel if all of the following apply:

22 a. The vessel is a licensed vessel under the laws
23 of the United States coast guard.

24 ~~b. The vessel is not moored or tied to a physical~~
25 ~~location in this state.~~

26 ~~e.~~ b. The service is used to repair or restore a
27 defect in the vessel.

28 ~~d.~~ c. The vessel is engaged in interstate
29 commerce and will continue in interstate commerce once
30 the repairs or restoration is completed.

31 ~~e.~~ d. The vessel is in navigable water that
32 borders ~~the eastern~~ a boundary of this state.

33 For purposes of this exemption, "vessel" includes a
34 ship, barge, or other waterborne vessel.

35 Sec. 44. Section 423.3, Code Supplement 2005, is
36 amended by adding the following new subsection:

37 NEW SUBSECTION. 89. a. The sales price from the
38 sale of coins, currency, or bullion.

39 b. For purposes of this subsection:

40 (1) "Bullion" means bars, ingots, or commemorative
41 medallions of gold, silver, platinum, palladium, or a
42 combination of these where the value of the metal
43 depends on its content and not the form.

44 (2) "Coins" or "currency" means a coin or currency
45 made of gold, silver, or other metal or paper which is
46 or has been used as legal tender.

47 Sec. 45. Section 423.6, subsection 10, Code 2005,
48 is amended by adding the following new unnumbered
49 paragraph:

50 NEW UNNUMBERED PARAGRAPH. This exemption applies

1 to corporations that have been in existence for not
2 longer than twenty-four months.

3 Sec. 46. Section 423.6, Code 2005, is amended by
4 adding the following new subsection:

5 NEW SUBSECTION. 25. Exempted from the purchase
6 price of a replacement motor vehicle owned by a motor
7 vehicle dealer licensed under chapter 322 which is
8 being registered by that dealer and is not otherwise
9 exempt from tax is the fair market value of a replaced
10 motor vehicle if all of the following conditions are
11 met:

12 a. The motor vehicle being registered is being
13 placed in service as a replacement motor vehicle for a
14 motor vehicle registered by the motor vehicle dealer.

15 b. The motor vehicle being registered is taken
16 from the motor vehicle dealer's inventory.

17 c. Use tax on the motor vehicle being replaced was
18 paid by the motor vehicle dealer when that motor
19 vehicle was registered.

20 d. The replaced motor vehicle is returned to the
21 motor vehicle dealer's inventory for sale.

22 e. The application for registration and title of
23 the motor vehicle being registered is filed with the
24 county treasurer within two weeks of the date the
25 replaced motor vehicle is returned to the motor
26 vehicle dealer's inventory.

27 f. The motor vehicle being registered is placed in
28 the same or substantially similar service as the
29 replaced motor vehicle.

30 Sec. 47. Section 423.8, Code 2005, is amended to
31 read as follows:

32 423.8 LEGISLATIVE FINDING AND INTENT.

33 The general assembly finds that Iowa should enter
34 into an agreement with one or more states to simplify
35 and modernize sales and use tax administration in
36 order to substantially reduce the burden of tax
37 compliance for all sellers and for all types of
38 commerce. It is the intent of the general assembly
39 that entering into this agreement will lead to
40 simplification and modernization of the sales and use
41 tax law and not to the imposition of new taxes or an
42 increase or decrease in the existing number of
43 exemptions, unless such a result is unavoidable under
44 the terms of the agreement. Entering into this
45 agreement should not cause businesses to sustain
46 additional administrative burden.

47 It is the intent of the general assembly to provide
48 Iowa sellers, impacted by the agreement, with the
49 assistance necessary to alleviate administrative
50 burdens that result in participation in the agreement.

1 The director and the Iowa streamlined sales tax
2 advisory council shall provide recommendations to
3 address the new administrative burden identified in
4 the Iowa streamlined sales tax advisory council 2005
5 report submitted to the Iowa general assembly. The
6 recommendations must be submitted to the general
7 assembly by January 1, 2007, and shall include the
8 expenses associated and all relevant data including
9 but not limited to the number of intrastate sellers
10 impacted by the agreement.

11 Sec. 48. Section 423.9, Code 2005, is amended to
12 read as follows:

13 423.9 AUTHORITY TO ENTER AGREEMENT AND TO
14 REPRESENT THE STATE.

15 1. The director is authorized and directed to
16 enter into the streamlined sales and use tax agreement
17 with one or more states to simplify and modernize
18 sales and use tax administration in order to
19 substantially reduce the burden of tax compliance for
20 all sellers and for all types of commerce.

21 2. The director is further authorized to take
22 other actions reasonably required to implement the
23 provisions set forth in this chapter. Other actions
24 authorized by this section include, but are not
25 limited to, the adoption of rules and the joint
26 procurement, with other member states, of goods and
27 services in furtherance of the cooperative agreement.

28 ~~The director or the director's designee is~~
29 ~~authorized to be a member of the governing board~~
30 ~~established pursuant to the agreement and to represent~~
31 ~~Iowa before that body.~~

32 3. Four representatives are authorized to be
33 members of the governing board established pursuant to
34 the agreement and to represent Iowa before that body
35 as one vote. The representatives shall be appointed
36 as follows:

37 a. One representative shall be a member of the
38 house of representatives who is appointed by the
39 speaker of the house of representatives or the
40 delegate's designee who shall also be a member of the
41 house of representatives.

42 b. One representative shall be a member of the
43 senate who is appointed by the majority leader of the
44 senate or the delegate's designee who shall also be a
45 member of the senate.

46 c. Two representatives from the executive branch
47 shall be appointed by the governor, one of whom shall
48 be the director, or each delegate's designee who shall
49 also be employed by the executive branch.

50 Sec. 49. NEW SECTION. 423.9A IOWA STREAMLINED

1 SALES TAX ADVISORY COUNCIL.

2 1. An Iowa streamlined sales tax advisory council
3 is created. The advisory council shall review, study,
4 and submit recommendations to the Iowa streamlined
5 sales and use tax representatives appointed pursuant
6 to section 423.9, subsection 3, regarding the
7 streamlined sales and use tax agreement formalized by
8 the project's member states on November 12, 2002,
9 agreement amendments, proposed language conforming
10 Iowa's sales and use tax to the national agreement,
11 and the following issues:

12 a. Uniform definitions proposed in the current
13 agreement and future proposals.

14 b. Effects upon taxability of items newly defined
15 in Iowa.

16 c. Impacts upon business as a result of the
17 agreement.

18 d. Technology implementation issues.

19 e. Any other issues that are brought before the
20 streamlined sales and use tax member state or the
21 streamlined sales and use tax governing board.

22 2. The department shall provide administrative
23 support to the Iowa streamlined sales tax advisory
24 council. The advisory council shall be representative
25 of Iowa's business community and economy when
26 reviewing and recommending solutions to streamlined
27 sales and use tax issues. The advisory council shall
28 provide the general assembly and the governor with
29 final recommendations made to the Iowa streamlined
30 sales and use tax representatives upon the conclusion
31 of each calendar year.

32 3. The director, in consultation with the Iowa
33 taxpayers association and the Iowa association of
34 business and industry, shall appoint members to the
35 Iowa streamlined sales tax advisory council, which
36 shall consist of the following members:

37 a. One member from the department.

38 b. Three members representing small Iowa
39 businesses, at least one of whom must be a retailer,
40 and at least one of whom shall be a supplier.

41 c. Three members representing medium Iowa
42 businesses, at least one of whom shall be a retailer,
43 and at least one of whom shall be a supplier.

44 d. Three members representing large Iowa
45 businesses, at least one of whom shall be a retailer,
46 and at least one of whom shall be a supplier.

47 e. One member representing taxpayers as a whole.

48 f. One member representing the retail community as
49 a whole.

50 g. Any other member representative of business the

1 director deems appropriate.

2 Sec. 50. Section 423.33, subsection 3, Code

3 Supplement 2005, is amended to read as follows:

4 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A

5 person sponsoring a flea market or a craft, antique,
6 coin, or stamp show or similar event shall obtain from
7 every retailer selling tangible personal property or
8 taxable services at the event proof that the retailer
9 possesses a valid sales tax permit or secure from the
10 retailer a statement, taken in good faith, that
11 property or services offered for sale are not subject
12 to sales tax. Failure to do so renders a sponsor of
13 the event liable for payment of any sales tax,
14 interest, and penalty due and owing from any retailer
15 selling property or services at the event. Sections
16 423.31, 423.32, 423.37, 423.38, 423.39, 423.40,
17 423.41, and 423.42 apply to the sponsors. For
18 purposes of this subsection, a person sponsoring a
19 flea market or a craft, antique, coin, or stamp show
20 or similar event does not include an organization
21 which sponsors an event ~~less than three times a year~~
22 determined to qualify as an event involving casual
23 sales pursuant to section 423.3, subsection 39, or the
24 state fair or a fair as defined in section 174.1.

25 Sec. 51. Section 423.37, subsection 2, Code 2005,
26 is amended to read as follows:

27 2. If a return required by this subchapter is not
28 filed, or if a return when filed is incorrect or
29 insufficient and the maker fails to file a corrected
30 or sufficient return within twenty days after the same
31 is required by notice from the department, the
32 department shall determine the amount of tax due from
33 information as the department may be able to obtain
34 and, if necessary, may estimate the tax on the basis
35 of external indices, such as number of employees of
36 the person concerned, rentals paid by the person,
37 stock on hand, or other factors. The determination
38 may be made using any generally recognized valid and
39 reliable sampling technique, whether or not the person
40 being audited has complete records, as mutually agreed
41 upon by the department and the taxpayer. The
42 department shall give notice of the determination to
43 the person liable for the tax. The determination
44 shall fix the tax unless the person against whom it is
45 assessed shall, within sixty days after the giving of
46 notice of the determination, apply to the director for
47 a hearing or unless the taxpayer contests the
48 determination by paying the tax, interest, and penalty
49 and timely filing a claim for refund. At the hearing,
50 evidence may be offered to support the determination

1 or to prove that it is incorrect. After the hearing
2 the director shall give notice of the decision to the
3 person liable for the tax.
4 Sec. 52. Section 425.11, subsection 4, Code
5 Supplement 2005, is amended to read as follows:
6 4. The word "owner" shall mean the person who
7 holds the fee simple title to the homestead, and in
8 addition shall mean the person occupying as a
9 surviving spouse or the person occupying under a
10 contract of purchase which contract has been recorded
11 in the office of the county recorder of the county in
12 which the property is located; or the person
13 occupying the homestead under devise or by operation
14 of the inheritance laws where the whole interest
15 passes or where the divided interest is shared only by
16 persons related or formerly related to each other by
17 blood, marriage or adoption; or the person occupying
18 the homestead is a shareholder of a family farm
19 corporation that owns the property; or the person
20 occupying the homestead under a deed which conveys a
21 divided interest where the divided interest is shared
22 only by persons related or formerly related to each
23 other by blood, marriage or adoption; or where the
24 person occupying the homestead holds a life estate
25 with the reversion interest held by a nonprofit
26 corporation organized under chapter 504, provided that
27 the holder of the life estate is liable for and pays
28 property tax on the homestead; or where the person
29 occupying the homestead holds an interest in a
30 horizontal property regime under chapter 499B,
31 regardless of whether the underlying land committed to
32 the horizontal property regime is in fee or as a
33 leasehold interest, provided that the holder of the
34 interest in the horizontal property regime is liable
35 for and pays property tax on the homestead; or where
36 the person occupying the homestead is a member of a
37 community land trust as defined in 42 U.S.C. § 12773,
38 regardless of whether the underlying land is in fee or
39 as a leasehold interest, provided that the member of
40 the community land trust is occupying the homestead
41 and is liable for and pays property tax on the
42 homestead. For the purpose of this chapter the word
43 "owner" shall be construed to mean a bona fide owner
44 and not one for the purpose only of availing the
45 person of the benefits of this chapter. In order to
46 qualify for the homestead tax credit, evidence of
47 ownership shall be on file in the office of the clerk
48 of the district court or recorded in the office of the
49 county recorder at the time the owner files with the
50 assessor a verified statement of the homestead claimed

1 by the owner as provided in section 425.2.

2 Sec. 53. Section 427.1, subsection 2, Code

3 Supplement 2005, is amended to read as follows:

4 2. MUNICIPAL AND MILITARY PROPERTY. The property
5 of a county, township, city, school corporation, levee
6 district, drainage district, or the Iowa national
7 guard, when devoted to public use and not held for
8 pecuniary profit, except property of a municipally
9 owned electric utility held under joint ownership and
10 property of an electric power facility financed under
11 chapter 28F or 476A that shall be subject to taxation
12 under chapter 437A and facilities of a municipal
13 utility that are used for the provision of local
14 exchange services pursuant to chapter 476, but only to
15 the extent such facilities are used to provide such
16 services, which shall be subject to taxation under
17 chapter 433, except that section 433.11 shall not
18 apply. The exemption for property owned by a city or
19 county also applies to property which is operated by a
20 city or county as a library, art gallery or museum,
21 conservatory, botanical garden or display, observatory
22 or science museum, or as a location for holding
23 athletic contests, sports or entertainment events,
24 expositions, meetings or conventions, or leased from
25 the city or county for any such purposes, or leased
26 from the city or county by the Iowa national guard or
27 by a federal agency for the benefit of the Iowa
28 national guard when devoted for public use and not for
29 pecuniary profit. Food and beverages may be served at
30 the events or locations without affecting the
31 exemptions, provided the city has approved the serving
32 of food and beverages on the property if the property
33 is owned by the city or the county has approved the
34 serving of food and beverages on the property if the
35 property is owned by the county. The exemption for
36 property owned by a city or county also applies to
37 property which is located at an airport and leased to
38 a fixed base operator providing aeronautical services
39 to the public.

40 Sec. 54. Section 427.1, subsection 21A, Code
41 Supplement 2005, is amended to read as follows:

42 21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT
43 ORGANIZATIONS. Dwelling unit property owned and
44 managed by a nonprofit organization if the nonprofit
45 organization owns and manages more than forty dwelling
46 units that are located in a city with a population of
47 more than one hundred ten thousand which has a public
48 housing authority that does not own or manage housing
49 stock for the purpose of low-rent housing. For the
50 2005 and 2006 assessment years, an application is not

1 required to be filed to receive the exemption. For
2 the 2007 and subsequent assessment years, an
3 application for exemption must be filed with the
4 assessing authority not later than February 1 of the
5 assessment year for which the exemption is sought.
6 Upon the filing and allowance of the claim, the claim
7 shall be allowed on the property for successive years
8 without further filing as long as the property
9 continues to qualify for the exemption.

10 Sec. 55. Section 427A.1, Code 2005, is amended by
11 adding the following new subsection:

12 NEW SUBSECTION. 5A. Notwithstanding the other
13 provisions of this section, property that is equipment
14 used for the washing, waxing, drying, or vacuuming of
15 motor vehicles and point-of-sale equipment necessary
16 for the purchase of car wash services shall not be
17 assessed and taxed as real property.

18 Sec. 56. Section 432.12C, Code 2005, is amended to
19 read as follows:

20 432.12C INVESTMENT TAX CREDITS.

21 1. The tax imposed under this chapter shall be
22 reduced by an investment tax credit authorized
23 pursuant to section 15E.43 for an investment in a
24 qualifying business or a community-based seed capital
25 fund.

26 2. The taxes imposed under this division shall be
27 reduced by investment tax credits authorized pursuant
28 to sections 15.333A and 15E.193B, subsection 6.

29 Sec. 57. NEW SECTION. 432.12H TAX CREDIT FOR
30 CERTAIN SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

31 The taxes imposed under this chapter shall be
32 reduced by a tax credit authorized pursuant to section
33 15.331C for certain sales taxes paid by a third-party
34 developer.

35 Sec. 58. NEW SECTION. 432.12I .IOWA FUND OF FUNDS
36 TAX CREDIT.

37 The taxes imposed under this chapter shall be
38 reduced by a tax credit authorized pursuant to section
39 15E.66, if redeemed, for investments in the Iowa fund
40 of funds.

41 Sec. 59. Section 441.38, subsection 2, Code
42 Supplement 2005, is amended to read as follows:

43 2. ~~Notice~~ If the appeal to district court is taken
44 from the action of the local board of review, notice
45 of appeal shall be served as an original notice on the
46 chairperson, presiding officer, or clerk of the board
47 of review ~~within twenty days after its adjournment or~~
48 ~~May 31, whichever is later, and after the filing of~~
49 notice under subsection 1 with the clerk of district
50 court. If the appeal to district court is taken from

1 the action of the property assessment appeal board,
2 notice of appeal shall be served as an original notice
3 on the secretary of the property assessment appeal
4 board, if applicable after the filing of notice under
5 subsection 1 with the clerk of district court.

6 Sec. 60. Section 533.24, Code Supplement 2005, is
7 amended by adding the following new subsections:

8 NEW SUBSECTION. 8. The moneys and credits tax
9 imposed under this section shall be reduced by an
10 investment tax credit authorized pursuant to section
11 15.333.

12 NEW SUBSECTION. 9. The moneys and credits tax
13 imposed under this section shall be reduced by a tax
14 credit authorized pursuant to section 15.331C for
15 certain sales taxes paid by a third-party developer.

16 NEW SUBSECTION. 10. The moneys and credits tax
17 imposed under this section shall be reduced by a tax
18 credit authorized pursuant to section 15E.66, if
19 redeemed, for investments in the Iowa fund of funds.

20 Sec. 61. 2005 Iowa Acts, chapter 140, section 72,
21 is amended to read as follows:

22 SEC. 72. REFUNDS. Refunds of taxes, interest, or
23 penalties which arise from claims resulting from the
24 amendment to section 423.3, subsection 5, in this
25 division of this Act, for the sale of agricultural
26 drain tile materials occurring between January 1,
27 1998, and the effective date of the section amending
28 section 423.3, subsection 5, in this division of this
29 Act, shall be limited to ~~twenty-five~~ fifty thousand
30 dollars in the aggregate and shall not be allowed
31 unless refund claims are filed prior to October 1,
32 2005, notwithstanding any other provision of law. If
33 the amount of claims totals more than ~~twenty-five~~
34 fifty thousand dollars in the aggregate, the
35 department of revenue shall prorate the ~~twenty-five~~
36 fifty thousand dollars among all claimants in relation
37 to the amounts of the claimants' valid claims.

38 Sec. 62. 2005 Iowa Acts, chapter 179, section 100,
39 is amended to read as follows:

40 SEC. 100. COUNTY REAL ESTATE ELECTRONIC GOVERNMENT
41 ADVISORY COMMITTEE.

42 1. A county real estate electronic government
43 advisory committee is created. ~~Staffing services for~~
44 ~~the advisory committee shall be provided by the~~
45 ~~auditor of state.~~ The advisory committee membership
46 shall consist of the following:

47 a. Two members selected by the Iowa state
48 association of county auditors.

49 b. Two members selected by the Iowa state county
50 treasurers association.

- 1 c. Two members selected by the Iowa county
- 2 recorders association.
- 3 d. Two members selected by the Iowa state
- 4 association of assessors.
- 5 e. One member selected by each of the following
- 6 organizations:
- 7 (1) Iowa state association of counties.
- 8 (2) Iowa land title association.
- 9 (3) Iowa bankers association.
- 10 (4) Iowa credit union league.
- 11 (5) Iowa state bar association.
- 12 (6) Iowa association of realtors.

13 2. The county real estate electronic government
 14 advisory committee shall facilitate discussion to
 15 integrate the county land record information system
 16 ~~created pursuant to section 331.605C~~ with the
 17 electronic government internet applications of county
 18 treasurers, county recorders, county auditors, and
 19 county assessors. The advisory committee shall file
 20 an updated integration plan with the governor and the
 21 general assembly on or before November 1, ~~2005~~ 2006.

22 Sec. 63. 2005 Iowa Acts, chapter 179, section 101,
 23 subsection 3, is repealed.

24 Sec. 64. EFFECTIVE AND APPLICABILITY DATES.

25 1. The sections of this division of this Act
 26 amending sections 368.7 and 368.11, being deemed of
 27 immediate importance, take effect upon enactment and
 28 apply to annexation applications submitted to a city
 29 council and petitions for involuntary annexation filed
 30 with the city development board on or after the date
 31 of enactment.

32 2. The section of this division of this Act
 33 amending section 425.11, being deemed of immediate
 34 importance, takes effect upon enactment and applies to
 35 taxes due and payable in fiscal years beginning on or
 36 after July 1, 2006.

37 3. The section of this division of this Act
 38 enacting section 427A.1, subsection 5A, being deemed
 39 of immediate importance, takes effect upon enactment
 40 and applies retroactively to January 1, 2006, for
 41 assessment years beginning on or after that date.

42 4. The section of this division of this Act
 43 amending 2005 Iowa Acts, chapter 140, section 72,
 44 being deemed of immediate importance, takes effect
 45 upon enactment and applies retroactively to June 30,
 46 2005.

47 DIVISION II

48 STREAMLINED SALES AND USE TAX UPDATES

49 Sec. 65. Section 423.2, subsection 8, Code
 50 Supplement 2005, is amended by striking the subsection

1 and inserting in lieu thereof the following:

2 8. a. A tax of five percent is imposed on the
3 sales price from sales of bundled transactions. For
4 the purposes of this subsection, a "bundled
5 transaction" is the retail sale of two or more
6 distinct and identifiable products, except real
7 property and services to real property, which are sold
8 for one nonitemized price. A "bundled transaction"
9 does not include the sale of any products in which the
10 sales price varies, or is negotiable, based on the
11 selection by the purchaser of the products included in
12 the transaction.

13 b. "Distinct and identifiable products" does not
14 include any of the following:

15 (1) Packaging or other materials that accompany
16 the retail sale of the products and are incidental or
17 immaterial to the retail sale of the products.

18 (2) A product provided free of charge with the
19 required purchase of another product. A product is
20 "provided free of charge" if the sales price of the
21 product purchased does not vary depending on the
22 inclusion of the product which is provided free of
23 charge.

24 (3) Items included in the definition of "sales
25 price" pursuant to section 423.1.

26 c. "One nonitemized price" does not include a
27 price that is separately identified by product on
28 binding sales or other supporting sales-related
29 documentation made available to the customer in paper
30 or electronic form.

31 Sec. 66. Section 423.18, Code Supplement 2005, is
32 amended by striking the section and inserting in lieu
33 thereof the following:

34 423.18 MULTIPLE POINTS OF USE.

35 1. Notwithstanding the provisions of section
36 423.15, a business purchaser that is not a holder of a
37 direct pay permit that knows at the time of purchase
38 of a digital good, computer software, or a service
39 that the digital good, computer software, or service
40 will be concurrently available for use in more than
41 one jurisdiction shall deliver to the seller in
42 conjunction with its purchase an exemption certificate
43 claiming multiple points of use or meet the
44 requirements of subsection 2 or 3. For the purpose of
45 this section only, "computer software" includes but is
46 not limited to computer software delivered
47 electronically, by load and leave, or in tangible
48 form. "Computer software" does not include computer
49 software received in person by a business purchaser at
50 a business location of the seller.

1 a. Upon receipt of an exemption certificate
2 claiming multiple points of use, the seller is
3 relieved of all obligation to collect, pay, or remit
4 the applicable tax, and the purchaser shall be
5 obligated to collect, pay, or remit the applicable tax
6 on a direct pay basis.

7 b. A purchaser delivering an exemption certificate
8 claiming multiple points of use may use any
9 reasonable, but consistent and uniform, method of
10 apportionment that is supported by the purchaser's
11 business books and records as they exist at the time
12 the transaction is reported for sales or use tax
13 purposes.

14 c. A purchaser delivering an exemption certificate
15 claiming multiple points of use shall report and pay
16 the appropriate tax to each jurisdiction where
17 concurrent use occurs. The tax due shall be
18 calculated as if the apportioned amount of the digital
19 good, computer software, or service had been delivered
20 to each jurisdiction to which the sale is apportioned
21 pursuant to paragraph "b".

22 d. The exemption certificate claiming multiple
23 points of use shall remain in effect for all future
24 sales by the seller to the purchaser, except as to the
25 subsequent sale's specific apportionment that is
26 governed by the principles of paragraphs "b" and "c",
27 until the exemption certificate is revoked in writing.

28 2. Notwithstanding subsection 1, when the seller
29 knows that the product will be concurrently available
30 for use in more than one jurisdiction, but the
31 purchaser does not provide an exemption certificate
32 claiming multiple points of use as required in
33 subsection 1, the seller may work with the purchaser
34 to produce the correct apportionment. The purchaser
35 and seller may use any reasonable, but consistent and
36 uniform, method of apportionment that is supported by
37 the seller's and purchaser's business books and
38 records as they exist at the time the transaction is
39 reported for sales or use tax purposes. If the
40 purchaser certifies the accuracy of the apportionment
41 and the seller accepts the certification, the seller
42 shall collect and remit the tax pursuant to subsection
43 1, paragraph "c". In the absence of bad faith, the
44 seller is relieved of any further obligation to
45 collect tax on any transaction where the seller has
46 collected tax pursuant to the information certified by
47 the purchaser.

48 3. When the seller knows that the product will be
49 concurrently available for use in more than one
50 jurisdiction and the purchaser does not have a direct

1 pay permit and does not provide the seller with an
2 exemption certificate claiming a multiple points of
3 use exemption as required in subsection 1, or
4 certification pursuant to subsection 2, the seller
5 shall collect and remit the tax based on the
6 provisions of section 423.15.

7 4. A holder of a direct pay permit shall not be
8 required to deliver an exemption certificate claiming
9 multiple points of use to the seller. A direct pay
10 permit holder shall follow the provisions of
11 subsection 1, paragraphs "b" and "c", in apportioning
12 the tax due on a digital good, computer software, or a
13 service that will be concurrently available for use in
14 more than one jurisdiction.

15 5. Nothing in this section shall limit a person's
16 obligation for sales or use tax to this state in which
17 the qualifying purchases are concurrently available
18 for use, or limit a person's ability under local,
19 state, federal, or constitutional law, to claim a
20 credit for sales or use taxes legally due and paid to
21 other jurisdictions.

22 Sec. 67. Section 423.20, subsection 1, paragraph
23 j, Code 2005, is amended to read as follows:

24 j. "Postpaid calling service" means the
25 telecommunications service obtained by making a
26 payment on a call-by-call basis either through the use
27 of a credit card or payment mechanism such as a bank
28 card, travel card, credit card, or debit card, or by
29 charge made to a telephone number which is not
30 associated with the origination or termination of the
31 telecommunications service. A "postpaid calling
32 service" includes a telecommunications service, except
33 a prepaid wireless calling service, that would be a
34 prepaid calling service except it is not exclusively a
35 telecommunications service.

36 Sec. 68. Section 423.20, subsection 1, Code 2005,
37 is amended by adding the following new paragraph after
38 paragraph k, and relettering the remaining paragraphs:

39 NEW PARAGRAPH. 1. "Prepaid wireless calling
40 service" means a telecommunications service that
41 provides the right to utilize mobile wireless service
42 as well as other nontelecommunications services,
43 including the download of digital products delivered
44 electronically, content and ancillary services, which
45 must be paid for in advance and that is sold in
46 predetermined units or dollars of which the amount
47 declines with use in a known amount.

48 Sec. 69. Section 423.20, subsection 2, paragraph
49 c, subparagraphs (1) and (3), Code 2005, are amended
50 to read as follows:

1 (1) A sale of mobile telecommunications services
2 other than air-to-ground radiotelephone service, ~~or~~
3 prepaid calling service, or prepaid wireless calling
4 service is sourced to the customer's place of primary
5 use as required by the federal Mobile
6 Telecommunications Sourcing Act.

7 (3) A sale of prepaid calling service or a sale of
8 prepaid wireless calling service is sourced in
9 accordance with section 423.15. However, in the case
10 of a sale of ~~mobile telecommunications services that~~
11 ~~is a prepaid telecommunications~~ a prepaid wireless
12 calling service, the rule provided in section 423.15,
13 subsection 1, paragraph "e", shall include as an
14 option the location associated with the mobile
15 telephone number.

16 Sec. 70. Section 423.45, subsection 4, paragraph
17 b, Code 2005, is amended to read as follows:

18 b. The sales tax liability for all sales of
19 tangible personal property and all sales of services
20 is upon the seller and the purchaser unless the seller
21 takes ~~in good faith~~ from the purchaser a valid
22 exemption certificate stating under penalty of perjury
23 that the purchase is for a nontaxable purpose and is
24 not a retail sale as defined in section 423.1, or the
25 seller is not obligated to collect tax due, or unless
26 the seller takes a fuel exemption certificate pursuant
27 to subsection 5. If the tangible personal property or
28 services are purchased tax free pursuant to a valid
29 exemption certificate ~~which is taken in good faith by~~
30 ~~the seller~~, and the tangible personal property or
31 services are used or disposed of by the purchaser in a
32 nonexempt manner, the purchaser is solely liable for
33 the taxes and shall remit the taxes directly to the
34 department and sections 423.31, 423.32, 423.37,
35 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
36 to the purchaser.

37 Sec. 71. Section 423.45, subsection 4, paragraph
38 d, Code 2005, is amended by striking the paragraph and
39 inserting in lieu thereof the following:

40 d. The protection afforded a seller by paragraph
41 "b" does not apply to a seller who fraudulently fails
42 to collect tax or to a seller who solicits purchasers
43 to participate in the unlawful claim of an exemption.

44 Sec. 72. Section 423.51, subsection 2, Code 2005,
45 is amended to read as follows:

46 2. Sellers that follow the requirements of this
47 section are relieved from any tax otherwise applicable
48 if it is determined that the purchaser improperly
49 claimed an exemption and that the purchaser is liable
50 for the nonpayment of tax. This relief from liability

1 does not apply to a seller who ~~fraudulently~~ does any
2 of the following:

3 a. Fraudulently fails to collect the tax or
4 solicits tax.

5 b. Solicits purchasers to participate in the
6 unlawful claim of an exemption.

7 c. Accepts an exemption certificate when the
8 purchaser claims an entity-based exemption when the
9 following conditions are met:

10 (1) The subject of the transaction sought to be
11 covered by the exemption certificate is actually
12 received by the purchaser at a location operated by
13 the seller.

