

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON DAWSON)

**A BILL FOR**

1 An Act relating to state and local revenue and finances by  
2 modifying sales and use taxes, individual and corporate  
3 income taxes, the franchise tax, the insurance premiums tax,  
4 the equipment tax, the automobile rental excise tax, the  
5 water service tax, and local option taxes, crediting moneys  
6 to the natural resources and outdoor recreation trust fund,  
7 and including effective date and applicability provisions.  
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SALES AND USE TAX RATES AND DISTRIBUTION

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,

1 is amended to read as follows:

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

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

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

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

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

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

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

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

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

25     Sec. 8. Section 423.2, subsection 10, paragraph a, Code  
26 2022, 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 of specified digital products  
29 sold at retail in the state. The tax applies whether the  
30 purchaser obtains permanent use or less than permanent use of  
31 the specified digital product, whether the sale is conditioned  
32 or not conditioned upon continued payment from the purchaser,  
33 and whether the sale is on a subscription basis or is not on a  
34 subscription basis.

35     Sec. 9. Section 423.2, subsection 12, Code 2022, is amended

1 by striking the subsection and inserting in lieu thereof the  
2 following:

3 12. a. For the period beginning January 1, 2023, through  
4 December 31, 2050, the sales tax rate is seven percent.

5 b. Beginning January 1, 2051, the sales tax rate is six  
6 percent.

7 Sec. 10. Section 423.2A, subsection 2, paragraphs a, b, and  
8 c, Code 2022, are amended to read as follows:

9 a. (1) Transfer For the period beginning January 1, 2023,  
10 through December 31, 2050, transfer one-seventh of the revenues  
11 collected under deposited into the general fund of the state  
12 under subsection 1 to the appropriate county accounts under  
13 chapter 423B for the counties from which the tax was collected.

14 (2) Beginning January 1, 2051, transfer one-sixth of the  
15 revenues deposited into the general fund of the state under  
16 subsection 1 to the appropriate county accounts under chapter  
17 423B for the counties from which the tax was collected.

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

22 c. ~~Transfer one-sixth of~~ from the remaining revenues an  
23 amount equal to one-seventh of the revenues deposited into the  
24 general fund of the state under subsection 1 to the secure an  
25 advanced vision for education fund created in section 423F.2.  
26 This paragraph "c" is repealed January 1, 2051.

27 Sec. 11. Section 423.5, subsection 1, unnumbered paragraph  
28 1, Code 2022, is amended to read as follows:

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

32 Sec. 12. Section 423.5, subsection 4, Code 2022, is amended  
33 by striking the subsection and inserting in lieu thereof the  
34 following:

35 4. a. For the period beginning January 1, 2023, through

1 December 31, 2050, the use tax rate is seven percent.

2 *b.* Beginning January 1, 2051, the use tax rate is six  
3 percent.

4 Sec. 13. Section 423.43, subsection 1, paragraph b, Code  
5 2022, is amended by striking the paragraph and inserting in  
6 lieu thereof the following:

7 *b.* Subsequent to the deposit into the general fund of  
8 the state the department shall do the following in the order  
9 prescribed:

10 (1) (a) For the period beginning January 1, 2023, through  
11 December 31, 2050, transfer one-seventh of such revenues to the  
12 appropriate county accounts under chapter 423B for the counties  
13 from which the tax was paid.

14 (b) Beginning January 1, 2051, transfer one-sixth of such  
15 revenues to the appropriate county accounts under chapter 423B  
16 for the counties from which the tax was paid.

17 (2) Transfer one-sixth of such remaining revenues to the  
18 secure an advanced vision for education fund created in section  
19 423F.2. This subparagraph is repealed January 1, 2051.

20 Sec. 14. EFFECTIVE DATE. This division of this Act takes  
21 effect January 1, 2023.

22 DIVISION II

23 SALES AND USE TAX ON SERVICES AND EXEMPTIONS

24 Sec. 15. Section 423.2, subsection 6, paragraph bu, Code  
25 2022, is amended to read as follows:

26 *bu.* ~~Software as a service~~ Cloud computing.

27 Sec. 16. Section 423.2, subsection 6, Code 2022, is amended  
28 by adding the following new paragraphs:

29 NEW PARAGRAPH. *bv.* Web hosting.

30 NEW PARAGRAPH. *bw.* Digital automated services.

31 NEW PARAGRAPH. *bx.* Scooter rentals.

32 Sec. 17. Section 423.3, subsection 47, paragraph a,  
33 subparagraph (4), Code 2022, is amended by striking the  
34 subparagraph.

35 Sec. 18. Section 423.3, subsection 104, paragraph b,

1 subparagraph (1), Code 2022, is amended to read as follows:

2 (1) "*Commercial enterprise*" means the same as defined in  
3 section 423.3, subsection 47, paragraph "d", subparagraph (1),  
4 ~~but also includes professions and occupations.~~

5 Sec. 19. EFFECTIVE DATE. This division of this Act takes  
6 effect January 1, 2023.

7 DIVISION III

8 SALES, USE, AND EXCISE TAX — RETURNS DUE

9 Sec. 20. Section 9C.3, subsection 3, Code 2022, is amended  
10 to read as follows:

11 3. The application shall state whether or not the applicant  
12 has an Iowa retailers sales or use tax permit and if the  
13 applicant has such permit, shall state the number of such  
14 permit.

15 Sec. 21. Section 9C.5, Code 2022, is amended to read as  
16 follows:

17 **9C.5 Issuance of license.**

18 Upon receiving an application for a transient merchant's  
19 license, the secretary of state shall investigate or cause to  
20 be investigated, the reputation and character of the applicant.  
21 If, upon making such investigation, the secretary of state is  
22 satisfied that the statements and representations contained in  
23 the application are true, and that the applicant is of good  
24 reputation and character, and the holder of an Iowa ~~retailer's~~  
25 sales or use tax permit, and if a foreign corporation, has  
26 authority to do business in the state of Iowa, the secretary  
27 shall issue to the applicant a license as a transient merchant  
28 upon payment of the fee as herein prescribed for the period of  
29 time requested in said application and for use at the location  
30 and place where it is stated in said application the sale will  
31 be held or the business conducted, both of which shall be set  
32 out in said license. Such license shall be valid only for the  
33 period of time and at the location and place described therein.

34 Sec. 22. Section 99G.30A, subsection 2, paragraph c, Code  
35 2022, is amended to read as follows:

1     *c.* Frequency of deposits and ~~quarterly~~ monthly reports of  
2 the monitor vending machine excise tax with the department of  
3 revenue are governed by the tax provisions in section 423.31.  
4 Monitor vending machine excise tax collections shall not be  
5 included in computation of the total tax to determine frequency  
6 of filing under section 423.31.

7     Sec. 23. Section 321.105A, subsection 4, paragraph b, Code  
8 2022, is amended to read as follows:

9     *b.* Section 422.25, subsection 4, sections 422.30, 422.67,  
10 and 422.68, section 422.69, subsection 1, sections 422.70,  
11 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
12 2, and sections 423.23, 423.24, 423.25, ~~423.32~~, 423.33, 423.35,  
13 423.37 through 423.42, 423.45, and 423.47, consistent with the  
14 provisions of this section, apply with respect to the fees  
15 for new registration authorized under this section in the  
16 same manner and with the same effect as if the fees for new  
17 registration were retail use taxes within the meaning of those  
18 statutes.

19     Sec. 24. Section 421.26, Code 2022, is amended to read as  
20 follows:

21     **421.26 Personal liability for tax due.**

22     If a licensee or other person under section 452A.65, a  
23 retailer or purchaser under chapter 423A, 423B, 423C, 423D,  
24 or 423E, or section 423.14, 423.14A, 423.29, 423.31, ~~423.32~~,  
25 or 423.33, or a user under section 423.34, or a permit holder  
26 or licensee under section 453A.13, 453A.16, or 453A.44 fails  
27 to pay a tax under those sections when due, an officer of a  
28 corporation or association, notwithstanding section 489.304,  
29 a member or manager of a limited liability company, or a  
30 partner of a partnership, having control or supervision of  
31 or the authority for remitting the tax payments and having  
32 a substantial legal or equitable interest in the ownership  
33 of the corporation, association, limited liability company,  
34 or partnership, who has intentionally failed to pay the tax  
35 is personally liable for the payment of the tax, interest,



1 and penalty due and unpaid. However, this section shall  
2 not apply to taxes on accounts receivable. The dissolution  
3 of a corporation, association, limited liability company,  
4 or partnership shall not discharge a person's liability for  
5 failure to remit the tax due.

6 Sec. 25. Section 423.2, subsection 1, paragraph b, Code  
7 2022, is amended to read as follows:

8 b. Sales of building materials, supplies, and equipment  
9 to owners, contractors, subcontractors, or builders for the  
10 erection of buildings or the alteration, repair, or improvement  
11 of real property are retail sales of tangible personal property  
12 in whatever quantity sold. Where the owner, contractor,  
13 subcontractor, or builder is also a retailer holding a ~~retail~~  
14 sales or use tax permit and transacting retail sales of  
15 building materials, supplies, and equipment, the person shall  
16 purchase such items of tangible personal property without  
17 liability for the tax if such property will be subject to the  
18 tax at the time of resale or at the time it is withdrawn from  
19 inventory for construction purposes. The sales tax shall be  
20 due in the reporting period when the materials, supplies,  
21 and equipment are withdrawn from inventory for construction  
22 purposes or when sold at retail. The tax shall not be due when  
23 materials are withdrawn from inventory for use in construction  
24 outside of Iowa and the tax shall not apply to tangible  
25 personal property purchased and consumed by the manufacturer as  
26 building materials in the performance by the manufacturer or  
27 its subcontractor of construction outside of Iowa. The sale  
28 of carpeting is not a sale of building materials. The sale of  
29 carpeting to owners, contractors, subcontractors, or builders  
30 shall be treated as the sale of ordinary tangible personal  
31 property and subject to the tax imposed under this subsection  
32 and the use tax.

33 Sec. 26. Section 423.3, subsection 39, paragraph a,  
34 subparagraph (2), Code 2022, is amended to read as follows:

35 (2) The sale of all or substantially all of the tangible

1 personal property, or specified digital products, or services  
2 held or used by a seller in the course of the seller's trade  
3 or business for which the seller is required to hold a sales  
4 or use tax permit when the seller sells or otherwise transfers  
5 the trade or business to another person who shall engage in a  
6 similar trade or business.

7 Sec. 27. Section 423.3, subsection 80, paragraph d, Code  
8 2022, is amended to read as follows:

9 d. Subject to the limitations in paragraph "c", where the  
10 owner, contractor, subcontractor, or builder is also a retailer  
11 holding a retail sales or use tax permit and transacting  
12 retail sales of building materials, supplies, and equipment,  
13 the tax shall not be due when materials are withdrawn from  
14 inventory for use in construction performed for a designated  
15 exempt entity if an exemption certificate is received from such  
16 entity.

17 Sec. 28. Section 423.5, subsection 2, Code 2022, is amended  
18 to read as follows:

19 2. The excise tax is imposed upon every person using  
20 the property within this state until the tax has been paid  
21 directly to the county treasurer, the state department of  
22 transportation, a retailer, or the department. This tax is  
23 imposed on every person using the services or the product of  
24 the services in this state until the user has paid the tax  
25 either to an Iowa sales or use tax permit holder or to the  
26 department.

27 Sec. 29. Section 423.14, subsection 2, paragraph b, Code  
28 2022, is amended to read as follows:

29 b. The tax upon the use of all tangible personal property  
30 and specified digital products other than that enumerated in  
31 paragraph "a", which is sold by a seller who is a retailer or  
32 its agent that is not otherwise required to collect sales tax  
33 under the provisions of this chapter, may be collected by the  
34 retailer or agent and remitted to the department, pursuant to  
35 the provisions of paragraph "e", and sections 423.24, 423.29,

1 423.30, ~~423.32~~ 423.31, and 423.33.

2 Sec. 30. Section 423.14A, subsection 3, paragraph c,  
3 subparagraph (2), Code 2022, is amended to read as follows:

4 (2) A marketplace facilitator shall collect sales and  
5 use tax on the entire sales price or purchase price paid by  
6 a purchaser on each Iowa sale subject to sales and use tax  
7 that is made or facilitated by the marketplace facilitator,  
8 regardless of whether the marketplace seller for whom an Iowa  
9 sale is made or facilitated has or is required to have a ~~retail~~  
10 sales or use tax permit or would have been required to collect  
11 sales and use tax had the sale not been facilitated by the  
12 marketplace facilitator, and regardless of the amount of the  
13 sales price or purchase price that will ultimately accrue  
14 to or benefit the marketplace facilitator, the marketplace  
15 seller, or any other person. This sales and use tax collection  
16 responsibility of a marketplace facilitator applies but shall  
17 not be limited to sales facilitated through a computer software  
18 application, commonly referred to as in-app purchases, or  
19 through another specified digital product.

20 Sec. 31. Section 423.31, subsections 1, 3, 5, and 6, Code  
21 2022, are amended to read as follows:

22 1. a. ~~Each~~ Except as provided in paragraph "b", each person  
23 subject to this section and section 423.36 and in accordance  
24 with the provisions of this section and section 423.36 shall,  
25 on or before the last day of the month following the close of  
26 each calendar ~~quarter~~ month during which such person is or  
27 has become or ceased being subject to the provisions of this  
28 section and section 423.36, make, sign, and file electronically  
29 a return for the calendar ~~quarter~~ month in the form as may be  
30 required. Returns shall show information relating to sales  
31 prices including tangible personal property, specified digital  
32 products, and services converted to the use of such person,  
33 the amounts of sales prices excluded and exempt from the tax,  
34 the amounts of sales prices subject to tax, a calculation of  
35 tax due, and any other information for the period covered by

1 the return as may be required. Returns shall be signed by  
2 the retailer or the retailer's authorized agent and must be  
3 certified by the retailer to be correct in accordance with  
4 forms and rules prescribed by the director. A person required  
5 to file a sales or use tax return who is unable to do so may  
6 request permission from the director to file a return by  
7 another method.

8 b. Notwithstanding paragraph "a", each person subject to  
9 this section who collects and remits less than one thousand  
10 two hundred dollars in sales or use tax to the department per  
11 calendar year may file a return on or before the last day of the  
12 month following the close of the calendar year.

13 ~~3. The sales tax forms prescribed by the director shall be~~  
14 ~~referred to as "retailers tax deposit". Deposit forms shall~~  
15 ~~be signed by the retailer or the retailer's duly authorized~~  
16 ~~agent, and shall be duly certified by the retailer or agent to~~  
17 ~~be correct. The director may authorize incorporated banks and~~  
18 ~~trust companies or other depositories authorized by law which~~  
19 ~~are depositories or financial agents of the United States,~~  
20 ~~or of this state, to receive any sales or use tax imposed~~  
21 ~~under this chapter, in the manner, at the times, and under~~  
22 ~~the conditions the director prescribes. The director shall~~  
23 ~~prescribe the manner, times, and conditions under which the~~  
24 ~~receipt of the tax by those depositories is to be treated as~~  
25 ~~payment of the tax to the department.~~

26 5. a. Upon making application and receiving approval  
27 from the director, a person and its affiliates that make  
28 retail sales of tangible personal property, specified digital  
29 products, or taxable enumerated services may make deposits and  
30 file a consolidated sales or use tax return for the affiliated  
31 group, pursuant to rules adopted by the director. A person and  
32 each affiliate that files a consolidated return are jointly and  
33 severally liable for all tax, penalty, and interest found due  
34 for the tax period for which a consolidated return is filed or  
35 required to be filed.

1     **b.** A business required to file a consolidated sales or use  
2 tax return shall file a form entitled "schedule of consolidated  
3 business locations" with its ~~quarterly~~ sales or use tax  
4 return that shows the taxpayer's consolidated permit number,  
5 the permit number for each Iowa business location, the state  
6 sales tax amount by business location, and the amount of state  
7 sales tax due on goods consumed that are not assigned to a  
8 specific business location. Consolidated ~~quarterly~~ sales or  
9 use tax returns that are not accompanied by the schedule of  
10 consolidated business locations form are considered incomplete  
11 and are subject to penalty under section 421.27.

12     **6.** If necessary or advisable in order to ~~insure~~ ensure  
13 the payment of the tax, the director may require returns and  
14 payment of the tax to be made for other than ~~quarterly~~ monthly  
15 periods, the provisions of this section or other provision to  
16 the contrary notwithstanding.

17     **Sec. 32.** Section 423.31, subsection 2, Code 2022, is amended  
18 by striking the subsection.

19     **Sec. 33.** Section 423.33, subsection 1, paragraph a, Code  
20 2022, is amended to read as follows:

21     **a.** If a purchaser fails to pay sales tax to the retailer  
22 required to collect the tax, then in addition to all of the  
23 rights, obligations, and remedies provided, a use tax is  
24 payable by the purchaser directly to the department, and  
25 sections 423.31, ~~423.32~~, 423.37, 423.38, 423.39, 423.40,  
26 423.41, and 423.42 apply to the purchaser.

27     **Sec. 34.** Section 423.33, subsection 3, Code 2022, is amended  
28 to read as follows:

29     **3. *Event sponsor's liability for sales tax.*** A person  
30 sponsoring a flea market or a craft, antique, coin, or stamp  
31 show or similar event shall obtain from every retailer selling  
32 tangible personal property, specified digital products, or  
33 taxable services at the event proof that the retailer possesses  
34 a valid sales or use tax permit or secure from the retailer  
35 a statement, taken in good faith, that tangible personal

1 property, specified digital products, or services offered for  
2 sale are not subject to sales tax. Failure to do so renders  
3 a sponsor of the event liable for payment of any sales tax,  
4 interest, and penalty due and owing from any retailer selling  
5 property or services at the event. Sections 423.31, ~~423.32,~~  
6 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42 apply to the  
7 sponsors. For purposes of this subsection, a "*person sponsoring*  
8 *a flea market or a craft, antique, coin, or stamp show or similar*  
9 *event*" does not include a marketplace facilitator as defined in  
10 section 423.14A, subsection 1, an organization which sponsors  
11 an event determined to qualify as an event involving casual  
12 sales pursuant to section 423.3, subsection 39, or the state  
13 fair or a fair as defined in section 174.1.

14 Sec. 35. Section 423.34, Code 2022, is amended to read as  
15 follows:

16 **423.34 Liability of user.**

17 Any person who uses any tangible personal property,  
18 specified digital products, or services enumerated in section  
19 423.2 upon which the use tax has not been paid, either to the  
20 county treasurer or to a retailer or direct to the department  
21 as required by this subchapter, shall be liable for the payment  
22 of tax, and shall on or before the last day of the month next  
23 succeeding each ~~quarterly~~ monthly period pay the use tax upon  
24 all tangible personal property, specified digital products,  
25 or services used by the person during the preceding ~~quarterly~~  
26 monthly period in the manner and accompanied by such returns  
27 as the director shall prescribe. All of the provisions of  
28 sections ~~423.32~~ 423.31 and 423.33 with reference to the returns  
29 and payments shall be applicable to the returns and payments  
30 required by this section.

31 Sec. 36. Section 423.36, subsection 4, paragraph b, Code  
32 2022, is amended to read as follows:

33 *b.* If an applicant is making sales outside Iowa for use in  
34 this state or furnishing services outside Iowa, the product  
35 or result of which will be used in this state, that applicant

1 shall be issued one sales or use tax permit by the department  
2 applicable to these out-of-state sales or services.

3 Sec. 37. Section 423.36, subsection 4, Code 2022, is amended  
4 by adding the following new paragraph:

5 NEW PARAGRAPH. *c.* If an applicant is required to collect  
6 sales or use tax and is not included in the definition of a  
7 retailer maintaining a place of business in this state in  
8 section 423.1, subsection 48, paragraph "a", subparagraph (1),  
9 the applicant shall be issued one sales or use tax permit by  
10 the department regardless of the number of locations from which  
11 sales are made.

12 Sec. 38. Section 423.36, subsections 7 and 8, Code 2022, are  
13 amended to read as follows:

14 7. *a.* Sellers who are not regularly engaged in selling  
15 at retail and do not have a permanent place of business, but  
16 who are temporarily engaged in selling from trucks, portable  
17 roadside stands, concessionaires at state, county, district,  
18 or local fairs, carnivals, or the like, shall report and remit  
19 the sales tax on a ~~temporary~~ seasonal basis, under rules  
20 the director shall provide for the efficient collection of  
21 the sales tax. This subsection applies to sellers who are  
22 temporarily engaged in furnishing services.

23 *b.* Persons engaged in selling tangible personal property,  
24 specified digital products, or furnishing services shall not  
25 be required to obtain or retain a sales or use tax permit for a  
26 place of business at which taxable sales of tangible personal  
27 property, specified digital products, or taxable performance of  
28 services will not occur.

29 8. The provisions of subsection 1, dealing with the lawful  
30 right of a retailer to transact business, as applicable, apply  
31 to persons having receipts from furnishing services enumerated  
32 in section 423.2, except that a person holding a permit  
33 pursuant to subsection 1 shall not be required to obtain any  
34 separate sales or use tax permit for the purpose of engaging in  
35 business involving the services.

1     Sec. 39. Section 423.40, subsections 1, 2, 3, and 5, Code  
2 2022, are amended to read as follows:

3     1. In addition to the sales or use tax or additional sales  
4 or use tax, the taxpayer shall pay a penalty as provided in  
5 section 421.27. The taxpayer shall also pay interest on the  
6 sales or use tax or additional sales or use tax at the rate  
7 in effect under section 421.7 for each month counting each  
8 fraction of a month as an entire month, computed from the date  
9 the ~~semimonthly or monthly tax deposit form~~ or return was  
10 required to be filed. The penalty and interest shall be paid  
11 to the department and disposed of in the same manner as other  
12 receipts under this subchapter. Unpaid penalties and interest  
13 may be enforced in the same manner as the taxes imposed by this  
14 chapter.

15     2. *a.* Any person who knowingly sells tangible personal  
16 property, specified digital products, tickets or admissions  
17 to places of amusement and athletic events, or gas, water,  
18 electricity, or communication service at retail, or engages in  
19 the furnishing of services enumerated in section 423.2, in this  
20 state without procuring a permit to collect tax, as provided  
21 in section 423.36, or who violates section 423.24 and the  
22 officers of any corporation who so act are guilty of a serious  
23 misdemeanor.

24     *b.* A person who knowingly sells tangible personal property,  
25 specified digital products, tickets or admissions to places of  
26 amusement and athletic events, or gas, water, electricity, or  
27 communication service at retail, or engages in the furnishing  
28 of services enumerated in section 423.2, in this state after  
29 the person's sales or use tax permit has been revoked and  
30 before it has been restored as provided in section 423.36,  
31 subsection 6, and the officers of any corporation who so act  
32 are guilty of an aggravated misdemeanor.

33     3. A person who willfully attempts in any manner to evade  
34 any tax imposed by this chapter or the payment of the tax or  
35 a person who makes or causes to be made a false or fraudulent



1 ~~semimonthly or monthly tax deposit form~~ or return with intent  
2 to evade any tax imposed by subchapter II or III or the payment  
3 of the tax is guilty of a class "D" felony.

4 5. A person required to pay sales or use tax, or to make,  
5 sign, or file a ~~tax deposit form~~ or return or supplemental  
6 return, who willfully makes a false or fraudulent ~~tax deposit~~  
7 ~~form~~ or return, or willfully fails to pay at least ninety  
8 percent of the tax or willfully fails to make, sign, or file  
9 the ~~tax deposit form~~ or return, at the time required by law, is  
10 guilty of a fraudulent practice.

11 Sec. 40. Section 423.45, subsection 4, paragraph b, Code  
12 2022, is amended to read as follows:

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

30 Sec. 41. Section 423.45, subsection 5, paragraph c, Code  
31 2022, is amended to read as follows:

32 c. The seller may accept a completed fuel exemption  
33 certificate, as prepared by the purchaser, for three  
34 years unless the purchaser files a new completed exemption  
35 certificate. If the fuel is purchased tax free pursuant to a

1 fuel exemption certificate which is taken by the seller, and  
2 the fuel is used or disposed of by the purchaser in a nonexempt  
3 manner, the purchaser is solely liable for the taxes, and shall  
4 remit the taxes directly to the department and sections 423.31,  
5 ~~423.32~~, 423.37, 423.38, 423.39, 423.40, 423.41, and 423.42  
6 shall apply to the purchaser.

