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SENATE FILE 2005
BY JENSEN

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to school infrastructure purposes and property
2 tax relief by increasing state sales and use taxes,
3 distributing the increased state sales and use tax revenues to
4 school districts for school infrastructure purposes and
5 property tax relief and including an effective date.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2005
EDUCATION

1 Section 1. NEW SECTION. 293.1 SCHOOL DISTRICT SALES AND
2 USE TAX FUND.

3 1. A school district sales and use tax fund is created as
4 a separate and distinct fund in the state treasury under the
5 control of the department of revenue and finance. Moneys in
6 the fund include revenues credited to the fund pursuant to
7 section 422.69, subsection 2, and section 423.24, subsection
8 2A, appropriations made to the fund, and other moneys
9 deposited into the fund. The moneys credited in a fiscal year
10 to the fund shall be distributed as follows:

11 a. (1) A school district located in whole or in part in a
12 county that had in effect on March 31, 2002, the local sales
13 and services tax for school infrastructure purposes under
14 chapter 422E shall receive an amount equal to its guaranteed
15 school infrastructure amount as calculated under subsection 2
16 if the board of directors notifies the director of revenue and
17 finance that the school district wants to receive its
18 guaranteed school infrastructure amount. The notification
19 shall be provided by July 1, 2002. If notification is not
20 received by July 1, 2002, the school district shall receive
21 moneys pursuant to paragraph "b". Nothing in this chapter
22 shall prevent a school district from using its guaranteed
23 school infrastructure amount to pay principal and interest on
24 obligations issued pursuant to section 422E.4.

25 (2) A school district receiving moneys pursuant to
26 subparagraph (1) shall cease to receive its guaranteed school
27 infrastructure amount and shall receive moneys pursuant to
28 paragraph "b" starting with the fiscal year immediately
29 following the fiscal year in which occurs the end of the
30 original ten-year period or the date listed on the original
31 ballot proposition, whichever is the earlier, as provided in
32 chapter 422E. A school district may adopt a plan, as provided
33 in section 293.2, subsection 2, to anticipate moneys it will
34 receive pursuant to paragraph "b". A school district
35 receiving moneys pursuant to subparagraph (1) may elect to

1 receive moneys pursuant to paragraph "b" by providing
2 notification to receive moneys pursuant to paragraph "b" to
3 the director of revenue and finance and the director of the
4 department of management by February 15 preceding the fiscal
5 year for which the election will apply. Once a school
6 district makes this election it is irrevocable.

7 b. (1) Moneys remaining after computations made pursuant
8 to paragraph "a" shall be distributed to school districts not
9 receiving moneys under paragraph "a" on a per student basis
10 calculated by the director of revenue and finance by dividing
11 the moneys available during the fiscal year by the combined
12 actual enrollment for all school districts receiving
13 distributions under this paragraph.

14 (2) The combined actual enrollment for school districts,
15 for purposes of subparagraph (1), shall be calculated by
16 adding together the actual enrollment for each school district
17 receiving distributions under subparagraph (1) as determined
18 by the department of management based on the actual enrollment
19 figures reported by October 1 to the department of management
20 by the department of education pursuant to section 257.6,
21 subsection 1. The combined actual enrollment count shall be
22 forwarded to the director of revenue and finance by March 1,
23 annually, for purposes of supplying estimated tax payment
24 figures and making estimated tax payments pursuant to
25 subsection 3 for the following fiscal year.

26 2. a. For purposes of distributions under subsection 1,
27 paragraph "a", the school district's guaranteed school
28 infrastructure amount shall be calculated according to the
29 following formula:

30 The district's guaranteed school infrastructure amount
31 equals the product of the county guaranteed school
32 infrastructure amount times the district's county actual
33 enrollment divided by the county combined actual enrollment.

34 b. For purposes of the formula in paragraph "a":

35 (1) "Base year" means the fiscal year beginning July 1,

1 2001.

2 (2) "Base year county taxable sales percentage" means the
3 percentage that the taxable sales in the county during the
4 base year is of the total state taxable sales during the base
5 year.

6 (3) "County combined actual enrollment" means the actual
7 enrollment figures determined by the department of management
8 for the county based on the actual enrollment figures reported
9 by October 1 to the department of management by the department
10 of education pursuant to section 257.6, subsection 1.

