

IOWA Department of REVENUE

2012

LEGISLATIVE SUMMARIES

EMPHASIZING TAX AND FINANCE ISSUES

August 2012
Revised September 2012

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INHERITANCE TAX TREATMENT FOR EMPLOYER-SPONSORED RETIREMENT PLANS

Prior Law

Iowa Code sections 450.4(7) and (8), specify circumstances when a decedent's interest in an employer-sponsored retirement plan is excluded from the calculation of Iowa inheritance tax. Iowa Code section 422.7(4) excludes from the calculation of net income for state income tax purposes the payments from a decedent-employee's retirement plan to a beneficiary to the extent the payments have been included in the calculation of Iowa inheritance tax.

New Provisions

Iowa Code section 450.4(5) was amended during the 2010 legislative session to specify that a decedent's interest in an employer-sponsored retirement plan or individual retirement account that will be subject to federal income tax is not subject to Iowa inheritance tax, regardless of the identity of the beneficiary or the number of payments made after the decedent's death. As a result, the circumstances specified in Iowa Code sections 422.7(4), 450.4(7) and (8) are no longer relevant. House File 609 strikes these irrelevant sections from the Code to conform to Iowa Code section 450.4(5).

Section Amended

Section 1 of 2012 Iowa Acts House File 609 strikes section 422.7, subsection 4, Code Supplement 2011. Section 2 of House File 609 strikes section 450.4, subsections 7 and 8, Code 2011.

Effective Date

July 1, 2012

12 HF 609

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, 2011.

New Provisions

The primary reference in Iowa to the Internal Revenue Code regarding the determination of income was amended to January 1, 2012. In addition, the primary references to the Internal Revenue Code regarding the research activities credit was amended to January 1, 2012.

Iowa continues to be decoupled with the federal bonus depreciation provisions for assets acquired in 2011 and 2012.

Sections Amended

Section 1 of 2012 Iowa Acts House File 2150 amends section 15.335, subsection 7, paragraph b, Code Supplement 2011. Section 2 amends section 15A.9, subsection 8, paragraph e, subparagraph (2), Code Supplement 2011. Section 3 amends section 422.3, subsection 5, Code Supplement 2011. Section 4 amends section 422.10, subsection 3, paragraph b, Code Supplement 2011. Section 5 amends section 422.32, subsection 1, paragraph g, Code Supplement 2011. Section 6 amends section 422.33, subsection 5, paragraph d, subparagraph (2), Code Supplement 2011.

Effective Date

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

12 HF 2150

STREAMLINED SALES TAX: SALES PRICE DEFINITION

Prior Law

Items not included in the definition of sales price were specifically identified but the treatment of certain taxes imposed on the seller was not included in the definition.

New Provisions

Items not included in the definition of sales price now also include any state, local, or tribal tax on a retail sale that is imposed on the seller if the statute, rule, local ordinance, or tribal law imposing the tax provides that the seller may, but is not required to collect the tax from the consumer, and if the tax is separately stated on the invoice, bill of sale, or similar document.

Sections Amended

Section 1 of 2012 Iowa Acts House File 2166 amends section 423.1, subsection 51 paragraph a, subparagraph (2), Code Supplement 2011. Section 2 of House File 2166 amends 423.1, subsection 51 paragraph b, Code Supplement 2011 by adding new subparagraphs (5) and (6).

Effective Date

July 1, 2012

12 HF 2166-A

STREAMLINED SALES TAX: SIMPLIFIED ELECTRONIC RETURN

Prior Law

Sellers not registered under the Streamlined Sales Tax Agreement could only use the Iowa Department of Revenue's sales tax return.

New Provisions

Sellers not registered under the Streamlined Sales Tax Agreement will now be allowed to file monthly returns using the Streamlined Sales Tax simplified electronic return (SER). Such sellers may be required to submit exemption information collected in part 2 of the return.

Sections Amended

Section 3 of 2012 Iowa Acts House File 2166 amends section 423.31, Code 2011 by adding new subsection 8. Sections 4 and 5 amend section 423.49, Code 2011.

Effective Date

July 1, 2012

12 HF 2166-B

STREAMLINED SALES TAX: RELIEF FROM LIABILITY FOR SELLERS

Prior Law

Iowa Code section 423.52, subsection 1 indicated that sellers and Certified Service Providers (CSPs) using a state provided address-based system for assigning taxing jurisdictions were provided relief from liability for errors resulting from reliance on both address-based and zip code databases provided by the Department.

New Provisions

The Department is not required to provide relief to sellers and CSPs using a state provided address-based system for assigning taxing jurisdictions when reliance is upon a database derived from zip codes and the Director has given adequate notice.

Section Amended

Section 6 of 2012 Iowa Acts House File 2166 amends section 423.52, subsection 1, Code 2011.

Effective Date

July 1, 2012

12 HF 2166-C

REPEAL OF FILM EXPENDITURE CREDIT, FILM INVESTMENT CREDIT, AND FILM INCOME EXCLUSION

Prior Law

There were two tax credits available to film projects approved by the Film Office of the Iowa Economic Development Authority. One credit equaled 25% of a taxpayer's qualified expenditures in a film project, and the other credit equaled 25% of a taxpayer's investment in a film project. Tax credit certificates were issued by the Economic Development Authority reflecting the amount of these tax credits. These tax credit certificates were transferable, and the transferred tax credit certificates were issued by the Department of Revenue. These credits were nonrefundable, and could be carried forward for five taxable years.

In addition, Iowa residents or Iowa-based businesses who earned income from qualified expenditures which qualified for the tax credit could exclude this income on their Iowa individual or corporation income tax returns to the extent this income was included on their federal income tax return.

New Provisions

The film qualified expenditure tax credit, film investment tax credit and the film income exclusion were repealed. The Film Office is now part of the Iowa Department of Cultural Affairs. Any tax credits or income exclusions related to contracts or agreements entered into before May 25, 2012 will still be allowed.

Sections Amended

Section 29 of 2012 Iowa Acts House File 2337 amends section 2.48, subsection 3, paragraph c, subparagraph (5) by striking the subparagraph. Section 30 amends section 15.119, subsection 2, paragraph b, Code Supplement 2011 by striking the paragraph. Section 33 amends section 422.7, subsection 52, Code Supplement 2011, by striking the subsection. Section 34 amends section 422.33, subsections 23 and 24, Code Supplement 2011, by striking the subsections. Section 35 amends section 422.35, subsection 23, Code Supplement 2011 by striking the subsection. Section 36 amends section 422.60, subsections 10 and 11, Code Supplement 2011, by striking the subsections. Section 38 repeals sections 15.391, 15.392, 15.393, 422.11T, 422.11U, 432.12J, and 432.12K, Code and Code Supplement 2011.

Effective Date

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

12 HF 2337

IOWA URBAN RENEWAL AND TAX INCREMENT FINANCING REFORM

Prior Law

Counties, cities, and rural improvement zones were required to prepare and publish annual reports showing financial information about, among other things, financial conditions, results of operations, collections and receipts, and amounts due the city or county.

Prior to the approval of an urban renewal plan, a municipality was required to mail a proposed plan by regular mail to the affected taxing entities.

