

IOWA **Department of REVENUE**

2011

LEGISLATIVE SUMMARIES

EMPHASIZING TAX AND FINANCE ISSUES

September 2011

2011 IOWA LEGISLATURE TAX RELATED ACTIONS

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TAXPAYER TRANSPARENCY ACT & TAXATION DISCLOSURE ACT

Prior Law

Sections 422.20 and 422.72 of the Iowa Code require that a tax return, return information or investigative or audit information shall not be divulged to any person or entity, other than the taxpayer, the department, or internal revenue service for use in a matter unrelated to tax administration, unless otherwise expressly permitted by section 8A.504, section 96.11, subsection 6, section 421.17, subsections 22, 23 and 26, subsection 27, paragraph “k”, and subsection 31, section 252B.0, section 321.40, subsection 6, sections 321.120, 421.19, 421.28, 422.72, and 452A.63.

New Provisions

New section 8G.12 calls for the creation of a searchable database of all tax rates in the state for each taxing jurisdiction. The database must be made publicly available on an internet site by January 1, 2012. The information will include all applicable tax types imposed in the taxing jurisdiction and will also have a geographical tax rate map of the state that will be specific to each taxing jurisdiction. However, the database will not divulge any confidential tax return, return information, or investigative or audit information.

New section 8G.4 requires the creation of a database internet site for searching, accessing and processing data on the most recent state budget. The internet site must be developed and made publicly available by January 1, 2013. The internet database will also contain the following:

- aggregate information on tax exemptions or credits awarded for individual income, corporate income, franchise and insurance premiums tax;
- the estimated cost to the state of the twenty largest dollar amount sales tax exemptions; and
- the entities or the recipients of the awarded tax credits or exemptions shall be made available. All remaining confidentiality provisions will be enforced.

New section 8G.5, subsection 1, calls for the internet site authorized under 8G.4 to be updated regularly as new data and information become available, at least annually within 60 days following the close of the state fiscal year.

Section 8G.5, subsection 2 requires that data from previous budgets will be added to the internet site created under 8G.4 by January 1, 2014. All data added to the internet site will remain accessible to the public for a minimum of ten years.

Sections Amended

Section 39 of House File 45 amends section 8.6, Code 2011, by adding new subsection 9A, which provides authority to develop and make the searchable budget database and internet site under chapter 8G. Section 40 of House File 45 amends section 8A.502, subsection 9, Code 2011 by striking the subsection. Sections 41 to 50 of the bill create new code chapter 8G. All of these amendments are to the 2011 Code. Section 51 of House File 45 amends section 422.20, subsection 3, paragraph a, Code 2011, by adding a reference to new section 8G.4. Section 52 of House File 45 amends section 422.72, subsection 3, paragraph a, Code 2011, by adding a reference to new section 8G.4.

Effective Date

March 7, 2011

INCOME TAX EXEMPTION FOR ACTIVE DUTY MILITARY SERVICE

Prior Law

Iowa residents who were serving on active duty in the military were subject to Iowa individual income tax on their military pay. Iowa residents in the military who served in combat zones or in hazardous duty areas were exempt from Iowa individual income tax on their military pay since they were also exempt from federal income tax on their combat pay or hazardous duty pay.

New Provisions

All pay received from the federal government for military services performed by members in an active duty status of the regular armed forces (Army, Navy, Marines, Air Force and Coast Guard), armed forces military reserves, and national guard is exempt from Iowa individual income tax to the extent that the military pay was included for federal income tax purposes.

Section Amended

Section 2 of House File 652 amends section 422.7, Code 2011, by adding new subsection 42A.

Effective Date

Retroactive to January 1, 2011, for tax years beginning on or after that date.

11 HF 652-A

INCOME TAX EXEMPTION FOR MILITARY SERVICE RELATED TO OPERATION NEW DAWN

Prior Law

An exemption from Iowa individual income tax for military active duty pay was available for members of the armed forces reserves and national guard related to service in Operations Iraqi Freedom, Enduring Freedom and Noble Eagle for service performed on or after January 1, 2003.

New Provisions

An exemption from Iowa individual income tax is now also available for military active duty pay for members of the armed forces reserves and National Guard related to service in Operation New Dawn. This is available for service performed on or after January 1, 2010.

Section Amended

Section 1 of House File 652 amends section 422.7, subsection 40, Code 2011.

Effective Date

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

11 HF 652-B

WIND ENERGY PRODUCTION TAX CREDIT CHANGES

Prior Law

A wind energy production tax credit was available for electrical production facilities that produce electricity from wind. The facility must have been placed in service on or after July 1, 2005, but before July 1, 2012. The facility must be approved by the Iowa Utilities Board. The credit is equal to 1 cent multiplied by the number of kilowatt-hours of electricity either sold or used for on-site consumption. The maximum amount of nameplate generating capacity of all qualified facilities cannot exceed 100 megawatts of nameplate generating capacity.

New Provisions

The maximum amount of nameplate generating capacity of all qualified facilities eligible for the wind energy production tax credit is reduced to not exceed 50 megawatts of nameplate generating capacity.

Section Amended

Section 2 of House File 672 amends section 476B.5, subsection 4, Code 2011.

Effective Date

Upon enactment, which was May 26, 2011.

11 HF 672-A

RENEWABLE ENERGY TAX CREDIT CHANGES

Prior Law

Producers or purchasers of renewable energy are eligible for a renewable energy tax credit. This includes wind energy conversion facilities, solar energy conversion facilities, methane gas recovery facilities, refuse conversion facilities, biogas recovery facilities or biomass conversion facilities. The facility must have been placed in service on or after July 1, 2005, but before January 1, 2012. The facility must be approved by the Iowa Utilities Board. The credit is equal to 1.5 cents multiplied by the number of kilowatt-hours of wind energy sold or purchased; \$4.50 per million BTUs of heat, refuse derived fuel, methane gas, or other biogas; or \$1.44 per 1,000 standard cubic feet of hydrogen fuel. The maximum amount of nameplate generating capacity of all facilities cannot exceed 330 megawatts of nameplate generating capacity for wind, and cannot exceed the combined output of 20 megawatts of capacity and 167 BTUs of heat related to other facilities. The facility must be operational within 30 months after approval by the Iowa Utilities Board.