11 (4) "County guaranteed school infrastructure amount" means
12 an amount equal to the product of the county's chapter 422E
13 proportionate share times the amount deposited in the school
14 district sales and use tax fund for the current year times the
15 current year county taxable sales percentage divided by the
16 base year county taxable sales percentage.

17 (5) "County's chapter 422E proportionate share" means the
18 percentage that the annualized revenues received in the county
19 under chapter 422E for the base year is of one-fifth of the
20 total state sales and use tax revenues collected for deposit
21 into the general fund of the state for the base year.

22 (6) "Current year" means the fiscal year for which
23 distributions under this section are being made.

24 (7) "Current year county taxable sales percentage" means
25 the percentage that the taxable sales in the county during the
26 current fiscal year is of the total state taxable sales during
27 the current fiscal year.

28 (8) "District's county actual enrollment" means the actual
29 enrollment of the school district that attends school in the
30 county for which the county combined actual enrollment is
31 determined.

32 (9) "Taxable sales" means sales subject to the state sales
33 and services tax under chapter 422, division IV.

34 3. a. The director of revenue and finance by August 15 of
35 each fiscal year shall send to each school district an

1 estimate of the amount of tax moneys each school district will
2 receive for the year and for each quarter of the year. At the
3 end of each quarter, the director may revise the estimates for
4 the year and remaining quarters.

5 b. The director shall remit ninety-five percent of the
6 estimated tax receipts for the school district to the school
7 district on or before September 30 of the fiscal year and on
8 or before the last day of each following quarter.

9 c. The director shall remit a final payment of the
10 remainder of tax moneys due for the fiscal year before
11 November 10 of the next fiscal year. If an overpayment has
12 resulted during the previous fiscal year, the November payment
13 shall be adjusted to reflect any overpayment.

14 d. If the distributions are to school districts described
15 in subsection 1, paragraph "a", the payments to these school
16 districts shall be made on a monthly basis beginning with the
17 month of September.

18 Sec. 2. NEW SECTION. 293.2 USE OF SCHOOL DISTRICT SALES
19 AND USE TAX FUND MONEYS.

20 1. A school district receiving moneys from the school
21 district sales and use tax fund under section 293.1,
22 subsection 1, paragraph "a", shall use the moneys as provided
23 on the original ballot proposition pursuant to chapter 422E,
24 for the payment of principal and interest on general
25 obligation bonds issued pursuant to chapter 296, or section
26 298.20 or loan agreements under section 297.36, for payments
27 made pursuant to lease or lease-purchase agreements, or for
28 payment of principal and interest on bonds issued under
29 sections 293.3 and 422E.4.

30 2. a. Moneys received by a school district from the
31 school district sales and use tax fund under section 293.1,
32 subsection 1, paragraph "b", shall be spent for infrastructure
33 purposes only according to a plan developed by the board of
34 directors. The plan may apply to more than one fiscal year.
35 Prior to adoption of the plan, the board of directors shall

1 hold a public hearing on the question of approval of the
2 proposed plan. The board shall set forth its proposal and
3 shall publish the notice of the time and place of a public
4 hearing on the proposed plan. Notice of the time and place of
5 the public hearing shall be published not less than ten nor
6 more than twenty days before the public hearing in a newspaper
7 which is a newspaper of general circulation in the school
8 district. At the hearing, or no later than thirty days after
9 the date of the hearing, the board shall take action to adopt
10 the proposed plan.

11 b. If the board adopts the plan, moneys received shall be
12 used according to the plan unless within twenty-eight days
13 following the action of the board, the secretary of the board
14 receives a petition containing signatures of registered voters
15 equal in number to five percent of the voters in the school
16 district who voted at the last general election, asking that
17 an election be called to approve or disapprove the action of
18 the board. The board shall either rescind its action or
19 direct the county commissioner of elections to submit the
20 question to the registered voters of the school district at
21 the next following regular school election or a special
22 election. If a majority of those voting on the question at
23 the election favors disapproval of the action of the board,
24 the district shall use the moneys received as provided in
25 paragraph "c" for the fiscal year.

26 At the expiration of the twenty-eight day period, if no
27 petition is filed, the board shall use the moneys received
28 according to the plan for the duration of the plan. However,
29 the board may, at any time, expend a greater share of moneys
30 received for property tax relief than otherwise specified in
31 the plan.

