

# **IOWA** **Department of REVENUE**

**2010**

**LEGISLATIVE SUMMARIES**

**EMPHASIZING TAX AND FINANCE ISSUES**

*July 2010*

## 2010 IOWA LEGISLATURE TAX RELATED ACTIONS

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# REGULATION OF KENNELS AND BREEDERS (PUPPY MILL BILL)

## Prior Law

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The license application for kennels, animal shelters, pounds, and animal dealers did not require applicants to provide a tax identification number.

## New Provisions

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House File 2280 amends Code section 162 and creates new Code section 162A to strengthen regulation of animal shelters, boarding kennels, animal dealers, pet shops, pounds, public animal auctions, and research facilities. Section 4 of the bill provides that applicants for a permit must provide their tax identification number

## Section Amended

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Section 4 of House file 2280 creates new section 162.2A.

## Effective Date

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July 1, 2010.

# TAX INFORMATION FOR MILITARY PERSONNEL

## Prior Law

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None

## New Provisions

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House File 2384 requires that the Department of Veterans Affairs work with the Department of Public Defense to provide tax information to service members prior to their deployment and return overseas. The purpose is to encourage service members who have not filed returns or who may owe taxes to contact the Department of Revenue.

## Section Amended

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Section 1 of House File 2384 amends section 35A.5, Code Supplement 2009, by adding new subsection 15A.

## Effective Date

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July 1, 2010.

# INHERITANCE TAX TREATMENT OF EMPLOYER PENSION PLANS

## Prior Law

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Section 450.4(5) provides that a lump sum or installment payment or any portion thereof that is received by a beneficiary from a decedent's employer-sponsored pension or retirement plan is exempt from Iowa inheritance tax to the extent it is includable as net income as defined in section 422.7

## New Provisions

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House File 2483 clarifies that the portion of a decedent's interest in an employer-provided or employer-sponsored retirement plan or individual retirement account that will be subject to federal income tax is exempt from the Iowa inheritance tax regardless of the identity of the beneficiary and the number of payments to be made after the decedent's death.

In addition, the terms "individual retirement account" and "employer-provided or employer-sponsored retirement plan" are defined in accordance with the Internal Revenue Code.

## Section Amended

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Section 1 of House File 2483 amends section 450.4, subsection 5, Code Supplement 2009.

## Effective Date

---

April 14, 2010.

**10 HF 2483**

FALSE CLAIM FOR TAX CREDIT (PENALTY)

Prior Law

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A person who made an erroneous application for refund was liable for any overpayment received plus interest at the rate in effect under section 421.7. In addition, a person who willfully made a false or frivolous application for refund with intent to evade tax was guilty of a fraudulent practice and was liable for a penalty equal to seventy-five percent of the refund claimed.

New Provisions

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The interest and penalty provisions apply to erroneous or fraudulent applications for refund but and also to erroneous or fraudulent applications for tax credit.

Section Amended

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Section 124 of House File 2531 amends section 421.27, subsection 6, Code 2009.

Effective Date

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July 1, 2010.



## INDIVIDUAL INCOME TAX CHECKOFFS

Prior Law

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No more than four individual income tax checkoffs are allowed on each tax return. When the same four checkoffs have been on the return for two consecutive years, the two checkoffs for which the least amount has been contributed, in the aggregate for the first year and through March 15 of the second year, are repealed. The same four checkoffs have been on the individual income tax return for 2008 and 2009. The Child Abuse Prevention Program Fund and the joint Veterans Trust Fund/Volunteer Fire Fighter Preparedness Fund checkoffs were scheduled to be repealed because these two checkoffs had the least amount donated.

New Provisions

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The Child Abuse Prevention Program Fund and the joint Veterans Trust Fund/Volunteer Fire Fighter Preparedness Fund checkoffs were reinstated. These two checkoffs, along with the Fish and Game Protection Fund and the Iowa State Fair Foundation checkoff, will be on the 2010 and 2011 individual income tax forms.

Sections Amended

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Section 159 of House File 2531 creates new section 422.12F related to the Child Abuse Prevention Program Fund checkoff. Section 160 creates new section 422.12G related to the joint Veterans Trust Fund/Volunteer Fire Fighter Preparedness Fund checkoff.

Effective Date

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Retroactive to January 1, 2010, for tax years beginning on or after that date.

## 10 HF 2531-B

# WAIVER OF PENALTY AND INTEREST FOR AMENDED RETURNS RELATED TO DISASTER- RELATED CASUALTY LOSSES

### Prior Law

---

The Emergency Economic Stabilization, Energy, Extenders and AMT Relief Act of 2008 passed by Congress in October 2008 provided for changes in the calculation of casualty losses allowed as an itemized deduction for federal income tax purposes. This provision, which was set forth in section 165(h) of the Internal Revenue Code, provided a full deduction for casualty losses for the 2008 tax year without the limitation for 10% of adjusted gross income and the \$100 per casualty floor.

Iowa's primary statutory reference to the Internal Revenue Code relating to the determination of income was amended through January 1, 2008, and therefore did not include the provisions of the Emergency Economic Stabilization, Energy, Extenders and AMT Relief Act of 2008. Therefore, the enhanced deduction for casualty losses was not allowed for Iowa income tax purposes.

### New Provisions

---

If taxpayers filed their 2008 Iowa individual income tax return and claimed the enhanced casualty loss deduction based on the expectation that Iowa would allow this provision, no penalty and interest will be charged if the taxpayer files an amended return and pays the additional tax due. In addition, if the taxpayer has already filed an amended return to pay additional Iowa tax due to the adjusted casualty loss deduction allowed, the department will refund any penalty and interest paid by the taxpayer.