New Provisions

The maximum amount of nameplate generating capacity for wind facilities eligible for the wind energy production tax credit is increased to 363 megawatts of nameplate generating capacity. The maximum amount of nameplate generating capacity of all other facilities cannot exceed the combined output of 53 megawatts of capacity and 167 BTUs of heat related to other facilities, of which 10 megawatts must be reserved for a facility incorporated within or associated with an ethanol cogeneration plant. The facility must be placed in service before January 1, 2015 to remain eligible for the tax credit.

Also, the credit can now be allowed for on-site consumption of energy for facilities approved on or after July 1, 2011, provided the facility is capable of producing not less than $\frac{3}{4}$ megawatts of nameplate generating capacity. In addition, facilities other than wind energy facilities must have a nameplate capacity of no more than 60 megawatts for facilities approved on or after July 1, 2011. Of this additional 60 megawatts, no more than 10 megawatts can be allocated to any one facility. The 30-month operational timeline can be extended for 12-month periods of time by the Utilities Board if notification is given to the Board.

Section Amended

Section 3 of House File 672 amends section 476C.1, subsection 6, paragraph d, Code 2011. Section 4 amends section 476C.1, subsection 6, Code 2011. Section 5 amends section 476C.1, subsection 8, Code 2011. Section 6 amends section 476C.2, subsection 1, Code 2011. Section 7 amends section 476C.3, subsection 1, paragraph

a, Code 2011. Section 8 amends section 476C.3, subsection 3, Code 2011. Section 9 amends section 476C.3, subsection 4, Code 2011. Section 10 amends section 476C.4, subsections 1 and 2, Code 2011. Section 11 amends section 476C.4, subsection 5, Code 2011. Section 12 amends section 476C.5, Code 2011. Section 33 of House File 590 amends section 476C.1, subsection 6, paragraph f, Code 2011. Section 34 of House File 590 amends section 476C.3, subsection 4, paragraph b, Code 2011.

Effective Date

July 1, 2011

11 HF 672-B

ONE-TIME REGISTRATION FEE: GOVERNMENT AND NONPROFITS

Prior Law

A fee of five percent for new registration on the purchase price of a vehicle is imposed on leased vehicles with a gross vehicle weight rating of less than 16,000 pounds and that are leased for a period of 12 months or more for a vehicle leased to federal, state, or local governmental agencies or certain nonprofit entities that are also exempt from the payment of sales tax. This also applies to vehicles leased to a governmental agency but titled in an individual's name pursuant to a governmental program authorized by law.

New Provisions

Vehicles with a gross vehicle weight rating of less than 16,000 pounds which are leased for a period of 12 months or more to federal, state, or local governmental agencies or certain nonprofit entities that are also exempt from the payment of sales tax as listed in Iowa Code section 423.3, subsections 17, 18, 19, 20, 21, 22, 26, 27, 28, 31, and 79 are now exempt from the five percent fee for new registration to the extent those entities are exempt from the tax imposed on the sale of tangible personal property. The exemption also applies to vehicles leased to a governmental agency but titled in an individual's name pursuant to a governmental program authorized by law.

Sections Amended

Section 1 of House File 676 amends section 321.105A, subsection 2, paragraph c, subparagraph 25, unnumbered paragraph 1, Code 2011. Section 2 amends section 321.105A, subsection 3, by adding new paragraph f.

Effective Date

July 1, 2011

11 HF 676

COGENERATION REPLACEMENT TAX

Prior Law

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.

New Provisions

New subsection 427B.17(7) clarifies that a new cogeneration facility is subject to the assessed value provisions of section 437A.16A, but that the exemptions provided in 427B.17 will be reduced by an amount found by determining the ratio that is the same proportion as the ratio of the credit allowed under 437A.16A(1) to the assessable value of the entire cogeneration facility prior to the application of any exemptions, abatements or credits.

Section Amended

Section 1 of House File 679 amends section 427B.17, Code 2011, is amended by adding new subsection 7.

Effective Date

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

11 HF 679

ENDOW IOWA TAX CREDIT CHANGES

Prior Law

An Endow Iowa tax credit administered by the Iowa Economic Development Authority was available for Iowa individual income, corporation income, franchise tax, insurance premium and moneys and credits tax. The credit was equal to 25% of a taxpayer's endowment gift to a qualified community foundation. The amount of tax credits authorized in a calendar year could not exceed \$2.7 million plus a percentage of gaming revenues.

New Provisions

The total amount of Endow Iowa tax credits authorized in a calendar year has been increased to \$3.5 million plus a percentage of gaming revenues

Section Amended

Section 1 of Senate File 302 amends section 15E.305, subsection 2, unnumbered paragraph 1, Code 2011.

Effective Date

Retroactive to January 1, 2011, for tax credits authorized on or after that date.

11 SF 302

DELINQUENT PROPERTY TAX PAYMENTS

Prior Law

Iowa Code section 445.5(6) requires a county treasurer to deliver a receipt to taxpayers that states the tax year, the payment date, a description of the parcel, and the amount of taxes, interest, fees, and costs paid except when the taxes are paid by check. If taxes are paid by check, receipts are issued only upon request.

Section 445.36(3), provides that property tax installments taxes, annual payments, or full payments must be paid by February 1 of each calendar year.

Section 468.57(2) states that an installment payment for an assessment with interest on the unpaid balance becomes delinquent on the October 1 after its due date even when the last day of September is a Saturday or Sunday, in the same manner as taxes not paid in installments.

New Provisions

A county treasurer is now only required to provide a receipt to a taxpayer when taxes are paid in cash. A receipt for other payment types will only be provided upon request.

Installment payments, or annual payments, or payments in full are now not delinquent unless they are still unpaid as of November 1 of the fiscal year in which the amounts are due. At that time, a county treasurer will notify the taxpayer of the delinquency and the due date of the second installment payment.

Each installment of an assessment with interest on the unpaid balance is delinquent from October 1 after its due date, however, when the last day of September is a Saturday or Sunday, that amount will become delinquent on the second business day of October.

Sections Amended

Section 1 of Senate File 434 amends section 358.20, Code 2011, by adding new subsection 1A. Section 2 of Senate File 434 amends section 445.5, subsection 6, Code 2011. Section 3 of Senate File 434 amends section 445.36, subsection 3, Code 2011. Section 4 of Senate File 434 amends section 468.57, subsection 2, unnumbered paragraph 1, Code 2011.

Effective Date

July 1, 2011

11 SF 434

UPDATE OF REFERENCES TO THE INTERNAL REVENUE CODE

Prior Law

The primary statutory references to the Internal Revenue Code relating to the determination of income were amended through January 1, 2008.