New Provisions

New Reporting Requirements: Cities, counties, and rural improvement zones have new requirements to annually report information about urban renewal and tax increment financing (TIF) areas.

Publicly Available Internet Site: The Department of Management must create and maintain a public internet site that contains a searchable database of all the information in the annual reports.

Analysis of Alternatives to TIF Funding: If a proposed urban renewal plan or area includes the use of TIF money for a tax-exempt, public building, the municipality must provide an analysis of alternative development and funding options that were considered. This information must also be included in the annual reports.

Modification of Urban Renewal Plan: An urban renewal plan can be modified at any time. However, a municipality can, but is not obliged to, require that if the urban renewal plan is modified after the lease or sale of real property in the urban renewal project area, the modification first be approved by the owner, lessee, or successor in interest.

New Urban Renewal Projects: A municipality cannot approve a new urban renewal project for an urban renewal area unless the governing body of the local government has amended or modified the adopted urban renewal plan to include the new urban renewal project.

Classification of Urban Renewal Area: Once a municipality has classified an urban renewal area as a blighted area, a slum area, or an economic development area, the municipality cannot reclassify the urban renewal area for the duration of the urban renewal area's existence.

“Anti-piracy” Provision: Money from the TIF fund cannot be used to relocate a commercial or industrial enterprise not presently in the municipality unless one of the following occurs:

1. There is a written agreement between the local governing bodies of the municipality where the enterprise is currently located and the municipality where the enterprise is proposing to be relocated; or
2. The local governing body of the municipality where the enterprise is proposing to relocate finds that the use of the money in special fund for relocation is in the “public interest.”

Use of Money Deposited into Special TIF Fund: Earnings received on the money deposited into the special TIF fund and the proceeds from the sale of assets purchased using money from the special fund must be deposited into the special fund and used to, among other things, pay principal and interest on loans, or indebtedness incurred by the municipality to finance or refinance an urban renewal area.

Sections Amended

Section 1 of 2012 Iowa Acts House File 2460 amends section 2.48, paragraph b, subparagraph (2), Code 2011, by striking the subparagraph. Section 2 amends section 2.48, subsection 3, paragraph c, Code 2011, by adding new subparagraph (6). Section 3 amends section 11.11, Code Supplement 2011. Section 4 amends section 24.21, Code 2011. Sections 5 and 6 amend section 331.403, subsection 3 and add new subsection 4. Sections 7 and 8 amend section 331.434, Code 2011. Section 9 amends section 357H.9, Code 2011. Section 10 amends section 384.16, Code 2011. Section 12 amends section 384.22, Code 2011. Sections 13 through 22 provide various amendments to Chapter 403, Code and Code Supplement 2011.

Effective Date

July 1, 2012

12 HF 2460-A

IOWA LOCAL OPTION SALES TAX TIF REFORM

Prior Law

A city located within a county that imposes a local option sales and services tax (LOST) and that has an urban renewal area, may, by ordinance of the city council, create a tax increment financing (TIF) district for the purpose of funding projects located within the city's urban renewal area. Once the ordinance has been passed, the Department assists the city by establishing a "base year" for sales made in the urban renewal area. The increase in LOST revenues from sales in the urban renewal area in subsequent years goes directly to a special city fund to be used on the city's urban renewal projects. In the absence of the LOST TIF, all LOST revenues are returned to the county where they are distributed according to the existing population and property tax levy-based formula.

New Provisions

Under the new provision, before a city can create a LOST TIF district by ordinance, the county board of supervisors from which county LOST revenues will be diverted must first approve the city's plan for collection and use of county LOST revenues to fund the city's urban renewal projects.

Section Amended

Section 23 of 2012 Iowa Acts House File 2460 amends section 423B.10, subsection 2, Code 2011.

Effective Date

Applies to city ordinances adopted under section 423B.10 on or after May 25, 2012.

12 HF 2460-B

ALLOCATION OF HISTORIC PRESERVATION CREDIT EARNED BY PASS-THROUGH ENTITIES

Prior Law

A historic preservation and cultural and entertainment district tax credit is available equal to 25% of the qualified rehabilitation costs made to eligible property. The credit is administered by the state Historic Preservation Office of the Iowa Department of Cultural Affairs, and tax credit certificates are issued by the Department of Cultural Affairs. The tax credit can be transferred to any person or entity, and the transferred tax credit certificates are issued by the Department of Revenue. No more than \$45 million of tax credits can be reserved for fiscal years beginning on or after July 1, 2012.

Any tax credits earned by a partnership, limited liability company (LLC), S corporation, or estate or trust are claimed by individuals based on their pro rata share of earnings from the partnership, LLC, S corporation, or estate or trust with one exception. If low income tax credits authorized under section 42 of the Internal Revenue Code are used to assist in the financing of the project, the tax credits can be claimed by individuals based on the amounts designated by the partnership, S corporation, or LLC.

New Provisions

For tax credits reserved for a fiscal year beginning on or after July 1, 2012, all historic tax credits earned by a partnership, LLC, or S corporation will be claimed by individuals based on the amounts designated by the partnership, LLC, or S corporation.

Section Amended

Section 31 of 2012 Iowa Acts House File 2465 amends section 422.11D, subsection 2, Code 2011.

Effective Date

Effective for tax credits reserved for fiscal years beginning on or after July 1, 2012.

12 HF 2465-A

CAPITAL GAIN DEDUCTION FOR SALE OF STOCK TO IOWA ESOP

Prior Law

An Iowa capital gain exclusion for individual income tax is allowed for certain sales of business assets. These include the following:

- Sale of real property used in a business, if held for ten years or more and the taxpayer materially participated for ten years
- Sale of tangible personal property and service of a business, if held for ten years or more and the taxpayer materially participated for ten years
- Sale of cattle and horses, if held for 24 months and more than one-half of the taxpayer's gross income is from farming or ranching activities
- Sale of other breeding livestock other than cattle or horses, if held for 12 months or more and more than one-half of the taxpayer's gross income is from farming or ranching activities
- Sale of timber

Any capital gain from the sale of stock did not qualify for the Iowa capital gains exclusion.

New Provisions

A limited capital gain exclusion is available for the sale of stock to an Iowa employee stock ownership plan (ESOP). If the qualified Iowa ESOP owns at least thirty percent of all outstanding employer securities (as defined in section 409(l) of the Internal Revenue Code) issued by the Iowa corporation after the sale transaction, then 50% of the capital gain from the sale of stock qualifies for the Iowa capital gain exclusion and can be excluded from Iowa individual income tax.

The Iowa corporation must have its commercial domicile in Iowa, and the qualified Iowa ESOP must meet the federal requirements for an ESOP as defined in section 4975(e)(7) of the Internal Revenue Code.

Section Amended

Section 133 of 2012 Iowa Acts House File 2465 amends section 422.7, subsection 21, Code Supplement 2011, by adding new paragraph e.

Effective Date

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

12 HF 2465-B

VETERANS ORGANIZATION RAFFLE SALES TAX EXEMPTION

Prior Law

Iowa Code section 423.3(78) provides a sales tax exemption for the sales price of tangible personal property and services sold by any entity, if the profits from the sale are used by or donated to a nonprofit entity, a government entity, or a nonprofit private educational institution, and the proceeds are used by one of those entities for an educational, charitable, or religious purpose. However, Iowa Code section 423.3(78)(c) states that the sales price of games of skill, games of chance, raffles and bingo games are not exempt from sales tax, even if the proceeds are used by a qualified entity for a charitable, religious, or educational purpose.