### Section Amended

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Section 211 of House File 2531 is uncodified.

### Effective Date

---

Retroactive to January 1, 2008, for tax years beginning on or after that date and before January 1, 2009.

DECOUPLING WITH AMERICAN RECOVERY AND  
REINVESTMENT ACT OF 2009

Prior Law

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress in February 2009.

The primary statutory references to the Internal Revenue Code relating to the determination of income were amended through January 1, 2008, and therefore did not include the provisions of ARRA.

New Provisions

The primary reference in Iowa law to the Internal Revenue Code regarding the determination of income was **not** amended during the 2010 Legislative Session.

Section Amended

None.

Effective Date

Retroactive to January 1, 2009, for tax years beginning on or after that date.

## 10 HF 2531-D

# PROPERTY TAX CREDIT/RENT REIMBURSEMENT FUNDING

### Prior Law

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Section 425.1(1) provides an annual appropriation to reimburse counties for the homestead tax credits allowed.

Section 426.1 provides an annual appropriation to counties for agricultural land tax credits allowed. The first \$10,000,000 of that agricultural land appropriation is to be transferred to the family farm tax credit fund pursuant to section 425A.1 to reimburse counties for family farm tax credits allowed to qualified family farm owners.

Section 426A.1A provides an appropriation to reimburse counties for the state's portion of military service tax credits allowed to eligible military veterans.

Section 425.39 provides an appropriation to reimburse counties for property tax credits allowed to elderly and disabled homeowners and for rent reimbursements paid by the state to elderly and disabled renters.

### New Provisions

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The appropriations to fund these credits for the 2010-2011 fiscal year are:

- Homestead credit \$87,757,913
- Agricultural land & family farm credit \$32,395,131
- Military credit \$ 2,400,000
- Elderly & disabled credit/reimbursement \$23,400,000

### Section Amended

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Section 8 of House File 2531 lists the amount appropriated for each program, but will not be codified.

### Effective Date

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April 30, 2010.

INDIVIDUAL INCOME TAX EXCLUSION FOR  
CERTAIN AMOUNTS RECEIVED FROM THE IOWA  
VETERANS TRUST FUND

Prior Law

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None.

New Provisions

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An income exclusion is available for individual income tax for certain amounts received from the Iowa veterans trust fund. The exclusion includes the following items:

- Travel expenses directly related to follow-up medical care for wounded veterans and their spouses
- Unemployment assistance during a period of unemployment due to prolonged physical or mental illness or disability resulting from military service

Section Amended

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Section 1 of House File 2532 amends section 422.7, Code Supplement 2009, by adding new subsection 46A.

Effective Date

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Retroactive to January 1, 2010, for tax years beginning on or after that date.

## 10 HF 2532

# HIGH QUALITY JOBS PROGRAM

### Prior Law

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Businesses approved by the Department of Economic Development under the High Quality Jobs Program are eligible for various tax incentives. The amount and type of incentives vary depending on the number of new or retained jobs involved and the amount of capital investment.

For businesses with 31 or more new or retained jobs, no benefits were allowed under the High Quality Jobs Program unless the capital investment was \$10 million or more.

### New Provisions

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Tax incentives are now allowed for businesses with 31 or more new or retained jobs with less than a \$10 million capital investment. These incentives are as follows:

- Investment less than \$100,000 – 5% Investment tax credit
- Investment of \$100,000 - \$499,999 – 5% Investment tax credit and sales tax refund
- Investment of \$500,000 or more – 5% Investment tax credit, sales tax refund and additional research and development credit

### Section Amended

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Section 1 of Senate File 2076 amends section 15.335A, subsection 1, paragraph e, Code Supplement 2009.

### Effective Date

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February 23, 2010.

## USE TAX ON MANUFACTURED HOUSING

### Prior Law

Section 423.26 imposed use tax upon the use of vehicles subject only to the issuance of a certificate of title and also upon the use of manufactured housing. The tax was to be paid to the county treasurer or to the Department of Transportation by the owner of the vehicle or manufactured housing.

Owners of manufactured homes that were converted to real estate were often unable to qualify for refinancing when they were not provided with a certificate of title when they purchased their homes.

### New Provisions

Senate File 2199 removes manufactured housing from Section 423.26 and creates new section 423.26A. New section 423.26A requires that purchasers of manufactured housing pay the use tax to a manufactured home retailer licensed under Section 103A at the time of sale. The purchaser must also provide the retailer with all the information necessary to submit an application for title. The manufactured home retailer is required to remit the use tax to the county treasurer of the county in which the home is located and also to carry out the title application process upon the sale of new manufactured homes.

In addition, Senate File 2199 also creates new section 435.26B which allows for the creation of a record of title search if there is no record that a certificate of title has been issued or surrendered for a manufactured home that has been converted to real estate. The title search will allow current owners of manufactured homes on real property to have a title record created to show there is no title that will cloud the issue and prevent the new mortgage from being sold on the secondary market. The owner may also effectuate a surrender of certificate of title by filing an affidavit with the county recorder.

### Sections Amended

Section 5 of Senate File 2199 amends section 423.14, subsection 2, paragraph a. Section 6 amends section 423.15, subsection 1. Section 7 amends section 423.26, subsection 1, paragraph a. Section 8 creates new section 423.26A. Section 9 amends section 423.36, subsection 8, paragraph b, subparagraph (2). Section 10 amends section 423.42, subsection 2. Section 11 amends section 435.23. Section 12 amends section 435.25, subsections 1

and 5. Section 13 creates new section 435.26B. Section 14 amends section 435.28. All amendments are to the 2009 Code Supplement.

Effective Date

April 7, 2010.