7 Sec. 42. Section 423.50, subsection 1, Code 2022, is amended  
8 to read as follows:

9 1. Only one remittance of tax per return is required ~~except~~  
10 ~~as provided in this subsection. Sellers that collect more~~  
11 ~~than thirty thousand dollars in sales and use taxes for this~~  
12 ~~state during the preceding calendar year shall be required to~~  
13 ~~make additional remittances as required under rules adopted by~~  
14 ~~the director. The filing of a return is not required with an~~  
15 ~~additional remittance.~~

16 Sec. 43. Section 423.57, Code 2022, is amended to read as  
17 follows:

18 **423.57 Statutes applicable.**

19 The director shall administer this subchapter as it relates  
20 to the taxes imposed in this chapter in the same manner and  
21 subject to all the provisions of, and all of the powers,  
22 duties, authority, and restrictions contained in sections  
23 423.14, 423.14A, 423.14B, 423.15, 423.16, 423.17, 423.19,  
24 423.20, 423.21, 423.22, 423.23, 423.24, 423.25, 423.29, 423.31,  
25 ~~423.32~~, 423.33, 423.34, 423.34A, 423.35, 423.37, 423.38,  
26 423.39, 423.40, 423.41, and 423.42, section 423.43, subsection  
27 1, and sections 423.45, 423.46, and 423.47.

28 Sec. 44. Section 423.58, Code 2022, is amended to read as  
29 follows:

30 **423.58 Collection, permit, and tax return exemption for**  
31 **certain out-of-state businesses.**

32 Notwithstanding sections 423.14, 423.14A, 423.14B, 423.29,  
33 423.31, ~~423.32~~, and 423.36, a person meeting the requirements  
34 of section 29C.24 is not required to obtain a sales or use tax  
35 permit, collect and remit sales and use tax, or make and file

1 applicable sales or use tax returns, as provided in section  
2 29C.24, subsection 3, paragraph "a", subparagraph (2).

3 Sec. 45. Section 423A.6, subsection 4, Code 2022, is amended  
4 to read as follows:

5 4. Section 422.25, subsection 4, sections 422.30, 422.67,  
6 and 422.68, section 422.69, subsection 1, sections 422.70,  
7 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
8 1, and sections 423.23, 423.24, 423.25, 423.31, 423.33,  
9 423.35, 423.37 through 423.42, and 423.47, consistent with the  
10 provisions of this chapter, apply with respect to the taxes  
11 authorized under this chapter, in the same manner and with the  
12 same effect as if the state and local hotel and motel taxes  
13 were retail sales taxes within the meaning of those statutes.  
14 Notwithstanding this subsection, the director shall provide  
15 for ~~quarterly~~ monthly filing of returns and for other than  
16 ~~quarterly~~ monthly filing of returns both as prescribed in  
17 section 423.31. The director may require all persons who are  
18 engaged in the business of deriving any sales price subject  
19 to tax under this chapter to register with the department.  
20 All taxes collected under this chapter by a retailer, lodging  
21 provider, lodging facilitator, lodging platform, or any other  
22 person are deemed to be held in trust for the state of Iowa and  
23 the local jurisdictions imposing the taxes.

24 Sec. 46. Section 423B.5, subsection 3, Code 2022, is amended  
25 to read as follows:

26 3. A tax permit other than the state sales or use tax permit  
27 required under section 423.36 shall not be required by local  
28 authorities.

29 Sec. 47. Section 423B.6, subsection 2, paragraph c, Code  
30 2022, is amended to read as follows:

31 c. Frequency of deposits and ~~quarterly~~ monthly reports of a  
32 local sales and services tax with the department of revenue are  
33 governed by the tax provisions in section 423.31. Local tax  
34 collections shall not be included in computation of the total  
35 tax to determine frequency of filing under section 423.31.

1     Sec. 48. Section 423C.4, Code 2022, is amended to read as  
2 follows:

3     **423C.4 Administration and enforcement.**

4     All powers and requirements of the director of revenue  
5 to administer the state sales tax law under chapter 423 are  
6 applicable to the administration of the tax imposed under  
7 section 423C.3, including but not limited to section 422.25,  
8 subsection 4, sections 422.30, 422.67, and 422.68, section  
9 422.69, subsection 1, sections 422.70 through 422.75, section  
10 423.14, subsection 1, and sections 423.15, 423.23, 423.24,  
11 423.25, 423.31, 423.33, 423.35 and 423.37 through 423.42,  
12 423.45, 423.46, and 423.47. However, as an exception to the  
13 powers specified in section 423.31, the director shall only  
14 require the filing of ~~quarterly~~ monthly reports.

15     Sec. 49. Section 423D.4, subsection 3, Code 2022, is amended  
16 to read as follows:

17     3. Section 422.25, subsection 4, sections 422.30, 422.67,  
18 and 422.68, section 422.69, subsection 1, sections 422.70,  
19 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
20 1, and sections 423.23, 423.24, 423.25, 423.31 through  
21 423.35, 423.37 through 423.42, and 423.47, consistent with  
22 the provisions of this chapter, apply with respect to the tax  
23 authorized under this chapter, in the same manner and with the  
24 same effect as if the excise taxes on equipment sales or use  
25 were retail sales taxes within the meaning of those statutes.  
26 Notwithstanding this subsection, the director shall provide  
27 for ~~quarterly~~ monthly filing of returns and for other than  
28 ~~quarterly~~ monthly filing of returns both as prescribed in  
29 section 423.31. All taxes collected under this chapter by a  
30 retailer or any user are deemed to be held in trust for the  
31 state of Iowa.

32     Sec. 50. Section 423G.5, subsection 3, Code 2022, is amended  
33 to read as follows:

34     3. Section 422.25, subsection 4, sections 422.30, 422.67,  
35 and 422.68, section 422.69, subsection 1, sections 422.70,

1 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
2 1, and sections 423.23, 423.24, 423.25, 423.31 through  
3 423.35, 423.37 through 423.42, and 423.47, consistent with the  
4 provisions of this chapter, shall apply with respect to the tax  
5 authorized under this chapter, in the same manner and with the  
6 same effect as if the excise taxes on the sale or furnishing of  
7 a water service were retail sales taxes within the meaning of  
8 those statutes. Notwithstanding this subsection, the director  
9 shall provide for ~~quarterly~~ monthly filing of returns and  
10 for other than ~~quarterly~~ monthly filing of returns both as  
11 prescribed in section 423.31. All taxes collected under this  
12 chapter by a retailer or any user are deemed to be held in trust  
13 for the state of Iowa.

14 Sec. 51. Section 728.1, subsection 6, Code 2022, is amended  
15 to read as follows:

16 6. "*Place of business*" means the premises of a business  
17 required to obtain a sales or use tax permit pursuant to  
18 chapter 423, the premises of a nonprofit or not-for-profit  
19 organization, and the premises of an establishment which is  
20 open to the public at large or where entrance is limited by a  
21 cover charge or membership requirement.

22 Sec. 52. Section 728.5, subsection 1, unnumbered paragraph  
23 1, Code 2022, is amended to read as follows:

24 An owner, manager, or person who exercises direct control  
25 over a place of business required to obtain a sales or use tax  
26 permit shall be guilty of a serious misdemeanor under any of  
27 the following circumstances:

28 Sec. 53. REPEAL. Section 423.32, Code 2022, is repealed.

29 DIVISION IV

30 DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS AND SCHOOL  
31 DISTRICTS

32 Sec. 54. Section 423B.7, subsection 2, paragraph a, Code  
33 2022, is amended to read as follows:

34 a. The director of revenue by ~~August 15 of each fiscal~~  
35 year the last day of each month shall ~~send~~ transfer to each

1 city or county where the local option tax is imposed, ~~an~~  
2 ~~estimate of the amount of tax moneys~~ remitted to the department  
3 attributable to each city or county will receive for the year  
4 ~~and for each month of the year~~ from the preceding month. At the  
5 ~~end of each month, the director may revise the estimates for~~  
6 ~~the year and remaining months.~~

7 Sec. 55. Section 423B.7, subsection 2, paragraphs b and c,  
8 Code 2022, are amended by striking the paragraphs.

9 Sec. 56. Section 423F.2, subsection 4, paragraph a, Code  
10 2022, is amended to read as follows:

11 a. The director of revenue by ~~August 15 of each fiscal year~~  
12 the last day of each month shall send transfer to each school  
13 ~~district an estimate of the amount of tax moneys~~ remitted  
14 to the department attributable to each school district will  
15 ~~receive for the year and for each month of the year~~ from the  
16 preceding month. At the ~~end of each month, the director may~~  
17 ~~revise the estimates for the year and remaining months.~~

18 Sec. 57. Section 423F.2, subsection 4, paragraphs b and c,  
19 Code 2022, are amended by striking the paragraphs.

20 Sec. 58. TRANSITION PROVISION FOR LOCAL OPTION SALES TAX  
21 AND SECURING AN ADVANCED VISION FOR EDUCATION — TRANSFER  
22 AMOUNTS. Notwithstanding any other provision of law to the  
23 contrary, the department of revenue shall estimate monthly  
24 local option sales tax and securing an advanced vision for  
25 education transfer amounts through the end of the 2022 calendar  
26 year. The department of revenue shall transfer estimated  
27 amounts to each local government or school district for the  
28 months of July, August, and September 2022. Beginning with the  
29 October 2022 transfer, the department shall not use estimated  
30 amounts and shall transfer the amount of tax attributable to  
31 each local government or school district for the tax remitted  
32 in September 2022. Any adjustment amount that is necessary to  
33 the July, August, or September 2022 estimated transfer amount  
34 to reflect the accurate attributable amount shall be made by  
35 the department of revenue or the local government or school

1 district by the close of business on December 30, 2022.

2 DIVISION V

3 SALE OF CERTAIN QUALIFIED STOCK — NET CAPITAL GAIN EXCLUSION

4 Sec. 59. Section 422.7, Code 2022, is amended by adding the  
5 following new subsection:

6 NEW SUBSECTION. 63. *a.* Subtract the following percentage  
7 of the net capital gain from the sale or exchange of capital  
8 stock of a qualified corporation for which an election is made  
9 by an employee-owner:

10 (1) For the tax year beginning in the 2023 calendar year,  
11 thirty-three percent.

12 (2) For the tax year beginning in the 2024 calendar year,  
13 sixty-six percent.

14 (3) For tax years beginning on or after January 1, 2025, one  
15 hundred percent.

16 *b.* (1) An employee-owner is entitled to make one  
17 irrevocable lifetime election to exclude the net capital gain  
18 from the sale or exchange of capital stock of one qualified  
19 corporation which capital stock was acquired by the employee-  
20 owner while employed and on account of employment by such  
21 qualified corporation.

22 (2) The election shall apply to all subsequent sales  
23 or exchanges of qualifying capital stock of the elected  
24 corporation within fifteen years of the date of the election,  
25 provided that the subsequent sales or exchanges were of capital  
26 stock in the same qualified corporation and were acquired by  
27 the employee-owner while employed and on account of employment  
28 by such qualified corporation.

29 (3) The election shall apply to qualifying capital stock  
30 that has been transferred by inter vivos gift from the  
31 employee-owner to the employee-owner's spouse or to a trust  
32 for the benefit of the employee-owner's spouse following the  
33 transfer. This subparagraph (3) shall apply to a spouse  
34 only if the spouse was married to the employee-owner on the  
35 date of the sale or exchange or the date of death of the

1 employee-owner.

2 (4) If the employee-owner dies after having sold or  
3 exchanged qualifying capital stock without having made an  
4 election under this subsection, the surviving spouse or, if  
5 there is no surviving spouse, the personal representative of  
6 the employee-owner's estate, may make the election that would  
7 have qualified under this subsection.

8 (5) The election shall be made in the manner and form  
9 prescribed by the department and shall be included with the  
10 taxpayer's state income tax return for the taxable year in  
11 which the election is made.

12 c. For purposes of this subsection:

13 (1) "*Capital stock*" means common or preferred stock, either  
14 voting or nonvoting. "*Capital stock*" does not include stock  
15 rights, stock warrants, stock options, or debt securities.

16 (2) "*Employee-owner*" means an individual who owns capital  
17 stock in a qualified corporation for at least ten years, which  
18 capital stock was acquired by the individual while employed and  
19 on account of employment by such corporation for at least ten  
20 cumulative years.

21 (3) "*Personal representative*" means the same as defined in  
22 section 633.3, or if there is no such personal representative  
23 appointed, then the person legally authorized to perform  
24 substantially the same functions.

25 (4) (a) "*Qualified corporation*" means, with respect to an  
26 employee-owner, a corporation which, at the time of the first  
27 sale or exchange for which an election is made by the employee-  
28 owner under this subsection, meets all of the following  
29 conditions:

30 (i) The corporation employed individuals in this state for  
31 at least ten years.

32 (ii) The corporation has had at least five shareholders for  
33 the ten years prior to the first sale or exchange under this  
34 subsection.

35 (iii) The corporation has had at least two shareholders or



1 groups of shareholders who are not related for the ten years  
2 prior to the first sale or exchange under this subsection.  
3 Two persons are considered related when, under section 318 of  
4 the Internal Revenue Code, one is a person who owns, directly  
5 or indirectly, capital stock that if directly owned would be  
6 attributed to the other person, or is the brother, sister,  
7 aunt, uncle, cousin, niece, or nephew of the other person who  
8 owns capital stock either directly or indirectly.

9 (b) "*Qualified corporation*" includes any member of an Iowa  
10 affiliated group if the Iowa affiliated group includes a member  
11 that has employed individuals in this state for at least ten  
12 years. For purposes of this subparagraph division, "*Iowa*  
13 *affiliated group*" means an affiliated group that has made a  
14 valid election to file an Iowa consolidated income tax return  
15 under section 422.37 in the year in which the deduction under  
16 this subsection is claimed. "*Member*" includes any entity  
17 included in the consolidated return under section 422.37,  
18 subsection 2, for the tax year in which the deduction is  
19 claimed.

20 (c) "*Qualified corporation*" also includes any corporation  
21 that was a party to a reorganization that was entirely or  
22 substantially tax free if such reorganization occurred during  
23 or after the employment of the employee-owner.

24 Sec. 60. EFFECTIVE DATE. This division of this Act takes  
25 effect January 1, 2023.

26 Sec. 61. APPLICABILITY. This division of this Act applies  
27 to tax years beginning on or after January 1, 2023.

28 DIVISION VI

29 RETIRED FARMER LEASE INCOME EXCLUSION

30 Sec. 62. Section 422.7, Code 2022, is amended by adding the  
31 following new subsection:

32 NEW SUBSECTION. 21A. a. Subtract, to the extent included,  
33 net income received by an eligible individual pursuant to a  
34 farm tenancy agreement covering real property held by the  
35 eligible individual for ten or more years, if the eligible

1 individual materially participated in a farming business for  
2 ten or more years.

3     **b.** An individual who elects to exclude income received  
4 pursuant to a farm tenancy agreement under this subsection  
5 shall not claim any of the following in the tax year in which  
6 the election is made or in any succeeding year:

7         (1) The capital gain exclusion under section 422.7,  
8 subsection 21.

9         (2) The beginning farmer tax credit under section 422.11E.

10     **c.** Married individuals who file separate state income tax  
11 returns shall allocate their combined annual exclusion limit  
12 to each spouse in the proportion that each spouse's respective  
13 net income from a farm tenancy agreement bears to the total net  
14 income from a farm tenancy agreement.

15     **d.** The department shall establish criteria, by rule,  
16 relating to whether and how a surviving spouse may claim the  
17 income exclusion for which a deceased eligible individual would  
18 have been eligible under this subsection.

19     **e.** Net income from a farm tenancy agreement earned,  
20 received, or reported by an entity taxed as a partnership  
21 for federal tax purposes, an S corporation, or a trust or  
22 estate is not eligible for the election and deduction in this  
23 subsection, even if such net income ultimately passes through  
24 to an eligible individual.

25     **f.** For purposes of this subsection:

26         (1) "*Eligible individual*" means an individual who is  
27 disabled or who is fifty-five years of age or older at the time  
28 the election is made, who no longer materially participates in  
29 a farming business at the time the election is made, and who,  
30 as an owner-lessor, is party to a farm tenancy agreement.

31         (2) "*Farm tenancy agreement*" means a written agreement  
32 outlining the rights and obligations of an owner-lessor and a  
33 tenant-lessee where the tenant-lessee has a farm tenancy as  
34 defined in section 562.1A. A "*farm tenancy agreement*" includes  
35 cash leases, crop share leases, or livestock share leases.

1 (3) *"Farming business"* means the production, care, growing,  
2 harvesting, preservation, handling, or storage of crops  
3 or forest or fruit trees; the production, care, feeding,  
4 management, and housing of livestock; or horticulture, all  
5 intended for profit.

6 (4) *"Livestock"* means the same as defined in section 717.1.

7 (5) *"Materially participated"* means the same as *"material*  
8 *participation"* in section 469(h) of the Internal Revenue Code.

9 Sec. 63. EFFECTIVE DATE. This division of this Act takes  
10 effect January 1, 2023.

11 Sec. 64. APPLICABILITY. This division of this Act applies  
12 to tax years beginning on or after January 1, 2023.

13 DIVISION VII

14 RETIRED FARMER CAPITAL GAIN EXCLUSION

15 Sec. 65. Section 422.7, subsection 21, Code 2022, is amended  
16 by striking the subsection and inserting in lieu thereof the  
17 following:

18 21. a. For purposes of this subsection:

19 (1) *"Farming business"* means the production, care, growing,  
20 harvesting, preservation, handling, or storage of crops  
21 or forest or fruit trees; the production, care, feeding,  
22 management, and housing of livestock; or horticulture, all for  
23 intended profit.

24 (2) *"Held"* shall be determined with reference to the holding  
25 period provisions of section 1223 of the Internal Revenue Code  
26 and the federal regulations pursuant thereto.

27 (3) *"Livestock"* means the same as defined in section 717.1.

28 (4) *"Materially participated"* means the same as *"material*  
29 *participation"* in section 469(h) of the Internal Revenue Code.

30 (5) (a) *"Real property used in a farming business"* means  
31 all tracts of land and the improvements and structures located  
32 on such tracts which are in good faith used primarily for  
33 a farming business. Buildings which are primarily used or  
34 intended for human habitation are deemed to be used in a  
35 farming business when the building is located on or adjacent

1 to the parcel used in the farming business. Land and the  
2 nonresidential improvements and structures located on such land  
3 that shall be considered to be used primarily in a farming  
4 business include but are not limited to land, improvements  
5 or structures used for the storage or maintenance of farm  
6 machinery or equipment, for the drying, storage, handling,  
7 or preservation of agricultural crops, or for the storage of  
8 farm inputs, feed, or manure. Real property used in a farming  
9 business shall also include woodland, wasteland, pastureland,  
10 and idled land used for the conservation of natural resources  
11 including soil and water.

12 (b) Real property classified as agricultural property for  
13 Iowa property tax purposes, except real property described  
14 in section 441.21, subsection 12, paragraph "a" or "b",  
15 shall be presumed to be real property used in a farming  
16 business. This presumption is rebuttable by the department by  
17 a preponderance of evidence that the real property did not meet  
18 the requirements of subparagraph division (a).

19 (6) "Relative" means a person that satisfies one or more of  
20 the following conditions:

21 (a) The individual is related to the taxpayer by  
22 consanguinity or affinity within the second degree as  
23 determined by common law.

24 (b) The individual is a lineal descendent of the taxpayer.  
25 For purposes of this subparagraph division, "lineal descendent"  
26 means children of the taxpayer, including legally adopted  
27 children and biological children, stepchildren, grandchildren,  
28 great-grandchildren, and any other lineal descendent of the  
29 taxpayer.

30 (c) An entity in which an individual who satisfies the  
31 conditions of either subparagraph division (a) or (b) has a  
32 legal or equitable interest as an owner, member, partner, or  
33 beneficiary.

34 (7) "Retired farmer" means an individual who is disabled  
35 or who is fifty-five years of age or older and who no longer

1 materially participates in a farming business when an exclusion  
2 and deduction is claimed under this subsection.

3 *b.* Subtract the net capital gain from the sale of real  
4 property used in a farming business if one of the following  
5 conditions are satisfied:

6 (1) The taxpayer has materially participated in a farming  
7 business for a minimum of ten years and has held the real  
8 property used in a farming business for a minimum of ten years.  
9 If the taxpayer is a retired farmer, the taxpayer is considered  
10 to meet the material participation requirement if the taxpayer  
11 materially participated in a farming business for ten years or  
12 more in the aggregate, prior to making an election under this  
13 subsection.

14 (2) The taxpayer has held the real property used in a  
15 farming business which is sold to a relative of the taxpayer.

16 *c.* For a taxpayer who is a retired farmer, subtract the  
17 net capital gain from the sale of cattle or horses held by  
18 the taxpayer for breeding, draft, dairy, or sporting purposes  
19 for a period of twenty-four months or more from the date of  
20 acquisition; but only if the taxpayer materially participated  
21 in the farming business for five of the eight years preceding  
22 the farmer's retirement or disability and who has sold all or  
23 substantially all of the taxpayer's interest in the farming  
24 business by the time the election under this paragraph is made.

25 *d.* For a taxpayer who is a retired farmer, subtract the net  
26 capital gain from the sale of breeding livestock, other than  
27 cattle and horses, if the livestock is held by the taxpayer for  
28 a period of twelve months or more from the date of acquisition;  
29 but only if the taxpayer materially participated in the farming  
30 business for five of the eight years preceding the farmer's  
31 retirement or disability and who has sold all or substantially  
32 all of the taxpayer's interest in the farming business by the  
33 time the election under this paragraph is made.

34 *e.* A taxpayer who is a retired farmer may make, subject to  
35 the limitations described in paragraphs "f" and "g", a single,

1 lifetime election to exclude all qualifying capital gains under  
2 paragraphs "b", "c", and "d".

3 *f.* A taxpayer who is a retired farmer who elects to exclude  
4 capital gains under paragraph "b", "c", or "d" shall not claim  
5 the beginning farmer tax credit under section 422.11E or the  
6 exclusion for net income received pursuant to a farm tenancy  
7 agreement in section 422.7, subsection 21A, in the tax year in  
8 which this election is made or in any subsequent year.

9 *g.* A taxpayer who is a retired farmer who claims the  
10 beginning farmer tax credit under section 422.11E shall not,  
11 in the same year, make an election under this subsection. A  
12 taxpayer who is a retired farmer and who elects to exclude  
13 the net income received from a farm tenancy agreement under  
14 section 422.7, subsection 21A, shall not, in the same tax year  
15 or in any subsequent tax year, make the election under this  
16 subsection.

17 *h.* Married individuals who file separate state income tax  
18 returns shall allocate their combined annual net capital gain  
19 exclusion under paragraphs "b", "c", and "d" to each spouse in  
20 the proportion that each spouse's respective net capital gain  
21 bears to the total net capital gain.

22 *i.* The department shall establish criteria, by rule,  
23 relating to whether and how a surviving spouse may claim the  
24 income exclusion for which a deceased retired farmer would have  
25 been eligible under this subsection.

26 Sec. 66. REPEAL. 2018 Iowa Acts, chapter 1161, section 113,  
27 is repealed.

28 Sec. 67. REPEAL. 2019 Iowa Acts, chapter 162, section 1,  
29 is repealed.

30 Sec. 68. EFFECTIVE DATE. This division of this Act takes  
31 effect January 1, 2023.

32 Sec. 69. APPLICABILITY.

33 1. This division of this Act applies to tax years beginning  
34 on or after January 1, 2023.

35 2. This division of this Act applies to sales consummated on

1 or after the effective date of this division of this Act, and  
2 sales consummated prior to the effective date of this division  
3 of this Act shall be governed by the law as it existed prior to  
4 the effective date of this division of this Act.

5 DIVISION VIII

6 INDIVIDUAL INCOME TAX RATES — PHASE IN

7 Sec. 70. Section 422.5, subsection 3, paragraph b, Code  
8 2022, is amended to read as follows:

9 b. (1) In lieu of the computation in subsection 1 or  
10 2, or in paragraph "a" of this subsection, if the married  
11 persons', ~~filing jointly or filing separately on a combined~~  
12 ~~return,~~ head of household's, or surviving spouse's net income  
13 exceeds thirteen thousand five hundred dollars, the regular  
14 tax imposed under this subchapter shall be the lesser of the  
15 ~~maximum~~ alternate state individual income tax rate specified in  
16 subparagraph (2) times the portion of the net income in excess  
17 of thirteen thousand five hundred dollars or the regular tax  
18 liability computed without regard to this sentence. Taxpayers  
19 electing to file separately shall compute the alternate tax  
20 described in this paragraph using the total net income of the  
21 ~~husband and wife~~ spouses. The alternate tax described in this  
22 paragraph does not apply if one spouse elects to carry back or  
23 carry forward the loss as provided in section 422.9, subsection  
24 3.

25 (2) (a) (i) For the tax year beginning on or after January  
26 1, 2023, but before January 1, 2024, the alternate tax rate is  
27 6.00 percent.

28 (ii) For the tax year beginning on or after January 1, 2024,  
29 but before January 1, 2025, the alternate tax rate is 5.70  
30 percent.

31 (iii) For the tax year beginning on or after January 1,  
32 2025, but before January 1, 2026, the alternate tax rate is  
33 5.20 percent.

34 (iv) For the tax year beginning on or after January 1, 2026,  
35 but before January 1, 2027, the alternate tax rate is 4.35

1 percent.

2 (b) For tax years beginning on or after January 1, 2027,  
3 the alternate tax rate shall be one-half of one percent higher  
4 than the maximum individual income tax rate unless the maximum  
5 individual rate is zero, and in such a case the alternate tax  
6 rate shall be zero.