32 c. If an election is held and the plan is disapproved, as
33 provided in paragraph "b", or if a plan is not approved by the
34 board, moneys received by a school district shall be used for
35 the fiscal year to reduce the following levies in the

1 following order:

2 (1) Bond levies under sections 298.18 and 298.18A and
3 other debt levies until the moneys received or the levies are
4 reduced to zero.

5 (2) The physical plant and equipment levy under section
6 298.2, until the moneys received or the levy is reduced to
7 zero.

8 (3) The schoolhouse tax levy under section 278.1,
9 subsection 7, Code 1989, until the moneys received or the levy
10 is reduced to zero.

11 Any money remaining after the reduction of the levies
12 specified in this paragraph may be used for any lawful
13 infrastructure purpose of the school district.

14 d. For purposes of this subsection, "infrastructure
15 purposes" means those purposes for which a school district is
16 authorized to contract indebtedness and issue general
17 obligation bonds under chapter 296 or to expend tax revenues
18 under section 298.3, the payment of principal and interest on
19 general obligation bonds issued under chapter 296 or section
20 298.20 or loan agreements under section 297.36, payments made
21 pursuant to a lease or lease-purchase agreement, or the
22 payment of principal and interest on bonds issued under
23 section 293.3 or 422E.4.

24 Sec. 3. NEW SECTION. 293.3 BONDING.

25 A school district may anticipate the amount of moneys to be
26 received pursuant to section 293.1 as provided in this
27 section.

28 The board of directors of a school district may issue
29 negotiable, interest-bearing school bonds, without election,
30 and utilize tax receipts derived from the school district
31 sales and use tax fund for principal and interest repayment.
32 Proceeds of the bonds issued pursuant to this section shall be
33 utilized solely for infrastructure purposes as defined in
34 section 293.2, subsection 2.

35 Bonds issued under this section may be sold at public sale

1 as provided in chapter 75. Notice shall be given and a
2 hearing shall be held as provided in section 73A.12. Bonds
3 may bear dates, bear interest at rates not exceeding that
4 permitted by chapter 74A, mature in one or more installments,
5 be in either coupon or registered form, carry registration and
6 conversion privileges, be payable as to principal and interest
7 at times and places, be subject to terms of redemption prior
8 to maturity with or without premium, and be in one or more
9 denominations, all as provided by the resolution of the board
10 of directors authorizing their issuance. The resolution may
11 also prescribe additional provisions, terms, conditions, and
12 covenants which the board of directors deems advisable,
13 including provisions for creating and maintaining reserve
14 funds, the issuance of additional bonds ranking on a parity
15 with such bonds and additional bonds junior and subordinate to
16 such bonds, and that such bonds shall rank on a parity with or
17 be junior and subordinate to any bonds which may be then
18 outstanding. Bonds may be issued to refund outstanding and
19 previously issued bonds under this section. Bonds are a
20 contract between the school district and holders, and the
21 resolution issuing the bonds and pledging tax revenues to be
22 received from the school district sales and use tax fund to
23 the payment of principal and interest on the bonds is a part
24 of the contract. Bonds issued pursuant to this section shall
25 not constitute indebtedness within the meaning of any
26 constitutional or statutory debt limitation or restriction,
27 and shall not be subject to any other law relating to the
28 authorization, issuance, or sale of bonds.

29 A school district may enter into a chapter 28E agreement
30 with one or more cities or a county whose boundaries encompass
31 all or a part of the area of the school district. A city or
32 cities entering into a chapter 28E agreement may expend its
33 designated portion of the tax revenues to be received from the
34 school district sales and use tax fund for any valid purpose
35 permitted in this chapter or authorized by the governing body

1 of the city. A county entering into a chapter 28E agreement
2 with a school district may expend its designated portion of
3 the tax revenues to be received from the school district sales
4 and use tax fund to provide property tax relief within the
5 boundaries of the school district located in the county. A
6 school district may also enter into a chapter 28E agreement
7 with another school district which is located partially or
8 entirely in or is contiguous to the county. The school
9 district shall only expend its designated portion of tax
10 revenues to be received from the school district sales and use
11 tax fund.