**10 SF 2199**

NATURAL RESOURCES TRUST FUND  
(CONSTITUTIONAL AMENDMENT)

Prior Law

In 2008, the 82nd General Assembly passed Senate Joint Resolution 2002 and in 2009 the 83rd General Assembly passed House Joint Resolution 1 proposing an amendment to the Constitution of the State of Iowa to dedicate 3/8 of 1% from the tax imposed on certain retail sales of tangible personal property and services for the benefit of the state's natural resources. The resolution creates a natural resources and outdoor recreation trust fund. Moneys in the fund cannot be used for any purpose other than protecting and enhancing water quality and natural areas in Iowa including parks, trails, fish and wildlife habitat, and conserving agricultural soils in Iowa. No revenue is credited to the fund until the sales and use tax rate is increased. Whenever the sales tax is increased, the amount generated by the increase is credited to the fund.

New Provisions

The bill creates a new Code chapter referred to as the Natural Resources and Outdoor Recreation Act. The bill provides that its purpose is to implement the constitutional purposes of protecting and enhancing water quality and natural areas in Iowa including parks, trails, fish and wildlife habitat, and conserving agricultural soils in Iowa. The natural resources and outdoor recreation trust fund is administered by the Treasurer of State and provides for distributions to support various initiatives to be carried out by the Department of Natural Resources, the Department of Agriculture and Land Stewardship, and the Department of Transportation.

Section Amended

The bill creates a new Code chapter 461.

Effective Date

The bill is to be implemented on January 1, 2011, if the joint resolution proposing the amendment to the Constitution of the State of Iowa is ratified. If approved by a majority of



Iowa voters, the constitution of the state is amended effective as of the date of the general election.

If not approved by a majority of Iowa voters, SF 2310 is void as is new Code chapter 461.

**10 SF 2310**

## REPLACEMENT TAX FOR COGENERATION FACILITIES

### Prior Law

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Iowa Code chapter 437A imposes a replacement tax on electric companies, natural gas companies, electric cooperatives, and municipal utilities in lieu of property taxes. The replacement tax helps to level the competitive playing field by imposing like generation, transmission, and delivery taxes on similarly situated competitors who generate, transmit, or deliver electricity or natural gas in the same competitive service area. A “cogeneration facility” is currently defined to mean a facility with a capacity of 200 megawatts or less that uses the same energy source for the sequential generation of electrical or mechanical power in combination with steam, heat, or other forms of useful energy and, except for ownership, meets specified federal criteria.

### New Provisions

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Senate File 2373 adds a definition of “new cogeneration facility” that conforms to the existing definition but without a limitation on the generation capacity. The new definition is applicable to a facility first placed into service on or after January 1, 2009, or to a facility in service prior to January 1, 2009, that first became subject to the replacement generation tax on or after January 1, 2009.

Using the new definition, the legislation provides a procedure to allocate a new cogeneration facility’s assessed value between locally-assessed property and property that is subject to the replacement tax. The legislation allows the new cogeneration facility to take a property tax credit equal to the value of the portion of property subject to the replacement tax. Provisions relating to the determination of the natural gas delivery rate applicable to new electric power generating plants are modified to include a new cogeneration facility. Code section 437A.18 is also amended to apply the statewide property tax to the property of a new cogeneration facility.

In addition, Senate File 2373 does the following:

- Amends the definition of an “electric power generating plant” to state that a plant may be owned by or leased to "any other taxpayer" in addition to an electric company, electric cooperative or municipal utility;
- Provides a mechanism for refunding or crediting excess replacement taxes, penalties, and interest paid into the property tax relief fund established in Code section 426B.1 by a new electric power generating plant. The Director of Revenue has sole discretion regarding whether a refund will be paid or a credit granted;
- Extends the life of the utility replacement tax task force for an additional three years to continue studying the effects of the replacement tax on local taxing authorities, local taxing districts, consumers, and taxpayers. The committee is now authorized through January 1, 2013;
- Requires taxpayers to report to the director any gas or transmission property that has been acquired at a cost of more than \$1 million and disposed of in the preceding calendar year; and
- Provides that the calculations to determine and report the taxable value of property subject to the replacement tax use the current fiscal year’s consolidated taxing district rate rather than the prior fiscal year’s rate.

### Sections Amended

Sections 1 - 3 of Senate File 2373 amend section 437A.3, Code Supplement 2009. Section 4 amends section 437A.5, Code 2009; section 5 amends section 437A.8, subsection 4, paragraph d, Code 2009, by adding a new unnumbered paragraph; section 6 amends section 437A.15, subsection 7, paragraph b, Code Supplement 2009; section 7 adds new section 437A.16A; section 8 amends section 437A.18, Code 2009; section 9 amends section 437A.19, subsection 1, paragraph a, Code Supplement 2009, by adding a new subparagraph; section 10 amends section 437A.19, subsection 2, paragraph e, Code Supplement 2009; and section 11 provides an effective date and retroactive applicability for the legislation.

### Effective Date

April 23, 2010. Applies retroactively to tax years beginning on or after January 1, 2010.

## STREAMLINED SALES TAX: SELLER DEFINITIONS

### Prior Law

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A “Model 1 Seller” was defined as a seller using a Certified Service Provider (CSP) as its agent to perform all sales and use tax functions. A “Model 2 Seller” was defined as a seller using a certified automated system to perform part of its sales and use tax functions. A “Model 3 Seller” was defined as a seller having sales in at least five member states, with at least \$5 million in annual sales revenue, and that uses a proprietary system to calculate the amount of tax due in each jurisdiction. A “Model 4 Seller” was not defined.