7 Sec. 71. Section 422.5, subsection 3B, paragraph b, Code  
8 2022, is amended to read as follows:

9 b. (1) In lieu of the computation in subsection 1, 2, or 3,  
10 if the married persons', ~~filing jointly or filing separately on~~  
11 ~~a combined return,~~ head of household's, or surviving spouse's  
12 net income exceeds thirty-two thousand dollars, the regular  
13 tax imposed under this subchapter shall be the lesser of the  
14 ~~maximum~~ alternate state individual income tax rate specified in  
15 subparagraph (2) times the portion of the net income in excess  
16 of thirty-two thousand dollars or the regular tax liability  
17 computed without regard to this sentence. Taxpayers electing  
18 to file separately shall compute the alternate tax described in  
19 this paragraph using the total net income of the ~~husband and~~  
20 ~~wife~~ spouses. The alternate tax described in this paragraph  
21 does not apply if one spouse elects to carry back or carry  
22 forward the loss as provided in section 422.9, subsection 3.

23 (2) (a) (i) For the tax year beginning on or after January  
24 1, 2023, but before January 1, 2024, the alternate tax rate is  
25 6.00 percent.

26 (ii) For the tax year beginning on or after January 1, 2024,  
27 but before January 1, 2025, the alternate tax rate is 5.70  
28 percent.

29 (iii) For the tax year beginning on or after January 1,  
30 2025, but before January 1, 2026, the alternate tax rate is  
31 5.20 percent.

32 (iv) For the tax year beginning on or after January 1, 2026,  
33 but before January 1, 2027, the alternate tax rate is 4.35  
34 percent.

35 (b) For tax years beginning on or after January 1, 2027,



1 the alternate tax rate shall be one-half of one percent higher  
2 than the maximum individual income tax rate unless the maximum  
3 individual rate is zero, and in such a case the alternate tax  
4 rate shall be zero.

5 Sec. 72. Section 422.5, subsection 6, Code 2022, is amended  
6 to read as follows:

7 6. a. Upon determination of the latest cumulative inflation  
8 factor, the director shall multiply each dollar amount set  
9 forth in section 422.5A by this cumulative inflation factor,  
10 shall round off the resulting product to the nearest one  
11 dollar, and shall incorporate the result into the income tax  
12 forms and instructions for each tax year.

13 b. This subsection is repealed on January 1, 2026.

14 Sec. 73. Section 422.5A, Code 2022, is amended by striking  
15 the section and inserting in lieu thereof the following:

16 **422.5A Tax rates.**

17 1. The tax imposed in section 422.5 shall be calculated  
18 using the following rates in the following tax years in the  
19 case of married persons filing jointly:

20 a. For the tax year beginning on or after January 1, 2023,  
21 but before January 1, 2024:

22 (1) On taxable income from 0 through \$12,000, the rate of  
23 4.40 percent.

24 (2) On taxable income exceeding \$12,000 but not exceeding  
25 \$60,000, the rate of 4.82 percent.

26 (3) On taxable income exceeding \$60,000 but not exceeding  
27 \$150,000, the rate of 5.70 percent.

28 (4) On taxable income exceeding \$150,000, the rate of 6.00  
29 percent.

30 b. For the tax year beginning on or after January 1, 2024,  
31 but before January 1, 2025:

32 (1) On taxable income from 0 through \$12,000, the rate of  
33 4.40 percent.

34 (2) On taxable income exceeding \$12,000 but not exceeding  
35 \$60,000, the rate of 4.82 percent.

1 (3) On taxable income exceeding \$60,000, the rate of 5.70  
2 percent.

3 c. For the tax year beginning on or after January 1, 2025,  
4 but before January 1, 2026:

5 (1) On taxable income from 0 through \$12,000, the rate of  
6 4.40 percent.

7 (2) On taxable income exceeding \$12,000, the rate of 4.82  
8 percent.

9 2. The tax imposed in section 422.5 shall be calculated  
10 using the following rates in the following tax years in the  
11 case of any other taxpayer other than married persons filing  
12 jointly:

13 a. For the tax year beginning on or after January 1, 2023,  
14 but before January 1, 2024:

15 (1) On taxable income from 0 through \$6,000, the rate of  
16 4.40 percent.

17 (2) On taxable income exceeding \$6,000 but not exceeding  
18 \$30,000, the rate of 4.82 percent.

19 (3) On taxable income exceeding \$30,000 but not exceeding  
20 \$75,000, the rate of 5.70 percent.

21 (4) On taxable income exceeding \$75,000, the rate of 6.00  
22 percent.

23 b. For the tax year beginning on or after January 1, 2024,  
24 but before January 1, 2025:

25 (1) On taxable income from 0 through \$6,000, the rate of  
26 4.40 percent.

27 (2) On taxable income exceeding \$6,000 but not exceeding  
28 \$30,000, the rate of 4.82 percent.

29 (3) On taxable income exceeding \$30,000, the rate of 5.70  
30 percent.

31 c. For the tax year beginning on or after January 1, 2025,  
32 but before January 1, 2026:

33 (1) On taxable income from 0 through \$6,000, the rate of  
34 4.40 percent.

35 (2) On taxable income exceeding \$6,000, the rate of 4.82

1 percent.

2 Sec. 74. REPEAL. 2018 Iowa Acts, chapter 1161, section 107,  
3 is repealed.

4 Sec. 75. EFFECTIVE DATE. This division of this Act takes  
5 effect January 1, 2023.

6 Sec. 76. APPLICABILITY. This division of this Act applies  
7 to tax years beginning on or after January 1, 2023.

8 DIVISION IX

9 INDIVIDUAL INCOME TAX — FLAT RATE — CONTINGENT ELIMINATION

10 Sec. 77. Section 421.27, subsection 9, paragraph a,  
11 subparagraph (3), Code 2022, is amended to read as follows:

12 (3) In the case of all other entities, including  
13 corporations described in section 422.36, subsection 5, and all  
14 other entities required to file an information return under  
15 section 422.15, subsection 2, the entity's Iowa net income  
16 after the application of the Iowa business activity ratio,  
17 if applicable, multiplied by the ~~top~~ income tax rate imposed  
18 under section ~~422.5A~~ 422.5 for the tax year, less any Iowa tax  
19 credits available to the entity.

20 Sec. 78. Section 422.5, subsection 1, paragraph a, Code  
21 2022, is amended to read as follows:

22 a. (1) A tax is imposed upon every resident and nonresident  
23 of the state which tax shall be levied, collected, and paid  
24 annually upon and with respect to the entire taxable income  
25 as defined in this subchapter at ~~rates as provided in section~~  
26 ~~422.5A~~ a rate of three and eighty-five hundredths percent for  
27 the tax year beginning January 1, 2026, but before January 1,  
28 2027, and at a rate of three and six-tenths percent for tax  
29 years beginning on or after January 1, 2027.

30 (2) (a) Notwithstanding the rate in subparagraph (1), the  
31 department of revenue shall determine the individual income  
32 tax rate as provided in this subparagraph. The tax rate in  
33 subparagraph (1) shall remain in effect until the rate is  
34 adjusted pursuant to this subparagraph. A rate adjusted in  
35 this subparagraph shall remain in effect until the rate is

1 adjusted again pursuant to this subparagraph.

2 (b) By November 1, 2028, and by November 1 each year  
3 thereafter, until the individual income tax rate equals zero,  
4 the department of management shall determine the amount of  
5 moneys available in the individual income tax elimination fund  
6 in section 8.57E, and the net individual income tax receipts  
7 at the close of the preceding fiscal year. The department of  
8 revenue shall adjust and apply a new rate based upon the amount  
9 of moneys available in the individual income tax elimination  
10 fund as provided in subparagraph division (c).

11 (c) (i) The rate shall be adjusted in such a way that the  
12 rate would have generated an amount equal to the net receipts  
13 generated from the rate in the preceding fiscal year less the  
14 amount available in the individual income tax elimination  
15 fund in section 8.57E that is used in the calculation in this  
16 subparagraph division.

17 (ii) The rate shall not be adjusted unless the rate is able  
18 to be adjusted at least one-tenth of one percent. The rate,  
19 when adjusted, shall be rounded down to the nearest one-tenth  
20 of one percent.

21 (iii) If a determination is made by the department of  
22 revenue that the rate is subject to adjustment, the department  
23 of revenue shall adjust the rate specified in subparagraph  
24 (1), or if the rate has been previously adjusted, adjust the  
25 previously adjusted rate.

26 (d) If an adjustment is made pursuant to subparagraph  
27 division (c), the amount of moneys in the individual income  
28 tax elimination fund used in the calculation in subparagraph  
29 division (c) shall be transferred to the general fund of the  
30 state in the fiscal year the rate is adjusted.

31 (e) If a rate is adjusted pursuant to subparagraph division  
32 (c), the director of revenue shall cause an advisory notice  
33 containing the new individual income tax rate to be published  
34 in the Iowa administrative bulletin and on the internet site  
35 of the department of revenue. The calculation and publication

1 of the adjusted tax rate by the director of revenue is exempt  
2 from chapter 17A, and shall be submitted for publication by the  
3 first December 31 following the determination date to adjust  
4 the rate.

5 Sec. 79. Section 422.16B, subsection 2, paragraph a, Code  
6 2022, is amended to read as follows:

7 a. (1) A pass-through entity shall file a composite return  
8 on behalf of all nonresident members and shall report and pay  
9 the income or franchise tax imposed under this chapter at the  
10 maximum state income or franchise tax rate applicable to the  
11 member under section ~~422.5A~~ 422.5, 422.33, or 422.63 on the  
12 nonresident members' distributive shares of the income from the  
13 pass-through entity.

14 (2) The tax rate applicable to a tiered pass-through entity  
15 shall be the ~~maximum~~ state income tax rate under section ~~422.5A~~  
16 422.5.

17 Sec. 80. Section 422.25A, subsection 5, paragraph c,  
18 subparagraphs (3), (4), and (5), Code 2022, are amended to read  
19 as follows:

20 (3) Determine the total distributive share of all final  
21 federal partnership adjustments and positive reallocation  
22 adjustments as modified by this title that are reported to  
23 nonresident individual partners and nonresident fiduciary  
24 partners and allocate and apportion such adjustments as  
25 provided in section 422.33 at the partnership or tiered  
26 partner level, and multiply the resulting amount by the ~~maximum~~  
27 individual income tax rate pursuant to section ~~422.5A~~ 422.5 for  
28 the reviewed year.

29 (4) For the total distributive share of all final federal  
30 partnership adjustments and positive reallocation adjustments  
31 as modified by this title that are reported to tiered partners:

32 (a) Determine the amount of such adjustments which are of a  
33 type that would be subject to sourcing to Iowa under section  
34 422.8, subsection 2, paragraph "a", as a nonresident, and then  
35 determine the portion of this amount that would be sourced to

1 Iowa under those provisions as if the tiered partner were a  
2 nonresident.

3 (b) Determine the amount of such adjustments which are of  
4 a type that would not be subject to sourcing to Iowa under  
5 section 422.8, subsection 2, paragraph "a", as a nonresident.

6 (c) Determine the portion of the amount in subparagraph  
7 division (b) that can be established, as prescribed by the  
8 department by rule, to be properly allocable to indirect  
9 partners that are nonresident partners or other partners not  
10 subject to tax on the adjustments.

11 (d) Multiply the total of the amounts determined in  
12 subparagraph divisions (a) and (b), reduced by any amount  
13 determined in subparagraph division (c), by the highest  
14 individual income tax rate pursuant to section ~~422.5A~~ 422.5 for  
15 the reviewed year.

16 (5) For the total distributive share of all final federal  
17 partnership adjustments and positive reallocation adjustments  
18 as modified by this title that are reported to resident  
19 individual partners and resident fiduciary partners, multiply  
20 that amount by the highest individual income tax rate pursuant  
21 to section ~~422.5A~~ 422.5 for the reviewed year.

22 Sec. 81. EFFECTIVE DATE. This division of this Act takes  
23 effect January 1, 2026.

24 Sec. 82. APPLICABILITY. This division of this Act applies  
25 to tax years beginning on or after January 1, 2026.

26 DIVISION X

27 RETIREMENT INCOME

28 Sec. 83. Section 422.5, subsection 3, paragraph a, Code  
29 2022, is amended to read as follows:

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

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

35 Sec. 84. Section 422.5, subsection 3B, paragraph a, Code

1 2022, is amended to read as follows:

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



1 if the person claiming the dependent has net income exceeding  
2 thirty-two thousand dollars or twenty-four thousand dollars  
3 as applicable or the person claiming the dependent and the  
4 person's spouse have combined net income exceeding thirty-two  
5 thousand dollars or twenty-four thousand dollars as applicable.

6 Sec. 85. Section 422.7, subsection 31, Code 2022, is amended  
7 to read as follows:

8 31. a. ~~For a person who is disabled, or is fifty-five years~~  
9 ~~of age or older, or is the surviving spouse of an individual or~~  
10 ~~a survivor having an insurable interest in an individual who~~  
11 ~~would have qualified for the exemption under this subsection~~  
12 ~~for the tax year, subtract Subtract, to the extent included,~~  
13 ~~the total amount of received from a governmental or other~~  
14 ~~pension or retirement pay plan, including, but not limited~~  
15 ~~to, defined benefit or defined contribution plans, annuities,~~  
16 ~~individual retirement accounts, plans maintained or contributed~~  
17 ~~to by an employer, or maintained or contributed to by a~~  
18 ~~self-employed person as an employer, and deferred compensation~~  
19 ~~plans or any earnings attributable to the deferred compensation~~  
20 ~~plans, up to a maximum of six thousand dollars for a person,~~  
21 ~~other than a husband or wife, who files a separate state income~~  
22 ~~tax return and up to a maximum of twelve thousand dollars~~  
23 ~~for a husband and wife who file a joint state income tax~~  
24 ~~return. However, a surviving spouse who is not disabled or~~  
25 ~~fifty-five years of age or older can only exclude the amount~~  
26 ~~of pension or retirement pay received as a result of the death~~  
27 ~~of the other spouse. A husband and wife filing separate state~~  
28 ~~income tax returns or separately on a combined state return~~  
29 ~~are allowed a combined maximum exclusion under this subsection~~  
30 ~~of up to twelve thousand dollars. The twelve thousand dollar~~  
31 ~~exclusion shall be allocated to the husband or wife in the~~  
32 ~~proportion that each spouse's respective pension and retirement~~  
33 ~~pay received bears to total combined pension and retirement~~  
34 ~~pay received received by a person who is disabled, or is~~  
35 ~~fifty-five years of age or older, or is the surviving spouse of~~

1 an individual or is a survivor having an insurable interest in  
2 an individual who would have qualified for the exemption under  
3 this subsection for the tax year.

4 b. Married taxpayers who file separate state income tax  
5 returns shall allocate their combined annual exclusion amount  
6 to each spouse in the proportion that each spouse's respective  
7 income received from a pension or retirement plan bears to the  
8 total combined pension or retirement pay received.

9 c. A taxpayer who is not disabled or fifty-five years of  
10 age or older and who receives pension or retirement pay as a  
11 surviving spouse or as a survivor with an insurable interest  
12 in an individual who would have qualified for the exemption  
13 for the tax year may only exclude the amount received from a  
14 pension or retirement plan in the tax year as a result of the  
15 death of the decedent.

16 Sec. 86. EFFECTIVE DATE. This division of this Act takes  
17 effect January 1, 2023.

18 Sec. 87. APPLICABILITY. This division of this Act applies  
19 to tax years beginning on or after January 1, 2023.

20 DIVISION XI

21 CORPORATE INCOME TAX

22 Sec. 88. Section 422.33, subsection 1, paragraphs a, b, c,  
23 and d, Code 2022, are amended to read as follows:

24 a. On the first twenty-five thousand dollars of taxable  
25 income, or any part thereof, the rate of six percent for tax  
26 years beginning prior to January 1, 2021, and the rate of  
27 five and one-half percent for tax years beginning on or after  
28 January 1, 2021, but before January 1, 2024.

29 b. On taxable income between twenty-five thousand dollars  
30 and one hundred thousand dollars or any part thereof, the rate  
31 of eight percent for tax years beginning prior to January 1,  
32 2021, and the rate of five and one-half percent for tax years  
33 beginning on or after January 1, 2021, but before January 1,  
34 2024.

35 c. On taxable income between one hundred thousand dollars

1 and two hundred fifty thousand dollars or any part thereof, the  
2 rate of ten percent for tax years beginning prior to January 1,  
3 2021, and the rate of nine percent for tax years beginning on  
4 or after January 1, 2021, but before January 1, 2024.

5 *d.* On taxable income of two hundred fifty thousand dollars  
6 or more, the rate of twelve percent for tax years beginning  
7 prior to January 1, 2021, and the rate of nine and eight-tenths  
8 percent for tax years beginning on or after January 1, 2021,  
9 but before January 1, 2024.

10 DIVISION XII

11 FUTURE CORPORATE INCOME TAX RATES

12 Sec. 89. Section 422.33, subsection 1, Code 2022, as  
13 amended by this Act, is amended by striking the subsection and  
14 inserting in lieu thereof the following:

15 1. *a.* A tax is imposed annually upon each corporation doing  
16 business in this state, or deriving income from sources within  
17 this state, in an amount computed by applying the following  
18 rates of taxation to the net income received by the corporation  
19 during the income year:

20 (1) For the tax year beginning on or after January 1, 2023,  
21 but before January 1, 2024:

22 (a) On taxable income from zero through one hundred thousand  
23 dollars, or any part thereof, the rate of five and one-half  
24 percent.

25 (b) On taxable income between one hundred thousand dollars  
26 and two hundred fifty thousand dollars, or any part thereof,  
27 the rate of nine percent.

28 (c) On taxable income of two hundred fifty thousand dollars  
29 or more, the rate of nine and eight-tenths percent.

30 (2) For the tax year beginning on or after January 1, 2024,  
31 but before January 1, 2025:

32 (a) On taxable income from zero through one hundred thousand  
33 dollars, or any part thereof, the rate of five and one-half  
34 percent.

35 (b) On taxable income between one hundred thousand dollars

1 and two hundred fifty thousand dollars, or any part thereof,  
2 the rate of nine percent.

3 (c) On taxable income of two hundred fifty thousand dollars  
4 or more, the rate of nine and four-tenths percent.

5 (3) For the tax year beginning on or after January 1, 2025,  
6 but before January 1, 2026:

7 (a) On taxable income from zero through one hundred thousand  
8 dollars, or any part thereof, the rate of five and one-half  
9 percent.

10 (b) On taxable income exceeding one hundred thousand  
11 dollars, the rate of nine percent.

12 (4) For the tax year beginning on or after January 1, 2026,  
13 but before January 1, 2027:

14 (a) On taxable income from zero through one hundred thousand  
15 dollars, or any part thereof, the rate of five and four-tenths  
16 percent.

17 (b) On taxable income exceeding one hundred thousand  
18 dollars, the rate of eight and six-tenths percent.

19 (5) For the tax year beginning on or after January 1, 2027,  
20 but before January 1, 2028:

21 (a) On taxable income from zero through one hundred thousand  
22 dollars, or any part thereof, the rate of five and four-tenths  
23 percent.

24 (b) On taxable income exceeding one hundred thousand  
25 dollars, the rate of eight and two-tenths percent.

26 *b.* For tax years beginning on or after January 1, 2028, a  
27 tax is imposed annually upon each corporation doing business  
28 in this state, or deriving income from sources within this  
29 state, in an amount computed by applying the following rates of  
30 taxation to the net income received by the corporation during  
31 the income year:

32 (1) On taxable income from zero through one hundred thousand  
33 dollars, or any part thereof, the rate of five and three-tenths  
34 percent.

35 (2) On taxable income exceeding one hundred thousand

1 dollars, the rate of seven and eight-tenths percent.

2 Sec. 90. EFFECTIVE DATE. This division of this Act takes  
3 effect January 1, 2024.

4 DIVISION XIII

5 FRANCHISE TAX

6 Sec. 91. Section 422.63, Code 2022, is amended to read as  
7 follows:

8 **422.63 Amount of tax.**

9 1. The franchise tax is imposed annually in an amount equal  
10 to ~~five~~ the percent specified in subsection 2 of the net income  
11 received or accrued during the taxable year. If the net income  
12 of the financial institution is derived from its business  
13 carried on entirely within the state, the tax shall be imposed  
14 on the entire net income, but if the business is carried on  
15 partly within and partly without the state, the portion of net  
16 income reasonably attributable to the business within the state  
17 shall be specifically allocated or equitably apportioned within  
18 and without the state under rules of the director.

19 2. a. For tax years beginning prior to January 1, 2023,  
20 five percent.

21 b. For tax years beginning on or after January 1, 2023, but  
22 before January 1, 2024, four and four-fifths percent.

23 c. For tax years beginning on or after January 1, 2024, but  
24 before January 1, 2025, four and three-fifths percent.

25 d. For tax years beginning on or after January 1, 2025, but  
26 before January 1, 2026, four and two-fifths percent.

27 e. For tax years beginning on or after January 1, 2026, but  
28 before January 1, 2027, four and one-fifth percent.

29 f. For tax years beginning on or after January 1, 2027, four  
30 percent.

31 DIVISION XIV

32 INSURANCE PREMIUM TAX

33 Sec. 92. Section 432.1, subsection 2, Code 2022, is amended  
34 to read as follows:

35 2. The "*applicable percent*" for purposes of subsection 1 of

1 this section and section 432.2 is the following:

2 a. For calendar years beginning before the 2003 calendar  
3 year, two percent.

4 b. For the 2003 calendar year, one and three-fourths  
5 percent.

6 c. For the 2004 calendar year, one and one-half percent.

7 d. For the 2005 calendar year, one and one-fourth percent.

8 e. For the 2006 ~~and subsequent~~ calendar years year through  
9 the 2022 calendar year, one percent.

10 f. For the 2023 calendar year, ninety-five hundredths of one  
11 percent.

12 g. For the 2024 and subsequent calendar years, nine-tenths  
13 of one percent.

14 Sec. 93. Section 432.1, subsection 4, Code 2022, is amended  
15 to read as follows:

16 4. The "*applicable percent*" for purposes of subsection 3 is  
17 the following:

18 a. For calendar years beginning before the 2004 calendar  
19 year, two percent.

20 b. For the 2004 calendar year, one and three-fourths  
21 percent.

22 c. For the 2005 calendar year, one and one-half percent.

23 d. For the 2006 calendar year, one and one-fourth percent.

24 e. For the 2007 ~~and subsequent~~ calendar years year through  
25 the 2022 calendar year, one percent.

26 f. For the 2023 calendar year, ninety-five hundredths of one  
27 percent.

28 g. For the 2024 and subsequent calendar years, nine-tenths  
29 of one percent.

30 DIVISION XV

31 AUTOMOBILE RENTAL EXCISE TAX

32 Sec. 94. Section 423C.2, subsection 7, Code 2022, is amended  
33 by striking the subsection.

34 Sec. 95. Section 423C.3, subsection 1, Code 2022, is amended  
35 to read as follows:

1 1. A tax of ~~five~~ seven percent is imposed upon the rental  
2 price of an automobile if the rental transaction is subject  
3 to the sales tax under chapter 423, subchapter II, or the use  
4 tax under chapter 423, subchapter III. The tax shall not be  
5 imposed on any rental transaction not taxable under the state  
6 sales tax, as provided in section 423.3, or the state use tax,  
7 as provided in section 423.6, on automobile rental receipts.

8 Sec. 96. Section 423C.3, subsection 3, Code 2022, is amended  
9 by striking the subsection.

10 Sec. 97. Section 423.14A, subsection 1, paragraph b,  
11 subparagraph (3), Code 2022, is amended by striking the  
12 subparagraph.

13 Sec. 98. EFFECTIVE DATE. This division of this Act takes  
14 effect January 1, 2023.

15 DIVISION XVI  
16 EQUIPMENT TAX

17 Sec. 99. Section 423D.2, Code 2022, is amended to read as  
18 follows:

19 **423D.2 Tax imposed.**

20 A tax of ~~five~~ six percent is imposed on the sales price  
21 or purchase price of all equipment sold or used in the state  
22 of Iowa. This tax shall be collected and paid over to the  
23 department by any retailer, retailer maintaining a place of  
24 business in this state, or user who would be responsible for  
25 collection and payment of the tax if it were a sales or use tax  
26 imposed under chapter 423.

27 Sec. 100. EFFECTIVE DATE. This division of this Act takes  
28 effect January 1, 2023.

29 DIVISION XVII  
30 WATER SERVICE TAX

31 Sec. 101. Section 421.71, subsection 3, Code 2022, is  
32 amended to read as follows:

33 3. *Private cause of action immunity for overpayment of*  
34 *certain taxes.*

35 a. A taxpayer, or any person required to collect taxes





1 1, 2024, fifty percent of the tax credit in excess of the  
2 taxpayer's liability for the tax year is refundable, if all of  
3 the following conditions are met:

4 Sec. 107. Section 15.319, subsection 5, Code 2022, is  
5 amended to read as follows:

6 5. Any For the tax year beginning on or after January 1,  
7 2023, but before January 1, 2024, seventy-five percent of any  
8 tax credit in excess of the tax liability is refundable. For  
9 tax years beginning on or after January 1, 2024, fifty percent  
10 of any tax credit in excess of the tax liability is refundable.