14 (2) The state provides an exemption certificate
15 that clearly and affirmatively indicates that the
16 claimed exemption is not available in the state.

17 d. Accepts an exemption certificate claiming
18 multiple points of use for tangible personal property
19 other than computer software for which an exemption
20 claiming multiple points of use is acceptable under
21 section 423.18.

22 Sec. 73. Section 423.51, Code 2005, is amended by
23 adding the following new subsections:

24 NEW SUBSECTION. 3. a. A seller otherwise
25 obligated to collect tax from a purchaser is relieved
26 of that obligation if the seller obtains a fully
27 completed exemption certificate or secures the
28 relevant data elements of a fully completed exemption
29 certificate within ninety days after the date of sale.

30 b. If the seller has not obtained an exemption
31 certificate or all relevant data elements as provided
32 in paragraph "a", the seller may, within one hundred
33 twenty days after a request for substantiation by the
34 department, either prove that the transaction was not
35 subject to tax by other means or obtain a fully
36 completed exemption certificate from the purchaser,
37 taken in good faith.

38 c. Nothing in this subsection shall affect the
39 ability of the state to require purchasers to update
40 exemption certificate information or to reapply with
41 the state to claim certain exemptions.

42 d. Notwithstanding paragraphs "a", "b", and "c", a
43 seller is relieved of its obligation to collect tax
44 from a purchaser if the seller obtains a blanket
45 exemption certificate from the purchaser, and the
46 seller and purchaser have a recurring business
47 relationship. For the purposes of this paragraph, a
48 recurring business relationship exists when a period
49 of no more than twelve months elapses between sales
50 transactions. The department may not request from the

1 seller renewal of blanket certificates or updates of
2 exemption certificate information or data elements
3 when there is a recurring business relationship
4 between the purchaser and seller.

5 NEW SUBSECTION. 4. All relief that this section
6 provides to sellers is also provided to certified
7 service providers under this chapter.

8 Sec. 74. Section 423.52, Code 2005, is amended to
9 read as follows:

10 423.52 RELIEF FROM LIABILITY FOR SELLERS AND
11 CERTIFIED SERVICE PROVIDERS.

12 1. Sellers and certified service providers using
13 databases derived from zip codes or state or vendor
14 provided address-based databases are relieved from
15 liability to this state or its local taxing
16 jurisdictions for having charged and collected the
17 incorrect amount of sales or use tax resulting from
18 the seller or certified service provider relying on
19 erroneous data provided by this state on tax rates,
20 boundaries, or taxing jurisdiction assignments. If
21 this state provides an address-based system for
22 assigning taxing jurisdictions ~~whether or not pursuant~~
23 ~~to the federal Mobile Telecommunications Sourcing Act,~~
24 the director is not required to provide liability
25 relief for errors resulting from reliance on the
26 information provided by this state if the director has
27 given adequate notice, as determined by the governing
28 board, to affected parties of the decision to end this
29 relief.

30 2. a. Model 2 sellers and certified service
31 providers are relieved of liability to Iowa for any
32 failure to charge and collect the correct amount of
33 sales or use tax if this failure results from the
34 model 2 seller's or the certified service provider's
35 reliance upon this state's certification to the
36 governing board that Iowa has accepted the governing
37 board's certification of a piece of software as a
38 certified automated system. The relief provided by
39 this paragraph to a model 2 seller or certified
40 service provider does not extend to a seller or
41 provider who has incorrectly classified an item or
42 transaction into the product-based exemptions portion
43 of a certified automated system. However, any model 2
44 seller or certified service provider who has relied
45 upon an individual listing of items or transactions
46 within a product definition approved by the governing
47 board or Iowa may claim the relief allowed by this
48 paragraph.

49 b. If the department determines that an item or
50 transaction is incorrectly classified as to its

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1 taxability, the department shall notify the model 2
2 seller or certified service provider of the incorrect
3 classification. The model 2 seller or certified
4 service provider shall have ten days to revise the
5 classification after receipt of notice of the
6 determination. Upon expiration of the ten days, the
7 model 2 seller or certified service provider shall be
8 liable for the failure to collect the correct amount
9 of sales or use taxes due and owing to the member
10 state.

11 Sec. 75. EFFECTIVE DATES.

12 1. Except as provided in subsection 2, this
13 division of this Act takes effect January 1, 2008.

14 2. The sections of this division of this Act
15 amending section 423.45, subsection 4, being deemed of
16 immediate importance, take effect upon enactment."

17 2. Title page, line 4, by striking the words
18 "local option sales,".

By J. K. VAN FOSSEN of Scott
KURTENBACH of Story

H-8566 FILED APRIL 24, 2006

HOUSE FILE 2794

H-8569

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:

3 1. Page 31, line 15, by inserting after the
4 figure "4," the following: "and section 423.52,".

By J. K. VAN FOSSEN of Scott

H-8569 FILED APRIL 24, 2006

HOUSE FILE 2794

H-8594

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:

3 1. By striking page 3, line 43, through page 4,
4 line 16.

By FREVERT of Palo Alto

H-8594 FILED MAY 1, 2006
WITHDRAWN

HOUSE FILE 2794

H-8574

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:

3 1. Page 20, by inserting after line 3 the
4 following:

5 "Sec. ____ . Section 423B.1, subsection 3, Code
6 2005, is amended to read as follows:

7 3. A local option tax shall be imposed only after
8 an election at which a majority of those voting on the
9 question favors imposition and shall then be imposed
10 until repealed as provided in subsection 6, paragraph
11 "a". If the tax is a local vehicle tax imposed by a
12 county, it shall apply to all incorporated and
13 unincorporated areas of the county. If the tax is a
14 local sales and services tax imposed by a county, it
15 shall only apply to those incorporated areas and the
16 unincorporated area of that county in which a majority
17 of those voting in the area on the tax favors its
18 imposition. For purposes of the local sales and
19 services tax, all cities contiguous to each other
20 shall be treated as part of one incorporated area and
21 the tax would be imposed in each of those contiguous
22 cities only if the majority of those voting in the
23 total area covered by the contiguous cities favors its
24 imposition. In the case of a local sales and services
25 tax submitted to the registered voters of two or more
26 contiguous counties as provided in subsection 4,
27 paragraph "c", all cities contiguous to each other
28 shall be treated as part of one incorporated area,
29 even if the corporate boundaries of one or more of the
30 cities include areas of more than one county, and the
31 tax shall be imposed in each of those contiguous
32 cities only if a majority of those voting on the tax
33 in the total area covered by the contiguous cities
34 avored its imposition. For purposes of the local
35 sales and services tax, a city is not contiguous to
36 another city if the only road access between the two
37 cities is through another state.

38 Sec. ____ . Section 423B.1, subsection 4, Code 2005,
39 is amended by adding the following new paragraph:

40 NEW PARAGRAPH. c. Upon receipt of petitions or
41 motions calling for the submission of the question of
42 the imposition of a local sales and services tax as
43 described in paragraph "a" or "b", the boards of
44 supervisors of two or more contiguous counties in
45 which the question is to be submitted may enter into a
46 joint agreement providing that for purposes of this
47 chapter, a city whose corporate boundaries include
48 areas of more than one county shall be treated as part
49 of the county in which a majority of the residents of
50 the city reside. In such event, the county

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1 commissioners of elections from each such county shall
2 cooperate in the selection of a single date upon which
3 the election shall be held, and for all purposes of
4 this chapter relating to the imposition, repeal,
5 change of use, or collection of the tax, such a city
6 shall be deemed to be part of the county in which a
7 majority of the residents of the city reside. A copy
8 of the joint agreement shall be provided promptly to
9 the director of revenue.

10 Sec. ____ . Section 423B.1, subsection 6, paragraph
11 a, Code 2005, is amended to read as follows:

12 a. If a majority of those voting on the question
13 of imposition of a local option tax favors imposition
14 of a local option tax, the governing body of that
15 county shall impose the tax at the rate specified for
16 an unlimited period. However, in the case of a local
17 sales and services tax, the county shall not impose
18 the tax in any incorporated area or the unincorporated
19 area if the majority of those voting on the tax in
20 that area did not favor its imposition. For purposes
21 of the local sales and services tax, all cities
22 contiguous to each other shall be treated as part of
23 one incorporated area and the tax shall be imposed in
24 each of those contiguous cities only if the majority
25 of those voting on the tax in the total area covered
26 by the contiguous cities favored its imposition. In
27 the case of a local sales and services tax submitted
28 to the registered voters of two or more contiguous
29 counties as provided in subsection 4, paragraph "c",
30 all cities contiguous to each other shall be treated
31 as part of one incorporated area, even if the
32 corporate boundaries of one or more of the cities
33 include areas of more than one county, and the tax
34 shall be imposed in each of those contiguous cities
35 only if a majority of those voting on the tax in the
36 total area covered by the contiguous cities favored
37 its imposition.

38 PARAGRAPH DIVIDED. The local option tax may be
39 repealed or the rate increased or decreased or the use
40 thereof changed after an election at which a majority
41 of those voting on the question of repeal or rate or
42 use change favored the repeal or rate or use change.
43 The date on which the repeal, rate, or use change is
44 to take effect shall not be earlier than ninety days
45 following the election. The election at which the
46 question of repeal or rate or use change is offered
47 shall be called and held in the same manner and under
48 the same conditions as provided in subsections 4 and 5
49 for the election on the imposition of the local option
50 tax. However, in the case of a local sales and

1 services tax where the tax has not been imposed
2 countywide, the question of repeal or imposition or
3 rate or use change shall be voted on only by the
4 registered voters of the areas of the county where the
5 tax has been imposed or has not been imposed, as
6 appropriate. However, the governing body of the
7 incorporated area or unincorporated area where the
8 local sales and services tax is imposed may, upon its
9 own motion, request the county commissioner of
10 elections to hold an election in the incorporated or
11 unincorporated area, as appropriate, on the question
12 of the change in use of local sales and services tax
13 revenues. The election may be held at any time but
14 not sooner than sixty days following publication of
15 the ballot proposition. If a majority of those voting
16 in the incorporated or unincorporated area on the
17 change in use favors the change, the governing body of
18 that area shall change the use to which the revenues
19 shall be used. The ballot proposition shall list the
20 present use of the revenues, the proposed use, and the
21 date after which revenues received will be used for
22 the new use.

23 When submitting the question of the imposition of a
24 local sales and services tax, the county board of
25 supervisors may direct that the question contain a
26 provision for the repeal, without election, of the
27 local sales and services tax on a specific date, which
28 date shall be as provided in section 423B.6,
29 subsection 1.

30 Sec. _____. Section 423B.5, unnumbered paragraph 1,
31 Code Supplement 2005, is amended to read as follows:

32 A local sales and services tax at the rate of not
33 more than one percent may be imposed by a county on
34 the sales price taxed by the state under chapter 423,
35 subchapter II. A local sales and services tax shall
36 be imposed on the same basis as the state sales and
37 services tax or in the case of the use of natural gas,
38 natural gas service, electricity, or electric service
39 on the same basis as the state use tax and shall not
40 be imposed on the sale of any property or on any
41 service not taxed by the state, except the tax shall
42 not be imposed on the sales price from the sale of
43 motor fuel or special fuel as defined in chapter 452A
44 which is consumed for highway use or in watercraft or
45 aircraft if the fuel tax is paid on the transaction
46 and a refund has not or will not be allowed, on the
47 sales price from the sale of equipment by the state
48 department of transportation, and except the tax shall
49 not be imposed on the sales price from the sale or use
50 of natural gas, natural gas service, electricity, or

1 electric service in a city or county where the sales
 2 price from the sale of natural gas or electric energy
 3 is subject to a franchise fee or user fee during the
 4 period the franchise or user fee is imposed. A local
 5 sales and services tax is applicable to transactions
 6 within those incorporated and unincorporated areas of
 7 the county where it is imposed and shall be collected
 8 by all persons required to collect state sales taxes.
 9 All cities contiguous to each other shall be treated
 10 as part of one incorporated area and the tax would be
 11 imposed in each of those contiguous cities only if the
 12 majority of those voting in the total area covered by
 13 the contiguous cities favors its imposition. In the
 14 case of a local sales and services tax submitted to
 15 the registered voters of two or more contiguous
 16 counties as provided in section 423B.1, subsection 4,
 17 paragraph "c", all cities contiguous to each other
 18 shall be treated as part of one incorporated area,
 19 even if the corporate boundaries of one or more of the
 20 cities include areas of more than one county, and the
 21 tax shall be imposed in each of those contiguous
 22 cities only if a majority of those voting on the tax
 23 in the total area covered by the contiguous cities
 24 avored its imposition."

25 2. Page 31, by striking lines 17 and 18.

By JACOBS of Polk
BOAL of Polk

H-8574 FILED APRIL 25, 2006

HOUSE FILE 2794

1 Amend the amendment, H-8566, to House File 2794, as
 2 follows:
 3 1. Page 10, by striking lines 43 through 47 and
 4 inserting the following: "development expenses. ~~In~~
 5 ~~determining the amount of early childhood development~~
 6 ~~expenses, such expenses paid during November and~~
 7 ~~December of the previous tax year shall be considered~~
 8 ~~paid in the tax year for which the tax credit is~~
 9 ~~claimed. This credit is".~~
 10 2. Page 11, by inserting after line 6 the
 11 following:
 12 "Sec. ____ . Section 422.12C, subsection 2,
 13 paragraph b, Code Supplement 2005, is amended by
 14 striking the paragraph."
 15 3. Page 24, by inserting after line 31 the
 16 following:
 17 "____ . The sections of this division of this Act
 18 amending section 422.12C, subsection 2, apply
 19 retroactively to January 1, 2006, for tax years
 20 beginning on or after that date."

By HOGG of Linn

H-8578 FILED APRIL 25, 2006

HOUSE FILE 2794

H-8579

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:

3 1. Page 23, by inserting after line 5 the
4 following:

5 "Sec. ____ Section 523I.316, subsection 3, Code
6 Supplement 2005, is amended to read as follows:

7 3. DUTY TO PRESERVE AND PROTECT.

8 a. A governmental subdivision having a cemetery,
9 or a burial site that is not located within a
10 dedicated cemetery, within its jurisdiction, for which
11 preservation is not otherwise provided, shall preserve
12 and protect the cemetery or burial site as necessary
13 to restore or maintain its physical integrity as a
14 cemetery or burial site. The governmental subdivision
15 may enter into ~~an~~ a written agreement to delegate the
16 responsibility for the preservation and protection of
17 the cemetery or burial site to a the owner of the
18 property on which the cemetery or burial site is
19 located or to a public or private organization
20 interested in historical preservation. The
21 governmental subdivision shall not enter into an
22 agreement with a public or private organization to
23 preserve and protect the cemetery or burial site
24 unless the property owner has been offered the
25 opportunity to enter into such an agreement and has
26 declined to do so.

27 b. A governmental subdivision is authorized to
28 expend public funds, in any manner authorized by law,
29 in connection with such a cemetery or burial site.

30 c. If a governmental subdivision proposes to enter
31 into an agreement with a public or private
32 organization pursuant to this subsection to preserve
33 and protect a cemetery or burial site that is located
34 on property owned by another person within the
35 jurisdiction of the governmental subdivision, the
36 proposed agreement shall be written, and the
37 governmental subdivision shall provide written notice
38 by ordinary mail of the proposed agreement to the
39 property owner at least fourteen days prior to the
40 date of the meeting at which such proposed agreement
41 will be authorized. The notice shall include the
42 location of the cemetery or burial site and a copy of
43 the proposed agreement, and explain that the property
44 owner is required to permit members of the public or
45 private organization reasonable ingress and egress for
46 the purposes of preserving and protecting the cemetery
47 or burial site pursuant to the proposed agreement.
48 The notice shall also include the date, time, and
49 place of the meeting and a statement that the property
50 owner has a right to attend the meeting and to comment

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1 regarding the proposed agreement.
2 d. Subject to chapter 670, a governmental
3 subdivision that enters into an agreement with a
4 public or private organization pursuant to this
5 subsection is liable for any personal injury or
6 property damage that occurs in connection with the
7 preservation or protection of the cemetery or burial
8 site or access to the cemetery or burial site by the
9 governmental subdivision or the public or private
10 organization.

11 For the purposes of this paragraph, "liable" means
12 liability for every civil wrong which results in
13 wrongful death or injury to a person or injury to
14 property or injury to personal or property rights and
15 includes but is not restricted to actions based upon
16 negligence; error or omission; nuisance; breach of
17 duty, whether statutory or other duty; or denial or
18 impairment of any right under any constitutional
19 provision, statute, or rule of law.

20 e. A property owner who is required to permit
21 members of a public or private organization reasonable
22 ingress and egress for the purpose or preserving or
23 protecting a cemetery or burial site on that owner's
24 property and who acts in good faith and in a
25 reasonable manner pursuant to this subsection is not
26 liable for any personal injury or property damage that
27 occurs in connection with the preservation or
28 protection of the cemetery or burial site or access to
29 the cemetery or burial site.

30 f. For the purposes of this subsection, reasonable
31 ingress and egress to a cemetery or burial site shall
32 include the following:

33 (1) A member of a public or private organization
34 that has entered into a written agreement with the
35 governmental subdivision who desires to visit such a
36 cemetery or burial site shall give the property owner
37 at least ten days' written notice of the intended
38 visit.

39 (2) If the property owner cannot provide
40 reasonable access to the cemetery or burial site on
41 the desired date, the property owner shall provide
42 reasonable alternative dates when the property owner
43 can provide access to the member.

44 (3) A property owner is not required to make any
45 improvements to that person's property to satisfy the
46 requirement to provide reasonable access to a cemetery
47 or burial site pursuant to this subsection."

48 2. Page 31, by inserting after line 18, the
49 following:

50 " ____ . Title page, line 4, by inserting after the

H-8579

Page 3

1 word "taxes," the following: "affecting the
2 administration of certain cemetery property by
3 governmental subdivisions,".

4 3. By renumbering as necessary.

By HUSER of Polk SCHUELLER of Jackson
KAUFMANN of Cedar SWAIM of Davis
LALK of Fayette

H-8579 FILED APRIL 25, 2006

HOUSE FILE 2794

H-8581

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:

3 1. By striking page 4, line 17, through page 5,
4 line 3, and inserting the following:

5 "Sec. ____ Section 368.11, subsection 3, paragraph
6 m, Code Supplement 2005, is amended to read as
7 follows:

8 m. In the discretion of a city council, a
9 provision for a transition for the imposition of city
10 taxes against property within an annexation area. The
11 provision shall allow for an exemption from taxation
12 of the following percentages of assessed valuation
13 according to the following schedule:

14 (1) For the first and second years, seventy-five
15 percent.

16 (2) For the third and fourth years, sixty percent.

17 (3) For the fifth and sixth years, forty-five
18 percent.

19 (4) For the seventh and eighth years, thirty
20 percent.

21 (5) For the ninth and tenth years, fifteen
22 percent.

23 An alternative schedule may be adopted by the city
24 council. However, an alternative schedule shall not
25 allow a greater exemption than that provided in this
26 paragraph. The exemption shall be applied in the levy
27 and collection of taxes. The provision may also allow
28 for the partial provision of city services during the
29 time in which the exemption from taxation is in
30 effect. If the city council provides for a transition
31 for the imposition of city taxes against property in
32 an annexation area, all property owners included in
33 the annexation area must receive the transition upon
34 completion of the annexation."

35 2. Page 24, by striking lines 25 through 31.

By PAULSEN of Linn

H-8581 FILED APRIL 25, 2006

HOUSE FILE 2794

H-8573

1 Amend the amendment, H-8566, to House File 2794, as
2 follows:
3 1. Page 18, line 33, by inserting after the words
4 "taxpayers association" the following: ", Iowa retail
5 federation,".

By J. K. VAN FOSSEN of Scott

H-8573 FILED APRIL 25, 2006

HOUSE FILE 2794

H-8571

1 Amend the amendment, H-8566, to House File 2794 as
2 follows:
3 1. Page 23, by inserting after line 5 the
4 following:
5 "Sec. ____ . Section 468.55, Code 2005, is amended
6 to read as follows:
7 468.55 ASSESSMENTS -- MATURITY AND COLLECTION.
8 If a landowner selects an option provided in
9 section 468.57, all drainage or levee tax assessments
10 become due and payable with the first half of ordinary
11 taxes, and shall be collected in the same manner with
12 the same interest for delinquency and the same manner
13 of enforcing collection by tax sales. As an
14 alternative, the ~~certifying authority may request that~~
15 landowner may pay the annual installment be payable in
16 two equal payments, one-half with the September
17 payment of ordinary taxes and one-half payable with
18 the March payment of ordinary taxes. All drainage or
19 levee tax assessments not optioned for installment
20 payments by the landowner shall become due and payable
21 within thirty days after the levy of assessments."

By MERTZ of Kossuth

H-8571 FILED APRIL 25, 2006

HOUSE FILE 2794

H-8582

1 Amend the amendment, H-8566, to House File 2794, as
2 follows:
3 1. Page 10, line 44, by inserting after the words
4 "development expenses" the following: "for the tax
5 year beginning in the 2006 calendar year only".
6 2. Page 11, by inserting after line 6 the
7 following:
8 "Sec. ____ . Section 422.12C, subsection 2,
9 paragraph b, Code Supplement 2005, is amended by
10 striking the paragraph."
11 3. Page 24, by inserting after line 31 the
12 following:
13 "____ . The sections of this division of this Act
14 amending section 422.12C, subsection 2, apply
15 retroactively to January 1, 2006, for tax years
16 beginning on or after that date."

By HOGG of Linn

H-8582 FILED APRIL 25, 2006

HOUSE FILE 2794
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 776)

(As Amended and Passed by the House May 1, 2006)

Passed House, Date _____ Passed Senate, Date 5-2-06
Vote: Ayes _____ Nays _____ Vote: Ayes 50 Nays 0
Approved _____

A BILL FOR

1 An Act relating to the policy and technical administration of the
2 tax and related laws by the department of revenue, including
3 administration of and tax exemptions under the income, sales,
4 use, local option sales, and property taxes, updating the
5 streamlined sales and use tax, and including effective and
6 retroactive applicability date provisions.

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

8
9
10
11

All New Language

HOUSE FILE 2794

S-5260

1 Amend House File 2794, as amended, passed, and
2 reprinted by the House, as follows:
3 1. By striking page 4, line 19, through page 5,
4 line 3.

COMMITTEE ON WAYS AND MEANS
JOE BOLKCOM, CO-CHAIRPERSON
MARK ZIEMAN, CO-CHAIRPERSON

S-5260 FILED MAY 2, 2006
LOST

1 DIVISION I

2 TAX ADMINISTRATION AND POLICY

3 Section 1. Section 15E.193B, subsection 8, unnumbered
4 paragraph 1, Code Supplement 2005, is amended to read as
5 follows:

6 The amount of the tax credits determined pursuant to
7 subsection 6, paragraph "a", for each project shall be
8 approved by the department of economic development. The
9 department shall utilize the financial information required to
10 be provided under subsection 5, paragraph "e", to determine
11 the tax credits allowed for each project. In determining the
12 amount of tax credits to be allowed for a project, the
13 department shall not include the portion of the project cost
14 financed through federal, state, and local government tax
15 credits, grants, and forgivable loans. Upon approving the
16 amount of the tax credit, the department of economic
17 development shall issue a tax credit certificate to the
18 eligible housing business except when low-income housing tax
19 credits authorized under section 42 of the Internal Revenue
20 Code are used to assist in the financing of the housing
21 development in which case the tax credit certificate may be
22 issued to a partner if the business is a partnership, a
23 shareholder if the business is an S corporation, or a member
24 if the business is a limited liability company in the amounts
25 designated by the eligible partnership, S corporation, or
26 limited liability company. An eligible housing business or
27 the designated partner if the business is a partnership,
28 designated shareholder if the business is an S corporation, or
29 designated member if the business is a limited liability
30 company, or transferee shall not claim the tax credit unless a
31 tax credit certificate ~~issued by the department of economic~~
32 ~~development~~ is attached to the taxpayer's return for the tax
33 year for which the tax credit is claimed. The tax credit
34 certificate shall contain the taxpayer's name, address, tax
35 identification number, the amount of the tax credit, and other

1 information required by the department of revenue. The tax
2 credit certificate shall be transferable if the housing
3 development is located in a brownfield site as defined in
4 section 15.291, if the housing development is located in a
5 blighted area as defined in section 403.17, or if low-income
6 housing tax credits authorized under section 42 of the
7 Internal Revenue Code are used to assist in the financing of
8 the housing development. Not more than three million dollars
9 worth of tax credits for housing developments that are located
10 in a brownfield site as defined in section 15.291 or housing
11 developments located in a blighted area as defined in section
12 403.17 shall be transferred in one calendar year. The three
13 million dollar annual limit does not apply to tax credits
14 awarded to an eligible housing business having low- income
15 housing tax credits authorized under section 42 of the
16 Internal Revenue Code to assist in the financing of the
17 housing development. The department may approve an
18 application for tax credit certificates for transfer from an
19 eligible housing business located in a brownfield site as
20 defined in section 15.291 or in a blighted area as defined in
21 section 403.17 that would result in the issuance of more than
22 three million dollars of tax credit certificates for transfer
23 provided the department, through negotiation with the eligible
24 business, allocates those tax credit certificates for transfer
25 over more than one calendar year. The department shall not
26 issue approve more than one million five hundred thousand
27 dollars in tax credit certificates for transfer to any one
28 eligible housing business located in a brownfield site as
29 defined in section 15.291 or in a blighted area as defined in
30 section 403.17 in a calendar year. If three million dollars
31 in tax credit certificates for transfer have not been issued
32 at the end of a calendar year, the remaining tax credit
33 certificates for transfer may be issued in advance to an
34 eligible housing business scheduled to receive a tax credit
35 certificate for transfer in a later calendar year. Any time

1 the department ~~issues~~ approves a tax credit certificate for
2 transfer which has not been allocated at the end of a calendar
3 year, the department may prorate the remaining certificates to
4 more than one eligible applicant. If the entire three million
5 dollars of tax credit certificates for transfer is not issued
6 in a given calendar year, the remaining amount may be carried
7 over to a succeeding calendar year. Tax credit certificates
8 issued under this chapter may be transferred to any person or
9 entity. The department of economic development shall notify
10 the department of revenue of the tax credit certificates which
11 have been approved for transfer. Within ninety days of
12 transfer, the transferee must submit the transferred tax
13 credit certificate to the department of ~~economic-development~~
14 revenue along with a statement containing the transferee's
15 name, tax identification number, and address, and the
16 denomination that each replacement tax credit certificate is
17 to carry and any other information required by the department
18 of revenue. Within thirty days of receiving the transferred
19 tax credit certificate and the transferee's statement, the
20 department of ~~economic-development~~ revenue shall issue one or
21 more replacement tax credit certificates to the transferee.
22 Each replacement certificate must contain the information
23 required to receive the original certificate and must have the
24 same expiration date that appeared in the transferred tax
25 credit certificate. Tax credit certificate amounts of less
26 than the minimum amount established by rule of the department
27 of economic development shall not be transferable. A tax
28 credit shall not be claimed by a transferee under subsection
29 6, paragraph "a", until a replacement tax credit certificate
30 identifying the transferee as the proper holder has been
31 issued.

32 Sec. 2. Section 68A.102, subsection 21, Code Supplement
33 2005, is amended to read as follows:

34 21. "State income tax liability" means the state
35 individual income tax imposed under section 422.5 ~~reduced-by~~

1 ~~the sum of the deductions from the computed tax as provided~~
2 ~~under section 422.12, less the amounts of nonrefundable~~
3 ~~credits allowed under chapter 422, division II.~~

4 Sec. 3. Section 257.21, unnumbered paragraph 2, Code 2005,
5 is amended to read as follows:

6 The instructional support income surtax shall be imposed on
7 the state individual income tax for the calendar year during
8 which the school's budget year begins, or for a taxpayer's
9 fiscal year ending during the second half of that calendar
10 year and after the date the board adopts a resolution to
11 participate in the program or the first half of the succeeding
12 calendar year, and shall be imposed on all individuals
13 residing in the school district on the last day of the
14 applicable tax year. As used in this section, "state
15 individual income tax" means the taxes computed under section
16 422.5, less the amounts of nonrefundable credits allowed in
17 sections 422.11A, 422.11B, 422.12, and 422.12B under chapter
18 422, division II.

19 Sec. 4. Section 331.605B, Code 2005, is amended to read as
20 follows:

21 331.605B FEES COLLECTED -- AUDIT.

22 1. The recorder shall make available any information
23 required by the county or state auditor concerning the fees
24 collected under section 331.605A for the purposes of
25 determining the amount of fees collected and the uses for
26 which such fees are expended.

27 2. A recorder shall collect only statutorily authorized
28 fees for land records management. A recorder shall not
29 collect a fee for viewing, accessing, or printing documents in
30 the county land record information system unless specifically
31 authorized by statute. However, a recorder may collect actual
32 third-party fees associated with accepting and processing
33 statutorily authorized fees including credit card fees,
34 treasury management fees, and other transaction fees required
35 to enable electronic payment. For the purposes of this

1 subsection, the term "third-party" does not include the county
2 land record information system, the Iowa state association of
3 counties, or any of the association's affiliates.

4 Sec. 5. Section 368.11, subsection 3, paragraph m, Code
5 Supplement 2005, is amended to read as follows:

6 m. In the discretion of a city council, a provision for a
7 transition for the imposition of city taxes against property
8 within an annexation area. The provision shall allow for an
9 exemption from taxation of the following percentages of
10 assessed valuation according to the following schedule:

- 11 (1) For the first and second years, seventy-five percent.
- 12 (2) For the third and fourth years, sixty percent.
- 13 (3) For the fifth and sixth years, forty-five percent.
- 14 (4) For the seventh and eighth years, thirty percent.
- 15 (5) For the ninth and tenth years, fifteen percent.

16 An alternative schedule may be adopted by the city council.
17 However, an alternative schedule shall not allow a greater
18 exemption than that provided in this paragraph. The exemption
19 shall be applied in the levy and collection of taxes. The
20 provision may also allow for the partial provision of city
21 services during the time in which the exemption from taxation
22 is in effect. If the city council provides for a transition
23 for the imposition of city taxes against property in an
24 annexation area, all property owners included in the
25 annexation area must receive the transition upon completion of
26 the annexation.