12 The governing body of a city may authorize the issuance of
13 bonds which are payable from its designated portion of the tax
14 revenues to be received from the school district sales and use
15 tax fund, and not from property tax, by following the
16 authorization procedures set forth for cities in section
17 384.83. A city may pledge irrevocably any amount derived from
18 its designated portion of the tax revenues to be received from
19 the school district sales and use tax fund to the support or
20 payment of such bonds.

21 Sec. 4. Section 298.18, unnumbered paragraph 4, Code
22 Supplement 2001, is amended to read as follows:

23 The amount estimated and certified to apply on principal
24 and interest for any one year may exceed two dollars and
25 seventy cents per thousand dollars of assessed value by the
26 amount approved by the voters of the school corporation, but
27 not exceeding four dollars and five cents per thousand of the
28 assessed value of the taxable property within any school
29 corporation, provided that the registered voters of such
30 school corporation have first approved such increased amount
31 at a special election, which ~~may-be~~ was held ~~at-the-same-time~~
32 ~~as-the-regular-school-election~~ prior to July 1, 2002. The
33 ~~proposition-submitted-to-the-voters-at-such-special-election~~
34 ~~shall-be-in-substantially-the-following-form:~~

35 Sec. 5. Section 298.18, unnumbered paragraphs 5 and 6,

1 Code Supplement 2001, are amended by striking the unnumbered
2 paragraphs.

3 Sec. 6. Section 298.18, unnumbered paragraph 8, Code
4 Supplement 2001, is amended to read as follows:

5 The ability of a school corporation to exceed two dollars
6 and seventy cents per thousand dollars of assessed value to
7 service principal and interest payments on bonded indebtedness
8 is limited and conferred only to those school corporations
9 engaged in the administration of elementary and secondary
10 education and whose registered voters have voted to exceed
11 that levy limitation prior to July 1, 2002.

12 Sec. 7. Section 422.43, subsections 1, 2, 4, 5, 6, 7, 10,
13 and 12, Code Supplement 2001, are amended to read as follows:

14 1. There is imposed a tax of five six percent upon the
15 gross receipts from all sales of tangible personal property,
16 consisting of goods, wares, or merchandise, except as
17 otherwise provided in this division, sold at retail in the
18 state to consumers or users; a like rate of tax upon the gross
19 receipts from the sales, furnishing, or service of gas,
20 electricity, water, heat, pay television service, and
21 communication service, including the gross receipts from such
22 sales by any municipal corporation or joint water utility
23 furnishing gas, electricity, water, heat, pay television
24 service, and communication service to the public in its
25 proprietary capacity, except as otherwise provided in this
26 division, when sold at retail in the state to consumers or
27 users; a like rate of tax upon the gross receipts from all
28 sales of tickets or admissions to places of amusement, fairs,
29 and athletic events except those of elementary and secondary
30 educational institutions; a like rate of tax on the gross
31 receipts from an entry fee or like charge imposed solely for
32 the privilege of participating in an activity at a place of
33 amusement, fair, or athletic event unless the gross receipts
34 from the sales of tickets or admissions charges for observing
35 the same activity are taxable under this division; and a like

1 rate of tax upon that part of private club membership fees or
2 charges paid for the privilege of participating in any
3 athletic sports provided club members.

4 2. There is imposed a tax of **five six** percent upon the
5 gross receipts derived from the operation of all forms of
6 amusement devices and games of skill, games of chance,
7 raffles, and bingo games as defined in chapter 99B, operated
8 or conducted within the state, the tax to be collected from
9 the operator in the same manner as for the collection of taxes
10 upon the gross receipts of tickets or admission as provided in
11 this section. The tax shall also be imposed upon the gross
12 receipts derived from the sale of lottery tickets or shares
13 pursuant to chapter 99E. The tax on the lottery tickets or
14 shares shall be included in the sales price and distributed to
15 the general fund as provided in section 99E.10.

16 4. There is imposed a tax of **five six** percent upon the
17 gross receipts from the sales of engraving, photography,
18 retouching, printing, and binding services. For the purpose
19 of this division, the sales of engraving, photography,
20 retouching, printing, and binding services are sales of
21 tangible property.

22 5. There is imposed a tax of **five six** percent upon the
23 gross receipts from the sales of vulcanizing, recapping, and
24 retreading services. For the purpose of this division, the
25 sales of vulcanizing, recapping, and retreading services are
26 sales of tangible property.