11 In lieu of claiming a refund, the taxpayer may elect to have  
12 the overpayment shown on the taxpayer's final, completed return  
13 credited to the tax liability for the following tax year.

14 Sec. 108. Section 15E.305, subsection 2, paragraph a, Code  
15 2022, is amended to read as follows:

16 a. The maximum amount of tax credits granted to a taxpayer  
17 shall not exceed ~~five percent~~ one hundred thousand dollars of  
18 the aggregate amount of tax credits authorized.

19 Sec. 109. Section 422.5, subsection 1, paragraph b,  
20 subparagraph (2), Code 2022, is amended by striking the  
21 subparagraph.

22 Sec. 110. Section 422.5, subsection 2, paragraph d, Code  
23 2022, is amended to read as follows:

24 d. In the case of a resident, including a resident  
25 estate or trust, the state's apportioned share of the state  
26 alternative minimum tax is one hundred percent of the state  
27 alternative minimum tax computed in this subsection 2. In the  
28 case of a resident or part-year resident shareholder in an S  
29 corporation which has in effect for the tax year an election  
30 under subchapter S of the Internal Revenue Code and carries  
31 on business within and without the state, a nonresident,  
32 including a nonresident estate or trust, or an individual,  
33 estate, or trust that is domiciled in the state for less than  
34 the entire tax year, the state's apportioned share of the  
35 state alternative minimum tax is the amount of tax computed

1 under this subsection 2, reduced by the applicable credits in  
2 sections 422.10 through 422.12 and this result multiplied by  
3 a fraction with a numerator of the sum of state net income  
4 allocated to Iowa as determined in section 422.8, subsection 2,  
5 paragraph "a" or "~~b~~" as applicable, plus tax preference items,  
6 adjustments, and losses under subparagraph (1) attributable  
7 to Iowa and with a denominator of the sum of total net income  
8 computed under section 422.7 plus all tax preference items,  
9 adjustments, and losses under subparagraph (1). In computing  
10 this fraction, those items excludable under subparagraph (1)  
11 shall not be used in computing the tax preference items.  
12 Married taxpayers electing to file separate returns or  
13 separately on a combined return must allocate the minimum  
14 tax computed in this subsection in the proportion that each  
15 spouse's respective preference items, adjustments, and losses  
16 under subparagraph (1) bear to the combined preference items,  
17 adjustments, and losses under subparagraph (1) of both spouses.

18 Sec. 111. Section 422.8, subsection 2, paragraph b, Code  
19 2022, is amended by striking the paragraph.

20 Sec. 112. Section 422.8, subsection 6, Code 2022, is amended  
21 by striking the subsection.

22 Sec. 113. Section 422.10, subsection 1, paragraph a, Code  
23 2022, is amended by adding the following new subparagraph:

24 NEW SUBPARAGRAPH. (3) The credit provided in this section  
25 is claimed on a return filed by the due date for filing the  
26 return, including extensions of time. If timely claimed, the  
27 business shall not increase the credit claim on an amended  
28 return or otherwise unless the increase results from an  
29 audit or examination by the internal revenue service or the  
30 department.

31 Sec. 114. Section 422.10, subsection 1, paragraph b,  
32 subparagraph (1), subparagraph divisions (a) and (b), Code  
33 2022, are amended to read as follows:

34 (a) ~~Six and one-half~~ Four percent of the excess of qualified  
35 research expenses during the tax year over the base amount for

1 the tax year based upon the state's apportioned share of the  
2 qualifying expenditures for increasing research activities.

3 (b) ~~Six and one-half~~ Four percent of the basic research  
4 payments determined under section 41(e)(1)(A) of the Internal  
5 Revenue Code during the tax year based upon the state's  
6 apportioned share of the qualifying expenditures for increasing  
7 research activities.

8 Sec. 115. Section 422.10, subsection 1, paragraph b, Code  
9 2022, is amended by adding the following new subparagraph:

10 NEW SUBPARAGRAPH. (3) For the purpose of calculating  
11 the state's apportioned share of the qualifying expenditures  
12 for increasing research activities in subparagraph (2), the  
13 following criteria shall apply only to the determination of  
14 qualified research expenditures in this state:

15 (a) Wages paid to an employee for qualified services,  
16 or contract research expenses paid to a third party for  
17 the performance of qualified research services, shall only  
18 constitute qualified research expenses in this state if the  
19 services are performed in this state, and if the following  
20 conditions are met, as applicable:

21 (i) For qualified services performed by employees, during  
22 the period of the tax year that the business is engaging in one  
23 or more research projects, a majority of the total services  
24 performed by the employee for the business are directly related  
25 to those research projects.

26 (ii) For the performance of qualified research services  
27 by a third party, during the period of the business's tax  
28 year that the third party is performing research services for  
29 the business, a majority of the total services performed by  
30 the person for the third party are directly related to those  
31 research projects of the business.

32 (b) The substantially all rule for determining qualified  
33 services as described in section 41(b)(2)(B) of the Internal  
34 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

35 (c) Amounts paid for supplies as defined in section

1 41(b)(2)(C) of the Internal Revenue Code, or for the right to  
2 use computers as described in section 41(b)(2)(A)(iii) of the  
3 Internal Revenue Code, shall not be qualified research expenses  
4 in this state.

5 Sec. 116. Section 422.10, subsection 1, paragraphs c and d,  
6 Code 2022, are amended to read as follows:

7 c. In lieu of the credit amount computed in paragraph "b",  
8 subparagraph (1), subparagraph division (a), a taxpayer may  
9 shall elect to compute the credit amount for qualified research  
10 expenses incurred in this state in a manner consistent with the  
11 alternative simplified credit described in section 41(c)(4)  
12 of the Internal Revenue Code if the taxpayer elected or was  
13 required to use the alternative simplified credit method for  
14 federal income tax purposes for the same taxable year. ~~The~~  
15 ~~taxpayer may make this election regardless of the method used~~  
16 ~~for the taxpayer's federal income tax. The election made under~~  
17 ~~this paragraph is for the tax year and the taxpayer may use~~  
18 ~~another or the same method for any subsequent year.~~

19 d. For purposes of the alternate credit computation method  
20 in paragraph "c", the following criteria shall apply:

21 (1) The credit percentages applicable to qualified research  
22 expenses described in section 41(c)(4)(A) and clause (ii) of  
23 section 41(c)(4)(B) of the Internal Revenue Code are ~~four and~~  
24 ~~fifty-five hundredths~~ two and eight-tenths percent and one and  
25 ~~ninety-five hundredths~~ two-tenths percent, respectively.

26 (2) Basic research payments and qualified research expenses  
27 shall only include amounts for research conducted in this  
28 state. A taxpayer's qualified research expenses in this state  
29 and average prior year qualified research expenses in this  
30 state shall be determined in accordance with the criteria in  
31 subsection 1, paragraph "b", subparagraph (3).

32 Sec. 117. Section 422.10, subsection 3, paragraph b, Code  
33 2022, is amended to read as follows:

34 b. For purposes of this section, "*basic research payment*"  
35 and "*qualified research expense*" mean the same as defined

1 for the federal credit for increasing research activities  
2 under section 41 of the Internal Revenue Code, except ~~that~~  
3 ~~for the alternative simplified credit such amounts are for~~  
4 ~~research conducted within this state~~ as otherwise described in  
5 subsection 1, paragraph "b", subparagraph (3), and subsection  
6 1, paragraph "d", subparagraph (2).

7 Sec. 118. Section 422.10, subsection 4, Code 2022, is  
8 amended to read as follows:

9 4. a. Any Commencing with the tax year beginning on or  
10 after January 1, 2023, but before January 1, 2024, seventy-five  
11 percent of any credit in excess of the tax liability imposed by  
12 section 422.5 less the amounts of nonrefundable credits allowed  
13 under this subchapter for the taxable year shall be refunded  
14 with interest in accordance with section 421.60, subsection  
15 2, paragraph "e". In lieu of claiming a refund, a taxpayer  
16 may elect to have the overpayment shown on the taxpayer's  
17 final, completed return credited to the tax liability for the  
18 following taxable year.

19 b. Commencing with tax years beginning on or after  
20 January 1, 2024, fifty percent of any credit in excess of the  
21 tax liability imposed by section 422.5 less the amounts of  
22 nonrefundable credits allowed under this subchapter for the  
23 taxable year shall be refunded with interest in accordance  
24 with section 421.60, subsection 2, paragraph "e". In lieu of  
25 claiming a refund, a taxpayer may elect to have the overpayment  
26 shown on the taxpayer's final, completed return credited to the  
27 tax liability for the following taxable year.

28 Sec. 119. Section 422.11W, Code 2022, is amended by adding  
29 the following new subsection:

30 NEW SUBSECTION. 5. Commencing with tax years beginning  
31 on or after January 1, 2023, a charitable conservation  
32 contribution tax credit shall not be claimed against taxes as  
33 provided in this section, except for tax credits claimed for  
34 qualified real property interests conveyed prior to January 1,  
35 2023.

1     Sec. 120. Section 422.12N, Code 2022, is amended by adding  
2 the following new subsections:

3     NEW SUBSECTION. 6. This section does not apply to a  
4 geothermal heat pump installation occurring after December 31,  
5 2023.

6     NEW SUBSECTION. 7. This section is repealed January 1,  
7 2034.

8     Sec. 121. Section 422.33, subsection 5, paragraph a,  
9 subparagraphs (1) and (2), Code 2022, are amended to read as  
10 follows:

11     (1) ~~Six and one-half~~ Four percent of the excess of qualified  
12 research expenses during the tax year over the base amount for  
13 the tax year based upon the state's apportioned share of the  
14 qualifying expenditures for increasing research activities.

15     (2) ~~Six and one-half~~ Four percent of the basic research  
16 payments determined under section 41(e)(1)(A) of the Internal  
17 Revenue Code during the tax year based upon the state's  
18 apportioned share of the qualifying expenditures for increasing  
19 research activities.

20     Sec. 122. Section 422.33, subsection 5, paragraph b, Code  
21 2022, is amended to read as follows:

22     **b.** (1) The state's apportioned share of the qualifying  
23 expenditures for increasing research activities is a percent  
24 equal to the ratio of qualified research expenditures in this  
25 state to the total qualified research expenditures.

26     (2) For the purpose of calculating the state's apportioned  
27 share of the qualifying expenditures for increasing research  
28 activities in subparagraph (1), the following criteria  
29 shall apply only to the determination of qualified research  
30 expenditures in this state:

31     (a) Wages paid to an employee for qualified services,  
32 or contract research expenses paid to a third party for  
33 the performance of qualified research services, shall only  
34 constitute qualified research expenses in this state if the  
35 services are performed in this state, and if the following

1 conditions are met, as applicable:

2 (i) For qualified services performed by employees, during  
3 the period of the tax year that the business is engaging in one  
4 or more research projects, a majority of the total services  
5 performed by the employee for the business are directly related  
6 to those research projects.

7 (ii) For the performance of qualified research services  
8 by a third party, during the period of the business's tax  
9 year that the third party is performing research services for  
10 the business, a majority of the total services performed by  
11 the person for the third party are directly related to those  
12 research projects of the business.

13 (b) The substantially all rule for determining qualified  
14 services as described in section 41(b)(2)(B) of the Internal  
15 Revenue Code and Treas. Reg. 1.41-2(d)(2) does not apply.

16 (c) Amounts paid for supplies as defined in section  
17 41(b)(2)(C) of the Internal Revenue Code, or for the right to  
18 use computers as described in section 41(b)(2)(A)(iii) of the  
19 Internal Revenue Code, shall not be qualified research expenses  
20 in this state.

21 Sec. 123. Section 422.33, subsection 5, paragraphs c and d,  
22 Code 2022, are amended to read as follows:

23 c. In lieu of the credit amount computed in paragraph "a",  
24 subparagraph (1), a corporation may elect to compute the credit  
25 amount for qualified research expenses incurred in this state  
26 in a manner consistent with the alternative simplified credit  
27 described in section 41(c)(4) of the Internal Revenue Code if  
28 the taxpayer elected or was required to use the alternative  
29 simplified credit method for federal income tax purposes for  
30 the same taxable year. The taxpayer may make this election  
31 regardless of the method used for the taxpayer's federal income  
32 tax. The election made under this paragraph is for the tax  
33 year and the taxpayer may use another or the same method for  
34 any subsequent year.

35 d. For purposes of the alternate credit computation method

1 in paragraph "c", the following criteria shall apply:

2 (1) The credit percentages applicable to qualified research  
3 expenses described in section 41(c)(4)(A) and clause (ii) of  
4 section 41(c)(4)(B) of the Internal Revenue Code are ~~four and~~  
5 ~~fifty-five hundredths~~ two and eight-tenths percent and one and  
6 ~~ninety-five hundredths~~ two-tenths percent, respectively.

7 (2) Basic research payments and qualified research expenses  
8 shall only include amounts for research conducted in this  
9 state. A taxpayer's qualified research expenses in this state  
10 and average prior year qualified research expenses in this  
11 state shall be determined in accordance with the rules in  
12 paragraph "b", subparagraph (2).

13 Sec. 124. Section 422.33, subsection 5, paragraph e, Code  
14 2022, is amended by adding the following new subparagraph:

15 NEW SUBPARAGRAPH. (3) The credit provided in this  
16 subsection is claimed on a return filed by the due date for  
17 filing the return, including extensions of time. If timely  
18 claimed, the business shall not increase the credit claim on an  
19 amended return or otherwise unless the increase results from  
20 an audit or examination by the internal revenue service or the  
21 department.

22 Sec. 125. Section 422.33, subsection 5, paragraph f,  
23 subparagraph (2), Code 2022, is amended to read as follows:

24 (2) For purposes of this subsection, "*basic research*  
25 *payment*" and "*qualified research expense*" mean the same as  
26 defined for the federal credit for increasing research  
27 activities under section 41 of the Internal Revenue Code,  
28 ~~except that for the alternative simplified credit such amounts~~  
29 ~~are for research conducted within this state~~ as otherwise  
30 described in paragraph "b", subparagraph (2), and paragraph "d",  
31 subparagraph (2).

32 Sec. 126. Section 422.33, subsection 5, paragraph g, Code  
33 2022, is amended to read as follows:

34 g. (1) Any Commencing with the tax year beginning on or  
35 after January 1, 2023, but before January 1, 2024, seventy-five



1 percent of any credit in excess of the tax liability for the  
2 taxable year shall be refunded with interest in accordance  
3 with section 421.60, subsection 2, paragraph "e". In lieu of  
4 claiming a refund, a taxpayer may elect to have the overpayment  
5 shown on its final, completed return credited to the tax  
6 liability for the following taxable year.

7 (2) Commencing with tax years beginning on or after January  
8 1, 2024, fifty percent of any credit in excess of the tax  
9 liability for the taxable year shall be refunded with interest  
10 in accordance with section 421.60, subsection 2, paragraph "e".  
11 In lieu of claiming a refund, a taxpayer may elect to have the  
12 overpayment shown on its final, completed return credited to  
13 the tax liability for the following taxable year.

14 Sec. 127. Section 422.33, subsection 25, Code 2022, is  
15 amended by striking the subsection and inserting in lieu  
16 thereof the following:

17 25. The taxes imposed under this subchapter shall be reduced  
18 by a charitable conservation contribution tax credit as allowed  
19 under section 422.11W for each tax year the taxpayer has  
20 credit, in excess of tax liability, for qualified real property  
21 interests conveyed prior to January 1, 2023.

22 Sec. 128. PRESERVATION OF EXISTING RIGHTS.

23 1. This division of this Act is not intended to and shall  
24 not limit, modify, or otherwise adversely affect any amount  
25 of tax credit issued, awarded, or allowed prior to January 1,  
26 2023, nor shall it limit, modify, or otherwise adversely affect  
27 a taxpayer's right to claim or redeem a tax credit issued,  
28 awarded, or allowed prior to January 1, 2023, including but not  
29 limited to any tax credit carryforward amount.

30 2. The repeal of a provision of law pursuant to this  
31 division of this Act shall not constitute grounds for  
32 rescission or modification of agreements entered into under  
33 those provisions of law, if any. Any agreement entered into  
34 prior to January 1, 2023, under a provision of law repealed  
35 in this division of this Act, shall remain in effect until

1 it expires under its own terms, and shall be governed by the  
2 applicable provisions of law as they existed immediately prior  
3 to January 1, 2023.

4 Sec. 129. TAX CREDIT REVIEW STUDY COMMITTEE DURING 2029  
5 LEGISLATIVE INTERIM. The legislative council is requested to  
6 authorize a study committee to review tax credits available  
7 against state taxes by developing options for replacing tax  
8 credits that produce equivalent results as the tax credit  
9 being replaced. The study committee shall review tax credits  
10 including but not limited to the adoption tax credit in section  
11 422.12A, the tuition and textbook tax credit in section 422.12,  
12 and the school tuition organization tax credit in section  
13 422.11S.

14 The study committee shall consist of five voting members of  
15 the senate, three of whom shall be appointed by the majority  
16 leader of the senate and two of whom shall be appointed by the  
17 minority leader of the senate, and five voting members of the  
18 house of representatives, three of whom shall be appointed by  
19 the speaker of the house of representatives and two of whom  
20 shall be appointed by the minority leader of the house of  
21 representatives. The co-chairpersons of the committee shall  
22 also appoint taxpayer representatives as nonvoting members of  
23 the committee. The study committee shall meet during the 2029  
24 legislative interim to make appropriate recommendations for  
25 consideration during the 2029 legislative session in a report  
26 submitted to the general assembly by January 15, 2030.

27 Sec. 130. EFFECTIVE DATE. This division of this Act takes  
28 effect January 1, 2023.

29 Sec. 131. APPLICABILITY. This division of this Act applies  
30 to tax years beginning on or after January 1, 2023.

31 DIVISION XIX

32 TAX EXPENDITURE COMMITTEE

33 Sec. 132. Section 2.45, subsection 5, Code 2022, is amended  
34 by striking the subsection.

35 Sec. 133. Section 2.48, subsections 1 and 2, Code 2022,

1 are amended by striking the subsections and inserting in lieu  
2 thereof the following:

3 1. As used in this section, "*tax expenditure*" means an  
4 exclusion from the operation or collection of a tax imposed in  
5 this state. Tax expenditures include tax credits, exemptions,  
6 deductions, and rebates. Tax expenditures also include sales  
7 tax refunds issued pursuant to section 423.3 or 423.4.

8 2. a. (1) The department administering a tax expenditure  
9 described in subsection 3 shall engage in a review of the  
10 tax expenditure based upon the schedule in subsection 3. If  
11 multiple departments administer the tax expenditure, the  
12 departments shall cooperate in the review.

13 (2) The review shall consist of evaluating any tax  
14 expenditure described in subsection 3 and assess its equity,  
15 simplicity, competitiveness, public purpose, adequacy,  
16 and extent of conformance with the original purpose of the  
17 legislation that enacted the tax expenditure, as those issues  
18 pertain to taxation in Iowa.

19 b. (1) The department shall file a report detailing the  
20 review with the general assembly no later than December 15 of  
21 the year the credit is scheduled to be reviewed in subsection  
22 3.

23 (2) The report may include recommendations for better  
24 aligning tax expenditures with the original intent of the  
25 legislation that enacted the tax expenditure.

26 Sec. 134. Section 2.48, subsection 3, unnumbered paragraph  
27 1, Code 2022, is amended to read as follows:

28 The ~~committee~~ applicable department shall review the  
29 following tax expenditures and incentives according to the  
30 following schedule:

31 Sec. 135. Section 2.48, subsection 3, paragraph b,  
32 subparagraph (3), Code 2022, is amended to read as follows:

33 (3) Funding of urban renewal projects ~~with increased local~~  
34 ~~sales and services tax revenues~~ under section 423B.10.

35 Sec. 136. Section 2.48, subsection 4, Code 2022, is amended

1 to read as follows:

2 4. ~~Subsequent additional review.~~ A tax expenditure or  
3 incentive reviewed pursuant to subsection 3 shall be reviewed  
4 again not more than five years after the tax expenditure or  
5 incentive was most recently reviewed.

6 DIVISION XX

7 INDIVIDUAL INCOME TAX ELIMINATION FUND

8 Sec. 137. Section 8.55, subsection 2, paragraph a, Code  
9 2022, is amended to read as follows:

10 a. The difference between the actual net revenue for the  
11 general fund of the state for the fiscal year and the adjusted  
12 revenue estimate for the fiscal year shall be transferred to  
13 the ~~taxpayer relief~~ individual income tax elimination fund  
14 created in section 8.57E.

15 Sec. 138. Section 8.57E, Code 2022, is amended to read as  
16 follows:

17 **8.57E ~~Taxpayer relief~~ Individual income tax elimination fund.**

18 1. ~~A taxpayer relief~~ An individual income tax elimination  
19 fund is created. The fund shall be separate from the general  
20 fund of the state and the balance in the fund shall not be  
21 considered part of the balance of the general fund of the  
22 state. The moneys credited to the fund are not subject to  
23 section 8.33 and shall not be transferred, used, obligated,  
24 appropriated, or otherwise encumbered except as provided in  
25 this section.

26 2. Moneys in the ~~taxpayer relief~~ fund shall only be used  
27 pursuant to appropriations or transfers made by the general  
28 assembly for tax relief, including but not limited to increases  
29 in the general retirement income exclusion under section 422.7,  
30 subsection 31, or reductions in income tax rates.

31 3. a. Moneys in the ~~taxpayer relief~~ fund may be used for  
32 cash flow purposes during a fiscal year provided that any  
33 moneys so allocated are returned to the fund by the end of that  
34 fiscal year.

35 b. Except as provided in section 8.58, the ~~taxpayer relief~~

1 fund shall be considered a special account for the purposes of  
2 section 8.53 in determining the cash position of the general  
3 fund of the state for the payment of state obligations.

4 4. Notwithstanding section 12C.7, subsection 2, interest or  
5 earnings on moneys deposited in the ~~taxpayer relief~~ fund shall  
6 be credited to the fund.

7 Sec. 139. Section 8.58, Code 2022, is amended to read as  
8 follows:

9 **8.58 Exemption from automatic application.**

10 1. To the extent that moneys appropriated under section  
11 8.57 do not result in moneys being credited to the general fund  
12 under section 8.55, subsection 2, moneys appropriated under  
13 section 8.57 and moneys contained in the cash reserve fund,  
14 rebuild Iowa infrastructure fund, environment first fund, Iowa  
15 economic emergency fund, ~~taxpayer relief~~ individual income tax  
16 elimination fund, state bond repayment fund, Iowa coronavirus  
17 fiscal recovery fund, and Iowa coronavirus capital projects  
18 fund shall not be considered in the application of any formula,  
19 index, or other statutory triggering mechanism which would  
20 affect appropriations, payments, or taxation rates, contrary  
21 provisions of the Code notwithstanding.

22 2. To the extent that moneys appropriated under section  
23 8.57 do not result in moneys being credited to the general  
24 fund under section 8.55, subsection 2, moneys appropriated  
25 under section 8.57 and moneys contained in the cash reserve  
26 fund, rebuild Iowa infrastructure fund, environment first  
27 fund, Iowa economic emergency fund, ~~taxpayer relief~~ individual  
28 income tax elimination fund, state bond repayment fund, Iowa  
29 coronavirus fiscal recovery fund, and Iowa coronavirus capital  
30 projects fund shall not be considered by an arbitrator or in  
31 negotiations under chapter 20.

32 DIVISION XXI

33 NATIONAL GUARD PAY

34 Sec. 140. Section 422.7, subsection 42A, Code 2022, is  
35 amended to read as follows:

1 42A. Subtract, to the extent included, all pay received by  
2 the taxpayer from the federal government for military service  
3 performed while on active duty status in the armed forces, the  
4 armed forces military reserve, or the national guard, including  
5 pay for full-time service performed pursuant to 32 U.S.C.  
6 §502(f) and 32 U.S.C. §709(a) and (b).

7 Sec. 141. APPLICABILITY. This division of this Act applies  
8 to tax years beginning on or after January 1, 2023.

9 DIVISION XXII

10 LOCAL OPTION TAXES

11 Sec. 142. Section 15J.7, subsection 2, Code 2022, is amended  
12 to read as follows:

13 2. In addition to the moneys received pursuant to section  
14 15J.6, a municipality may deposit in the reinvestment project  
15 fund any other moneys lawfully at the municipality's disposal,  
16 including but not limited to ~~local sales and services tax~~  
17 receipts collected revenues received under chapter 423B if such  
18 use is a purpose authorized for the municipality under chapter  
19 423B.