27 Sec. 6. Section 404A.4, subsection 5, unnumbered paragraph
28 1, Code Supplement 2005, is amended to read as follows:

29 Tax credit certificates issued under this chapter may be
30 transferred to any person or entity. Within ninety days of
31 transfer, the transferee must submit the transferred tax
32 credit certificate to the ~~state-historic-preservation-office~~
33 department of revenue along with a statement containing the
34 transferee's name, tax identification number, and address, and
35 the denomination that each replacement tax credit certificate

1 is to carry and any other information required by the
2 department of revenue. Within thirty days of receiving the
3 transferred tax credit certificate and the transferee's
4 statement, the ~~office~~ department of revenue shall issue one or
5 more replacement tax credit certificates to the transferee.
6 Each replacement certificate must contain the information
7 required under subsection 2 and must have the same expiration
8 date that appeared in the transferred tax credit certificate.
9 Tax credit certificate amounts of less than the minimum amount
10 established by rule of the state historic preservation office
11 shall not be transferable. A tax credit shall not be claimed
12 by a transferee under this chapter until a replacement tax
13 credit certificate identifying the transferee as the proper
14 holder has been issued.

15 Sec. 7. Section 421.17, subsection 14, Code Supplement
16 2005, is amended by striking the subsection.

17 Sec. 8. Section 422.5, subsection 1, paragraph j,
18 subparagraph (2), unnumbered paragraph 2, Code 2005, is
19 amended to read as follows:

20 This subparagraph shall not affect the amount of the
21 taxpayer's ~~checkoff-to-the-Iowa-election-campaign-fund-under~~
22 ~~section-68A-6017-the-checkoff-for-the-fish-and-game-fund-in~~
23 ~~section-456A-16~~ checkoffs under this division, the credits
24 from tax provided in ~~sections-422-107-422-11A7-and-422-12~~
25 under this division, and the allocation of these credits
26 between spouses if the taxpayers filed separate returns or
27 separately on combined returns.

28 Sec. 9. Section 422.5, subsection 1, paragraph k,
29 subparagraph (2), subparagraph subdivision (b), Code 2005, is
30 amended to read as follows:

31 (b) Twenty-six thousand dollars for a single person or an
32 unmarried a head of household.

33 Sec. 10. Section 422.5, subsection 2, Code 2005, is
34 amended to read as follows:

35 2. However, the tax shall not be imposed on a resident or

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1 nonresident whose net income, as defined in section 422.7, is
2 thirteen thousand five hundred dollars or less in the case of
3 married persons filing jointly or filing separately on a
4 combined return, ~~unmarried~~ heads of household, and surviving
5 spouses or nine thousand dollars or less in the case of all
6 other persons; but in the event that the payment of tax under
7 this division would reduce the net income to less than
8 thirteen thousand five hundred dollars or nine thousand
9 dollars as applicable, then the tax shall be reduced to that
10 amount which would result in allowing the taxpayer to retain a
11 net income of thirteen thousand five hundred dollars or nine
12 thousand dollars as applicable. The preceding sentence does
13 not apply to estates or trusts. For the purpose of this
14 subsection, the entire net income, including any part of the
15 net income not allocated to Iowa, shall be taken into account.
16 For purposes of this subsection, net income includes all
17 amounts of pensions or other retirement income received from
18 any source which is not taxable under this division as a
19 result of the government pension exclusions in section 422.7,
20 or any other state law. If the combined net income of a
21 husband and wife exceeds thirteen thousand five hundred
22 dollars, neither of them shall receive the benefit of this
23 subsection, and it is immaterial whether they file a joint
24 return or separate returns. However, if a husband and wife
25 file separate returns and have a combined net income of
26 thirteen thousand five hundred dollars or less, neither spouse
27 shall receive the benefit of this paragraph, if one spouse has
28 a net operating loss and elects to carry back or carry forward
29 the loss as provided in section 422.9, subsection 3. A person
30 who is claimed as a dependent by another person as defined in
31 section 422.12 shall not receive the benefit of this
32 subsection if the person claiming the dependent has net income
33 exceeding thirteen thousand five hundred dollars or nine
34 thousand dollars as applicable or the person claiming the
35 dependent and the person's spouse have combined net income

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

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

17 Sec. 11. Section 422.6, unnumbered paragraph 1, Code 2005,
18 is amended to read as follows:

19 The tax imposed by section 422.5 less the amounts of
20 nonrefundable credits allowed under ~~sections-15.3337-15.3357~~
21 ~~422.107-422.117-422.11A7-and-422.11B7-and-the-personal~~
22 ~~exemption-credit-allowed-under-section-422.12~~ this division
23 apply to and are a charge against estates and trusts with
24 respect to their taxable income, and the rates are the same as
25 those applicable to individuals. The fiduciary shall make the
26 return of income for the estate or trust for which the
27 fiduciary acts, whether the income is taxable to the estate or
28 trust or to the beneficiaries. However, for tax years ending
29 after August 5, 1997, if the trust is a qualified preneed
30 funeral trust as set forth in section 685 of the Internal
31 Revenue Code and the trustee has elected the special tax
32 treatment under section 685 of the Internal Revenue Code,
33 neither the trust nor the beneficiary is subject to Iowa
34 income tax on income accruing to the trust.

35 Sec. 12. Section 422.7, subsection 21, paragraph a,

1 subparagraph (1), unnumbered paragraph 1, Code Supplement
2 2005, is amended to read as follows:

3 Net capital gain from the sale of real property used in a
4 business, in which the taxpayer materially participated for
5 ten years, as defined in section 469(h) of the Internal
6 Revenue Code, and which has been held for a minimum of ten
7 years, or from the sale of a business, as defined in section
8 ~~423.1, in-which-the-taxpayer-was-employed-or~~ in which the
9 taxpayer materially participated for ten years, as defined in
10 section 469(h) of the Internal Revenue Code, and which has
11 been held for a minimum of ten years. The sale of a business
12 means the sale of all or substantially all of the tangible
13 personal property or service of the business.

14 Sec. 13. Section 422.9, subsection 1, Code Supplement
15 2005, is amended to read as follows:

16 1. An optional standard deduction, after deduction of
17 federal income tax, equal to one thousand two hundred thirty
18 dollars for a married person who files separately or a single
19 person or equal to three thousand thirty dollars for a husband
20 and wife who file a joint return, a surviving spouse, or an
21 ~~unmarried~~ a head of household. The optional standard
22 deduction shall not exceed the amount remaining after
23 deduction of the federal income tax. The amount of federal
24 income tax deducted shall be computed as provided in
25 subsection 2, paragraph "b".

26 Sec. 14. Section 422.10, subsection 4, Code Supplement
27 2005, is amended to read as follows:

28 4. Any credit in excess of the tax liability imposed by
29 section 422.5 less the amounts of nonrefundable credits
30 ~~allowed under sections-422-11A, 422-12, and 422-12B~~ this
31 division for the taxable year shall be refunded with interest
32 computed under section 422.25. In lieu of claiming a refund,
33 a taxpayer may elect to have the overpayment shown on the
34 taxpayer's final, completed return credited to the tax
35 liability for the following taxable year.

1 Sec. 15. Section 422.10, Code Supplement 2005, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 5. An individual may claim an additional
4 research activities credit authorized pursuant to section
5 15.335 if the eligible business is a partnership, S
6 corporation, limited liability company, or estate or trust
7 which elects to have the income taxed directly to the
8 individual. The amount of the credit shall be as provided in
9 section 15.335.

10 Sec. 16. Section 422.11, Code 2005, is amended to read as
11 follows:

12 422.11 FRANCHISE TAX CREDIT.

13 The taxes imposed under this division, less the credits
14 allowed under ~~section~~ sections 422.12 and 422.12B, shall be
15 reduced by a franchise tax credit. A taxpayer who is a
16 shareholder in a financial institution, as defined in section
17 581 of the Internal Revenue Code, which has in effect for the
18 tax year an election under subchapter S of the Internal
19 Revenue Code, or is a member of a financial institution
20 organized as a limited liability company under chapter 524
21 that is taxed as a partnership for federal income tax
22 purposes, shall compute the amount of the tax credit by
23 recomputing the amount of tax under this division by reducing
24 the taxable income of the taxpayer by the taxpayer's pro rata
25 share of the items of income and expense of the financial
26 institution and subtracting the credits allowed under ~~section~~
27 sections 422.12 and 422.12B. This recomputed tax shall be
28 subtracted from the amount of tax computed under this division
29 after the deduction for credits allowed under ~~section~~ sections
30 422.12 and 422.12B. The resulting amount, which shall not
31 exceed the taxpayer's pro rata share of the franchise tax paid
32 by the financial institution, is the amount of the franchise
33 tax credit allowed.

34 Sec. 17. Section 422.11B, subsection 1, unnumbered
35 paragraph 2, Code 2005, is amended to read as follows:

1 The minimum tax credit for a tax year is the excess, if
2 any, of the adjusted net minimum tax imposed for all prior tax
3 years beginning on or after January 1, 1987, over the amount
4 allowable as a credit under this section for those prior tax
5 years.

6 Sec. 18. Section 422.11B, subsection 2, unnumbered
7 paragraph 3, Code 2005, is amended to read as follows:

8 ~~The adjusted net minimum tax for a tax year is the net~~
9 ~~minimum tax for the tax year reduced by the amount which would~~
10 ~~be the net minimum tax if the only item of tax preference~~
11 ~~taken into account was that described in paragraph (6) of~~
12 ~~section 57(a) of the Internal Revenue Code.~~

13 Sec. 19. Section 422.11F, Code 2005, is amended to read as
14 follows:

15 422.11F INVESTMENT TAX CREDITS.

16 1. The taxes imposed under this division, less the credits
17 allowed under sections 422.12 and 422.12B, shall be reduced by
18 an investment tax credit authorized pursuant to section 15E.43
19 for an investment in a qualifying business or a community-
20 based seed capital fund.

21 2. The taxes imposed under this division, less the credits
22 allowed under sections 422.12 and 422.12B, shall be reduced by
23 investment tax credits authorized pursuant to sections 15.333
24 and 15E.193B, subsection 6.

25 Sec. 20. NEW SECTION. 422.11M IOWA FUND OF FUNDS TAX
26 CREDIT.

27 The taxes imposed under this division, less the credits
28 allowed under sections 422.12 and 422.12B, shall be reduced by
29 a tax credit authorized pursuant to section 15E.66, if
30 redeemed, for investments in the Iowa fund of funds.

31 Sec. 21. Section 422.12, subsection 3, Code 2005, is
32 amended to read as follows:

33 3. For the purpose of this section, the determination of
34 whether an individual is married shall be made ~~as of the close~~
35 ~~of the individual's tax year unless the individual's spouse~~

1 ~~dies during the individual's tax year, in which case the~~
2 ~~determination shall be made as of the date of the spouse's~~
3 ~~death in accordance with section 7703 of the Internal Revenue~~
4 ~~Code. An individual legally separated from the individual's~~
5 ~~spouse under a decree of divorce or of separate maintenance~~
6 ~~shall not be considered married.~~

7 Sec. 22. Section 422.12A, subsection 2, Code 2005, is
8 amended to read as follows:

9 2. The director of revenue shall draft the income tax form
10 to allow the designation of contributions to the keep Iowa
11 beautiful fund on the tax return. The department of revenue,
12 on or before January 31, shall transfer the total amount
13 designated on the tax return forms due in the preceding
14 calendar year to the keep Iowa beautiful fund. However,
15 before a checkoff pursuant to this section shall be permitted,
16 all liabilities on the books of the department of revenue
17 administrative services and accounts identified as owing under
18 section ~~422.17~~ 8A.504 and the political contribution allowed
19 under section 68A.601 shall be satisfied.

20 Sec. 23. Section 422.12C, subsection 1, unnumbered
21 paragraph 1, Code Supplement 2005, is amended to read as
22 follows:

23 The taxes imposed under this division, less the amounts of
24 nonrefundable credits allowed under ~~sections 422.11A, 422.11B,~~
25 ~~422.12, and 422.12B~~ this division, shall be reduced by a child
26 and dependent care credit equal to the following percentages
27 of the federal child and dependent care credit provided in
28 section 21 of the Internal Revenue Code:

29 Sec. 24. Section 422.12C, subsection 2, paragraph a,
30 unnumbered paragraph 1, Code Supplement 2005, is amended to
31 read as follows:

32 ~~In lieu of the child and dependent care credit authorized~~
33 ~~in subsection 1, a taxpayer may claim~~ The taxes imposed under
34 this division, less the amounts of nonrefundable credits
35 allowed under this division, may be reduced by an early

1 childhood development tax credit equal to twenty-five percent
2 of the first one thousand dollars which the taxpayer has paid
3 to others for each dependent, as defined in the Internal
4 Revenue Code, ages three through five for early childhood
5 development expenses. In determining the amount of early
6 childhood development expenses for the tax year beginning in
7 the 2006 calendar year only, such expenses paid during
8 November and December of the previous tax year shall be
9 considered paid in the tax year for which the tax credit is
10 claimed. This credit is available to a taxpayer whose net
11 income is less than forty-five thousand dollars. If the early
12 childhood development tax credit is claimed for a tax year,
13 the taxpayer and the taxpayer's spouse shall not claim the
14 child and dependent care credit under subsection 1. As used
15 in this subsection, "early childhood development expenses"
16 means services provided to the dependent by a preschool, as
17 defined in section 237A.1, materials, and other activities as
18 follows:

19 Sec. 25. Section 422.12C, subsection 2, paragraph b, Code
20 Supplement 2005, is amended by striking the paragraph.

21 Sec. 26. Section 422.12F, subsection 2, Code 2005, is
22 amended to read as follows:

23 2. The director of revenue shall draft the income tax form
24 to allow the designation of contributions to the volunteer
25 fire fighter preparedness fund on the tax return. The
26 department of revenue, on or before January 31, shall certify
27 the total amount designated on the tax return forms due in the
28 preceding calendar year and shall report the amount to the
29 treasurer of state. The treasurer of state shall credit the
30 amount to the volunteer fire fighter preparedness fund.
31 However, before a checkoff pursuant to this section shall be
32 permitted, all liabilities on the books of the department of
33 revenue administrative services and accounts identified as
34 owing under section ~~421-17~~ 8A.504 and the political
35 contribution allowed under section 68A.601 shall be satisfied.

1 Sec. 27. NEW SECTION. 422.12G INCOME TAX CHECKOFF FOR
2 IOWA ELECTION CAMPAIGN FUND.

3 A person who files an individual or a joint income tax
4 return with the department of revenue under section 422.13 may
5 designate a contribution to the Iowa election campaign fund
6 authorized pursuant to section 68A.601.

7 Sec. 28. NEW SECTION. 422.12H INCOME TAX CHECKOFF FOR
8 FISH AND GAME PROTECTION FUND.

9 A person who files an individual or a joint income tax
10 return with the department of revenue under section 422.13 may
11 designate a contribution to the state fish and game protection
12 fund authorized pursuant to section 456A.16.

13 Sec. 29. Section 422.33, subsection 5, Code Supplement
14 2005, is amended by adding the following new paragraphs:

15 NEW PARAGRAPH. f. A corporation which is a primary
16 business or a supporting business in a quality jobs enterprise
17 zone may claim the research activities credit authorized
18 pursuant to section 15A.9, subsection 8, in lieu of the credit
19 computed in paragraph "a" or "b".

20 NEW PARAGRAPH. g. A corporation which is an eligible
21 business may claim an additional research activities credit
22 authorized pursuant to section 15.335.

23 Sec. 30. Section 422.33, subsection 7, paragraph a,
24 unnumbered paragraph 2, Code Supplement 2005, is amended to
25 read as follows:

26 The minimum tax credit for a tax year is the excess, if
27 any, of the ~~adjusted~~ net minimum tax imposed for all prior tax
28 years beginning on or after January 1, 1987, over the amount
29 allowable as a credit under this subsection for those prior
30 tax years.

31 Sec. 31. Section 422.33, subsection 7, paragraph b,
32 unnumbered paragraph 3, Code Supplement 2005, is amended to
33 read as follows:

34 ~~The adjusted net minimum tax for a tax year is the net~~
35 ~~minimum tax for the tax year reduced by the amount which would~~

1 ~~be the net minimum tax if the only item of tax preference~~
2 ~~taken into account was that described in paragraph (6) of~~
3 ~~section 57(a) of the Internal Revenue Code.~~

4 Sec. 32. Section 422.33, subsection 12, Code Supplement
5 2005, is amended to read as follows:

6 12. a. The taxes imposed under this division shall be
7 reduced by an investment tax credit authorized pursuant to
8 section 15E.43 for an investment in a qualifying business or a
9 community-based seed capital fund.

10 b. The taxes imposed under this division shall be reduced
11 by investment tax credits authorized pursuant to sections
12 15.333, 15A.9, subsection 4, and 15E.193B, subsection 6.

13 Sec. 33. Section 422.33, Code Supplement 2005, is amended
14 by adding the following new subsections:

15 NEW SUBSECTION. 20. The taxes imposed under this division
16 shall be reduced by a corporate tax credit authorized pursuant
17 to section 15.331C for certain sales taxes paid by a
18 third-party developer.

19 NEW SUBSECTION. 21. The taxes imposed under this division
20 shall be reduced by a tax credit authorized pursuant to
21 section 15E.66, if redeemed, for investments in the Iowa fund
22 of funds.

23 Sec. 34. Section 422.60, subsection 2, paragraphs a and b,
24 Code Supplement 2005, are amended to read as follows:

25 a. Add items of tax preference included in federal
26 alternative minimum taxable income under section 57, except
27 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
28 make the adjustments included in federal alternative minimum
29 taxable income under section 56, except subsections (a)(4),
30 (c)(1), (d), ~~(f)~~, and (g), of the Internal Revenue Code, and
31 add losses as required by section 58 of the Internal Revenue
32 Code.

33 b. Make the adjustments provided in section 56(c)(1) of
34 the Internal Revenue Code, except that in making the
35 calculation under ~~sections 56(f)(1) and~~ section 56(g)(1) of

1 the Internal Revenue Code the state alternative minimum
2 taxable income, computed without regard to the adjustments
3 made by this paragraph, the exemption provided for in
4 paragraph "d", and the state alternative tax net operating
5 loss described in paragraph "e", shall be substituted for the
6 items described in ~~sections-56(f)(1)(B)-and~~ section
7 56(g)(1)(B) of the Internal Revenue Code.

8 Sec. 35. Section 422.60, subsection 3, paragraph a,
9 unnumbered paragraph 2, Code Supplement 2005, is amended to
10 read as follows:

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

16 Sec. 36. Section 422.60, subsection 3, paragraph b,
17 unnumbered paragraph 3, Code Supplement 2005, is amended to
18 read as follows:

19 ~~The-adjusted-net-minimum-tax-for-a-tax-year-is-the-net~~
20 ~~minimum-tax-for-the-tax-year-reduced-by-the-amount-which-would~~
21 ~~be-the-net-minimum-tax-if-the-only-item-of-tax-preference~~
22 ~~taken-into-account-was-that-described-in-paragraph-(6)-of~~
23 ~~section-57(a)-of-the-Internal-Revenue-Code-~~

24 Sec. 37. Section 422.60, subsection 5, Code Supplement
25 2005, is amended to read as follows:

26 5. a. The taxes imposed under this division shall be
27 reduced by an investment tax credit authorized pursuant to
28 section 15E.43 for an investment in a qualifying business or a
29 community-based seed capital fund.

30 b. The taxes imposed under this division shall be reduced
31 by investment tax credits authorized pursuant to sections
32 15.333 and 15E.193B, subsection 6.

33 Sec. 38. Section 422.60, Code Supplement 2005, is amended
34 by adding the following new subsections:

35 NEW SUBSECTION. 11. The taxes imposed under this division

1 shall be reduced by a corporate tax credit authorized pursuant
2 to section 15.331C for certain sales taxes paid by a
3 third-party developer.

4 NEW SUBSECTION. 12. The taxes imposed under this division
5 shall be reduced by a tax credit authorized pursuant to
6 section 15E.66, if redeemed, for investments in the Iowa fund
7 of funds.

8 Sec. 39. Section 422D.2, Code 2005, is amended to read as
9 follows:

10 422D.2 LOCAL INCOME SURTAX.

11 A county may impose by ordinance a local income surtax as
12 provided in section 422D.1 at the rate set by the board of
13 supervisors, of up to one percent, on the state individual
14 income tax of each individual residing in the county at the
15 end of the individual's applicable tax year. However, the
16 cumulative total of the percents of income surtax imposed on
17 any taxpayer in the county shall not exceed twenty percent.
18 The reason for imposing the surtax and the amount needed shall
19 be set out in the ordinance. The surtax rate shall be set to
20 raise only the amount needed. For purposes of this section,
21 "state individual income tax" means the tax computed under
22 section 422.5, less the amounts of nonrefundable credits
23 ~~allowed in sections 422.11A, 422.11B, 422.12, and 422.12B~~
24 under chapter 422, division II.

25 Sec. 40. Section 423.3, subsection 18, Code Supplement
26 2005, is amended by adding the following new paragraph:

27 NEW PARAGRAPH. f. Home and community based services
28 providers certified to offer Medicaid waiver services by the
29 department of human services that are any of the following:

- 30 (1) Ill and handicapped waiver service providers,
31 described in 441 IAC 77.30.
32 (2) Hospice providers, described in 441 IAC 77.32.
33 (3) Elderly waiver service providers, described in 441 IAC
34 77.33.
35 (4) AIDS/HIV waiver service providers, described in 441

1 IAC 77.34.

2 (5) Federally qualified health centers, described in 441
3 IAC 77.35.

4 (6) MR waiver service providers, described in 441 IAC
5 77.37.

6 (7) Brain injury waiver service providers, described in
7 441 IAC 77.39.

8 Sec. 41. Section 423.3, subsection 39, Code Supplement
9 2005, is amended by adding the following new paragraph:

10 NEW PARAGRAPH. c. Notwithstanding paragraph "a", the
11 sale, furnishing, or performance of a service that is of a
12 recurring nature by the owner if, at the time of the sale, all
13 of the following apply:

14 (1) The seller is not engaged for profit in the business
15 of the selling, furnishing, or performance of services taxed
16 under section 423.2. For purposes of this subparagraph, the
17 fact of the recurring nature of selling, furnishing, or
18 performance of services does not constitute by itself engaging
19 for profit in the business of selling, furnishing, or
20 performance of services.

21 (2) The owner of the business is the only person
22 performing the service.

23 (3) The owner of the business is a full-time student.

24 (4) The total gross receipts from the sales, furnishing,
25 or performance of services during the calendar year does not
26 exceed five thousand dollars.

27 Sec. 42. Section 423.3, subsection 50, Code Supplement
28 2005, is amended to read as follows:

29 50. The sales price of sales of electricity, steam, or any
30 taxable service when purchased and used in the processing of
31 tangible personal property intended to be sold ultimately at
32 retail or of any fuel which is consumed in creating power,
33 heat, or steam for processing or for generating electric
34 current.

35 Sec. 43. Section 423.3, subsection 86, Code Supplement

1 2005, is amended to read as follows:

2 86. The sales price from services performed on a vessel if
3 all of the following apply:

4 a. The vessel is a licensed vessel under the laws of the
5 United States coast guard.

6 ~~b. The vessel is not moored or tied to a physical location~~
7 ~~in this state.~~

8 ~~c.~~ b. The service is used to repair or restore a defect
9 in the vessel.

10 ~~d.~~ c. The vessel is engaged in interstate commerce and
11 will continue in interstate commerce once the repairs or
12 restoration is completed.

13 ~~e.~~ d. The vessel is in navigable water that borders the
14 ~~eastern~~ a boundary of this state.

15 For purposes of this exemption, "vessel" includes a ship,
16 barge, or other waterborne vessel.

17 Sec. 44. Section 423.3, Code Supplement 2005, is amended
18 by adding the following new subsection:

19 NEW SUBSECTION. 89. a. The sales price from the sale of
20 coins, currency, or bullion.

21 b. For purposes of this subsection:

22 (1) "Bullion" means bars, ingots, or commemorative
23 medallions of gold, silver, platinum, palladium, or a
24 combination of these where the value of the metal depends on
25 its content and not the form.

26 (2) "Coins" or "currency" means a coin or currency made of
27 gold, silver, or other metal or paper which is or has been
28 used as legal tender.

29 Sec. 45. Section 423.6, subsection 10, Code 2005, is
30 amended by adding the following new unnumbered paragraph:

31 NEW UNNUMBERED PARAGRAPH. This exemption applies to
32 corporations that have been in existence for not longer than
33 twenty-four months.

34 Sec. 46. Section 423.6, Code 2005, is amended by adding
35 the following new subsection:

1 NEW SUBSECTION. 25. Exempted from the purchase price of a
2 replacement motor vehicle owned by a motor vehicle dealer
3 licensed under chapter 322 which is being registered by that
4 dealer and is not otherwise exempt from tax is the fair market
5 value of a replaced motor vehicle if all of the following
6 conditions are met:

7 a. The motor vehicle being registered is being placed in
8 service as a replacement motor vehicle for a motor vehicle
9 registered by the motor vehicle dealer.

10 b. The motor vehicle being registered is taken from the
11 motor vehicle dealer's inventory.

12 c. Use tax on the motor vehicle being replaced was paid by
13 the motor vehicle dealer when that motor vehicle was
14 registered.

15 d. The replaced motor vehicle is returned to the motor
16 vehicle dealer's inventory for sale.

17 e. The application for registration and title of the motor
18 vehicle being registered is filed with the county treasurer
19 within two weeks of the date the replaced motor vehicle is
20 returned to the motor vehicle dealer's inventory.

21 f. The motor vehicle being registered is placed in the
22 same or substantially similar service as the replaced motor
23 vehicle.

24 Sec. 47. Section 423.8, Code 2005, is amended to read as
25 follows:

26 423.8 LEGISLATIVE FINDING AND INTENT.

27 The general assembly finds that Iowa should enter into an
28 agreement with one or more states to simplify and modernize
29 sales and use tax administration in order to substantially
30 reduce the burden of tax compliance for all sellers and for
31 all types of commerce. It is the intent of the general
32 assembly that entering into this agreement will lead to
33 simplification and modernization of the sales and use tax law
34 and not to the imposition of new taxes or an increase or
35 decrease in the existing number of exemptions, unless such a

1 result is unavoidable under the terms of the agreement.
2 Entering into this agreement should not cause businesses to
3 sustain additional administrative burden.

4 It is the intent of the general assembly to provide Iowa
5 sellers, impacted by the agreement, with the assistance
6 necessary to alleviate administrative burdens that result in
7 participation in the agreement. The director and the Iowa
8 streamlined sales tax advisory council shall provide
9 recommendations to address the new administrative burden
10 identified in the Iowa streamlined sales tax advisory council
11 2005 report submitted to the Iowa general assembly. The
12 recommendations must be submitted to the general assembly by
13 January 1, 2007, and shall include the expenses associated and
14 all relevant data including but not limited to the number of
15 intrastate sellers impacted by the agreement.

16 Sec. 48. Section 423.9, Code 2005, is amended to read as
17 follows:

18 423.9 AUTHORITY TO ENTER AGREEMENT AND TO REPRESENT THE
19 STATE.

20 1. The director is authorized and directed to enter into
21 the streamlined sales and use tax agreement with one or more
22 states to simplify and modernize sales and use tax
23 administration in order to substantially reduce the burden of
24 tax compliance for all sellers and for all types of commerce.

25 2. The director is further authorized to take other
26 actions reasonably required to implement the provisions set
27 forth in this chapter. Other actions authorized by this
28 section include, but are not limited to, the adoption of rules
29 and the joint procurement, with other member states, of goods
30 and services in furtherance of the cooperative agreement.

31 ~~The director or the director's designee is authorized to be~~
32 ~~a member of the governing board established pursuant to the~~
33 ~~agreement and to represent Iowa before that body.~~

34 3. Four representatives are authorized to be members of
35 the governing board established pursuant to the agreement and

1 to represent Iowa before that body as one vote. The
2 representatives shall be appointed as follows:

3 a. One representative shall be a member of the house of
4 representatives who is appointed by the speaker of the house
5 of representatives or the delegate's designee who shall also
6 be a member of the house of representatives.

7 b. One representative shall be a member of the senate who
8 is appointed by the majority leader of the senate or the
9 delegate's designee who shall also be a member of the senate.

10 c. Two representatives from the executive branch shall be
11 appointed by the governor, one of whom shall be the director,
12 or each delegate's designee who shall also be employed by the
13 executive branch.

14 Sec. 49. NEW SECTION. 423.9A IOWA STREAMLINED SALES TAX
15 ADVISORY COUNCIL.

16 1. An Iowa streamlined sales tax advisory council is
17 created. The advisory council shall review, study, and submit
18 recommendations to the Iowa streamlined sales and use tax
19 representatives appointed pursuant to section 423.9,
20 subsection 3, regarding the streamlined sales and use tax
21 agreement formalized by the project's member states on
22 November 12, 2002, agreement amendments, proposed language
23 conforming Iowa's sales and use tax to the national agreement,
24 and the following issues:

25 a. Uniform definitions proposed in the current agreement
26 and future proposals.

27 b. Effects upon taxability of items newly defined in Iowa.

28 c. Impacts upon business as a result of the agreement.

29 d. Technology implementation issues.

30 e. Any other issues that are brought before the
31 streamlined sales and use tax member state or the streamlined
32 sales and use tax governing board.

33 2. The department shall provide administrative support to
34 the Iowa streamlined sales tax advisory council. The advisory
35 council shall be representative of Iowa's business community

1 and economy when reviewing and recommending solutions to
2 streamlined sales and use tax issues. The advisory council
3 shall provide the general assembly and the governor with final
4 recommendations made to the Iowa streamlined sales and use tax
5 representatives upon the conclusion of each calendar year.

6 3. The director, in consultation with the Iowa taxpayers
7 association, Iowa retail federation, and the Iowa association
8 of business and industry, shall appoint members to the Iowa
9 streamlined sales tax advisory council, which shall consist of
10 the following members:

11 a. One member from the department.

12 b. Three members representing small Iowa businesses, at
13 least one of whom must be a retailer, and at least one of whom
14 shall be a supplier.