### New Provisions

---

The term “registered under the agreement” is added to the definitions of Model 1, 2, and 3 Sellers. A “Model 4 Seller” is now defined as a seller registered under the Streamlined Sales Tax Agreement that is not a Model 1, 2, or 3 Seller.

### Sections Amended

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Section 3 of Senate File 2375 amends section 423.1, subsections 27, 28, and 29, Code 2009. Section 4 amends section 423.1, Code 2009, by adding new subsection 29A.

### Effective Date

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April 21, 2010.

**10 SF 2375-A**

STREAMLINED SALES TAX: DEFINITION OF SALES  
PRICE

Prior Law

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The definition of “sales price” included a reference to exempt personal property bundled together and sold as a single product or price.

New Provisions

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Reference to exempt personal property bundled together and sold as a single product or price is removed from the definition of “sales price.”

Sections Amended

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Section 5 of Senate File 2375 amends section 423.31, subsection 47, paragraph (a), subparagraph (6), Code 2009, by striking the subparagraph. Section 6 amends section 423.31, subsection 47, paragraph (c).

Effective Date

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April 21, 2010.

STREAMLINED SALES TAX:  
TELECOMMUNICATIONS AND OPTIONAL  
COMPUTER SOFTWARE MAINTENANCE  
CONTRACTS

Prior Law

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Prepaid telephone calling cards and prepaid authorization numbers were terms used to identify certain telecommunications services.

Sales of optional computer service or warranty contracts for computer software maintenance or support services were not specifically identified in the Code.

New Provisions

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Historic telecommunications terms have been replaced with prepaid calling services and prepaid wireless calling services.

Sales of optional computer service or warranty contracts for computer software maintenance or support services are now specifically identified in the Code.

Section Amended

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Section 8 of Senate File 2375 amends section 423.2, subsection 1, paragraph a, Code 2009.

Effective Date

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April 21, 2010.

**10 SF 2375-C**

STREAMLINED SALES TAX: NOTICE OF RATE AND  
BASE CHANGES

Prior Law

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Section 423.46 required the Department to make a reasonable effort to provide sellers with as much advance notice as practicable of a rate change or of legislative changes to the tax base. In practice, the Department provided at least 30 days advance notice. The Code also stated that the failure of a seller to receive the notice or the failure of the state to provide the notice did not relieve a seller of its obligation to collect sales and use taxes for the state.

New Provisions

---

Section 423.46 now affirmatively requires the Department to provide sellers at least 30 days notice between the enactment of legislation requiring a rate change and the effective date of the change. In addition, sellers are now relieved of the obligation to collect tax at the new rate under certain limited circumstances, including the Department's failure to provide the prescribed notice.

Section Amended

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Section 11 of Senate File 2375 amends section 423.46, Code 2009.

Effective Date

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April 21, 2010.

## STREAMLINED SALES & USE TAX: SELLERS' RESPONSIBILITIES AND RIGHTS

### Prior Law

---

The Department is required to provide sellers registered under the Streamlined Sales Tax Agreement with information about registration, filing of returns, and remittance of funds.

### New Provisions

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Code section 423.48 is amended to:

- Require the Department to provide information to sellers upon registration about available filing options, including use of the Simplified Electronic Return (SER);
- Allow a Model 2, Model 3 or Model 4 seller, with no sales sourced to Iowa in the preceding twelve months, to elect to be registered in Iowa as a seller which anticipates making no sales; and
- Clarify that the provisions of section 423.48 do not relieve sellers of their responsibility to:
  - register in the state if they are required to do so;
  - collect and remit sales and use taxes for at least thirty-six months; and
  - to meet any other requirements necessary to qualify for the amnesty provided in section 423.54.

### Sections Amended

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Section 12 of Senate File 2375 amends section 423.48, subsection 2, Code 2009, by adding new paragraph h. Section 13 amends section 423.48, subsection 3, by adding new paragraph d. Section 14 amends section 423.48, by adding new subsection 4.

### Effective Date

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April 21, 2010.

## **10 SF 2375-E**

### STREAMLINED SALES TAX: RETURN FILING REQUIREMENTS

#### Prior Law

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All Model 1, 2, and 3 sellers were required to file only one return per month. The due date could be determined by the Director, but in no case could it be sooner than the twentieth of the following month. The Director could also request Model 1, 2 and 3 sellers to file informational returns every six months. All other sellers had to file a return within twelve months of their initial registration or by the twentieth of the month after accumulating \$1,000 in total state and local taxes. The format of the returns was determined by the Department.

#### New Provisions

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Code section 423.49 creates new filing requirements as detailed below. Having these provisions in the Iowa Code is required for future compliance with the Agreement.

- All sellers have the option to file a return using the Simplified Electronic Return (SER).
- The SER and its fields must be approved by the Governing Board.
- The SER must include a part for information on any exemptions being claimed, but the Department must notify the Governing Board if, at any time, the exemption information is no longer needed on the SER.
- The Department may require Model 4 sellers to submit the exemption information either monthly or yearly.
- The amendment also removes the requirement for an informational return and the \$1,000 limit before requiring remote sellers to file returns.
- Certified Service Providers (CSPs) may file the SER for Model 1 sellers and must also file the required audit reports.



- Sellers who elect to file using the SER must give 3 months' notice prior to discontinuing the use of the SER.
- Sellers registered as not anticipating any Iowa sales do not have to file a return as long as they do not make any taxable sales into Iowa.
- Sellers may file simultaneous returns for more than one legal entity if the legal entities are affiliates.

Section Amended

Section 15 of Senate File 2375 amends section 423.49, Code 2009.

Effective Date

April 21, 2010.

