A BILL FOR

1 An Act relating to state financial matters, including state sales and use taxes, the natural resources and outdoor recreation trust fund, and the state individual income tax, and including effective date and applicability provisions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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 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 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 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 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 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
sports provided club members.

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

a. A tax of six percent at a 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 2021, is amended to read as follows:

5. There is imposed a tax of six percent at a 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 2021, is amended to read as follows:

A tax of six percent at a 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 2021, is amended to read as follows:

a. A tax of six percent at a 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 2021, is amended
to read as follows:

9. A tax of six percent at a rate specified in subsection
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
2021, is amended to read as follows:

a. A tax of six percent at a rate specified in subsection
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
1 subscription basis.
Sec. 9. Section 423.2, subsection 12, Code 2021, is amended by striking the subsection and inserting in lieu thereof the following:
12. a. For the period beginning January 1, 2022, and ending December 31, 2050, the sales tax rate is six and three-eighths percent.
b. Beginning January 1, 2051, the sales tax rate is five and three-eighths percent.
Sec. 10. Section 423.2A, subsection 2, paragraph b, Code 2021, is 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.
Sec. 11. Section 423.5, subsection 1, unnumbered paragraph 1, Code 2021, is amended to read as follows:
Except as provided in paragraph "b", an excise tax at the rate of six and three-eighths percent of the purchase price or installed purchase price is imposed on the following:
Sec. 12. Section 423.5, subsection 4, Code 2021, is amended to read as follows:
4. The use tax rate of six and three-eighths percent is reduced to five and three-eighths percent on January 1, 2051.
Sec. 13. Section 423.43, subsection 1, paragraph b, Code 2021, is amended to read as follows:
b. Subsequent to the deposit into the general fund of the state and after the transfer of such revenues collected under chapter 423B, the department shall transfer one-sixth of such an amount equal to fifteen and six thousand eight hundred sixty-three ten-thousandths percent of the remaining revenues to the secure an advanced vision for education fund created in section 423F.2. This paragraph is repealed January 1, 2051.
Sec. 14. EFFECTIVE DATE. This division of this Act takes effect July 1, 2022.
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
4 Any credit in excess of the tax liability is refundable. 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
9 For purposes of this section, "dependent" has the same
10 meaning as provided by the Internal Revenue Code.
11
12 Sec. 17. Section 422.12, subsection 2, paragraph a, Code
13 2021, is amended by striking the paragraph.
14
15 Sec. 18. EFFECTIVE DATE. This division of this Act takes
effect January 1, 2022.
16
17 Sec. 19. APPLICABILITY. This division of this Act applies
to tax years beginning on or after January 1, 2022.
18
19 EXPLANATION
20
21 The inclusion of this explanation does not constitute agreement with
22 the explanation's substance by the members of the general assembly.
23
24 DIVISION I — SALES AND USE TAXES. Division I of this bill
25 relates to state sales and use taxes and to an amendment to
26 the Iowa Constitution ratified on November 2, 2010, which
27 created a natural resources and outdoor recreation trust fund
28 (fund) and dedicated a portion of state revenues to the fund
29 for the purposes of protecting and enhancing water quality and
30 natural areas in the state including parks, trails, and fish
31 and wildlife habitat, and conserving agricultural soils in
32 the state (Article VII, section 10). The fund is codified in
33 Code section 461.31. Pursuant to the amendment, the amount
34 credited to the fund will be equal to the amount generated
35 by an increase in the state sales tax rate occurring after
36 the effective date of the constitutional amendment, but shall
37 not exceed the amount that a state sales tax rate of 0.375
38 percent would generate. The state sales tax rate has not
39 been increased since the effective date of the constitutional
40 amendment, so no amounts have been credited to the fund. The
division increases from 6 percent to 6.375 percent the state sales tax rate and the state use tax rate, and provides for the transfer of sales tax revenues to the fund. The division also amends the transfer of use tax revenues to the secure an advanced vision for education fund (SAVE) in Code section 423F.2 from 1/6th (approximately 16.66 percent) of the revenues to 15.6863 percent of the revenues to ensure that SAVE receives approximately the same amount of use tax revenue as it did prior to the use tax rate increase provided in the division. The division takes effect July 1, 2022.

DIVISION II — INDIVIDUAL INCOME TAXES. Division II relates to the individual income tax by increasing the personal exemption credit and by making the credit refundable. Under current law, the personal exemption credit, which is a composite of five separate credits, is nonrefundable and may not exceed the computed tax. The division increases from $40 to $95 the personal exemption credit for an estate or trust, a single individual, or a married person filing a separate return; increases from $80 to $190 the personal exemption credit for a head of household, or a husband and wife filing a joint return; and increases from $40 to $70 the additional exemption credit for each dependent of the taxpayer. The division makes these credits, as well as the existing additional exemption credits of $20 for an individual who is at least 65 years of age and $20 for a blind individual, refundable to the extent they exceed the tax remaining after subtracting all refundable and nonrefundable credits except the credits for withheld tax and estimated tax paid. However, for a nonresident or part-year resident, the amount of the credit in excess of the tax liability that shall be refunded is in the proportion that the taxpayer's net income allocated to Iowa bears to the taxpayer's total net income, under rules to be prescribed by the director of revenue. The division takes effect January 1, 2022, and applies to tax years beginning on or after that date.