



Iowa Department of
REVENUE

2014

LEGISLATIVE SUMMARIES

EMPHASIZING TAX ISSUES

September 2014

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VAPOR PRODUCTS AND ALTERNATIVE NICOTINE PRODUCTS

Prior Law

Iowa Code chapter 453A governs cigarette and tobacco taxes; restrictions on sales to minors; and compliance and permitting requirements for retailers, wholesalers, and distributors. The chapter regulates cigarettes, tobacco, and tobacco products; it does not regulate other nicotine products.

New Provisions

In addition to cigarettes, tobacco, and tobacco products, Iowa Code chapter 453A now regulates the sale of “alternative nicotine products” and “vapor products,” however, “alternative nicotine products” or “vapor products” are not subject to the cigarette or tobacco excise tax.

“Alternative nicotine products” and “vapor products” are defined in section 453A.1:

- “Alternative nicotine product” means “a product, not consisting of or containing tobacco, that provides for the ingestion into the body of nicotine, whether by chewing, absorbing, dissolving, inhaling, snorting, or sniffing, or by any other means.” “Alternative nicotine product” does not include “cigarettes, tobacco products, or vapor products or a product that is regulated as a drug or device by the United States food and drug administration.”
- “Vapor product” means “any noncombustible product, which may or may not contain nicotine that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size that can be used to produce vapor from a solution or other substance. Vapor product includes an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any cartridge or other container of a solution or other substance, which may or may not contain nicotine that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device.” “Vapor product” does not include “a product regulated as a drug or device by the United States food and drug administration.”

All items previously defined as cigarettes, tobacco, or tobacco products continue to be defined as such.

Persons under the age of 18 are now prohibited from using, possessing, purchasing, or attempting to purchase alternative tobacco products or vapor products. In addition, it is unlawful for any person to sell, give, or otherwise supply an alternative nicotine product or vapor product to a person under the age of 18.

The permitting requirements for cigarette, tobacco, and tobacco product sales now apply to alternative nicotine products and vapor products. The rules and penalties that apply to sales of tobacco, tobacco products, and cigarettes through cigarette vending machines now apply to sales of alternative nicotine products and vapor products. In addition, the restrictions on the use of self-service displays and samples for cigarettes, tobacco, and tobacco products also apply to alternative nicotine products and vapor products.

Sections Amended

Section 1 of 2014 Iowa Acts House File 2109 amends section 453A.1 subsection 21, Code 2014. Section 2 adds new subsections 01 and 26A to section 453A.1, Code 2014. Section 3 amends section 453A.2, subsections 1, 2, 3, and 8, Code 2014. Section 4 amends section 453A.4, subsection 1, Code 2014. Section 5 amends section 453A.5, subsection 1, Code 2014. Section 6 amends section 453A.13, subsection 1, Code 2014. Section 7 amends section 453A.13, subsections 6, 9, and 10, Code 2014. Section 8 amends section 453A.36, subsections 6, 7, and 11, Code 2014. Section 9 amends section 453A.36A, subsection 1, Code 2014. Section 10 amends section 453A.39, subsection 2, paragraph b, Code 2014. Section 11 amends section 453A.42, subsection 10, Code 2014. Section 12 amends section 453A.47A, subsections 1, 2, 4, 5, and 10, Code 2014. Section 13 amends section 805.8C, subsection 3, Code 2014. Section 15 amends the title of Iowa Code chapter 453A, Code 2014.

Effective Date

July 1, 2014

14 HF 2109

ONE-TIME FEE EXEMPTION FOR RENTAL TRAILERS

Prior Law

Iowa Code section 321.105A(2)(c)(6) exempts from the fee for new registration vehicles subject to registration purchased by a licensed motor vehicle dealer for rental that are held for rental for 120 days or more, actually rented for 60 days or less, and subject to taxation under chapter 423C, Automobile Rental Excise Tax. Under Iowa Code chapter 423C, the vehicle must be an automobile, which is defined as a motor vehicle designed primarily for carrying nine passengers or less, excluding motorcycles and motorized bicycles. In addition to the automobile rental excise tax, the rental of an automobile must also be subject to sales tax under Iowa Code section 423. There was no corresponding exemption for purchases of trailers that are held for rental.

New Provisions

Division II of this Act exempts vehicles subject to registration from the fee for new registration when the rental of those vehicles, including trailers, is subject to tax under 423.2 by clarifying that the term “vehicle” includes all vehicles subject to taxation under Iowa Code section 423.2 or chapter 423C. The term “vehicle” does not include motorcycles and motorized bikes for purposes of this exemption. This provision does not change the taxation of the rental of automobiles, motorcycles, or motorized bikes.

Sections Amended

Section 3 of 2014 Iowa Acts House File 2273 amends Iowa Code section 321.105A, subsection 2, paragraph c, subparagraph 6, Code 2014. Section 4 of 2014 Iowa Acts House File 2273 amends Iowa Code section 423.2, subsection 6, paragraph a, Code 2014.

Effective Date

July 1, 2014

14 HF 2273-A

CLARIFICATION OF VEHICLE

Prior Law _____

Vehicles that are subject to registration in any state when purchased for rental or purchased by a motor vehicle dealer licensed for rental use are exempt from the one-time fee for new registration.

New Provisions _____

Division II of 2014 Iowa Acts House File 2273 clarifies that the term “vehicle” includes all vehicles subject to taxation under Iowa Code section 423.2 or chapter 423C. The term “vehicle” does not include motorcycles and motorized bikes.

Section Amended _____

Section 3 of 2014 Iowa Acts House File 2273 amends Iowa Code section 321.105A, subsection 2, paragraph c, subparagraph 6, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2273-B

2014 IRC UPDATE BILL

Prior Law

References to the “Internal Revenue Code” mean the Internal Revenue Code as in effect on January 1, 2013, and as amended by the American Taxpayer Relief Act of 2012.

New Provisions

This Act updates the Iowa Code so that all references to the “Internal Revenue Code” mean the Internal Revenue Code in effect on January 1, 2014.

Sections Amended

Section 1 of 2014 Iowa Acts House File 2435 amends Iowa Code section 15.335, subsection 7, paragraph b. Section 2 of 2014 Iowa Acts House File 2435 amends Iowa Code section 422.3, subsection 5. Section 3 of 2014 Iowa Acts House File 2435 amends Iowa Code section 422.10, subsection 3, paragraph b. Section 4 of 2014 Iowa Acts House File 2435 amends Iowa Code section 422.32, subsection 1, paragraph g. Section 5 of 2014 Iowa Acts House File 2435 amends Iowa Code section 422.33, subsection 5, paragraph e, subparagraph 2.

All section amendments change the meaning of “Internal Revenue Code” to reflect the correct date.

Effective Date

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

14 HF 2435-A

REPEAL OF ESTATE TAX AND GENERATION SKIPPING TRANSFER TAX

Prior Law _____

Iowa maintained a Generation Skipping Transfer Tax and an Iowa Estate Tax Exemption. Under the Estate Tax Exemption, certain specified bonds were exempt from the Iowa Estate Tax. Iowa had not collected either tax for deaths occurring after December 31, 2004.

New Provisions _____

Division II of this Act repeals the Generation Skipping Transfer Tax and the state Estate Tax Exemption. Accordingly, this Act repeals chapter 450A, Generation Skipping Transfer Tax, and chapter 451, Iowa Estate Tax; and eliminates any references to those chapters.

