

House File 2588 - Introduced

HOUSE FILE 2588

BY ISENHART

A BILL FOR

1 An Act relating to water quality by increasing the sales and
2 use tax rates and conditioning the use of moneys from the
3 natural resources and outdoor recreation trust fund, and
4 including effective date 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 2022, is amended to read as follows:

There is imposed a tax ~~of six percent~~ at the rate specified in subsection 12 upon the sales price of all sales of tangible personal property, 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 2022, are amended to read as follows:

2. A tax ~~of six percent~~ at the 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 the 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 the 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 the 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 sports provided club members.

1 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2022,
2 is amended to read as follows:

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

14 Sec. 4. Section 423.2, subsection 5, Code 2022, is amended
15 to read as follows:

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

19 Sec. 5. Section 423.2, subsection 7, paragraph a,
20 unnumbered paragraph 1, Code 2022, is amended to read as
21 follows:

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

25 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2022,
26 is amended to read as follows:

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

1 transaction.

2 Sec. 7. Section 423.2, subsection 9, Code 2022, is amended
3 to read as follows:

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

26 Sec. 8. Section 423.2, subsection 10, paragraph a, Code
27 2022, is amended to read as follows:

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

1 Sec. 9. Section 423.2, subsection 12, Code 2022, is amended
2 by striking the subsection and inserting in lieu thereof the
3 following:

4 12. *a.* For the period beginning January 1, 2023, and ending
5 December 31, 2023, the sales tax rate is six and one-eighth
6 percent.

7 *b.* For the period beginning January 1, 2024, and ending
8 December 31, 2024, the sales tax rate is six and one-fourth
9 percent.

10 *c.* For the period beginning January 1, 2025, and ending
11 December 31, 2050, the sales tax rate is six and three-eighths
12 percent.

13 *d.* Beginning January 1, 2051, the sales tax rate is five and
14 three-eighths percent.

15 Sec. 10. Section 423.2A, subsection 2, Code 2022, is amended
16 by adding the following new paragraph:

17 NEW PARAGRAPH. *Ob.* (1) Transfer the applicable percentage
18 as specified in this paragraph of the remaining revenues to the
19 secure an advanced vision and education fund created in section
20 423F.2, as follows:

21 (a) For the period beginning January 1, 2023, and ending
22 December 31, 2023, the applicable percentage is sixteen and
23 three thousand two hundred sixty-five ten-thousandths percent.

24 (b) For the period beginning January 1, 2024, and ending
25 December 31, 2024, the applicable percentage is sixteen
26 percent.

27 (c) For the period beginning January 1, 2025, and ending
28 December 31, 2050, the applicable percentage is fifteen and six
29 thousand eight hundred sixty-three ten-thousandths percent.

30 (2) This paragraph is repealed on January 1, 2051.

31 Sec. 11. Section 423.2A, subsection 2, paragraphs b, c, and
32 d, Code 2022, are amended to read as follows:

33 *b.* Transfer from the remaining revenues the amounts required
34 under Article VII, section 10, of the Constitution of the State
35 of Iowa to the natural resources and outdoor recreation trust

1 fund created in [section 461.31](#), if applicable.

2 ~~c. Transfer one-sixth of the remaining revenues to the~~
3 ~~secure an advanced vision for education fund created in section~~
4 ~~423F.2. This paragraph "c" is repealed January 1, 2051.~~

5 d. Transfer to the baseball and softball complex sales tax
6 rebate fund that portion of the sales tax receipts described
7 in [subsection 1](#), paragraph "b", remaining after the transfers
8 required under paragraphs "a", "0b", and "b", and "~~c~~" of this
9 subsection 2. This paragraph is repealed thirty days following
10 the date on which five million dollars in total rebates have
11 been provided under [section 423.4, subsection 10](#).

12 Sec. 12. Section 423.5, subsection 1, unnumbered paragraph
13 1, Code 2022, is amended to read as follows:

14 Except as provided in paragraph "b", an excise tax at the
15 rate of ~~six percent~~ specified in subsection 4 of the purchase
16 price or installed purchase price is imposed on the following:

17 Sec. 13. Section 423.5, subsection 4, Code 2022, is amended
18 by striking the subsection and inserting in lieu thereof the
19 following:

20 4. a. For the period beginning January 1, 2023, and ending
21 December 31, 2023, the use tax rate is six and one-eighth
22 percent.

23 b. For the period beginning January 1, 2024, and ending
24 December 31, 2024, the use tax rate is six and one-fourth
25 percent.

26 c. For the period beginning January 1, 2025, and ending
27 December 31, 2050, the use tax rate is six and three-eighths
28 percent.

29 d. Beginning January 1, 2051, the use tax rate is five and
30 three-eighths percent.