New Provisions

The primary reference in Iowa law to the Internal Revenue Code regarding the determination of income was amended to January 1, 2011. However, this change was only retroactive to tax years beginning on or after January 1, 2010. Therefore, Iowa remains decoupled with most tax changes for the 2008 tax year and all tax changes for the 2009 tax year.

Decoupled provisions include federal tax changes affecting 2010 and subsequent tax years in the following federal legislation:

- Patient Protection and Affordable Care Act of 2010
- Small Business Jobs Act of 2010
- Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

Some of the major provisions of this federal legislation for which Iowa is now coupled are:

- Increase in section 179 expensing to \$500,000 for 2010 and 2011, and \$125,000 for 2012
- Tuition and fees deduction for higher education for 2010 and 2011
- Educator expenses up to \$250 for out-of-pocket expenses for 2010 and 2011
- Coupling with earned income tax credit and child and dependent care tax credits for 2010-2012
- The election to deduct state sales/use tax as an itemized deduction in lieu of state income tax for 2010 and 2011
- Tax free treatment of IRA distributions donated to charity for 2010 and 2011
- No limitation on itemized deductions for high-income taxpayers for 2011 and 2012

The major provision of this federal legislation for which Iowa is decoupled is bonus depreciation for assets acquired for 2010, 2011 and 2012 (see page 17, 11 SF 512-D for more information).

Section Amended

Section 1 of Senate File 512 amends section 422.3, subsection 5, Code 2011. Section 3 amends section 422.9, subsection 2, paragraph i, Code 2011. Section 4 amends section 422.32, subsection 7, Code 2011.

Effective Date

Sections 1 and 4 are retroactive to January 1, 2010, for tax years beginning on or after that date. Section 3 is retroactive to tax years ending before January 1, 2008, and to tax years beginning after December 31, 2009 but before January 1, 2012.

11 SF 512-A

VALUE OF HEALTH INSURANCE FOR NONQUALIFIED DEPENDENTS

Prior Law

The value of health insurance for nonqualified dependents was always subject to federal individual income tax. However, the value of health insurance for nonqualified dependents, which included children age 19 through 24, was not subject to Iowa individual income tax starting for tax years beginning on or after January 1, 2009.

New Provisions

Due to passage of the Patient Protection and Affordable Care Act of 2010, the value of health insurance for nonqualified dependents is no longer subject to federal income tax. In addition, nonqualified dependents for federal tax purposes include children age 19 through 26. The change for federal purposes became effective during the middle of the 2010 tax year, so there were some amounts that were still subject to federal income tax for the 2010 tax year that were not subject to Iowa income tax.

Iowa will now allow the same treatment that is allowed for federal tax purposes starting with the 2011 tax year. Therefore, there is no need for a separate provision in Iowa law to allow for this exclusion starting with the 2011 tax year.

Section Amended

Section 3 of Senate File 512 repeals Iowa Code section 422.7, subsection 29A, Code 2011.

Effective Date

Retroactive to January 1, 2011, for tax years beginning on or after that date.

11 SF 512-B

RESEARCH ACTIVITY CREDIT CHANGES

Prior Law

The primary references to the Internal Revenue Code in the various statutes related to the Iowa research activities credit were amended through January 1, 2009.

The two methods allowed to compute the Iowa research activities credit were the “regular” method and the “alternative incremental” method.

New Provisions

The primary references to the Internal Revenue Code in the various statutes related to the Iowa research activities credit are amended through January 1, 2011.

The alternative incremental method to compute the Iowa research activities credit has been repealed and replaced with the alternative simplified method effective for tax years beginning on or after January 1, 2010. The alternative simplified method will be computed on form IA 128S. The credit percentages applicable for the alternative simplified credit are 4.55% and 1.95% of qualified research expenses incurred in Iowa as described in section 41(c)(5)(A) and clause (ii) of section 41(c)(5)(B) of the Internal Revenue Code, respectively.

For eligible business approved under the High Quality Jobs or Enterprise Zone Programs administered by the Iowa Economic Development Authority, the supplemental research activities credit percentages for businesses who claim the alternative simplified method are as follows:

Gross Revenues of \$20 million or less - The supplemental credit percentages are 7% and 3% of qualified research expenses incurred in Iowa as described in section 41(c)(5)(A) and clause (ii) of section 41(c)(5)(B) of the Internal Revenue Code, respectively.

Gross Revenues exceeding \$20 million - The supplemental credit percentages are 2.1% and .9% of qualified research expenses incurred in Iowa as described in section 41(c)(5)(A) and clause (ii) of section 41(c)(5)(B) of the Internal Revenue Code, respectively.

Section Amended

Section 8 of Senate File 512 amends section 15.335, subsection 4, Code 2011. Section 9 amends section 15.335, subsection 7, Code 2011. Section 10 amends section 15A.9, subsection 8, paragraphs b, c, and e, Code 2011. Section 11 amends section 422.10, subsection 1, paragraphs b and c, Code 2011. Section 12 amends section 422.10,

subsection 3, Code 2011. Section 13 amends section 422.33, subsection 5, paragraphs, b, c, and d, Code 2011.

Effective Date

The changes related to the alternative simplified method and updating references to the Internal Revenue Code are retroactive to January 1, 2010, for tax years beginning on or after that date. The changes related to the supplemental research activities credit apply retroactively to July 1, 2010, for tax credits awarded on or after that date.

11 SF 512-C

DECOUPLING WITH BONUS DEPRECIATION

Prior Law

Iowa did not couple with the 30% “bonus depreciation” provision allowable for federal income tax purposes for assets acquired after September 10, 2001 but before May 6, 2003. Iowa did couple with the 50% “bonus depreciation” provision allowable for federal income tax purposes for assets acquired after May 5, 2003 but before January 1, 2005.