20 Sec. 143. Section 28A.17, Code 2022, is amended to read as  
21 follows:

22 **28A.17 Local sales and services tax.**

23 1. If an authority is established as provided in section  
24 28A.6 and after approval of a referendum by a simple majority  
25 of votes cast in each metropolitan area in favor of the sales  
26 and services tax, the governing board of a county in this state  
27 within a metropolitan area which is part of the authority shall  
28 impose, at the request of the authority, a local sales and  
29 services tax at the rate of one-fourth of one percent on the  
30 sales price taxed by this state under section 423.2, within  
31 the metropolitan area located in this state. The referendum  
32 shall be called by resolution of the board and shall be held  
33 as provided in section 28A.6 to the extent applicable. The  
34 ballot proposition shall contain a statement as to the specific  
35 purpose or purposes for which the revenues shall be expended

1 and the date of expiration of the tax. The local sales and  
2 services tax shall be imposed on the same basis, with the same  
3 exceptions, and following the same administrative procedures as  
4 provided for a county under sections 423B.5 and 423B.6, Code  
5 2022. The amount of the sale, for the purposes of determining  
6 the amount of the local sales and services tax under this  
7 section, does not include the amount of any local sales and  
8 services tax imposed under sections 423B.5 and 423B.6, Code  
9 2022.

10 2. The treasurer of state shall credit the local sales  
11 and services tax receipts and interest and penalties to the  
12 authority's account. Moneys in this account shall be remitted  
13 quarterly to the authority. The proceeds of the tax imposed  
14 under this section shall be used only for the construction,  
15 reconstruction, or repair of metropolitan facilities as  
16 specified in the referendum. The local sales and services tax  
17 imposed under this section may be suspended for not less than  
18 a fiscal quarter or more than one year by action of the board.  
19 The suspension may be renewed or continued by the board, but  
20 the board shall act on the suspension at least annually.  
21 The local sales and services tax may also be repealed by a  
22 petition and favorable referendum following the procedures and  
23 requirements of sections 28A.5 and 28A.6 as applicable. The  
24 board shall give the department of revenue at least forty days'  
25 notice of the repeal, suspension, or reinstatement of the tax  
26 and the effective dates for imposition, suspension, or repeal  
27 of the tax shall be as provided in section 423B.6, Code 2022.

28 3. A local sales and services tax authorized under this  
29 section shall not be imposed or collected on or after January  
30 1, 2023.

31 Sec. 144. Section 76.4, Code 2022, is amended to read as  
32 follows:

33 **76.4 Permissive application of funds.**

34 Whenever the governing authority of such political  
35 subdivision shall have on hand funds derived from any other

1 source than taxation which may be appropriated to the payment  
2 either of interest or principal, or both principal and interest  
3 of such bonds, such funds may be so appropriated and used  
4 and the levy for the payment of the bonds correspondingly  
5 reduced. This section shall not restrict the authority of a  
6 political subdivision to apply ~~sales and services~~ tax receipts  
7 ~~collected~~ received pursuant to chapter 423B for such purpose.  
8 Notwithstanding section 423F.3, a school district may apply tax  
9 receipts received pursuant to chapter 423F for the purposes of  
10 this section.

11 Sec. 145. Section 99B.1, subsection 23, Code 2022, is  
12 amended to read as follows:

13 23. "*Net receipts*" means gross receipts less amounts awarded  
14 as prizes and less state ~~and local~~ sales tax paid upon the  
15 gross receipts.

16 Sec. 146. Section 99B.14, subsection 1, Code 2022, is  
17 amended to read as follows:

18 1. A licensed qualified organization shall certify  
19 that the receipts from all charitable gambling conducted  
20 by the organization under this chapter, less reasonable  
21 expenses, charges, fees, taxes, and deductions, either will  
22 be distributed as prizes to participants or will be dedicated  
23 and distributed for educational, civic, public, charitable,  
24 patriotic, or religious uses. Reasonable expenses, charges,  
25 fees, taxes other than the state ~~and local~~ sales tax, and  
26 deductions allowed by the department shall not exceed forty  
27 percent of net receipts.

28 Sec. 147. Section 99G.4, subsection 2, Code 2022, is amended  
29 to read as follows:

30 2. The income and property of the authority shall be exempt  
31 from all state and local taxes, and the sale of lottery tickets  
32 and shares issued and sold by the authority and its retail  
33 licensees shall be exempt from all state ~~and local~~ sales taxes.

34 Sec. 148. Section 99G.30A, subsection 2, paragraph a, Code  
35 2022, is amended to read as follows:



1     a. The director of revenue shall administer the monitor  
2 vending machine excise tax as nearly as possible in conjunction  
3 with the administration of state sales tax laws. ~~The director~~  
4 ~~shall provide appropriate forms or provide appropriate entries~~  
5 ~~on the regular state tax forms for reporting local sales and~~  
6 ~~services tax liability.~~

7     Sec. 149. Section 279.63, subsection 2, paragraph a, Code  
8 2022, is amended to read as follows:

9     a. All property tax levies, and income surtaxes, ~~and local~~  
10 ~~option sales taxes~~ in place in the school district, listed by  
11 type of levy, rate, amount, duration, and notification of the  
12 maximum rate and amount limitations permitted by statute.

13     Sec. 150. Section 321.40, subsection 5, Code 2022, is  
14 amended by striking the subsection.

15     Sec. 151. Section 321.130, Code 2022, is amended to read as  
16 follows:

17     **321.130 Fees in lieu of taxes.**

18     The registration fees imposed by this chapter upon private  
19 passenger motor vehicles or semitrailers are in lieu of all  
20 state and local taxes, ~~except local vehicle taxes,~~ to which  
21 motor vehicles or semitrailers are subject.

22     Sec. 152. Section 418.13, subsection 2, Code 2022, is  
23 amended to read as follows:

24     2. In addition to the moneys received pursuant to section  
25 418.10 or 418.12, a governmental entity may deposit in the  
26 flood project fund any other moneys lawfully received by the  
27 governmental entity, including but not limited to ~~local sales~~  
28 ~~and services tax receipts collected~~ amounts received  
29 chapter 423B.

30     Sec. 153. Section 421.26, Code 2022, is amended to read as  
31 follows:

32     **421.26 Personal liability for tax due.**

33     If a licensee or other person under section 452A.65, a  
34 retailer or purchaser under chapter 423A, ~~423B,~~ 423C, 423D,  
35 or 423E, or section 423.14, 423.14A, 423.29, 423.31, 423.32,

1 or 423.33, or a user under section 423.34, or a permit holder  
2 or licensee under section 453A.13, 453A.16, or 453A.44 fails  
3 to pay a tax under those sections when due, an officer of a  
4 corporation or association, notwithstanding section 489.304,  
5 a member or manager of a limited liability company, or a  
6 partner of a partnership, having control or supervision of  
7 or the authority for remitting the tax payments and having  
8 a substantial legal or equitable interest in the ownership  
9 of the corporation, association, limited liability company,  
10 or partnership, who has intentionally failed to pay the tax  
11 is personally liable for the payment of the tax, interest,  
12 and penalty due and unpaid. However, this section shall  
13 not apply to taxes on accounts receivable. The dissolution  
14 of a corporation, association, limited liability company,  
15 or partnership shall not discharge a person's liability for  
16 failure to remit the tax due.

17 Sec. 154. Section 421.28, Code 2022, is amended to read as  
18 follows:

19 **421.28 Exceptions to successor liability.**

20 The immediate successor to a licensee's or retailer's  
21 business or stock of goods under chapter 423A ~~or 423B~~, or  
22 section 423.33 or 452A.65, is not personally liable for  
23 the amount of delinquent tax, interest, or penalty due and  
24 unpaid if the immediate successor shows that the purchase of  
25 the business or stock of goods was made in good faith that  
26 no delinquent tax, interest, or penalty was due and unpaid.  
27 For purposes of this section the immediate successor shows  
28 good faith by evidence that the department had provided  
29 the immediate successor with a certified statement that  
30 no delinquent tax, interest, or penalty is unpaid, or that  
31 the immediate successor had taken in good faith a certified  
32 statement from the licensee, retailer, or seller that no  
33 delinquent tax, interest, or penalty is unpaid. When requested  
34 to do so by a person with whom the licensee or retailer is  
35 negotiating the sale of the business or stock of goods, the

1 director of revenue shall, upon being satisfied that such  
2 a situation exists, inform that person as to the amount of  
3 unpaid delinquent tax, interest, or penalty due by the licensee  
4 or the retailer. The giving of the information under this  
5 circumstance is not a violation of section 422.20, 422.72, or  
6 452A.63.

7 Sec. 155. Section 421.60, subsection 2, paragraph m,  
8 subparagraphs (1) and (2), Code 2022, are amended to read as  
9 follows:

10 (1) The director may abate unpaid state sales and use  
11 ~~taxes and local sales and services taxes~~ owed by a retailer  
12 in the event that the retailer failed to collect tax from the  
13 purchaser as a result of erroneous written advice issued by  
14 the department that was specially directed to the retailer  
15 by the department and the retailer is unable to collect the  
16 tax, interest, or penalties from the purchaser. Before the  
17 tax, interest, and penalties shall be abated on the basis of  
18 erroneous written advice, the retailer must present a copy of  
19 the retailer's request for written advice to the department and  
20 a copy of the department's reply. The department shall not  
21 maintain a position against the retailer that is inconsistent  
22 with the erroneous written advice, except on the basis of  
23 subsequent written advice sent by the department to that  
24 retailer, or a change in state or federal law, a reported  
25 court case to the contrary, a contrary rule adopted by the  
26 department, a change in material facts or circumstances  
27 relating to the retailer, or the retailer's misrepresentation  
28 or incomplete or inadequate representation of material facts  
29 and circumstances in requesting the written advice.

30 (2) (a) The director shall abate the unpaid state sales  
31 and use taxes ~~and any local sales and services taxes~~ owed by a  
32 retailer where the retailer failed to collect the tax from the  
33 purchaser on the charges paid for access to on-line computer  
34 services as a result of erroneous written advice issued by the  
35 department regarding the taxability of charges paid for access

1 to on-line computer services. To qualify for the abatement  
2 under this subparagraph, the erroneous written advice shall  
3 have been issued by the department prior to July 1, 1999, and  
4 shall have been specially directed to the retailer by the  
5 department.

6 (b) If an abatement of unpaid state sales and use taxes and  
7 ~~any local sales and services taxes~~ is granted to the retailer  
8 by the director pursuant to this subparagraph, the department  
9 is precluded from collecting from the purchaser any unpaid  
10 state sales and use taxes and ~~any local sales and services~~  
11 ~~taxes~~ which were abated.

12 Sec. 156. Section 422.72, subsection 6, paragraph a, Code  
13 2022, is amended to read as follows:

14 a. The department may enter into a written informational  
15 exchange agreement for tax administration purposes with a city  
16 or county which is entitled to receive funds due to a local  
17 hotel and motel tax ~~or a local sales and services tax~~. The  
18 written informational exchange agreement shall designate no  
19 more than two paid city or county employees that have access to  
20 actual return information relating to that city's or county's  
21 receipts from a local hotel and motel tax ~~or a local sales and~~  
22 ~~services tax~~.

23 Sec. 157. Section 423.4, subsection 2, paragraph d, Code  
24 2022, is amended by striking the paragraph.

25 Sec. 158. Section 423.4, subsection 5, paragraph f, Code  
26 2022, is amended to read as follows:

27 f. Notwithstanding the state sales tax imposed in section  
28 423.2, a rebate issued pursuant to this subsection shall not  
29 exceed an amount equal to five percent of the sales price  
30 of the tangible personal property or services furnished to  
31 purchasers at the automobile racetrack facility. ~~Any local~~  
32 ~~option taxes paid and collected shall not be subject to rebate~~  
33 ~~under this subsection.~~

34 Sec. 159. Section 423.4, subsection 7, paragraph f, Code  
35 2022, is amended to read as follows:

1 ~~f. The refund in this subsection applies only to state~~  
2 ~~sales and use tax paid and does not apply to local option~~  
3 ~~sales and services taxes imposed pursuant to chapter 423B.~~  
4 Notwithstanding the state sales tax imposed in section 423.2,  
5 a refund issued pursuant to this section shall not exceed  
6 an amount equal to five percent of the sales price of the  
7 fuel used to create heat, power, and steam for processing  
8 or generating electrical current or from the sale price  
9 of electricity consumed by computers, machinery, or other  
10 equipment for operation of the data center business facility.

11 Sec. 160. Section 423.4, subsection 8, paragraph g, Code  
12 2022, is amended to read as follows:

13 ~~g. The refund in this subsection applies only to state~~  
14 ~~sales and use tax paid and does not apply to local option~~  
15 ~~sales and services taxes imposed pursuant to chapter 423B.~~  
16 Notwithstanding the state sales tax imposed in section 423.2,  
17 a refund issued pursuant to this section shall not exceed an  
18 amount equal to five percent of the sales price of the items  
19 listed in paragraph "a", subparagraphs (1), (2), and (3).

20 Sec. 161. Section 423.14A, subsection 2, Code 2022, is  
21 amended to read as follows:

22 2. In addition to and not in lieu of any application of  
23 this chapter to sellers who are retailers and sellers who are  
24 retailers maintaining a place of business in this state, any  
25 person described in subsection 3, or the person's agents,  
26 shall be considered a retailer in this state and a retailer  
27 maintaining a place of business in this state for purposes of  
28 this chapter on or after January 1, 2019, and shall be subject  
29 to all requirements of this chapter imposed on retailers and  
30 retailers maintaining a place of business in this state,  
31 including but not limited to the requirement to collect and  
32 remit sales and use taxes pursuant to sections 423.14 and  
33 423.29, ~~and local option taxes under chapter 423B.~~

34 Sec. 162. Section 423.33, subsection 1, paragraph c, Code  
35 2022, is amended to read as follows:

1     *c.* If the retailer fails to collect sales tax at the time  
2 of the transaction, the retailer shall thereafter remit the  
3 applicable sales tax, or the purchaser thereafter shall remit  
4 the applicable use tax. ~~If the purchaser remits all applicable~~  
5 ~~use tax, the retailer remains liable for any local sales and~~  
6 ~~services tax under chapter 423B that the retailer failed to~~  
7 ~~collect.~~

8     Sec. 163. Section 423.34A, unnumbered paragraph 1, Code  
9 2022, is amended to read as follows:

10     A purchaser is relieved of liability for payment of state  
11 sales or use tax, ~~for payment of any local option sales tax,~~  
12 for payment of interest, or for payment of any penalty for  
13 nonpayment of tax which nonpayment is not fraudulent, willful,  
14 or intentional, under the following circumstances:

15     Sec. 164. Section 423.36, subsection 9, paragraph a, Code  
16 2022, is amended to read as follows:

17     *a.* Except as provided in paragraph “*b*”, purchasers, users,  
18 and consumers of tangible personal property, specified digital  
19 products, or enumerated services taxed pursuant to subchapter  
20 II or III of this chapter ~~or chapter 423B~~ may be authorized,  
21 pursuant to rules adopted by the director, to remit tax owed  
22 directly to the department instead of the tax being collected  
23 and paid by the seller. To qualify for a direct pay tax permit,  
24 the purchaser, user, or consumer must accrue a tax liability  
25 of more than four thousand dollars in tax under subchapters  
26 II and III in a semimonthly period and make deposits and file  
27 returns pursuant to section 423.31. This authority shall not  
28 be granted or exercised except upon application to the director  
29 and then only after issuance by the director of a direct pay  
30 tax permit.

31     Sec. 165. Section 423B.1, Code 2022, is amended by striking  
32 the section and inserting in lieu thereof the following:

33     **423B.1 Use of revenues deposited in the local sales and use**  
34 **tax fund — revenue purpose statement.**

35     1. *a.* Revenues credited to and deposited in each county’s

1 account within the local sales and use tax fund shall be  
2 expended by each recipient county and city as required by the  
3 revenue purpose statement, subject to the requirements of  
4 section 423B.7, subsection 7, and approved under this section  
5 for the city or for the county for the unincorporated areas of  
6 the county, or as required by subsection 3.

7     *b.* A revenue purpose statement for the use of local option  
8 sales and services tax revenue previously collected under  
9 this chapter and in effect on January 1, 2023, and the use of  
10 revenues received under this chapter for purposes authorized  
11 under section 423B.10 for ordinances in effect and approved  
12 before January 1, 2023, shall continue in effect for revenues  
13 received under this chapter until the expiration of the revenue  
14 purpose statement or ordinance, if applicable, or until the  
15 county board of supervisors or city council, as applicable,  
16 adopts a new revenue purpose statement under subsection 2 or  
17 repeals or amends the ordinance for the use of revenues under  
18 section 423B.10.

19     2. The board of supervisors of each county and the city  
20 council of each city may adopt by resolution a revenue purpose  
21 statement for the expenditure of funds received under this  
22 chapter.

23     3. Each city and county without a valid revenue purpose  
24 statement shall expend the revenues received for the following  
25 purposes in the order prescribed in this subsection, except  
26 that the payment of bonds for which the revenues have been  
27 pledged shall be paid first:

28     *a.* Reduction of the county's basic levies under section  
29 331.423 or reduction of the city general fund levy under  
30 section 384.1, as applicable.

31     *b.* Reduction of any debt service levy of the county or city,  
32 as applicable.

33     *c.* Reduction of the city's additional taxes levied under  
34 section 384.12 or the county's supplemental levies under  
35 section 331.424, as applicable.

1     *d.* Reduction of any other property tax levy of the county  
2 or city, as applicable.

3     Sec. 166. Section 423B.7, subsection 1, Code 2022, is  
4 amended to read as follows:

5     1. *a.* Except as provided in ~~paragraphs~~ paragraph "b" and  
6 ~~"c"~~, the director shall credit the ~~local sales and services tax~~  
7 ~~receipts and interest and penalties from a county-imposed tax~~  
8 as specified in section 423.2A, subsection 2, paragraph "a",  
9 including any interest and penalties, to the county's account  
10 in the local sales and services use tax fund for the county in  
11 from which the tax was collected. The director shall credit  
12 the use tax receipts as specified in section 423.43, subsection  
13 1, paragraph "b", subparagraph (1), including any interest  
14 and penalties, to the county's account in the local sales and  
15 use tax fund for the county from which the use tax was paid.  
16 If the director is unable to determine from which county any  
17 of the receipts were collected or paid, as applicable, those  
18 receipts shall be allocated among the possible counties based  
19 on allocation rules adopted by the director.

20     *b.* The director shall credit the designated amount of the  
21 increase in ~~local sales and services tax receipts~~, as computed  
22 in section 423B.10, collected in an urban renewal area of an  
23 eligible city that has adopted an ordinance pursuant to section  
24 423B.10, subsection 2, into a special city account in the local  
25 sales and ~~services~~ use tax fund.

26     ~~*c.* The director shall credit the local sales and services~~  
27 ~~tax receipts and interest and penalties from a city-imposed tax~~  
28 ~~under section 423B.1, subsection 2, to the city's account in~~  
29 ~~the local sales and services tax fund.~~

30     Sec. 167. Section 423B.7, subsection 2, paragraph a, Code  
31 2022, as amended by this Act, is amended by striking the  
32 paragraph and inserting in lieu thereof the following:

33     *a.* The director of revenue by the last day of each month  
34 shall transfer to each city or county the amount of tax  
35 receipts remitted to the department attributable to each city



1 or county from the preceding month.

2 Sec. 168. Section 423B.7, subsections 3 and 4, Code 2022,  
3 are amended to read as follows:

4 3. Seventy-five percent of each county's account shall be  
5 remitted on the basis of the county's population residing in  
6 the unincorporated area ~~where the tax was imposed~~ and those the  
7 incorporated areas ~~where the tax was imposed~~ as follows:

8 a. To the board of supervisors a pro rata share based upon  
9 the percentage of the above population of the county residing  
10 in the unincorporated area of the county ~~where the tax was~~  
11 ~~imposed~~ according to the most recent certified federal census.

12 b. To each city in the county ~~where the tax was imposed~~  
13 a pro rata share based upon the percentage of the city's  
14 population residing in the county to the above population of  
15 the county according to the most recent certified federal  
16 census.

17 c. If a subsequent certified census exists which modifies  
18 that most recent certified federal census for a participating  
19 jurisdiction under paragraphs "a" and "b", the computations  
20 under paragraphs "a" and "b" shall utilize the subsequent  
21 certified census in the distribution formula under rules  
22 established by the director of revenue.

23 4. Twenty-five percent of each county's account shall  
24 be remitted based on the sum of property tax dollars levied  
25 by the board of supervisors ~~if the tax was imposed~~ in the  
26 unincorporated areas and by each city in the county ~~where the~~  
27 ~~tax was imposed~~ during the three-year period beginning July 1,  
28 1982, and ending June 30, 1985, as follows:

29 a. To the board of supervisors a pro rata share based upon  
30 the percentage of the total property tax dollars levied by the  
31 board of supervisors during the above three-year period.

32 b. To each city council ~~where the tax was imposed~~ a pro rata  
33 share based upon the percentage of property tax dollars levied  
34 by the city during the above three-year period of the above  
35 total property tax dollars levied by the board of supervisors

1 and each city where the tax was imposed during the above  
2 three-year period.

3 Sec. 169. Section 423B.7, subsection 5, Code 2022, is  
4 amended by striking the subsection.

5 Sec. 170. Section 423B.7, subsections 6 and 7, Code 2022,  
6 are amended to read as follows:

7 6. From each special city account under subsection 1,  
8 paragraph "b", the sales and services tax revenues shall be  
9 remitted to the city council for deposit in the special fund  
10 created in section 403.19, subsection 2, to be used by the city  
11 as provided in section 423B.10. The distribution from the  
12 special city account is not subject to the distribution formula  
13 provided in subsections ~~3, and 4, and 5.~~

14 7. a. Subject to the requirement of paragraph "b" and the  
15 requirements under section 423B.1, subsection 3, ~~local sales~~  
16 ~~and services tax moneys~~ amounts received by a city or county  
17 may be expended for any lawful purpose of the city or county,  
18 including but not limited to expenses related to providing  
19 emergency medical services within the applicable city or  
20 county.

21 b. ~~Each city located in whole or in part in a qualified~~  
22 ~~county and each qualified county for the unincorporated area~~  
23 ~~for which the imposition of the local sales and services tax~~  
24 ~~in the city or portion thereof or the unincorporated area, as~~  
25 ~~applicable, was~~ revenue purpose statement approved at election  
26 on or after January 1, ~~2019~~ 2023, shall require the use of  
27 not less than fifty percent of the moneys received from the  
28 ~~qualified county's~~ applicable county account in the local sales  
29 and ~~services~~ use tax fund for property tax relief.

30 Sec. 171. Section 423B.9, subsection 1, paragraphs b and c,  
31 Code 2022, are amended to read as follows:

32 b. "*Designated portion*" means the portion of the ~~local~~  
33 ~~option sales and services tax~~ revenues received under this  
34 chapter which is authorized to be expended for one or a  
35 combination of purposes under an adopted public measure.

1     *c.* "Secondary recipient" means a political subdivision of  
2 the state which is to receive ~~revenues~~ amounts from a ~~local~~  
3 ~~option sales and services tax~~ revenues under this chapter  
4 over a period of years pursuant to the terms of a chapter 28E  
5 agreement with one or more cities or counties.

6     Sec. 172. Section 423B.9, subsections 2 and 3, Code 2022,  
7 are amended to read as follows:

8     2. An issuer of public bonds which is a recipient of  
9 ~~revenues from a local option sales and services tax imposed~~  
10 pursuant to this chapter may issue bonds in anticipation of  
11 the collection of one or more designated portions of the  
12 ~~local option sales and services tax~~ such revenues and may  
13 pledge irrevocably an amount of the revenue derived from the  
14 designated portions for each of the years the bonds remain  
15 outstanding to the payment of the bonds. Bonds may be issued  
16 only for one or more of the purposes set forth ~~on the ballot~~  
17 ~~proposition concerning the imposition of the local option sales~~  
18 ~~and services tax~~ in the revenue purpose statement, except bonds  
19 shall not be issued which are payable from that portion of tax  
20 revenues designated for property tax relief. The bonds may be  
21 issued in accordance with the procedures set forth in either  
22 subsection 3 or 4.

23     3. The governing body of an issuer may authorize the  
24 issuance of bonds which are payable from the designated portion  
25 of the revenues ~~of the local option sales and services tax~~  
26 received under this chapter, and not from property tax, by  
27 following the authorization procedures set forth for cities  
28 in section 384.83. Bonds may be issued for the purpose of  
29 refunding outstanding and previously issued bonds under this  
30 subsection without otherwise complying with the provisions of  
31 this subsection.