**10 SF 2375-F**

STREAMLINED SALES TAX: SINGLE ELECTRONIC  
REMITTANCE FOR BULK PAYMENTS AND RETURNS

Prior Law

Sellers were required to remit only one payment of tax with each return filed. Sellers collecting more than \$30,000 in sales and use taxes during the preceding calendar year were required to make more frequent remittances as specified by Department rule.

New Provisions

To facilitate bulk processing, the Department must develop a standardized process for remittances that has the capability to accept and process multiple payments and SERs not only from affiliated entities, but also from Certified Service Providers (CSPs) and tax preparers. The Department's process is subject to the approval of the Governing Board.

Having this language in the Iowa Code helps ensure future compliance with the Agreement.

Section Amended

Section 16 of Senate File 2375 amends section 423.50, Code 2009, by adding new subsection 5.

Effective Date

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April 21, 2010.

**10 SF 2375-G**

LEGISLATIVE TAX EXPENDITURE COMMITTEE

Prior Law

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None.

New Provisions

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Senate File 2380 creates a legislative Tax Expenditure Committee. The Committee will consist of ten members of the General Assembly; five from the Iowa House of Representatives and five from the Iowa Senate. Three members from each body will be from the majority party, and two members from each body will be from the minority party.

The Committee will have the following duties:

- To evaluate any tax expenditures available under Iowa law; including tax credits, exemptions, deductions, rebates, and sales tax refunds; to assess their equity, simplicity, public purpose and extent of conformance with the original purposes of the enacting legislation.
- To establish and maintain a system for making public information available about the amount and effectiveness of these tax expenditures.
- To conduct a review of all tax expenditures, but primarily tax credits, over a five year period from 2011-2015, and to schedule reviews for these credits every five years thereafter.
- To report the results of the tax expenditure review, including return on investment calculations for each expenditure, to the Legislative Council.
- To estimate the cost of each tax expenditure for each fiscal year, as well as the total

costs of all tax expenditures and to provide these to the Governor and the General Assembly by December 15 of each year.

### Sections Amended

Section 2 of Senate File 2380 amends section 2.45, Code Supplement 2009, by adding new subsection 5. Section 3 adds new section 2.48.

### Effective Date

July 1, 2010.

**10 SF 2380-A**

## CAP ON TAX CREDITS AWARDED BY IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

### Prior Law

Tax credits awarded by the Iowa Department of Economic Development are currently capped at \$185 million per state fiscal year. The tax credits awarded by the Department of Economic Development include the following:

- High Quality Jobs Program
- Enterprise Zone Program
- Eligible Housing Enterprise Zone Program
- Quality Jobs Enterprise Zone Program
- Assistive Device Credit Program for Corporations
- Film, Television and Video Project Program

### New Provisions

The cap for credits awarded by the Department of Economic Development has been adjusted to \$120 million per state fiscal year. The Department of Economic Development may award more than \$120 million of tax credits in a particular fiscal year, but the amount in excess of \$120 million will be counted against the total amount of tax credits issued in the subsequent fiscal year.

### Section Amended

Section 4 of Senate File 2380 amends section 15.119, subsection 1, Code Supplement 2009.

Effective Date

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July 1, 2010, for tax credits awarded on or after that date.

**10 SF 2380-B**

**SUSPENSION OF FILM TAX CREDIT REGISTRATIONS**

Prior Law

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A qualified expenditure tax credit and an investment tax credit were available for qualified film, television and video projects registered with the film office of the Department of Economic Development.

Registration of new film, television and video projects had previously been suspended through June 30, 2010.

New Provisions

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No new film, television and video projects can be registered by the film office of the Department of Economic Development until July 1, 2013.

Section Amended

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Section 5 of Senate File 2380 amends section 15.393, Code Supplement 2009, by adding new subsection 5.

Effective Date

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April 15, 2010.

**10 SF 2380-C**

SUPPLEMENTAL RESEARCH ACTIVITIES CREDIT

Prior Law

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Eligible businesses approved under the High Quality Jobs Program or the Enterprise Zone Program administered by the Department of Economic Development were entitled to a supplemental research activities credit.

For businesses claiming the regular research activities credit, the supplemental credit was the sum of:

- 6.5% of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities; and
- 6.5% of the basic research payments during the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities.

An alternate incremental research activities credit was also available. For businesses claiming the alternate incremental research activities credit, the supplemental credit percentages were 1.65%, 2.2% and 2.75% of qualified research expenses incurred in Iowa as described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code.

New Provisions

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The supplemental research activities credit percentages have been changed based upon the gross revenues of the eligible business. The percentages are as follows:

Regular Credit – gross revenues of \$20 million or less

The supplemental credit is the sum of:

- 10% of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities; and
- 10% of the basic research payments during the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities.

Regular Credit – gross revenues exceeding \$20 million

The supplemental credit is the sum of:

- 3% of the excess of qualified research expenses during the tax year over the base amount for the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities; and
- 3% of the basic research payments during the tax year based upon Iowa's apportioned share of the qualifying expenditures for increasing research activities.

Alternate Incremental Credit – gross revenues of \$20 million or less

The supplemental credit percentages are 2.54%, 3.38% and 4.23% of the qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code that are incurred in Iowa.

Alternate Incremental Credit – gross revenues exceeding \$20 million

The supplemental credit percentages are 0.76%, 1.02% and 1.27% of the qualified research expenses described in clauses (i), (ii), and (iii) of section 41(c)(4)(A) of the Internal Revenue Code that are incurred in Iowa.

Section Amended

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Section 7 of Senate File 2380 amends section 15.335, Code Supplement 2009.

Effective Date

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July 1, 2010, for tax credits awarded on or after that date.

