

Summary of 1998 Iowa tax-related legislation

Following are brief descriptions of the 1998 tax-related legislative summaries. To read the entire text of any summary below, please visit our website at:

<http://www.state.ia.us/tax>

SALES TAX

Local Option Tax for School Infrastructure

Establishes the tax and allows counties to impose the tax by election. This may be up to 1 percent and is in addition to the state sales tax of 5 percent and any other local option sales tax. Effective 4/20/98. HF2282

Organ Procurement

Exempts purchases of tangible personal property and taxable services by statewide, nonprofit, organ procurement organizations. Effective 7/1/98. HF2374

Nonprofit Hospitals

Exempts sales or rentals of tangible personal property and services used to operate nonprofit hospitals licensed under Iowa Code Chapter 135B. Effective 7/1/98. HF2513-E

Massage Therapists

Exempts services provided by massage therapists licensed under Iowa Code Chapter 152C. Effective 7/1/98. SF2550

Aircraft and Aircraft Parts

Expands the exemption of sales or rentals of certain aircraft and aircraft parts and taxable services. Effective 7/1/98. HF2560

Optional Service or Warranty Contracts

Expands the exemption relating to computer software contracts. Effective 7/1/98. SF2288-A

Industrial Machinery and Equipment

Expands the definition of "processing" and "manufacturing."

Expands the exemption for fuel or electricity used in processing. Effective 7/1/98, with sections 2, 3, and 5 of SF2288-B retroactive to 7/1/97.

Organizations Promoting Iowa Food

Exempts sales of food and beverages by nonprofit organizations

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Nine jurisdictions impose local option tax

Voters in the following nine jurisdictions have adopted the local option sales tax effective July 1, 1998. The county and county codes are listed in bold.

Hancock (41): *Unincorporated Area*

O'Brien (71): *Hartley*

Wapello (90): *Agency, Blakesburg, Eddyville, Eldon,*

Kirkville, Ottumwa, Unincorporated Area

A complete list of all current local option sales tax jurisdictions is included on pages 3 and 4 of this newsletter. An alphabetical list by city and other information about Iowa taxes are available on our site on the Worldwide Web at:

<http://www.state.ia.us/tax>

DEPARTMENT SERVICES



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that promote food or beverage products that are grown, produced or raised in Iowa. Effective 4/14/98. SF2364

Rural Water Districts

Provides for a refund to the district of sales/use tax paid on sales of building materials, supplies and equipment sold to contractors or used in constructing facilities for the districts. Effective 7/1/98. SF2365-A

Water Companies

Exempts the sale of electricity used to pump water from a river or well when sold to water companies. Effective 7/1/98. SF2365-B

MOTOR VEHICLE USE TAX

Vehicles Used in Interstate Commerce

Changes the qualifications for exemption from tax. Effective 7/1/98. HF2541

INCOME TAX

Educational Savings Plan Trust

Establishes a deduction of up to \$2,000 for participants of this trust. Effective 7/1/98. HF2119

Capital Gains

Changes the qualifications for deducting capital gains from the sale of real estate and tangible personal property of a business. Effective for tax years beginning 1/1/98. HF2513-A

Partial Pension/Retirement Income Exclusion

Increases the income exclusion amounts to \$5,000 for single taxpayers and a total of \$10,000 for married taxpayers. Effective for tax years beginning 1/1/98. HF2513-B

Personal Exemption Credit Amounts

Increases the amount from \$20 to \$40 for estates and trusts, single

individuals or married filing separate returns; from \$40 to \$80 for head of household or married individuals filing jointly. Effective for tax years beginning 1/1/98. HF2513-C

Tuition and Textbook Credit

Increases the credit percentage to 25 percent. Includes books and materials for extracurricular activities. Effective for tax years beginning 1/1/98. HF2513-D