Sections Amended _____

Sections 8 through 25 of 2014 Iowa Acts House File 2435 update Iowa Code chapters 12, 16, 321, 421, 450, 455G, 463C, 524, 633, and 633A to reflect the elimination of the taxes.

Effective Date _____

January 1, 2014

14 HF 2435-B

2014 STREAMLINED SALES TAX BILL

Prior Law

Sales of food and food ingredients are exempt from Iowa sales and use tax. A “dietary supplement” is not a food or food ingredient, and sales of dietary supplements are subject to Iowa sales and use tax.

New Provisions

The Act alters the definition of “dietary supplement” in the Iowa Code to conform to the definition found in the Streamlined Sales and Use Tax Agreement. A “dietary supplement” now is any product, other than tobacco, intended to supplement the diet that:

- Contains one or more specified ingredients;
- Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as a conventional food or for use as the sole item of a meal; and
- Contains a “supplement facts” box on the label.

The Act clarifies a taxable “dietary supplement” must satisfy all three statutory criteria.

Section Amended

Section 1 of 2014 Iowa Acts House File 2436 amends Iowa Code section 423.3, subsection 57, paragraph c.

Effective Date

July 1, 2014

14 HF 2436

LOCAL OPTION SALES TAX INCREMENT RULEMAKING AUTHORITY

Prior Law _____

The Director of Revenue did not have explicit statutory authority to adopt rules concerning transfers and disbursements for projects under chapter 15J, chapter 418, or section 423B.10 of the Iowa Code.

New Provisions _____

The Director now may adopt rules concerning transfers and disbursements for projects under chapter 15J, chapter 418, and section 423B.10 of the Iowa Code. These statutes involve flood mitigation, urban renewal, and the Iowa Reinvestment Act. The rules may ensure that the total amount of transfers and disbursements in a fiscal year do not exceed the taxes collected during the same fiscal year within the geographic boundaries of the areas in which such projects are located.

Section Amended _____

Section 1 of 2014 Iowa Acts House File 2438 amends Iowa Code section 421.17, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2438-A

PAAB e-FILING EFFECTIVE DATE CLARIFICATION

Prior Law _____

Beginning on January 1, 2014 the Property Assessment Appeal Board (PAAB) has the authority to, by rule, provide for the filing of a notice of appeal and petition with the Secretary of the Board by electronic means.

New Provisions _____

This Act clarifies that PAAB retains the right to provide for the filing of a notice of appeal and petition by electronic means for years beyond 2014.

Section Amended _____

Section 2 of 2014 Iowa Acts House File 2438 amends Iowa Code section 441.37A, subsection 1, paragraph e, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2438-B

TAX CREDIT e-FILING LANGUAGE CLARIFICATION

Prior Law _____

Various provisions under Iowa Code chapters 15, 15E, 16, 175, 404A, 422, 437A, and 476B instruct taxpayers seeking a credit to “attach” a credit certificate to their tax return.

New Provisions _____

Division III of this Act changes the word “attach” to “include” in various sections under Iowa Code chapters 15, 15E, 16, 175, 404A, 422, 437A, and 476B. This change is intended to offer clarity to taxpayers seeking to claim a credit who choose to e-file their tax return. Such taxpayers are prompted to enter the tax credit certificate on the electronic return.

Section Amended _____

Sections 3 through 18 of 2014 Iowa Acts House File 2438 amend Iowa Code chapters 15, 15E, 16, 175, 404A, 422, 437A, 476B and 476C, Code 2014 to reflect the language change.

Effective Date _____

July 1, 2014

14 HF 2438-C

CLARIFY FEDERAL REFERENCE IN SALES TAX EXEMPTION FOR CERTAIN HEALTH CENTERS

Prior Law _____

Purchases by federally-defined community health centers and migrant health centers were exempt from sales and use tax.

New Provisions _____

The Act updates the exemption to conform to federal law. Purchases by federally-defined “health centers” are now exempt from sales and use tax. Under 42 U.S.C. section 254b, “health center” means an entity that provides primary health services and other required health services to certain medically underserved populations, including migratory and seasonal agricultural workers, the homeless, and residents of public housing.

Section Amended _____

Section 22 of 2014 Iowa Acts House File 2438 amends Iowa Code section 423.3, subsection 18, paragraph e, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2438-E

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, 2014. After June 30, 2014, the excise tax on each gallon of all types of motor fuel shall be twenty cents.

New Provisions

Division III of the Act amends Iowa Code section 452A.3(1) to change the expiration date of the ethanol-based formula for calculating the motor fuel tax from June 30, 2014 to June 30, 2015. 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, 2014 to June 30, 2015.

Section Amended

Section 3 of 2014 Iowa Acts House File 2444 amends Iowa Code section 452A.3, subsection 1, Code 2014. Section 4 amends section 452A.3, subsection 1A, Code 2014. Section 5 amends section 452A.64, Code 2014.

Effective Date

May 30, 2014

14 HF 2444-A

ELIMINATE NEXT MONTH'S INTEREST REQUIREMENT ON INHERITANCE TAX ASSESSMENTS

Prior Law _____

If the Department of Revenue issues a notice of assessment for inheritance tax after the twentieth day of the month, the notice was required to include the interest calculation for both the current month and the next month.

New Provisions _____

A notice of assessment for inheritance tax now is only required to include the interest calculation for the current month. This change conforms to current practice. The Department made the same change to other tax types last year and chapter 450, Inheritance Tax, was inadvertently overlooked.

Section Amended _____

Section 2 of 2014 Iowa Acts House File 2444 amends Iowa Code section 450.94, subsection 2, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2444-B

ELIMINATE 20-DAY NOTICE FOR MOTOR FUEL TAX

Prior Law

When a taxpayer fails to correctly file a required motor fuel tax return, the Department of Revenue must provide notice of an incorrect or insufficient return 20 days prior to issuing the notice of assessment. Many taxpayers protest this 20-day notice; however, a taxpayer may not file a protest until the official notice of assessment is issued, which creates an administrative burden for the Department and confuses taxpayers as to the procedurally correct time to protest.

New Provisions

The statutory requirement to provide a 20-day notice prior to assessment for motor fuel tax has been eliminated. The Department made the same change to other tax types last year and the Motor Fuel Tax Code Chapter, 452A, was inadvertently overlooked.

Section Amended

Section 5 of 2014 Iowa Acts House File 2444 amends Iowa Code section 452A.64, Code 2014.

Effective Date

July 1, 2014

14 HF 2444-C

ALLOW DEPARTMENT TO RETAIN ELECTRONIC REPORTS

Prior Law _____

The Director of Revenue did not have explicit statutory authority to retain submitted information in an electronic format.

New Provisions _____

The Director of Revenue now has explicit authority to retain in an electronic format any record, application, tax return, deposit, report, or any other information or document required to be submitted to the Department.

Section Amended _____

Section 1 of 2014 Iowa Acts House File 2444 amends Iowa Code section 421.17.

Effective Date _____

July 1, 2014

14 HF 2444-D

DIESEL TRAILER OR SEED TENDER EXEMPTION

Prior Law _____

Farm machinery and equipment customarily drawn or attached to self-propelled implements are exempt from sales and use tax if they are directly and primarily used in agricultural production. For purposes of this exemption, vehicles subject to registration are not eligible as self-propelled implements.

New Provisions _____

The sales price of a diesel fuel trailer or seed tender used primarily in agricultural production is exempt from sales tax regardless of the vehicle the diesel fuel trailer or seed tender is attached to.

“Fuel trailer” is defined as a trailer that holds dyed diesel fuel or diesel exhaust fluid and that is used to transport such fuel or fluid to a self-propelled implement of husbandry.