New Provisions

Various bills passed by Congress have provided for additional bonus depreciation provisions, as set forth below:

- Economic Stimulus Act of 2008 – 50% bonus depreciation for assets acquired in 2008
- Emergency Economic Stabilization, Energy, Extenders and AMT Relief Act of 2008 – 50% bonus depreciation for qualified disaster assistance property for disasters federal declared after 2007 and occurring before 2010
- American Recovery and Reinvestment Act of 2009 – 50% bonus depreciation for assets acquired in 2009
- Small Business Jobs Act of 2010 – 50% bonus depreciation for assets acquired after December 31, 2009, but before September 9, 2010
- Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 – 100% bonus depreciation for assets acquired after September 8, 2010, but before January 1, 2012
- Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 – 50% bonus depreciation for assets acquired in 2012

These bonus depreciation provisions were **not** adopted for Iowa individual, corporation and franchise tax purposes. The MACRS (modified accelerated cost recovery system) method of depreciation without the “bonus depreciation” provisions of sections 168(k) and 168(n) of the Internal Revenue Code must be used in computing depreciation for Iowa tax purposes for assets acquired after December 31, 2007, and before January 1, 2013. Adjustments are also made for Iowa tax purposes for any gain or loss from the sale of assets where the depreciation deductions are different for Iowa and federal tax purposes.

In addition, Iowa is not coupled with the increase in the Section 179 expense of \$250,000 reflected in the American Recovery and Reinvestment Act of 2009 for the 2009 tax year. The section 179 limitation for Iowa is \$133,000 for 2009.

Section Amended

Section 17 of Senate File 512 amends section 422.5, subsection 2, paragraph b, subparagraph (1), Code 2011. Section 18 amends section 422.7, Code 2011, by adding new subsections 39A and 39B. Section 19 amends section 422.7, subsection 53, Code 2011. Section 20 amends section 422.9, subsection 2, paragraph b, Code 2011. Section 21 amends section 422.35, Code 2011, by adding new subsections 19A and 19B. Section 22 amends section 422.35, subsection 24, Code 2011.

Effective Date

The changes related to bonus depreciation apply retroactively to January 1, 2008, for tax years ending on or after that date. The change related to section 179 expensing applies retroactively to January 1, 2009, for tax years beginning on or after that date, and before January 1, 2010.

11 SF 512-D

REDEVELOPMENT TAX CREDIT CHANGES

Prior Law

A redevelopment tax credit was available for investments in brownfield and grayfield sites. This credit is administered by the Iowa Economic Development Authority. Brownfields are sites that have potential environment contamination. Grayfields are sites that have infrastructure in place but the property's current use is outdated. The total amount of tax credit available for this program was \$1 million in the aggregate, and projects needed to be completed by June 30, 2010. The tax credit ranges from 12%-30% of the investment amount.

New Provisions

The total amount of redevelopment tax credits available is increased to \$5 million per fiscal year. That amount is included in the cap of \$120 million of tax credits awarded per fiscal year by the Iowa Economic Development Authority. Only the purchase price, cleanup costs and redevelopment costs are eligible for the credit and they must be incurred after the project has been registered and approved.

In addition, investors must submit an audit of the project to the Iowa Economic Development Authority before a tax credit certificate can be issued. A registered project must be completed within thirty months of the project's approval, but a project can receive a twelve-month extension of time to complete the project.

Section Amended

Section 1 of Senate File 514 amends section 15.119, subsection 2, Code 2011, by adding new paragraph f. Section 2 amends section 15.119, Code 2011, by adding new subsection 2A. Section 3 amends section 15.291, subsection 5, Code 2011. Section 4 amends section 15.292, subsections 1 and 4, Code 2011. Section 5 amends section 15.293A, subsections 2, 6, 7, 8 and 9, Code 2011. Section 6 amends section 15.293A, subsection 12, by striking the subsection. Section 7 amends section 15.293B, subsection 1, Code 2011. Section 8 amends section 15.293B, subsection 2, unnumbered paragraph 1, Code 2011. Section 9 amends section 15.294, subsection 4, Code 2011.

Effective Date

Retroactive to January 1, 2011, for tax years beginning on or after that date.

11 SF 514

STREAMLINED SALES TAX: DIRECT MAIL SOURCING

Prior Law

Any sales or use tax on delivery charges for direct mail was sourced according to information provided by the purchaser or the purchaser's documentation of direct pay authority. Iowa does not tax delivery, shipping or handling charges.

New Provisions

The definition of direct mail has been updated and definitions for "advertising and promotional direct mail" and "other direct mail" have been added to the Code.

Code section 423.19 has been amended to specifically identify the sourcing for any tax on delivery charges for advertising and promotional direct mail and promotional direct mail.

Iowa still does not tax delivery, shipping or handling charges but we must have this language in the Code to remain in compliance with the Streamlined Governing Board Agreement.

Section Amended

Section 1 of Senate File 515 amends section 423.1, Code 2011 by adding new subsections 0A and 33A. Section 2 amends section 423.1, subsection 14. Section 9 amends 423.19.

Effective Date

July 1, 2011

11 SF 515-A

STREAMLINED SALES TAX: SOURCING OF TAXABLE SERVICES

Prior Law

First use of a service was defined as occurring when the service was rendered, furnished, performed, or used in Iowa.

New Provisions

First use of a service now occurs at the location where the service is received. The location where the service is received is defined as where the purchaser, or the purchaser's donee, can make first use of the service.

Section Amended

Section 3 of Senate File 515 amends section 423.1, subsection 19, Code 2011. Section 4 amends section 423.1, subsection 52. Section 7 amends section 423.5, subsection 5. Section 8 amends section 423.15, unnumbered paragraph 1.

Effective Date

July 1, 2011

11 SF 515-B

STREAMLINED SALES TAX: PAGING SERVICES

Prior Law

Telecommunications services were taxable in Iowa but paging services were not separately identified.

New Provisions

Iowa law now specifically states that all paging services are taxable telecommunications services.

Section Amended

Section 5 of Senate File 515 amends section 423.2, subsection 9, Code 2011.

Effective Date

July 1, 2011

11 SF 515-C

STREAMLINED SALES TAX: DURABLE MEDICAL EQUIPMENT

Prior Law

Durable medical equipment is defined to include equipment, repair and replacement parts.

New Provisions

Durable medical equipment is now defined to also include all components and attachments.

Section Amended

Section 6 of Senate File 515 amends section 423.3, subsection 60, paragraph b, unnumbered paragraph 1, Code 2011.

Effective Date

July 1, 2011

11 SF 515-D

STREAMLINED SALES TAX: TERMINOLOGY FOR PAYMENT AND RETURN DUE DATES

Prior Law

Returns and payments are due on the succeeding business day following a legal banking holiday.

New Provisions

Payment and related voucher information are due on the succeeding business day following a Saturday, Sunday, legal holiday, or day the federal reserve bank is closed.

This is not a change of due dates; this change is a clarification of what days are not considered “business days.”