Enterprise Zone Housing Assistance

Establishes a housing assistance credit as an alternative to the New Jobs Credit. Effective 7/1/98. In addition, eligible businesses can claim an income tax credit of up to 10 percent of new investment related to building or rehabilitating at least four single-family homes located in an enterprise zone. These businesses may also receive a sales tax refund as provided in Iowa Code section 15.331A. Effective for tax years beginning on or after 1/1/97. HF2538

IRC Update

Updates the references to the Internal Revenue Code with several effective dates. (Provides that Iowa will treat Roth IRA's the same way the IRS does.) SF2357

PROPERTY TAX

Modular Homes

Excludes these homes from the definition of mobile home park. Modular homes placed in mobile home parks not in existence on or before January 1, 1998, are to be taxed as real estate. Effective 1/1/98. SF2400

Utility Replacement Tax

Replaces the central property tax assessment system with a replacement tax on the generation, transmission and delivery of electricity and natural gas. Applies to property tax assessment years beginning January 1, 1999. SF2416

IOWA LOCAL OPTION SALES TAX JURISDICTIONS

All jurisdictions listed have imposed the local option tax at a rate of 1 percent effective for the quarter beginning July 1, 1998.

COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES	COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES
Allamakee / 03	Harpers Ferry, Postville, Waterville	1-1-95	Des Moines / 29	Burlington, Danville, Middletown, West Burlington	10-1-94
	Waukon	1-1-96		Mediapolis, Unincorporated Area	4-1-95
	Lansing, New Albin	7-1-96	Dickinson / 30	Lake Park, Okoboji, Orleans, Spirit Lake, Superior, Terril	4-1-97
	Unincorporated Area	10-1-97		Arnolds Park, Milford, Wahpeton, West Okoboji, Unincorporated Area	1-1-98
Black Hawk / 07	Cedar Falls, Elk Run Heights, Evansdale, Hudson, Raymond, Waterloo	4-1-91	Dubuque / 31	Asbury, Balltown, Centralia, Dubuque, Holy Cross, Sageville, Zwingle	4-1-88
	Dunkerton, Gilbertville, Janesville, La Porte City, Unincorporated Area	10-1-91		Bankston, Bernard, Epworth, Farley, Graf, Peosta, Sherrill, Unincorporated Area	7-1-88
	Boone / 08	Berkley, Luther, Pilot Mound	4-1-89	Cascade, Dyersville, Luxemburg, New Vienna, Rickardsville, Worthington	10-1-89
		Boone	7-1-90	Emmet / 32	Armstrong, Ringsted
Boxholm, Ogden, Sheldahl, Unincorporated Area		1-1-91	Fayette / 33		Arlington, Clermont, Elgin, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate
Madrid	7-1-91	Fayette, West Union, Unincorporated Area		7-1-95	
Fraser	1-1-92	Floyd / 34	Floyd, Marble Rock, Nora Springs, Rockford, Rudd	10-1-96	
Beaver	1-1-95		Charles City, Colwell	10-1-97	