**10 SF 2380-D**

## ACCELERATED CAREER EDUCATION WITHHOLDING CREDITS

### Prior Law

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The Accelerated Career Education Program is a training program administered by the Iowa Department of Economic Development. Employers enter into agreements with Iowa community colleges. Under the agreement, the community colleges provide technical training to the employer's employees in highly skilled jobs. The training is financed by credits from the withholding tax for the employees. Instead of remitting all of the Iowa withholding tax to the Department of Revenue, the employer sends a portion of the withholding tax to the community college to reimburse their costs for providing the training.

The total amount of withholding job credits related to the Accelerated Career Education Program cannot exceed \$6 million for a state fiscal year.

### New Provisions

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The total amount of withholding job credits related to the Accelerated Career Education Program cannot exceed \$5.4 million starting with the fiscal year beginning July 1, 2010.

### Section Amended

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Section 9 of Senate File 2380 amends section 260G.4B, subsection 1, Code 2009.

## Effective Date

July 1, 2010, for fiscal years beginning on or after that date.

### **10 SF 2380-E**

## REPEAL OF ECONOMIC DEVELOPMENT REGION REVOLVING FUND TAX CREDIT

### Prior Law

Economic Development Regions approved by the Department of Economic Development could establish an Economic Development Region Revolving Fund. Non-governmental entities could contribute to the fund and receive a tax credit equal to 20% of the contribution made. The Department of Economic Development was responsible for administering and authorizing these tax credits. The credit was capped at \$2 million per state fiscal year and was available for individual income, corporation income, franchise, insurance premium and money and credits tax.

### New Provisions

The Economic Development Region Revolving Fund tax credit is repealed.

### Sections Amended

Section 10 of Senate File 2380 amends section 15E.231, subsection 2, Code Supplement 2009, by striking the subsection. Section 11 amends section 15E.232, subsections 1 and 2, Code 2009, by striking the subsections. Section 12 amends section 422.33, subsection 17, Code Supplement 2009, by striking the subsection. Section 13 amends section 422.60,



subsection 9, Code Supplement 2009, by striking the subsection. Section 14 amends subsection 533.329, subsection 2, paragraph k, Code Supplement 2009, by striking the paragraph. Section 15 repeals sections 422.11K and 432.12F, Code 2009.

#### Effective Date

Retroactive to January 1, 2010, for tax years beginning on or after that date.

**10 SF 2380-F**

## ENDOW IOWA TAX CREDIT CHANGES

#### Prior Law

An Endow Iowa tax credit administered by the Department of Economic Development is available for the individual income, corporation income, franchise, insurance premium and money and credits taxes. The credit is equal to 20% of a taxpayer's endowment gift to a qualified community foundation. The total amount of tax credits authorized in a calendar year could not exceed \$3 million plus a percentage of gaming revenues.

#### New Provisions

The total amount of Endow Iowa tax credits authorized in a calendar year has been changed to no more than \$2.7 million plus a percentage of gaming revenues.

#### Section Amended

Section 17 of Senate File 2380 amends section 15E.305, subsection 2, unnumbered paragraph 1, Code Supplement 2009.

#### Effective Date

Retroactive to January 1, 2010, for Endow Iowa tax credits authorized on or after that date.

**10 SF 2380-G**

CONTINGENT TAX CREDITS – IOWA FUND OF FUNDS

Prior Law

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Taxpayers may earn a contingent tax credit for investments made to the Iowa Fund of Funds. The tax credit is only allowed if the actual rate of return on the Fund investments does not meet the rate of return guaranteed to investors. The Iowa Fund of Funds makes investments in venture capital funds that make a commitment to consider investing in businesses located in Iowa. The contingent tax credits are capped at \$100 million in the aggregate and cannot be claimed until at least 5 years after the investment is made. If any tax credits are redeemed due to the Fund rate of return not being met, only \$20 million of credits can be claimed in one year. The contingent tax credits are issued by the Iowa Capital Investment Board.

New Provisions

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The total amount of contingent tax credits that may be issued by the Iowa Capital Investment Board is capped at \$60 million in the aggregate.

Section Amended

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Section 20 of Senate File 2380 amends section 15E.66, subsections 1 and 7, Code 2009.

## Effective Date

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April 15, 2010.

**10 SF 2380-H**

## CREDIT FOR INVESTMENTS IN VENTURE CAPITAL FUNDS

### Prior Law

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Taxpayers making an equity investment in a venture capital fund approved by the Iowa Capital Investment Board are eligible to receive a tax credit for 6% of the investment made. The tax credit cannot be claimed until 3 years after the investment is made. The credits are capped in the aggregate at \$5 million. Any credit in excess of the tax liability is not refundable but can be carried forward for the following 5 years. The credit is available for the individual income, corporation income, franchise, insurance premium and moneys and credits taxes.

### New Provisions

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The tax credit for equity investments in a venture capital fund has been repealed.

### Sections Amended

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Section 22 of Senate File 2380 amends section 422.33, subsection 13, Code Supplement 2009, by striking the subsection. Section 23 amends section 422.60, subsection 6, Code Supplement 2009, by striking the subsection. Section 24 amends section 533.329,

subsection 2, paragraph i, Code Supplement 2009, by striking the paragraph. Section 25 repeals sections 15E.51, 422.11G and 432.12B, Code 2009.

### Effective Date

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July 1, 2010, for investments made after that date. Any investments made on or before July 1, 2010 are valid for the subsequent tax years noted on the tax credit certificates.

