

1999 Iowa Legislative Summaries

emphasizing tax and finance issues

Iowa Department of
Revenue and Finance
June 1999

USE TAX IMPOSED ON AIRCRAFT SUBJECT TO REGISTRATION

Prior Law

Aircraft subject to registration which were sold in Iowa were sold subject to Iowa sales tax. Exemptions applicable to aircraft subject to registration were found in the sales tax chapter (422) of the Code and made applicable to the use tax chapter by reference. Retailers of aircraft subject to registration collected the sales tax from their customers.

New Provisions

Aircraft subject to registration which are sold in Iowa are sold subject to Iowa use tax. This tax is not collected by the dealer but by the state department of transportation at the time of the aircraft's registration. Various exemptions from sales tax which are applicable to aircraft subject to registration are placed directly in the use tax chapter (423) of the Code (e.g. exemptions for aircraft used in a scheduled interstate FAA certified air carrier operation and for aircraft purchased by a dealer and subsequently leased by the dealer at the same time the dealer is attempting to sell the aircraft). Also exempts aircraft from local option tax by making it a use tax.

Section Amended

Section 1 of House File 199 amends section 422.45, subsections 4 and 6 of the 1999 Code. Section 2 amends section 423.2; section 3 amends section 423.4, subsection 4; and section 4 of House file 199 amends section 423.4 of the 1999 Code by adding four new subsections.

Effective Date

July 1, 1999.

CODE EDITOR TECHNICAL CORRECTION BILL

Prior Law

The assessor was required to enter on the tax rolls the title number of the modular home after conversion to real estate.

The 1999 Code contained a number of references to personal property even though it has been exempt from tax since 1986.

New Provisions

Reference to modular home title numbers was deleted because they do not exist.

Reference to inventories, goods, capital, shares of stock, jurisdiction to tax personal property and other personal property matters were repealed.

Sections Amended

Section 26 of House File 242 amends § 435.26, subsection 3; section 28 amends § 441.21, subsection 2, unnumbered paragraph 1, by striking the unnumbered paragraph; section 54 repeals § § 428.9, 428.11, 428.13, 428.14, 428.15, 428.34, 428.36, and 441.30. All amendments are to the 1999 Code.

Effective Date

Section 26 is effective January 1, 1999 (modular home titles). Sections 28 and 54 (the repealed personal property tax sections) are effective July 1, 1999.

RELEASE OF RENT REIMBURSEMENT INFORMATION

Prior Law

The department could only release information contained on a claim for property tax credit or rent reimbursement to county treasurers.

New Provision

Information contained on a claim for rent reimbursement may be released to the department of inspections and appeals.

Section Amended

Section 1 of House File 417 amends § 425.28, Code 1999, by adding a new unnumbered paragraph.

Effective Date

July 1, 1999.

ARGON GAS EXEMPTION

PRIOR LAW

None

NEW PROVISIONS

The gross receipts from the sale of argon and other similar gases to be used in the manufacturing process are exempt from tax.

In addition, the law provides for a refund of taxes, interest and penalty from claims resulting from the enactment of this exemption for periods beginning January 1, 1991 through the effective date of this Act. Claims will be limited to twenty- five thousand dollars in aggregate. If the amount of claims total more than the aggregate limit, then the Department shall prorate the twenty-five thousand dollars among all claims. Claims must be filed by October 1, 1999.

SECTION AMENDED

Iowa Code section 422.45 by adding a new subsection 55.

EFFECTIVE DATE

Upon enactment. The bill was signed into law by the governor on May 24, 1999. However, this exemption is to be applied retroactively to January 1, 1991.

BURIAL SITE NOTED ON DECLARATION OF VALUE

Prior Law

None

New Provision

A statement is to be submitted to the county recorder with each declaration of value indicating if there is any known private burial site situated on the property conveyed. If there is, the statement shall identify the approximate location of the site.

Sections Amended

Section 1 of House File 472 amends § 558.69, Code 1999; section 2 amends chapter 566 by adding new section 35.

Effective Date

May 18, 1999.

COUNTY TREASURER BILL

Prior Law

A special assessment was required to be at least \$50 before it could be paid in installments.

The owner of a home was required to obtain a tax clearance statement from the county treasurer only if the home was subject to the square footage tax.

New Provisions

A special assessment is required to be at least \$100 before it can be paid in installments.

The owner is required to obtain a tax clearance statement from the county treasurer before moving a home taxed as real estate to a dealer's stock or a mobile home park.