Bremer / 09	Frederika, Sumner, Tripoli	4-1-98	Franklin / 35	Coulter, Dows, Geneva, Hansell, Latimer, Sheffield	10-1-95
Buchanan / 10	Aurora, Lamont, Stanley	10-1-95		Hampton, Popejoy, Unincorporated Area	10-1-96
Buena Vista / 11	Albert City, Linn Grove, Marathon, Newell, Sioux Rapids, Truesdale	7-1-91	Fremont / 36	Farragut, Hamburg, Imogene, Randolph, Riverton, Shenandoah, Sidney, Tabor, Thurman, Unincorporated Area	1-1-96
	Alta, Lakeside, Rembrandt, Storm Lake, Unincorporated Area	10-1-95		Hancock / 41	Corwith, Crystal Lake, Garner, Goodell, Kanawha, sKlemme, Woden
	Butler / 12	Allison, Aplington, Aredale, Bristow, Dumont, Greene, New Hartford, Parkersburg	1-1-97		Britt, Unincorporated Area
Cass / 15		Anita, Cumberland, Griswold, Lewis, Marne, Massena, Wiota	1-1-97	Unincorporated Area	7-1-98
	Atlantic, Unincorporated Area	10-1-97	Hardin / 42	Alden, Buckeye, Eldora, Hubbard, Iowa Falls, Radcliffe, Steamboat Rock, Unincorporated Area	4-1-96
	Cerro Gordo / 17	Clear Lake, Dougherty, Mason City, Meservey, Plymouth, Rock Falls, Rockwell, Swaledale, Thornton, Ventura		7-1-92	Ackley, New Providence, Owasa, Union, Whitten
Unincorporated Area		1-1-93	Harrison / 43	Dunlap, Little Sioux, Mondamin, Persia, Pisgah	10-1-97
Cherokee / 18	Aurelia, Cleghorn, Larrabee, Marcus, Meriden, Washta	7-1-96		Henry / 44	Coppock, Hillsboro, Mount Pleasant, Mount Union, New London, Olds, Rome, Salem, Westwood, Winfield
	Quimby	1-1-98	Wayland, Unincorporated Area		1-1-96
Chickasaw / 19	Alta Vista, Bassett, Fredericksburg, Ionia, Lawler, Nashua, New Hampton, North Washington, Unincorporated Area	4-1-97	Howard / 45	Chester, Cresco, Lime Springs, Protivin	1-1-94
	Clayton / 22	McGregor		1-1-90	Elma, Unincorporated Area
Elkader, Garnavillo, Luana, Millville, Marquette, Saint Olaf		4-1-94	Riceville	1-1-95	
Elkport, Farmersburg, Garber, Guttenberg, Littleport, Monona, Volga		10-1-94	Iowa / 48	Galva	4-1-97
Edgewood, North Buena Vista, Strawberry Point, Unincorporated Area		10-1-95		Ladora, North English, Parnell, Williamsburg	4-1-94
Clinton / 23	Andover, Calamus, Camanche, Clinton, Delmar, De Witt, Goose Lake, Grand Mound, Low Moor, Toronto, Welton, Wheatland	10-1-89	Marengo, Millersburg, Victor, Unincorporated Area	4-1-95	
	Charlotte, Lost Nation, Unincorporated Area	1-1-90	Jackson / 49	Baldwin, La Motte, Miles, Preston, Sabula, Saint Donatus, Spragueville, Springbrook	10-1-89
Decatur / 27	Davis City, Decatur, Garden Grove, Grand River, Lamoni, Leroy, Pleasanton, Van Wert	1-1-97		Bellevue, Zwingle	4-1-91
	Delaware / 28	Colesburg, Delaware, Delhi, Earlville, Greeley, Manchester, Masonville	10-1-94	Maquoketa, Monmouth	10-1-94
Dundee, Dyersville, Hopkinton, Ryan, Unincorporated Area		4-1-95	Andrew, Unincorporated Area	1-1-95	
Edgewood		4-1-96			