32     Sec. 173. Section 423B.9, subsection 4, paragraph b, Code  
33 2022, is amended to read as follows:

34     *b.* The provisions of chapter 76 apply to the bonds payable  
35 as provided in this subsection, except that the mandatory levy

1 to be assessed pursuant to section 76.2 shall be at a rate  
2 to generate an amount which together with the receipts from  
3 the pledged designated portion of the ~~local option sales and~~  
4 ~~services tax~~ revenues received under this chapter is sufficient  
5 to pay the interest and principal on the bonds. All amounts  
6 collected as a result of the levy assessed pursuant to section  
7 76.2 and paid out in the first instance for bond principal  
8 and interest shall be repaid to the bond issuer which levied  
9 the tax from the first available designated portion of ~~local~~  
10 ~~option sales and services tax collections~~ revenues received  
11 under this chapter in excess of the requirement for the payment  
12 of the principal and interest of the bonds and when repaid  
13 shall be applied in reduction of property taxes. The amount  
14 of bonds which may be issued under section 76.3 shall be the  
15 amount which could be retired from the actual collections of  
16 the designated portions of the ~~local option sales and services~~  
17 ~~tax~~ revenues received under this chapter for the last four  
18 calendar quarters, as certified by the director of revenue.  
19 The amount of tax revenues pledged jointly by other cities or  
20 counties may be considered for the purpose of determining the  
21 amount of bonds which may be issued. If the ~~local option sales~~  
22 ~~and services tax has been in effect~~ revenues have been received  
23 under this chapter for less than four calendar quarters, the  
24 ~~tax collected~~ revenues received within the shorter period may  
25 be adjusted to project the ~~collections~~ amount of the designated  
26 portion for the full year for the purpose of determining the  
27 amount of the bonds which may be issued. The provisions of  
28 this section constitute separate authorization for the issuance  
29 of bonds and shall prevail in the event of conflict with  
30 any other provision of the Code limiting the amount of bonds  
31 which may be issued or the source of payment of the bonds.  
32 Bonds issued under this section shall not limit or restrict  
33 the authority of the bond issuer to issue bonds under other  
34 provisions of the Code.

35 Sec. 174. Section 423B.9, subsection 5, Code 2022, is

1 amended to read as follows:

2 5. A city or county, jointly with one or more other  
3 political subdivisions as provided in chapter 28E, may pledge  
4 irrevocably any amount derived from the designated portions  
5 of the revenues ~~of the local option sales and services tax~~  
6 received under this chapter to the support or payment of bonds  
7 of an issuer, issued for one or more purposes set forth ~~on~~  
8 ~~the ballot proposition concerning the imposition of the local~~  
9 ~~option sales and services tax~~ in the revenue purpose statement  
10 or a political subdivision may apply the proceeds of its bonds  
11 to the support of any such purpose.

12 Sec. 175. Section 423B.10, subsection 1, paragraph b, Code  
13 2022, is amended to read as follows:

14 *b.* *"Eligible city"* means a city in which ~~a local sales and~~  
15 ~~services tax imposed by the county applies or a city described~~  
16 ~~in section 423B.1, subsection 2, paragraph "a", and in which an~~  
17 urban renewal area has been designated.

18 Sec. 176. Section 423B.10, subsections 2, 3, 5, and 6, Code  
19 2022, are amended to read as follows:

20 2. *a.* Upon approval by the board of supervisors of each  
21 applicable county pursuant to paragraph *"b"*, an eligible city  
22 may by ordinance of the city council provide for the use of a  
23 designated amount of the increased ~~local~~ sales and services  
24 tax revenues ~~collected~~ received under this chapter which are  
25 attributable to retail establishments in an urban renewal  
26 area to fund urban renewal projects located in the area. The  
27 designated amount may be all or a portion of such increased  
28 revenues.

29 *b.* A city shall not adopt an ordinance under paragraph  
30 *"a"* unless the board of supervisors of each county where the  
31 urban renewal area from which such ~~local~~ sales and services  
32 tax revenues are to be collected and used to fund urban  
33 renewal projects is located first adopts a resolution approving  
34 the ~~collection and~~ use of such ~~local~~ sales and services tax  
35 revenues.

1 3. To determine the revenue increase for purposes of  
2 subsection 2, revenue amounts shall be calculated by the  
3 department of revenue as follows:

4 a. Determine the amount of ~~local~~ sales and services tax  
5 revenue collected and attributable to a one percent sales and  
6 services tax from retail establishments located in the area  
7 comprising the urban renewal area during the base year.

8 b. Determine the current year one percent sales and services  
9 tax revenue amount for each fiscal year following the base year  
10 in the manner specified in paragraph "a".

11 c. The excess of the amount determined in paragraph "b" over  
12 the base year revenue amount determined in paragraph "a" is the  
13 increase in the ~~local~~ sales and services tax revenues of which  
14 the designated amount is to be deposited in the special city  
15 account created in section 423B.7, subsection 6.

16 5. In addition to the moneys received pursuant to the  
17 ordinance authorized under subsection 2, an eligible city  
18 may deposit any other ~~local~~ sales and services tax revenues  
19 received by ~~it~~ the city pursuant to the distribution formula in  
20 section 423B.7, subsections 3, 4, and 5, to the special fund  
21 described in section 403.19, subsection 2.

22 6. For purposes of this section, the eligible city shall  
23 assist the department of revenue in identifying retail  
24 establishments in the urban renewal area that are collecting  
25 the ~~local~~ sales and services tax. This process shall be  
26 ongoing until the ordinance is repealed.

27 Sec. 177. REPEAL. 2019 Iowa Acts, chapter 151, section 21,  
28 is repealed.

29 Sec. 178. REPEAL. Sections 423B.2, 423B.3, 423B.4, 423B.5,  
30 423B.6, and 423B.8, Code 2022, are repealed.

31 Sec. 179. EFFECTIVE DATE. This division of this Act takes  
32 effect January 1, 2023.

33 DIVISION XXIII

34 NATURAL RESOURCES AND OUTDOOR RECREATION TRUST FUND

35 Sec. 180. Section 2.45, Code 2022, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 5A. *a.* The legislative natural resources  
3 and outdoor recreation trust fund review committee which  
4 shall be composed of ten members of the general assembly,  
5 consisting of five members from each chamber, to be appointed  
6 by the legislative council. In appointing the five members  
7 of each chamber to the committee, the council shall appoint  
8 three members from the majority party and two members from the  
9 minority party.

10 *b.* The legislative natural resources and outdoor recreation  
11 trust fund review committee shall have the powers and duties  
12 described in section 2.49.

13 *c.* This subsection is repealed December 31, 2051.

14 Sec. 181. NEW SECTION. **2.49 Legislative natural resources**  
15 **and outdoor recreation trust fund review committee.**

16 1. The legislative natural resources and outdoor recreation  
17 trust fund review committee shall meet during the legislative  
18 interim in calendar years 2030, 2040, and 2050. The committee  
19 shall consider the most effective ways to manage trust fund  
20 moneys to further the purpose of Article VII, section 10, of  
21 the Constitution of the State of Iowa. As part of its duties,  
22 the committee may consider any of the following:

23 *a.* The administration of the trust fund, trust accounts, and  
24 designated funds as provided in chapter 461.

25 *b.* The effectiveness of initiatives supported by trust fund  
26 moneys as provided in chapter 461.

27 2. The committee shall report to the legislative council  
28 the results of its considerations, which may include  
29 recommendations and proposed legislation for consideration  
30 during the next session of the general assembly.

31 3. This section is repealed December 31, 2051.

32 Sec. 182. Section 8.57, subsection 5, paragraph f,  
33 subparagraph (1), subparagraph division (c), Code 2022, is  
34 amended by striking the subparagraph division.

35 Sec. 183. Section 8.57, subsection 5, paragraph f,

1 subparagraph (1), subparagraph division (f), Code 2022, is  
2 amended to read as follows:

3 (f) For the fiscal year beginning July 1, 2018, and for  
4 each fiscal year thereafter, the total moneys in excess of the  
5 moneys deposited under this paragraph "f" in the revenue bonds  
6 debt service fund, the revenue bonds federal subsidy holdback  
7 fund, the vision Iowa fund, ~~the water quality infrastructure~~  
8 ~~fund~~, the Iowa skilled worker and job creation fund, and the  
9 general fund of the state shall be deposited in the rebuild  
10 Iowa infrastructure fund and shall be used as provided in this  
11 section, notwithstanding section 8.60.

12 Sec. 184. Section 8.57B, subsection 1, Code 2022, is amended  
13 to read as follows:

14 1. a. A water quality infrastructure fund is created within  
15 the division of soil conservation and water quality of the  
16 department of agriculture and land stewardship.

17 b. The fund shall consist of ~~moneys deposited in the~~  
18 ~~fund pursuant to section 8.57, subsection 5, paragraph "f",~~  
19 ~~subparagraph (1), subparagraph division (c), moneys~~ all of the  
20 following:

21 (1) (a) Moneys transferred to the fund pursuant to section  
22 423G.6, and 461.33.

23 (b) This subparagraph (1) is repealed December 31, 2051.

24 (2) Moneys transferred or appropriations made to the fund  
25 and transfers of interest, earnings, and moneys from other  
26 funds as provided by law.

27 Sec. 185. Section 16.134A, subsection 2, paragraph a,  
28 subparagraphs (1) and (2), Code 2022, are amended to read as  
29 follows:

30 (1) Moneys transferred to the fund pursuant to section  
31 ~~423G.6~~ 461.34.

32 (2) This paragraph "a" is repealed on ~~January 1, 2040~~  
33 December 31, 2051.

34 Sec. 186. Section 455A.17, Code 2022, is amended by striking  
35 the section and inserting in lieu thereof the following:



1     **455A.17 Regional meetings.**

2     1. Beginning in calendar year 2023, and every four  
3 calendar years thereafter, the department shall arrange  
4 and conduct regional meetings to identify opportunities for  
5 regional resource enhancement and protection, and to review  
6 and recommend changes in resource enhancement and protection  
7 policies, programs, and funding. The department shall provide  
8 outreach and educational services to those attending, which  
9 shall include the distribution of information regarding  
10 resource enhancement and protection expenditures. The  
11 department shall promote attendance of interested persons for  
12 each regional meeting.

13     2. The expenses of the department in making the arrangements  
14 for and conducting regional meetings and providing outreach and  
15 educational services shall be paid from moneys credited to the  
16 administration fund created in section 456A.17.

17     Sec. 187. Section 455A.18, subsection 1, Code 2022, is  
18 amended to read as follows:

19     1. a. An Iowa resources enhancement and protection fund is  
20 created in the office of the treasurer of state.

21     b. The fund consists of all ~~revenues~~ of the following:

22     (1) (a) Moneys allocated from the natural resources and  
23 outdoor recreation trust fund as provided in section 461.35.

24     (b) This subparagraph (1) is repealed December 31, 2051.

25     (2) Revenues and all other moneys lawfully credited or  
26 transferred to the fund. The director shall certify monthly  
27 the portions of the fund that are allocated to the various  
28 accounts as provided under section 455A.19. The director shall  
29 certify before the twentieth of each month the portions of  
30 the fund resulting from the previous month's receipts to be  
31 allocated to the various accounts.

32     Sec. 188. Section 455A.18, subsection 3, paragraph a, Code  
33 2022, is amended by striking the paragraph.

34     Sec. 189. Section 455A.18, subsection 3, paragraph b, Code  
35 2022, is amended to read as follows:

1     b. Section 8.33 does not apply to moneys ~~appropriated under~~  
2 ~~this subsection~~ credited to the fund.

3     Sec. 190. Section 461.2, Code 2022, is amended to read as  
4 follows:

5     **461.2 Definitions.**

6     As used in this chapter, unless the context otherwise  
7 requires:

8     1. "Authority" means the economic development authority  
9 created in section 15.105.

10    2. "Department" "Custodial department" means the department  
11 of agriculture and land stewardship, the department of  
12 management, the department of natural resources, or the  
13 department of transportation.

14    3. "Designated fund" means the water quality infrastructure  
15 fund created in section 8.57B, the water quality financial  
16 assistance fund created in section 16.134A, or the Iowa  
17 resources enhancement and protection fund created in section  
18 455A.18.

19    ~~2.~~ 4. "Fiscal year" means the state fiscal year effective  
20 as provided in section 3.12.

21    ~~3.~~ 5. "Initiative" includes a program, project, practice,  
22 strategy, or plan established or administered by an agency that  
23 further, or under the supervision or oversight of, a custodial  
24 department or the Iowa finance authority, if the initiative is  
25 supported in whole or in part by trust fund moneys to further a  
26 constitutional purpose as provided in section 461.3.

27    6. "Iowa nutrient reduction strategy" means the same as  
28 defined in section 455B.171.

29    7. "Nonpoint source" means a source of pollution other than  
30 a point source.

31    8. "Point source" means the same as defined in section  
32 455B.171.

33    9. "Public use area" means a park, preserve, recreation  
34 area, forest, water body, or a land or water trail owned or  
35 managed by the state or a political subdivision of the state.

1     4. 10. "Recreational purpose" includes means only hunting;  
2 trapping; angling; horseback riding; swimming; boating;  
3 camping; picnicking; hiking; biking; recreational shooting;  
4 archery; using land or water trails; bird watching; nature  
5 study; water skiing; snowmobiling; ~~other summer and winter~~  
6 ~~sports,~~ and ~~viewing or enjoying~~ historical, archaeological,  
7 scenic, or scientific sites.

8     11. "Trust account" means the natural resources trust  
9 account created in section 461.32, the soil conservation and  
10 nonpoint source water protection trust account created in  
11 section 461.33, the watershed protection trust account created  
12 in section 461.34, the local conservation partnership trust  
13 account created in section 461.36, the water and land trails  
14 trust account created in section 461.37, or the lake and stream  
15 restoration trust account created in section 461.38.

16     5. 12. "Trust fund" means the natural resources and outdoor  
17 recreation trust fund created in section 461.31.

18     6. 13. "Trust fund moneys" means moneys originating from  
19 credited to the natural resources and outdoor recreation trust  
20 fund or moneys allocated from the trust fund, including but not  
21 limited to moneys allocated to a trust account or allocated or  
22 transferred to a designated fund.

23     14. "Water trail" means a point-to-point travel system on a  
24 navigable water body capable of supporting a floating vessel  
25 capable of carrying one or more persons on a recommended route  
26 connecting the points.

27     Sec. 191. Section 461.3, Code 2022, is amended to read as  
28 follows:

29     **461.3 Constitutional purpose, and implementation, and**  
30 **revenue.**

31     1. This chapter is created for the constitutional purposes  
32 of protecting and enhancing water quality and natural areas  
33 in this state, including parks, trails, and fish and wildlife  
34 habitat, and conserving agricultural soils in this state.

35     2. This chapter is intended to implement Article VII,

1 section 10, of the Constitution of the State of Iowa by  
2 establishing the natural resources and outdoor recreation  
3 trust fund, ~~accounts in the~~ including trust fund accounts,  
4 and appropriating or allocating trust fund moneys to support  
5 initiatives specified in subchapter IV. This chapter shall not  
6 be construed to require the state to appropriate, allocate,  
7 or transfer other moneys to support those initiatives or  
8 constitutional purposes.

9 Sec. 192. Section 461.11, subsection 2, Code 2022, is  
10 amended to read as follows:

11 2. The heads of each ~~department receiving trust fund moneys~~  
12 the custodial departments and the director of the authority  
13 shall regularly meet and whenever practicable collaborate in  
14 decision making including by ~~adopting rules~~ providing for  
15 the administration of the trust fund and trust accounts,  
16 establishing funding priorities, and determining when it is  
17 beneficial to provide joint funding of initiatives.

18 Sec. 193. NEW SECTION. **461.20 Information regarding trust**  
19 **fund moneys.**

20 1. Each year the department of revenue shall calculate  
21 an estimate of the total revenue to be transferred to the  
22 trust fund during the following fiscal year as required  
23 pursuant to section 423.2A. Not later than May 1 of each  
24 year, the department of revenue shall submit the estimate to  
25 each custodial department, the authority, and the legislative  
26 services agency.

27 2. A custodial department shall at least annually notify the  
28 legislative services agency of transfers of trust fund moneys  
29 from a trust account to another trust account or designated  
30 fund as authorized in this chapter.

31 Sec. 194. Section 461.21, Code 2022, is amended to read as  
32 follows:

33 **461.21 Audit.**

34 1. The auditor of state or a certified public accounting  
35 firm appointed by the auditor of state shall conduct an ~~annual~~

1 audit of the trust fund and all trust accounts and transactions  
2 of the trust fund and trust accounts in the same manner as  
3 provided for departments pursuant to chapter 11, subchapter I.

4 2. The auditor of state or the certified public accounting  
5 firm appointed by the auditor as provided in subsection 1  
6 shall be paid from trust fund moneys without reducing the  
7 percentage of trust fund moneys ~~distributed~~ allocated to the  
8 ~~Iowa resources enhancement and protection fund or any one a~~  
9 trust account established or designated fund pursuant to this  
10 chapter subchapter IV.

11 Sec. 195. Section 461.22, Code 2022, is amended to read as  
12 follows:

13 **461.22 Report Trust fund report.**

14 The ~~three departments~~ department of management shall jointly  
15 ~~prepare and~~ submit to the governor and the general assembly not  
16 later than January 15 of each year a ~~complete~~ trust fund report  
17 in an electronic format detailing all of the following:

18 1. The receipts and expenditures of the trust fund and its  
19 trust accounts, a summary of initiatives supported by trust  
20 fund moneys, the results of those expenditures, any performance  
21 goals or measurements, and plans for future short-term or  
22 long-term expenditures.

23 2. Recommendations An evaluation of the use of trust fund  
24 moneys to further progress in achieving the goals of the Iowa  
25 nutrient reduction strategy as prepared by the department of  
26 agriculture and land stewardship, the department of natural  
27 resources, and the college of agriculture and life sciences  
28 of the Iowa state university of science and technology. The  
29 evaluation shall be based on the latest credible findings and  
30 recommendations recognized by those entities. The evaluation  
31 may include recommendations to the governor and general  
32 assembly, including legislation proposed by one or more of the  
33 ~~departments~~ entities.

34 Sec. 196. Section 461.23, Code 2022, is amended to read as  
35 follows:

1     **461.23 Rules.**

2     The department of revenue, the department of agriculture and  
3 land stewardship, the department of management, the department  
4 of natural resources, and the department of transportation, the  
5 Iowa finance authority, and the economic development authority  
6 shall adopt rules separately or jointly as necessary in order  
7 to implement and administer this chapter.

8     Sec. 197. Section 461.24, Code 2022, is amended by striking  
9 the section and inserting in lieu thereof the following:

10    **461.24 Public listing.**

11    The department of management shall publish and maintain a  
12 public listing of moneys credited to and allocated from the  
13 trust fund, trust fund moneys allocated or transferred from  
14 trust accounts, and trust fund moneys allocated or transferred  
15 to designated funds to support initiatives. This section does  
16 not require the disclosure of information that is confidential  
17 as provided by rules adopted pursuant to section 461.23.

18    Sec. 198. NEW SECTION. **461.25 Use of trust fund moneys.**

19    1. A custodial department shall not appropriate, allocate,  
20 or transfer trust fund moneys except as provided in this  
21 chapter. However, this subsection shall not be construed to  
22 limit a custodial department from using trust fund moneys with  
23 another person, including a custodial department, when engaging  
24 in a joint initiative as authorized by law.

25    2. During any fiscal year, a custodial department shall not  
26 use more than five percent of trust fund moneys allocated to  
27 a trust account to pay for expenses incurred in administering  
28 trust fund moneys allocated to that trust account.

29    3. In administering the use of trust fund moneys allocated  
30 to a trust account, a custodial department shall provide a  
31 higher priority to supporting initiatives that further goals of  
32 the Iowa nutrient reduction strategy.

33    4. A custodial department shall administer the use of  
34 trust fund moneys to support an initiative having primarily  
35 a recreational purpose only if such use is in cooperation

1 with the authority. The authority shall review, score, and  
2 rank applications to support such initiatives as part of a  
3 competitive evaluation process. The scoring criteria must  
4 further the economic development policy of the state as  
5 provided in chapter 15.

6 5. When making a determination to support competing  
7 proposed initiatives relating to a public use area that  
8 benefits a locality, a custodial department or the authority  
9 shall provide a higher priority to supporting an initiative to  
10 improve an existing public use area.

11 6. When making a determination to support a proposed  
12 initiative to establish, improve, or expand a land trail,  
13 the proposal shall not be approved unless the sponsor of the  
14 proposal demonstrates to the custodial department or other  
15 entity making the funding decision how the trail is to be  
16 maintained by other sources of revenue.

17 7. In administering the use of trust fund moneys allocated  
18 to a trust account to support an initiative relating to  
19 the management of land, this chapter does not do any of the  
20 following:

21 a. Prohibit the farming of the land in a manner that is  
22 consistent with the Iowa nutrient reduction strategy.

23 b. Require a separation distance between an animal feeding  
24 operation and a public use area that is more restrictive than  
25 if the land were not managed pursuant to the initiative.

26 8. Trust fund moneys shall not be used to support any of the  
27 following:

28 a. An initiative that establishes, improves, or expands a  
29 single or multipurpose athletic field, baseball or softball  
30 diamond, tennis court, golf course, swimming pool, or other  
31 group or organized sport facility.

32 b. The taking of property by exercising the power of eminent  
33 domain, including by acquiring property as provided in chapters  
34 6A and 6B.

35 Sec. 199. Section 461.31, Code 2022, is amended to read as

1 follows:

2 **461.31 Natural resources and outdoor recreation trust fund**  
3 **— creation.**

4 1. A natural resources and outdoor recreation trust fund  
5 is created within the state treasury. The trust fund shall be  
6 administered by the department of management.

7 2. *a.* The trust fund shall be ~~composed~~ comprised of moneys  
8 all of the following:

9 (1) Moneys transferred to the trust fund pursuant to section  
10 423.2A.

11 (2) Other moneys required to be credited to the trust  
12 fund by law and moneys accepted by a custodial department for  
13 placement in ~~an account established in this subchapter and the~~  
14 trust fund from any source.

15 *b.* Trust fund moneys are exclusively appropriated by law  
16 to carry out the constitutional purposes ~~provided~~ described in  
17 section 461.3.

18 *c.* Trust fund moneys shall supplement and not replace  
19 moneys appropriated by the general assembly to support the  
20 constitutional purposes provided in section 461.3.

21 *d.* Trust fund moneys shall only be used to support voluntary  
22 initiatives and shall not be used for regulatory efforts,  
23 enforcement actions, or litigation.

24 3. In administering a trust ~~fund~~ account, a custodial  
25 department may contract, sue and be sued, and authorize payment  
26 for costs, fees, commissions, and other reasonable expenses  
27 from the trust account. However, a custodial department shall  
28 not in any manner directly or indirectly pledge the credit of  
29 this state.

30 4. *a.* Except as provided in paragraph "b", the treasurer  
31 of state shall, each month as directed by the department of  
32 management, allocate all trust fund moneys that have been  
33 credited to the trust fund, including moneys transferred to the  
34 trust fund as provided in section 423.2A, to each trust account  
35 and designated fund as provided in this subchapter.



1 b. Notwithstanding sections 461.32 through 461.38, for the  
2 fiscal year beginning July 1, 2023, and for each subsequent  
3 fiscal year, only that amount as authorized by an Act of  
4 the general assembly shall be allocated from the trust fund  
5 to a trust account or designated fund as provided in this  
6 subchapter. However, if for a fiscal year no Act of the  
7 general assembly authorizes trust fund moneys to be allocated  
8 from the trust fund, the trust fund moneys shall be allocated  
9 from the trust fund to the trust accounts and designated funds  
10 as provided in this subchapter by operation of law.

11 5. a. Notwithstanding section 8.33, any unexpended balance  
12 in the trust fund or in an a trust account created within the  
13 trust fund at the end of each fiscal year shall be retained in  
14 the trust fund or the respective trust account.

15 b. Notwithstanding section 12C.7, subsection 2, interest or  
16 earnings on investments or time deposits of the moneys in the  
17 trust fund and its respective trust accounts shall be credited  
18 to the trust fund and its respective trust accounts.

19 c. The recapture of awards originating from an a trust  
20 account and other repayments to an a trust account shall be  
21 retained in that trust account.

22 Sec. 200. Section 461.32, Code 2022, is amended to read as  
23 follows:

24 **461.32 Natural resources trust account — allocations.**

25 1. A natural resources trust account is created in the trust  
26 fund. ~~Twenty-three~~ The trust account shall be administered by  
27 the department of natural resources.

28 2. Eighteen percent of the moneys credited to the trust fund  
29 shall be allocated to the trust account.

30 ~~2.~~ 3. The trust account shall be used by the department of  
31 natural resources to support all of the following initiatives:

32 a. The establishment, restoration, or enhancement of state  
33 parks, state preserves, state forests, wildlife areas, wildlife  
34 habitats, native prairies, and wetlands.

35 (1) A higher priority shall be provided to supporting

1 initiatives for the maintenance, preservation, or restoration  
2 of land and a lower priority shall be provided to supporting  
3 initiatives for the purchase or acquisition of land.

4 (2) The department shall utilize an index that includes a  
5 comprehensive assessment mechanism to produce a statistically  
6 verifiable basis for determining whether to approve or  
7 disapprove the purchase or acquisition of the land. The  
8 department shall establish index criteria that justifies the  
9 land's removal from private ownership and use.

10 b. The construction or improvement of facilities located on  
11 land owned or managed by the department.