15 c. Three members representing medium Iowa businesses, at
16 least one of whom shall be a retailer, and at least one of
17 whom shall be a supplier.

18 d. Three members representing large Iowa businesses, at
19 least one of whom shall be a retailer, and at least one of
20 whom shall be a supplier.

21 e. One member representing taxpayers as a whole.

22 f. One member representing the retail community as a
23 whole.

24 g. Any other member representative of business the
25 director deems appropriate.

26 Sec. 50. Section 423.33, subsection 3, Code Supplement
27 2005, is amended to read as follows:

28 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A person
29 sponsoring a flea market or a craft, antique, coin, or stamp
30 show or similar event shall obtain from every retailer selling
31 tangible personal property or taxable services at the event
32 proof that the retailer possesses a valid sales tax permit or
33 secure from the retailer a statement, taken in good faith,
34 that property or services offered for sale are not subject to
35 sales tax. Failure to do so renders a sponsor of the event

1 liable for payment of any sales tax, interest, and penalty due
2 and owing from any retailer selling property or services at
3 the event. Sections 423.31, 423.32, 423.37, 423.38, 423.39,
4 423.40, 423.41, and 423.42 apply to the sponsors. For
5 purposes of this subsection, a person sponsoring a flea market
6 or a craft, antique, coin, or stamp show or similar event does
7 not include an organization which sponsors an event ~~less-than~~
8 three-times-a-year determined to qualify as an event involving
9 casual sales pursuant to section 423.3, subsection 39, or the
10 state fair or a fair as defined in section 174.1.

11 Sec. 51. Section 423.37, subsection 2, Code 2005, is
12 amended to read as follows:

13 2. If a return required by this subchapter is not filed,
14 or if a return when filed is incorrect or insufficient and the
15 maker fails to file a corrected or sufficient return within
16 twenty days after the same is required by notice from the
17 department, the department shall determine the amount of tax
18 due from information as the department may be able to obtain
19 and, if necessary, may estimate the tax on the basis of
20 external indices, such as number of employees of the person
21 concerned, rentals paid by the person, stock on hand, or other
22 factors. The determination may be made using any generally
23 recognized valid and reliable sampling technique, whether or
24 not the person being audited has complete records, as mutually
25 agreed upon by the department and the taxpayer. The
26 department shall give notice of the determination to the
27 person liable for the tax. The determination shall fix the
28 tax unless the person against whom it is assessed shall,
29 within sixty days after the giving of notice of the
30 determination, apply to the director for a hearing or unless
31 the taxpayer contests the determination by paying the tax,
32 interest, and penalty and timely filing a claim for refund.
33 At the hearing, evidence may be offered to support the
34 determination or to prove that it is incorrect. After the
35 hearing the director shall give notice of the decision to the

1 person liable for the tax.

2 Sec. 52. Section 423B.1, subsection 3, Code 2005, is
3 amended to read as follows:

4 3. A local option tax shall be imposed only after an
5 election at which a majority of those voting on the question
6 favors imposition and shall then be imposed until repealed as
7 provided in subsection 6, paragraph "a". If the tax is a
8 local vehicle tax imposed by a county, it shall apply to all
9 incorporated and unincorporated areas of the county. If the
10 tax is a local sales and services tax imposed by a county, it
11 shall only apply to those incorporated areas and the
12 unincorporated area of that county in which a majority of
13 those voting in the area on the tax favors its imposition.
14 For purposes of the local sales and services tax, all cities
15 contiguous to each other shall be treated as part of one
16 incorporated area and the tax would be imposed in each of
17 those contiguous cities only if the majority of those voting
18 in the total area covered by the contiguous cities favors its
19 imposition. In the case of a local sales and services tax
20 submitted to the registered voters of two or more contiguous
21 counties as provided in subsection 4, paragraph "c", all
22 cities contiguous to each other shall be treated as part of
23 one incorporated area, even if the corporate boundaries of one
24 or more of the cities include areas of more than one county,
25 and the tax shall be imposed in each of those contiguous
26 cities only if a majority of those voting on the tax in the
27 total area covered by the contiguous cities favored its
28 imposition. For purposes of the local sales and services tax,
29 a city is not contiguous to another city if the only road
30 access between the two cities is through another state.

31 Sec. 53. Section 423B.1, subsection 4, Code 2005, is
32 amended by adding the following new paragraph:

33 NEW PARAGRAPH. c. Upon receipt of petitions or motions
34 calling for the submission of the question of the imposition
35 of a local sales and services tax as described in paragraph

1 "a" or "b", the boards of supervisors of two or more
2 contiguous counties in which the question is to be submitted
3 may enter into a joint agreement providing that for purposes
4 of this chapter, a city whose corporate boundaries include
5 areas of more than one county shall be treated as part of the
6 county in which a majority of the residents of the city
7 reside. In such event, the county commissioners of elections
8 from each such county shall cooperate in the selection of a
9 single date upon which the election shall be held, and for all
10 purposes of this chapter relating to the imposition, repeal,
11 change of use, or collection of the tax, such a city shall be
12 deemed to be part of the county in which a majority of the
13 residents of the city reside. A copy of the joint agreement
14 shall be provided promptly to the director of revenue.

15 Sec. 54. Section 423B.1, subsection 6, paragraph a, Code
16 2005, is amended to read as follows:

17 a. If a majority of those voting on the question of
18 imposition of a local option tax favors imposition of a local
19 option tax, the governing body of that county shall impose the
20 tax at the rate specified for an unlimited period. However,
21 in the case of a local sales and services tax, the county
22 shall not impose the tax in any incorporated area or the
23 unincorporated area if the majority of those voting on the tax
24 in that area did not favor its imposition. For purposes of
25 the local sales and services tax, all cities contiguous to
26 each other shall be treated as part of one incorporated area
27 and the tax shall be imposed in each of those contiguous
28 cities only if the majority of those voting on the tax in the
29 total area covered by the contiguous cities favored its
30 imposition. In the case of a local sales and services tax
31 submitted to the registered voters of two or more contiguous
32 counties as provided in subsection 4, paragraph "c", all
33 cities contiguous to each other shall be treated as part of
34 one incorporated area, even if the corporate boundaries of one
35 or more of the cities include areas of more than one county,

1 and the tax shall be imposed in each of those contiguous
2 cities only if a majority of those voting on the tax in the
3 total area covered by the contiguous cities favored its
4 imposition.

5 PARAGRAPH DIVIDED. The local option tax may be repealed or
6 the rate increased or decreased or the use thereof changed
7 after an election at which a majority of those voting on the
8 question of repeal or rate or use change favored the repeal or
9 rate or use change. The date on which the repeal, rate, or
10 use change is to take effect shall not be earlier than ninety
11 days following the election. The election at which the
12 question of repeal or rate or use change is offered shall be
13 called and held in the same manner and under the same
14 conditions as provided in subsections 4 and 5 for the election
15 on the imposition of the local option tax. However, in the
16 case of a local sales and services tax where the tax has not
17 been imposed countywide, the question of repeal or imposition
18 or rate or use change shall be voted on only by the registered
19 voters of the areas of the county where the tax has been
20 imposed or has not been imposed, as appropriate. However, the
21 governing body of the incorporated area or unincorporated area
22 where the local sales and services tax is imposed may, upon
23 its own motion, request the county commissioner of elections
24 to hold an election in the incorporated or unincorporated
25 area, as appropriate, on the question of the change in use of
26 local sales and services tax revenues. The election may be
27 held at any time but not sooner than sixty days following
28 publication of the ballot proposition. If a majority of those
29 voting in the incorporated or unincorporated area on the
30 change in use favors the change, the governing body of that
31 area shall change the use to which the revenues shall be used.
32 The ballot proposition shall list the present use of the
33 revenues, the proposed use, and the date after which revenues
34 received will be used for the new use.

35 When submitting the question of the imposition of a local

1 sales and services tax, the county board of supervisors may
2 direct that the question contain a provision for the repeal,
3 without election, of the local sales and services tax on a
4 specific date, which date shall be as provided in section
5 423B.6, subsection 1.

6 Sec. 55. Section 423B.5, unnumbered paragraph 1, Code
7 Supplement 2005, is amended to read as follows:

8 A local sales and services tax at the rate of not more than
9 one percent may be imposed by a county on the sales price
10 taxed by the state under chapter 423, subchapter II. A local
11 sales and services tax shall be imposed on the same basis as
12 the state sales and services tax or in the case of the use of
13 natural gas, natural gas service, electricity, or electric
14 service on the same basis as the state use tax and shall not
15 be imposed on the sale of any property or on any service not
16 taxed by the state, except the tax shall not be imposed on the
17 sales price from the sale of motor fuel or special fuel as
18 defined in chapter 452A which is consumed for highway use or
19 in watercraft or aircraft if the fuel tax is paid on the
20 transaction and a refund has not or will not be allowed, on
21 the sales price from the sale of equipment by the state
22 department of transportation, and except the tax shall not be
23 imposed on the sales price from the sale or use of natural
24 gas, natural gas service, electricity, or electric service in
25 a city or county where the sales price from the sale of
26 natural gas or electric energy is subject to a franchise fee
27 or user fee during the period the franchise or user fee is
28 imposed. A local sales and services tax is applicable to
29 transactions within those incorporated and unincorporated
30 areas of the county where it is imposed and shall be collected
31 by all persons required to collect state sales taxes. All
32 cities contiguous to each other shall be treated as part of
33 one incorporated area and the tax would be imposed in each of
34 those contiguous cities only if the majority of those voting
35 in the total area covered by the contiguous cities favors its

1 imposition. In the case of a local sales and services tax
2 submitted to the registered voters of two or more contiguous
3 counties as provided in section 423B.1, subsection 4,
4 paragraph "c", all cities contiguous to each other shall be
5 treated as part of one incorporated area, even if the
6 corporate boundaries of one or more of the cities include
7 areas of more than one county, and the tax shall be imposed in
8 each of those contiguous cities only if a majority of those
9 voting on the tax in the total area covered by the contiguous
10 cities favored its imposition.

11 Sec. 56. Section 425.11, subsection 4, Code Supplement
12 2005, is amended to read as follows:

13 4. The word "owner" shall mean the person who holds the
14 fee simple title to the homestead, and in addition shall mean
15 the person occupying as a surviving spouse or the person
16 occupying under a contract of purchase which contract has been
17 recorded in the office of the county recorder of the county in
18 which the property is located; or the person occupying the
19 homestead under devise or by operation of the inheritance laws
20 where the whole interest passes or where the divided interest
21 is shared only by persons related or formerly related to each
22 other by blood, marriage or adoption; or the person occupying
23 the homestead is a shareholder of a family farm corporation
24 that owns the property; or the person occupying the homestead
25 under a deed which conveys a divided interest where the
26 divided interest is shared only by persons related or formerly
27 related to each other by blood, marriage or adoption; or where
28 the person occupying the homestead holds a life estate with
29 the reversion interest held by a nonprofit corporation
30 organized under chapter 504, provided that the holder of the
31 life estate is liable for and pays property tax on the
32 homestead; or where the person occupying the homestead holds
33 an interest in a horizontal property regime under chapter
34 499B, regardless of whether the underlying land committed to
35 the horizontal property regime is in fee or as a leasehold

1 interest, provided that the holder of the interest in the
2 horizontal property regime is liable for and pays property tax
3 on the homestead; or where the person occupying the homestead
4 is a member of a community land trust as defined in 42 U.S.C.
5 § 12773, regardless of whether the underlying land is in fee
6 or as a leasehold interest, provided that the member of the
7 community land trust is occupying the homestead and is liable
8 for and pays property tax on the homestead. For the purpose
9 of this chapter the word "owner" shall be construed to mean a
10 bona fide owner and not one for the purpose only of availing
11 the person of the benefits of this chapter. In order to
12 qualify for the homestead tax credit, evidence of ownership
13 shall be on file in the office of the clerk of the district
14 court or recorded in the office of the county recorder at the
15 time the owner files with the assessor a verified statement of
16 the homestead claimed by the owner as provided in section
17 425.2.

18 Sec. 57. Section 427.1, subsection 2, Code Supplement
19 2005, is amended to read as follows:

20 2. MUNICIPAL AND MILITARY PROPERTY. The property of a
21 county, township, city, school corporation, levee district,
22 drainage district, or the Iowa national guard, when devoted to
23 public use and not held for pecuniary profit, except property
24 of a municipally owned electric utility held under joint
25 ownership and property of an electric power facility financed
26 under chapter 28F or 476A that shall be subject to taxation
27 under chapter 437A and facilities of a municipal utility that
28 are used for the provision of local exchange services pursuant
29 to chapter 476, but only to the extent such facilities are
30 used to provide such services, which shall be subject to
31 taxation under chapter 433, except that section 433.11 shall
32 not apply. The exemption for property owned by a city or
33 county also applies to property which is operated by a city or
34 county as a library, art gallery or museum, conservatory,
35 botanical garden or display, observatory or science museum, or

1 as a location for holding athletic contests, sports or
2 entertainment events, expositions, meetings or conventions, or
3 leased from the city or county for any such purposes, or
4 leased from the city or county by the Iowa national guard or
5 by a federal agency for the benefit of the Iowa national guard
6 when devoted for public use and not for pecuniary profit.
7 Food and beverages may be served at the events or locations
8 without affecting the exemptions, provided the city has
9 approved the serving of food and beverages on the property if
10 the property is owned by the city or the county has approved
11 the serving of food and beverages on the property if the
12 property is owned by the county. The exemption for property
13 owned by a city or county also applies to property which is
14 located at an airport and leased to a fixed base operator
15 providing aeronautical services to the public.

16 Sec. 58. Section 427.1, subsection 21A, Code Supplement
17 2005, is amended to read as follows:

18 21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT
19 ORGANIZATIONS. Dwelling unit property owned and managed by a
20 nonprofit organization if the nonprofit organization owns and
21 manages more than forty dwelling units that are located in a
22 city with a population of more than one hundred ten thousand
23 which has a public housing authority that does not own or
24 manage housing stock for the purpose of low-rent housing. For
25 the 2005 and 2006 assessment years, an application is not
26 required to be filed to receive the exemption. For the 2007
27 and subsequent assessment years, an application for exemption
28 must be filed with the assessing authority not later than
29 February 1 of the assessment year for which the exemption is
30 sought. Upon the filing and allowance of the claim, the claim
31 shall be allowed on the property for successive years without
32 further filing as long as the property continues to qualify
33 for the exemption.

34 Sec. 59. Section 427A.1, Code 2005, is amended by adding
35 the following new subsection:

1 NEW SUBSECTION. 5A. Notwithstanding the other provisions
2 of this section, property that is equipment used for the
3 washing, waxing, drying, or vacuuming of motor vehicles and
4 point-of-sale equipment necessary for the purchase of car wash
5 services shall not be assessed and taxed as real property.

6 Sec. 60. Section 432.12C, Code 2005, is amended to read as
7 follows:

8 432.12C INVESTMENT TAX CREDITS.

9 1. The tax imposed under this chapter shall be reduced by
10 an investment tax credit authorized pursuant to section 15E.43
11 for an investment in a qualifying business or a
12 community-based seed capital fund.

13 2. The taxes imposed under this division shall be reduced
14 by investment tax credits authorized pursuant to sections
15 15.333A and 15E.193B, subsection 6.

16 Sec. 61. NEW SECTION. 432.12H TAX CREDIT FOR CERTAIN
17 SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

18 The taxes imposed under this chapter shall be reduced by a
19 tax credit authorized pursuant to section 15.331C for certain
20 sales taxes paid by a third-party developer.

21 Sec. 62. NEW SECTION. 432.12I IOWA FUND OF FUNDS TAX
22 CREDIT.

23 The taxes imposed under this chapter shall be reduced by a
24 tax credit authorized pursuant to section 15E.66, if redeemed,
25 for investments in the Iowa fund of funds.

26 Sec. 63. Section 441.38, subsection 2, Code Supplement
27 2005, is amended to read as follows:

28 2. Notice If the appeal to district court is taken from
29 the action of the local board of review, notice of appeal
30 shall be served as an original notice on the chairperson,
31 presiding officer, or clerk of the board of review within
32 twenty-days-after-its-adjournment-or-May-31, whichever is
33 later, and after the filing of notice under subsection 1 with
34 the clerk of district court. If the appeal to district court
35 is taken from the action of the property assessment appeal

1 board, notice of appeal shall be served as an original notice
2 on the secretary of the property assessment appeal board, ~~if~~
3 applicable after the filing of notice under subsection 1 with
4 the clerk of district court.

5 Sec. 64. Section 468.55, Code 2005, is amended to read as
6 follows:

7 468.55 ASSESSMENTS -- MATURITY AND COLLECTION.

8 If a landowner selects an option provided in section
9 468.57, all drainage or levee tax assessments become due and
10 payable with the first half of ordinary taxes, and shall be
11 collected in the same manner with the same interest for
12 delinquency and the same manner of enforcing collection by tax
13 sales. As an alternative, the ~~certifying authority may~~
14 ~~request that landowner may pay~~ the annual installment be
15 payable in two equal payments, one-half with the September
16 payment of ordinary taxes and one-half payable with the March
17 payment of ordinary taxes. All drainage or levee tax
18 assessments not optioned for installment payments by the
19 landowner shall become due and payable within thirty days
20 after the levy of assessments.

21 Sec. 65. Section 533.24, Code Supplement 2005, is amended
22 by adding the following new subsections:

23 NEW SUBSECTION. 8. The moneys and credits tax imposed
24 under this section shall be reduced by an investment tax
25 credit authorized pursuant to section 15.333.

26 NEW SUBSECTION. 9. The moneys and credits tax imposed
27 under this section shall be reduced by a tax credit authorized
28 pursuant to section 15.331C for certain sales taxes paid by a
29 third-party developer.

30 NEW SUBSECTION. 10. The moneys and credits tax imposed
31 under this section shall be reduced by a tax credit authorized
32 pursuant to section 15E.66, if redeemed, for investments in
33 the Iowa fund of funds.

34 Sec. 66. 2005 Iowa Acts, chapter 140, section 72, is
35 amended to read as follows:

1 SEC. 72. REFUNDS. Refunds of taxes, interest, or
2 penalties which arise from claims resulting from the amendment
3 to section 423.3, subsection 5, in this division of this Act,
4 for the sale of agricultural drain tile materials occurring
5 between January 1, 1998, and the effective date of the section
6 amending section 423.3, subsection 5, in this division of this
7 Act, shall be limited to ~~twenty-five~~ fifty thousand dollars in
8 the aggregate and shall not be allowed unless refund claims
9 are filed prior to October 1, 2005, notwithstanding any other
10 provision of law. If the amount of claims totals more than
11 ~~twenty-five~~ fifty thousand dollars in the aggregate, the
12 department of revenue shall prorate the ~~twenty-five~~ fifty
13 thousand dollars among all claimants in relation to the
14 amounts of the claimants' valid claims.

15 Sec. 67. 2005 Iowa Acts, chapter 179, section 100, is
16 amended to read as follows:

17 SEC. 100. COUNTY REAL ESTATE ELECTRONIC GOVERNMENT
18 ADVISORY COMMITTEE.

19 1. A county real estate electronic government advisory
20 committee is created. ~~Staffing-services-for-the-advisory~~
21 ~~committee-shall-be-provided-by-the-auditor-of-state.~~ The
22 advisory committee membership shall consist of the following:

23 a. Two members selected by the Iowa state association of
24 county auditors.

25 b. Two members selected by the Iowa state county
26 treasurers association.

27 c. Two members selected by the Iowa county recorders
28 association.

29 d. Two members selected by the Iowa state association of
30 assessors.

31 e. One member selected by each of the following
32 organizations:

- 33 (1) Iowa state association of counties.
- 34 (2) Iowa land title association.
- 35 (3) Iowa bankers association.

- 1 (4) Iowa credit union league.
- 2 (5) Iowa state bar association.
- 3 (6) Iowa association of realtors.

4 2. The county real estate electronic government advisory
5 committee shall facilitate discussion to integrate the county
6 land record information system ~~created-pursuant-to-section~~
7 ~~331-605E~~ with the electronic government internet applications
8 of county treasurers, county recorders, county auditors, and
9 county assessors. The advisory committee shall file an
10 updated integration plan with the governor and the general
11 assembly on or before November 1, ~~2005~~ 2006.

12 Sec. 68. 2005 Iowa Acts, chapter 179, section 101,
13 subsection 3, is repealed.

14 Sec. 69. EFFECTIVE AND APPLICABILITY DATES.

15 1. The sections of this division of this Act amending
16 section 422.12C, subsection 2, apply retroactively to January
17 1, 2006, for tax years beginning on or after that date.

18 2. The section of this division of this Act amending
19 section 425.11, being deemed of immediate importance, takes
20 effect upon enactment and applies to taxes due and payable in
21 fiscal years beginning on or after July 1, 2006.

22 3. The section of this division of this Act enacting
23 section 427A.1, subsection 5A, being deemed of immediate
24 importance, takes effect upon enactment and applies
25 retroactively to January 1, 2006, for assessment years
26 beginning on or after that date.

27 4. The section of this division of this Act amending 2005
28 Iowa Acts, chapter 140, section 72, being deemed of immediate
29 importance, takes effect upon enactment and applies
30 retroactively to June 30, 2005.

31 DIVISION II

32 STREAMLINED SALES AND USE TAX UPDATES

33 Sec. 70. Section 423.2, subsection 8, Code Supplement
34 2005, is amended by striking the subsection and inserting in
35 lieu thereof the following:

1 8. a. A tax of five percent is imposed on the sales price
2 from sales of bundled transactions. For the purposes of this
3 subsection, a "bundled transaction" is the retail sale of two
4 or more distinct and identifiable products, except real
5 property and services to real property, which are sold for one
6 nonitemized price. A "bundled transaction" does not include
7 the sale of any products in which the sales price varies, or
8 is negotiable, based on the selection by the purchaser of the
9 products included in the transaction.

10 b. "Distinct and identifiable products" does not include
11 any of the following:

12 (1) Packaging or other materials that accompany the retail
13 sale of the products and are incidental or immaterial to the
14 retail sale of the products.

15 (2) A product provided free of charge with the required
16 purchase of another product. A product is "provided free of
17 charge" if the sales price of the product purchased does not
18 vary depending on the inclusion of the product which is
19 provided free of charge.

20 (3) Items included in the definition of "sales price"
21 pursuant to section 423.1.

22 c. "One nonitemized price" does not include a price that
23 is separately identified by product on binding sales or other
24 supporting sales-related documentation made available to the
25 customer in paper or electronic form.

26 Sec. 71. Section 423.18, Code Supplement 2005, is amended
27 by striking the section and inserting in lieu thereof the
28 following:

29 423.18 MULTIPLE POINTS OF USE.

30 1. Notwithstanding the provisions of section 423.15, a
31 business purchaser that is not a holder of a direct pay permit
32 that knows at the time of purchase of a digital good, computer
33 software, or a service that the digital good, computer
34 software, or service will be concurrently available for use in
35 more than one jurisdiction shall deliver to the seller in

1 conjunction with its purchase an exemption certificate
2 claiming multiple points of use or meet the requirements of
3 subsection 2 or 3. For the purpose of this section only,
4 "computer software" includes but is not limited to computer
5 software delivered electronically, by load and leave, or in
6 tangible form. "Computer software" does not include computer
7 software received in person by a business purchaser at a
8 business location of the seller.

9 a. Upon receipt of an exemption certificate claiming
10 multiple points of use, the seller is relieved of all
11 obligation to collect, pay, or remit the applicable tax, and
12 the purchaser shall be obligated to collect, pay, or remit the
13 applicable tax on a direct pay basis.

14 b. A purchaser delivering an exemption certificate
15 claiming multiple points of use may use any reasonable, but
16 consistent and uniform, method of apportionment that is
17 supported by the purchaser's business books and records as
18 they exist at the time the transaction is reported for sales
19 or use tax purposes.

20 c. A purchaser delivering an exemption certificate
21 claiming multiple points of use shall report and pay the
22 appropriate tax to each jurisdiction where concurrent use
23 occurs. The tax due shall be calculated as if the apportioned
24 amount of the digital good, computer software, or service had
25 been delivered to each jurisdiction to which the sale is
26 apportioned pursuant to paragraph "b".

27 d. The exemption certificate claiming multiple points of
28 use shall remain in effect for all future sales by the seller
29 to the purchaser, except as to the subsequent sale's specific
30 apportionment that is governed by the principles of paragraphs
31 "b" and "c", until the exemption certificate is revoked in
32 writing.

33 2. Notwithstanding subsection 1, when the seller knows
34 that the product will be concurrently available for use in
35 more than one jurisdiction, but the purchaser does not provide

1 an exemption certificate claiming multiple points of use as
2 required in subsection 1, the seller may work with the
3 purchaser to produce the correct apportionment. The purchaser
4 and seller may use any reasonable, but consistent and uniform,
5 method of apportionment that is supported by the seller's and
6 purchaser's business books and records as they exist at the
7 time the transaction is reported for sales or use tax
8 purposes. If the purchaser certifies the accuracy of the
9 apportionment and the seller accepts the certification, the
10 seller shall collect and remit the tax pursuant to subsection
11 1, paragraph "c". In the absence of bad faith, the seller is
12 relieved of any further obligation to collect tax on any
13 transaction where the seller has collected tax pursuant to the
14 information certified by the purchaser.

15 3. When the seller knows that the product will be
16 concurrently available for use in more than one jurisdiction
17 and the purchaser does not have a direct pay permit and does
18 not provide the seller with an exemption certificate claiming
19 a multiple points of use exemption as required in subsection
20 1, or certification pursuant to subsection 2, the seller shall
21 collect and remit the tax based on the provisions of section
22 423.15.

23 4. A holder of a direct pay permit shall not be required
24 to deliver an exemption certificate claiming multiple points
25 of use to the seller. A direct pay permit holder shall follow
26 the provisions of subsection 1, paragraphs "b" and "c", in
27 apportioning the tax due on a digital good, computer software,
28 or a service that will be concurrently available for use in
29 more than one jurisdiction.

30 5. Nothing in this section shall limit a person's
31 obligation for sales or use tax to this state in which the
32 qualifying purchases are concurrently available for use, or
33 limit a person's ability under local, state, federal, or
34 constitutional law, to claim a credit for sales or use taxes
35 legally due and paid to other jurisdictions.

1 Sec. 72. Section 423.20, subsection 1, paragraph j, Code
2 2005, is amended to read as follows:

3 j. "Postpaid calling service" means the telecommunications
4 service obtained by making a payment on a call-by-call basis
5 either through the use of a credit card or payment mechanism
6 such as a bank card, travel card, credit card, or debit card,
7 or by charge made to a telephone number which is not
8 associated with the origination or termination of the
9 telecommunications service. A "postpaid calling service"
10 includes a telecommunications service, except a prepaid
11 wireless calling service, that would be a prepaid calling
12 service except it is not exclusively a telecommunications
13 service.

14 Sec. 73. Section 423.20, subsection 1, Code 2005, is
15 amended by adding the following new paragraph after paragraph
16 k, and relettering the remaining paragraphs:

17 NEW PARAGRAPH. 1. "Prepaid wireless calling service"
18 means a telecommunications service that provides the right to
19 utilize mobile wireless service as well as other
20 nontelecommunications services, including the download of
21 digital products delivered electronically, content and
22 ancillary services, which must be paid for in advance and that
23 is sold in predetermined units or dollars of which the amount
24 declines with use in a known amount.

25 Sec. 74. Section 423.20, subsection 2, paragraph c,
26 subparagraphs (1) and (3), Code 2005, are amended to read as
27 follows:

28 (1) A sale of mobile telecommunications services other
29 than air-to-ground radiotelephone service, ~~or~~ prepaid calling
30 service, or prepaid wireless calling service is sourced to the
31 customer's place of primary use as required by the federal
32 Mobile Telecommunications Sourcing Act.

33 (3) A sale of prepaid calling service or a sale of prepaid
34 wireless calling service is sourced in accordance with section
35 423.15. However, in the case of a sale of mobile

1 ~~telecommunications-services-that-is-a-prepaid~~
2 telecommunications a prepaid wireless calling service, the
3 rule provided in section 423.15, subsection 1, paragraph "e",
4 shall include as an option the location associated with the
5 mobile telephone number.

6 Sec. 75. Section 423.45, subsection 4, paragraph b, Code
7 2005, is amended to read as follows:

8 b. The sales tax liability for all sales of tangible
9 personal property and all sales of services is upon the seller
10 and the purchaser unless the seller takes ~~in-good-faith~~ from
11 the purchaser a valid exemption certificate stating under
12 penalty of perjury that the purchase is for a nontaxable
13 purpose and is not a retail sale as defined in section 423.1,
14 or the seller is not obligated to collect tax due, or unless
15 the seller takes a fuel exemption certificate pursuant to
16 subsection 5. If the tangible personal property or services
17 are purchased tax free pursuant to a valid exemption
18 certificate ~~which-is-taken-in-good-faith-by-the-seller,~~ and
19 the tangible personal property or services are used or
20 disposed of by the purchaser in a nonexempt manner, the
21 purchaser is solely liable for the taxes and shall remit the
22 taxes directly to the department and sections 423.31, 423.32,
23 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
24 to the purchaser.

25 Sec. 76. Section 423.45, subsection 4, paragraph d, Code
26 2005, is amended by striking the paragraph and inserting in
27 lieu thereof the following:

28 d. The protection afforded a seller by paragraph "b" does
29 not apply to a seller who fraudulently fails to collect tax or
30 to a seller who solicits purchasers to participate in the
31 unlawful claim of an exemption.

32 Sec. 77. Section 423.51, subsection 2, Code 2005, is
33 amended to read as follows:

34 2. Sellers that follow the requirements of this section
35 are relieved from any tax otherwise applicable if it is

1 determined that the purchaser improperly claimed an exemption
2 and that the purchaser is liable for the nonpayment of tax.
3 This relief from liability does not apply to a seller who
4 fraudulently does any of the following:

5 a. Fraudulently fails to collect ~~the tax or solicits~~ tax.

6 b. Solicits purchasers to participate in the unlawful
7 claim of an exemption.

8 c. Accepts an exemption certificate when the purchaser
9 claims an entity-based exemption when the following conditions
10 are met:

11 (1) The subject of the transaction sought to be covered by
12 the exemption certificate is actually received by the
13 purchaser at a location operated by the seller.