“Seed tender” is defined as a trailer that holds seed and that is used to transport seed to an implement of husbandry and load seed into an implement of husbandry.

Section Amended _____

Section 1 of 2014 Iowa Acts House File 2446 amends section 423.3, subsection 8, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2446

REPEAL OF ENTERPRISE ZONE PROGRAM

Prior Law

The Enterprise Zone Program was established to promote new economic development in economically distressed areas. Under the Enterprise Zone Program, eligible businesses that were locating or located in an Enterprise Zone could receive certain tax incentives and assistance.

New Provisions

Division III of this Act repeals the Enterprise Zone Program. The new Workforce Housing Tax Incentives Program replaces the Enterprise Zone Housing Program. Economic development tax incentives are still available under the high quality jobs program administered by the Iowa Economic Development Authority. Eligible businesses can still continue to claim tax incentives under the Enterprise Zone Program for awards made prior to July 1, 2014.

Section Amended

Section 41 of 2014 Iowa Acts House File 2448 repeals Iowa Code sections 15E.191 through 15E.198, Code 2014.

Effective Date

July 1, 2014

14 HF 2448-A

WORKFORCE HOUSING TAX INCENTIVE PROGRAM

Prior Law

The Enterprise Zone Program was established to promote new economic development in economically distressed areas. Under the Enterprise Zone Program, eligible businesses that were locating or located in an enterprise zone could receive certain tax incentives and assistance. This also included an Eligible Housing Enterprise Zone Program.

Under the Eligible Housing Enterprise Zone Program, eligible businesses may claim an Investment Tax Credit equal to 10% of the new investment directly related to the building or rehabilitation of homes in an enterprise zone. Eligible businesses were also eligible for a sales tax refund related to building materials used in the project.

If the eligible business is a partnership, S corporation, or a limited liability company, the credits earned are to be allocated based on pro rata share or specific allocation. The tax credit was transferable if federal section 42 low-income housing credits were used to finance the project, or if the project was located in a brownfield or blighted area. The amount of transferable credits related to brownfield or blighted areas was limited to \$3 million in a calendar year.

The investment tax credit was nonrefundable, and any excess credit could be carried forward for seven years.

New Provisions

This Act replaces the Eligible Housing Enterprise Zone Program with a new Workforce Housing Tax Incentive Program (WHTIP). WHTIP is capped at \$20 million per fiscal year statewide, which includes both the Investment Tax Credit and the sales tax refund. The Investment Tax Credit remains at 10% of the new investment directly related to the building or rehabilitating of single-family homes or multiple dwelling units.

To receive Workforce Housing tax incentives, a proposed project must meet certain specified qualifications. If the eligible business is a partnership, S corporation, or a limited liability company, the credits earned are to be allocated based on pro rata share, specific allocation is no longer allowed. Unused credits may be carried forward for five years or until depletion. The tax credit is now freely transferable in all cases.

There are still tax credits related to brownfield or blighted areas available for transfer, but any transferred tax credits cannot be redeemed until January 1, 2016.

Sections Amended

Section 12 of Iowa Acts House File 2448 amends Iowa Code section 15.119, subsection 2. Sections 13 to 18 of Iowa Acts House File 2448 add new Iowa Code

sections 15.351 to 15.356. Section 19 of Iowa Acts House File 2448 adds new Iowa Code section 422.11C. Section 20 of Iowa Acts House File 2448 adds new Iowa Code section 422.33, subsection 15. Section 21 of Iowa Acts House File 2448 adds new Iowa Code section 422.60, subsection 12. Section 22 of Iowa Acts House File 2448 adds new Iowa Code section 432.12G. Section 23 of Iowa Acts House File 2448 amends Iowa Code section 533.329, subsection 2.

Effective Date _____

July 1, 2014

14 HF 2448-B

HISTORIC PRESERVATION TAX CREDIT CHANGES

Prior Law

A refundable tax credit is available for 25% of the qualified rehabilitation costs incurred for the substantial rehabilitation of eligible property in Iowa. To be eligible, the property or district must be any of the following:

- Listed on the National Register of Historic Places or eligible for such a listing;
- Designated as having historic significance to a district listed in the National Register of Historic Places or be eligible for such a listing;
- Designated by a city or county ordinance as a local landmark; or
- A barn constructed before 1937.

In order to qualify for the tax credit, a rehabilitation project must be registered with and approved by the State Historic Preservation Office (SHPO) of the Department of Cultural Affairs (DCA). Tax credits are reserved for approved projects using a lottery system. The SHPO may reserve tax credits up to three years in advance. The program is funded for up to \$45 million in tax credits per fiscal year. The \$45 million is divided between multiple project categories:

- 10% of the tax credit award funding must be awarded to small projects (\$750,000 or less);
- 30% must be awarded to projects in cultural and entertainment districts;
- 20% must be awarded to disaster recovery projects;
- 20% must be awarded to projects involving the creation of more than 500 new permanent jobs; and
- 20% must be awarded to other eligible projects.

Projects must be completed within 60 months of the date of approval, unless more than 50% of the qualified rehabilitation costs are incurred within 60 months, in which case the completion deadline is extended to 72 months from the date of approval.

After the project is complete, and the project is reviewed, a tax credit certificate is issued for 25% of the final qualified rehabilitation costs. Regardless of when the project is completed, the tax credit may not be claimed prior to the year for which it was reserved.

New Provisions

The new provisions apply only to projects approved on or after July 1, 2014.

The \$45 million cap remains in place. However, with the exception of the small project category, the \$45 million is no longer divided between specified project categories. Instead, such priorities will be evaluated as part of the registration application criteria. Going forward, 5% of the \$45 million is allocated to small projects.

Tax credits are no longer awarded using a lottery system. Instead, a new registration application will be used and applications will be reviewed and scored based on project-readiness. Eligibility for the tax credit will be determined based on application scores. The three-year reservation system is eliminated. Completed projects may claim the tax credit on a tax return once the tax credit certificate is issued.

Approved projects will enter into an agreement with the DCA. The amount of the tax credit is 25% of the qualified rehabilitation expenditures specified in the agreement, plus a percentage of allowable overage expenses that is based on total project size. If final expenses are lower than the amount specified in the agreement, the award will be 25% of final expenses.

Projects must be completed within 36 months of the commencement date.

Sections Amended

Section 2 of 2014 Iowa Acts House File 2453 amends Iowa Code section 404A.1, Code 2014. Section 3 amends section 404A.2, Code 2014. Section 4 amends section 404A.3, Code 2014. Section 5 amends Iowa Code section 404A.4, Code 2014. Section 6 amends section 404A.5, Code 2014. Section 7 amends, chapter 404A, Code 2014, by adding a new section, 404A.6.

Effective Date

July 1, 2014

14 HF 2453

BEGINNING FARMER TAX CREDIT CHANGES

Prior Law

The Agricultural Assets Transfer Tax Credit is available for individual and corporation income taxes for landowners that assist beginning farmers in acquiring agricultural assets, such as land or equipment, by lease or rental agreement. The Iowa Agriculture Development Authority (IADA) is responsible for determining tax credit eligibility. The IADA may issue up to \$12 million in tax credits per year. The tax credit equals 7% of the amount paid to the taxpayer under the agreement or 17% of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals.

The credit provides a carryforward period, which allows a taxpayer to claim a tax credit in excess of the taxpayer's liability for the current tax year. The length of the carryforward period was five years.