Recorded instruments conveying an interest in real property are required to contain the name and address of the person to whom the property tax statement is to be mailed.

Sections Amended

Section 4 of House File 474 amends § 331.602, subsection 1, by adding new paragraph d; section 6 amends § 384.65, subsection 1; section 7 amends § 435.24, subsection 5; and section 11 provides an effective date. All amendments are to the 1999 Code.

Effective Date

Section 4 applies to instruments recorded on or after January 1, 2000. Sections 6 and 7 are effective July 1, 1999.

JURISDICTION OF TRUSTS AND DISCLAIMERS PROBATE

PRIOR LAW

Only provided that trusts administered solely or jointly by a bank or trust company were not subject to the jurisdiction of the district court sitting in probate, unless such jurisdiction was invoked by the trustee or a beneficiary.

Iowa Code section 633.704(3) that governs disclaimers provided, in part, that in the case of a disclaiming beneficiary under a will, other than the spouse, the property, interest, or right disclaimed passed to the heirs of the disclaimant unless from the terms of the transferor's will the intent was clear and explicit to the contrary, in which event the property, interest, or right disclaimed passed pursuant to the will.

Prior law provided that custodial independent retirement accounts were subject to the terms of the owner's will

NEW PROVISIONS

Provides that trusts administered solely or jointly by an individual trustee or trustees are not subject to the district court sitting in probate, unless such jurisdiction is invoked by the trustee or beneficiary.

Under this new provision, the entire language set forth above from Iowa Code section 633.701(3) was stricken to make the passing of such property consistent with the Anitlapse statutes set forth in Iowa Code section 633.273 and 633.274.

Iowa Code section 633.357 was created to provide that the designation of a beneficiary by the owner of a custodial independent retirement account controls the distribution of the benefits and the account is not part of the testamentary disposition of the deceased owner subject to the terms of the will of the owner unless the designated beneficiary of the account is the estate of the owner.

SECTION AMENDED

Section 5 of HF 662, amends the Iowa Code by creating a new section 633.357

EFFECTIVE DATE

July 1, 1999

99 HF 662

INVESTMENT TAX CREDIT

PRIOR LAW

An investment tax credit of ten percent of the cost of machinery and equipment and the cost on improvement to real property was available to an eligible business, and any credit in excess of the tax liability could be carried forward seven years or until used whichever comes first.

NEW PROVISIONS

An investment tax credit of ten percent of the purchase price of real property including any buildings and structures located on the real property, cost of machinery and equipment and the cost on improvement to real property is available to an eligible business, and any credit in excess of the tax liability can be carried forward seven years or until used whichever comes first.

If, however, the eligible business sells, disposes of, razes, otherwise renders unusable all or a part of the land, buildings, or other existing structures within five years of purchase, the investment tax credit must be recaptured in the year that all or a part of the property is sold, disposed of, razed, otherwise rendered unusable.

The percentage of investment credit that is recaptured is from 100% if the property is sold, disposed of, razed, otherwise rendered unusable in the first year to 20% if the property is sold, disposed of, razed, otherwise rendered unusable in the fifth year.

SECTION AMENDED

Section 1 of House File 733 amends Code section 15.333 by adding new subsection 2.

EFFECTIVE DATE

Effective July 1, 1999 for investments made on or after that date.

ON-LINE COMPUTER SERVICE (INTERNET)

PRIOR LAW

Charges for access to or use of internet or charges for other contracted on-line services are taxable if access is by way of a local or instate long distance telephone number and if the predominate service offered is two-way transmission and receipt of information from one site to another.

NEW PROVISIONS

Exempts the gross receipts from charges paid to a provider for access to on-line computer service. On-line computer service means a service that provides or enables computer access by multiple users to the internet.

SECTION AMENDED

Iowa Code Section 422.45 by adding a new subsection.

EFFECTIVE DATE

July 1, 1999

TIME LIMIT FOR MAKING OMITTED ASSESSMENTS/TAX REFUNDS

Prior Law

Omitted assessments of property could be made for the current assessment year and the four prior assessment years.

Claims for refund of erroneous property taxes paid were required to be presented to the board of supervisors within one year of the date the taxes were due.

New Provisions

Omitted assessments are to be made within two years of the date the assessment should have been made.

The time period for claiming a refund of erroneous taxes paid is extended to two years from the date the taxes were due.