12 ~~b.~~ c. Wildlife diversity.

13 ~~c.~~ d. Recreational purposes.

14 ~~d.~~ e. Technical assistance and financial incentives  
15 provided to private landowners to promote the management of  
16 forests, fisheries, recreational areas, wetlands, and wildlife.

17 ~~e.~~ f. The improvement of ~~water trails,~~ rivers, and streams.

18 ~~f.~~ g. Education and outreach that provide instruction  
19 regarding natural history and the outdoors. The subjects  
20 of such instruction may relate to opportunities involving a  
21 recreational purposes purpose, outdoor safety, and or ethics.

22 ~~3. The department of natural resources shall to every extent~~  
23 ~~possible consider its comprehensive plan provided in section~~  
24 ~~456A.31 when making funding decisions.~~

25 Sec. 201. Section 461.33, Code 2022, is amended to read as  
26 follows:

27 **461.33 Soil conservation and nonpoint source water protection**  
28 **trust account — allocations.**

29 1. A soil conservation and nonpoint source water protection  
30 trust account is created in the trust fund. ~~Twenty~~ The trust  
31 account shall be administered by the department of agriculture  
32 and land stewardship.

33 2. Thirty-four percent of the moneys credited to the trust  
34 fund shall be allocated to the trust account.

35 3. Forty-seven percent of trust fund moneys allocated to

1 the trust account shall first be transferred as directed by the  
2 department to any or all of the following:

3 a. The water quality infrastructure fund created in section  
4 8.57B to support water quality agriculture infrastructure  
5 programs created in section 466B.43 in order to reduce nutrient  
6 loads from nonpoint sources.

7 b. The water quality financial assistance fund created  
8 in section 16.134A to support the water quality urban  
9 infrastructure program created in section 466B.44.

10 ~~2. 4. a.~~ The account shall be used by the department of  
11 agriculture and land stewardship remaining trust fund moneys  
12 allocated to the trust account shall be used by the department  
13 to support all of the following initiatives:

14 ~~a.~~ (1) Soil conservation and watershed protection,  
15 including by supporting the department's division of  
16 soil conservation and water quality within the department  
17 of agriculture and land stewardship and soil and water  
18 conservation district commissioners. The department and  
19 commissioners may provide for the installation establishment of  
20 conservation practices and watershed protection improvements as  
21 provided in chapters 161A, 161C, 461A, and 466, and 466B.

22 ~~b.~~ (2) The conservation of highly erodible land. The  
23 department of agriculture and land stewardship may execute  
24 contracts with private landowners who agree to reserve such  
25 land only for uses that prevent erosion in excess of the  
26 applicable soil loss limits as established in section 161A.44.

27 ~~c.~~ (3) Soil conservation or crop management practices  
28 used on land producing biomass for biorefineries, including  
29 cellulosic ethanol production.

30 ~~3. b.~~ The department of agriculture and land stewardship  
31 may use unencumbered or unobligated trust fund moneys allocated  
32 to the trust account to provide financial incentives or  
33 technical assistance to landowners.

34 5. During a fiscal year, the department may transfer  
35 unencumbered or unobligated trust fund moneys allocated to

1 the trust account for use by the department as is provided in  
2 subsection 4 to any of the following:

3 a. The water quality infrastructure fund created in section  
4 8.57B to support water quality agriculture infrastructure  
5 programs created in section 466B.43 in order to reduce nutrient  
6 loads from nonpoint sources.

7 b. The water quality financial assistance fund created  
8 in section 16.134A to support the water quality urban  
9 infrastructure program created in section 466B.44.

10 Sec. 202. Section 461.34, Code 2022, is amended to read as  
11 follows:

12 **461.34 Watershed protection trust account — allocations.**

13 1. A watershed protection trust account is created in the  
14 trust fund. ~~Fourteen~~ The trust account shall be administered  
15 by the department of natural resources.

16 2. Fifteen percent of the moneys credited to the trust fund  
17 shall be allocated to the trust account.

18 3. Forty-seven percent of trust fund moneys allocated  
19 to the trust account shall first be transferred to the water  
20 quality financial assistance fund created in section 16.134A  
21 for appropriation as provided in that section.

22 ~~2. 4. The account~~ Of the remaining trust fund moneys  
23 allocated to the trust account, fifty percent shall be used  
24 ~~cooperatively distributed for use by the department of~~  
25 ~~natural resources and the department of agriculture and land~~  
26 ~~stewardship to support all of the following initiatives:~~

27 ~~a. Water~~ water quality resource projects administered by  
28 the department of ~~natural resources~~ to preserve watersheds,  
29 including but not limited to all of the following:

30 ~~(1)~~ a. Projects to protect, restore, or enhance water  
31 quality in the state through the provision of financial  
32 assistance to communities for impairment-based, locally  
33 directed watershed projects. The department may use the  
34 ~~account~~ trust fund moneys to support the water resource  
35 restoration sponsor program as provided in section 455B.199.

1     ~~(2)~~ b. Regional and community watershed assessment,  
2 planning, and prioritization efforts, including as provided in  
3 chapter 466B.

4     c. Water quality protection programs provided in section  
5 466.7 that relate to any of the following:

6         (1) The administration of geographic information systems  
7 for use in developing, monitoring, and displaying local  
8 watershed information.

9         (2) An activity to support the collection and analysis of  
10 water quality monitoring.

11         (3) Floodplain permitting.

12         (4) Flood protection education to provide information to  
13 local officials regarding floodplain management.

14     ~~b.~~ 5. Surface Of the remaining trust fund moneys allocated  
15 to the trust account, fifty percent shall be distributed for  
16 use by the department of agriculture and land stewardship  
17 to support surface water protection projects and practices  
18 ~~administered by the department of agriculture and land~~  
19 ~~stewardship or the department of natural resources, as~~  
20 described in the Iowa nutrient reduction strategy including but  
21 not limited to the installation of permanent vegetation cover,  
22 filter strips, grass waterways, edge-of-field practices, and  
23 riparian forest buffers; dredging; and bank stabilization. The  
24 ~~departments of agriculture and land stewardship and natural~~  
25 ~~resources department may use the account~~ trust fund moneys  
26 to support the conservation buffer strip program provided in  
27 section 466.4 and the conservation reserve enhancement program  
28 as provided in section 466.5.

29     ~~3.~~ 6. The departments' A decision by a department to  
30 prioritize initiatives may be based on the priority list of  
31 watersheds provided in section 456A.33A.

32     7. During a fiscal year, the department of natural  
33 resources or the department of agriculture and land stewardship  
34 may transfer unencumbered or unobligated trust fund moneys  
35 distributed to the custodial department pursuant to subsection

1 4 or 5 to the water quality financial assistance fund created  
2 in section 16.134A.

3 Sec. 203. Section 461.35, Code 2022, is amended to read as  
4 follows:

5 **461.35 Iowa resources enhancement and protection fund —**  
6 **allocation.**

7 ~~Thirteen~~ Ten percent of the moneys credited to the trust  
8 fund shall be allocated to the Iowa resources enhancement  
9 and protection fund created in section 455A.18 for further  
10 allocation as provided in section 455A.19.

11 Sec. 204. Section 461.36, Code 2022, is amended by striking  
12 the section and inserting in lieu thereof the following:

13 **461.36 Local conservation partnership trust account —**  
14 **allocations.**

15 1. A local conservation partnership trust account is  
16 created in the trust fund. The trust account shall be  
17 administered by the department of natural resources.

18 2. Nine percent of the moneys credited to the trust fund  
19 shall be allocated to the trust account.

20 3. The department shall allocate the trust fund moneys  
21 credited to the account to local communities participating  
22 in the local conservation partnership program as provided in  
23 section 461.36A.

24 Sec. 205. NEW SECTION. **461.36A Local conservation**  
25 **partnership program.**

26 1. As used in this section, unless the context otherwise  
27 requires:

28 *a.* "Department" means the department of natural resources.

29 *b.* "Local community" includes a political subdivision or  
30 a watershed management authority created pursuant to section  
31 466B.22.

32 2. The department shall establish and administer a local  
33 conservation partnership program to provide financing to local  
34 communities to do any of the following:

35 *a.* Maintain and improve parks, preserves, wildlife areas,

- 1 wildlife habitats, native prairies, forests, or wetlands.  
2 *b.* Promote wildlife diversity.  
3 *c.* Further a recreational purpose.  
4 *d.* Improve rivers and streams.  
5 *e.* Sponsor education and outreach programs and projects that  
6 provide instruction regarding natural history and the outdoors.  
7 The subjects of such instruction may relate to opportunities  
8 involving a recreational purpose, outdoor safety, or ethics.  
9 The programs and projects may assist Iowa students studying in  
10 fields of science, technology, engineering, and mathematics.  
11 *f.* Further any other purpose described in section 350.1.  
12 3. As part of a local conservation partnership under the  
13 program, two or more local communities may enter into chapter  
14 28E agreements, and a local community may cooperate with  
15 the federal government or a nongovernmental organization.  
16 A nongovernmental organization shall not be eligible to  
17 participate in a local community partnership under the program  
18 unless the nongovernmental organization submits an application  
19 in association with a political subdivision or county  
20 conservation board and enters into a chapter 28E agreement with  
21 the political subdivision or county conservation board.  
22 4. *a.* A local community is not eligible to receive moneys  
23 from the department under the program to support a local  
24 conservation partnership, unless the local community finances  
25 a minimum percentage of the estimated or total cost of the  
26 initiative, whichever is less.  
27 *b.* The minimum amount of the cost-share contribution by a  
28 local community, as described in paragraph "a", shall be as  
29 follows:  
30 (1) Ten percent for a local community located in a county  
31 having a population of fifteen thousand or less.  
32 (2) Twenty-five percent for a local community located in a  
33 county having a population of more than fifteen thousand but  
34 less than one hundred thousand.  
35 (3) Seventy-five percent for a local community located in a

1 county having a population of one hundred thousand or more.

2 Sec. 206. Section 461.37, Code 2022, is amended to read as  
3 follows:

4 **461.37 Trails Water and land trails trust account —**  
5 **allocations.**

6 1. A water and land trails trust account is created in the  
7 trust fund. ~~Then~~ The trust account shall be administered by the  
8 department of transportation.

9 2. Four percent of the moneys credited to the trust fund  
10 shall be allocated to the trust account.

11 ~~2.~~ 3. The Of the amount of trust fund moneys allocated  
12 to the trust account, fifty percent shall be distributed for  
13 use by the department of transportation and the department of  
14 natural resources shall use moneys in the account to support  
15 initiatives related to the design, establishment, maintenance,  
16 improvement, and expansion of land trails.

17 ~~3.~~ 4. The Of the amount of trust fund moneys allocated to  
18 the trust account, fifty percent shall be distributed for use  
19 by the department of natural resources may use the account to  
20 support the design, establishment, maintenance, improvement,  
21 and expansion of water trails. The department shall provide  
22 priority to stream restoration.

23 5. a. During a fiscal year, and pursuant to an agreement  
24 between the department of transportation and the department  
25 of natural resources, either custodial department that is  
26 distributed trust fund moneys for use under this section may  
27 transfer unencumbered or unobligated trust fund moneys to the  
28 other custodial department for use by the other custodial  
29 department as provided in this section.

30 b. During a fiscal year, and pursuant to an agreement  
31 between the department of transportation and the department  
32 of natural resources, the department of transportation  
33 may transfer unencumbered or unobligated trust fund moneys  
34 allocated to the trust account and distributed for use by  
35 the department of transportation to another trust account



1 administered by the department of natural resources for use by  
2 the department of natural resources.

3 Sec. 207. Section 461.38, Code 2022, is amended to read as  
4 follows:

5 **461.38 Lake and stream restoration trust account —**  
6 **allocations.**

7 1. A lake and stream restoration trust account is created in  
8 the trust fund. ~~Seven~~ The trust account shall be administered  
9 by the department of natural resources.

10 2. Ten percent of the moneys credited to the trust fund  
11 shall be allocated to the trust account.

12 ~~2. 3.~~ The department of natural resources shall use moneys  
13 in allocated to the trust account to support public all of the  
14 following:

15 a. Public lake restoration initiatives as follows:

16 ~~a.~~ (1) An initiative shall account for a lake's  
17 recreational purpose, and provide for environmental, aesthetic,  
18 ecological, and social value. It must improve water quality  
19 further a goal of the Iowa nutrient reduction strategy.

20 ~~b.~~ (2) The department's A decision by the department to  
21 prioritize an initiative may be based on the department's lake  
22 restoration plan and report as provided in section 456A.33B and  
23 the Iowa nutrient reduction strategy.

24 b. The stabilization and restoration of stream banks.

25 Sec. 208. NEW SECTION. 461.51 Repeal.

26 This chapter is repealed December 31, 2051.

27 Sec. 209. CODE EDITOR DIRECTIVE.

28 1. The Code editor is directed to make the following  
29 transfers:

30 a. Section 461.36A, as enacted in this division of this Act,  
31 to section 455A.31.

32 b. Section 461.35, as amended in this division of this Act,  
33 to section 461.41.

34 2. The Code editor shall correct internal references in the  
35 Code and in any enacted legislation as necessary due to the

1 enactment of this section.

2 Sec. 210. REPEAL. Section 455A.20, Code 2022, is repealed.

3 Sec. 211. EFFECTIVE DATE. This division of this Act takes  
4 effect January 1, 2023.

5 DIVISION XXIV

6 CONTINGENT CODE EDITOR DIRECTIVE

7 Sec. 212. CONTINGENT CODE EDITOR DIRECTIVE.

8 The Code editor is directed to harmonize amendments to  
9 sections 421.26, 422.33, 423B.5, 423B.6, and 423B.7, if  
10 necessary, which are amended by two or more divisions of this  
11 Act, and to harmonize any other Code provision amended in two  
12 or more operations or divisions of this Act, and to make other  
13 related changes, if necessary, to effectuate such changes.

14 EXPLANATION

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

17 This bill relates to state and local revenue and finances  
18 and modifies sales and use taxes, individual and corporate  
19 income taxes, the franchise tax, the insurance premiums tax,  
20 the equipment tax, the automobile rental excise tax, the water  
21 service tax, the local option tax, and credits moneys to the  
22 natural resource and outdoor recreation trust fund.

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

1 percent would generate. The state sales tax rate has not  
2 been increased since the effective date of the constitutional  
3 amendment, so no amounts have been credited to the fund. The  
4 bill increases the sales tax rate and the use tax rate from 6  
5 percent to 7 percent beginning January 1, 2023. In lieu of the  
6 local option and sales services tax revenue repealed in another  
7 division of the bill, the bill transfers a specified amount of  
8 the state sales and use tax revenues collected to the local  
9 sales and use tax fund established under Code chapter 423B,  
10 for allocation and expenditure in a manner similar to that  
11 which was provided for local sales and services tax revenues.  
12 The bill, as the result of Article VII, section 10, of the  
13 Constitution of the State of Iowa, also amends the transfer  
14 of sales tax revenues to the secure an advanced vision for  
15 education fund in Code section 423.2A(2).

16 DIVISION II — SALES AND USE TAX ON SERVICES AND EXEMPTIONS.  
17 The bill strikes “software as a service” and substitutes “cloud  
18 computing” as a service for purposes of imposing sales tax.  
19 The bill makes the following services subject to the sales tax:  
20 web hosting, digital automated services, and scooter.

21 The bill strikes the sales and use tax exemption on the  
22 sales price from the sale or rental of computer or computer  
23 peripherals by an insurance company, financial institution, or  
24 commercial enterprise.

25 The bill strikes “professions and occupations” from  
26 the definition of “commercial enterprise” in Code section  
27 423.3(104) thus making sales to professions and occupations  
28 related to prewritten software, specified digital services, and  
29 other services subject to the sales tax.

30 The division takes effect January 1, 2023.

31 DIVISION III — SALES, USE, AND EXCISE TAX — RETURNS DUE.  
32 The bill allows a taxpayer to have a combined sales and use tax  
33 permit and to file a combined return for sales and use taxes.  
34 Currently, a taxpayer must possess a separate sales and use tax  
35 permit and file separate sales and use tax returns.

1 The bill changes numerous references to the phrase "sales  
2 tax permit" in the Code to the phrase "sales or use tax  
3 permit".

4 Currently, a person is required to file a sales or use tax  
5 return on a quarterly basis. The bill changes this filing  
6 requirement from a quarterly basis to a monthly basis. The  
7 bill does allow a person required to file a sales or use tax  
8 return and who collects less than \$1,200 in sales or use tax in  
9 a calendar year, to file a return once a year on or before the  
10 last day of the month following the close of the calendar year.

11 The bill allows certain persons required to collect sales  
12 or use tax who do not meet the definition of a "retailer  
13 maintaining a business in this state" in Code section  
14 423.1(48)(a)(1), to be issued only one sales or use tax permit.

15 The bill allows the director of revenue, if necessary to  
16 ensure the payment of sales or use tax, to require a sales or  
17 use tax return be filed on a different basis other than on a  
18 monthly basis.

19 The bill strikes a provision allowing a person required to  
20 file a sales or use tax return to take a credit against the  
21 total quarterly amount of tax due, upon a proper showing of  
22 necessity, allowing for the balance of tax due to be paid up to  
23 30 days after the return was due.

24 The bill strikes a provision requiring a seller, who  
25 collects more than \$30,000 of sales or use tax in the preceding  
26 calendar year, to make additional remittances to the state  
27 under the rules adopted by the director of revenue.

28 DIVISION IV — DISTRIBUTIONS OF REVENUE TO LOCAL GOVERNMENTS  
29 AND SCHOOL DISTRICTS. Currently, by August 15, the department  
30 of revenue estimates the local option sale tax (LOST) and  
31 securing an advanced vision for education (SAVE) tax amounts  
32 that will be transferred to each local government or school  
33 district on a fiscal year and monthly basis. The transfer  
34 estimates may be revised for the year and remaining months by  
35 the director of revenue if the estimates are incorrect.

1 Commencing with the fiscal year beginning July 1, 2022, the  
2 bill changes the LOST and SAVE transfer amount procedures,  
3 subject to changes to LOST and SAVE in other divisions of the  
4 bill, by requiring the department of revenue to transfer the  
5 actual LOST and SAVE taxes collected that are attributable  
6 to each local government or school district to that local  
7 government or school district.

8 The bill also creates a transition procedure for the LOST  
9 and SAVE tax amounts transferred during July and August 2022.  
10 Under the transition procedure, the department of revenue shall  
11 transfer estimated amounts of LOST and SAVE to each local  
12 government or school district for the months of July, August,  
13 and September 2022. However, beginning with the October 2022  
14 transfer, the department of revenue shall transfer the actual  
15 amount of tax attributable to each local government or school  
16 district for the LOST and SAVE tax remitted in September 2022.  
17 The bill requires any adjustment amount that is necessary to  
18 the July, August, or September 2022 estimated transfer amounts  
19 be made by the close of business on December 30, 2022.

20 DIVISION V — SALE OF CERTAIN QUALIFIED STOCK — NET  
21 CAPITAL GAIN EXCLUSION. The bill grants an employee-owner one  
22 irrevocable lifetime election to exclude from state individual  
23 income tax the net capital gain from the state of the capital  
24 stock on one qualified corporation. The election applies to  
25 all subsequent sales or exchanges of capital stock.

26 The bill phases in over a three-year period the complete  
27 exclusion from the individual income tax the net capital gain  
28 from the sale of capital stock on one qualified corporation.  
29 The percentage of the capital gain that is excluded for tax  
30 years beginning in 2023, 2024, and 2025 and beyond is 33  
31 percent, 66 percent, and 100 percent, respectively. Several  
32 requirements must be met for the capital stock to qualify  
33 as capital stock of a qualified corporation. The qualified  
34 corporation must have employed individuals in this state for  
35 at least 10 years. The qualified corporation must have had at

1 least five shareholders for the 10 years prior to the first  
2 sale or exchange pursuant to the bill, and the corporation must  
3 have had at least two shareholders or groups of shareholders  
4 who are not related for the 10 years prior to the sale or  
5 exchange. The bill requires the capital stock to be common or  
6 preferred stock, and may be either voting or nonvoting, but  
7 does not include warrants, stock options, or debt securities.

8 The bill provides that the election applies to transfers of  
9 the capital stock by inter vivos gift from the employee-owner  
10 to a spouse, or to a trust for the benefit of the  
11 employee-owner's spouse. The election will apply to a spouse  
12 only if the spouse was married to the employee-owner on the  
13 date of the sale or the date of the employee-owner's death.

14 If, after making a valid inter vivos gift of stock that meets  
15 all the requirements for an election, an employee-owner dies  
16 without making an election, the surviving spouse, or if there  
17 is no surviving spouse, the personal representative of the  
18 employee-owner's estate, may make the election.

19 An election under the bill is made on a form prescribed by  
20 the department of revenue and included with the taxpayer's  
21 state income tax return for the taxable year in which the  
22 election is made.

23 The division takes effect January 1, 2023, and applies to tax  
24 years beginning on or after that date.

25 DIVISION VI — RETIRED FARMER LEASE INCOME EXCLUSION.

26 Commencing with tax years beginning on or after January 1,  
27 2023, the bill excludes from the individual income tax a  
28 retired farmer's total net income received pursuant to a  
29 farm tenancy agreement covering real property held by the  
30 retired farmer for 10 or more years, if the farmer materially  
31 participated in a farming business for 10 or more years.

32 Net income from a farm tenancy agreement earned by an  
33 entity taxed as a partnership for federal tax purposes, an S  
34 corporation, or a trust or estate is not eligible for the lease  
35 income exclusion, even if the net income passes through to a

1 retired farmer.

2 A retired farmer is not eligible for the lease income  
3 exclusion unless the farmer is at least 55 years of age and no  
4 longer materially participating in farming.

5 A retired farmer who elects to claim the lease income  
6 exclusion is not eligible, in the tax year the election is made  
7 or in succeeding tax years, to claim the capital gain exclusion  
8 under Code section 422.7(21), as amended by another division of  
9 the bill, or the beginning farmer tax credit.

10 The division takes effect January 1, 2023, and applies to tax  
11 years beginning on or after that date.

12 DIVISION VII — RETIRED FARMER CAPITAL GAIN EXCLUSION. The  
13 bill modifies the individual income tax capital gain exclusion  
14 for the sale of real property used in a farming business which  
15 otherwise would have gone into effect in tax year 2023, which  
16 was enacted in 2018 Iowa Acts, chapter 1161, section 113,  
17 and later modified in 2019 Iowa Acts, chapter 162. The bill  
18 repeals both 2018 Iowa Acts, chapter 1161, section 113, and  
19 2019 Iowa Acts, chapter 162, and creates a new capital gain  
20 exclusion provision based upon the 2019 Iowa Acts, chapter  
21 162 provisions, effective for tax years beginning on or after  
22 January 1, 2023.

23 Under the provisions in 2019 Iowa Acts, chapter 162, section  
24 1, which otherwise would have gone into effect during the 2023  
25 tax year, a taxpayer who materially participates in a farming  
26 business for at least 10 years and held real property used  
27 in such a business for at least 10 years, may make a single  
28 lifetime exclusion election from the individual income tax of  
29 the capital gain of the sale of such property.

30 The bill modifies the term "materially participated" in a  
31 farming business to include a retired farmer if the retired  
32 farmer materially participated in a farming business for 10  
33 years or more, in the aggregate, prior to making the election  
34 to exclude the capital gain of the sale of real property used  
35 in a farming business.

1 In addition to a single lifetime exclusion of the capital  
2 gain from the sale of real property used in a farming business,  
3 the bill also allows a retired farmer to make a single lifetime  
4 exclusion of the net capital gain from the sale of cattle  
5 or horses if held by the retired farmer for breeding, draft,  
6 dairy, or sporting purposes for more than 24 months, and  
7 only if the retired farmer materially participated in the  
8 farming business for five of the eight years preceding the  
9 retired farmer's retirement or disability, and who sold all  
10 or substantially all of the retired farmer's interest in the  
11 farming business by the time the election to exclude capital  
12 gain of the sale of livestock from the individual income tax  
13 is made.

14 Additionally, the bill allows a retired farmer to make a  
15 single lifetime exclusion of the net capital gain from the  
16 sale of breeding livestock, other than cattle and horses, if  
17 the livestock is held by the retired farmer for more than 12  
18 months, and only if the retired farmer materially participated  
19 in the farming business for five of the eight years preceding  
20 the retired farmer's retirement or disability, and who sold all  
21 or substantially all of the retired farmer's interest in the  
22 farming business by the time the election to exclude capital  
23 gain of the sale of livestock from the individual income tax  
24 is made.

25 Under the bill, a retired farmer is not eligible for the  
26 capital gain exclusion if the retired farmer claims the  
27 beginning farmer tax credit in the same tax year. A retired  
28 farmer electing the capital gain exclusion is not eligible to  
29 elect to exclude retired farmer lease income in the same tax  
30 year or any succeeding tax year.