27 6. There is imposed a tax of **five six** percent upon the
28 gross receipts from the sales of optional service or warranty
29 contracts, except residential service contracts regulated
30 under chapter 523C, which provide for the furnishing of labor
31 and materials and require the furnishing of any taxable
32 service enumerated under this section. The gross receipts are
33 subject to tax even if some of the services furnished are not
34 enumerated under this section. For the purpose of this
35 division, the sale of an optional service or warranty

1 contract, other than a residential service contract regulated
2 under chapter 523C, is a sale of tangible personal property.
3 Additional sales, services, or use taxes shall not be levied
4 on services, parts, or labor provided under optional service
5 or warranty contracts which are subject to tax under this
6 section.

7 If the optional service or warranty contract is a computer
8 software maintenance or support service contract and there is
9 no separately stated fee for the taxable personal property or
10 for the nontaxable service, the tax of five six percent
11 imposed by this subsection shall be imposed on fifty percent
12 of the gross receipts from the sale of such contract. If the
13 contract provides for technical support services only, no tax
14 shall be imposed under this subsection. The provisions of
15 this subsection also apply to the tax imposed by chapter 423.

16 7. There is imposed a tax of five six percent upon the
17 gross receipts from the renting of rooms, apartments, or
18 sleeping quarters in a hotel, motel, inn, public lodging
19 house, rooming house, manufactured or mobile home which is
20 tangible personal property, or tourist court, or in any place
21 where sleeping accommodations are furnished to transient
22 guests for rent, whether with or without meals. "Renting" and
23 "rent" include any kind of direct or indirect charge for such
24 rooms, apartments, or sleeping quarters, or their use. For
25 the purposes of this division, such renting is regarded as a
26 sale of tangible personal property at retail. However, this
27 tax does not apply to the gross receipts from the renting of a
28 room, apartment, or sleeping quarters while rented by the same
29 person for a period of more than thirty-one consecutive days.

30 10. There is imposed a tax of five six percent upon the
31 gross receipts from the rendering, furnishing, or performing
32 of services as defined in section 422.42.

33 12. A tax of five six percent is imposed upon the gross
34 receipts from the sales of prepaid telephone calling cards and
35 prepaid authorization numbers. For the purpose of this

1 division, the sales of prepaid telephone calling cards and
2 prepaid authorization numbers are sales of tangible personal
3 property.

4 Sec. 8. Section 422.43, subsection 13, paragraph a,
5 unnumbered paragraph 1, Code Supplement 2001, is amended to
6 read as follows:

7 A tax of ~~five~~ six percent is imposed upon the gross
8 receipts from the sales, furnishing, or service of solid waste
9 collection and disposal service.

10 Sec. 9. Section 422.43, subsections 16 and 17, Code
11 Supplement 2001, are amended to read as follows:

12 16. a. A tax of ~~five~~ six percent is imposed upon the
13 gross receipts from sales of bundled services contracts. For
14 purposes of this subsection, a "bundled services contract"
15 means an agreement providing for a retailer's performance of
16 services, one or more of which is a taxable service enumerated
17 in this section and one or more of which is not, in return for
18 a consumer's or user's single payment for the performance of
19 the services, with no separate statement to the consumer or
20 user of what portion of that payment is attributable to any
21 one service which is a part of the contract.

22 b. For purposes of the administration of the tax on
23 bundled services contracts, the director may enter into
24 agreements of limited duration with individual retailers,
25 groups of retailers, or organizations representing retailers
26 of bundled services contracts. Such an agreement shall impose
27 the tax rate only upon that portion of the gross receipts from
28 a bundled services contract which is attributable to taxable
29 services provided under the contract.