Sections Amended

Section 1 of House File 755 amends § 440.1; section 2 amends § 440.5; section 3 amends § 443.12; section 4 amends § 443.15; section 5 amends § 443.17; section 6 amends § 445.60; and section 7 provides an effective date.

Effective Date

May 24, 1999

REAL ESTATE TRANSFER TAX

Prior Law

If a sale of property consisted of multiple parcels located in more than one county, the real estate transfer tax could be paid in its entirety in one county.

New Provisions

The real estate transfer tax is required to be paid in each county where property sold is located. Also, a declaration of value must be completed in each county.

Sections Amended

Section 1 of House File 757 amends § 428A.1, unnumbered paragraph 2; section 2 amends § 428A.5. Both amendments are to the 1999 Code.

Effective Date

July 1, 1999.

MOBILE HOME PARK STORM SHELTER PROPERTY TAX EXEMPTION

Prior Law

None.

New Provision

A tax exemption is allowed on property used as a storm shelter in a mobile home park as defined in Iowa Code § 435.1. If the property is used exclusively as a storm shelter, the exemption is 100% of the assessed value. If the property is not used exclusively as a storm shelter, the exemption is limited to 25% of the assessed value. An application for exemption is required to be filed with the assessor by April 15, of the first year the exemption is requested.

Section Amended

Section 3 of House File 758 amends § 427.1, Code 1999, by adding a new subsection 30. Section 4 provides an effective date.

Effective Date

Applies to property tax assessment years beginning on or after January 1, 2000.

CLASSIFICATION OF CONDOMINIUMS FOR PROPERTY TAX PURPOSES

Prior Law

None. Condominiums were required to be classified for property tax purposes as residential real estate pursuant to Iowa administrative rule 701-71.1(4) & (5).

New Provisions

Rule 701-71.1 (4) & (5) was amended to require that condominiums be classified according to the primary use of the horizontal property regime of which they are a part beginning with assessments made on or after January 1, 2000. However, House File 769, permits those condominiums included in a horizontal property regime for which a declaration was recorded prior to January 1, 1999, and which are or will be used for human habitation to be classified as residential real estate through the assessment year beginning January 1, 2004.

The legislative council is requested to establish an interim committee to study the issue of the classification and taxation of condominiums and to report any recommendations to the General Assembly by January 15, 2000.

Sections Amended

Section 1 of House File 769 amends § 499B.11, subsection 1; section 2 amends § 499B.11 by adding new subsection 1A. Both amendments are to the 1999 Code. Section 3 provides for the interim study committee.

Effective Date

July 1, 1999.

NEW PROVISIONS CONCERNING MANUFACTURED HOUSING

Prior Law

The sales and use tax statutes made no reference to “manufactured housing.” Manufactured housing was taxed under the use tax provision which taxes the use of vehicles subject only to the issuance of a certificate of title. Manufactured housing was basically taxed in the same manner as the use of any piece of construction material is taxed (e.g. a contractor’s use of the manufactured housing in the performance of a construction contract was a taxable event) except that the tax on the use of manufactured housing was collected by the county treasurer. The sale of manufactured housing in Iowa (either in the form of tangible personal property or as real estate) was not a taxable event.

New Provisions

“Manufactured housing” is carefully defined for the purposes of Iowa use tax law. Manufactured housing continues to be subject only to Iowa use and not Iowa sales tax law. However, it is now the sale of manufactured housing in this state, either in the form of tangible personal property or in the form of real estate, which is defined to be a taxable use of manufactured housing in Iowa. Thus, a contractor’s purchase of manufactured housing for use in the performance of a construction contract in Iowa can now be the purchase of the housing for subsequent resale. Use tax is calculated based on the usual “purchase price” when manufactured housing is sold in Iowa as tangible personal property and calculated based on the amount of the newly-defined “installed purchase price” when manufactured housing is sold in Iowa as real estate. The applicable statute is amended to make it absolutely clear that it is the obligation of the county treasurer to collect the tax imposed on the use of manufactured housing from the owner of it and not the obligation of any dealer.

Section Amended

Section 17 of House File 770 amends section 423.1, subsection 1 of the 1999 Code; section 18 amends section 423.1 by adding a new subsection; section 19 amends section 423.1, subsection 12; section 20 amends section 423.2; section 21 of House File 770 amends section 423.4, subsections 11 and 12; section 22 amends section 423.6, subsection 1; and section 23 of House File 770 amends section 423.7 of the 1999 Code.

Effective Date

July 1, 1999 for taxable uses occurring on and after that date.