### **10 SF 2380-I**

## REPEAL VALUE-ADDED AG/BIOTECHNOLOGY INVENSTMENT TAX CREDIT

### Prior Law

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Businesses approved by the Iowa Department of Economic Development under the New Jobs and Income Program, Enterprise Zone Program, New Capital Investment Program, High Quality Jobs Creation Program or the High Quality Jobs Program are eligible to receive an investment tax credit equal to a percentage ranging from 1% to 10% of the cost of machinery and equipment and improvements to real property. Any credit in excess of the tax liability is not refundable but can be carried forward for the following 5 years.

However, for businesses involved in value-added agricultural projects or biotechnology-related processes, any unused investment tax credit was eligible for a refund. The refund was capped at \$4 million for a fiscal year and could not be claimed until the year following completion of the project. Eligible businesses applied to the Department of Economic Development for the refund and tax credit certificates were issued by the Department of Economic Development. The tax credit certificates were then attached to the income tax returns filed by the eligible businesses for the refunds to be processed.

## New Provisions

The refundable investment tax credit for projects involving value-added agricultural products or biotechnology-related processes has been repealed.

## Section Amended

Section 27 of Senate File 2380 amends section 15.333, subsection 3, Code Supplement 2009, by striking the subsection.

## Effective Date

April 15, 2010. No refundable investment tax credits will be issued for the fiscal year ending June 30, 2010.

**10 SF 2380-J**

HISTORIC PRESERVATION AND CULTURAL AND  
ENTERTAINMENT DISTRICT TAX CREDIT  
CHANGES

## Prior Law

A Historic Preservation and Cultural and Entertainment District Tax Credit is available for the individual income, corporation income, franchise, and insurance premium taxes. The credit is equal to 25% of the qualified costs of rehabilitation of eligible property. The credit is administered by the State Historic Preservation Office of the Iowa Department of Cultural Affairs. Tax credit certificates are issued by the Department of Cultural Affairs. The credit is transferable to any person or entity and the replacement certificate is issued by the Department of Revenue.

The amount of credits awarded is limited to \$50 million for the fiscal year ending June 30, 2010, and subsequent fiscal years.

## New Provisions

The amount of Historic Preservation and Cultural and Entertainment District Tax Credits awarded is limited to \$45 million starting with fiscal years beginning on or after July 1, 2012.

### Sections Amended

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Section 29 of Senate File 2380 amends section 404A.4, subsection 2, Code Supplement 2009. Section 30 amends section 404A.4, subsection 4, paragraph a, Code Supplement 2009.

### Effective Date

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July 1, 2012, for fiscal years beginning on or after that date.

## **10 SF 2380-K**

### CONTINGENT REINSTATEMENT OF ESTATE TAX

### Prior Law

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In 2001, Congress enacted the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) which phased out in 25% increments the federal estate tax credit for state “death taxes” between 2002 and 2005. The Iowa estate tax was equal to the credit received on the federal estate tax return. This was called a “pick-up tax.” When the federal estate tax credit ceased to exist in 2005, the Iowa estate tax also ceased to exist. However, until 2008, Iowa’s estate tax still existed in the Code, Chapter 451. On December 31, 2010, EGTRRA will sunset and the federal estate tax will revert to the top rate in place in 2001.

### New Provisions

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Senate File 2380 reenacts the Iowa estate tax in Chapter 451 including the base and amount calculations specified in the Internal Revenue Code. The Code chapter will not be implemented unless the federal estate tax reverts to the 2001 structure.

Section Amended

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Section 31 of Senate File 2380 creates new chapter 451 by reenacting the estate tax if the federal tax credits are reenacted as well.

Effective Date

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Undetermined at this time.

**10 SF 2380-L**

STATE DEBT COLLECTION

Prior Law

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Court debt was given next to last priority in the order of offsets from income tax refunds and state vendor payments.

County Treasurers cannot accept payment for tax debt to satisfy vehicle registration. The tax debt had to be satisfied with the Department of Revenue before the Treasurer could release the registration.

County Attorneys set up payment plans with individuals owing court debt. A County Treasurer could release vehicle registration for individuals who had set up payment plans with the County Attorney.

The Director of Revenue has general authority to sign subpoenas issued by the Department.

Settlement of court debt was largely handled by County Attorneys according to guidelines they had established. Any County Attorney could collect debt.

The judicial branch had the option to place court debt with the Centralized Collections Unit (CCU), but it did not have to. If debt was placed with the CCU, it only had to remain with CCU for 60 days.

County Treasurers cannot collect court debt.

## New Provisions

In order to improve the efficiency and effectiveness of the State's debt collection activities, the following changes have been made in Senate File 2383:

- Court debt has been moved up to third priority on the order of offset list described in Code section 8A.504. Only child support recovery and foster care recovery have a higher priority.
- County Treasurers now have the authority to collect the full amount of any tax debt from a taxpayer whose vehicle registration has been blocked due to outstanding tax liability. The County Treasurer will collect the full amount of tax due and remit that amount to the Department of Revenue.
- The CCU of the Department of Revenue is now able to establish payment plans with individuals owing court debt for the purpose of releasing a vehicle registration suspension of such individuals.
- The Department of Revenue can subpoena the records of public and private utility companies for the purpose of performing a data match to identify obligor telephone numbers and addresses.
- Any county in which court debt collections fall below \$25,000 annually will no longer be eligible to participate in the County Attorney Debt Settlement Program.
- The Judicial Branch must refer most delinquent court debt to the CCU for a period of 1 year. The CCU only has 60 days to collect the court debt if the applicable County Attorney is participating in the County Attorney Debt Settlement Program and the CCU has not entered into a payment agreement with the debtor. After 60 days, the debt will revert to the County Attorney. After one year, debt placed with CCU that has not been assigned to a County Attorney or has not been set up under a repayment agreement will be referred by the Judicial Branch to a private collection agency.
- The Department of Transportation will work to ensure that County Treasurers may begin collecting court debt beginning July 1, 2011.