14 (2) The state provides an exemption certificate that
15 clearly and affirmatively indicates that the claimed exemption
16 is not available in the state.

17 d. Accepts an exemption certificate claiming multiple
18 points of use for tangible personal property other than
19 computer software for which an exemption claiming multiple
20 points of use is acceptable under section 423.18.

21 Sec. 78. Section 423.51, Code 2005, is amended by adding
22 the following new subsections:

23 NEW SUBSECTION. 3. a. A seller otherwise obligated to
24 collect tax from a purchaser is relieved of that obligation if
25 the seller obtains a fully completed exemption certificate or
26 secures the relevant data elements of a fully completed
27 exemption certificate within ninety days after the date of
28 sale.

29 b. If the seller has not obtained an exemption certificate
30 or all relevant data elements as provided in paragraph "a",
31 the seller may, within one hundred twenty days after a request
32 for substantiation by the department, either prove that the
33 transaction was not subject to tax by other means or obtain a
34 fully completed exemption certificate from the purchaser,
35 taken in good faith.

1 c. Nothing in this subsection shall affect the ability of
2 the state to require purchasers to update exemption
3 certificate information or to reapply with the state to claim
4 certain exemptions.

5 d. Notwithstanding paragraphs "a", "b", and "c", a seller
6 is relieved of its obligation to collect tax from a purchaser
7 if the seller obtains a blanket exemption certificate from the
8 purchaser, and the seller and purchaser have a recurring
9 business relationship. For the purposes of this paragraph, a
10 recurring business relationship exists when a period of no
11 more than twelve months elapses between sales transactions.
12 The department may not request from the seller renewal of
13 blanket certificates or updates of exemption certificate
14 information or data elements when there is a recurring
15 business relationship between the purchaser and seller.

16 NEW SUBSECTION. 4. All relief that this section provides
17 to sellers is also provided to certified service providers
18 under this chapter.

19 Sec. 79. Section 423.52, Code 2005, is amended to read as
20 follows:

21 423.52 RELIEF FROM LIABILITY FOR SELLERS AND CERTIFIED
22 SERVICE PROVIDERS.

23 1. Sellers and certified service providers using databases
24 derived from zip codes or state or vendor provided
25 address-based databases are relieved from liability to this
26 state or its local taxing jurisdictions for having charged and
27 collected the incorrect amount of sales or use tax resulting
28 from the seller or certified service provider relying on
29 erroneous data provided by this state on tax rates,
30 boundaries, or taxing jurisdiction assignments. If this state
31 provides an address-based system for assigning taxing
32 jurisdictions ~~whether-or-not-pursuant-to-the-federal-Mobile~~
33 ~~Telecommunications-Sourcing-Act~~, the director is not required
34 to provide liability relief for errors resulting from reliance
35 on the information provided by this state if the director has

1 given adequate notice, as determined by the governing board,
2 to affected parties of the decision to end this relief.

3 2. a. Model 2 sellers and certified service providers are
4 relieved of liability to Iowa for any failure to charge and
5 collect the correct amount of sales or use tax if this failure
6 results from the model 2 seller's or the certified service
7 provider's reliance upon this state's certification to the
8 governing board that Iowa has accepted the governing board's
9 certification of a piece of software as a certified automated
10 system. The relief provided by this paragraph to a model 2
11 seller or certified service provider does not extend to a
12 seller or provider who has incorrectly classified an item or
13 transaction into the product-based exemptions portion of a
14 certified automated system. However, any model 2 seller or
15 certified service provider who has relied upon an individual
16 listing of items or transactions within a product definition
17 approved by the governing board or Iowa may claim the relief
18 allowed by this paragraph.

19 b. If the department determines that an item or
20 transaction is incorrectly classified as to its taxability,
21 the department shall notify the model 2 seller or certified
22 service provider of the incorrect classification. The model 2
23 seller or certified service provider shall have ten days to
24 revise the classification after receipt of notice of the
25 determination. Upon expiration of the ten days, the model 2
26 seller or certified service provider shall be liable for the
27 failure to collect the correct amount of sales or use taxes
28 due and owing to the member state.

29 Sec. 80. EFFECTIVE DATES.

30 1. Except as provided in subsection 2, this division of
31 this Act takes effect January 1, 2008.

32 2. The sections of this division of this Act amending
33 section 423.45, subsection 4, and section 423.52, being deemed
34 of immediate importance, take effect upon enactment.

35

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2794 Tax Technical, Policy & Exemptions (LSB 6655 HV.1)
Analyst: Jeff Robinson (Phone: [515] 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – As amended and passed by the House

Description

House File 2794 as amended and passed by the House, relates to several tax subjects:

- Tax administration.
- Tax policy.
- Streamlined sales tax.
- Local option sales tax – Specifies how voting is to be conducted in instances where two adjacent counties vote on a regular local option sales tax proposal and parts of a city are located in both counties.
- Tax exemptions and credits:
 - Removes the cap on total tax credits allowed under the Early Childhood Development Tax Credit. Currently law caps the available annual credits at \$2.5 million.
 - Exempts from State and local sales tax, sales made to home and community-based service providers certified to offer Medicaid waiver services by the Iowa Department of Human Services.
 - Exempts from State and local sales tax, the furnishing of services by a full-time student where the total gross sales receipts do not exceed \$5,000 in a year.
 - Exempts from State and local sales tax, fuel consumed in the process of generating electric current.
 - Expands a current sales tax exemption related to repair services performed on river vessels meeting specified conditions.
 - Exempts from State and local sales tax, sales of coins, currency, and bullion.
 - Allows owners of property within a community land trust to qualify for the Homestead Property Tax Credit as long as the owner is liable for the tax on the property.
 - Expands the property tax exemption allowed for cities and counties to include property located at an airport and leased to an operator of an aeronautical business.
 - Exempts from property tax, washing, waxing, drying, vacuuming, and other equipment located at a car wash.
 - Increases the total amount of refunds that may be paid in association with the sales tax exemption on certain agricultural drainage equipment (enacted 2005) from the current limit of \$25,000 to \$50,000.
 - Specifies that the exemption from the vehicle use tax for vehicles transferred from one business entity to a corporation applies only to corporations in existence for no longer than 24 months.
 - Specifies how vehicle use taxes shall be calculated in certain instances where a dealer removes a vehicle from inventory and replaces it with another.

Fiscal Impact

The following table provides estimates for six portions of the Bill. All six impact the State General Fund and four also impact local option sales tax revenue. The first item listed relates to increased expenditures, while the remaining items relate to reduced revenue. All items first impact FY 2007.

<u>General Fund Fiscal Impact Item</u>	<u>Bill Section</u>	<u>General Fund Impact</u>	<u>Local Option Tax Impact</u>
Child Development Tax Credit	Section 24	\$ 740,000	\$ 0
Medicaid Waiver Exemption	Section 40	590,000	145,000
Student Service Exemption	Section 41	60,000	15,000
Missouri River Vessel Exemption	Section 43	25,000	5,000
Currency & Bullion Exemption	Section 44	65,000	16,000
Agricultural Drainage Refund	Section 66	25,000	0
Total		<u>\$ 1,505,000</u>	<u>\$ 181,000</u>

The following items were not estimated due to insufficient available information:

- Section 5, relating to annexation. Any revenue change would impact local government property tax.
- Section 42, relating to fuel consumed in the generation of electricity. Any revenue change would impact the General Fund.
- Section 45, relating to the transfer of motor vehicles within the first 24 months of a business's existence. Any revenue change would impact the Road Use Tax Fund.
- Section 46, relating to licensed motor vehicle dealer inventories. Any revenue change would impact the Road Use Tax Fund.
- Section 56, relating to qualifications for the Homestead Property Tax Credit within a community land trust. Any revenue change would impact local government property tax.
- Section 57, relating to a property tax exemption for private aeronautical businesses located at a public airport. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.
- Section 59, relating to the property tax status of equipment located at a car wash. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.

Sources

Department of Revenue
Iowa Coin Dealers

/s/ Holly M. Lyons

May 2, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Kurtenbach, chair
Struyk
Shomshor

Suc ed By
SF 0 2794

HSB 776
WAYS AND MEANS

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the policy and technical administration of the
2 tax and related laws by the department of revenue, including
3 administration of and tax exemptions under the income, sales,
4 use, and property taxes, updating the streamlined sales and
5 use tax, and including effective and retroactive applicability
6 date provisions.

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

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DIVISION I

TAX ADMINISTRATION AND POLICY

1
2
3 Section 1. Section 15E.193B, subsection 8, unnumbered
4 paragraph 1, Code Supplement 2005, is amended to read as
5 follows:

6 The amount of the tax credits determined pursuant to
7 subsection 6, paragraph "a", for each project shall be
8 approved by the department of economic development. The
9 department shall utilize the financial information required to
10 be provided under subsection 5, paragraph "e", to determine
11 the tax credits allowed for each project. In determining the
12 amount of tax credits to be allowed for a project, the
13 department shall not include the portion of the project cost
14 financed through federal, state, and local government tax
15 credits, grants, and forgivable loans. Upon approving the
16 amount of the tax credit, the department of economic
17 development shall issue a tax credit certificate to the
18 eligible housing business except when low-income housing tax
19 credits authorized under section 42 of the Internal Revenue
20 Code are used to assist in the financing of the housing
21 development in which case the tax credit certificate may be
22 issued to a partner if the business is a partnership, a
23 shareholder if the business is an S corporation, or a member
24 if the business is a limited liability company in the amounts
25 designated by the eligible partnership, S corporation, or
26 limited liability company. An eligible housing business or
27 the designated partner if the business is a partnership,
28 designated shareholder if the business is an S corporation, or
29 designated member if the business is a limited liability
30 company, or transferee shall not claim the tax credit unless a
31 tax credit certificate ~~issued by the department of economic~~
32 ~~development~~ is attached to the taxpayer's return for the tax
33 year for which the tax credit is claimed. The tax credit
34 certificate shall contain the taxpayer's name, address, tax
35 identification number, the amount of the tax credit, and other

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1 information required by the department of revenue. The tax
2 credit certificate shall be transferable if the housing
3 development is located in a brownfield site as defined in
4 section 15.291, if the housing development is located in a
5 blighted area as defined in section 403.17, or if low-income
6 housing tax credits authorized under section 42 of the
7 Internal Revenue Code are used to assist in the financing of
8 the housing development. Not more than three million dollars
9 worth of tax credits for housing developments that are located
10 in a brownfield site as defined in section 15.291 or housing
11 developments located in a blighted area as defined in section
12 403.17 shall be transferred in one calendar year. The three
13 million dollar annual limit does not apply to tax credits
14 awarded to an eligible housing business having low-income
15 housing tax credits authorized under section 42 of the
16 Internal Revenue Code to assist in the financing of the
17 housing development. The department may approve an
18 application for tax credit certificates for transfer from an
19 eligible housing business located in a brownfield site as
20 defined in section 15.291 or in a blighted area as defined in
21 section 403.17 that would result in the issuance of more than
22 three million dollars of tax credit certificates for transfer .
23 provided the department, through negotiation with the eligible
24 business, allocates those tax credit certificates for transfer
25 over more than one calendar year. The department shall not
26 issue approve more than one million five hundred thousand
27 dollars in tax credit certificates for transfer to any one
28 eligible housing business located in a brownfield site as
29 defined in section 15.291 or in a blighted area as defined in
30 section 403.17 in a calendar year. If three million dollars
31 in tax credit certificates for transfer have not been issued
32 at the end of a calendar year, the remaining tax credit
33 certificates for transfer may be issued in advance to an
34 eligible housing business scheduled to receive a tax credit
35 certificate for transfer in a later calendar year. Any time

1 the department ~~issues~~ approves a tax credit certificate for
2 transfer which has not been allocated at the end of a calendar
3 year, the department may prorate the remaining certificates to
4 more than one eligible applicant. If the entire three million
5 dollars of tax credit certificates for transfer is not issued
6 in a given calendar year, the remaining amount may be carried
7 over to a succeeding calendar year. Tax credit certificates
8 issued under this chapter may be transferred to any person or
9 entity. The department of economic development shall notify
10 the department of revenue of the tax credit certificates which
11 have been approved for transfer. Within ninety days of
12 transfer, the transferee must submit the transferred tax
13 credit certificate to the department of ~~economic-development~~
14 revenue along with a statement containing the transferee's
15 name, tax identification number, and address, and the
16 denomination that each replacement tax credit certificate is
17 to carry and any other information required by the department
18 of revenue. Within thirty days of receiving the transferred
19 tax credit certificate and the transferee's statement, the
20 department of ~~economic-development~~ revenue shall issue one or
21 more replacement tax credit certificates to the transferee.
22 Each replacement certificate must contain the information
23 required to receive the original certificate and must have the
24 same expiration date that appeared in the transferred tax
25 credit certificate. Tax credit certificate amounts of less
26 than the minimum amount established by rule of the department
27 of economic development shall not be transferable. A tax
28 credit shall not be claimed by a transferee under subsection
29 6, paragraph "a", until a replacement tax credit certificate
30 identifying the transferee as the proper holder has been
31 issued.

32 Sec. 2. Section 68A.102, subsection 21, Code Supplement
33 2005, is amended to read as follows:

34 21. "State income tax liability" means the state
35 individual income tax imposed under section 422.5 ~~reduced-by~~

1 ~~the sum of the deductions from the computed tax as provided~~
 2 ~~under section 422.12, less the amounts of nonrefundable~~
 3 ~~credits allowed under chapter 422, division II.~~

4 Sec. 3. Section 257.21, unnumbered paragraph 2, Code 2005,
 5 is amended to read as follows:

6 The instructional support income surtax shall be imposed on
 7 the state individual income tax for the calendar year during
 8 which the school's budget year begins, or for a taxpayer's
 9 fiscal year ending during the second half of that calendar
 10 year and after the date the board adopts a resolution to
 11 participate in the program or the first half of the succeeding
 12 calendar year, and shall be imposed on all individuals
 13 residing in the school district on the last day of the
 14 applicable tax year. As used in this section, "state
 15 individual income tax" means the taxes computed under section
 16 422.5, less the amounts of nonrefundable credits allowed in
 17 ~~sections 422.11A, 422.11B, 422.12, and 422.12B~~ under chapter
 18 422, division II.

19 Sec. 4. Section 404A.4, subsection 5, unnumbered paragraph
 20 1, Code Supplement 2005, is amended to read as follows:

21 Tax credit certificates issued under this chapter may be
 22 transferred to any person or entity. Within ninety days of
 23 transfer, the transferee must submit the transferred tax
 24 credit certificate to the ~~state historic preservation office~~
 25 department of revenue along with a statement containing the
 26 transferee's name, tax identification number, and address, and
 27 the denomination that each replacement tax credit certificate
 28 is to carry and any other information required by the
 29 department of revenue. Within thirty days of receiving the
 30 transferred tax credit certificate and the transferee's
 31 statement, the ~~office~~ department of revenue shall issue one or
 32 more replacement tax credit certificates to the transferee.
 33 Each replacement certificate must contain the information
 34 required under subsection 2 and must have the same expiration
 35 date that appeared in the transferred tax credit certificate.

1 Tax credit certificate amounts of less than the minimum amount
2 established by rule of the state historic preservation office
3 shall not be transferable. A tax credit shall not be claimed
4 by a transferee under this chapter until a replacement tax
5 credit certificate identifying the transferee as the proper
6 holder has been issued.

7 Sec. 5. Section 421.17, subsection 14, Code Supplement
8 2005, is amended by striking the subsection.

9 Sec. 6. Section 422.5, subsection 1, paragraph j,
10 subparagraph (2), unnumbered paragraph 2, Code 2005, is
11 amended to read as follows:

12 This subparagraph shall not affect the amount of the
13 taxpayer's ~~checkoff to the Iowa election campaign fund under~~
14 ~~section 68A.601, the checkoff for the fish and game fund in~~
15 ~~section 456A.16~~ checkoffs under this division, the credits
16 from tax provided ~~in sections 422.10, 422.11A, and 422.12~~
17 under this division, and the allocation of these credits
18 between spouses if the taxpayers filed separate returns or
19 separately on combined returns.

20 Sec. 7. Section 422.5, subsection 1, paragraph k,
21 subparagraph (2), subparagraph subdivision (b), Code 2005, is
22 amended to read as follows:

23 (b) Twenty-six thousand dollars for a single person or an
24 ~~unmarried~~ a head of household.

25 Sec. 8. Section 422.5, subsection 2, Code 2005, is amended
26 to read as follows:

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

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

30 In addition, if the married persons', filing jointly or
31 filing separately on a combined return, unmarried head of
32 household's, or surviving spouse's net income exceeds thirteen
33 thousand five hundred dollars, the regular tax imposed under
34 this division shall be the lesser of the maximum state
35 individual income tax rate times the portion of the net income

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

9 Sec. 9. Section 422.6, unnumbered paragraph 1, Code 2005,
10 is amended to read as follows:

11 The tax imposed by section 422.5 less the amounts of
12 nonrefundable credits allowed under sections-15.3337-15.3357,
13 422.107-422.117-422.11A7-and-422.11B7-and-the-personal
14 exemption-credit-allowed-under-section-422.12 this division
15 apply to and are a charge against estates and trusts with
16 respect to their taxable income, and the rates are the same as
17 those applicable to individuals. The fiduciary shall make the
18 return of income for the estate or trust for which the
19 fiduciary acts, whether the income is taxable to the estate or
20 trust or to the beneficiaries. However, for tax years ending
21 after August 5, 1997, if the trust is a qualified preneed
22 funeral trust as set forth in section 685 of the Internal
23 Revenue Code and the trustee has elected the special tax
24 treatment under section 685 of the Internal Revenue Code,
25 neither the trust nor the beneficiary is subject to Iowa
26 income tax on income accruing to the trust.

27 Sec. 10. Section 422.7, subsection 21, paragraph a,
28 subparagraph (1), unnumbered paragraph 1, Code Supplement
29 2005, is amended to read as follows:

30 Net capital gain from the sale of real property used in a
31 business, in which the taxpayer materially participated for
32 ten years, as defined in section 469(h) of the Internal
33 Revenue Code, and which has been held for a minimum of ten
34 years, or from the sale of a business, as defined in section
35 423.1, ~~in which the taxpayer was employed or~~ in which the

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1 taxpayer materially participated for ten years, as defined in
2 section 469(h) of the Internal Revenue Code, and which has
3 been held for a minimum of ten years. The sale of a business
4 means the sale of all or substantially all of the tangible
5 personal property or service of the business.

6 Sec. 11. Section 422.9, subsection 1, Code Supplement
7 2005, is amended to read as follows:

8 1. An optional standard deduction, after deduction of
9 federal income tax, equal to one thousand two hundred thirty
10 dollars for a married person who files separately or a single
11 person or equal to three thousand thirty dollars for a husband
12 and wife who file a joint return, a surviving spouse, or an
13 unmarried a head of household. The optional standard
14 deduction shall not exceed the amount remaining after
15 deduction of the federal income tax. The amount of federal
16 income tax deducted shall be computed as provided in
17 subsection 2, paragraph "b".

18 Sec. 12. Section 422.10, subsection 4, Code Supplement
19 2005, is amended to read as follows:

20 4. Any credit in excess of the tax liability imposed by
21 section 422.5 less the amounts of nonrefundable credits
22 allowed under ~~sections 422.11A7-422.127-and-422.12B~~ this
23 division for the taxable year shall be refunded with interest
24 computed under section 422.25. In lieu of claiming a refund,
25 a taxpayer may elect to have the overpayment shown on the
26 taxpayer's final, completed return credited to the tax
27 liability for the following taxable year.

28 Sec. 13. Section 422.10, Code Supplement 2005, is amended
29 by adding the following new subsection:

30 NEW SUBSECTION. 5. An individual may claim an additional
31 research activities credit authorized pursuant to section
32 15.335 if the eligible business is a partnership, S
33 corporation, limited liability company, or estate or trust
34 which elects to have the income taxed directly to the
35 individual. The amount of the credit shall be as provided in

1 section 15.335.

2 Sec. 14. Section 422.11, Code 2005, is amended to read as
3 follows:

4 422.11 FRANCHISE TAX CREDIT.

5 The taxes imposed under this division, less the credits
6 allowed under ~~section~~ sections 422.12 and 422.12B, shall be
7 reduced by a franchise tax credit. A taxpayer who is a
8 shareholder in a financial institution, as defined in section
9 581 of the Internal Revenue Code, which has in effect for the
10 tax year an election under subchapter S of the Internal
11 Revenue Code, or is a member of a financial institution
12 organized as a limited liability company under chapter 524
13 that is taxed as a partnership for federal income tax
14 purposes, shall compute the amount of the tax credit by
15 recomputing the amount of tax under this division by reducing
16 the taxable income of the taxpayer by the taxpayer's pro rata
17 share of the items of income and expense of the financial
18 institution and ~~subtracting~~ the credits allowed under ~~section~~
19 sections 422.12 and 422.12B. This recomputed tax shall be
20 subtracted from the amount of tax computed under this division
21 after the deduction for credits allowed under ~~section~~ sections
22 422.12 and 422.12B. The resulting amount, which shall not
23 exceed the taxpayer's pro rata share of the franchise tax paid
24 by the financial institution, is the amount of the franchise
25 tax credit allowed.

26 Sec. 15. Section 422.11B, subsection 1, unnumbered
27 paragraph 2, Code 2005, is amended to read as follows:

28 The minimum tax credit for a tax year is the excess, if
29 any, of the adjusted net minimum tax imposed for all prior tax
30 years beginning on or after January 1, 1987, over the amount
31 allowable as a credit under this section for those prior tax
32 years.

33 Sec. 16. Section 422.11B, subsection 2, unnumbered
34 paragraph 3, Code 2005, is amended to read as follows:

35 ~~The adjusted net minimum tax for a tax year is the net~~

~~1 minimum tax for the tax year reduced by the amount which would
2 be the net minimum tax if the only item of tax preference
3 taken into account was that described in paragraph (6) of
4 section 57(a) of the Internal Revenue Code.~~

5 Sec. 17. Section 422.11F, Code 2005, is amended to read as
6 follows:

7 422.11F INVESTMENT TAX CREDITS.

8 1. The taxes imposed under this division, less the credits
9 allowed under sections 422.12 and 422.12B, shall be reduced by
10 an investment tax credit authorized pursuant to section 15E.43
11 for an investment in a qualifying business or a community-
12 based seed capital fund.

13 2. The taxes imposed under this division, less the credits
14 allowed under sections 422.12 and 422.12B, shall be reduced by
15 investment tax credits authorized pursuant to sections 15.333
16 and 15E.193B, subsection 6.

17 Sec. 18. NEW SECTION. 422.11M IOWA FUND OF FUNDS TAX
18 CREDIT.

19 The taxes imposed under this division, less the credits
20 allowed under sections 422.12 and 422.12B, shall be reduced by
21 a tax credit authorized pursuant to section 15E.66, if
22 redeemed, for investments in the Iowa fund of funds.

23 Sec. 19. Section 422.12, subsection 3, Code 2005, is
24 amended to read as follows:

25 3. For the purpose of this section, the determination of
26 whether an individual is married shall be made ~~as of the close~~
27 ~~of the individual's tax year unless the individual's spouse~~
28 ~~dies during the individual's tax year, in which case the~~
29 ~~determination shall be made as of the date of the spouse's~~
30 death in accordance with section 7703 of the Internal Revenue
31 Code. An individual legally separated from the individual's
32 spouse under a decree of divorce or of separate maintenance
33 shall not be considered married.

34 Sec. 20. Section 422.12A, subsection 2, Code 2005, is
35 amended to read as follows:

1 2. The director of revenue shall draft the income tax form
2 to allow the designation of contributions to the keep Iowa
3 beautiful fund on the tax return. The department of revenue,
4 on or before January 31, shall transfer the total amount
5 designated on the tax return forms due in the preceding
6 calendar year to the keep Iowa beautiful fund. However,
7 before a checkoff pursuant to this section shall be permitted,
8 all liabilities on the books of the department of ~~revenue~~
9 administrative services and accounts identified as owing under
10 section ~~421-17~~ 8A.504 and the political contribution allowed
11 under section 68A.601 shall be satisfied.

12 Sec. 21. Section 422.12C, subsection 1, unnumbered
13 paragraph 1, Code Supplement 2005, is amended to read as
14 follows:

15 The taxes imposed under this division, less the amounts of
16 nonrefundable credits allowed under ~~sections-422-11A, 422-11B,~~
17 ~~422-12, and 422-12B~~ this division, shall be reduced by a child
18 and dependent care credit equal to the following percentages
19 of the federal child and dependent care credit provided in
20 section 21 of the Internal Revenue Code:

21 Sec. 22. Section 422.12C, subsection 2, paragraph a,
22 unnumbered paragraph 1, Code Supplement 2005, is amended to
23 read as follows:

24 ~~In-lieu-of-the-child-and-dependent-care-credit-authorized~~
25 ~~in-subsection-1, a taxpayer may claim~~ The taxes imposed under
26 this division, less the amounts of nonrefundable credits
27 allowed under this division, may be reduced by an early
28 childhood development tax credit equal to twenty-five percent
29 of the first one thousand dollars which the taxpayer has paid
30 to others for each dependent, as defined in the Internal
31 Revenue Code, ages three through five for early childhood
32 development expenses. In determining the amount of early
33 childhood development expenses, such expenses paid during
34 November and December of the previous tax year shall be
35 considered paid in the tax year for which the tax credit is

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1 claimed. This credit is available to a taxpayer whose net
2 income is less than forty-five thousand dollars. If the early
3 childhood development tax credit is claimed for a tax year,
4 the taxpayer and the taxpayer's spouse shall not claim the
5 child and dependent care credit under subsection 1. As used
6 in this subsection, "early childhood development expenses"
7 means services provided to the dependent by a preschool, as
8 defined in section 237A.1, materials, and other activities as
9 follows:

10 Sec. 23. Section 422.12F, subsection 2, Code 2005, is
11 amended to read as follows:

12 2. The director of revenue shall draft the income tax form
13 to allow the designation of contributions to the volunteer
14 fire fighter preparedness fund on the tax return. The
15 department of revenue, on or before January 31, shall certify
16 the total amount designated on the tax return forms due in the
17 preceding calendar year and shall report the amount to the
18 treasurer of state. The treasurer of state shall credit the
19 amount to the volunteer fire fighter preparedness fund.
20 However, before a checkoff pursuant to this section shall be
21 permitted, all liabilities on the books of the department of
22 revenue administrative services and accounts identified as
23 owing under section ~~421.17~~ 8A.504 and the political
24 contribution allowed under section 68A.601 shall be satisfied.

25 Sec. 24. NEW SECTION. 422.12G INCOME TAX CHECKOFF FOR
26 IOWA ELECTION CAMPAIGN FUND.

27 A person who files an individual or a joint income tax
28 return with the department of revenue under section 422.13 may
29 designate a contribution to the Iowa election campaign fund
30 authorized pursuant to section 68A.601.

31 Sec. 25. NEW SECTION. 422.12H INCOME TAX CHECKOFF FOR
32 FISH AND GAME PROTECTION FUND.

33 A person who files an individual or a joint income tax
34 return with the department of revenue under section 422.13 may
35 designate a contribution to the state fish and game protection

1 fund authorized pursuant to section 456A.16.

2 Sec. 26. Section 422.33, subsection 5, Code Supplement
3 2005, is amended by adding the following new paragraphs:

4 NEW PARAGRAPH. f. A corporation which is a primary
5 business or a supporting business in a quality jobs enterprise
6 zone may claim the research activities credit authorized
7 pursuant to section 15A.9, subsection 8, in lieu of the credit
8 computed in paragraph "a" or "b".

9 NEW PARAGRAPH. g. A corporation which is an eligible
10 business may claim an additional research activities credit
11 authorized pursuant to section 15.335.

12 Sec. 27. Section 422.33, subsection 7, paragraph a,
13 unnumbered paragraph 2, Code Supplement 2005, is amended to
14 read as follows:

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

20 Sec. 28. Section 422.33, subsection 7, paragraph b,
21 unnumbered paragraph 3, Code Supplement 2005, is amended to
22 read as follows:

23 ~~The adjusted net minimum tax for a tax year is the net~~
24 ~~minimum tax for the tax year reduced by the amount which would~~
25 ~~be the net minimum tax if the only item of tax preference~~
26 ~~taken into account was that described in paragraph (6) of~~
27 ~~section 57(a) of the Internal Revenue Code.~~

28 Sec. 29. Section 422.33, subsection 12, Code Supplement
29 2005, is amended to read as follows:

30 12. a. The taxes imposed under this division shall be
31 reduced by an investment tax credit authorized pursuant to
32 section 15E.43 for an investment in a qualifying business or a
33 community-based seed capital fund.

34 b. The taxes imposed under this division shall be reduced
35 by investment tax credits authorized pursuant to sections

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1 15.333, 15A.9, subsection 4, and 15E.193B, subsection 6.

2 Sec. 30. Section 422.33, Code Supplement 2005, is amended
3 by adding the following new subsections:

4 NEW SUBSECTION. 20. The taxes imposed under this division
5 shall be reduced by a corporate tax credit authorized pursuant
6 to section 15.331C for certain sales taxes paid by a third-
7 party developer.

8 NEW SUBSECTION. 21. The taxes imposed under this division
9 shall be reduced by a tax credit authorized pursuant to
10 section 15E.66, if redeemed, for investments in the Iowa fund
11 of funds.

12 Sec. 31. Section 422.34A, Code 2005, is amended by adding
13 the following new subsection:

14 NEW SUBSECTION. 8. Utilizing a distribution facility
15 within this state, owning or leasing property at a
16 distribution facility within this state that is used at or
17 distributed from the distribution facility, or selling
18 property shipped or distributed from a distribution facility.
19 For purposes of this subsection, "distribution facility" means
20 an establishment where shipments of tangible personal property
21 are processed for delivery to customers. "Distribution
22 facility" does not include an establishment where retail sales
23 of tangible personal property or returns of such property are
24 undertaken with respect to retail customers on more than
25 twelve days a year except for a distribution facility which
26 processes customer sales orders by mail, telephone, or
27 electronic means, if the distribution facility also processes
28 shipments of tangible personal property to customers and if at
29 least seventy-five percent of the dollar amount of goods sold
30 through the distribution facility are sold to customers
31 outside this state.