New Provisions

The Act increases the carryforward period of unused credit from five years to ten years. The purpose of this change is to maximize use of the credit.

Section Amended

Section 4 of 2014 Iowa Acts House File 2454 amends Iowa Code section 175.37, subsection 6, Code 2014. Section 8 of 2014 Iowa Acts House File 2454 amends Iowa Code section 16.80, subsection 6, Code 2014. Section 14 of 2014 Iowa Acts House File 2454 amends Iowa Code section 16.80, subsection 7, Code 2014. Section 17 of 2014 Iowa Acts House File 2454 amends Iowa Code section 175.38, subsection 9, Code 2014. Section 21 of 2014 Iowa Acts House File 2454 amends Iowa Code section 16.81, subsection 9, Code 2014.

Effective Date

Effective July 1, 2014 and retroactive to January 1, 2008, for tax years beginning on or after that date.

14 HF 2454

RECREATIONAL LAKE AND WATER QUALITY DISTRICT SALES EXEMPTION

Prior Law _____

Recreational lake and water quality districts were not specified as tax-certifying bodies for the purposes of the sales tax refund in Iowa Code section 423.4(1)

New Provisions _____

Recreational lake and water quality districts are now explicitly stated to be tax-certifying bodies for the purposes of section 423.4(1). This provision allows such districts to apply to the Department of Revenue for a refund of all sales and use tax paid on goods, wares, merchandise, or services to a contractor if those items become an integral part of a project that will become public property or be devoted to educational or other enumerated purposes when it is finished.

Section Amended _____

Section 30 of 2014 Iowa Acts House File 2458 adds a new code section 357E.15, which details the change discussed above.

Effective Date _____

Retroactive to January 1, 2014 for sales and use tax paid on or after that date.

14 HF 2458-A

RECREATIONAL LAKE AND WATER QUALITY DISTRICT PROPERTY EXEMPTION

Prior Law _____

Property and facilities owned by recreational lake and water quality districts were taxable.

New Provisions _____

Property and facilities owned by recreational lake and water quality districts are no longer taxable by the state or any of its political subdivisions (towns, counties, etc.).

“District organized under chapter 357E” now appears in the list of entities exempt from property tax under Iowa Code section 427.1(2).

Section Amended _____

Section 30 of 2014 Iowa Acts House File 2458 adds new Iowa Code. Section 357E.15, code 2014. Section 31 of House File 2458 amends Iowa Code section 427.1, subsection 2, Code 2014.

Effective Date _____

Applies retroactively to January 1, 2014, for property tax assessment years beginning on or after that date.

14 HF 2458-B

CHANGES TO VOLUNTEER FIREFIGHTER AND EMS TAX CREDIT

Prior Law

The definitions section of Iowa Code section 422.12 did not contain a definition of the term “reserve peace officer.”

There was previously no tax credit available for reserve peace officers.

“Volunteer Firefighter,” for the purposes of section 422.12, meant a volunteer firefighter as defined in section 85.61 who had met the minimum training standards set by the fire service training bureau. A full-time firefighter who volunteered for another fire department was not eligible for the tax credit.

Volunteer firefighters and volunteer emergency medical services providers who served for the entire tax year could receive a \$50 income tax credit to compensate them for their services.

New Provisions

Iowa Code section 422.12 now defines “reserve peace officer” as a person who is a reserve peace officer as defined in section 80D.1A, who has met the minimum training standards set by the Iowa law enforcement academy.

Reserve peace officers who served for the entire tax year can now receive a \$100 tax credit in compensation for their services provided they have written verification that they served as a reserve peace officer from the chief of police, sheriff, or other appropriate supervisor. Those who serve as reserve officers for less than the entire tax year can still receive a prorated credit for each month that they served.

Anyone who serves as both a reserve peace officer and a volunteer firefighter or emergency medical services personnel in the same month can only claim a credit for one of the services provided in that month.

“Volunteer firefighter” is now defined as an active member of a volunteer fire department in this state or a person who performs services as a volunteer firefighter for a municipality, township, or benefitted fire district at the request of the fire chief or other officer with the authority to demand such service. A person performing these services may not be classified as a casual employee. The person must also have met the minimum training requirements established by the fire service training bureau.

The income tax credit for volunteer firefighters and emergency medical services personnel serving for the entire tax year was increased from \$50 to \$100. People who

work as paid employees for fire departments or emergency medical services providers but also serve as volunteer firefighters or emergency medical services personnel in the city, county, or area governed by agreement under chapter 28E where their employer provides services still qualify for the credit.

Section Amended _____

Section 1 of Iowa Acts House File 2459 amends section 422.12, subsection 1, Code 2014. Section 2 of House File 2459 amends Section 422.12, subsection 1 paragraph e, Code 2014. Section 3 of House File 2459 amends Section 422.12, subsection 2, paragraph c, subparagraph (1), unnumbered paragraph 1, Code 2014. Section 4 of House File 2459 amends Section 422.12, subsection 2, Code 2014.

Effective Date _____

Retroactive to January 1, 2014, for tax years beginning on or after that date.

14 HF 2459

KNOXVILLE RACEWAY FACILITY TAX REBATE

Prior Law _____

No prior law.

New Provisions _____

A Raceway Facility Tax Rebate Fund is established under Iowa Code section 423.4. The Department will transfer sales and use tax receipts collected and remitted by retailers at a qualifying raceway facility into the Raceway Facility Tax Rebate Fund. The transfers will follow the procedure contained in Iowa Code section 423.2(11)(b).

The owner or operator of a qualifying raceway facility may apply to the Department for a rebate of the following:

1. Sales tax imposed and collected by retailers at the raceway facility; and
2. Sales and use tax on tangible personal property and services used in one project.

The total amount of rebates must not exceed the lesser of either 25% of the project costs, as determined by the Department, or \$2 million. Project costs are defined as “costs incurred by the owner or operator in connection with the planning, design, construction, and installation of property that becomes an integral part of the project under contract which project upon completion becomes part of the raceway facility, and other costs incurred by the owner or operator in connection with the project that are customarily associated with the renovation, remodeling, reconstruction, expansion, equipping, or improvement of real property.” This rebate is limited to one project per raceway facility.

A rebate shall not exceed the amounts transferred to the Raceway Facility Tax Rebate Fund. The transactions for which a rebate is sought must occur on or after January 1, 2015, but before January 1, 2025. The rebate ceases if a change in control of the raceway facility occurs.

The Act defines a “raceway facility.” Currently, the only establishment qualifying as a “raceway facility” is the Knoxville Raceway.

Section Amended _____

Section 1 of 2014 Iowa Acts House File 2464 adds new Iowa Code section 423.2, subsection 11, paragraph b, subparagraph 7, Code 2014. Section 2 of House File 2464 adds now Iowa Code section 423.4, subparagraph 11, Code 2014.

Effective Date _____

July 1, 2014

14 HF 2464

LOW-INCOME HOUSING CLASSIFIED AS MULTI-RESIDENTIAL PROPERTY

Prior Law _____

Property that was rented or leased to low income individuals as authorized by section 42 of the Internal Revenue Code (“section 42”) *and* was subject to Iowa Code section 441.21 special valuation procedures for the applicable assessment year was ineligible for a business property tax credit. In addition, section 42 properties were precluded from being classified as multi-residential upon the inception of that new classification in 2015.

When appraising section 42 properties, assessors were always required to use the productive and earning capacity from the actual rents received method of appraising property (special valuation).