30 17. A tax of ~~five~~ six percent is imposed upon the gross
31 receipts from any mobile telecommunication service which this
32 state is allowed to tax by the provisions of the federal
33 Mobile Telecommunications Sourcing Act, Pub. L. No. 106-252, 4
34 U.S.C. § 116 et seq. For purposes of this subsection, taxes
35 on mobile telecommunications service, as defined under the

1 federal Mobile Telecommunications Sourcing Act, that are
2 deemed to be provided by the customer's home service provider
3 shall be paid to the taxing jurisdiction whose territorial
4 limits encompass the customer's place of primary use,
5 regardless of where the mobile telecommunication service
6 originates, terminates, or passes through and shall in all
7 other respects be taxed in conformity with the federal Mobile
8 Telecommunications Sourcing Act. All other provisions of the
9 federal Mobile Telecommunications Sourcing Act are adopted by
10 the state of Iowa and incorporated into this subsection by
11 reference. With respect to mobile telecommunications service
12 under the federal Mobile Telecommunications Sourcing Act the
13 director shall, if requested, enter into agreements consistent
14 with the provisions of the federal Act.

15 Sec. 10. Section 422.47, Code Supplement 2001, is amended
16 by adding the following new subsection:

17 NEW SUBSECTION. 2. Construction contractors may make
18 application to the department for a refund of the additional
19 one percent tax paid under this division or the additional one
20 percent tax paid under chapter 423 by reason of the increase
21 in the tax from five to six percent for taxes paid on goods,
22 wares, or merchandise under the following conditions:

23 a. The goods, wares, or merchandise are incorporated into
24 an improvement to real estate in fulfillment of a written
25 contract fully executed prior to July 1, 2002. The refund
26 shall not apply to equipment transferred in fulfillment of a
27 mixed construction contract.

28 b. The contractor has paid to the department or to a
29 retailer the full six percent tax.

30 c. The claim is filed on forms provided by the department
31 and is filed within one year of the date the tax is paid.

32 A contractor who makes an erroneous application for refund
33 shall be liable for payment of the excess refund paid plus
34 interest at the rate in effect under section 421.7. In
35 addition, a contractor who willfully makes a false application

1 for refund is guilty of a simple misdemeanor and is liable for
2 a penalty equal to fifty percent of the excess refund claimed.
3 Excess refunds, penalties, and interest due under this
4 subsection may be enforced and collected in the same manner as
5 the tax imposed by this division.

6 Sec. 11. Section 422.69, subsection 2, Code 2001, is
7 amended to read as follows:

8 2. a. Unless Except as provided in paragraph "b", or as
9 otherwise provided, the fees, taxes, interest, and penalties
10 collected under this chapter shall be credited to the general
11 fund.

12 b. One-sixth of the fees, taxes, interest, and penalties
13 collected pursuant to division IV shall be credited to the
14 school district sales and use tax fund created in section
15 293.1.

16 Sec. 12. Section 422E.1, Code 2001, is amended by adding
17 the following new subsection:

18 NEW SUBSECTION. 4. a. This chapter does not apply to any
19 county after the effective date of this Act.

20 b. In the case of a county that has in effect on March 31,
21 2002, a local sales and services tax for school infrastructure
22 purposes, the increase in the state sales and services tax
23 under chapter 422, division IV, from five percent to six
24 percent shall replace the county's local sales and services
25 tax for school infrastructure purposes and to this extent the
26 local sales and services tax for school infrastructure
27 purposes is repealed.

28 Sec. 13. Section 423.2, Code 2001, is amended to read as
29 follows:

30 423.2 IMPOSITION OF TAX.

31 An excise tax is imposed on the use in this state of
32 tangible personal property, including aircraft subject to
33 registration under section 328.20, purchased for use in this
34 state, at the rate of five six percent of the purchase price
35 of the property. An excise tax is imposed on the use of

1 manufactured housing in this state at the rate of five six
2 percent of the purchase price if the manufactured housing is
3 sold in the form of tangible personal property and at the rate
4 of five six percent of the installed purchase price if the
5 manufactured housing is sold in the form of realty. An excise
6 tax is imposed on the use in this state of vehicles subject to
7 registration or subject only to the issuance of a certificate
8 of title at the rate of five percent. An excise tax is
9 imposed on the use of leased vehicles at the rate of five
10 percent of the amount otherwise subject to tax as calculated
11 pursuant to section 423.7A. The excise tax is imposed upon
12 every person using the property within this state until the
13 tax has been paid directly to the county treasurer or the
14 state department of transportation, to a retailer, or to the
15 department. An excise tax is imposed on the use in this state
16 of services enumerated in section 422.43 at the rate of five
17 six percent. This tax is applicable where services are
18 rendered, furnished, or performed in this state or where the
19 product or result of the service is used in this state. This
20 tax is imposed on every person using the services or the
21 product of the services in this state until the user has paid
22 the tax either to an Iowa use tax permit holder or to the
23 department.