New Provisions

A new subsection of 423.3 exempts from sales tax the sales price of raffles, if the raffle proceeds are used to provide educational scholarships by a qualifying organization representing veterans.

The raffle must meet the definition of a “raffle” found in section 99B.1. To do so, the raffle must be a lottery in which each participant buys a ticket for a chance to win a prize, the winner is determined by a random method, and the winner is not required to be present to win. To be a “qualifying organization representing veterans,” the organization must meet the requirements of 99B.7B. That is, the group must: be licensed, federally chartered, exempt from federal income tax under 501(c)(19), represent veterans of the United States armed forces, have an active membership of not less than twelve members, and not have a self-perpetuating government body and officers. The group must dedicate the net receipts of its raffles in compliance with section 99B.7.

Subsection 423.3(78)(c) was also amended to provide an exception for new subsection in 423.3 from the general rule that games of skill, chance, raffles, and bingo are subject to sales tax regardless of the use of proceeds.

Sections Amended

Section 2 of 2012 Iowa Acts House File 2466 amends Code section 423.3, subsection 78, paragraph c, Code Supplement 2011. Section 3 amends Code section 423.3 by adding a new subsection.

Effective Date

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

12 HF 2466

REGISTRATION OF ALL-TERRAIN VEHICLES AND OFF-ROAD UTILITY VEHICLES

Prior Law

Under prior law, “off-road utility vehicle” (OUV) was defined as, among other things, a motorized flotation tire vehicle with:

- not less than four and not more than eight low-pressure tires; and
- an engine displacement with less than 1,500 cubic centimeters; and
- a total dry weight of not more than 1,800 pounds

OUVs were exempt from dealer registration and titling requirements. However, owners of an OUV had the *option* of registering or titling the OUV if they wished to legally operate the OUV on public ice, a designated riding area, or a designated riding trail located within Iowa.

A non-Iowa resident owner of an OUV or all-terrain vehicle (ATV) who wished to operate the OUV or ATV on Iowa public land or ice had to obtain a non-resident user permit.

New Provisions

Under the new law, “off-road utility vehicle” is defined as, among other things, a motorized vehicle, with:

- not less than four and not more than eight nonhighway tires or rubberized tracks; and
- an engine displacement with less than 1,500 cubic centimeters; and
- a total dry weight of not more than 2,000 pounds.

OUVs are subject to dealer registration and titling requirements.

Each OUV or ATV used on Iowa public land or ice, or a designated riding trail of Iowa must be currently registered in Iowa, under federal laws, or in another state.

Before non-residents can register OUVs or ATVs in Iowa, they must provide evidence to the county recorder that they have paid sales or use tax for the purchase of the OUV or ATV or that they are exempt from paying the tax. Evidence can include receipts, bills of sales, or other satisfactory evidence. As a result, under the new law, non-residents who do not register their OUVs or ATVs under federal law or in another state and who do not pay sales or use tax on the purchase of the OUV or ATV will have to pay Iowa use tax on the OUV or ATV before they can register the OUV or ATV in Iowa.

In addition to having their OUVs or ATVs currently registered, non-resident owners who

wish to operate their OUVs and ATVs on Iowa public or ice, or a designated riding trail of Iowa must also obtain a non-resident user permit.

Section(s) Amended

Section 32 of 2012 Iowa Acts House File 2467 amends section 3211.1 subsections 6, 7, and 16, Code 2011. Section 36 amends section 3211.3, Code 2011. Section 37 amends section 3211.4, subsection 2, Code 2011.

Effective Date

July 1, 2012

12 HF 2467

SALES TAX EXEMPTION FOR ATTACHMENTS TO SELF-PROPELLED IMPLEMENTS OF HUSBANDRY

Prior Law

Under prior law, farm machinery and equipment, including auxiliary attachments, which improve the performance, safety, operation, or efficiency of the machinery and equipment, and replacement parts are exempt from sales tax, if the machinery and equipment or auxiliary attachments meet the following conditions:

- (1) The farm machinery and equipment are directly and primarily used in production of agricultural products.
- (2) The farm machinery and equipment are self-propelled implements or implements customarily drawn or attached to self-propelled implements or the farm machinery or equipment is a grain dryer.
- (3) The replacement part is used in any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in the production of agricultural products.

New Provisions

In addition to the existing exemptions for farm machinery and equipment and auxiliary attachments the following items are exempt from tax when used in agricultural production:

- (1) A snow blower that is to be attached to a self-propelled implement of husbandry; and
- (2) A rear-mounted blade that is to be attached to or towed by a self-propelled implement of husbandry; and
- (3) A rotary cutter that is to be attached to a self-propelled implement of husbandry.

Unique to this specific provision is that the items must merely be *used* in agricultural production rather than being *directly and primarily used* in agricultural production.

Section Amended

Section 1 of 2012 Iowa Acts House File 2470 amends section 423.3, subsection 8, Code Supplement 2011, by adding new paragraph *c*.

Effective Date

July 1, 2012

12 HF 2470

MOTOR FUEL TAX DETERMINATION PERIOD EXTENSION

Prior Law

Iowa Code section 452A.3(1) establishes the formula used to determine the tax rate on motor fuel used to operate a vehicle. Currently, the rate is variable, based on the percentage of ethanol blended with fuel. This ethanol-based formula is effective until June 30, 2012. Iowa Code section 452A.3(1A) provides that after June 30, 2012, the excise tax on each gallon of all types of motor fuel will be twenty cents.

New Provisions

Iowa Code section 452A.3(1) is amended to change the expiration date of the ethanol-based formula for calculating the motor fuel tax from June 30, 2012 to June 30, 2013. Iowa Code section 452A.3(1A) is amended to change the effective date of the twenty-cent per gallon tax on motor fuel from June 30, 2012 to June 30, 2013.

Sections Amended

Section 1 of 2012 Iowa Acts House File 2472 amends section 452A.3, subsection 1, Code 2011. Section 2 amends section 452A.3, subsection 1A, Code 2011.

Effective Date

May 2, 2012

12 HF 2472

TELECOMMUNICATION SERVICES CENTRAL OFFICE EQUIPMENT AND TRANSMISSION EQUIPMENT SALES TAX EXEMPTION

Prior Law

In 2006, Senate File 2390 was adopted to provide a phased-in sales tax exemption on the sale or rental of specified central office and transmission equipment primarily used in the furnishing of commercial telecommunication services by certain telecommunication-service providers. The law defines “central office equipment” and “transmission equipment” and describes the types of providers that are covered. The exemption was phased in beginning July 1, 2006, by providing telecommunication-service providers with a sales tax refund equal to one-seventh of the total tax due. The amount refunded was increased annually by an additional one-seventh.

New Provisions

As of July 1, 2012, the phase-in of the exemption is complete; central office equipment and transmission equipment used by certain telecommunication-service providers is now completely exempt. No payment of tax or subsequent refund is required.