New Provisions _____

All section 42 property is ineligible for the business property tax credit, regardless of whether it is subject to Iowa Code section 441.21 assessment procedures.

However, section 42 property owners may make a one-time irrevocable election to withdraw a property from the special valuation methodology and use other methods to appraise it. The property owner must notify the assessor of such an election. Once the property is withdrawn the property will be classified and assessed as multi-residential unless it fails to meet the other requirements of Iowa Code section 441.21(13). Property that is not withdrawn from section 42 special valuation procedures cannot be assessed as multi-residential under 441.21(13).

Sections Amended _____

Section 1 of House File 2466 amends section 426C.4, subsection 1, paragraph b, subparagraph 1, Code 2014. Section 2 of House File 2466 amends section 441.21, subsection 2, Code 2014. Section 3 of House File 2466 amends section 441.21 subsection 13 paragraph d, as enacted by 2013 Iowa Acts, chapter 128, section 28.

Effective Date _____

January 1, 2015

14 HF 2466

ADOPTION TAX CREDIT

Prior Law

Previously Iowa did not have an adoption tax credit.

There was an income tax deduction available for expenses paid or incurred by the taxpayer in connection with the adoption of a child, not to exceed 3% of the taxpayer's net income.

New Provisions

Taxpayers can receive an Adoption Tax Credit for the value of expenses paid or incurred in connection with the adoption of a child during the tax year of up to \$2,500 per adoption.

"Adoption" means the permanent placement of a child in this state by the Department of Human Services, a licensed agency, an agency that meets the provisions of the interstate compact on the placement of children, or by a person making an independent placement under Iowa Code chapter 600. "Child" is any individual under the age of 18. "Qualified adoption expenses" are unreimbursed expenses that do not violate state or federal law, paid or incurred in connection with the adoption of a child. These include the biological mother's medical and healthcare expenses that are incident to the birth of the child as well as welfare agency, legal, and other fees related to the adoption.

Any adoption credit that exceeds the taxpayer's tax liability is refundable, and the taxpayer can choose to have any overpayment credited to the next year's tax liability rather than refunded.

The Department of Revenue and the Department of Human Services are jointly responsible for administering this section.

Taxpayers claiming the new Adoption Tax Credit must exclude the expenses claimed under the credit when they calculate the value of the income tax deduction available for adoption expenses. The deduction is still available for expenses not claimed under the credit.

Section Amended

Section 1 of 2014 Iowa Acts House File 2468 adds a new code section, Section 422.12A, Code 2014. Section 2 of HF 2468 amends Section 422.9, subsection 2, paragraph c, Code 2014.

Effective Date

Retroactive to January 1, 2014 for tax years beginning on or after that date.

14 HF 2468

RETENTION OF INCOME TAX CHECKOFFS

Prior Law

An Income Tax Checkoff is available on Iowa individual and joint tax returns for the Iowa State Fair Foundation fund. Taxpayers who elect the checkoff can have one dollar or more deducted from their refund and donated to the State Fair Foundation. If the refund or amount remitted with the return is insufficient to cover the amount the taxpayer donated then the donation is reduced to the amount of funds that are available. The fair board is authorized to use the foundation fund to support foundation activities.

A similar Income Tax Checkoff is available for taxpayers to donate funds to the Veterans Trust Fund and the Volunteer Firefighter Preparedness Fund. The terms of this checkoff are the same as for the State Fair Checkoff except that all contributions are divided evenly between the veterans fund and the firefighter fund.

However, both checkoffs were repealed by the terms of Iowa Code section 422.12E(1), which automatically repeals the two checkoffs that received the least contributions in the past two years if the same four checkoffs have remained in place for those two years. The two checkoffs that received the most contributions were the fish and wildlife checkoff and the child abuse prevention checkoff.

New Provisions

2014 Iowa Acts House File 2473 reenacted the Iowa State Fair Foundation Checkoff using substantially the same language, rather than replacing it with a new checkoff following its automatic repeal. The bill also reenacted the Veterans Trust Fund and Volunteer Firefighter Preparedness Fund checkoffs. Therefore, the same four tax checkoffs that were on the 2012 and 2013 Iowa individual income tax return will also be on the Iowa return for the 2014 and 2015 tax years.

The Director of Revenue must include a way for taxpayers to donate to the funds on the income tax form and transfer any funds received through the checkoff for the previous year to the appropriate fund by January 31. However, the funds can only be transferred after the taxpayer has been cleared of all liabilities on the books of the Department of Administrative Services and any political contribution has been paid if the taxpayer chose to donate to that as well.

Sections Amended

Section 59 of 2014 Iowa Acts House File 2473 added a new code section 422.12D, Code 2014. Section 60 of House File 2473 added a new code section 422.12L, Code 2014.

Effective Date

These sections apply retroactively to January 1, 2014, for tax years beginning on or after that date.

14 HF 2473

EXEMPTION FOR MILITARY PENSIONS

Prior Law

Veterans were required to pay Iowa income tax on military retirement pay.

New Provisions

Veterans no longer have to pay Iowa income taxes on income received from military retirement pay. The military retirement pay is not included as income in determining if the taxpayer has sufficient income to file an Iowa income tax return, and is not included in the calculation of the Iowa alternate tax.

References to pensions and retirement income being included in taxpayers' net income now contain exclusions for military retirement pay.

New subsections directing taxpayers to exclude income from military retirement pay and survivor benefits were added to the statutory guidelines on calculating net income.

Section Amended

Section 1 of 2014 Iowa Acts Senate File 303 amends Section 422.5 subsection 3, paragraph a, Code 2014. Section 2 of 2014 SF 303 amends Section 422.5, subsection 3B, paragraph a, Code 2014. Section 3 of 2014 Senate File 303 adds new subsection 31A to Section 422.7, Code 2014. Section 4 of 2014 Senate File 303 adds new subsection 31B to Section 422.7, Code 2014.

Effective Date

Retroactive to January 1, 2014 for all tax years beginning on or after that date.

14 SF 303-A

CLARIFICATION OF PROPERTY TAX EXEMPTIONS FOR VETERANS ASSOCIATIONS

Prior Law _____

Property owned by associations of war veterans and devoted entirely to the association's use, and not used for pecuniary profit, are exempt from property taxes. The statute specifically states that the operation of bingo games on the premises does not remove the exemption as long as the profits are used for the legitimate purposes of the organization.

New Provisions _____

The exemption and the exception allowing the associations to hold bingo games on the premises still apply. However, the legislature added language clarifying that an association's property is still exempt if even if the organization sometimes leases or rents the property, so long as they do not charge more than \$250 per lease or rental and the proceeds are used only for the legitimate purposes of the organization.

Section Amended _____

Section 6 of 2014 Iowa Acts Senate File 303 amends Section 427.1, subsection 5, Code 2014.

Effective Date _____

Retroactive to January 1, 2014, for tax years beginning on or after that date.

14 SF 303-B

ONE-TIME REGISTRATION FEE EXEMPTION FOR MODIFIED VEHICLES

Prior Law _____

There was no specific exemption from registration fees for equipment dealers who purchase a new vehicle with the purpose of modifying that vehicle for resale to a business or government entity. However, under current law, an equipment dealer rebuilding or installing equipment on new vehicles can be licensed as a wholesaler to acquire new vehicles without having to title and register the vehicles or pay the fee for new registration. Once the vehicle has been modified, the retail sale of the modified vehicle is completed through a franchised dealer of the vehicle's make as a sale for resale. The new provisions provide an alternative way to accomplish this sale without paying the fee for new registration.

