

House File 896 - Introduced

HOUSE FILE 896

BY ISENHART

A BILL FOR

1 An Act relating to state financial matters, including state
2 sales and use taxes, the natural resources and outdoor
3 recreation trust fund, and the state individual income tax,
4 and including effective date and applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SALES AND USE TAXES AND THE NATURAL RESOURCES AND OUTDOOR
RECREATION TRUST FUND

Section 1. Section 423.2, subsection 1, unnumbered paragraph 1, Code 2021, is amended to read as follows:

There is imposed a tax ~~of six percent~~ at a rate specified in subsection 12 upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, sold at retail in the state to consumers or users except as otherwise provided in [this subchapter](#).

Sec. 2. Section 423.2, subsections 2 and 3, Code 2021, are amended to read as follows:

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

3. A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed upon the sales price of all sales of tickets or admissions to places of amusement, fairs, and athletic events except those of elementary and secondary educational institutions. A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed on the sales price of an entry fee or like charge imposed solely for the privilege of participating in an activity at a place of amusement, fair, or athletic event unless the sales price of tickets or admissions charges for observing the same activity are taxable under [this subchapter](#).
A tax ~~of six percent~~ at a rate specified in subsection 12 is imposed upon that part of private club membership fees or charges paid for the privilege of participating in any athletic

1 sports provided club members.

2 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2021,
3 is amended to read as follows:

4 a. A tax ~~of six percent~~ at a rate specified in subsection
5 12 is imposed upon the sales price derived from the operation
6 of all forms of amusement devices and games of skill, games of
7 chance, raffles, and bingo games as defined in [chapter 99B](#), and
8 card game tournaments conducted under [section 99B.27](#), that are
9 operated or conducted within the state, the tax to be collected
10 from the operator in the same manner as for the collection of
11 taxes upon the sales price of tickets or admission as provided
12 in [this section](#). Nothing in [this subsection](#) shall legalize any
13 games of skill or chance or slot-operated devices which are now
14 prohibited by law.

15 Sec. 4. Section 423.2, subsection 5, Code 2021, is amended
16 to read as follows:

17 5. There is imposed a tax ~~of six percent~~ at a rate specified
18 in subsection 12 upon the sales price from the furnishing of
19 services as defined in [section 423.1](#).

20 Sec. 5. Section 423.2, subsection 7, paragraph a,
21 unnumbered paragraph 1, Code 2021, is amended to read as
22 follows:

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

26 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2021,
27 is amended to read as follows:

28 a. A tax ~~of six percent~~ at a rate specified in subsection
29 12 is imposed on the sales price from sales of bundled
30 transactions. For the purposes of [this subsection](#), a "*bundled*
31 *transaction*" is the retail sale of two or more distinct and
32 identifiable products, except real property and services to
33 real property, which are sold for one nonitemized price. A
34 "*bundled transaction*" does not include the sale of any products
35 in which the sales price varies, or is negotiable, based on

1 the selection by the purchaser of the products included in the
2 transaction.

3 Sec. 7. Section 423.2, subsection 9, Code 2021, is amended
4 to read as follows:

5 9. A tax of six percent at a rate specified in subsection
6 12 is imposed upon the sales price from any mobile
7 telecommunications service, including all paging services,
8 that this state is allowed to tax pursuant to the provisions
9 of the federal Mobile Telecommunications Sourcing Act, Pub.
10 L. No. 106-252, 4 U.S.C. §116 et seq. For purposes of this
11 subsection, taxes on mobile telecommunications service, as
12 defined under the federal Mobile Telecommunications Sourcing
13 Act that are deemed to be provided by the customer's home
14 service provider, shall be paid to the taxing jurisdiction
15 whose territorial limits encompass the customer's place of
16 primary use, regardless of where the mobile telecommunications
17 service originates, terminates, or passes through and
18 shall in all other respects be taxed in conformity with
19 the federal Mobile Telecommunications Sourcing Act. All
20 other provisions of the federal Mobile Telecommunications
21 Sourcing Act are adopted by the state of Iowa and incorporated
22 into [this subsection](#) by reference. With respect to mobile
23 telecommunications service under the federal Mobile
24 Telecommunications Sourcing Act, the director shall, if
25 requested, enter into agreements consistent with the provisions
26 of the federal Act.