32 Sec. 32. Section 422.60, subsection 2, paragraphs a and b,
33 Code Supplement 2005, are amended to read as follows:

34 a. Add items of tax preference included in federal
35 alternative minimum taxable income under section 57, except

1 subsections (a)(1) and (a)(5), of the Internal Revenue Code,
2 make the adjustments included in federal alternative minimum
3 taxable income under section 56, except subsections (a)(4),
4 (c)(1), (d), (f), and (g), of the Internal Revenue Code, and
5 add losses as required by section 58 of the Internal Revenue
6 Code.

7 b. Make the adjustments provided in section 56(c)(1) of
8 the Internal Revenue Code, except that in making the
9 calculation under ~~sections-56(f)(1)-and~~ section 56(g)(1) of
10 the Internal Revenue Code the state alternative minimum
11 taxable income, computed without regard to the adjustments
12 made by this paragraph, the exemption provided for in
13 paragraph "d", and the state alternative tax net operating
14 loss described in paragraph "e", shall be substituted for the
15 items described in ~~sections-56(f)(1)(B)-and~~ section
16 56(g)(1)(B) of the Internal Revenue Code.

17 Sec. 33. Section 422.60, subsection 3, paragraph a,
18 unnumbered paragraph 2, Code Supplement 2005, is amended to
19 read as follows:

20 The minimum tax credit for a tax year is the excess, if
21 any, of the adjusted net minimum tax imposed for all prior tax
22 years beginning on or after January 1, 1987, over the amount
23 allowable as a credit under this subsection for those prior
24 tax years.

25 Sec. 34. Section 422.60, subsection 3, paragraph b,
26 unnumbered paragraph 3, Code Supplement 2005, is amended to
27 read as follows:

28 ~~The adjusted net minimum tax for a tax year is the net~~
29 ~~minimum tax for the tax year reduced by the amount which would~~
30 ~~be the net minimum tax if the only item of tax preference~~
31 ~~taken into account was that described in paragraph (6) of~~
32 ~~section 57(a) of the Internal Revenue Code.~~

33 Sec. 35. Section 422.60, subsection 5, Code Supplement
34 2005, is amended to read as follows:

35 5. a. The taxes imposed under this division shall be

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1 reduced by an investment tax credit authorized pursuant to
2 section 15E.43 for an investment in a qualifying business or a
3 community-based seed capital fund.

4 b. The taxes imposed under this division shall be reduced
5 by investment tax credits authorized pursuant to sections
6 15.333 and 15E.193B, subsection 6.

7 Sec. 36. Section 422.60, Code Supplement 2005, is amended
8 by adding the following new subsections:

9 NEW SUBSECTION. 11. The taxes imposed under this division
10 shall be reduced by a corporate tax credit authorized pursuant
11 to section 15.331C for certain sales taxes paid by a third-
12 party developer.

13 NEW SUBSECTION. 12. The taxes imposed under this division
14 shall be reduced by a tax credit authorized pursuant to
15 section 15E.66, if redeemed, for investments in the Iowa fund
16 of funds.

17 Sec. 37. Section 422D.2, Code 2005, is amended to read as
18 follows:

19 422D.2 LOCAL INCOME SURTAX.

20 A county may impose by ordinance a local income surtax as
21 provided in section 422D.1 at the rate set by the board of
22 supervisors, of up to one percent, on the state individual
23 income tax of each individual residing in the county at the
24 end of the individual's applicable tax year. However, the
25 cumulative total of the percents of income surtax imposed on
26 any taxpayer in the county shall not exceed twenty percent.
27 The reason for imposing the surtax and the amount needed shall
28 be set out in the ordinance. The surtax rate shall be set to
29 raise only the amount needed. For purposes of this section,
30 "state individual income tax" means the tax computed under
31 section 422.5, less the amounts of nonrefundable credits
32 allowed in sections 422.11A, 422.11B, 422.127, and 422.12B
33 under chapter 422, division II.

34 Sec. 38. Section 423.3, subsection 18, Code Supplement
35 2005, is amended by adding the following new paragraph:

- 1 NEW PARAGRAPH. f. Home and community based services
2 providers certified to offer Medicaid waiver services by the
3 department of human services that are any of the following:
4 (1) Ill and handicapped waiver service providers,
5 described in 441 IAC 77.30.
6 (2) Hospice providers, described in 441 IAC 77.32.
7 (3) Elderly waiver service providers, described in 441 IAC
8 77.33.
9 (4) AIDS/HIV waiver service providers, described in 441
10 IAC 77.34.
11 (5) Federally qualified health centers, described in 441
12 IAC 77.35.
13 (6) MR waiver service providers, described in 441 IAC
14 77.37.

15 Sec. 39. Section 423.3, subsection 39, Code Supplement
16 2005, is amended by adding the following new paragraph:

17 NEW PARAGRAPH. c. Notwithstanding paragraph "a", the
18 sales of tangible personal property or the furnishing of
19 services of a recurring nature by the owner if, at the time of
20 the sale, all of the following apply:

21 (1) The seller is not engaged for profit in the business
22 of selling tangible personal property or the furnishing of
23 services taxed under section 423.2. For purposes of this
24 subparagraph, the fact of the recurring nature of selling
25 tangible personal property or the furnishing of services does
26 not constitute by itself engaging for profit in the business
27 of selling tangible personal property or the furnishing of
28 services.

29 (2) The total gross receipts from such sales of tangible
30 personal property or the furnishing of services during the
31 calendar year does not exceed one thousand dollars.

32 Sec. 40. Section 423.3, subsection 50, Code Supplement
33 2005, is amended to read as follows:

34 50. The sales price of sales of electricity, steam, or any
35 taxable service when purchased and used in the processing of

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1 tangible personal property intended to be sold ultimately at
2 retail or of any fuel which is consumed in creating power,
3 heat, or steam for processing or for generating electric
4 current.

5 Sec. 41. Section 423.3, subsection 86, Code Supplement
6 2005, is amended to read as follows:

7 86. The sales price from services performed on a vessel if
8 all of the following apply:

9 a. The vessel is a licensed vessel under the laws of the
10 United States coast guard.

11 ~~b. The vessel is not moored or tied to a physical location~~
12 ~~in this state.~~

13 e. b. The service is used to repair or restore a defect
14 in the vessel.

15 ~~d.~~ c. The vessel is engaged in interstate commerce and
16 will continue in interstate commerce once the repairs or
17 restoration is completed.

18 e. d. The vessel is in navigable water that borders the
19 eastern boundary of this state.

20 For purposes of this exemption, "vessel" includes a ship,
21 barge, or other waterborne vessel.

22 Sec. 42. Section 423.6, Code 2005, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 25. Exempted from the purchase price of a
25 replacement motor vehicle owned by a motor vehicle dealer
26 licensed under chapter 322 which is being registered by that
27 dealer and is not otherwise exempt from tax is the fair market
28 value of a replaced motor vehicle if all of the following
29 conditions are met:

30 a. The motor vehicle being registered is being placed in
31 service as a replacement motor vehicle for a motor vehicle
32 registered by the motor vehicle dealer.

33 b. The motor vehicle being registered is taken from the
34 motor vehicle dealer's inventory.

35 c. Use tax on the motor vehicle being replaced was paid by

1 the motor vehicle dealer when that motor vehicle was
2 registered.

3 d. The replaced motor vehicle is returned to the motor
4 vehicle dealer's inventory for sale.

5 e. The application for registration and title of the motor
6 vehicle being registered is filed with the county treasurer
7 within two weeks of the date the replaced motor vehicle is
8 returned to the motor vehicle dealer's inventory.

9 f. The motor vehicle being registered is placed in the
10 same or substantially similar service as the replaced motor
11 vehicle.

12 Sec. 43. Section 423.33, subsection 3, Code Supplement
13 2005, is amended to read as follows:

14 3. EVENT SPONSOR'S LIABILITY FOR SALES TAX. A person
15 sponsoring a flea market or a craft, antique, coin, or stamp
16 show or similar event shall obtain from every retailer selling
17 tangible personal property or taxable services at the event
18 proof that the retailer possesses a valid sales tax permit or
19 secure from the retailer a statement, taken in good faith,
20 that property or services offered for sale are not subject to
21 sales tax. Failure to do so renders a sponsor of the event
22 liable for payment of any sales tax, interest, and penalty due
23 and owing from any retailer selling property or services at
24 the event. Sections 423.31, 423.32, 423.37, 423.38, 423.39,
25 423.40, 423.41, and 423.42 apply to the sponsors. For
26 purposes of this subsection, a person sponsoring a flea market
27 or a craft, antique, coin, or stamp show or similar event does
28 not include an organization which sponsors an event ~~less-than~~
29 three-times-a-year determined to qualify as an event involving
30 casual sales pursuant to section 423.3, subsection 39, or the
31 state fair or a fair as defined in section 174.1.

32 Sec. 44. Section 423.37, subsection 2, Code 2005, is
33 amended to read as follows:

34 2. If a return required by this subchapter is not filed,
35 or if a return when filed is incorrect or insufficient and the

1 maker fails to file a corrected or sufficient return within
 2 twenty days after the same is required by notice from the
 3 department, the department shall determine the amount of tax
 4 due from information as the department may be able to obtain
 5 and, if necessary, may estimate the tax on the basis of
 6 external indices, such as number of employees of the person
 7 concerned, rentals paid by the person, stock on hand, or other
 8 factors. The determination may be made using any generally
 9 recognized valid and reliable sampling technique, whether or
 10 not the person being audited has complete records. The
 11 department shall give notice of the determination to the
 12 person liable for the tax. The determination shall fix the
 13 tax unless the person against whom it is assessed shall,
 14 within sixty days after the giving of notice of the
 15 determination, apply to the director for a hearing or unless
 16 the taxpayer contests the determination by paying the tax,
 17 interest, and penalty and timely filing a claim for refund.
 18 At the hearing, evidence may be offered to support the
 19 determination or to prove that it is incorrect. After the
 20 hearing the director shall give notice of the decision to the
 21 person liable for the tax.

22 Sec. 45. Section 427.1, subsection 2, Code Supplement
 23 2005, is amended to read as follows:

24 2. MUNICIPAL AND MILITARY PROPERTY. The property of a
 25 county, township, city, school corporation, levee district,
 26 drainage district, or the Iowa national guard, when devoted to
 27 public use and not held for pecuniary profit, except property
 28 of a municipally owned electric utility held under joint
 29 ownership and property of an electric power facility financed
 30 under chapter 28F or 476A that shall be subject to taxation
 31 under chapter 437A and facilities of a municipal utility that
 32 are used for the provision of local exchange services pursuant
 33 to chapter 476, but only to the extent such facilities are
 34 used to provide such services, which shall be subject to
 35 taxation under chapter 433, except that section 433.11 shall

1 not apply. The exemption for property owned by a city or
2 county also applies to property which is operated by a city or
3 county as a library, art gallery or museum, conservatory,
4 botanical garden or display, observatory or science museum, or
5 as a location for holding athletic contests, sports or
6 entertainment events, expositions, meetings or conventions, or
7 leased from the city or county for any such purposes, or
8 leased from the city or county by the Iowa national guard or
9 by a federal agency for the benefit of the Iowa national guard
10 when devoted for public use and not for pecuniary profit.
11 Food and beverages may be served at the events or locations
12 without affecting the exemptions, provided the city has
13 approved the serving of food and beverages on the property if
14 the property is owned by the city or the county has approved
15 the serving of food and beverages on the property if the
16 property is owned by the county. The exemption for property
17 owned by a city or county also applies to property which is
18 located at an airport and leased to a fixed base operator
19 providing aeronautical services to the public.

20 Sec. 46. Section 427.1, subsection 21A, Code Supplement
21 2005, is amended to read as follows:

22 21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT
23 ORGANIZATIONS. Dwelling unit property owned and managed by a
24 nonprofit organization if the nonprofit organization owns and
25 manages more than forty dwelling units that are located in a
26 city with a population of more than one hundred ten thousand
27 which has a public housing authority that does not own or
28 manage housing stock for the purpose of low-rent housing. For
29 the 2005 and 2006 assessment years, an application is not
30 required to be filed to receive the exemption. For the 2007
31 and subsequent assessment years, an application for exemption
32 must be filed with the assessing authority not later than
33 February 1 of the assessment year for which the exemption is
34 sought. Upon the filing and allowance of the claim, the claim
35 shall be allowed on the property for successive years without

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1 further filing as long as the property continues to qualify
2 for the exemption.

3 Sec. 47. Section 427A.1, Code 2005, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 5A. Notwithstanding the other provisions
6 of this section, property that is equipment used for the
7 washing, waxing, drying, or vacuuming of motor vehicles and
8 point-of-sale equipment necessary for the purchase of car wash
9 services shall not be assessed and taxed as real property.

10 Sec. 48. Section 432.12C, Code 2005, is amended to read as
11 follows:

12 432.12C INVESTMENT TAX CREDITS.

13 1. The tax imposed under this chapter shall be reduced by
14 an investment tax credit authorized pursuant to section 15E.43
15 for an investment in a qualifying business or a community-
16 based seed capital fund.

17 2. The taxes imposed under this division shall be reduced
18 by investment tax credits authorized pursuant to sections
19 15.333A and 15E.193B, subsection 6.

20 Sec. 49. NEW SECTION. 432.12H TAX CREDIT FOR CERTAIN
21 SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

22 The taxes imposed under this chapter shall be reduced by a
23 tax credit authorized pursuant to section 15.331C for certain
24 sales taxes paid by a third-party developer.

25 Sec. 50. NEW SECTION. 432.12I IOWA FUND OF FUNDS TAX
26 CREDIT.

27 The taxes imposed under this chapter shall be reduced by a
28 tax credit authorized pursuant to section 15E.66, if redeemed,
29 for investments in the Iowa fund of funds.

30 Sec. 51. Section 441.38, subsection 2, Code Supplement
31 2005, is amended to read as follows:

32 2. Notice If the appeal to district court is taken from
33 the action of the local board of review, notice of appeal
34 shall be served as an original notice on the chairperson,
35 presiding officer, or clerk of the board of review within

1 ~~twenty days after its adjournment or May 31, whichever is~~
2 ~~later, and~~ after the filing of notice under subsection 1 with
3 the clerk of district court. If the appeal to district court
4 is taken from the action of the property assessment appeal
5 board, notice of appeal shall be served as an original notice
6 on the secretary of the property assessment appeal board, if
7 applicable after the filing of notice under subsection 1 with
8 the clerk of district court.

9 Sec. 52. Section 533.24, Code Supplement 2005, is amended
10 by adding the following new subsections:

11 NEW SUBSECTION. 8. The moneys and credits tax imposed
12 under this section shall be reduced by an investment tax
13 credit authorized pursuant to section 15.333.

14 NEW SUBSECTION. 9. The moneys and credits tax imposed
15 under this section shall be reduced by a tax credit authorized
16 pursuant to section 15.331C for certain sales taxes paid by a
17 third-party developer.

18 NEW SUBSECTION. 10. The moneys and credits tax imposed
19 under this section shall be reduced by a tax credit authorized
20 pursuant to section 15E.66, if redeemed, for investments in
21 the Iowa fund of funds.

22 Sec. 53. 2005 Iowa Acts, chapter 140, section 72, is
23 amended to read as follows:

24 SEC. 72. REFUNDS. Refunds of taxes, interest, or
25 penalties which arise from claims resulting from the amendment
26 to section 423.3, subsection 5, in this division of this Act,
27 for the sale of agricultural drain tile materials occurring
28 between January 1, 1998, and the effective date of the section
29 amending section 423.3, subsection 5, in this division of this
30 Act, shall be limited to ~~twenty-five~~ fifty thousand dollars in
31 the aggregate and shall not be allowed unless refund claims
32 are filed prior to October 1, 2005, notwithstanding any other
33 provision of law. If the amount of claims totals more than
34 ~~twenty-five~~ fifty thousand dollars in the aggregate, the
35 department of revenue shall prorate the ~~twenty-five~~ fifty

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1 thousand dollars among all claimants in relation to the
2 amounts of the claimants' valid claims.

3 Sec. 54. EFFECTIVE AND APPLICABILITY DATES.

4 1. The section of this division of this Act enacting
5 section 427A.1, subsection 5A, being deemed of immediate
6 importance, takes effect upon enactment and applies
7 retroactively to January 1, 2006, for assessment years
8 beginning on or after that date.

9 2. The section of this division of this Act amending 2005
10 Iowa Acts, chapter 140, section 72, being deemed of immediate
11 importance, takes effect upon enactment and applies
12 retroactively to June 30, 2005.

13 DIVISION II

14 STREAMLINED SALES AND USE TAX UPDATES

15 Sec. 55. Section 423.2, subsection 8, Code Supplement
16 2005, is amended by striking the subsection and inserting in
17 lieu thereof the following:

18 8. a. A tax of five percent is imposed on the sales price
19 from sales of bundled transactions. For the purposes of this
20 subsection, a "bundled transaction" is the retail sale of two
21 or more distinct and identifiable products, except real
22 property and services to real property, which are sold for one
23 nonitemized price. A "bundled transaction" does not include
24 the sale of any products in which the sales price varies, or
25 is negotiable, based on the selection by the purchaser of the
26 products included in the transaction.

27 b. "Distinct and identifiable products" does not include
28 any of the following:

29 (1) Packaging or other materials that accompany the retail
30 sale of the products and are incidental or immaterial to the
31 retail sale of the products.

32 (2) A product provided free of charge with the required
33 purchase of another product. A product is "provided free of
34 charge" if the sales price of the product purchased does not
35 vary depending on the inclusion of the product which is

1 provided free of charge.

2 (3) Items included in the definition of "sales price"
3 pursuant to section 423.1.

4 c. "One nonitemized price" does not include a price that
5 is separately identified by product on binding sales or other
6 supporting sales-related documentation made available to the
7 customer in paper or electronic form.

8 Sec. 56. Section 423.18, Code Supplement 2005, is amended
9 by striking the section and inserting in lieu thereof the
10 following:

11 423.18 MULTIPLE POINTS OF USE.

12 1. Notwithstanding the provisions of section 423.15, a
13 business purchaser that is not a holder of a direct pay permit
14 that knows at the time of purchase of a digital good, computer
15 software, or a service that the digital good, computer
16 software, or service will be concurrently available for use in
17 more than one jurisdiction shall deliver to the seller in
18 conjunction with its purchase an exemption certificate
19 claiming multiple points of use or meet the requirements of
20 subsection 2 or 3. For the purpose of this section only,
21 "computer software" includes but is not limited to computer
22 software delivered electronically, by load and leave, or in
23 tangible form. "Computer software" does not include computer
24 software received in person by a business purchaser at a
25 business location of the seller.

26 a. Upon receipt of an exemption certificate claiming
27 multiple points of use, the seller is relieved of all
28 obligation to collect, pay, or remit the applicable tax, and
29 the purchaser shall be obligated to collect, pay, or remit the
30 applicable tax on a direct pay basis.

31 b. A purchaser delivering an exemption certificate
32 claiming multiple points of use may use any reasonable, but
33 consistent and uniform, method of apportionment that is
34 supported by the purchaser's business books and records as
35 they exist at the time the transaction is reported for sales

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1 or use tax purposes.

2 c. A purchaser delivering an exemption certificate
3 claiming multiple points of use shall report and pay the
4 appropriate tax to each jurisdiction where concurrent use
5 occurs. The tax due shall be calculated as if the apportioned
6 amount of the digital good, computer software, or service had
7 been delivered to each jurisdiction to which the sale is
8 apportioned pursuant to paragraph "b".

9 d. The exemption certificate claiming multiple points of
10 use shall remain in effect for all future sales by the seller
11 to the purchaser, except as to the subsequent sale's specific
12 apportionment that is governed by the principles of paragraphs
13 "b" and "c", until the exemption certificate is revoked in
14 writing.

15 2. Notwithstanding subsection 1, when the seller knows
16 that the product will be concurrently available for use in
17 more than one jurisdiction, but the purchaser does not provide
18 an exemption certificate claiming multiple points of use as
19 required in subsection 1, the seller may work with the
20 purchaser to produce the correct apportionment. The purchaser
21 and seller may use any reasonable, but consistent and uniform,
22 method of apportionment that is supported by the seller's and
23 purchaser's business books and records as they exist at the
24 time the transaction is reported for sales or use tax
25 purposes. If the purchaser certifies the accuracy of the
26 apportionment and the seller accepts the certification, the
27 seller shall collect and remit the tax pursuant to subsection
28 1, paragraph "c". In the absence of bad faith, the seller is
29 relieved of any further obligation to collect tax on any
30 transaction where the seller has collected tax pursuant to the
31 information certified by the purchaser.

32 3. When the seller knows that the product will be
33 concurrently available for use in more than one jurisdiction
34 and the purchaser does not have a direct pay permit and does
35 not provide the seller with an exemption certificate claiming

1 a multiple points of use exemption as required in subsection
2 1, or certification pursuant to subsection 2, the seller shall
3 collect and remit the tax based on the provisions of section
4 423.15.

5 4. A holder of a direct pay permit shall not be required
6 to deliver an exemption certificate claiming multiple points
7 of use to the seller. A direct pay permit holder shall follow
8 the provisions of subsection 1, paragraphs "b" and "c", in
9 apportioning the tax due on a digital good, computer software,
10 or a service that will be concurrently available for use in
11 more than one jurisdiction.

12 5. Nothing in this section shall limit a person's
13 obligation for sales or use tax to this state in which the
14 qualifying purchases are concurrently available for use, or
15 limit a person's ability under local, state, federal, or
16 constitutional law, to claim a credit for sales or use taxes
17 legally due and paid to other jurisdictions.

18 Sec. 57. Section 423.20, subsection 1, paragraph j, Code
19 2005, is amended to read as follows:

20 j. "Postpaid calling service" means the telecommunications
21 service obtained by making a payment on a call-by-call basis
22 either through the use of a credit card or payment mechanism
23 such as a bank card, travel card, credit card, or debit card,
24 or by charge made to a telephone number which is not
25 associated with the origination or termination of the
26 telecommunications service. A "postpaid calling service"
27 includes a telecommunications service, except a prepaid
28 wireless calling service, that would be a prepaid calling
29 service except it is not exclusively a telecommunications
30 service.

31 Sec. 58. Section 423.20, subsection 1, Code 2005, is
32 amended by adding the following new paragraph after paragraph
33 k, and relettering the remaining paragraphs:

34 NEW PARAGRAPH. 1. "Prepaid wireless calling service"
35 means a telecommunications service that provides the right to

1 utilize mobile wireless service as well as other
 2 nontelecommunications services, including the download of
 3 digital products delivered electronically, content and
 4 ancillary services, which must be paid for in advance and that
 5 is sold in predetermined units or dollars of which the amount
 6 declines with use in a known amount.

7 Sec. 59. Section 423.20, subsection 2, paragraph c,
 8 subparagraphs (1) and (3), Code 2005, are amended to read as
 9 follows:

10 (1) A sale of mobile telecommunications services other
 11 than air-to-ground radiotelephone service, ~~or~~ prepaid calling
 12 service, or prepaid wireless calling service is sourced to the
 13 customer's place of primary use as required by the federal
 14 Mobile Telecommunications Sourcing Act.

15 (3) A sale of prepaid calling service or a sale of prepaid
 16 wireless calling service is sourced in accordance with section
 17 423.15. However, in the case of a sale of mobile
 18 ~~telecommunications-services-that-is-a-prepaid~~
 19 ~~telecommunications~~ a prepaid wireless calling service, the
 20 rule provided in section 423.15, subsection 1, paragraph "e",
 21 shall include as an option the location associated with the
 22 mobile telephone number.

23 Sec. 60. Section 423.45, subsection 4, paragraph b, Code
 24 2005, is amended to read as follows:

25 b. The sales tax liability for all sales of tangible
 26 personal property and all sales of services is upon the seller
 27 and the purchaser unless the seller takes ~~in-good-faith~~ from
 28 the purchaser a valid exemption certificate stating under
 29 penalty of perjury that the purchase is for a nontaxable
 30 purpose and is not a retail sale as defined in section 423.1,
 31 or the seller is not obligated to collect tax due, or unless
 32 the seller takes a fuel exemption certificate pursuant to
 33 subsection 5. If the tangible personal property or services
 34 are purchased tax free pursuant to a valid exemption
 35 ~~certificate which-is-taken-in-good-faith-by-the-seller,~~ and

1 the tangible personal property or services are used or
2 disposed of by the purchaser in a nonexempt manner, the
3 purchaser is solely liable for the taxes and shall remit the
4 taxes directly to the department and sections 423.31, 423.32,
5 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 shall apply
6 to the purchaser.

7 Sec. 61. Section 423.45, subsection 4, paragraph d, Code
8 2005, is amended by striking the paragraph and inserting in
9 lieu thereof the following:

10 d. The protection afforded a seller by paragraph "b" does
11 not apply to a seller who fraudulently fails to collect tax or
12 to a seller who solicits purchasers to participate in the
13 unlawful claim of an exemption.

14 Sec. 62. Section 423.51, subsection 2, Code 2005, is
15 amended to read as follows:

16 2. Sellers that follow the requirements of this section
17 are relieved from any tax otherwise applicable if it is
18 determined that the purchaser improperly claimed an exemption
19 and that the purchaser is liable for the nonpayment of tax.
20 This relief from liability does not apply to a seller who
21 fraudulently does any of the following:

22 a. Fraudulently fails to collect the tax or solicits tax.

23 b. Solicits purchasers to participate in the unlawful
24 claim of an exemption.

25 c. Accepts an exemption certificate when the purchaser
26 claims an entity-based exemption when the following conditions
27 are met:

28 (1) The subject of the transaction sought to be covered by
29 the exemption certificate is actually received by the
30 purchaser at a location operated by the seller.

31 (2) The state provides an exemption certificate that
32 clearly and affirmatively indicates that the claimed exemption
33 is not available in the state.

34 d. Accepts an exemption certificate claiming multiple
35 points of use for tangible personal property other than

1 computer software for which an exemption claiming multiple
2 points of use is acceptable under section 423.18.

3 Sec. 63. Section 423.51, Code 2005, is amended by adding
4 the following new subsections:

5 NEW SUBSECTION. 3. a. A seller otherwise obligated to
6 collect tax from a purchaser is relieved of that obligation if
7 the seller obtains a fully completed exemption certificate or
8 secures the relevant data elements of a fully completed
9 exemption certificate within ninety days after the date of
10 sale.

11 b. If the seller has not obtained an exemption certificate
12 or all relevant data elements as provided in paragraph "a",
13 the seller may, within one hundred twenty days after a request
14 for substantiation by the department, either prove that the
15 transaction was not subject to tax by other means or obtain a
16 fully completed exemption certificate from the purchaser,
17 taken in good faith.

18 c. Nothing in this subsection shall affect the ability of
19 the state to require purchasers to update exemption
20 certificate information or to reapply with the state to claim
21 certain exemptions.

22 d. Notwithstanding paragraphs "a", "b", and "c", a seller
23 is relieved of its obligation to collect tax from a purchaser
24 if the seller obtains a blanket exemption certificate from the
25 purchaser, and the seller and purchaser have a recurring
26 business relationship. For the purposes of this paragraph, a
27 recurring business relationship exists when a period of no
28 more than twelve months elapses between sales transactions.
29 The department may not request from the seller renewal of
30 blanket certificates or updates of exemption certificate
31 information or data elements when there is a recurring
32 business relationship between the purchaser and seller.

33 NEW SUBSECTION. 4. All relief that this section provides
34 to sellers is also provided to certified service providers
35 under this chapter.

1 Sec. 64. Section 423.52, Code 2005, is amended to read as
2 follows:

3 423.52 RELIEF FROM LIABILITY FOR SELLERS AND CERTIFIED
4 SERVICE PROVIDERS.

5 1. Sellers and certified service providers using databases
6 derived from zip codes or state or vendor provided address-
7 based databases are relieved from liability to this state or
8 its local taxing jurisdictions for having charged and
9 collected the incorrect amount of sales or use tax resulting
10 from the seller or certified service provider relying on
11 erroneous data provided by this state on tax rates,
12 boundaries, or taxing jurisdiction assignments. If this state
13 provides an address-based system for assigning taxing
14 jurisdictions whether-or-not-pursuant-to-the-federal-Mobile
15 Telecommunications-Sourcing-Act, the director is not required
16 to provide liability relief for errors resulting from reliance
17 on the information provided by this state if the director has
18 given adequate notice, as determined by the governing board,
19 to affected parties of the decision to end this relief.

20 2. a. Model 2 sellers and certified service providers are
21 relieved of liability to Iowa for any failure to charge and
22 collect the correct amount of sales or use tax if this failure
23 results from the model 2 seller's or the certified service
24 provider's reliance upon this state's certification to the
25 governing board that Iowa has accepted the governing board's
26 certification of a piece of software as a certified automated
27 system. The relief provided by this paragraph to a model 2
28 seller or certified service provider does not extend to a
29 seller or provider who has incorrectly classified an item or
30 transaction into the product-based exemptions portion of a
31 certified automated system. However, any model 2 seller or
32 certified service provider who has relied upon an individual
33 listing of items or transactions within a product definition
34 approved by the governing board or Iowa may claim the relief
35 allowed by this paragraph.

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1 b. If the department determines that an item or
 2 transaction is incorrectly classified as to its taxability,
 3 the department shall notify the model 2 seller or certified
 4 service provider of the incorrect classification. The model 2
 5 seller or certified service provider shall have ten days to
 6 revise the classification after receipt of notice of the
 7 determination. Upon expiration of the ten days, the model 2
 8 seller or certified service provider shall be liable for the
 9 failure to collect the correct amount of sales or use taxes
 10 due and owing to the member state.

11 Sec. 65. EFFECTIVE DATES.

12 1. Except as provided in subsection 2, this division of
13 this Act takes effect January 1, 2008.

14 2. The sections of this division of this Act amending
15 section 423.45, subsection 4, being deemed of immediate
16 importance, take effect upon enactment.

17 EXPLANATION

18 DIVISION I -- TAX ADMINISTRATION AND POLICY. Code section
19 15E.193B is amended to state that replacement tax credit
20 certificates for the eligible housing investment tax credit
21 when transferred are to be issued by the department of revenue
22 instead of being issued by the department of economic
23 development.