Section Amended

Section 1 of 2006 Senate File 2390 amended section 423.3 by adding new subsection 47A.

Effective Date

July 1, 2012

06 SF 2390

PROPERTY TAX ON JOINT COUNTY-CITY BUILDINGS

Prior Law

A county, along with its county seat, can establish an “authority” for the purpose of operating a joint county, city, or school district building. The “authority” then leases the building to the county or city.

The county or city could then levy and collect, on behalf of the “authority,” basic property tax levies sufficient to pay the annual rent. The tax revenue was credited to the debt service fund of the county or city.

The county board of supervisors could certify supplemental levies to the extent basic levies were insufficient to pay rent to the “authority.” In addition, a city could certify additional taxes sufficient to pay annual rent under the lease.

New Provisions

Taxes realized from the tax levy imposed by a county or city for a joint county-city building must now be deposited into a *separate* account in the applicable county or city debt service fund for the payment of the annual rent.

The county board of supervisors or the city may no longer certify supplemental levies to the extent basic levies are insufficient to pay the charges of the “authority” for control of joint county-city property. Additionally, property taxes levied and collected for the purpose of paying annual rent on joint county-city buildings cannot be subject to tax increment financing.

Sections Amended

Section 1 of 2012 Iowa Acts Senate File 2137 amends section 331.424, subsection 1, paragraph *a*, Code 2011, by striking the subparagraph (5). Section 2 amends section 331.430, Code 2011, by adding the new subsection 6. Section 3 amends section 346.27, Code 2011, by amending subsection 22. Section 4 amends section 384.4, Code 2011, by adding the new subsection 4. Section 5 amends section 384.12, Code 2011, by striking subsection 15. Section 6 amends section 403.19, Code Supplement 2011, by amending subsection 2.

Effective Date

July 1, 2012 for property taxes due and payable in fiscal years beginning on or after July 1, 2013.

12 SF 2137

TARGETED JOBS WITHHOLDING ELIGIBILITY

Prior Law

A targeted jobs withholding tax credit is available for eligible businesses that operate in certain pilot project cities. These cities include Sioux City, Council Bluffs, Fort Madison, Burlington and Keokuk. Businesses enter into a withholding agreement with these cities, and three percent of the gross wages paid to employees covered under the withholding agreement are paid to the pilot project city and taken as a credit on the Iowa withholding tax return. Businesses eligible under this program include professional services, or industrial enterprise, including medical treatment facilities, manufacturing facilities, corporate headquarters, and research facilities. Businesses that operate a retail operation are not eligible under this program.

New Provisions

Businesses eligible for the targeted job withholding program now also include an enterprise located in Iowa that is operated for profit and under a single management. In addition, a business that is a government entity is not eligible for this program.

Section Amended

Section 1 of 2012 Iowa Acts Senate File 2212 amends section 403.19A, subsection 1, paragraph a, Code Supplement 2011.

Effective Date

July 1, 2012

12 SF 2212-A

EMPLOYEES ELIGIBLE FOR NEW JOBS TRAINING PROGRAM

Prior Law

A new jobs credit from withholding is available for employers who enter into a new jobs training agreement with a community college. The credit is equal to 1½ percent of the gross wages paid to employees covered under the agreement, and the credit is claimed on an Iowa withholding tax return. The amount of the credit is paid to the community college to provide for the costs of job training.

There was no provision in the Iowa law that specified whether the withholding credit was available in situations involving residents of Illinois who work in Iowa and receive job training in Iowa, but do not pay any Iowa income tax due to the Iowa-Illinois reciprocal agreement.

New Provisions

The definition of “employee” for purposes of the new jobs training program and withholding tax credit was amended to specify that employee does not include a person not subject to the withholding of Iowa income tax due to a reciprocal agreement.

This codifies the existing practice of the Department that Illinois residents who work and receive job training in Iowa are not eligible for the withholding tax credit since these Illinois residents are not subject to Iowa withholding tax.

Section Amended

Section 10 of 2012 Iowa Acts Senate File 2212 amends section 260E.2, subsection 6, Code 2011.

Effective Date

July 1, 2012

12 SF 2212-B

FLOOD MITIGATION PROGRAM

Prior Law

None

New Provisions

Iowa Acts 2012 Senate File 2217 establishes a Flood Mitigation Program and a Flood Mitigation Board to review proposed flood mitigation projects and authorize funding for approved projects. This Act also establishes two funding sources, a Flood Mitigation Fund and a Sales Tax Increment Fund, to provide funding for flood mitigation projects. The Flood Mitigation Fund will consist of appropriations and other moneys. The Sales Tax increment Fund will receive deposits of increased sales tax revenues from impacted areas, as calculated by the Iowa Department of Revenue (IDR). The Flood Mitigation Board will determine the funding source and amounts allocated to applicants for approved projects.

Once a project has been approved, the Department of Revenue will establish a base year and calculate an increment by comparing the sales tax revenue collected during a given quarter and comparing it to the same quarter in subsequent years to determine if there has been an increase. Subject to certain limitations, increases will be credited to the Sales Tax Increment Fund. However, no money will be credited to the Sales Tax Increment Fund prior to January 1, 2013. The maximum time limit for an approved project to be funded from the Sales Tax Increment Fund is 25 years. If revenue in the Sales Tax Increment Fund exceeds \$30.0 million or the awarded amount needed at any given time, then the excess funds will be deposited in the General Fund. In calculating and depositing money into the Sales Tax Increment Fund, the fund transfer order will be such that the LOST and SAVE distributions will be held harmless.

When a project no longer needs funding, the governmental entity will notify the Department of Revenue and funding will stop. The bill specifies that future project costs for support and maintenance will be paid by the governmental entity sponsoring the project.

Section(s) Amended

2012 Iowa Acts Senate File 2217 primarily creates new Code Sections 418.1 through 15 to establish and describe the Flood Mitigation Program and amends subsection 423.2(11) describing the order of funds transfer.

Effective Date

April 16, 2012

12 SF 2217

VOLUNTEER FIRE FIGHTER AND VOLUNTEER EMERGENCY MEDICAL SERVICES PERSONNEL TAX CREDIT

Prior Law

None

New Provisions

A tax credit is available for individual income tax for volunteer fire fighters and volunteer emergency medical services personnel. A volunteer fire fighter must be an active member of an organized volunteer fire department in Iowa who has met the minimum training standards established by the fire service training bureau. Volunteer emergency medical services personnel must be individuals who are trained to provide emergency medical care and who are certified as first responders and have been issued a certificate by the Department of Public Health.

The tax credit equals \$50 if the volunteer served for the entire tax year. If the volunteer did not serve for the entire year, the \$50 credit will be prorated based on the number of months that the volunteer served, rounded to the nearest dollar. If the volunteer served for a portion of a month, that will be considered as an entire month. If an individual is both a volunteer fire fighter and a volunteer emergency medical service personnel, the credit can only be claimed for one volunteer position.

The individual is required to have a written statement from the fire chief or other appropriate supervisor verifying that the individual was a volunteer fire fighter or volunteer emergency medical services personnel for the months for which the credit is claimed.

The credit is limited to the tax liability for the tax year, and there is no carry forward of any excess credit to a subsequent tax year.