Section Amended

Section 10 of Senate File 515 amends section 423.50, subsection 4, Code 2011.
Section 11 amends section 423.50, by adding subsection 5A.

Effective Date

July 1, 2011

11 SF 515-E

TAX CREDIT CHANGES FOR INVESTMENTS IN QUALIFYING BUSINESSES AND COMMUNITY-BASED SEED CAPITAL FUNDS

Prior Law

A tax credit equal to 20% of the cash investment made in a qualifying business or community-based seed capital fund was available for Iowa individual income tax, corporation income tax, franchise tax, insurance premiums tax and moneys and credits tax. A taxpayer could not claim the tax credit until the third tax year following the year in which the investment was made. The qualifying businesses and community-based seed capital funds were approved by the Iowa Capital Investment Board, and tax credit certificates were issued by the Iowa Capital Investment Board. The tax credit was capped at \$10 million in the aggregate, and this cap was reached in December 2007.

A qualifying business could not be a business engaged primarily in professional services. In addition, the qualifying business could not have a net worth exceeding \$10 million.

New Provisions

The 20% tax credit is available again for investments made on or after January 1, 2011. The credit will now be administered by the Iowa Economic Development Authority. The credit is capped at \$2 million per fiscal year, and is included as part of the \$120 million cap of tax credits issued by the Authority. In addition, new qualifying businesses and community-based seed capital funds may now apply for approval. A taxpayer still cannot claim the tax credit until the third tax year following the year in which the investment was made.

A qualifying business now cannot be a business engaged primarily in professional services that require a professional license. In addition, the net worth threshold has been reduced for a qualifying business from \$10 million to \$5 million.

Section Amended

Section 36 of Senate File 517 amends section 15.119, subsection 2, Code 2011. Section 37 amends section 15E.42, subsection 2, Code 2011. Section 38 amends section 15E.43, subsection 4, Code 2011. Section 39 amends section 15E.44, subsection 2, paragraphs d and e, Code 2011.

Effective Date

Retroactive to January 1, 2011, for tax years beginning and investments made on or after that date.

11 SF 517-A

INNOVATION FUND INVESTMENT TAX CREDIT

Prior Law

None

New Provisions

An innovation fund investment tax credit is now available for Iowa individual income, corporation income, franchise, insurance premiums and moneys and credits tax. The credit equals 20% of the taxpayer's equity investment in an innovation fund.

The innovation fund must be an early-stage capital fund which is organized to make investments in promising early-stage companies which have a principal place of business in Iowa. The fund must make investments in innovative businesses and also seek to secure private funding sources for investments in these Iowa businesses. Innovative businesses include businesses applying novel or original methods to manufacture products or deliver services. Innovative businesses also include but are not limited to businesses engaged in a targeted industry as defined in Iowa Code section 15.411. The innovation fund must be certified by the Iowa Economic Development Authority.

A taxpayer cannot claim the tax credit if the taxpayer is a venture capital investment fund manager for the Iowa fund of funds, or an investor that receives a tax credit for the same investment in a qualifying business or a community-based seed capital fund.

The Authority will issue tax credit certificates to investors who make cash investments in a certified innovation fund. The taxpayer cannot redeem the certificate until the third tax year following the year in which the investment is made. Any tax credit in excess of the tax liability for the tax credit may be credited to the tax liability for the following five years or until depleted, whichever is earlier. A tax credit cannot be carried back to a previous tax year. The credits are not transferable.

Credits earned by a partnership, limited liability company, S corporation, estate or trust may be claimed at the individual level based upon that individual's pro-rata share of the earnings of the partnership, limited liability company, S corporation, estate or trust.

The credit is capped at \$8 million per fiscal year, and is included as part of the \$120 million cap of tax credits issued by the Authority.

Section Amended

Section 36 of Senate File 517 amends section 15.119, subsection 2, Code 2011. Section 40 creates new section 15E.52, Code 2011. Section 41 creates new section

422.11Y, Code 2011. Section 42 amends section 422.33, Code 2011, by adding new subsection 13. Section 43 amends section 422.60, Code 2011, by adding new subsection 13. Section 44 creates new section 432.12M, Code 2011. Section 45 amends section 533.329, subsection 2, Code 2011, by adding new paragraph I. Section 23 of House File 590 amends section 15E.52, subsection 7, paragraph a, Code 2011.

Effective Date

Retroactive to January 1, 2011, for tax years beginning and investments made on or after that date.

11 SF 517-B

PROPERTY TAX EXEMPTION FOR LOW INCOME HOUSING

Prior Law

Section 427.1(21) provides a property tax exemption for property that is owned and operated or controlled by a nonprofit organization, as recognized by the Internal Revenue Service, and that provides low-rent housing for the elderly and the physically and mentally disabled.

New Provisions

For the exemption in 427.1(21), the controlling nonprofit entity may serve as a general partner or managing member of a limited liability company or limited liability partnership which owns the property.

Section Amended

Section 31 of Senate File 517 amends section 427.1, subsection 21, Code 2011.

Effective Date

July 1, 2011

11 SF 517-C

HISTORIC PRESERVATION AND CULTURAL AND ENTERTAINMENT DISTRICT TAX CREDIT CHANGES

Prior Law

A historic preservation and cultural and entertainment district tax credit was available. This credit was equal to 25% of the qualified costs of rehabilitation of eligible property in Iowa. The credit was administered by the State Historic Preservation Office of the Iowa Department of Cultural Affairs.

In determining the credit, property classified as residential or as commercial with multifamily residential units may not exceed \$100,000 in rehabilitation costs per residential unit. Only costs incurred in a 24-month period would qualify for the tax credit. In addition, all rehabilitation projects must be completed and placed in service within 36 months of approval. Costs incurred prior to approval of a project must be qualified rehabilitation expenditures as defined in section 47(c)(2) of the Internal Revenue Code.

New Provisions

The requirement that rehabilitation costs may not exceed \$100,000 per residential unit, regardless of whether the property was classified as residential or commercial with multifamily residential units, to be eligible for the credit has been eliminated. The time period to incur eligible costs includes a rehabilitation period starting from the date the first qualified rehabilitation cost is incurred and ending at the end of the tax year in which the property is placed in service. All rehabilitation projects must be completed within 60 months of approval. Costs incurred prior to approval of a project must now still be qualified rehabilitation costs, but are not restricted to expenditures defined in section 47(c)(2) of the Internal Revenue Code. Expenditures that increase the basis of the property for tax purposes are considered qualified rehabilitation costs, even if these expenditures are not defined in section 47(c)(2) of the Internal Revenue Code.