27 Sec. 8. Section 423.2, subsection 10, paragraph a, Code
28 2021, is amended to read as follows:

29 a. A tax of six percent at a rate specified in subsection
30 12 is imposed on the sales price of specified digital products
31 sold at retail in the state. The tax applies whether the
32 purchaser obtains permanent use or less than permanent use of
33 the specified digital product, whether the sale is conditioned
34 or not conditioned upon continued payment from the purchaser,
35 and whether the sale is on a subscription basis or is not on a

1 subscription basis.

2 Sec. 9. Section 423.2, subsection 12, Code 2021, is amended
3 by striking the subsection and inserting in lieu thereof the
4 following:

5 12. a. For the period beginning January 1, 2022, and ending
6 December 31, 2050, the sales tax rate is six and three-eighths
7 percent.

8 b. Beginning January 1, 2051, the sales tax rate is five and
9 three-eighths percent.

10 Sec. 10. Section 423.2A, subsection 2, paragraph b, Code
11 2021, is amended to read as follows:

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

16 Sec. 11. Section 423.5, subsection 1, unnumbered paragraph
17 1, Code 2021, is amended to read as follows:

18 Except as provided in paragraph "b", an excise tax at the
19 rate of six and three-eighths percent of the purchase price or
20 installed purchase price is imposed on the following:

21 Sec. 12. Section 423.5, subsection 4, Code 2021, is amended
22 to read as follows:

23 4. The use tax rate of six and three-eighths percent is
24 reduced to five and three-eighths percent on January 1, 2051.

25 Sec. 13. Section 423.43, subsection 1, paragraph b, Code
26 2021, is amended to read as follows:

27 b. Subsequent to the deposit into the general fund of the
28 state and after the transfer of such revenues collected under
29 chapter 423B, the department shall transfer ~~one-sixth of such~~
30 an amount equal to fifteen and six thousand eight hundred
31 sixty-three ten-thousandths percent of the remaining revenues
32 to the secure an advanced vision for education fund created in
33 section 423F.2. This paragraph is repealed January 1, 2051.

34 Sec. 14. EFFECTIVE DATE. This division of this Act takes
35 effect July 1, 2022.

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DIVISION II

INDIVIDUAL INCOME TAXES

Sec. 15. Section 216B.3, subsection 15, Code 2021, is amended to read as follows:

15. Develop a plan to provide telephone yellow pages information without charge to persons declared to be blind under the standards in section ~~422.12, subsection 2, paragraph "a", subparagraph (5)~~ 422.10C, subsection 1, paragraph "e". The department may apply for federal funds to support the service. The program shall be limited in scope by the availability of funds.

Sec. 16. NEW SECTION. **422.10C Personal exemption credits.**

1. The taxes imposed under this subchapter less the credits allowed under this subchapter except for the credits for withheld tax and estimated tax paid in section 422.16, shall be reduced by a personal exemption credit in the following amounts:

- a. For an estate or trust, a single individual, or a married person filing a separate return, ninety-five dollars.
- b. For a head of household, or a husband and wife filing a joint return, one hundred ninety dollars.
- c. For each dependent, an additional seventy dollars.
- d. For a single individual, husband, wife, or head of household, an additional exemption of twenty dollars for each of said individuals who has attained the age of sixty-five years before the close of the tax year or on the first day following the end of the tax year.
- e. For a single individual, husband, wife, or head of household, an additional exemption of twenty dollars for each of said individuals who is blind at the close of the tax year. For the purposes of this paragraph, an individual is blind only if the individual's central visual acuity does not exceed twenty-two hundredths in the better eye with correcting lenses, or if the individual's visual acuity is greater than twenty-two hundredths but is accompanied by a limitation in the fields

1 of vision such that the widest diameter of the visual field
2 subtends an angle no greater than twenty degrees.