31 Sec. 14. Section 423.43, subsection 1, paragraph b, Code
32 2022, is amended to read as follows:

33 b. Subsequent to the deposit into the general fund of the
34 state and ~~after the transfer of such~~ pursuant to paragraph "a",
35 the department shall do the following in the order prescribed:

1 Sec. 18. NEW SECTION. **461.12 Conditions on appropriations.**

2 Appropriations of trust fund moneys from the trust fund
3 to the department of natural resources, the department of
4 agriculture and land stewardship, the Iowa finance authority,
5 the economic development authority, or any other public or
6 private entity or person, for any initiative related to the
7 Iowa nutrient reduction strategy or for any other water quality
8 or flood mitigation initiative, shall be made subject to
9 satisfaction of all of the following conditions:

10 1. The Iowa nutrient reduction strategy is updated to
11 include the interim goals and timelines of the gulf hypoxia
12 Mississippi river task force that call for a twenty percent
13 reduction in nitrates and phosphorus by calendar year 2025.

14 2. Each initiative shall require a comprehensive
15 watershed-based assessment and planning process open to all
16 landowners and other stakeholders, with an absolute preference
17 for initiatives recommended or conducted by, or included in
18 the plans of, a watershed management authority, with financial
19 participation by local participants based on principles adopted
20 according to the Iowa smart planning principles in chapter 18B.

21 3. Funding preference shall be given for initiatives that
22 achieve one or more benefits in addition to nutrient reduction,
23 including but not limited to soil health, erosion prevention,
24 flood mitigation, reductions in other pollutants, wildlife
25 habitat creation or preservation, and public recreational
26 access. Trust funds shall not be used for initiatives that are
27 solely demonstration projects or initiatives under the Iowa
28 nutrient reduction strategy.

29 4. The initiative establishes specific benchmarks,
30 priorities, goals, timelines, and milestones, including
31 regular ambient water quality measurements for the initiative,
32 which are consistent with the goals and timelines of the Iowa
33 nutrient reduction strategy, including but not limited to the
34 changes required in subsection 1.

35 5. The initiative has its performance evaluated by a

1 competent and independent third-party entity at least once
2 every two years starting from the beginning of the initiative
3 and again at the conclusion of the initiative.

4 6. The initiative publicly reports participation, progress,
5 and results at least once every two years, which reports shall
6 include, at a minimum, measured changes in water quality.

7 7. The initiative shall require, at a minimum, at least
8 a fifty percent cost share from landowners or other private
9 entities or persons for improvements to private property,
10 including both installation and maintenance, and including
11 regular maintenance in accordance with public easements for a
12 minimum of twenty years. Any public moneys appropriated for
13 improvements that are not maintained or that are removed shall
14 be returned to the trust fund.

15

EXPLANATION

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

18 This bill relates to water quality by increasing the sales
19 and use tax rates and conditioning the use of moneys from the
20 natural resources and outdoor recreation trust fund.

21 DIVISION I — SALES AND USE TAXES. Division I of the bill
22 relates to state sales and use taxes and to an amendment to
23 the Iowa Constitution ratified on November 2, 2010, which
24 created a natural resources and outdoor recreation trust fund
25 (fund) and dedicated a portion of state revenues to the fund
26 for the purposes of protecting and enhancing water quality and
27 natural areas in the state including parks, trails, and fish
28 and wildlife habitat, and conserving agricultural soils in
29 the state (Article VII, section 10). The fund is codified in
30 Code section 461.31. Pursuant to the amendment, the amount
31 credited to the fund will be equal to the amount generated
32 by an increase in the state sales tax rate occurring after
33 the effective date of the constitutional amendment, but shall
34 not exceed the amount that a state sales tax rate of 0.375
35 percent would generate. The state sales tax rate has not

1 been increased since the effective date of the constitutional
2 amendment, so no amounts have been credited to the fund. The
3 division increases the sales tax rate and the use tax rate
4 from 6 percent to 6.125 percent on January 1, 2023, from 6.125
5 percent to 6.25 percent on January 1, 2024, and from 6.25
6 percent to 6.375 percent on January 1, 2025. The division also
7 amends the transfer of sales and use tax revenues to the secure
8 an advanced vision for education fund (SAVE) in Code section
9 423F.2 to ensure that SAVE receives approximately the same
10 proportion of the total sales and use tax revenue as it did
11 prior to the use tax rate increases provided in the division.

12 The division takes effect January 1, 2023.

13 DIVISION II — NATURAL RESOURCES AND OUTDOOR RECREATION.

14 Division II relates to the natural resources and outdoor
15 recreation trust fund codified in Code chapter 461. The
16 division defines "Iowa nutrient reduction strategy" for
17 purposes of Code chapter 461. The division also prescribes
18 numerous conditions that must be satisfied in order for
19 an appropriation of trust fund moneys to be made from the
20 trust fund to any public or private entity or person for an
21 initiative related to the Iowa nutrient reduction strategy,
22 or for another similar water quality or flood mitigation
23 initiative. The conditions require that the Iowa nutrient
24 reduction strategy be updated to include certain goals and
25 timelines of the gulf hypoxia Mississippi river task force, and
26 in general require initiatives to engage in or include certain
27 assessments, goals, measurements, evaluations, or reports as
28 described in the division, and establishes certain funding
29 preferences and cost-share requirements as described in the
30 division. The conditions also prohibit trust fund moneys
31 from being used for initiatives that are solely demonstration
32 projects, and requires the repayment of certain public moneys
33 appropriated for improvements to private property if the
34 improvements are not maintained or are removed.