Sections Amended

Section 1 of 2012 Iowa Acts Senate File 2322 amends section 422.12, subsection 1, Code 2011, by adding new paragraphs b and d. Section 2 amends section 422.12, subsection 2, Code 2011, by adding new paragraph c.

Effective Date

January 1, 2013, for tax years beginning on or after that date.

12 SF 2322

INDIVIDUAL INCOME TAX CHECKOFFS

Prior Law

There are four income tax checkoffs that are provided on Iowa individual income tax forms. For the 2010 and 2011 tax forms, these included the Fish and Game Protection Fund, Iowa State Fair Foundation Fund, Child Abuse Prevention Fund and the Joint Veterans Trust Fund and Volunteer Fire Fighter Preparedness Fund. Individuals can designate a contribution to one of these funds on their Iowa individual income tax returns.

For tax returns filed for the 2010 tax year and through March 15, 2012 for the 2011 tax year, the two checkoffs with the lowest amount of contributions are repealed. The Legislature has the opportunity to enact two checkoffs to replace those that were repealed. The two checkoffs which received the least amount of contributions for the 2010 and 2011 tax years were the Child Abuse Prevention and the Joint Veterans Trust Fund and Volunteer Fire Fighter Preparedness Fund.

New Provisions

The checkoffs related to the Child Abuse Prevention and the Joint Veterans Trust Fund and Volunteer Fire Fighter Preparedness Fund were reenacted for two more years. Therefore, the same four checkoffs that were on the 2010 and 2011 Iowa individual income tax returns will also be on the 2012 and 2013 Iowa returns.

Sections Amended

Section 1 of 2012 Iowa Acts Senate File 2325 amends section 35A.13, subsection 2, Code Supplement 2011, by adding new paragraph c. Section 2 amends section 100B.13, subsection 2, paragraph a, Code 2011. Section 3 amends section 235A.2, subsection 1, Code 2011. Section 4 creates new Code section 422.12K. Section 5 creates new Code section 422.12L.

Effective Date

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

12 SF 2325

NOTIFICATION OF FRANCHISE FEE IMPOSED BY CITIES

Prior Law

Before a city adopts or amends a franchise fee ordinance it must publish a revenue purpose statement as provided in section 362.3 (relating to publication in a newspaper or in three public places).

New Provisions

In addition to the existing publication requirements, when a city adopts, amends, or repeals an ordinance imposing a franchise fee, the city must promptly notify the Director of Revenue of such action.

Section Amended

Section 24 of 2012 Iowa Acts Senate File 2328 amends section 364.2, subsection 4, paragraph f, Code 2011.

Effective Date

July 1, 2012

12 SF 2328-A

NOTIFICATION OF ANNEXATIONS BY CITIES

Prior Law

Any city that annexed territory was required to provide written notification, containing certain enumerated items, to all public utilities operating in the annexed area.

New Provisions

In addition to the existing requirement, cities must now provide written notice of annexation to the Department of Revenue.

Cities must now also notify the applicable public utilities and the Department of Revenue when territory is severed.

Section Amended

Section 25 of 2012 Iowa Acts Senate File 2328 amends section 368.24, Code 2011.

Effective Date

July 1, 2012

12 SF 2328-B

REPEAL OF QUALITY JOBS ENTERPRISE ZONE PROGRAM

Prior Law

A Quality Jobs Enterprise Zone program was created by the legislature in 1994. This program was created to benefit one company, IPSCO, which was located in Muscatine, Iowa, and the only Quality Jobs Enterprise Zone was located in Muscatine. Certain tax benefits related to a contract that was entered into with the Iowa Economic Development Authority were awarded to IPSCO. The Legislature subsequently enacted an Enterprise Zone Program that incorporated the rest of Iowa in 1997.

New Provisions

The Quality Jobs Enterprise Zone portion of the Iowa Code is now repealed. The contract between IPSCO and the Economic Development Authority had lapsed, and any tax credits earned as part of this contract have previously been claimed.

Sections Amended

Section 1 of 2012 Iowa Acts Senate File 2328 amends section 2.48, subsection 3, paragraph a, subparagraph (2), Code 2011. Section 2 amends section 15.119, subsection 2, paragraph c, Code Supplement 2011, by striking the paragraph. Section 4 amends section 15.329, subsection 3, Code Supplement 2011, by striking the subsection. Section 10 amends section 422.33, subsection 5, paragraph f, Code Supplement 2011, by striking the paragraph. Section 11 amends section 422.33, subsection 12, paragraph b, Code Supplement 2011. Section 16 repeals section 15A.9, Code Supplement 2011.

Effective Date

July 1, 2012

12 SF 2328-C

EXCLUSION OF INCOME RELATED TO TRANSFER OF REDEVELOPMENT TAX CREDIT

Prior Law

The Redevelopment Tax Credit is administered by the Iowa Economic Development Authority. The Authority issues tax credit certificates to taxpayer who have earned the credit. These are transferable tax credits, and the Department of Revenue issues the transferred tax credit certificates.

Any consideration received for the transfer of the tax credit shall not be included as income for individual income, corporation income, franchise, insurance premiums or moneys and credits tax. Any consideration paid for the transfer of the tax credit shall not be deducted from income for individual income, corporation income, franchise, insurance premiums or moneys and credits tax. The insurance premium tax is imposed on insurance companies doing business in Iowa, and the moneys and credits tax is imposed on credit unions doing business in Iowa.

New Provisions

2012 Iowa Acts, Senate File 2328, strikes the reference to insurance premium tax and moneys and credits tax to the exclusion from income for consideration received for the transfer of the tax credit. Similarly, the reference to insurance premiums tax and moneys and credits tax to the disallowance of deductions for consideration paid for the transfer of the tax credit was stricken. Neither the insurance premiums tax nor the moneys and credits tax are imposed on net income, so these references related to the sale of the tax credit and their impact on the determination of net income was unnecessary.

Section Amended

Section 3 of 2012 Iowa Acts Senate File 2328 amends section 15.293A, subsection 2, paragraph b, subparagraph (6), Code Supplement 2011.

Effective Date

July 1, 2012

12 SF 2328-D

TERMINOLOGY CHANGE RELATED TO ALCOHOL FUELS CREDIT DEDUCTION

Prior Law

For both Iowa individual income and corporation income tax, a deduction is allowed on the Iowa return for the amount of the alcohol fuel credit allowed under section 40 of the Internal Revenue Code to the extent that the credit increases federal adjusted gross income (for individuals) and federal taxable income (for corporations).

New Provisions

The reference to the alcohol fuels credit was amended to also include the cellulosic biofuel fuels credit since the name of the federal credit allowable under section 40 of the Internal Revenue Code is the "Alcohol and Cellulosic Biofuel Fuels Credit."

Sections Amended

Section 7 of 2012 Iowa Acts Senate File 2328 amends section 422.7, subsection 9, Code Supplement 2011. Section 12 amends section 422.35, subsection 7, Code Supplement 2011.