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Use latest version of IA 1040X to amend Iowa income tax returns

Last September, the department introduced a new version of the IA 1040X – identifiable by a (9/97) revised date. The key change was that a 1 1/4" x 3" blank space was opened up in the upper right hand corner of the form. The new space allows more room for stamping document numbers. The department has found that often this speeds processing because there are fewer data entry errors caused by forcing too much data into such a small space.

The previous IA 1040X has a (7/96) revised date in the

lower left corner. The IA 1040 for 1996 and prior years also have limited space and create the same problem when used to amend returns. Many of the old forms are still in circulation, but we strongly encourage use of the new form when amending Iowa returns. The department also requests that the empty space be left blank.

The new IA 1040X is available from our web site at www.state.ia.us/tax; through our forms order phone system; and from our Tax Fax system (call 1-800-572-3943 and order form number 9741122.)

Local Option Sales Tax List continued from page 3

COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES
Jones / 53	Cascade, Center Junction, Morley, Olin, Onslow, Oxford Junction Monticello, Wyoming	4-1-95 1-1-96
Lee / 56	Fort Madison, Franklin, Keokuk, Montrose St. Paul Donnellson, Houghton, West Point, Unincorporated Area	10-1-91 1-1-93 1-1-95
Linn / 57	Bertram	1-1-86
Lucas / 59	Chariton, Derby, Lucas, Russell, Williamson	4-1-98
Lyon / 60	Alvord, Doon, George, Inwood, Lester, Little Rock, Rock Rapids, Unincorporated Area	10-1-96
Mahaska / 62	Barnes City, Beacon, Fremont, Keomah Village, Leighton, New Sharon, Oskaloosa, Rose Hill, University Park, Unincorporated Area Eddyville	4-1-95 10-1-95
Marshall / 64	Liscomb	1-1-97
Mills / 65	Emerson, Henderson, Malvern, Tabor	1-1-96
Mitchell / 66	Carpenter, Mitchell, Orchard, Osage, Riceville, St. Ansgar, Stacyville McIntire, Unincorporated Area	1-1-95 7-1-95
Monona / 67	Blencoe, Castana, Mapleton, Moorhead, Onawa, Rodney, Soldier, Turin, Ute, Whiting, Unincorporated Area	7-1-90
Montgomery / 69	Coburg, Elliott, Stanton, Villisca Grant	1-1-96 4-1-96
Muscatine / 70	Atalissa, Conesville, Fruitland, Muscatine, Stockton, Wilton Nichols, Unincorporated Area Durant, West Liberty	7-1-94 1-1-95 7-1-95
O'Brien / 71	Archer, Calumet, Paullina, Primghar, Sanborn, Sheldon, Sutherland, Unincorporated Area Hartley	1-1-96 7-1-98
Page / 73	Blanchard, Braddyville, Coin, College Springs, Essex, Shambaugh, Shenandoah, Yorktown Clarinda, Hepburn, Northboro, Unincorporated Area	1-1-96 7-1-96

COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES
Polk / 77	Polk City Sheldahl	1-1-86 7-1-87
Pottawattamie / 78	Macedonia, Minden Council Bluffs Avoca, Carson, Carter Lake, Crescent, Hancock, McClelland, Neola, Oakland, Treynor, Underwood, Walnut Unincorporated Area	1-1-89 4-1-90 1-1-95 4-1-95
Scott / 82	Bettendorf, Blue Grass, Buffalo, Davenport, Dixon, Donahue, Eldridge, LeClaire, Long Grove, Maysville, sMcCausland, New Liberty, Panorama Park, Princeton, Walcott, Riverdale, Unincorporated Area Durant	1-1-89 4-1-97
Shelby / 83	Defiance, Earling, Elk Horn, Irwin, Panama, Portsmouth, Shelby, Tennant, Westphalia	1-1-98
Sioux / 84	Alton, Boyden, Chatsworth, Granville, Hawarden, Hull, Ireton, Matlock, Maurice, Orange City, Sioux Center, Unincorporated Area Hospers, Rock Valley, Sheldon	10-1-95 7-1-96
Story / 85	Ames, Huxley Cambridge, Collins, Colo, Gilbert, Kelley, McCallsburg, Roland, Sheldahl, Slater, Unincorporated Area Nevada, Maxwell, Zearing Story City	1-1-87 7-1-87 1-1-89 10-1-90
Wapello	Agency, Blakesburg, Eddyville, Eldon, Kirkville, Ottumwa, Unincorporated Area	7-1-98
Winneshiek / 96	Decorah Calmar, Castalia, Fort Atkinson, Jackson Junction, Ossian, Ridgeway, Spillville, Unincorporated Area	4-1-91 7-1-91
Woodbury / 97	Bronson, Cushing, Merville, Oto, Salix, Sergeant Bluff, Sioux City, Sloan Anthon, Correctionville, Danbury, Hornick, Lawton, Pierson, Smithland, Unincorporated Area	1-1-87 10-1-88
Worth / 98	Fertile, Grafton, Hanlontown, Joice, Kensett, Manly, Northwood, Unincorporated Area	1-1-97 7-1-97