24 Code sections 68A.102, 257.21, 422.10(4), 422.12C(1) and
25 (2), and 422D.2 are amended to state that all nonrefundable
26 income tax credits are subtracted in determining the Iowa
27 individual income tax liability.

28 Code section 404A.4 is amended to state that replacement
29 tax credit certificates for the historic preservation and
30 cultural and entertainment district tax credit when
31 transferred are to be issued by the department of revenue
32 instead of being issued by the state historic preservation
33 office of the department of cultural affairs.

34 Code section 421.17(14) is amended to delete the
35 requirement that the director of revenue publish in pamphlet

1 form the revenue laws of the state and distribute them to
2 county auditors, assessors, and boards of review.

3 Code section 422.5(1)(j) is amended to state that all
4 checkoffs and all tax credits are not affected by the
5 allocation of income available to resident shareholders of S
6 corporations.

7 Code sections 422.5(1)(k), 422.5(2), and 422.9(1) are
8 amended to strike the reference to unmarried heads of
9 household since there are instances when heads of household
10 can be married.

11 Code section 422.6 is amended to state that all
12 nonrefundable credits are subtracted in determining the Iowa
13 fiduciary income tax.

14 Code section 422.7(21) is amended to strike the reference
15 to employed in a business for purposes of the capital gains
16 exclusion from income tax since such employment is already an
17 element in the material participation test under section
18 469(h) of the Internal Revenue Code.

19 Code section 422.10 is amended to provide a reference to
20 the additional research activities credit authorized pursuant
21 to Code section 15.335.

22 Code section 422.11 is amended to state that credits
23 allowed under Code section 422.12B are subtracted before
24 determining the franchise tax credit.

25 Code sections 422.11B, 422.33(7), 422.60(2), and 422.60(3)
26 are amended to eliminate references to sections of the
27 Internal Revenue Code relating to the alternative minimum tax
28 which have been repealed.

29 Code section 422.11F is amended to state that the
30 investment tax credit relates to investments in a qualifying
31 business or a community-based seed capital fund and adds a
32 reference to the investment tax credits authorized pursuant to
33 Code sections 15.333 and 15E.193B(6).

34 New Code section 422.11M provides a reference to the tax
35 credit for investments in the Iowa fund of funds authorized

1 pursuant to Code section 15E.66.

2 Code section 422.12(3) is amended to provide the same
3 definition for a married individual as set forth in section
4 7703 of the Internal Revenue Code.

5 Code sections 422.12A and 422.12F are amended to correct
6 references to the department of revenue reorganization due to
7 the creation of the department of administrative services.

8 New Code sections 422.12G and 422.12H provide references to
9 the income tax checkoffs for the Iowa election campaign fund
10 and the state fish and game protection fund.

11 Code section 422.33(5) is amended to provide references to
12 the alternative research activities credit authorized pursuant
13 to Code section 15A.9(8) and the additional research
14 activities credit authorized pursuant to Code section 15.335.

15 Code section 422.33(12) is amended to state that the
16 investment tax credit relates to investments in a qualifying
17 business or a community-based seed capital fund and adds
18 references to the investment tax credits authorized pursuant
19 to Code sections 15.333, 15A.9(4), and 15E.193B(6).

20 Code sections 422.33 and 422.60 are amended to add new
21 subsections to refer to the tax credits for certain sales
22 taxes paid by a third-party developer authorized pursuant to
23 Code section 15.331C, and the tax credit for investments in
24 the Iowa fund of funds authorized pursuant to Code section
25 15E.66.

26 Code section 422.34A is amended to provide that a
27 corporation is not doing business in the state for purposes of
28 the corporate income tax solely because of its ownership of a
29 distribution facility or property at the facility if retail
30 sales of tangible personal property or returns of such
31 property are not undertaken more than 12 days a year except in
32 the case of processing of customer sales orders done by mail,
33 telephone, or electronic means. In addition, 75 percent of
34 the dollar amount of goods sold through the facility must be
35 sold to customers outside of the state.

1 Code section 422.60(5) is amended to state that the
2 investment tax credit relates to investments in a qualifying
3 business or a community-based seed capital fund and adds
4 references to the investment tax credits authorized pursuant
5 to Code sections 15.333 and 15E.193B(6).

6 Code section 423.3(18) is amended to exempt the sale of
7 tangible property and services to home and community-based
8 service providers certified to offer Medicaid waiver services
9 by the department of human services.

10 Code section 423.3(39), relating to the sales tax exemption
11 for casual sales, is amended to include as a casual sale the
12 sale of tangible property or the furnishing of a service which
13 is recurring if the seller is not in the business of selling
14 or furnishing services and the total gross receipts from these
15 recurring sales and services do not exceed \$1,000.

16 Code section 423.3(50) is amended to exempt from tax the
17 sale of fuel consumed in the process of generating electric
18 current.

19 Code section 423.3(86) is amended to alter the exemption
20 from the sales and use taxes of repair services performed on
21 certain river vessels enacted during the 2005 Legislative
22 Session. The amendment eliminates the condition that the
23 vessel is not to be moored or tied to a physical location in
24 this state. The amendment also defines, for purposes of the
25 exemption, "vessel" as including a ship, barge, or other
26 waterborne vessel.

27 Code section 423.6 is amended to establish that the
28 exempted purchase price of a vehicle withdrawn from a motor
29 vehicle dealer's inventory to be used as a replacement for a
30 motor vehicle that was registered and the tax was paid at the
31 time of registration is the fair market value of the replaced
32 vehicle. This has the effect of allowing a trade of the
33 registered motor vehicle against the value of the new motor
34 vehicle to be used in determining the price subject to the use
35 tax. All the criteria must be met in order to compute the

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1 fair market value subject to use tax of the new motor vehicle.
2 Code section 423.33(3) is amended to specify how the casual
3 sales tax exemption would apply to a person sponsoring a sales
4 event.

5 Code section 423.37(2) is amended to allow the department
6 of revenue to use various sampling techniques to establish the
7 amount of tax due for a sales or use tax return.

8 Code section 427.1(2) is amended to expand the exemption
9 from property taxation of property owned by a city or county
10 to include property which is located at an airport and leased
11 to a fixed base operator providing aeronautical services to
12 the public.

13 Code section 427.1(21A) is amended to require that a
14 nonprofit organization requesting a property tax exemption for
15 providing low-rent housing for the 2007 and subsequent
16 assessment years file a claim for exemption with the assessor.
17 Upon approval of the claim, further filing is not required.

18 Code section 427A.1 is amended to provide that equipment
19 used in washing, waxing, drying, and vacuuming motor vehicles
20 is not to be assessed and taxed as real property. This
21 amendment takes effect upon enactment and applies
22 retroactively to assessment years beginning on or after
23 January 1, 2006.

24 Code section 432.12C is amended to state that the
25 investment tax credit relates to investments in a qualifying
26 business or a community-based seed capital fund and adds a
27 reference to the investment tax credits authorized pursuant to
28 Code sections 15.333A and 15E.193B(6).

29 New Code sections 432.12H and 432.12I provide references to
30 the tax credit for certain sales taxes paid by a third-party
31 developer authorized pursuant to Code section 15.331C, and the
32 tax credit for investments in the Iowa fund of funds
33 authorized in Code section 15E.66.

34 Code section 441.38(2) is amended to require a taxpayer to
35 file a notice of appeal to the district court with the local

1 board of review and with the secretary of the property
2 assessment appeal board after the filing of the notice of
3 appeal with the district court.

4 Code section 533.24 is amended to add new subsections to
5 provide references to the investment tax credit authorized
6 pursuant to Code section 15.333, the tax credit for certain
7 sales taxes paid by a third-party developer authorized
8 pursuant to Code section 15.331C, and the tax credit for
9 investments in the Iowa fund of funds authorized pursuant to
10 Code section 15E.66.

11 2005 Iowa Acts, ch. 140, section 72, relating to the amount
12 of refunds that may be claimed in the aggregate as a result of
13 the retroactive exemption from sales tax of drainage tile
14 materials, is amended to increase the aggregate amount of
15 refunds from \$25,000 to \$50,000.

16 DIVISION II -- STREAMLINED SALES AND USE TAX UPDATES. This
17 division updates the references to the Iowa sales and use tax
18 law as implemented by the streamlined sales and use tax
19 agreement (agreement). There were a number of amendments to
20 the agreement which need to be included in the sales and use
21 tax laws.

22 Code section 423.2(8) is amended to reflect a revision to
23 the bundled transaction provision. A bundled transaction
24 involves the sale of two or more products which are distinct
25 and identifiable, and the products are sold for one
26 nonitemized price.

27 Code section 423.18 is amended to reflect a revision to the
28 multiple points of use provision. The revision provides that
29 a business purchaser of digital goods, software, or a service
30 that will be used in more than one jurisdiction is to deliver
31 to the seller an exemption certificate claiming multiple
32 points of use. Upon receipt of this certificate, the seller
33 is relieved of collecting tax and the purchaser must pay tax
34 on an apportionment basis. If the purchaser does not have the
35 certificate, then the purchaser and seller will jointly arrive

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1 at the apportionment.

2 Code sections 423.20(1) and 423.20(2) are amended to add
3 new provisions related to prepaid wireless calling service and
4 the method of sourcing such service. Prepaid wireless calling
5 service is a telecommunications service that provides the
6 right to utilize mobile wireless service as well as other
7 nontelecommunications services, including the download of
8 digital products delivered electronically which are paid for
9 in advance and sold in predetermined units which decline upon
10 use.

11 Code section 423.45(4) is amended to conform the exemption
12 certificate requirements for all retailers to the requirements
13 for retailers registered under the agreement. The amendments
14 are effective upon enactment.

15 Code section 423.51(2) is amended to add new provisions to
16 the requirements related to exemption certificates. These
17 provisions relate to the seller's loss of nonliability for
18 collection of tax if the seller accepts an exemption
19 certificate at the seller's business and the state has
20 affirmatively indicated that the claimed exemption is not
21 available in the state; and if the seller accepts an exemption
22 certificate claiming multiple points of use of tangible
23 personal property for which the multiple points of use
24 exemption provisions of a different Code section apply.

25 Code sections 423.51 and 423.52 are amended to include new
26 provisions related to the various types of relief available to
27 sellers. These provisions include relief for reliance on the
28 certification of the seller's software and classification of
29 an item under the taxability matrix.

30 The division of the bill takes effect January 1, 2008,
31 except for the provisions amending Code section 423.45, which
32 take effect upon enactment.

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34
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HOUSE FILE 2794

AN ACT

RELATING TO THE POLICY AND TECHNICAL ADMINISTRATION OF THE TAX AND RELATED LAWS BY THE DEPARTMENT OF REVENUE, INCLUDING ADMINISTRATION OF AND TAX EXEMPTIONS UNDER THE INCOME, SALES, USE, LOCAL OPTION SALES, AND PROPERTY TAXES, UPDATING THE STREAMLINED SALES AND USE TAX, AND INCLUDING EFFECTIVE AND RETROACTIVE APPLICABILITY DATE PROVISIONS.

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

DIVISION I

TAX ADMINISTRATION AND POLICY

Section 1. Section 15E.193B, subsection 8, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

The amount of the tax credits determined pursuant to subsection 6, paragraph "a", for each project shall be approved by the department of economic development. The department shall utilize the financial information required to be provided under subsection 5, paragraph "e", to determine the tax credits allowed for each project. In determining the amount of tax credits to be allowed for a project, the department shall not include the portion of the project cost financed through federal, state, and local government tax credits, grants, and forgivable loans. Upon approving the amount of the tax credit, the department of economic development shall issue a tax credit certificate to the eligible housing business except when low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development in which case the tax credit certificate may be issued to a partner if the business is a partnership, a shareholder if the business is an S corporation, or a member

if the business is a limited liability company in the amounts designated by the eligible partnership, S corporation, or limited liability company. An eligible housing business or the designated partner if the business is a partnership, designated shareholder if the business is an S corporation, or designated member if the business is a limited liability company, or transferee shall not claim the tax credit unless a tax credit certificate issued-by-the-department-of-economic-development is attached to the taxpayer's return for the tax year for which the tax credit is claimed. The tax credit certificate shall contain the taxpayer's name, address, tax identification number, the amount of the tax credit, and other information required by the department of revenue. The tax credit certificate shall be transferable if the housing development is located in a brownfield site as defined in section 15.291, if the housing development is located in a blighted area as defined in section 403.17, or if low-income housing tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the housing development. Not more than three million dollars worth of tax credits for housing developments that are located in a brownfield site as defined in section 15.291 or housing developments located in a blighted area as defined in section 403.17 shall be transferred in one calendar year. The three million dollar annual limit does not apply to tax credits awarded to an eligible housing business having low-income housing tax credits authorized under section 42 of the Internal Revenue Code to assist in the financing of the housing development. The department may approve an application for tax credit certificates for transfer from an eligible housing business located in a brownfield site as defined in section 15.291 or in a blighted area as defined in section 403.17 that would result in the issuance of more than three million dollars of tax credit certificates for transfer provided the department, through negotiation with the eligible business, allocates those tax credit certificates for transfer over more than one calendar year. The department shall not

issue approve more than one million five hundred thousand dollars in tax credit certificates for transfer to any one eligible housing business located in a brownfield site as defined in section 15.291 or in a blighted area as defined in section 403.17 in a calendar year. If three million dollars in tax credit certificates for transfer have not been issued at the end of a calendar year, the remaining tax credit certificates for transfer may be issued in advance to an eligible housing business scheduled to receive a tax credit certificate for transfer in a later calendar year. Any time the department issues approves a tax credit certificate for transfer which has not been allocated at the end of a calendar year, the department may prorate the remaining certificates to more than one eligible applicant. If the entire three million dollars of tax credit certificates for transfer is not issued in a given calendar year, the remaining amount may be carried over to a succeeding calendar year. Tax credit certificates issued under this chapter may be transferred to any person or entity. The department of economic development shall notify the department of revenue of the tax credit certificates which have been approved for transfer. Within ninety days of transfer, the transferee must submit the transferred tax credit certificate to the department of ~~economic-development~~ revenue along with a statement containing the transferee's name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the department of revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee's statement, the department of ~~economic-development~~ revenue shall issue one or more replacement tax credit certificates to the transferee. Each replacement certificate must contain the information required to receive the original certificate and must have the same expiration date that appeared in the transferred tax credit certificate. Tax credit certificate amounts of less than the minimum amount established by rule of the department of economic development shall not be transferable. A tax

credit shall not be claimed by a transferee under subsection 6, paragraph "a", until a replacement tax credit certificate identifying the transferee as the proper holder has been issued.

Sec. 2. Section 68A.102, subsection 21, Code Supplement 2005, is amended to read as follows:

21. "State income tax liability" means the state individual income tax imposed under section 422.5 ~~reduced by the sum of the deductions from the computed tax as provided under section 422-12~~, less the amounts of nonrefundable credits allowed under chapter 422, division II.

Sec. 3. Section 257.21, unnumbered paragraph 2, Code 2005, is amended to read as follows:

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 in sections 422-11A, 422-11B, 422-12, and 422-12B under chapter 422, division II.

Sec. 4. Section 331.605B, Code 2005, is amended to read as follows:

331.605B FEES COLLECTED -- AUDIT.

1. The recorder shall make available any information required by the county or state auditor concerning the fees collected under section 331.605A for the purposes of determining the amount of fees collected and the uses for which such fees are expended.

2. A recorder shall collect only statutorily authorized fees for land records management. A recorder shall not collect a fee for viewing, accessing, or printing documents in

the county land record information system unless specifically authorized by statute. However, a recorder may collect actual third-party fees associated with accepting and processing statutorily authorized fees including credit card fees, treasury management fees, and other transaction fees required to enable electronic payment. For the purposes of this subsection, the term "third-party" does not include the county land record information system, the Iowa state association of counties, or any of the association's affiliates.

Sec. 5. Section 368.11, subsection 3, paragraph m, Code Supplement 2005, is amended to read as follows:

m. In the discretion of a city council, a provision for a transition for the imposition of city taxes against property within an annexation area. The provision shall allow for an exemption from taxation of the following percentages of assessed valuation according to the following schedule:

- (1) For the first and second years, seventy-five percent.
- (2) For the third and fourth years, sixty percent.
- (3) For the fifth and sixth years, forty-five percent.
- (4) For the seventh and eighth years, thirty percent.
- (5) For the ninth and tenth years, fifteen percent.

An alternative schedule may be adopted by the city council. However, an alternative schedule shall not allow a greater exemption than that provided in this paragraph. The exemption shall be applied in the levy and collection of taxes. The provision may also allow for the partial provision of city services during the time in which the exemption from taxation is in effect. If the city council provides for a transition for the imposition of city taxes against property in an annexation area, all property owners included in the annexation area must receive the transition upon completion of the annexation.

Sec. 6. Section 404A.4, subsection 5, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

Tax credit certificates issued under this chapter may be transferred to any person or entity. Within ninety days of transfer, the transferee must submit the transferred tax

credit certificate to the ~~state-historic-preservation-office~~ department of revenue along with a statement containing the transferee's name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the department of revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee's statement, the ~~office~~ department of revenue shall issue one or more replacement tax credit certificates to the transferee. Each replacement certificate must contain the information required under subsection 2 and must have the same expiration date that appeared in the transferred tax credit certificate. Tax credit certificate amounts of less than the minimum amount established by rule of the state historic preservation office shall not be transferable. A tax credit shall not be claimed by a transferee under this chapter until a replacement tax credit certificate identifying the transferee as the proper holder has been issued.

Sec. 7. Section 421.17, subsection 14, Code Supplement 2005, is amended by striking the subsection.

Sec. 8. Section 422.5, subsection 1, paragraph j, subparagraph (2), unnumbered paragraph 2, Code 2005, is amended to read as follows:

This subparagraph shall not affect the amount of the taxpayer's ~~checkoff-to-the-iowa-election-campaign-fund-under section-66A-601, the checkoff-for-the-fish-and-game-fund-in section-456A-16~~ checkoffs under this division, the credits from tax provided ~~in-sections-422-107-422-11A7-and-422-12~~ under this division, and the allocation of these credits between spouses if the taxpayers filed separate returns or separately on combined returns.

Sec. 9. Section 422.5, subsection 1, paragraph k, subparagraph (2), subparagraph subdivision (b), Code 2005, is amended to read as follows:

(b) Twenty-six thousand dollars for a single person or an unmarried a head of household.

Sec. 10. Section 422.5, subsection 2, Code 2005, is amended to read as follows:

2. However, 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, unmarried 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 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. 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 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.

In addition, if the married persons', filing jointly or filing separately on a combined return, unmarried 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 loss as provided in section 422.9, subsection 3.

Sec. 11. Section 422.6, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The tax imposed by section 422.5 less the amounts of nonrefundable credits allowed under ~~sections 15-333, 15-335, 422-10, 422-11, 422-11A, and 422-11B, and the personal exemption credit allowed under section 422-12~~ this division apply to and are a charge against estates and trusts with respect to their taxable income, and the rates are the same as those applicable to individuals. The fiduciary shall make the return of income for the estate or trust for which the fiduciary acts, whether the income is taxable to the estate or trust or to the beneficiaries. However, for tax years ending after August 5, 1997, if the trust is a qualified preneed funeral trust as set forth in section 685 of the Internal Revenue Code and the trustee has elected the special tax treatment under section 685 of the Internal Revenue Code, neither the trust nor the beneficiary is subject to Iowa income tax on income accruing to the trust.

Sec. 12. Section 422.7, subsection 21, paragraph a, subparagraph (1), unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

Net capital gain from the sale of real property used in a business, in which the taxpayer materially participated for ten years, as defined in section 469(h) of the Internal Revenue Code, and which has been held for a minimum of ten years, or from the sale of a business, as defined in section 423.1, ~~in which the taxpayer was employed or~~ in which the taxpayer materially participated for ten years, as defined in section 469(h) of the Internal Revenue Code, and which has been held for a minimum of ten years. The sale of a business means the sale of all or substantially all of the tangible personal property or service of the business.

Sec. 13. Section 422.9, subsection 1, Code Supplement 2005, is amended to read as follows:

1. An optional standard deduction, after deduction of federal income tax, equal to one thousand two hundred thirty dollars for a married person who files separately or a single person or equal to three thousand thirty dollars for a husband and wife who file a joint return, a surviving spouse, or an unmarried a head of household. The optional standard deduction shall not exceed the amount remaining after deduction of the federal income tax. The amount of federal income tax deducted shall be computed as provided in subsection 2, paragraph "b".

Sec. 14. Section 422.10, subsection 4, Code Supplement 2005, 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 ~~sections 422.11A, 422.12, and 422.12B~~ this division for the taxable year shall be refunded with interest computed under section 422.25. 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. 15. Section 422.10, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 5. An individual may claim an additional research activities credit authorized pursuant to section

15.335 if the eligible business is a partnership, S corporation, limited liability company, or estate or trust which elects to have the income taxed directly to the individual. The amount of the credit shall be as provided in section 15.335.

Sec. 16. Section 422.11, Code 2005, is amended to read as follows:

422.11 FRANCHISE TAX CREDIT.

The taxes imposed under this division, less the credits allowed under ~~section~~ sections 422.12 and 422.12B, shall be reduced by a franchise tax credit. A taxpayer who is a shareholder in a financial institution, as defined in section 581 of the Internal Revenue Code, which has in effect for the tax year an election under subchapter S of the Internal Revenue Code, or is a member of a financial institution organized as a limited liability company under chapter 524 that is taxed as a partnership for federal income tax purposes, shall compute the amount of the tax credit by recomputing the amount of tax under this division by reducing the taxable income of the taxpayer by the taxpayer's pro rata share of the items of income and expense of the financial institution and subtracting the credits allowed under ~~section~~ sections 422.12 and 422.12B. This recomputed tax shall be subtracted from the amount of tax computed under this division after the deduction for credits allowed under ~~section~~ sections 422.12 and 422.12B. The resulting amount, which shall not exceed the taxpayer's pro rata share of the franchise tax paid by the financial institution, is the amount of the franchise tax credit allowed.

Sec. 17. Section 422.11B, subsection 1, unnumbered paragraph 2, Code 2005, is amended to read as follows:

The minimum tax credit for a tax year is the excess, if any, of the adjusted 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.

Sec. 18. Section 422.11B, subsection 2, unnumbered paragraph 3, Code 2005, is amended to read as follows:

~~The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (6) of section 57(a) of the Internal Revenue Code.~~

Sec. 19. Section 422.11F, Code 2005, is amended to read as follows:

422.11F INVESTMENT TAX CREDITS.

1. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by an investment tax credit authorized pursuant to section 15E.43 for an investment in a qualifying business or a community-based seed capital fund.

2. The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by investment tax credits authorized pursuant to sections 15.333 and 15E.193B, subsection 6.

Sec. 20. NEW SECTION. 422.11M IOWA FUND OF FUNDS TAX CREDIT.

The taxes imposed under this division, less the credits allowed under sections 422.12 and 422.12B, shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 21. Section 422.12, subsection 3, Code 2005, is amended to read as follows:

3. For the purpose of this section, the determination of whether an individual is married shall be made ~~as of the close of the individual's tax year unless the individual's spouse dies during the individual's tax year, in which case the determination shall be made as of the date of the spouse's death in accordance with section 7703 of the Internal Revenue Code.~~ An individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance shall not be considered married.

Sec. 22. Section 422.12A, subsection 2, Code 2005, is amended to read as follows:

2. The director of revenue shall draft the income tax form to allow the designation of contributions to the keep Iowa beautiful fund on the tax return. The department of revenue, on or before January 31, shall transfer the total amount designated on the tax return forms due in the preceding calendar year to the keep Iowa beautiful fund. However, before a checkoff pursuant to this section shall be permitted, all liabilities on the books of the department of revenue administrative services and accounts identified as owing under section ~~421.17~~ 8A.504 and the political contribution allowed under section 68A.601 shall be satisfied.

Sec. 23. Section 422.12C, subsection 1, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

The taxes imposed under this division, less the amounts of nonrefundable credits allowed under ~~sections 422.11A, 422.11B, 422.12, and 422.12B~~ this division, shall be reduced by a child and dependent care credit equal to the following percentages of the federal child and dependent care credit provided in section 21 of the Internal Revenue Code:

Sec. 24. Section 422.12C, subsection 2, paragraph a, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

~~In lieu of the child and dependent care credit authorized in subsection 1, a taxpayer may claim~~ The taxes imposed under this division, less the amounts of nonrefundable credits allowed under this division, may be reduced by an early childhood development tax credit equal to twenty-five percent of the first one thousand dollars which the taxpayer has paid to others for each dependent, as defined in the Internal Revenue Code, ages three through five for early childhood development expenses. In determining the amount of early childhood development expenses for the tax year beginning in the 2006 calendar year only, such expenses paid during November and December of the previous tax year shall be

considered paid in the tax year for which the tax credit is claimed. This credit is available to a taxpayer whose net income is less than forty-five thousand dollars. If the early childhood development tax credit is claimed for a tax year, the taxpayer and the taxpayer's spouse shall not claim the child and dependent care credit under subsection 1. As used in this subsection, "early childhood development expenses" means services provided to the dependent by a preschool, as defined in section 237A.1, materials, and other activities as follows:

Sec. 25. Section 422.12C, subsection 2, paragraph b, Code Supplement 2005, is amended by striking the paragraph.

Sec. 26. Section 422.12F, subsection 2, Code 2005, is amended to read as follows:

2. The director of revenue shall draft the income tax form to allow the designation of contributions to the volunteer fire fighter preparedness fund on the tax return. The department of revenue, on or before January 31, shall certify the total amount designated on the tax return forms due in the preceding calendar year and shall report the amount to the treasurer of state. The treasurer of state shall credit the amount to the volunteer fire fighter preparedness fund. However, before a checkoff pursuant to this section shall be permitted, all liabilities on the books of the department of revenue administrative services and accounts identified as owing under section ~~422.17~~ 8A.504 and the political contribution allowed under section 68A.601 shall be satisfied.

Sec. 27. NEW SECTION. 422.12G INCOME TAX CHECKOFF FOR IOWA ELECTION CAMPAIGN FUND.

A person who files an individual or a joint income tax return with the department of revenue under section 422.13 may designate a contribution to the Iowa election campaign fund authorized pursuant to section 68A.601.

Sec. 28. NEW SECTION. 422.12H INCOME TAX CHECKOFF FOR FISH AND GAME PROTECTION FUND.

A person who files an individual or a joint income tax return with the department of revenue under section 422.13 may

designate a contribution to the state fish and game protection fund authorized pursuant to section 456A.16.

Sec. 29. Section 422.33, subsection 5, Code Supplement 2005, is amended by adding the following new paragraphs:

NEW PARAGRAPH. f. A corporation which is a primary business or a supporting business in a quality jobs enterprise zone may claim the research activities credit authorized pursuant to section 15A.9, subsection 8, in lieu of the credit computed in paragraph "a" or "b".

NEW PARAGRAPH. g. A corporation which is an eligible business may claim an additional research activities credit authorized pursuant to section 15.335.

Sec. 30. Section 422.33, subsection 7, paragraph a, unnumbered paragraph 2, Code Supplement 2005, is amended to read as follows:

The minimum tax credit for a tax year is the excess, if any, of the adjusted 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 subsection for those prior tax years.

Sec. 31. Section 422.33, subsection 7, paragraph b, unnumbered paragraph 3, Code Supplement 2005, is amended to read as follows:

~~The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (f) of section 57(a) of the Internal Revenue Code.~~

Sec. 32. Section 422.33, subsection 12, Code Supplement 2005, is amended to read as follows:

12. a. The taxes imposed under this division shall be reduced by an investment tax credit authorized pursuant to section 15E.43 for an investment in a qualifying business or a community-based seed capital fund.

b. The taxes imposed under this division shall be reduced by investment tax credits authorized pursuant to sections 15.333, 15A.9, subsection 4, and 15E.193B, subsection 6.

Sec. 33. Section 422.33, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 20. The taxes imposed under this division shall be reduced by a corporate tax credit authorized pursuant to section 15.331C for certain sales taxes paid by a third-party developer.

NEW SUBSECTION. 21. The taxes imposed under this division shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 34. Section 422.60, subsection 2, paragraphs a and b, Code Supplement 2005, are amended to read as follows:

a. 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), (c)(1), (d), ~~(f)~~ and (g), of the Internal Revenue Code, and add losses as required by section 58 of the Internal Revenue Code.

b. Make the adjustments provided in section 56(c)(1) of the Internal Revenue Code, except that in making the calculation under ~~sections 56(f)(1) and~~ section 56(g)(1) of the Internal Revenue Code the state alternative minimum taxable income, computed without regard to the adjustments made by this paragraph, the exemption provided for in paragraph "d", and the state alternative tax net operating loss described in paragraph "e", shall be substituted for the items described in ~~sections 56(f)(1)(B) and~~ section 56(g)(1)(B) of the Internal Revenue Code.

Sec. 35. Section 422.60, subsection 3, paragraph a, unnumbered paragraph 2, Code Supplement 2005, is amended to read as follows:

The minimum tax credit for a tax year is the excess, if any, of the adjusted 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 subsection for those prior tax years.

Sec. 36. Section 422.60, subsection 3, paragraph b, unnumbered paragraph 3, Code Supplement 2005, is amended to read as follows:

~~The adjusted net minimum tax for a tax year is the net minimum tax for the tax year reduced by the amount which would be the net minimum tax if the only item of tax preference taken into account was that described in paragraph (6) of section 57(a) of the Internal Revenue Code.~~

Sec. 37. Section 422.60, subsection 5, Code Supplement 2005, is amended to read as follows:

5. a. The taxes imposed under this division shall be reduced by an investment tax credit authorized pursuant to section 15E.43 for an investment in a qualifying business or a community-based seed capital fund.

b. The taxes imposed under this division shall be reduced by investment tax credits authorized pursuant to sections 15.333 and 15E.193B, subsection 6.

Sec. 38. Section 422.60, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 11. The taxes imposed under this division shall be reduced by a corporate tax credit authorized pursuant to section 15.331C for certain sales taxes paid by a third-party developer.