Effective Date

July 1, 2012

12 SF 2328-E

TECHNICAL CORRECTION RELATING TO FILING THRESHOLD FOR CERTAIN TAXPAYERS

Prior Law

There was a conflict between two provisions in Iowa law regarding the filing requirement for taxpayers other than married persons, heads of household, or surviving spouses. Iowa Code section 422.5(3)(a) did not impose tax on these individuals if their net income was \$9,000 or less. Iowa Code section 422.13(1)(a) required that a tax return be filed for these individuals if the net income was \$9,000 or more. If these taxpayers had net income of exactly \$9,000, it was unclear whether an Iowa return should be filed.

New Provisions

Iowa Code section 422.13(1)(a) was amended to provide that an Iowa return is filed for these individuals if the net income is more than \$9,000. This will provide that if these individuals have net income of \$9,000, an Iowa return is not required to be filed.

Section Amended

Section 8 of 2012 Iowa Acts Senate File 2328 amends section 422.13, subsection 1, paragraph a, Code 2011.

Effective Date

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

12 SF 2328-F

TECHNICAL CORRECTION RELATING TO ACCRUAL OF INTEREST ON REFUNDS

Prior Law

In various sections of Iowa law which provide for interest to be paid on refunds, interest begins to accrue on the first day of the second month following the date of payment or the date the return was due to be filed, whichever is the later. However, there was one provision in Iowa law regarding interest on refunds that stated interest accrues beginning sixty days from the date of payment.

New Provisions

Iowa Code section 422.28, which provides for the sixty day period for filing a protest to an assessment, was amended to provide that if a refund is being issued related to a protest, interest shall accrue on the refund on the first day of the second month following the date of payment. This will provide consistency for all Iowa statutes that provide for the payment of interest on refunds.

Section Amended

Section 9 of 2012 Iowa Acts Senate File 2328 amends section 422.28, Code 2011.

Effective Date

July 1, 2012

12 SF 2328-G

DOMESTIC CORPORATIONS TO ATTACH FEDERAL RETURN TO IOWA CORPORATION INCOME TAX RETURN

Prior Law

Foreign corporations, or corporations which are incorporated outside Iowa, are required to include their federal corporation income tax return with the filing of their Iowa corporation income tax return. Domestic corporations, or corporations incorporated in Iowa, were not required to attach a copy of the federal corporation income tax return to their Iowa corporation income tax return.

New Provisions

Domestic corporations are now required to attach a copy of their federal corporation income tax return to their Iowa corporation income tax return. This amendment codifies the Department's existing practice.

Section Amended

Section 13 of 2012 Iowa Acts Senate File 2328 amends section 422.36, subsection 4, Code 2011.

Effective Date

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

12 SF 2328-H

REPEAL OF SPECIAL PROVISION RELATED TO STATUTE OF LIMITATIONS FOR REFUND

Prior Law

If a taxpayer's federal income tax was refunded due to a provision in the federal Taxpayer Relief Act of 1997 which affected the individual's federal adjusted gross income or a corporation's federal taxable income, a claim for refund could be filed by June 30, 1999 and the refund would be considered timely, even if the three year statute of limitations had already expired for the tax year.

New Provisions

Because the timeframes involved have long since passed, this special provision regarding the statute of limitations has been repealed.

Section Amended

Section 14 of 2012 Iowa Acts Senate File 2328 amends section 422.73, subsection 2, Code Supplement 2011, by striking the subsection.

Effective Date

July 1, 2012

12 SF 2328-I

EXCEPTION TO THE UNDERPAYMENT OF ESTIMATED TAX PENALTY FOR CORPORATIONS

Prior Law

An underpayment of estimated tax penalty is imposed for corporations that do not make sufficient estimated payments for Iowa corporation income tax. For tax years beginning on or after January 1, 2009, the penalty is computed on 100% of the current year tax liability. For tax years beginning prior to January 1, 2009, the penalty was computed on 90% of the current year tax liability.

There are various exceptions to this penalty. One exception to the penalty is where the corporation makes estimated payments equal to 90% of the current year tax computed by placing on an annualized basis the Iowa taxable income for the current year. When the change was made in 2009 to compute the penalty based on 100% of the current year tax, the change regarding the percentage of tax for the exception to the penalty was overlooked.

New Provisions

The statute has been updated to specify that this exception to the penalty requires that corporations make estimated payments equal to 100% of the current year tax computed by placing on an annualized basis the Iowa taxable income for the current year.

Section Amended

Section 15 of 2012 Iowa Acts Senate File 2328 amends section 422.89, subsection 3, paragraph a, unnumbered paragraph 1, Code Supplement 2011.

Effective Date

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

12 SF 2328-J

MEDICAL RECORDS SALES TAX EXEMPTION

Prior Law

Iowa Code chapter 622 governs the Iowa Rules of Evidence. Section 622.10(5)(c) states that the release of medical records to a patient, a patient's legal representative or attorney, or an adverse party following the commencement of a civil action are exempt from sales tax. However, this exemption was not codified in Iowa Code section 423.3.

New Provisions

A new subsection of 423.3 exempts from sales tax the fees charged for the release of medical records as described in section 622.10.

Section Amended

Section 19 of 2012 Iowa Acts Senate File 2328 amends section 423.3, Code Supplement 2011 by adding new subsection 96.

Effective Date

July 1, 2012

12 SF 2328-K

CIGARETTE AND TOBACCO TAXES

Prior Law

Iowa Code section 453A.1(4) and (14) define “cigarette vending machine” and “individual packages of cigarettes” respectively. “Cigarette vending machine” means any “self-service device offered for public use which, upon insertion of a coin, coins, paper currency, or by other means dispenses cigarettes or tobacco products without the necessity of replenishing the device between each vending operation.” “Individual packages of cigarettes” is defined as “every package of cigarettes ordinarily sold at retail.”

Iowa Code section 453A.6(7) requires that cigarettes be sold only in packages of twenty or more cigarettes.

New Provisions

2012 Iowa Acts Senate File 2328 expands the definition of “cigarette vending machine” found in section 453A.1(4) to include machines into which loose tobacco is inserted and from which cigarettes are assembled and dispensed, and that must be replenished between each vending operation. In effect, these changes add roll-your-own cigarette vending machines to the existing definition of “cigarette vending machine.”

Subsection 453A.1(14) is amended to include not only packages of cigarettes, but also quantities of cigarettes assembled. In effect, this change adds quantities of cigarettes assembled and dispensed by a roll-your-own tobacco machine to definition of “individual packages of cigarettes.” In addition, subsection 453A.6(7) is amended to require that cigarettes that are dispensed be dispensed in quantities of twenty or more—the same quantity as individual packages of cigarettes.

Finally, new subsection 453A.6(8) is added to require retail cigarette and tobacco permit holders who own, rent, lease, or otherwise operate a machine into which loose tobacco products are inserted and from which cigarettes are dispensed (i.e. roll-your-own cigarette vending machines) to do the following:

- Pay a tax of \$.0306 on each cigarette dispensed.
- Only insert loose tobacco products that are currently listed on the Iowa Directory of Certified Tobacco Products and Manufacturers into the machine. The list is available at: <http://www.iowa.gov/tax/business/CigTobIndex.html>.
- Dispense cigarettes that comply with the fire safety standards of chapter 101B no later than January 1, 2014.
- Maintain meters on such machines that count the number of cigarettes dispensed. The meters must not be accessed for any purpose other than

taking meter readings. The meters must not be reset or otherwise altered by the permit holder.