NEW EXEMPTION FOR CERTAIN RURAL WATER DISTRICTS

Prior Law

Sales of building materials, supplies and equipment to not-for-profit rural water districts, organized under chapter 504A, for use in the construction of their facilities were taxable.

New Provisions

Sales of building materials, supplies and equipment to not-for-profit rural water districts, organized under chapter 504A, for use in the construction of their facilities are exempt from tax.

Section Amended

Section 1 of Senate File 9 amends section 422.45 of the 1999 Code by adding a new subsection.

Effective Date

Effective upon enactment (5-20-99) and retroactive to July 1, 1998 for sales and uses occurring on and after that date.

ANNUAL TAX SALE DATE

Prior Law

The annual tax sale of property with delinquent taxes was required to be held on the third Monday in June. The county treasurer was required to give notice of the time and place of the sale to the person in whose name the property was taxed and to publicize the time and place in a newspaper.

New Provisions

If for some reason the sale can not be held on the third Monday in June, the treasurer may hold the sale on a different date in June. If for some reason the sale can not be held on a different date in June, the treasurer shall hold the sale on the third Monday of the next succeeding month in which it can be held. The treasurer is required to give notice of the date of the tax sale in addition to the time and place.

Sections Amended

Section 1 Senate File 53 amends § 446.7, unnumbered paragraph 1; section 2 amends § 446.9, subsections 1 and 2; section 3 amends § 446.28; and section 4 provides an effective date. All amendments are to the 1999 Code.

Effective Date

February 17, 1999. Applies to tax sales held on or after that date.

STATE BOARD MEETINGS

PRIOR LAW

Prior law required that the state board meet at least at six regular meetings each year, with the first being on the second secular day of July.

NEW PROVISIONS

Provides that the state board meet as deemed necessary by the chairperson of the state board.

SECTION AMENDED

Section 1 of SF 136 amends Iowa Code section 421.1, unnumbered paragraph 8.

EFFECTIVE DATE

Upon enactment, May 20, 1999

LIMITED LIABILITY COMPANIES

PRIOR LAW

Partnerships, trusts and corporations whose stockholders were taxed on the corporation's income under provisions of the Internal Revenue Code were entitled to request permission from the Director to file a composite return for the nonresident partners, beneficiaries, or shareholders.

NEW PROVISIONS

Partnerships, limited liability companies whose members are taxed on the company's under provisions of the Internal Revenue Code, trusts and corporations whose stockholders are taxed on the corporation's income under provisions of the Internal Revenue Code may elect, without obtaining permission from the Director, not later than the due date, to file a composite return for the nonresident partners, members, beneficiaries, or shareholders.

SECTION AMENDED

Section 5 of Senate File 136 amends Code section 422.33, subsection 5.

EFFECTIVE DATE

Retroactive to January 1, 1999 for tax years beginning on or after that date.

WITHHOLDING AGENTS NOT REQUIRED TO SEND STATEMENTS WITH ANNUAL REPORT

PRIOR LAW

Withholding agents who withheld Iowa income tax from various types of incomes in the previous calendar year are required to send copies of wage statements and 1099's with their annual withholding reports when the reports are filed on the last day of the second month after the end of the year.

NEW PROVISIONS

The Director of the Department of Revenue and Finance is given the discretion to provide that withholding agents will not be required to send wage statements and 1099's when the agents file the annual withholding reports, when the information about the wage statements and 1099's is available from the Internal Revenue Service or from other state or federal agencies.

SECTION AMENDED

Section 6 of Senate File 136 amends subsection 2, unnumbered paragraph 2 of Iowa Code section 422.16.

EFFECTIVE DATE

This provision is effective on May 20, 1999. Therefore, the provision may apply to tax documents that are to be filed with the annual reports that are due on February 29, 2000 for Iowa income taxes withheld in the 1999 calendar year.

NEW METHOD FOR MEASURING THE BEGINNINGS OF CERTAIN PERIODS

Prior Law

The period for computing interest due under an assessment for income tax, sales tax, inheritance tax, or cigarette tax began with the date of the postmark on the notice of assessment. The period for an appeal of an assessment of the above taxes began with the date of the postmark on the notice of assessment.

New Provisions

The beginnings of all periods mentioned above commence with the date of the assessment, not with the date the assessment is postmarked.

Section Amended

Section 8 of Senate File 136 amends section 422.25, subsection 1, paragraph b of the 1999 Code; section 21 amends 422.47 subsection 4, section 48 amends section 450.94, subsections 2 and 3; and section 80 of Senate File 136 amends section 453A.29 of the 1999 Code.