3 2. Any credit in excess of the tax liability is refundable.
4 However, for nonresidents or part-year residents the amount of
5 the credit in excess of the tax liability that may be refunded
6 shall be in the ratio of their Iowa source net income to their
7 all source net income under rules prescribed by the director.

8 3. For purposes of this section, "*dependent*" has the same
9 meaning as provided by the Internal Revenue Code.

10 Sec. 17. Section 422.12, subsection 2, paragraph a, Code
11 2021, is amended by striking the paragraph.

12 Sec. 18. EFFECTIVE DATE. This division of this Act takes
13 effect January 1, 2022.

14 Sec. 19. APPLICABILITY. This division of this Act applies
15 to tax years beginning on or after January 1, 2022.

16 EXPLANATION

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

19 DIVISION I — SALES AND USE TAXES. Division I of this bill
20 relates to state sales and use taxes and to an amendment to
21 the Iowa Constitution ratified on November 2, 2010, which
22 created a natural resources and outdoor recreation trust fund
23 (fund) and dedicated a portion of state revenues to the fund
24 for the purposes of protecting and enhancing water quality and
25 natural areas in the state including parks, trails, and fish
26 and wildlife habitat, and conserving agricultural soils in
27 the state (Article VII, section 10). The fund is codified in
28 Code section 461.31. Pursuant to the amendment, the amount
29 credited to the fund will be equal to the amount generated
30 by an increase in the state sales tax rate occurring after
31 the effective date of the constitutional amendment, but shall
32 not exceed the amount that a state sales tax rate of 0.375
33 percent would generate. The state sales tax rate has not
34 been increased since the effective date of the constitutional
35 amendment, so no amounts have been credited to the fund. The

1 division increases from 6 percent to 6.375 percent the state
2 sales tax rate and the state use tax rate, and provides for
3 the transfer of sales tax revenues to the fund. The division
4 also amends the transfer of use tax revenues to the secure
5 an advanced vision for education fund (SAVE) in Code section
6 423F.2 from 1/6th (approximately 16.66 percent) of the revenues
7 to 15.6863 percent of the revenues to ensure that SAVE receives
8 approximately the same amount of use tax revenue as it did
9 prior to the use tax rate increase provided in the division.

10 The division takes effect July 1, 2022.

11 DIVISION II — INDIVIDUAL INCOME TAXES. Division II
12 relates to the individual income tax by increasing the
13 personal exemption credit and by making the credit refundable.
14 Under current law, the personal exemption credit, which is
15 a composite of five separate credits, is nonrefundable and
16 may not exceed the computed tax. The division increases
17 from \$40 to \$95 the personal exemption credit for an estate
18 or trust, a single individual, or a married person filing
19 a separate return; increases from \$80 to \$190 the personal
20 exemption credit for a head of household, or a husband and
21 wife filing a joint return; and increases from \$40 to \$70
22 the additional exemption credit for each dependent of the
23 taxpayer. The division makes these credits, as well as the
24 existing additional exemption credits of \$20 for an individual
25 who is at least 65 years of age and \$20 for a blind individual,
26 refundable to the extent they exceed the tax remaining after
27 subtracting all refundable and nonrefundable credits except the
28 credits for withheld tax and estimated tax paid. However, for
29 a nonresident or part-year resident, the amount of the credit
30 in excess of the tax liability that shall be refunded is in the
31 proportion that the taxpayer's net income allocated to Iowa
32 bears to the taxpayer's total net income, under rules to be
33 prescribed by the director of revenue.

34 The division takes effect January 1, 2022, and applies to tax
35 years beginning on or after that date.