New Provisions _____

A new completed motor vehicle purchased at retail by a licensed equipment dealer who is licensed as a motor vehicle dealer under chapter 22 is exempt from the fee for new registration if all of the following apply:

- The total value of modifications made to the vehicle must be at least 80% of the purchase price paid for the new vehicle; and
- The modified vehicle is sold as a used vehicle to a business or government entity, and not to an individual consumer.

An equipment dealer is defined for purposes of this exemption to mean either a person rebuilding a new completed motor vehicle by fabricating, altering, adding, or replacing essential parts, components, or equipment for the purpose of building an ambulance, rescue vehicle, fire vehicle, or towing or recovery vehicle or a person installing cranes, hook loaders, buckets, aerial ladders, tanks, or special equipment on new completed motor trucks with a gross vehicle weight rating of 14,500 pounds or more.

Section Amended _____

Section 2 of 2014 Senate File 2291 amends Section 321.105A, subsection 2, paragraph c, Code 2014, by adding new subparagraph 31.

Effective Date _____

July 1, 2014

14 SF 2291

REPEAL DISASTER RECOVERY HOUSING PROJECT TAX CREDIT

Prior Law _____

A Disaster Recovery Housing Project Income Tax Credit was available for 75% of a person's qualifying investment in a disaster recovery housing project if the expenses were incurred between May 12, 2009 and July 1, 2010 and both the taxpayer and the project met certain other enumerated criteria.

New Provisions _____

The Disaster Recovery Housing Project Tax credit is repealed effective January 1, 2015.

Section Amended _____

Section 111 of 2014 Iowa Acts Senate File 2328 repeals Section 16.211, Code 2014.

Effective Date _____

January 1, 2015

14 SF 2328-A

CHANGE IN ADMINISTRATION OF BEGINNING FARMER TAX CREDIT

Prior Law

The Beginning Farmer Tax Credit Program was administered by the Agricultural Development Division of the Iowa Finance Authority.

New Provisions

The section creating an Agricultural Development Division of the Iowa Finance Authority is repealed.

Chapter 175 of the Iowa Code, which included the rules for the administration of the Beginning Farmer Tax Credit Program, is repealed.

The rules governing the administration of the Beginning Farmer Tax Credit Program are now found in Iowa Code section 16.78. The rules are effectively the same as before. The Iowa Finance Authority is required to administer the program uniformly and to encourage qualified beginning farmers to participate. The Authority must use a single set method for determining the net worth of qualified beginning farmers for all of its programs. The Authority must also establish due dates for receiving applications to participate in the program. Finally, the Authority and the Department of Revenue must cooperate in administering the program.

Section Amended

Section 111 of 2014 Iowa Acts Senate File 2328 repeals Section 16.221, Code 2014. Section 112 of SF 2328 repeals Chapter 175, Code 2014. Section 58 of Senate File 2328 creates a new section, Section 16.78, Code 2014.

Effective Date

January 1, 2015

14 SF 2328-B

CHILD AND DEPENDENT CARE CREDIT EXPANSION

Prior Law _____

A child and dependent care tax credit was available for qualified Iowa income taxpayers and was calculated based on the corresponding federal tax credit. Since the federal credit is nonrefundable, taxpayers might only receive part of the credit if they did not have federal income tax liability for tax years beginning on or after January 1, 2012.

New Provisions _____

The Iowa child and dependent care tax credit is still available, but it is now available to qualifying taxpayers based solely on their income. Taxpayers can receive the Iowa credit regardless of whether their federal credit was limited because they had no federal tax liability.

Section Amended _____

Section 1 of 2014 Iowa Acts Senate File 2337 amends Section 422.12C, subsection 1, unnumbered paragraph 1, Code 2014.

Effective Date _____

January 1, 2015, for tax years beginning on or after that date.

14 SF 2337

CNG AND LNG FUEL TAX UPDATES

Prior Law

The definitions section of the Code chapter on motor fuel and special fuel excise taxes did not define “gallon.”

Many of the Code sections in chapter 452A involving the taxation of special fuels only mentioned “compressed natural gas” (“CNG”) and “liquefied petroleum gas” (“LPG”) but not “liquefied natural gas” (“LNG”).

The tax rate for CNG used as special fuel was 16 cents per hundred cubic feet at 60 degrees Fahrenheit and 14.73 psi. There was no tax rate for LNG used as special fuel.

Iowa Code section 452A.8(2)(e) defined “dealer” or “user” as dealers and users of CNG and LPG and “fuel” as CNG or LPG for the purposes of that paragraph.

Gross volume was used to determine the gallonage for purchases and sales of all types of fuel.

New Provisions

The term “gallon” is now defined with respect to both CNG and LNG.

When the term “gallon” is used in relation to CNG it means a gasoline gallon equivalent. A gasoline gallon equivalent of CNG weighs 5.66 pounds and takes up 126.67 cubic feet at 60 degrees Fahrenheit and 14.73 psi.

When the term “gallon” is used in relation to LNG it means a diesel gallon equivalent. A diesel gallon equivalent of LNG weighs 6.06 pounds.

The term “liquefied natural gas” has been added to sections that already contained references to “compressed natural gas” and “liquefied petroleum gas” throughout chapter 452A.

The tax rate for CNG used as special fuel is now 21 cents per gallon and the tax rate for LNG used as special fuel is 22.5 cents per gallon.

LNG is now included in the definitions of “dealer,” “user,” and “fuel” for the purposes of section 452A.8(2)(e) and is listed along with CNG and LPG in all other parts of that paragraph. The subparagraphs of section 452A.8(2)(e) were also renumbered.

Most types of fuel are still measured on a gross volume basis. However, CNG and LNG are now measured by their gallon equivalents as defined above.

Section Amended _____

Section 1 of 2014 Iowa Acts Senate File 2338 amends Section 452A.2, Code 2014, by adding new subsection 20A. Section 2 of SF 2338 amends Section 452A.2, subsections 24 and 25, Code 2014. Section 3 of SF 2338 amends Section 452A.3, subsection 4, Code 2014. Section 4 of SF 2338 amends Section 452A.3, Code 2014 by adding new subsection 4A. Section 5 of SF 2338 amends Section 452A.4, subsection 1, paragraph d, Code 2014. Section 6 of SF 2338 amends Section 452A.8, subsection 2, paragraph e, Code 2014. Section 7 of SF 2338 amends Section 452A.60, unnumbered paragraph 1, Code 2014. Section 8 of SF 2338 amends Section 452A.62, subsection 1, paragraph a, subparagraph (2), Code 2014. Section 9 of SF 2338 amends Section 452A.62, subsection 1 paragraph b, Code 2014. Section 10 of SF 2338 amends Section 452A.74, subsection 1, paragraphs e and g, Code 2014. Section 11 of SF 2338 amends Section 452A.74, subsection 2, Code 2014. Section 12 of SF 2338 amends Section 452A.85, subsection 1, Code 2014. Section 13 of SF 2338 amends Section 452A.86, Code 2014.

Effective Date _____

July 1, 2014

14 SF 2338

REDEVELOPMENT TAX CREDIT CHANGES (BROWNFIELD/GRAYFIELD)

Prior Law

A tax credit is available for individual income tax, corporation income tax, franchise tax, insurance premium tax, and moneys and credits tax related to redevelopment of brownfield and grayfield sites. Brownfields involve sites that have potential environmental contamination, and grayfields are sites that have infrastructure in place but the property's current use is outdated. The credit percentages range from 12% to 30% of the qualifying investment in these sites, and tax credit certificates are issued by the Iowa Economic Development Authority.