Section Amended

Section 1 of Senate File 521 amends section 404A.1, Code 2011. Section 2 amends section 404A.2, Code 2011. Section 3 amends section 404A.3, subsection 3, paragraph b, Code 2011. Section 4 amends section 404A.4, subsection 1, Code 2011. Section 5 amends section 404A.4, subsection 2, paragraph d, Code 2011. Section 30 of Senate File 517 amends section 404A.1, subsection 2, paragraph d, Code 2011.

Effective Date

Retroactive to July 1, 2009, for projects approved and tax credits reserved on or after that date.

11 SF 521

ETHANOL PROMOTION TAX CREDIT CHANGES

Prior Law

An ethanol promotion tax credit was available for retail dealers of ethanol-blended gasoline for gallons sold through December 31, 2020. The amount of the tax credit is based on the pure amount of ethanol gallons sold. (For example, 10 gallons of E10 gasoline equals 1 gallon of pure ethanol). The amount of tax credit depends on whether the retail dealer attains a biofuel threshold standard, and how many gallons of motor fuel are sold by the retail dealer in a year. The biofuel threshold standard depends on whether the retail dealer sells more or less than 200,000 gallons of motor fuel at all retail sites in Iowa. For example, the biofuel threshold percentage for 2011 for retail dealers selling more than 200,000 gallons is 12%, while the biofuel threshold percentage for 2011 for retail dealers selling 200,000 gallons or less is 10%.

The credit itself is calculated separately for each retail motor fuel site, while the biofuel threshold standard is computed on a companywide basis. For 2009 and 2010 gallons, the credit is 6½ cents of each gallon of pure ethanol sold if the threshold is met. If the retail dealer misses the threshold by 2% or less, the credit is 4½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by more than 2% but not more than 4%, the credit is 2½ cents of each gallon of pure ethanol sold. If the retail dealer misses the threshold by 4% or more, no credit is allowed.

New Provisions

Retail dealers of gasoline now have the option of calculating both the credit and the biofuel threshold standard on either a company-wide basis or a site-by-site basis. However, the gallons sold at all sites in Iowa must be considered in determining if the biofuel threshold standard is based on more or less than 200,000 gallons. Once the retail dealer makes the election on either a site-by-site or company-wide basis, the election is binding for subsequent tax years unless the Department consents to a change in the method.

The credit amounts are as follows for the 2011 calendar year, and for the 2012-2020 calendar years:

Biofuel Threshold Percentage Disparity	Tax Credit Rate 2011 Gallons	Tax Credit Rate 2012-2020 Gallons
0%	8 cents	8 cents
0.01% to 2.00%	6 cents	6 cents
2.01% to 4.00%	2.5 cents	4 cents
4.01% or more	0 cents	0 cents

Section Amended

Section 3 of Senate File 531 amends section 422.12N, subsection 1, paragraph a, Code 2011. Section 4 amends section 422.11N, subsection 3, paragraph a, Code 2011. Section 5 amends section 422.11N, Code 2011, by adding new subsection 3A. Section 6 amends section 422.11N, subsection 4, paragraph d, Code 2011, by striking the paragraph. Section 7 amends section 422.11N, subsection 5, paragraph a, subparagraph (1), Code 2011. Section 8 amends section 422.11N, subsection 5, paragraph a, subparagraph (2), subparagraph divisions (a) and (b), Code 2011. Section 9 amends section 422.11N, subsection 6, Code 2011.

Effective Date

Retroactive to January 1, 2011, for gallons sold on or after that date.

E-85 GASOLINE PROMOTION TAX CREDIT CHANGES

Prior Law

An E-85 gasoline promotion tax credit was available for retail dealers of E-85 gasoline. E-85 gasoline includes gasoline with an ethanol content between 70% and 85%. The tax credit is 10 cents for E-85 gallons sold in 2011, 9 cents for E-85 gallons sold in 2012, and drops one cent per year for E-85 gallons sold from 2013-2020. The credit is not available for gallons sold on or after January 1, 2021.

New Provisions

The tax credit rate is now 16 cents per gallon for all gallons of E-85 gasoline sold during the 2012-2017 calendar years. The credit is not available for gallons sold on or after January 1, 2018. The tax credit rate remains at 10 cents for gallons sold in 2011.

Section Amended

Section 15 of Senate File 531 amends section 422.11O, subsection 2, Code 2011. Section 16 amends section 422.11O, subsection 3, Code 2011. Section 17 amends section 422.11O, subsection 5, Code 2011. Section 18 amends section 422.11O, subsection 8, Code 2011. Section 19 amends section 422.33, subsection 11B, paragraph c, Code 2011.

Effective Date

January 1, 2012, for E-85 gallons sold on or after that date.

11 SF 531-B

BIODIESEL BLENDED FUEL TAX CREDIT CHANGES

Prior Law

A biodiesel blended fuel tax credit equal to 3 cents per gallon of biodiesel blended fuel sold was available to retail dealers of biodiesel blended fuel. To qualify for the credit, at least 50% of all diesel fuel sold by a retail dealer at a motor fuel site must be biodiesel blended fuel with a minimum percentage of 2% by volume of biodiesel. The credit is computed on a site-by-site basis, so any site that meets the 50% test would be eligible for the tax credit. The tax credit is scheduled to expire on January 1, 2012, so any gallons of biodiesel sold starting on January 1, 2012 would not be eligible for the tax credit.

New Provisions

The tax credit has been extended until December 31, 2017, for any biodiesel blended fuel gallons sold through that date. The credit amounts for the gallons sold for 2012-2017 are as follows:

Year Gallons Sold	Tax Credit Rate At least B2, but less than B5	Tax Credit Rate B5 or above
2012	2 cents	4.5 cents
2013-2017	0 cents	4.5 cents
2018	0 cents	0 cents

For tax years beginning on or after January 1, 2012, the requirement that at least 50% of the diesel fuel sold at a retail site must be biodiesel blended fuel to qualify for the tax credit has been eliminated. Also starting for gallons sold in 2012, the Department must take into account reasonable variances due to testing and other limitations when considering if the biodiesel blended fuel meets the minimum of 2% or 5% biodiesel, as applicable.