24 Sec. 14. Section 423.24, Code 2001, is amended by adding
25 the following new subsection:

26 NEW SUBSECTION. 2A. One-sixth of all other revenue
27 arising under the operation of this chapter shall be credited
28 to the school district sales and use tax fund created in
29 section 293.1.

30 Sec. 15. Section 423.24, subsection 3, Code 2001, is
31 amended to read as follows:

32 3. All other revenue arising under the operation of this
33 chapter not credited as specified in subsections 1, 2, and 2A
34 shall be credited to the general fund of the state.

35 Sec. 16. APPLICABILITY. This section applies in regard to

1 the increase in the state sales and use taxes from five to six
2 percent. The six percent rate applies to all sales of taxable
3 personal property, consisting of goods, wares, or merchandise
4 if delivery occurs on or after July 1, 2002. The six percent
5 use tax rate applies to the use of property when the first
6 taxable use in this state occurs on or after July 1, 2002.
7 The six percent rate applies to the gross receipts from the
8 sale, furnishing, or service of gas, electricity, water, heat,
9 pay television service, and communication service if the date
10 of billing the customer is on or after July 1, 2002. In the
11 case of a service contract entered into prior to July 1, 2002,
12 which contract calls for periodic payments, the six percent
13 rate applies to those payments made or due on or after July 1,
14 2002. This periodic payment applies, but is not limited to,
15 tickets or admissions, private club membership fees, sources
16 of amusement, equipment rental, dry cleaning, reducing salons,
17 dance schools, and all other services subject to tax, except
18 the aforementioned utility services which are subject to a
19 special transitional rule. Unlike periodic payments under
20 service contracts, installment sales of goods, wares, and
21 merchandise are subject to the full amount of sales or use tax
22 when the sales contract is entered into or the property is
23 first used in Iowa.

24 Sec. 17. Sections 1 and 2 of this Act, enacting sections
25 293.1 and 293.2, being deemed of immediate importance, take
26 effect upon enactment.

27 **EXPLANATION**

28 This bill increases state sales and use tax rates from 5
29 percent to 6 percent, except for motor vehicles where the rate
30 remains at 5 percent. The increased revenues are deposited
31 into a school district sales and use tax fund to be
32 distributed to school districts throughout the state to be
33 used for infrastructure or property tax relief purposes.
34 Because the increase in the state sales tax rate replaces the
35 local option sales and services tax for school infrastructure

1 purposes, those school districts that were receiving revenues
2 from the local option tax may continue to receive, according
3 to a formula, revenues from the school district sales and use
4 tax fund in an amount that approximates what those districts
5 would have received under the local option tax. These
6 districts will receive their distributions first. The
7 remaining moneys will be distributed to the other school
8 districts on a per pupil basis. School districts that were
9 receiving the local option tax may elect to receive the
10 distributions on a per pupil basis rather than pursuant to the
11 formula.

12 Revenues received by the school districts according to the
13 formula must be used for the purposes specified in the ballot
14 when the local option tax was first passed or to pay principal
15 and interest on general obligation bonds, lease-purchase
16 agreements, or other loan agreements. Other districts will
17 spend the revenues according to an infrastructure plan
18 developed by the board of directors of the school district.
19 If a plan is not developed by the board or the plan is
20 developed but disapproved as a result of a reverse referendum,
21 then the revenues will be used for property tax relief by
22 lowering the debt service levies, the physical plant and
23 equipment levy, the schoolhouse tax levy or for infrastructure
24 purposes, in that order. Bonds may be issued by a school
25 district, without an election, in anticipation of the
26 distributions the district will receive from the school
27 district sales and use tax fund.

28 The school district debt service levy is also reduced from
29 a maximum \$4.05 per \$1,000 of taxable value to \$2.70 per
30 \$1,000 of taxable value. However, if the voters in the
31 district have voted to exceed the \$2.70 per \$1,000 of taxable
32 value levy amount prior to July 1, 2002, then the maximum levy
33 may remain at \$4.05 per \$1,000 of taxable value until the
34 bonds are retired.

35 The bill has some effective date provisions. However, the

1 sales and use tax rates are increased as of July 1, 2002.

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