The credit is not refundable, and any excess credit can be carried forward for five years. The credits that can be awarded in a fiscal year cannot exceed \$10 million, and the credits are awarded on a first-come, first serve basis.

New Provisions

A grayfield site now includes abandoned public buildings, constructed for use primarily by a political subdivision of the state for a public purpose and whose current use is outdated. The redevelopment tax credits are now refundable if the taxpayer establishes during the application process for the credit that it is organized under Iowa Code chapter 504 and qualifies as exempt from federal income tax under 26 U.S.C section 501(c)(3).

The Authority now has the ability to negotiate the amount of the tax credit award, instead of awarding credits on a first-come, first-serve basis.

Once the project is complete it must be audited by an independent CPA. The Authority may only issue a tax credit certificate after reviewing this audit and verifying the amount of the investment.

Sections Amended

Section 1 of 2014 Iowa Acts Senate File 2339 amends Section 15.291, Code 2014, by adding new subsections 01, 4A, 4B, and 6A. Sections 2 and 3 amend Section 15.291. Sections 4 through 10 amend Section 15.293A, Code 2014. Sections 11 and 12 amend Section 15.294, Code 2014.

Effective Date

July 1, 2014

14 SF 2339

SOLAR ENERGY SYSTEM TAX CREDIT CHANGES

Prior Law

The Iowa Solar Energy Income Tax Credit for residential properties was equal to 50% of the value of the federal tax credit provided in section 25D of the Internal Revenue Code, not to exceed \$3,000. The Iowa Solar Energy Income Tax Credit for commercial properties was equal to 50% of the value of the federal solar energy systems tax credit provided in section 48 of the Internal Revenue Code, not to exceed \$15,000. It was not clear whether a taxpayer could claim more than one solar energy system tax credit in a year.

No more than \$1.5 million was available per year for all claims applied for under this credit.

New Provisions

The Iowa Solar Energy Income Tax Credit for residential properties is now 60% of the federal residential energy credit and is limited to \$5,000 dollars. The Iowa Solar Energy Income Tax Credit for commercial properties is now 60% of the federal solar energy systems credit and is limited to \$20,000. Taxpayers can claim more than one solar energy system tax credit in a year, but can only claim one credit per separate and distinct installation. The Department will establish rules to define “separate and distinct installation.”

The limit on Solar Energy System Tax Credits was raised from \$1.5 to \$4.5 million per year. Of that amount, \$1 million must be reserved for residential solar energy system claims. If less than \$1 million is claimed for residential installations in a year the unclaimed portion of the \$1 million may be used for other claims received that year. If a part of the available \$4.5 million goes unclaimed in a year, the unclaimed part will carry over and be added to the amount of credits available for the next year.

Taxpayers are required to submit an application to the Department for each separate installation in order to receive a credit for that installation. Applications must be submitted by May 1 of the year following the year the solar energy system was installed.

Sections Amended

Section 1 of 2014 Iowa Acts Senate File 2340 amends Section 422.11L, subsection 1, paragraphs a and b, Code 2014. Section 2 of SF 2340 amends Section 422.11L, subsection 3, Code 2014. Section 3 of SF 2340 amends Section 422.11L, subsection 4, Code 2014.

Effective Date

Retroactive to January 1, 2014 for tax years beginning, and solar energy system installations occurring on or after that date.

14 SF 2340

IOWA SPEEDWAY REBATE

Prior Law

The Iowa Speedway in Newton is eligible to receive a sales tax rebate for transactions on which sales tax was collected at the racetrack facilities between January 1, 2006 and January 1, 2016. However, no more than \$12.5 million in total rebates will be provided, and all sales tax rebates will cease upon a change of control in the ownership of the track.

The rebate offer is set to expire June 30, 2016, or 30 days after \$12.5 million in rebates have been provided, or a change of control in the entity that owns the track occurs, whichever happens first.

“Change of control” is defined as either (a) any change in the ownership of the legal entity which owns and operates the racetrack resulting in less than 25% of the equity interest in that entity being owned by individual residents of Iowa, an Iowa corporation, or both; or, (b) the original owners of the entity that owns and operates the racetrack no longer hold at least 25% of the voting equity in the entity.

“Iowa corporation” is defined as a corporation incorporated under the laws of Iowa at least 25% of which is owned by Iowa residents.

New Provisions

2014 Iowa Acts SF 2341 redefines “change of control” to mean only any change in the ownership of the legal entity which owns and operates the racetrack resulting in less than 25% of the equity interest in that entity being owned by individual residents of Iowa, an Iowa business, or both. A loss of more than 75% of the voting equity by the original owners no longer qualifies as a change of control.

References to “Iowa corporation” have been replaced by references to “Iowa business” throughout the statute. “Iowa business” is defined as a corporation or LLC, incorporated or formed under the laws of Iowa. There is no additional requirement for what percentage of a corporation or LLC must be owned by Iowa residents for the business to qualify as an “Iowa business” for the purposes of this statute.

The timeframe in which a rebate is available for transactions occurring at the racetrack is extended by 10 years. A rebate is now available for transactions occurring at the racetrack facilities between January 1, 2006 and January 1, 2026, if sales tax was collected on the transaction. The rebate offer expires June 30, 2026, or 30 days after \$12.5 million in rebates have been provided, or a change of control in the ownership of the track occurs, whichever happens first.

Section Amended _____

Section 1 of 2014 Iowa Acts Senate File 2341 amends section 423.4, subsection 5, paragraph a, subparagraphs (2), (3), and (4), Code 2014. Section 2 amends section 423.4 subsection 5, paragraph c, subparagraph (3), Code 2014. Section 3 amends section 423.4, subsection 5, paragraph g, Code 2014.

Effective Date _____

Effective retroactively to November 1, 2013.

14 SF 2341

RENEWABLE ENERGY TAX CREDIT CHANGES

Prior Law

Renewable Energy Tax Credits can be awarded to eligible renewable energy facilities. The credits can be applied to corporate income, individual income, franchise, insurance premium, sales and use, and replacement taxes. “Eligible renewable energy facilities” included facilities that were placed into service before January 1, 2015, provided they met the other enumerated criteria.

An amount equivalent to 10 megawatts of nameplate generating capacity was reserved for natural gas cogeneration facilities incorporated within or associated with an ethanol plant even if that facility did not meet the definition of “eligible renewable energy facility” found in the statute.

No renewable energy tax credit certificates could be issued for energy purchased or produced after December 31, 2024 for on-site consumption.

New Provisions

“Eligible renewable energy facilities” now include facilities that were placed into service before January 1, 2017, provided they meet the other enumerated criteria.

An amount equivalent to 10 megawatts of nameplate generating capacity is reserved for methane and landfill gas and biogas cogeneration facilities associated with an ethanol plant, as well as for natural gas cogeneration facilities. Thermal heat generated by a cogeneration facility and used for a commercial purpose can also count towards the 10 megawatt reservation requirement.

Facilities that were eligible for a natural gas cogeneration facility incorporated within or associated with an ethanol plant before July 1, 2014 do not have to reapply if they start using methane and landfill or biogas cogeneration facilities on or after that date as long as they do not make any other significant changes that would affect the facility’s eligibility.

No renewable energy tax credit certificates will be issued for energy purchased or produced after December 31, 2026 for on-site consumption.