Sections Amended

Section 26 of 2012 Iowa Acts Senate File 2328 amends section 453A.1, subsections 4 and 14, Code 2011. Section 27 of Senate File 2328 amends section 453A.6, subsection 7 and adds subsection 8, Code 2011.

Effective Date

July 1, 2012

12 SF 2328-L

NEW SALES TAX PERMIT REQUIREMENTS FOR RELOCATION

Prior Law

Section 423.36 said a new sales tax permit must be obtained if a place of business is relocated from within the state, but did not specifically indicate that businesses moving from one Iowa county to another must obtain a permit in order to ensure that LOST and SAVE funds are distributed correctly.

New Provisions

Section 423.36 now indicates that a new sales tax permit must be obtained if a place of business is relocated from one Iowa county to another.

Section Amended

Section 20 of 2012 Iowa Acts Senate File 2328 amends section 423.36, subsection 3, paragraph a, Code 2011.

Effective Date

July 1, 2012

12 SF 2328-M

EXTENSION OF THE INDUSTRIAL PROCESSING STUDY COMMITTEE

Prior Law

The Industrial Processing Exemption Study Committee (IPSC) was established in 2004 to study and make recommendations regarding the sales and use tax exemption for computers, machinery and equipment and to provide an annual report to the general assembly each year through January 1, 2013.

New Provisions

The Industrial Processing Exemption Study Committee's charge is extended through January 1, 2016.

Section Amended

Section 28 of 2012 Iowa Acts Senate File 2328 amends 2005 Iowa Acts, chapter 77, section 1, unnumbered paragraph 4.

Effective Date

July 1, 2012

12 SF 2328-N

ELIMINATE MOTOR VEHICLE DEALER REPORT

Prior Law

Historically, motor vehicle dealers were required to file reports related to sales tax paid on the sale of vehicles.

New Provisions

The new provision repeals the Code section requiring motor vehicle dealers to file the sales tax reports. As vehicles are no longer subject to sales or use tax, but are now subject to a fee for new registration, the sales tax reports are obsolete. An amendment to reflect this change was also made to Code section 423.57.

Sections Amended

Section 21 of 2012 Iowa Acts Senate File 2328 amends section 423.57, Code 2011. Section 23 repeals section 423.28, Code 2011.

Effective Date

July 1, 2012

VEHICLE REGISTRATION FEE CODE CORRECTION

Prior Law

An exemption for the sales price from the sale of automotive fluids to a retailer to be used in providing a service made an internal code reference to code section 423.26.

New Provisions

The internal code reference was changed from Code section 423.36 to the correct section in Chapter 321.105A, which imposes the fee for new registration on vehicles.

Section Amended

Section 18 of 2012 Iowa Acts Senate File 2328 amends section 423.3, subsection 40, Code Supplement 2011.

Effective Date

July 1, 2012

12 SF 2328-P

SALES TAX REBATE OF STATE SALES TAX FOR ALL-STAR BALLPARK HEAVEN

Prior Law

None.

New Provisions

Iowa Code section 423.2, subsection 11 was amended to create a state sales tax rebate provision. The new law provides that a newly-created baseball and softball tournament facility and movie site (“facility and site”) may apply for a rebate of sales tax imposed by retailers on the sales of any goods, wares, merchandise, admission tickets, or services furnished to purchasers at the facility and site.

To be eligible for the rebate, all of the following must occur:

1. The facility and site must be located on a maximum of 279 acres.
2. The facility and site must be located inside or within three miles of the city limits of a city with a population of at least 4,000 but not more than 5,500 residents, which city is located in a county with a population of at least 93,000, but not more than 100,000 residents.
3. The construction on the facility and site must begin not later than July 1, 2013.
4. The cost of the construction upon completion must be at least \$38 million.
5. The owner or operator of the facility and site must be a for-profit legal entity where more than 51% of its equity interests are owned by individuals who are residents of Iowa, an Iowa corporation, or a combination of both and must be primarily a promoter of baseball and softball tournaments.
6. There must not be a change of control. If there is a change of control, the rebate of sales tax will stop. A change of control occurs if:
 - a. More than 51% ownership of the equity interests in the original or subsequent legal entity that is the owner of the facility and site ceases to be owned by individuals who are residents of Iowa, an Iowa corporation, or a combination of both.
 - b. The original owners of the legal entity that is the owner or operator of the facility and site collectively ceases to own more than 50% of the voting equity interests of the legal entity or otherwise ceases to have effective control of the legal entity.

To obtain a rebate, the facility and site must do all of the following:

1. File a rebate form with the Department, within a time period prescribed by the department, which time period will not be longer than quarterly.
2. Provide all information the Department deems necessary.

3. Request the rebate for sales tax collected on or after January 1, 2014, but before January 1, 2024. However, the cumulative rebate amount is capped at \$16.5 million for the entire rebate period.
4. The facility and site must provide the Department with the identities of retailers located at the facility and site. For the purposes of this program, the Department considers advance ticket and admission sales as occurring at the facility and site regardless of where the transactions actually occur.

Only state sales tax is subject to rebate; local option taxes are not impacted.

The Department of Revenue will credit amounts equal to the sales tax paid by purchasers on tangible personal property and services at the facility and site. The Department will perform the fund transfer to ensure that the following taxes are held harmless:

- Local Option Sales and Services tax (LOST).
- Three-eighths of one percent of any future sales tax rate increase. This amount is constitutionally committed to the Natural Resources and Outdoor Recreation Trust Fund.
- Secure an Advanced Vision for Education (SAVE).

Sections Amended

Section 2 of 2012 Iowa Acts Senate File 2329 amends section 423.2, subsection 11, Code Supplement 2011. Section 3 of Senate File 2329 amends section 423.4, Code Supplement 2011, by adding new subsection 10.

Effective Date

July 1, 2012

12 SF 2329

E911 FEES

Prior Law

The E911 surcharge for prepaid wireless telecommunication service was paid directly by the telecommunication companies that sell prepaid wireless service.

New Provisions

2012 Iowa Acts Senate File 2332 section 10 creates new Code section 34A.7B, "Prepaid wireless E911 surcharge." The new code section imposes a surcharge on the purchase of prepaid wireless telecommunication service. The surcharge is collected from the consumer by retailers. The surcharge will be remitted to the Department of Revenue at the time of and in the manner of the sales and use tax. The Department will provide registration and payment procedures that substantially coincide with those used for sales tax permit holders. The Department will transfer the surcharges collected to the E911 Emergency Communications Fund, although it will be allowed to keep up to 2% of the funds collected to reimburse for the direct costs of administering the collection and remittance of the surcharge.

Section Amended

Section 10 of 2012 Iowa Acts Senate File 2332 amends Chapter 34A, Code Supplement 2011, by adding new section 34A.7B.

Effective Date

New Code Chapter 34A.7b is effective January 1, 2013 for retail sales of prepaid wireless telecommunications service made on or after January 1, 2013.

SUBSTANCE ABUSE TREATMENT FACILITY SALES TAX EXEMPTION

Prior Law

Iowa Code subsection 423.3(18) provides a sales tax exemption on tangible personal property sold and services furnished to certain nonprofit entities that are specified in the section.