31 The division takes effect January 1, 2023, and applies to  
32 sales consummated on or after that date.

33 For sales consummated prior to January 1, 2023, the existing  
34 law in Code section 422.7(21) shall govern.

35 DIVISION VIII — INDIVIDUAL INCOME TAX — PHASE IN. The bill



1 repeals the individual income tax rates and brackets described  
 2 in 2018 Iowa Acts, chapter 1161, section 107, which otherwise  
 3 would have gone into effect January 1, 2023, and strikes and  
 4 replaces the individual income tax rates and brackets for the  
 5 tax year beginning January 1, 2023, in Code section 422.5A.  
 6 The bill reduces individual income tax rates beginning with  
 7 the 2023 tax year, and reduces the number of individual income  
 8 tax brackets beginning with the 2024 tax year. The modified  
 9 individual income tax rates and brackets are as follows:

10 For the 2023 tax year:

11 Married filing jointly

| 12 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 13 | 1) \$0       | \$12,000      | 4.40%     |
| 14 | 2) \$12,000  | \$60,000      | 4.82%     |
| 15 | 3) \$60,000  | \$150,000     | 5.70%     |
| 16 | 4) \$150,000 |               | 6.00%     |

17 All other filers other than married filing jointly

| 18 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 19 | 1) \$0       | \$6,000       | 4.40%     |
| 20 | 2) \$6,000   | \$30,000      | 4.82%     |
| 21 | 3) \$30,000  | \$75,000      | 5.70%     |
| 22 | 4) \$75,000  |               | 6.00%     |

23 For the 2024 tax year:

24 Married filing jointly

| 25 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 26 | 1) \$0       | \$12,000      | 4.40%     |
| 27 | 2) \$12,000  | \$60,000      | 4.82%     |
| 28 | 3) \$60,000  |               | 5.70%     |

29 All other filers other than married filing jointly

| 30 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 31 | 1) \$0       | \$6,000       | 4.40%     |
| 32 | 2) \$6,000   | \$30,000      | 4.82%     |
| 33 | 3) \$30,000  |               | 5.70%     |

34 For the 2025 tax year:

35 Married filing jointly

| 1 | Income over: | But not over: | Tax rate: |
|---|--------------|---------------|-----------|
| 2 | 1) \$0       | \$12,000      | 4.40%     |
| 3 | 2) \$12,000  |               | 4.82%     |

4 All other filers other than married filing jointly

| 5 | Income over: | But not over: | Tax rate: |
|---|--------------|---------------|-----------|
| 6 | 1) \$0       | \$6,000       | 4.40%     |
| 7 | 2) \$6,000   |               | 4.82%     |

8 Currently, an alternate income tax calculation exists  
9 in Code section 422.5. The alternate income tax is an  
10 alternate method of calculating income tax liability in lieu  
11 of the regular income tax calculation. The alternate method  
12 multiplies the taxpayer's taxable income above the income tax  
13 filing thresholds in Code section 422.5(3)(b) or 422.5(3B)(b)  
14 by the highest existing individual income tax rate until  
15 the taxpayer's tax liability is equal to the tax liability  
16 that would have been calculated under the regular income tax  
17 calculation method, then after such point the regular income  
18 tax calculation with the regular income tax rates are used.  
19 The bill phases in changes to the alternate tax rate until the  
20 rate is set at 4.10 percent commencing with tax years beginning  
21 on or after January 1, 2027. After the alternate rate is set  
22 at 4.10 percent, the bill proportionally reduces the alternate  
23 rate as the individual income tax rate is reduced.

24 The division takes effect January 1, 2023, and applies to tax  
25 years beginning on or after that date.

26 DIVISION IX — INDIVIDUAL INCOME TAX — FLAT RATE —  
27 CONTINGENT ELIMINATION. Commencing with the tax year beginning  
28 on or after January 1, 2026, but before January 1, 2027, the  
29 bill establishes a flat 3.85 percent individual income tax rate  
30 on all taxable income and moves the individual income tax rate  
31 from Code section 422.5A to Code section 422.5.

32 Commencing tax years beginning on or after January 1, 2027,  
33 the bill reduces the flat individual income tax rate from 3.85  
34 percent to 3.60 percent on all taxable income.

35 After reducing the individual income tax rate to 3.60

1 percent, the bill establishes a procedure where the individual  
2 income tax rate may be adjusted commencing with tax years  
3 beginning on or after January 1, 2029. The bill specifies  
4 the individual income tax rate shall be adjusted each tax  
5 year until the rate is zero, if sufficient funds to make  
6 the adjustment are available in the individual income tax  
7 elimination fund.

8 By November 1, 2028, and by November 1 each year thereafter,  
9 the department of management shall determine the amount of  
10 moneys available in the individual income tax elimination fund,  
11 and the net individual income tax receipts at the close of  
12 the preceding fiscal year. The department of revenue shall  
13 adjust and apply a new individual income tax rate based upon  
14 the amount of money available in the individual income tax  
15 elimination fund. The bill specifies the department of revenue  
16 shall adjust and apply a new individual income tax rate in such  
17 a way that the rate would have generated an amount equal to the  
18 net receipts generated from the rate in the preceding fiscal  
19 year less the amount used in the calculation in the individual  
20 income tax elimination fund.

21 The bill prohibits the rate from being adjusted unless the  
22 rate is able to be adjusted at least one-tenth of one percent.  
23 The rate, when adjusted, shall be rounded down to the nearest  
24 one-tenth of one percent.

25 The bill requires the moneys in the individual income tax  
26 elimination fund be transferred to the general fund of the  
27 state in the fiscal year the rate is adjusted.

28 If a tax rate is adjusted, the bill requires the director  
29 of revenue to cause an advisory notice containing the new  
30 individual income tax rate to be published in the Iowa  
31 administrative bulletin and on the internet site of the  
32 department of revenue. The calculation and publication of the  
33 adjusted tax rate by the director of revenue is exempt from  
34 Code chapter 17A, and shall be submitted for publication by the  
35 first December 31 following the determination date to adjust

1 the tax rates.

2 The division takes effect January 1, 2026, and applies to tax  
3 years beginning on or after that date.

4 DIVISION X — RETIREMENT INCOME EXCLUSION. Under current  
5 law, a taxpayer who is disabled, who is at least 55 years of  
6 age, or who is the surviving spouse or other specified survivor  
7 of that qualifying taxpayer, may exclude a maximum of \$6,000 of  
8 other retirement income (\$12,000 for married persons).

9 Commencing with tax years beginning January 1, 2023, the  
10 bill excludes retirement income from the computation of net  
11 income for purposes of the individual income tax. In order  
12 to be eligible for the retirement income exclusion, a person  
13 must be disabled, at least 55 years of age, or be the surviving  
14 spouse of an individual or be a survivor having an insurable  
15 interest in an individual who would have qualified for the  
16 retirement income exclusion.

17 The bill does not change current law allowing a taxpayer  
18 to exclude all retirement pay, including certain survivor  
19 benefits, received from the federal government for military  
20 service performed in the armed forces, the armed forces  
21 military reserve, or national guard.

22 The bill also excludes this retirement income from the  
23 calculation of net income for purposes of determining whether  
24 or not a taxpayer's net income exceeds the amount at which the  
25 individual income tax will not be imposed pursuant to Code  
26 section 422.5(3) or 422.5(3B), and for which an individual  
27 income tax return is not required to be filed, and for purposes  
28 of calculating the alternate tax in Code section 422.5, and  
29 further provides that any retirement income excluded from  
30 the individual income tax will not be added back to these  
31 calculations for tax years beginning in 2023 or later.

32 The division takes effect January 1, 2023, and applies to tax  
33 years beginning on or after that date.

34 DIVISION XI — CORPORATE INCOME TAX. The bill repeals the  
35 current corporate income tax rates in Code section 422.33(1)

1 for tax years beginning on or after January 1, 2024.

2 DIVISION XII — FUTURE CORPORATE INCOME TAX RATES. The bill  
3 phases in reductions to corporate income tax rates commencing  
4 with the tax year beginning on or after January 1, 2024, but  
5 before January 1, 2025:

| 6 | Income over: | But not over: | Tax rate: |
|---|--------------|---------------|-----------|
| 7 | 1) \$0       | \$100,000     | 5.50%     |
| 8 | 2) \$100,000 | \$250,000     | 9.00%     |
| 9 | 3) \$250,000 |               | 9.40%     |

10 For the tax year commencing on or after January 1, 2025, but  
11 before January 1, 2026, the rates are as follows:

| 12 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 13 | 1) \$0       | \$100,000     | 5.50%     |
| 14 | 2) \$100,000 |               | 9.00%     |

15 For the tax year commencing on or after January 1, 2026, but  
16 before January 1, 2027, the rates are as follows:

| 17 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 18 | 1) \$0       | \$100,000     | 5.40%     |
| 19 | 2) \$100,000 |               | 8.60%     |

20 For the tax year beginning on or after January 1, 2027, but  
21 before January 1, 2028, the rates are as follows:

| 22 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 23 | 1) \$0       | \$100,000     | 5.40%     |
| 24 | 2) \$100,000 |               | 8.20%     |

25 For the tax years commencing on or after January 1, 2028, the  
26 rates are permanently set at the following:

| 27 | Income over: | But not over: | Tax rate: |
|----|--------------|---------------|-----------|
| 28 | 1) \$0       | \$100,000     | 5.30%     |
| 29 | 2) \$100,000 |               | 7.80%     |

30 DIVISION XIII — FRANCHISE TAX. The bill phases in a  
31 reduction of the current franchise tax of 5 percent of net  
32 income as follows: Commencing with the tax years beginning  
33 during the 2023 calendar year, 4.80 percent; for tax years  
34 beginning during the 2024 calendar year, 4.60 percent; for tax  
35 years beginning during the 2025 calendar year, 4.40 percent;

1 for tax years beginning during the 2026 calendar year, 4.20  
2 percent; and for all tax years beginning on or after January  
3 1, 2027, 4.00 percent.

4 DIVISION XIV — INSURANCE PREMIUMS TAX. The bill reduces  
5 the insurance premium tax on the gross amount of premiums  
6 received by an insurance company from 1 percent to .95 percent  
7 in calendar year 2023, and from .95 percent to .90 percent for  
8 the 2024 calendar year and subsequent calendar years.

9 The division takes effect January 1, 2023.

10 DIVISION XV — AUTOMOBILE RENTAL EXCISE TAX. The bill  
11 increases the automobile rental excise tax from 5 percent to 7  
12 percent on the rental of automobiles rented on or after January  
13 1, 2023. The bill repeals an exception for the collection of  
14 the automobile rental excise tax of a person or an affiliate  
15 of a person who owns, operates, or controls an automobile  
16 peer-to-peer sharing marketplace.

17 DIVISION XVI — EQUIPMENT TAX. The bill increases the  
18 equipment tax from 5 percent to 6 percent of the sales price on  
19 all equipment sold or used in the state on or after January 1,  
20 2023. Code section 423D.1 defines "equipment".

21 DIVISION XVII — WATER SERVICE TAX. The bill repeals Code  
22 chapter 423G (water service tax) in the amount of six percent  
23 imposed on the sales price from the sale or furnishing of  
24 water by a water utility to consumers or users. However, in  
25 division II of the bill, the sales tax exemption for the sale  
26 of furnishing of water by a water utility is repealed, thus  
27 making the sale or furnishing of water to the public subject to  
28 the seven percent sales tax. The division takes effect January  
29 1, 2023.

30 DIVISION XVIII — TAX CREDITS.

31 HIGH QUALITY JOBS. The bill specifies that in allocating tax  
32 credits, the IEDA shall prioritize allocating tax credits for  
33 additional research activities tax credits allowed pursuant to  
34 Code section 15.335A.

35 REDEVELOPMENT. Currently, 100 percent of the redevelopment

1 tax credit in excess of tax liability is refundable if certain  
2 conditions are met. The bill reduces the refundability of  
3 the redevelopment tax credit as follows: for the tax year  
4 beginning on or after January 1, 2023, but before January  
5 1, 2024, the 75 percent of the tax credit in excess of the  
6 taxpayer's liability for the tax year is refundable if certain  
7 conditions are met; and for tax years beginning on or after  
8 January 1, 2024, 50 percent of the tax credit in excess of tax  
9 liability is refundable if certain conditions are met.

10 ENDOW IOWA. The bill changes the maximum amount of endow  
11 Iowa tax credits that are available to an individual taxpayer  
12 from 5 percent of the authorized credits to \$100,000 of the  
13 authorized credits. Currently, the authorized credits shall  
14 not annually exceed \$6 million.

15 RENEWABLE CHEMICAL PRODUCTION. Currently, 100 percent of  
16 the renewable chemical production tax credit in excess of tax  
17 liability is refundable. The bill reduces the refundability of  
18 the renewable chemical production tax credit as follows: for  
19 the tax year beginning on or after January 1, 2023, but before  
20 January 1, 2024, 75 percent of the tax credit in excess of the  
21 taxpayer's liability for the tax year is refundable; and for  
22 tax years beginning on or after January 1, 2024, 50 percent of  
23 the tax credit in excess of tax liability is refundable.

24 S CORPORATION. The bill repeals the S corporation tax  
25 credit commencing with tax years beginning on or after January  
26 1, 2023. In lieu of claiming the credit for taxes paid to  
27 another state, the S corporation tax credit allows resident  
28 shareholders of S corporations that do business within and  
29 outside of the state to recompute their individual income tax  
30 and claim a refund of tax paid if the recomputation is a lower  
31 amount. The recomputation allocates the resident shareholder's  
32 share of the income and expenses of the S corporation, as is  
33 done for corporate income tax purposes, rather than all the  
34 resident's share of the income and expenses being taxed.

35 RESEARCH ACTIVITIES. The bill modifies the research

1 activities tax credit available against the individual and  
2 corporate income taxes. The bill specifies the tax credit  
3 shall be claimed on a return filed by the due date for filing  
4 the return, including extensions of time. If the tax credit is  
5 timely claimed, the bill prohibits a taxpayer from increasing  
6 the claim on an amended return unless the increase resulted  
7 from an audit by the Internal Revenue Service or the department  
8 of revenue.

9 The bill modifies the calculations for determining the  
10 state's apportioned share of the qualifying expenditures for  
11 increasing research activities.

12 The bill requires a taxpayer to use the alternative  
13 simplified credit calculation described in federal law if  
14 the taxpayer elected or was required to use the alternative  
15 simplified credit method for federal income tax purposes for  
16 the same taxable year. The bill modifies the alternative  
17 credit computation for state tax purposes to require, for  
18 purposes of claiming the credit, the basic research payments  
19 and qualified research expenses to be conducted in this  
20 state. The bill also specifies the basic research payments  
21 and qualified research expenses under the alternate credit  
22 computation shall be determined in accordance with the new  
23 calculations for determining the state's apportioned share of  
24 the qualifying expenditures in the bill.

25 The bill reduces the research activities tax credit from  
26 6.5 percent of the excess qualified research expenses or basic  
27 research payments to 4 percent of such expenses or payments.  
28 If the taxpayer uses the alternate credit computation described  
29 in section 41(c)(4) of the Internal Revenue Code, the bill  
30 reduces the alternate credit computations from 4.55 percent to  
31 2.80 percent and 1.95 percent to 1.20 percent, respectively.

32 For individual and corporate income taxpayers, commencing  
33 with the tax year beginning January 1, 2023, but before January  
34 1, 2024, the bill reduces the refundability of the research  
35 activities tax credit from 100 percent of the credit in excess



1 of the tax liability imposed during the tax year, to 75 percent  
2 of any credit in excess of the tax liability imposed during  
3 the tax year. Commencing with tax years beginning on or after  
4 January 1, 2024, and every tax year thereafter, the bill  
5 reduces the refundability of the tax credit from 75 percent  
6 of the credit in excess of the tax liability imposed during  
7 the tax year, to 50 percent of any credit in excess of the tax  
8 liability imposed during the tax year.

9       GEOTHERMAL HEAT PUMP TAX CREDIT. Currently, the state  
10 geothermal heat pump tax credit available against the  
11 individual income tax is based upon the federal tax credit  
12 which is set to expire for installations occurring on or after  
13 December 31, 2023. The bill prohibits a taxpayer from claiming  
14 the state geothermal heat pump tax credit for installations  
15 occurring after December 31, 2023. The bill delays the repeal  
16 of the geothermal heat pump tax credit until January 1, 2034,  
17 to account for the 10-year carryforward period.

18       CHARITABLE CONSERVATION CONTRIBUTION. The bill prohibits  
19 a charitable conservation contribution tax credit from being  
20 claimed against the individual or corporate income tax, except  
21 for qualified real property interests conveyed prior to January  
22 1, 2023. The bill allows the credit in excess of tax liability  
23 to carry forward for qualified real property interests conveyed  
24 prior to January 1, 2023.

25       PRESERVATION OF EXISTING RIGHTS. The bill preserves  
26 existing rights and is intended to not limit, modify, or  
27 otherwise adversely affect any amount of the tax credit issued,  
28 awarded, or allowed prior to the repeal date of any tax credit.

29       TAX CREDIT REVIEW STUDY COMMITTEE. During the 2029  
30 legislative interim, the bill requests the legislative council  
31 to authorize a study committee to review tax credits available  
32 against state taxes by developing options for replacing tax  
33 credits that produce equivalent results as the tax credit  
34 being replaced. The study shall consist of voting legislative  
35 members and nonvoting taxpayer representatives.

1 EFFECTIVE AND APPLICABILITY DATE. The division takes effect  
2 January 1, 2023, and applies to tax years beginning on or after  
3 that date.

4 DIVISION XIX — TAX EXPENDITURE COMMITTEE. The bill  
5 changes the process of reviewing tax expenditures. The bill  
6 strikes the review of tax expenditures by the tax expenditure  
7 committee, and requires the applicable department charged  
8 with administering a tax expenditure to submit a report to  
9 the general assembly detailing the review in the year the  
10 tax expenditure is scheduled to be reviewed. The bill does  
11 not change the tax expenditure review schedule or the tax  
12 expenditures to be reviewed.

13 DIVISION XX — INDIVIDUAL INCOME TAX ELIMINATION FUND.  
14 The bill changes the name of the taxpayer relief fund to the  
15 individual income tax elimination fund.

16 DIVISION XXI — NATIONAL GUARD PAY. The bill exempts from  
17 the individual income tax all pay received by a taxpayer  
18 from the federal government for full-time military service  
19 performed in support of the national guard pursuant to 32  
20 U.S.C. §502(f) and 32 U.S.C. §709(a) and (b). This exempts  
21 certain income received by active duty and reserve personnel,  
22 certain operational support personnel, and certain dual-status  
23 federal technicians.

24 The division applies to tax years beginning on or after  
25 January 1, 2023.

26 DIVISION XXII — LOCAL OPTION TAXES. Code chapter 423B  
27 authorizes, following approval at election, the imposition of  
28 a local option sales and services tax at a rate not to exceed  
29 one percent to be administered similarly to the state sales  
30 and services tax and authorizes the imposition of a local  
31 vehicle tax. The bill strikes the authorization for the local  
32 vehicle tax and also strikes the authorization to impose the  
33 local option sales and services tax under Code chapter 423B,  
34 but instead authorizes cities and counties to expend specified  
35 state sales and use tax revenues that are deposited in the

1 local sales and use tax fund following the increase of the  
2 state sales and use taxes rates in previous sections of the  
3 bill.

4 Under the bill, sales and services tax revenue credited to  
5 and deposited in each county's account within the local sales  
6 and use tax fund must be expended by each recipient county  
7 and city as required by the jurisdiction's revenue purpose  
8 statement, including a revenue purpose statement in effect on  
9 January 1, 2023, for the use of local option sales and use tax  
10 revenue previously collected under Code chapter 423B, or be  
11 used to reduce specified property tax levies.

12 The board of supervisors of each county and the city  
13 council of each city may adopt by resolution a revenue purpose  
14 statement for the expenditure of funds received under Code  
15 chapter 423B.

16 The revenues transferred to the local sales and use tax fund  
17 continue to be allocated to the specific county account for  
18 the county in which the tax was collected. Additionally, all  
19 cities and counties are eligible to receive the allocation of  
20 revenues, not just those that had previously approved the local  
21 option tax.

22 Code section 423B.10 allows a city in which a local sales  
23 and services tax is imposed to, by ordinance and following  
24 approval of the board of supervisors, to provide for the use  
25 of a designated amount of increased local option sales and  
26 services tax revenue for urban renewal purposes. The bill  
27 modifies provisions governing this authorization to provide for  
28 the use of a specified amount of the applicable increase state  
29 sales tax revenues deposited in the local sales and use tax  
30 fund in lieu of the increased local option sales and services  
31 tax revenue. The bill allows city ordinances providing for the  
32 use of certain local option sales and services tax revenues for  
33 urban renewal purposes in effect on January 1, 2023, to remain  
34 in effect until expiration, amendment, or repeal.

35 The bill also eliminates the authority to impose a local

1 sales and services tax under the quad cities interstate  
2 metropolitan authority compact under Code chapter 28A beginning  
3 on January 1, 2023.

4 The division takes effect January 1, 2023.

5 DIVISION XXIII — NATURAL RESOURCES AND OUTDOOR RECREATION  
6 TRUST FUND. The bill amends provisions in Code chapter 461  
7 (the natural resources and outdoor recreation Act) that is  
8 to implement Article VII, section 10, of the Constitution  
9 of the State of Iowa when the sales tax is increased. The  
10 bill increases the sales tax in division I. The Code chapter  
11 establishes the natural resources and outdoor recreation trust  
12 fund (trust fund) and associated accounts (renamed trust  
13 accounts) supported by a portion of state revenue generated  
14 by an increase in the state's sales tax. The purpose of  
15 the constitutional provision is to protect and enhance water  
16 quality and natural areas, including parks, trails, and fish  
17 and wildlife habitat, and conserve agricultural soils in this  
18 state.

19 ALLOCATIONS OF TRUST FUND MONEYS. The bill alters the  
20 percentage of moneys to be allocated from the trust fund  
21 (trust fund moneys) to its trust accounts, including the  
22 natural resources trust account administered by the department  
23 of natural resources (DNR), the soil conservation and water  
24 protection trust account (renamed the soil conservation and  
25 nonpoint source water protection trust account) administered  
26 by the department of agriculture and land stewardship (DALS),  
27 the watershed protection trust account administered by DNR  
28 in cooperation with DALS, the local conservation partnership  
29 trust account administered by DNR, the trails trust account  
30 (renamed the water and land trails trust account) administered  
31 by DOT in cooperation with DNR, and the lake restoration  
32 trust account (renamed the lake and stream restoration trust  
33 account) administered by DNR. It also reduces the allocations  
34 of trust fund moneys to the Iowa resources enhancement and  
35 protection (REAP) fund administered by DNR. It transfers

1 trust fund moneys allocated to the renamed soil conservation  
2 and nonpoint source water protection trust account and the  
3 watershed protection trust account to the water quality  
4 infrastructure fund used to support nonpoint water quality  
5 programs administered by DALSS; and to the water quality  
6 financial assistance fund administered by the Iowa finance  
7 authority (IFA) to support the wastewater and drinking water  
8 treatment financial assistance program (administered by IFA),  
9 the water quality financing program (administered by IFA), and  
10 the water quality urban infrastructure program (administered by  
11 DALSS). The bill revises provisions in the local conservation  
12 partnership trust account as a program to be administered  
13 by DNR. The bill provides that trust fund moneys may be  
14 transferred from the renamed soil conservation and nonpoint  
15 source water protection trust account to the water quality  
16 infrastructure fund and from the watershed protection trust  
17 account to the water quality financial assistance fund upon  
18 direction by the custodial department. The bill eliminates  
19 current funding sources, including the annual appropriation  
20 to the REAP fund from the general fund which is due to expire  
21 on June 30, 2026, and both a tax on the sales price on water  
22 service, which another division of the bill repeals, and the  
23 use of wagering tax receipts, which would otherwise expire on  
24 July 1, 2039.

25 ADMINISTRATION. The bill provides that the legislative  
26 council is to appoint a committee to review the trust fund and  
27 its allocations. The bill requires the economic development  
28 authority to be involved in decisions that use trust fund  
29 moneys to support initiatives with a recreational purpose. In  
30 making decisions to expend trust fund moneys, a higher priority  
31 is given to supporting an initiative that furthers a goal of  
32 the Iowa nutrient reduction strategy. A higher priority is  
33 provided to maintaining or preserving existing public use lands  
34 rather than acquiring new land. Several provisions place  
35 restrictions upon the use of trust fund moneys for support

1 relating to certain initiatives, including athletic fields or  
2 facilities. Trust fund moneys cannot be used to support an  
3 exercise of eminent domain powers.

4 REPEAL. Code chapter 461 is repealed December 31, 2051.

5 EFFECTIVE DATE. The division of the bill takes effect  
6 January 1, 2023.

7 DIVISION XXIV — CONTINGENT CODE EDITOR DIRECTIVE. The Code  
8 editor is directed to harmonize amendments to sections of the  
9 bill, if necessary, which are amended by two or more divisions  
10 of the bill, and to make other related changes, if necessary,  
11 to effectuate such changes.

DRAFT