## Sections Amended

Section 1 of Senate File 2383 amends section 8A.504(3), Code 2009. Section 2 amends section 321.40(6), Code Supplement 2009; Section 3 amends section 321.40(9), Code Supplement 2009; Section 4 amends section 321.152, Code 2009; Section 5 amends section 321.153, Code 2009; Section 6 creates new section 364.22B; Section 7 amends section



421.17(27), Code 2009; Section 8 amends section 421.17, Code 2009, by adding new subsection 31; Sections 9 through 13 establish new sections 421C.1 through 421C.4; Section 15 amends section 422.72(3)(a), Code 2009; Sections 16 through 21 amend section 602.8107, Code Supplement 2009; Section 22 amends section 909.3, Code 2009.

### Effective Date

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Section 1, order of offset priority, is effective July 1, 2010.  
Sections 2 through 5 and 7, County Treasurer collections, are effective January 1, 2011.  
Section 6, city judgment debt collections, is effective July 1, 2010.  
Section 8, utility company subpoenas, is effective January 1, 2011.  
Sections 16 through 22 are effective July 1, 2010.

**10 SF 2383-A**

## STATE DEBT COORDINATOR

### Prior Law

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Various branches of state government collect debt for state agencies. There is no overall coordinator of all the debt.

The state did not have a right to place a lien against monetary claims made by obligors against third parties.

The State's collection efforts do not include a data match program with financial institutions for anything other than child support debt.

## New Provisions

A State Debt Coordinator position is established and housed within the Department of Revenue for budgetary and administrative purposes. The State Debt Coordinator will be a Governor appointee with a 4 year term. The State Debt Coordinator must possess expert skills and knowledge in the field of debt collection as well as have an intricate understanding of the workings of state government. The Coordinator's duties will include:

- To develop and recommend legislative proposals related to state debt collection;
- To review the debt collection practices of each branch of state government (with the exception of Child Support Recovery which is subject to federal law);
- To coordinate the collection efforts of each branch of state government;
- To file liens against all monetary claims state debtors may have against third parties;
- To establish and coordinate a state Court Debt Settlement Program including negotiating settlements. County Attorneys and the CCU may be authorized to settle court debt obligations under the program; and
- To manage and review applications and records for the County Attorney Debt Settlement Program.

In addition, the Office of the State Debt Coordinator will provide a Court Debt Amnesty Program beginning September 1, 2010 and ending November 30, 2010. The Department of Revenue will assist in the administration of the program.

The State Debt Coordinator will work with the Superintendent of Banking and the Superintendent of Credit Unions to study the feasibility of a financial institution data match system. The State Debt Coordinator will present a report on the group's findings to the State Legislature by January 14, 2011.

The Office of the State Debt Coordinator and the Debt Settlement Program (Chapter 421C) are scheduled to be repealed January 1, 2014, to allow for review.

## Sections Amended

Sections 9 through 13 establish new sections 421C.1 through 421C.4; Section 15 amends section 422.72(3)(a), Code 2009; Sections 16 through 21 amend section 602.8107, Code Supplement 2009; Section 22 amends section 909.3, Code 2009; Section 23, establishing the Court Debt Amnesty Program will not be codified; Section 24 will not be codified; Section 25 regarding the financial institution data match will not be codified.

## Effective Date

Section 9, State Debt Coordinator, and Section 23, Court Debt Amnesty, are effective April 21, 2010.

Section 10, third party liens, is effective July 1, 2010.

Section 11, debt settlement program, and section 12, debt settlement collection by designees, is effective January 1, 2011.

**10 SF 2383-B**

## SALES TAX EXEMPTION FOR BLOOD TESTING FACILITIES

### Prior Law

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Sales tax exemptions exist for the Red Cross (423.3(18)) and for a nonprofit organ procurement center (423.3(26)). No exemption existed for a blood bank or blood testing facility.

### New Provisions

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Senate File 2387 provides a sales tax exemption for a regional blood testing facility on the purchase of reagents and related testing equipment. The exemption only becomes effective if the regional blood testing facility is built in Iowa on or before January 1, 2011.

### Sections Amended

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Senate File 2387 amends section 423.3, Code Supplement 2009, by adding new subsection 26A.

### Effective Date

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July 1, 2010, contingent upon a January 1, 2010, facility production date.

## **10 SF 2387**

## SMALL BUSINESS ASSISTANCE STUDY

### Prior Law

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None.

### New Provisions

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The Legislative Council will establish an interim study committee to examine and make recommendations for ways to help small businesses that do not require direct financial assistance. The committee will also identify potential legislative changes that could improve

business licensing, regulatory compliance, and tax collection procedures. The study committee will consist of 5 members of the House of Representatives, 5 members of the Senate, and 5 members of the general public who are also small business owners. The study committee will work with the following state agencies to study ways to improve the state's business licensing procedures: Department of Economic Development, Department of Inspections and Appeals, the Insurance Division of the Department of Commerce, Department of Natural Resources, the Professional Licensing and Regulation Bureau of the Banking Division of the Department of Commerce, Department of Public Health, Department of Public Safety, Department of Revenue, Secretary of State, and Department of Workforce Development.

In preparation to assist the interim study committee, the state agencies listed above must conduct an internal review to identify and prioritize their business and business licensing procedures. The state agencies shall provide all necessary assistance to the interim study committee in making recommendations to the General Assembly.

The interim study committee shall submit its recommendations to the General Assembly on or before January 14, 2011.

#### Section Amended

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Section 40 of Senate File 2389 establishes the small business interim study committee.

#### Effective Date

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July 1, 2010.

**10 SF 2389**