NEW SUBSECTION. 12. The taxes imposed under this division shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 39. Section 422D.2, Code 2005, 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 in sections 422.11A, 422.11B, 422.12, and 422.12B under chapter 422, division II.

Sec. 40. Section 423.3, subsection 18, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. Home and community-based services providers certified to offer Medicaid waiver services by the department of human services that are any of the following:

- (1) Ill and handicapped waiver service providers, described in 441 IAC 77.30.
- (2) Hospice providers, described in 441 IAC 77.32.
- (3) Elderly waiver service providers, described in 441 IAC 77.33.
- (4) AIDS/HIV waiver service providers, described in 441 IAC 77.34.
- (5) Federally qualified health centers, described in 441 IAC 77.35.
- (6) MR waiver service providers, described in 441 IAC 77.37.
- (7) Brain injury waiver service providers, described in 441 IAC 77.39.

Sec. 41. Section 423.3, subsection 39, Code Supplement 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. Notwithstanding paragraph "a", the sale, furnishing, or performance of a service that is of a recurring nature by the owner if, at the time of the sale, all of the following apply:

- (1) The seller is not engaged for profit in the business of the selling, furnishing, or performance of services taxed under section 423.2. For purposes of this subparagraph, the fact of the recurring nature of selling, furnishing, or performance of services does not constitute by itself engaging for profit in the business of selling, furnishing, or performance of services.

(2) The owner of the business is the only person performing the service.

(3) The owner of the business is a full-time student.

(4) The total gross receipts from the sales, furnishing, or performance of services during the calendar year does not exceed five thousand dollars.

Sec. 42. Section 423.3, subsection 50, Code Supplement 2005, is amended to read as follows:

50. The sales price of sales of electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail or of any fuel which is consumed in creating power, heat, or steam for processing or for generating electric current.

Sec. 43. Section 423.3, subsection 86, Code Supplement 2005, is amended to read as follows:

86. The sales price from services performed on a vessel if all of the following apply:

a. The vessel is a licensed vessel under the laws of the United States coast guard.

~~b. The vessel is not moored or tied to a physical location in this state.~~

~~c. The service is used to repair or restore a defect in the vessel.~~

~~d. The vessel is engaged in interstate commerce and will continue in interstate commerce once the repairs or restoration is completed.~~

~~e. The vessel is in navigable water that borders the eastern a boundary of this state.~~

For purposes of this exemption, "vessel" includes a ship, barge, or other waterborne vessel.

Sec. 44. Section 423.3, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 89. a. The sales price from the sale of coins, currency, or bullion.

b. For purposes of this subsection:

(1) "Bullion" means bars, ingots, or commemorative medallions of gold, silver, platinum, palladium, or a combination of these where the value of the metal depends on its content and not the form.

(2) "Coins" or "currency" means a coin or currency made of gold, silver, or other metal or paper which is or has been used as legal tender.

Sec. 45. Section 423.6, subsection 10, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. This exemption applies to corporations that have been in existence for not longer than twenty-four months.

Sec. 46. Section 423.6, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 25. Exempted from the purchase price of a replacement motor vehicle owned by a motor vehicle dealer licensed under chapter 322 which is being registered by that dealer and is not otherwise exempt from tax is the fair market value of a replaced motor vehicle if all of the following conditions are met:

a. The motor vehicle being registered is being placed in service as a replacement motor vehicle for a motor vehicle registered by the motor vehicle dealer.

b. The motor vehicle being registered is taken from the motor vehicle dealer's inventory.

c. Use tax on the motor vehicle being replaced was paid by the motor vehicle dealer when that motor vehicle was registered.

d. The replaced motor vehicle is returned to the motor vehicle dealer's inventory for sale.

e. The application for registration and title of the motor vehicle being registered is filed with the county treasurer within two weeks of the date the replaced motor vehicle is returned to the motor vehicle dealer's inventory.

f. The motor vehicle being registered is placed in the same or substantially similar service as the replaced motor vehicle.

Sec. 47. Section 423.8, Code 2005, is amended to read as follows:

423.8 LEGISLATIVE FINDING AND INTENT.

The general assembly finds that Iowa should enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. It is the intent of the general assembly that entering into this agreement will lead to simplification and modernization of the sales and use tax law and not to the imposition of new taxes or an increase or decrease in the existing number of exemptions, unless such a result is unavoidable under the terms of the agreement. Entering into this agreement should not cause businesses to sustain additional administrative burden.

It is the intent of the general assembly to provide Iowa sellers, impacted by the agreement, with the assistance necessary to alleviate administrative burdens that result in participation in the agreement. The director and the Iowa streamlined sales tax advisory council shall provide recommendations to address the new administrative burden identified in the Iowa streamlined sales tax advisory council 2005 report submitted to the Iowa general assembly. The recommendations must be submitted to the general assembly by January 1, 2007, and shall include the expenses associated and all relevant data including but not limited to the number of intrastate sellers impacted by the agreement.

Sec. 48. Section 423.9, Code 2005, is amended to read as follows:

423.9 AUTHORITY TO ENTER AGREEMENT AND TO REPRESENT THE STATE.

1. The director is authorized and directed to enter into the streamlined sales and use tax agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

2. The director is further authorized to take other actions reasonably required to implement the provisions set forth in this chapter. Other actions authorized by this section include, but are not limited to, the adoption of rules and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

~~The director or the director's designee is authorized to be a member of the governing board established pursuant to the agreement and to represent Iowa before that body.~~

3. Four representatives are authorized to be members of the governing board established pursuant to the agreement and to represent Iowa before that body as one vote. The representatives shall be appointed as follows:

a. One representative shall be a member of the house of representatives who is appointed by the speaker of the house of representatives or the delegate's designee who shall also be a member of the house of representatives.

b. One representative shall be a member of the senate who is appointed by the majority leader of the senate or the delegate's designee who shall also be a member of the senate.

c. Two representatives from the executive branch shall be appointed by the governor, one of whom shall be the director, or each delegate's designee who shall also be employed by the executive branch.

Sec. 49. NEW SECTION. 423.9A IOWA STREAMLINED SALES TAX ADVISORY COUNCIL.

1. An Iowa streamlined sales tax advisory council is created. The advisory council shall review, study, and submit recommendations to the Iowa streamlined sales and use tax representatives appointed pursuant to section 423.9, subsection 3, regarding the streamlined sales and use tax agreement formalized by the project's member states on November 12, 2002, agreement amendments, proposed language conforming Iowa's sales and use tax to the national agreement, and the following issues:

a. Uniform definitions proposed in the current agreement and future proposals.

b. Effects upon taxability of items newly defined in Iowa.
c. Impacts upon business as a result of the agreement.
d. Technology implementation issues.
e. Any other issues that are brought before the streamlined sales and use tax member state or the streamlined sales and use tax governing board.

2. The department shall provide administrative support to the Iowa streamlined sales tax advisory council. The advisory council shall be representative of Iowa's business community and economy when reviewing and recommending solutions to streamlined sales and use tax issues. The advisory council shall provide the general assembly and the governor with final recommendations made to the Iowa streamlined sales and use tax representatives upon the conclusion of each calendar year.

3. The director, in consultation with the Iowa taxpayers association, Iowa retail federation, and the Iowa association of business and industry, shall appoint members to the Iowa streamlined sales tax advisory council, which shall consist of the following members:

- a. One member from the department.
- b. Three members representing small Iowa businesses, at least one of whom must be a retailer, and at least one of whom shall be a supplier.
- c. Three members representing medium Iowa businesses, at least one of whom shall be a retailer, and at least one of whom shall be a supplier.
- d. Three members representing large Iowa businesses, at least one of whom shall be a retailer, and at least one of whom shall be a supplier.
- e. One member representing taxpayers as a whole.
- f. One member representing the retail community as a whole.
- g. Any other member representative of business the director deems appropriate.

Sec. 50. Section 423.33, subsection 3, Code Supplement 2005, 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 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 property 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 less-than three-times-a-year 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. 51. Section 423.37, subsection 2, Code 2005, is amended to read as follows:

2. If a return required by this subchapter is not filed, or if a return when filed is incorrect or insufficient and the maker fails to file a corrected or sufficient return within twenty days after the same is required by notice from the department, the department shall determine the amount of tax due from information as the department may be able to obtain and, if necessary, may estimate the tax on the basis of external indices, such as number of employees of the person concerned, rentals paid by the person, stock on hand, or other factors. The determination may be made using any generally recognized valid and reliable sampling technique, whether or not the person being audited has complete records, as mutually agreed upon by the department and the taxpayer. The department shall give notice of the determination to the person liable for the tax. The determination shall fix the tax unless the person against whom it is assessed shall, within sixty days after the giving of notice of the

determination, apply to the director for a hearing or unless the taxpayer contests the determination by paying the tax, interest, and penalty and timely filing a claim for refund. At the hearing, evidence may be offered to support the determination or to prove that it is incorrect. After the hearing the director shall give notice of the decision to the person liable for the tax.

Sec. 52. Section 423B.1, subsection 3, Code 2005, is amended to read as follows:

3. A local option tax shall be imposed only after an election at which a majority of those voting on the question favors imposition and shall then be imposed until repealed as provided in subsection 6, paragraph "a". If the tax is a local vehicle tax imposed by a county, it shall apply to all incorporated and unincorporated areas of the county. 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 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.

Sec. 53. Section 423B.1, subsection 4, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. 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.

Sec. 54. Section 423B.1, subsection 6, paragraph a, Code 2005, is amended to read as follows:

a. If a majority of those voting on the question of imposition of a local option tax favors imposition of a local option tax, the governing body of that county shall impose the tax at the rate specified for an unlimited period. However, in the case of a local sales and services tax, the county shall not impose the tax in any incorporated area or the unincorporated area if the majority of those voting on the tax in that area did not favor 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 shall be imposed in each of those contiguous cities only if the majority of those voting on the tax in the total area covered by the contiguous cities favored 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.

PARAGRAPH DIVIDED. The local option tax may be repealed or the rate increased or decreased or the use thereof changed after an election at which a majority of those voting on the question of repeal or rate or use change favored the repeal or rate or use change. 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. However, the governing body of the incorporated area 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 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 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.

When submitting the question of the imposition of a local sales and services tax, the county board of supervisors 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. 55. Section 423B.5, unnumbered paragraph 1, Code Supplement 2005, is amended to read as follows:

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, and except the tax shall not be imposed 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 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. 56. Section 425.11, subsection 4, Code Supplement 2005, is amended to read as follows:

4. The word "owner" shall mean the person who holds the fee simple title to the homestead, and in addition shall mean the person occupying as a surviving spouse or the person occupying under a contract of purchase which contract has been recorded in the office of the county recorder of the county in which the property is located; or the person occupying the homestead under devise or by operation of the inheritance laws where the whole interest passes or where the divided interest is shared only by persons related or formerly related to each other by blood, marriage or adoption; or the person occupying the homestead is a shareholder of a family farm corporation that owns the property; or the person occupying the homestead under a deed which conveys a divided interest where the divided interest is shared only by persons related or formerly related to each other by blood, marriage or adoption; or where the person occupying the homestead holds a life estate with the reversion interest held by a nonprofit corporation organized under chapter 504, provided that the holder of the life estate is liable for and pays property tax on the homestead; or where the person occupying the homestead holds an interest in a horizontal property regime under chapter 499B, regardless of whether the underlying land committed to the horizontal property regime is in fee or as a leasehold interest, provided that the holder of the interest in the horizontal property regime is liable for and pays property tax on the homestead; or where the person occupying the homestead

is a member of a community land trust as defined in 42 U.S.C. § 12773, regardless of whether the underlying land is in fee or as a leasehold interest, provided that the member of the community land trust is occupying the homestead and is liable for and pays property tax on the homestead. For the purpose of this chapter the word "owner" shall be construed to mean a bona fide owner and not one for the purpose only of availing the person of the benefits of this chapter. In order to qualify for the homestead tax credit, evidence of ownership shall be on file in the office of the clerk of the district court or recorded in the office of the county recorder at the time the owner files with the assessor a verified statement of the homestead claimed by the owner as provided in section 425.2.

Sec. 57. Section 427.1, subsection 2, Code Supplement 2005, is amended to read as follows:

2. MUNICIPAL AND MILITARY PROPERTY. The property of a county, township, city, school corporation, levee district, drainage district, or the Iowa national guard, when devoted to public use and not held for pecuniary profit, except property of a municipally owned electric utility held under joint ownership and property of an electric power facility financed under chapter 28F or 476A that shall be subject to taxation under chapter 437A and facilities of a municipal utility that are used for the provision of local exchange services pursuant to chapter 476, but only to the extent such facilities are used to provide such services, which shall be subject to taxation under chapter 433, except that section 433.11 shall not apply. The exemption for property owned by a city or county also applies to property which is operated by a city or county as a library, art gallery or museum, conservatory, botanical garden or display, observatory or science museum, or as a location for holding athletic contests, sports or entertainment events, expositions, meetings or conventions, or leased from the city or county for any such purposes, or leased from the city or county by the Iowa national guard or by a federal agency for the benefit of the Iowa national guard

when devoted for public use and not for pecuniary profit. Food and beverages may be served at the events or locations without affecting the exemptions, provided the city has approved the serving of food and beverages on the property if the property is owned by the city or the county has approved the serving of food and beverages on the property if the property is owned by the county. The exemption for property owned by a city or county also applies to property which is located at an airport and leased to a fixed base operator providing aeronautical services to the public.

Sec. 58. Section 427.1, subsection 21A, Code Supplement 2005, is amended to read as follows:

21A. DWELLING UNIT PROPERTY OWNED BY NONPROFIT ORGANIZATIONS. Dwelling unit property owned and managed by a nonprofit organization if the nonprofit organization owns and manages more than forty dwelling units that are located in a city with a population of more than one hundred ten thousand which has a public housing authority that does not own or manage housing stock for the purpose of low-rent housing. For the 2005 and 2006 assessment years, an application is not required to be filed to receive the exemption. For the 2007 and subsequent assessment years, an application for exemption must be filed with the assessing authority not later than February 1 of the assessment year for which the exemption is sought. Upon the filing and allowance of the claim, the claim shall be allowed on the property for successive years without further filing as long as the property continues to qualify for the exemption.

Sec. 59. Section 427A.1, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 5A. Notwithstanding the other provisions of this section, property that is equipment used for the washing, waxing, drying, or vacuuming of motor vehicles and point-of-sale equipment necessary for the purchase of car wash services shall not be assessed and taxed as real property.

Sec. 60. Section 432.12C, Code 2005, is amended to read as follows:

432.12C INVESTMENT TAX CREDITS.

1. The tax imposed under this chapter shall be reduced by an investment tax credit authorized pursuant to section 15E.43 for an investment in a qualifying business or a community-based seed capital fund.

2. The taxes imposed under this division shall be reduced by investment tax credits authorized pursuant to sections 15.333A and 15E.193B, subsection 6.

Sec. 61. NEW SECTION. 432.12H TAX CREDIT FOR CERTAIN SALES TAXES PAID BY THIRD-PARTY DEVELOPERS.

The taxes imposed under this chapter shall be reduced by a tax credit authorized pursuant to section 15.331C for certain sales taxes paid by a third-party developer.

Sec. 62. NEW SECTION. 432.12I IOWA FUND OF FUNDS TAX CREDIT.

The taxes imposed under this chapter shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 63. Section 441.38, subsection 2, Code Supplement 2005, is amended to read as follows:

2. Notice If the appeal to district court is taken from the action of the local board of review, notice of appeal shall be served as an original notice on the chairperson, presiding officer, or clerk of the board of review within twenty-days-after-its-adjourment-or-May-31, whichever is later, and after the filing of notice under subsection 1 with the clerk of district court. If the appeal to district court is taken from the action of the property assessment appeal board, notice of appeal shall be served as an original notice on the secretary of the property assessment appeal board, if applicable after the filing of notice under subsection 1 with the clerk of district court.

Sec. 64. Section 468.55, Code 2005, is amended to read as follows:

468.55 ASSESSMENTS -- MATURITY AND COLLECTION.

If a landowner selects an option provided in section 468.57, all drainage or levee tax assessments become due and

payable with the first half of ordinary taxes, and shall be collected in the same manner with the same interest for delinquency and the same manner of enforcing collection by tax sales. As an alternative, the ~~certifying-authority-may request-that~~ landowner may pay the annual installment be payable in two equal payments, one-half with the September payment of ordinary taxes and one-half payable with the March payment of ordinary taxes. All drainage or levee tax assessments not optioned for installment payments by the landowner shall become due and payable within thirty days after the levy of assessments.

Sec. 65. Section 533.24, Code Supplement 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 8. The moneys and credits tax imposed under this section shall be reduced by an investment tax credit authorized pursuant to section 15.333.

NEW SUBSECTION. 9. The moneys and credits tax imposed under this section shall be reduced by a tax credit authorized pursuant to section 15.331C for certain sales taxes paid by a third-party developer.

NEW SUBSECTION. 10. The moneys and credits tax imposed under this section shall be reduced by a tax credit authorized pursuant to section 15E.66, if redeemed, for investments in the Iowa fund of funds.

Sec. 66. 2005 Iowa Acts, chapter 140, section 72, is amended to read as follows:

SEC. 72. REFUNDS. Refunds of taxes, interest, or penalties which arise from claims resulting from the amendment to section 423.3, subsection 5, in this division of this Act, for the sale of agricultural drain tile materials occurring between January 1, 1998, and the effective date of the section amending section 423.3, subsection 5, in this division of this Act, shall be limited to ~~twenty-five~~ fifty thousand dollars in the aggregate and shall not be allowed unless refund claims are filed prior to October 1, 2005, notwithstanding any other provision of law. If the amount of claims totals more than ~~twenty-five~~ fifty thousand dollars in the aggregate, the

department of revenue shall prorate the ~~twenty-five~~ fifty thousand dollars among all claimants in relation to the amounts of the claimants' valid claims.

Sec. 67. 2005 Iowa Acts, chapter 179, section 100, is amended to read as follows:

SEC. 100. COUNTY REAL ESTATE ELECTRONIC GOVERNMENT ADVISORY COMMITTEE.

1. A county real estate electronic government advisory committee is created. ~~Staffing-services-for-the-advisory-committee-shall-be-provided-by-the-auditor-of-state-~~ The advisory committee membership shall consist of the following:

- a. Two members selected by the Iowa state association of county auditors.
- b. Two members selected by the Iowa state county treasurers association.
- c. Two members selected by the Iowa county recorders association.
- d. Two members selected by the Iowa state association of assessors.
- e. One member selected by each of the following organizations:
 - (1) Iowa state association of counties.
 - (2) Iowa land title association.
 - (3) Iowa bankers association.
 - (4) Iowa credit union league.
 - (5) Iowa state bar association.
 - (6) Iowa association of realtors.

2. The county real estate electronic government advisory committee shall facilitate discussion to integrate the county land record information system ~~created-pursuant-to-section 331-605E~~ with the electronic government internet applications of county treasurers, county recorders, county auditors, and county assessors. The advisory committee shall file an updated integration plan with the governor and the general assembly on or before November 1, 2005 2006.

Sec. 68. 2005 Iowa Acts, chapter 179, section 101, subsection 3, is repealed.

Sec. 69. EFFECTIVE AND APPLICABILITY DATES.

1. The sections of this division of this Act amending section 422.12C, subsection 2, apply retroactively to January 1, 2006, for tax years beginning on or after that date.
2. The section of this division of this Act amending section 425.11, being deemed of immediate importance, takes effect upon enactment and applies to taxes due and payable in fiscal years beginning on or after July 1, 2006.
3. The section of this division of this Act enacting section 427A.1, subsection 5A, being deemed of immediate importance, takes effect upon enactment and applies retroactively to January 1, 2006, for assessment years beginning on or after that date.
4. The section of this division of this Act amending 2005 Iowa Acts, chapter 140, section 72, being deemed of immediate importance, takes effect upon enactment and applies retroactively to June 30, 2005.

DIVISION II

STREAMLINED SALES AND USE TAX UPDATES

Sec. 70. Section 423.2, subsection 8, Code Supplement 2005, is amended by striking the subsection and inserting in lieu thereof the following:

8. a. A tax of five percent is imposed on the sales price from sales of bundled transactions. For the purposes of this subsection, a "bundled transaction" is the retail sale of two or more distinct and identifiable products, except real property and services to real property, which are sold for one nonitemized price. A "bundled transaction" does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

b. "Distinct and identifiable products" does not include any of the following:

- (1) Packaging or other materials that accompany the retail sale of the products and are incidental or immaterial to the retail sale of the products.

(2) A product provided free of charge with the required purchase of another product. A product is "provided free of charge" if the sales price of the product purchased does not vary depending on the inclusion of the product which is provided free of charge.

(3) Items included in the definition of "sales price" pursuant to section 423.1.

c. "One nonitemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form.

Sec. 71. Section 423.18, Code Supplement 2005, is amended by striking the section and inserting in lieu thereof the following:

423.18 MULTIPLE POINTS OF USE.

1. Notwithstanding the provisions of section 423.15, a business purchaser that is not a holder of a direct pay permit that knows at the time of purchase of a digital good, computer software, or a service that the digital good, computer software, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase an exemption certificate claiming multiple points of use or meet the requirements of subsection 2 or 3. For the purpose of this section only, "computer software" includes but is not limited to computer software delivered electronically, by load and leave, or in tangible form. "Computer software" does not include computer software received in person by a business purchaser at a business location of the seller.

a. Upon receipt of an exemption certificate claiming multiple points of use, the seller is relieved of all obligation to collect, pay, or remit the applicable tax, and the purchaser shall be obligated to collect, pay, or remit the applicable tax on a direct pay basis.

b. A purchaser delivering an exemption certificate claiming multiple points of use may use any reasonable, but consistent and uniform, method of apportionment that is

supported by the purchaser's business books and records as they exist at the time the transaction is reported for sales or use tax purposes.

c. A purchaser delivering an exemption certificate claiming multiple points of use shall report and pay the appropriate tax to each jurisdiction where concurrent use occurs. The tax due shall be calculated as if the apportioned amount of the digital good, computer software, or service had been delivered to each jurisdiction to which the sale is apportioned pursuant to paragraph "b".

d. The exemption certificate claiming multiple points of use shall remain in effect for all future sales by the seller to the purchaser, except as to the subsequent sale's specific apportionment that is governed by the principles of paragraphs "b" and "c", until the exemption certificate is revoked in writing.

2. Notwithstanding subsection 1, when the seller knows that the product will be concurrently available for use in more than one jurisdiction, but the purchaser does not provide an exemption certificate claiming multiple points of use as required in subsection 1, the seller may work with the purchaser to produce the correct apportionment. The purchaser and seller may use any reasonable, but consistent and uniform, method of apportionment that is supported by the seller's and purchaser's business books and records as they exist at the time the transaction is reported for sales or use tax purposes. If the purchaser certifies the accuracy of the apportionment and the seller accepts the certification, the seller shall collect and remit the tax pursuant to subsection 1, paragraph "c". In the absence of bad faith, the seller is relieved of any further obligation to collect tax on any transaction where the seller has collected tax pursuant to the information certified by the purchaser.

3. When the seller knows that the product will be concurrently available for use in more than one jurisdiction and the purchaser does not have a direct pay permit and does not provide the seller with an exemption certificate claiming

a multiple points of use exemption as required in subsection 1, or certification pursuant to subsection 2, the seller shall collect and remit the tax based on the provisions of section 423.15.

4. A holder of a direct pay permit shall not be required to deliver an exemption certificate claiming multiple points of use to the seller. A direct pay permit holder shall follow the provisions of subsection 1, paragraphs "b" and "c", in apportioning the tax due on a digital good, computer software, or a service that will be concurrently available for use in more than one jurisdiction.

5. Nothing in this section shall limit a person's obligation for sales or use tax to this state in which the qualifying purchases are concurrently available for use, or limit a person's ability under local, state, federal, or constitutional law, to claim a credit for sales or use taxes legally due and paid to other jurisdictions.

Sec. 72. Section 423.20, subsection 1, paragraph j, Code 2005, is amended to read as follows:

j. "Postpaid calling service" means the telecommunications service obtained by making a payment on a call-by-call basis either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by charge made to a telephone number which is not associated with the origination or termination of the telecommunications service. A "postpaid calling service" includes a telecommunications service, except a prepaid wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunications service.

Sec. 73. Section 423.20, subsection 1, Code 2005, is amended by adding the following new paragraph after paragraph k, and relettering the remaining paragraphs:

NEW PARAGRAPH. 1. "Prepaid wireless calling service" means a telecommunications service that provides the right to utilize mobile wireless service as well as other nontelecommunications services, including the download of

digital products delivered electronically, content and ancillary services, which must be paid for in advance and that is sold in predetermined units or dollars of which the amount declines with use in a known amount.

Sec. 74. Section 423.20, subsection 2, paragraph c, subparagraphs (1) and (3), Code 2005, are amended to read as follows:

(1) A sale of mobile telecommunications services other than air-to-ground radiotelephone service, or prepaid calling service, or prepaid wireless calling service is sourced to the customer's place of primary use as required by the federal Mobile Telecommunications Sourcing Act.

(3) A sale of prepaid calling service or a sale of prepaid wireless calling service is sourced in accordance with section 423.15. However, in the case of a sale of ~~mobile telecommunications services that is a prepaid telecommunications~~ a prepaid wireless calling service, the rule provided in section 423.15, subsection 1, paragraph "e", shall include as an option the location associated with the mobile telephone number.

Sec. 75. Section 423.45, subsection 4, paragraph b, Code 2005, is amended to read as follows:

b. The sales tax liability for all sales of tangible personal property and all sales of services is upon the seller and the purchaser unless the seller takes ~~in-good-faith~~ 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 or services are purchased tax free pursuant to a valid exemption certificate ~~which is taken in good faith by the seller~~, and the tangible personal property 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.

Sec. 76. Section 423.45, subsection 4, paragraph d, Code 2005, is amended by striking the paragraph and inserting in lieu thereof the following:

d. The protection afforded a seller by paragraph "b" does not apply to a seller who fraudulently fails to collect tax or to a seller who solicits purchasers to participate in the unlawful claim of an exemption.

Sec. 77. Section 423.51, subsection 2, Code 2005, is amended to read as follows:

2. Sellers that follow the requirements of this section are relieved from any tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and that the purchaser is liable for the nonpayment of tax. This relief from liability does not apply to a seller who fraudulently does any of the following:

a. Fraudulently fails to collect the tax or solicits tax.

b. Solicits purchasers to participate in the unlawful claim of an exemption.

c. Accepts an exemption certificate when the purchaser claims an entity-based exemption when the following conditions are met:

(1) The subject of the transaction sought to be covered by the exemption certificate is actually received by the purchaser at a location operated by the seller.

(2) The state provides an exemption certificate that clearly and affirmatively indicates that the claimed exemption is not available in the state.

d. Accepts an exemption certificate claiming multiple points of use for tangible personal property other than computer software for which an exemption claiming multiple points of use is acceptable under section 423.18.

Sec. 78. Section 423.51, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 3. a. A seller otherwise obligated to collect tax from a purchaser is relieved of that obligation if

the seller obtains a fully completed exemption certificate or secures the relevant data elements of a fully completed exemption certificate within ninety days after the date of sale.

b. If the seller has not obtained an exemption certificate or all relevant data elements as provided in paragraph "a", the seller may, within one hundred twenty days after a request for substantiation by the department, either prove that the transaction was not subject to tax by other means or obtain a fully completed exemption certificate from the purchaser, taken in good faith.

c. Nothing in this subsection shall affect the ability of the state to require purchasers to update exemption certificate information or to reapply with the state to claim certain exemptions.

d. Notwithstanding paragraphs "a", "b", and "c", a seller is relieved of its obligation to collect tax from a purchaser if the seller obtains a blanket exemption certificate from the purchaser, and the seller and purchaser have a recurring business relationship. For the purposes of this paragraph, a recurring business relationship exists when a period of no more than twelve months elapses between sales transactions. The department may not request from the seller renewal of blanket certificates or updates of exemption certificate information or data elements when there is a recurring business relationship between the purchaser and seller.

NEW SUBSECTION. 4. All relief that this section provides to sellers is also provided to certified service providers under this chapter.

Sec. 79. Section 423.52, Code 2005, is amended to read as follows:

423.52 RELIEF FROM LIABILITY FOR SELLERS AND CERTIFIED SERVICE PROVIDERS.

1. Sellers and certified service providers using databases derived from zip codes or state or vendor provided address-based databases are relieved from liability to this state or its local taxing jurisdictions for having charged and

collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided by this state on tax rates, boundaries, or taxing jurisdiction assignments. If this state provides an address-based system for assigning taxing jurisdictions ~~whether or not pursuant to the federal Mobile Telecommunications Sourcing Act~~, the director is not required to provide liability relief for errors resulting from reliance on the information provided by this state if the director has given adequate notice, as determined by the governing board, to affected parties of the decision to end this relief.

2. a. Model 2 sellers and certified service providers are relieved of liability to Iowa for any failure to charge and collect the correct amount of sales or use tax if this failure results from the model 2 seller's or the certified service provider's reliance upon this state's certification to the governing board that Iowa has accepted the governing board's certification of a piece of software as a certified automated system. The relief provided by this paragraph to a model 2 seller or certified service provider does not extend to a seller or provider who has incorrectly classified an item or transaction into the product-based exemptions portion of a certified automated system. However, any model 2 seller or certified service provider who has relied upon an individual listing of items or transactions within a product definition approved by the governing board or Iowa may claim the relief allowed by this paragraph.

b. If the department determines that an item or transaction is incorrectly classified as to its taxability, the department shall notify the model 2 seller or certified service provider of the incorrect classification. The model 2 seller or certified service provider shall have ten days to revise the classification after receipt of notice of the determination. Upon expiration of the ten days, the model 2 seller or certified service provider shall be liable for the failure to collect the correct amount of sales or use taxes due and owing to the member state.

Sec. 80. EFFECTIVE DATES.

1. Except as provided in subsection 2, this division of this Act takes effect January 1, 2008.
2. The sections of this division of this Act amending section 423.45, subsection 4, and section 423.52, being deemed of immediate importance, take effect upon enactment.

CHRISTOPHER C. RANTS
Speaker of the House

JEFFREY M. LAMBERTI
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2794, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved *Jane 1*, 2006

THOMAS J. VILSACK
Governor