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

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

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

5. There is imposed a tax of six percent at the rate specified in subsection 12 upon the sales price from the furnishing of services as defined in section 423.1.

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

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

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

a. A tax of six percent at the rate specified in subsection 12 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.
Sec. 7. Section 423.2, subsection 9, Code 2022, is amended to read as follows:
9. A tax of six percent at the rate specified in subsection 12 is imposed upon the sales price from any mobile telecommunications service, including all paging services, that this state is allowed to tax pursuant to the provisions of the federal Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. §116 et seq. For purposes of this subsection, taxes on mobile telecommunications service, as defined under the federal Mobile Telecommunications Sourcing Act that are deemed to be provided by the customer's home service provider, shall be paid to the taxing jurisdiction whose territorial limits encompass the customer's place of primary use, regardless of where the mobile telecommunications service originates, terminates, or passes through and shall in all other respects be taxed in conformity with the federal Mobile Telecommunications Sourcing Act. All other provisions of the federal Mobile Telecommunications Sourcing Act are adopted by the state of Iowa and incorporated into this subsection by reference. With respect to mobile telecommunications service under the federal Mobile Telecommunications Sourcing Act, the director shall, if requested, enter into agreements consistent with the provisions of the federal Act.

Sec. 8. Section 423.2, subsection 10, paragraph a, Code 2022, is amended to read as follows:
a. A tax of six percent at the rate specified in subsection 12 is imposed on the sales price of specified digital products sold at retail in the state. The tax applies whether the purchaser obtains permanent use or less than permanent use of the specified digital product, whether the sale is conditioned or not conditioned upon continued payment from the purchaser, and whether the sale is on a subscription basis or is not on a subscription basis.
Sec. 9. Section 423.2, subsection 12, Code 2022, is amended by striking the subsection and inserting in lieu thereof the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Transfer to the baseball and softball complex sales tax
rebate fund that portion of the sales tax receipts described
in subsection 1, paragraph "b", remaining after the transfers
required under paragraphs "a", "0b", and "b", and "e" of this
subsection 2. This paragraph is repealed thirty days following
the date on which five million dollars in total rebates have
been provided under section 423.4, subsection 10.

Sec. 12. Section 423.5, subsection 1, unnumbered paragraph
1, Code 2022, is amended to read as follows:
Except as provided in paragraph "b", an excise tax at the
rate of six percent specified in subsection 4 of the purchase
price or installed purchase price is imposed on the following:
Sec. 13. Section 423.5, subsection 4, Code 2022, is amended
by striking the subsection and inserting in lieu thereof the
following:
4. a. For the period beginning January 1, 2023, and ending
December 31, 2023, the use tax rate is six and one-eighth
percent.
b. For the period beginning January 1, 2024, and ending
December 31, 2024, the use tax rate is six and one-fourth
percent.
c. For the period beginning January 1, 2025, and ending
December 31, 2050, the use tax rate is six and three-eighths
percent.
d. Beginning January 1, 2051, the use tax rate is five and
three-eighths percent.

Sec. 14. Section 423.43, subsection 1, paragraph b, Code
2022, is amended to read as follows:
b. Subsequent to the deposit into the general fund of the
state and after the transfer of such pursuant to paragraph "a",
the department shall do the following in the order prescribed:
(1) Transfer the revenues collected under chapter 423B, the department shall transfer one-sixth.

(2) (a) Transfer the applicable percentage as specified in subparagraph division (b) of such remaining revenues to the secure an advanced vision for education fund created in section 423F.2.

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

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

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

(c) This paragraph subparagraph (2) is repealed January 1, 2051.

Sec. 15. PURPOSE. The purpose of this division of this Act is to provide for the implementation of Article VII, section 10, of the Constitution of the State of Iowa by fully funding the natural resources and outdoor recreation trust fund as created in section 461.31, pursuant to Article VII, section 10, of the Constitution of the State of Iowa.

Sec. 16. EFFECTIVE DATE. This division of this Act takes effect January 1, 2023.

DIVISION II

NATURAL RESOURCES AND OUTDOOR RECREATION

Sec. 17. Section 461.2, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. “Iowa nutrient reduction strategy” means the latest version of the Iowa nutrient reduction strategy initially presented in November 2012 by the department of agriculture and land stewardship, the department of natural resources, and Iowa state university of science and technology.
Sec. 18. NEW SECTION. 461.12 Conditions on appropriations.

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

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

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

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

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

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

DIVISION II — NATURAL RESOURCES AND OUTDOOR RECREATION.

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