Sections Amended

Section 1 of 2014 Iowa Acts Senate File 2343 amends Section 476C.1, subsection 6, paragraph d, Code 2014. Section 2 of Senate File 2343 amends Section 476C.3, subsection 5, Code 2014. Section 3 of SF 2343 amends Section 476C.5, Code 2014.

Effective Date

July 1, 2014

14 SF 2343

INCREASE IN E-15 PLUS PROMOTION TAX CREDIT

Prior Law

Retail dealers of gasoline receive an E-15 plus gasoline promotion income tax credit for each gallon of E-15 sold. The designated rate for the E-15 plus promotion credit was 3 cents per gallon sold for calendar years 2012-2014, and 2 cents per gallon sold for calendar years 2015-2017.

New Provisions

The designated rate for the E-15 plus gasoline promotion income tax credit for calendar years 2014-2017 is now:

- 3 cents per gallon sold for the period beginning January 1 and ending May 31
- 10 cents per gallon sold during the period beginning June 1 and ending September 15
- 3 cents per gallon sold for the period beginning September 16 and ending December 31

Section Amended

Section 15 of 2014 Iowa Acts Senate File 2344 amends Section 422.11Y, subsection 4, paragraph b, Code 2014.

Effective Date

Retroactive to January 1, 2014 for tax years beginning on or after that date.

14 SF 2344-A

EXTENSION OF BIODIESEL PRODUCTION REFUND

Prior Law

A biodiesel producer could qualify for a sales tax refund calculated by multiplying the designated refund rate by the total number of gallons produced in each quarter of the calendar year.

The designated rates were:

- 3 cents for 2012
- 2 ½ cents for 2013
- 2 cents for 2014

The subsection was to be repealed by its own terms on January 1, 2015.

New Provisions

The refund is still available, but the designated rate is now set at 2 cents, regardless of the year.

The subsection will be repealed by its own terms on January 1, 2018.

Section Amended

Section 18 of 2014 Iowa Acts Senate File 2344 amends Section 423.4, subsection 9, paragraphs b and e, Code 2014.

Effective Date

July 1, 2014

14 SF 2344-B

HOMESTEAD CREDIT FOR CERTAIN DISABLED VETERANS

Prior Law

Veterans of any branch of the U.S. military who acquired a homestead under 38 U.S.C. sections 21.801, 21.802, or 38 U.S.C. sections 2101, 2102 were eligible for a homestead tax credit equal to the entire tax value assessed to the homestead.

New Provisions

Several new categories of veterans have been added to those eligible for the homestead tax credit. They are:

- Veterans (as defined in Iowa Code section 35.1) of any branch of the U.S. Military with a service-connected disability rating of 100%, as certified by the U.S. Department of Veterans Affairs.
- Former members of the national guard of any state, who otherwise meet the Iowa definition of veteran, with a service-connected disability rating of 100%, as certified by the U.S. Department of Veterans Affairs.
- Surviving spouses and children of veterans who are receiving dependency and indemnity compensation under 38 U.S.C. section 1301 *et seq.*

For owners who are veterans (but not a surviving spouse or child) the credit can pass through the estate of deceased owners to their beneficiaries, so long as the surviving spouse remains unmarried.

Surviving spouses and children of deceased veterans can no longer claim the credit once they marry or stop receiving federal dependency and indemnity compensation.

The word “veteran” when used to refer to the owner of the property, has been changed to “owner” throughout the section because surviving spouses and children of deceased veterans may now receive the credit as well.

Section Amended

Section 1 of 2014 Iowa Acts Senate File 2352 amends section 425.15, Code 2014.

Effective Date

May 26, 2014

14 SF 2352

VENTURE CAPITAL TAX CREDIT FOR INVESTMENTS IN QUALIFYING BUSINESSES

Prior Law

Taxpayers receiving this credit could not claim the credit until the third tax year after the year in which they made the investment. The credit could not be redeemed before January 1, 2005 and investments made before January 1, 2002 did not qualify for the credit.

In order for an equity investment to qualify for the credit the business in which the investment was made had to notify the Economic Development Authority of the names, addresses, shares issued, consideration paid for the shares, and the amount of any tax credits for all shareholders that qualified for the credit as well as the earliest year in which those shareholders could claim the credit.

Community-based seed capital funds were also required to provide the Authority with the earliest year a credit could be claimed, along with other information about their investors.

One of the requirements for a business to qualify for the purposes of this credit was that the business secure total equity or near equity financing of at least \$250,000 within 24 months of the date of the first equity investments that would qualify for the credit.

The Authority would rescind any tax credits to investors in a community-based seed capital fund if the fund failed to meet or maintain any requirement within 48 months of beginning investment activities.

New Provisions

The rule that recipients of this credit must wait three tax years after making the investment to claim the credit now applies only to those who receive the credit for investment in a community-based seed capital fund.

The language that said investments made before January 1, 2002 were ineligible and that the credit could not be redeemed before January 1, 2005 is no longer relevant and has been stricken from the statute.

Tax credits for equity investments in qualifying businesses made on or after January 1, 2014 cannot be redeemed before January 1, 2016.

Businesses are no longer required to notify the Authority of the first year in which their investors will be eligible for the credit, but they must still provide the Authority with the rest of the required information (names and addresses of shareholders, etc.).

Community-based seed capital funds are no longer required to provide the Authority with the first year a credit could be claimed. They must still provide the Authority certain other information about investors, and the Authority may require other information not listed in the statute.

Businesses are no longer required to secure financing within 24 months of the first investment. They only need to have secured it. The businesses are now eligible if they have secured \$250,000 in binding investment commitments, total or near equity financing, or some combination of equity financing and investment commitments.

The credit will now be rescinded if a community-based seed fund fails to meet or maintain the requirements at the end of the 36th month after their activities began, rather than the 48th month. A fund can apply for a one-year waiver of the requirements.

Sections Amended

Section 1 of 2014 Iowa Acts Senate File 2359 amends Section 15E.43, subsection 1, paragraph b, Code 2014. Section 2 of Senate File 2359 amends Section 15E.43, subsections 3 and 5, Code 2014. Section 3 of Senate File 2359 amends Section 15E.43, Code 2014 by adding new subsection 5A. Section 4 of Senate File 2359 amends Section 15E.44, subsection 2, paragraph f, Code 2014. Section 5 of Senate File 2359 amends Section 15E.44, subsection 2, paragraph f, Code 2014. Section 6 of Senate File 2359 amends Section 15E.45, subsection 3, paragraph a, subparagraph (3), Code 2014. Section 7 of Senate File 2359 amends Section 15E.45, subsection 6, Code 2014.

Effective Date

Retroactive to January 1, 2014 for all tax years beginning and investments made on or after that date.

14 SF 2359

ENVIRONMENTAL TESTING SERVICES SALES TAX EXEMPTION

Prior Law

Iowa Code section 423.2 imposes the sales tax upon “test laboratories, including mobile testing laboratories and field testing by testing laboratories, and excluding tests on humans or animals.”

New Provisions

The imposition of the sales tax on test laboratories has been revised to exclude “environmental testing services provided at a laboratory, in the field, or by a mobile testing service.” In addition, a new sales tax exemption has been created for environmental testing services and it defines the term as “the physical or chemical analysis of soil, water, wastewater, air, or solid waste performed in order to ascertain the presence of environmental contamination or degradation.”

Section Amended

Section 1 of 2014 Iowa Acts Senate File 2364 amends Section 423.2, subsection 6, paragraph a, Code 2014. Section 2 of Senate File 2364 amends Section 423.3, Code 2014 by adding new subsection 101.

Effective Date

July 1, 2015

14 SF 2364