Section Amended

Section 24 of Senate File 531 amends section 422.11P, Code 2011, by adding new subsection 1A. Section 25 amends section 422.11P, subsection 2, Code 2011. Section 26 amends section 422.11P, subsection 3, Code 2011. Section 27 amends section 422.11P, Code 2011, by adding new subsection 3A. Section 28 amends section 422.11P, subsection 6, Code 2011. Section 29 amends section 422.33, subsection 11C, paragraphs c and d. Section 94 of Senate File 533 amends section 422.11P, subsection 2, paragraph b, Code 2011.

Effective Date

January 1, 2012, for biodiesel blended fuel gallons sold on or after that date.

11 SF 531-C

E-15 PLUS GASOLINE PROMOTION TAX CREDIT

Prior Law

None

New Provisions

An E-15 plus gasoline promotion tax credit is available to retail dealers of gasoline who sell E-15 plus gasoline. This is gasoline with an ethanol content of at least 15%, but less than 70% (Ethanol with a content of 70% or higher is classified as E-85 gasoline).

The tax credit rate is three cents per gallon for calendar years 2012-2014, and two cents per gallon for calendar years 2015-2017. The tax credit is repealed effective January 1, 2018. Any tax credit in excess of the tax liability is refundable. In lieu of claiming a refund, the overpayment can be credited to the tax liability for the following year. Credits earned by a partnership, limited liability company, S corporation, estate or trust may be claimed at the individual level based upon that individual's pro-rata share of the earnings of the partnership, limited liability company, S corporation, estate or trust.

The credit is available for E-15 plus gallons sold on or after July 1, 2011. Gallons sold from July 1, 2011 through December 31, 2011 will receive a tax credit equal to three cents per gallon of E-15 plus gasoline sold. If the retail dealer has a tax year that is not on a calendar year basis and did not claim the credit on a previous tax year, the retail dealer can claim more than twelve months of tax credit on the current tax year. In addition, a retail dealer whose tax year ends prior to December 31, 2017 can continue to claim the E-15 plus gasoline promotion tax credit for the following tax year for any gallons sold through December 31, 2017.

The retail dealer can claim the ethanol promotion tax credit for the same ethanol gallons used to calculate the E-15 plus gasoline promotion tax credit.

Section Amended

Section 35 of Senate File 531 adds new Code section 422.11Y. Section 36 amends section 422.33, Code 2011, by adding new subsection 11D.

Effective Date

July 1, 2011, for E-15 plus gasoline gallons sold on or after that date.

11 SF 531-D

BIODIESEL PRODUCTION REFUND

Prior Law

None

New Provisions

A qualified biodiesel producer may apply for a refund of the amount of sales or use tax imposed and paid upon its purchases. The producer must be engaged in the manufacturing of biodiesel and must have registered with the EPA as a manufacturer of biodiesel. The biodiesel manufactured must be used in biodiesel blended fuel.

The refund amount is determined by multiplying the total number of gallons of biodiesel produced in Iowa during each quarter of a calendar year by a designated rate, as shown below:

Calendar year	Refund amount per gallon
2012	3 cents
2013	2.5 cents
2014	2 cents
2015	0 cents

A biodiesel producer is only eligible for the refund for no more than 25 million gallons of biodiesel produced during each calendar year. No refund is allowed for biodiesel gallons produced on or after January 1, 2015.

The Department will refund the amount claimed after subtracting any amount of Iowa sales or use tax imposed and paid upon purchases by the biodiesel producer. The biodiesel producer will file refund claims on a quarterly basis, and refunds will be issued by the Department on a quarterly basis. Any refund received is not included as income for Iowa individual and corporation income tax purposes.

Section Amended

Section 57 of Senate File 531 amends section 422.7, Code 2011, by adding new subsection 54. Section 58 amends section 422.35, Code 2011, by adding new subsection 25. Section 59 amends section 423.4, Code 2011, by adding new subsection 9. Section 66 of Senate File 533 amends section 423.4, subsection 9, Code 2011.

Effective Date

January 1, 2012, for gallons of biodiesel produced on or after that date.

11 SF 531-E

TARGETED JOBS WITHHOLDING TAX AGREEMENT CHANGES

Prior Law

A targeted jobs withholding tax credit is available to employers who enter into a withholding agreement with four pilot project cities approved by the Iowa Economic Development Authority. These cities are Sioux City, Council Bluffs, Burlington and Fort Madison/Keokuk. To qualify, the business must either create ten jobs or make a qualifying investment of at least \$500,000 within an urban renewal area of the city. The credit is equal to 3% of the gross wages paid by the employer to each employee under the withholding agreement.

New Provisions

Employers may now claim the targeted jobs withholding tax credit for either creating or retaining ten new jobs or for making a qualifying investment of at least \$500,000 within the urban renewal area.

Section Amended

Section 126 of Senate File 533 amends section 403.19A, subsection 1, paragraphs c and f, Code 2011. Section 127 amends section 403.19A, subsection 3, paragraph c, subparagraph (1), Code 2011. Section 128 amends section 403.19A, subsection 3, paragraph f, Code 2011.

Effective Date

Retroactive to July 1, 2006, for agreements entered into on or after that date.

11 SF 533-A

SCHOOL TUITION ORGANIZATION TAX CREDIT CHANGES

Prior Law

A school tuition organization (STO) tax credit was available for Iowa individual and corporation income tax purposes. The credit is equal to 65% of the amount of a voluntary cash or non-cash contribution made by a taxpayer to an STO. The STO must represent more than one school, and 90% of the revenues received by the organization must be used to provide tuition grants to allow children to attend a qualified school of their parents choice.

By December 1 of each year, the Department of Revenue authorizes STOs to issue tax credit certificates for the following tax year by notifying each STO of the amount of tax credit that can be issued for the following tax year.

The total amount of tax credits authorized is \$7.5 million beginning in 2008 and for each subsequent tax year.

New Provisions

The total amount of STO tax credit authorized was increased to \$8,750,000 for 2012 and subsequent years contingent upon 2% state allowable growth for public schools for the fiscal year beginning July 1, 2012. Since legislation was enacted setting the allowable growth at 2% for the fiscal year beginning July 1, 2012, the total amount of STO tax credit for 2012 and subsequent years has been increased to \$8,750,000.

Section Amended

Section 95 of Senate File 533 amends section 422.11S, subsection 7, subparagraph (2), Code 2011.

Effective Date

January 1, 2012, for tax years beginning on or after that date.