New Provisions

New subpart 423.3(18)(g) adds substance abuse treatment or prevention facilities that receive block grant funding from the Iowa Department of Public Health to the list of entities whose purchases of tangible personal property and services are exempt from sales tax.

Section Amended

Section 1 of 2012 Iowa Acts Senate File 2333 amends section 423.3, subsection 18, Code Supplement 2011, by adding a new paragraph "g."

Effective Date

July 1, 2012

12 SF 2333

PROPERTY TAX EXEMPTION FOR GEOTHERMAL HEATING OR COOLING SYSTEMS

Prior Law

Under prior law, the value added to residential property from any new construction or refitted installation of geothermal heating or cooling system was subject to property tax.

New Provisions

For any new construction or refitted installation of geothermal heating or cooling systems occurring on or after July 1, 2012 on residential property, the value added to the property by the construction or installation is exempt from property tax. The taxpayer should file the exemption claim with the assessor no later than February 1 of the first assessment year the exemption is requested. Once the exemption is allowed, the exemption will continue for ten consecutive years without the need for further filing the claim, until the property ceases to be classified as residential, or until the geothermal system ceases to exist, whichever occurs first. Taxpayers do not lose the right to the exemption if they fail to claim the exemption in the year directly following the year the geothermal system was completed.

The value added is the value that would not have been included in the home, if not for the construction or refit installation of the geothermal heating and cooling system.

To measure the value added by a geothermal heating and cooling system, the assessor should compute the difference between the assessed value of the residential property if the property were outfitted with a non-geothermal heating and cooling system and the assessed value of the property outfitted with the geothermal system. In the case that the new construction or refit installation takes more than one year, the assessor should make the comparison in the year the new construction or refit installation is completed.

Cost of the new construction or refit installation of the geothermal heating or cooling system is not determinative of the value added to a property.

Iowa Code section 25B.7 (relating to funding of property tax credits and exemptions by the state) does not apply to this newly enacted property tax exemption.

Section Amended

Section 2 of 2012 Iowa Acts Senate File 2342 amends section 427.1, Code Supplement 2011, by adding new subsection 38.

Effective Date

May 25, 2012 for assessment years beginning on or after January 1, 2013.

12 SF 2342-A

RESALE EXEMPTION FOR AUTO BODY REPAIR SERVICES

Prior Law

Under prior law, retailers performing taxable services, which includes vehicle repair services, could only use the resale exemption if:

1. The provider and user of the service intend that the sale of the property will occur.
2. The property is transferred to the user of the service in connection with the performance of the service in a form or quality capable of a fixed or definite price value.
3. The sale is evidenced by a separate charge for the identifiable piece of property.

New Provisions

The criteria to claim the resale exemption for items purchased for use in connection with the performance of a taxable service now includes property that is “entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user.”

Although many of the items used by auto body repair shops could already be purchased tax free for resale under the existing guidelines, now there is no need for a separate charge for the piece of property if the property is entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user. Examples of such items include, but are not limited to, paint, putty, sand paper, and cleaning compounds.

Section Amended

Section 12 of 2012 Iowa Acts Senate File 2342 amends section 423.1, subsection 39, paragraphs b and c, Code Supplement 2011.

Effective Date

May 25, 2012

12 SF 2342-B

EXEMPTION FOR CERTAIN VEHICLE WASH AND WAX SERVICE INPUTS

Prior Law

Under prior law, it was not feasible for retailers performing taxable vehicle wash and wax services to use the resale exemption for the purchase of many of their inputs because the resale exemption required that:

1. The provider and user of the service intend that the sale of the property will occur.
2. The property is transferred to the user of the service in connection with the performance of the service in a form or quality capable of a fixed or definite price value.
3. The sale is evidenced by a separate charge for the identifiable piece of property.

New Provisions

The new provision creates a new sales tax exemption for the sale of specific inputs—water, electricity, chemicals, solvents, sorbents, or reagents—to a retailer if the inputs will be used in a taxable vehicle wash and wax service.

Section Amended

Section 13 of 2012 Iowa Acts Senate File 2342 amends section 423.3, Code Supplement 2011, by adding new subsection 96.

Effective Date

May 25, 2012

12 SF 2342-C

GEOTHERMAL HEAT PUMP INCOME TAX CREDIT

Prior Law

None

New Provisions

A geothermal heat pump tax credit is available for individual income tax equal to 20% of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25D(a)(5) of the Internal Revenue Code for residential property located in Iowa.

The federal credit is available for property placed in service before January 1, 2017, so the Iowa credit will be available for the 2012-2016 tax years. The federal credit is claimed on federal form 5695, Residential Energy Credits.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the next ten years or until depleted, whichever is the earlier.

Section Amended

Section 1 of 2012 Iowa Acts Senate File 2342 creates new section 422.111, Code Supplement 2011.

Effective Date

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

12 SF 2342-D

SOLAR ENERGY SYSTEM INCOME TAX CREDIT

Prior Law

None

New Provisions

A solar energy system tax credit is available for individual income and corporation income tax for solar energy systems located in Iowa.

For individuals, the solar energy system tax credit is equal to 50% of the federal residential energy efficient property tax credit related to solar systems provided in section 25D(a)(1) of the Internal Revenue Code for solar electric property and section 25D(a)(2) of the Internal Revenue Code for solar water heating property. The Iowa credit for an individual cannot exceed \$3,000.

For corporations, which also include partnerships, limited liability companies (LLC), and S corporations, the solar energy system tax credit is equal to 50% of the federal energy credit as provided in sections 48(a)(3)(A)(i) of the Internal Revenue Code for solar electric, heating and cooling property and 48(a)(3)(A)(ii) of the Internal Revenue Code for equipment using solar energy to illuminate structures using fiber-optic distributed sunlight. The Iowa credit for a corporation cannot exceed \$15,000.

The federal credit is available for property placed in service before January 1, 2017, so the Iowa credit will be available for the 2012-2016 tax years. The federal credit is claimed on federal form 5695, Residential Energy Credits for individuals and federal form 3468, Investment Tax Credit, for corporations.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the next ten years or until depleted, whichever is the earlier.

The cumulative amount of tax credits that can be issued to both individuals and businesses cannot exceed \$1.5 million.

An individual can claim the tax credit earned by a partnership, LLC, S corporation, or estate or trust electing to have income taxed directly to the individual. The amount claimed by the individual is based on the pro rata share of the individual's earnings in the partnership, LLC, S corporation, or estate or trust.

Taxpayers who claim this credit are not eligible to claim a renewable energy tax credit under Iowa Code chapter 476C.

The Department is required to submit a written report to the Governor and the General Assembly by January 1 of each year regarding the number and value of tax credits claimed related to this credit, along with any other information deemed relevant by the Department.

Sections Amended

Section 7 of 2012 Iowa Acts Senate File 2342 creates new section 422.11L, Code Supplement 2011. Section 8 amends section 422.33, Code 2011, by adding new subsection 29. Section 9 amends section 476C.2, Code Supplement 2011, by adding new subsection 3.

Effective Date

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

12 SF 2342-E