11 SF 533-B

RETROACTIVE COUPLING WITH CERTAIN FEDERAL INCOME TAX CHANGES FOR 2008 TAX YEAR ONLY

Prior Law

Iowa income tax law was only updated for references to the Internal Revenue Code through January 1, 2008. While legislation was enacted in 2011 as part of 2011 Iowa Acts, Senate File 512, to update references to the Internal Revenue Code to January 1, 2011, those changes only impacted the 2010 tax year. Iowa remained decoupled with federal tax changes affecting the 2008 and 2009 tax years.

New Provisions

There are three federal tax changes affecting individual income tax filers for the 2008 tax year that will now be allowed for Iowa individual income tax purposes. These include the following:

- Educator expense deduction of up to \$250 for out-of-pocket expenses as provided in section 62(a)(2)(D) of the Internal Revenue Code;
- Tuition and fees deduction for higher education expenses of up to \$4,000 (limited to \$2,000 for certain high income taxpayers) provided in section 222 of the Internal Revenue Code; and
- Enhanced disaster-related personal casualty loss deduction (without the limitation for 10% of adjusted gross income and the \$100 per casualty floor).

Taxpayers who did not claim these deductions on the 2008 Iowa return must file an amended return within the three year statute of limitations for refund to claim these deductions and request a refund. For taxpayers who timely filed their 2008 Iowa return, the amended return must be filed by April 30, 2012. Taxpayers who file an amended return will receive a refund of the tax that was overpaid; however the taxpayer will not be entitled to interest on the tax that is refunded.

Section Amended

Sections 137 and 140 of Senate File 533 amend section 422.7, Code 2011, by adding new subsection 54. Section 144 amends section 422.9, Code 2011, by adding new subsection 9.

Effective Date

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

11 SF 533-C

SPECIAL FILING PROVISIONS FOR COUPLING WITH INCREASED SECTION 179 EXPENSING, EDUCATOR EXPENSES AND TUITION AND FEES DEDUCTION

Prior Law

2011 Iowa Acts, Senate File 512 provided for coupling with changes to the Internal Revenue Code through January 1, 2011. This included the following changes for the 2010 tax year:

- Increased section 179 expensing to \$500,000;
- Educator expense deduction of up to \$250 for out-of-pocket expenses; and
- Tuition and fees deduction for higher education expenses.

Senate File 512 was enacted into law on April 12, 2011. Therefore, taxpayers who filed their Iowa returns for the 2010 tax year prior to April 12, 2011 under the assumption that these changes would not be allowed for Iowa tax purposes would be required to file amended Iowa returns for 2010 to claim these provisions.

New Provisions

While taxpayers can still file an amended Iowa return for 2010, taxpayers also have the option of making these adjustments on the 2011 Iowa tax return. The additional adjustment for increased section 179 expensing can be claimed on the 2011 Iowa return regardless of the limitation based on income provisions and regulations of section 179(b)(3) of the Internal Revenue Code. The additional adjustment for tuition and fees deduction can be claimed on the 2011 Iowa return regardless of the applicable dollar amount provisions of section 222(b)(2)(B) of the Internal Revenue Code.

Section Amended

Section 143 of Senate File 533 is uncodified.

Effective Date

Retroactive to January 1, 2011, for tax years beginning on or after that date.

11 SF 533-D

ASSESSMENT OF SUBDIVIDED/PLATTED LOTS

Prior Law

Section 405.1 of the Iowa Code provides that the board of supervisors of a county with a population of less than 20,000 may adopt an ordinance providing that property that is acquired and was subdivided for development of housing will continue to be assessed the same way it has been until the lot is sold for construction or occupancy of housing, or five years from the date of subdivision, whichever is shorter. The same provision is provided for counties with a population of more than 20,000, but the time period the lot continues to be taxed in the existing manner is three years.

Section 441.72 states that when a subdivision plat is recorded pursuant to chapter 354, the individual lots within the subdivision plat shall not be assessed for more than the total assessment of the unimproved property for three years after the plat is recorded or until the lot is actually improved with permanent construction, whichever occurs first.

New Provisions

Section 405.1 provides that the board of supervisors of a county may still adopt an ordinance providing that property acquired and subdivided for development of housing on or after January 1, 2011 shall continue to be assessed for taxation in the manner that it was prior to the acquisition for housing, until the lot is sold for construction or occupancy of housing or five years from the date of the subdivision, whichever is shorter.

For counties with a population of 20,000 or less, ordinances adopted that affect the assessment of property subdivided on or after January 1, 2004 but before January 1, 2011 will be automatically extended for ten years from the date of the subdivision. For properties in counties with a population of 20,000 or more that had the three year provision, the period will be extended to eight years from the date of subdivision.

Boards of supervisors who have adopted an ordinance for property acquired and subdivided for housing after January 1, 2011 may also amend the ordinance to extend it up to five years beyond the original five year period. The extension may apply to all or a portion of the property subject to the original ordinance. The ordinance for property acquired and subdivided on or after January 1, 2004 but before January 1, 2011 may be extended 5 years beyond the original assessment period.

A city council may also adopt an ordinance for a portion of property located within the incorporated area of the city in order to effectuate an extension of a county ordinance that is eligible for extension but which was not extended by the county board of supervisors.

Except as provided in new subsection 2 of 441.72, when a subdivision plat is recorded pursuant to chapter 354, the individual lots within the subdivision shall not be assessed for more than the total assessment of the unimproved property for five years after the plat is recorded or until the lot is actually improved with permanent construction, whichever occurs first.

In addition, for subdivision plats recorded pursuant to chapter 354 on or after January 1, 2004 but before January 1, 2011, the individual lots within the subdivision plat shall not be assessed for more than the total assessment of the unimproved property for eight years after the plat is recorded or until the lot is actually improved with permanent construction, whichever occurs first. Once an individual lot has been improved with permanent construction, the lot shall be assessed pursuant to chapter 428 and chapter 441.

These changes do not require the refund or modification of property taxes that are attributable to assessment years beginning before January 1, 2012 or the adjustment of property assessments for assessment years beginning before January 1, 2012.

Sections Amended

Section 154 of Senate File 533 amends section 405.1(1) by adding new paragraphs a and b; amends section 405.1(2); and creates new subsection 405.1(3), Code 2011. Section 155 of Senate File 533 amends subsection 441.72(1) and adds new subsections 441.72(2) and (3). Section 156 of Senate File 533 implements section 405.1.

Effective Date

January 1, 2012

11 SF 533-E