Effective Date

May 20, 1999 for assessments issued on and after that date except for inheritance tax assessments . The period for computing interest due under an inheritance tax assessment begins with the date of the assessment only for assessments issued with respect to the estates of decedents dying on and after May 20, 1999.

PROVIDES WHEN INTEREST ACCRUES ON REFUNDS OF RETURNS FILED IN THE EXTENDED PERIOD

PRIOR LAW

In the case of individual income tax returns with overpayments of tax filed in the six-month extended period after the due date where 90% of the tax was paid by the due date, it was not clear when interest should start accruing on the tax overpayments.

NEW PROVISIONS

Provides when interest starts to accrue on returns with overpayments of tax when the returns are filed sometime in the six-month extended period after the due date and 90 % of the tax was paid by the due date. Interest starts to accrue on these overpayments on the first day of the second calendar month after the end of the six-month extended period. Therefore, in the case of calendar-year returns filed sometime in the six month extended period with tax overpayments, interest will start accruing on the overpayments on December 1st of the year in which the returns were filed.

SECTION AMENDED

Section 9 of Senate File 136 amends subsection 3 of Iowa Code section 422.25.

EFFECTIVE DATE

This provision is retroactively applicable to January 1, 1999, for tax years beginning on or after that date.

WHO MUST FILE CORPORATION INCOME TAX RETURNS

PRIOR LAW

The Iowa corporation income tax is imposed on each corporation organized under the laws of Iowa and each foreign corporation doing business in Iowa.

NEW PROVISIONS

The Iowa corporation income tax is imposed on each corporation doing business in Iowa.

SECTION AMENDED

Section 10 of Senate File 136 amends Code section 422.33, Subsection 1, unnumbered paragraph 1.

EFFECTIVE DATE

Effective May 20, 1999

INCOME SUBJECT TO TAX

PRIOR LAW

If the trade or business of the corporation is carried on entirely within the state, the tax shall be imposed on the entire net income, but if the trade or business is carried on partly within and partly without the state or if income is derived from sources partly within and partly without the state, the tax shall be imposed only on the portion of the net income reasonably attributable to the trade or business or sources within the state, with the net income attributable to the state.

NEW PROVISIONS

If the trade or business of the corporation is carried on entirely within the state, the tax shall be imposed on the entire net income, but if the trade or business is carried on partly within and partly without the state or if income is derived from sources partly within and partly without the state OR IF INCOME IS DERIVED FROM TRADE OR BUSINESS AND SOURCES, ALL OF WHICH ARE NOT ENTIRELY IN THE STATE, the tax shall be imposed only on the portion of the net income reasonably attributable to the trade or business or sources within the state, with the net income attributable to the state.

SECTION AMENDED

Section 11 of Senate File 136 amends Code section 422.33, subsection 2, unnumbered paragraph 1.

EFFECTIVE DATE

Retroactive to January 1, 1999 for tax years beginning on or after that date.

SERVICES PERFORMED ON PROPERTY DELIVERED INTO INTERSTATE COMMERCE

Prior Law

The statutory definition of taxable “Services” excluded from its meaning any service “performed on tangible personal property delivered into interstate commerce”. The statutory definition of “Gross taxable services” (those receipts of a taxable service subject to tax) excluded from its meaning receipts from any service “performed on tangible personal property delivered into interstate commerce”. No other requirements for exemption for “services performed on tangible personal property delivered into interstate commerce” were set out in the statutes.

New Provisions

The term “performed on tangible personal property delivered into interstate commerce” is stricken from the statutory definitions of “Services” and “Gross Taxable services”. The exemption for services performed on tangible personal property delivered into interstate commerce is restricted to services performed on property which a retailer of the property arranges to be transferred to a point outside of Iowa and which is not thereafter returned to a point inside Iowa except in the course of interstate commerce.

Section Amended

Section 12 of Senate File 136 amends section 422.42, subsection 6 of the 1999 Code; section 13 amends section 422.42, subsection 6; and section 18 of Senate File 136 amends section 422.45, subsection 46 of the 1999 Code..

Effective Date

Upon enactment, May 20, 1999.

TRANSPORTATION OF ELECTRICITY AND NATURAL GAS

Prior Law

The transmission of electricity and the transportation of natural gas were not services excluded from the exemption from sales and use tax applicable to any “transportation service”.

New Provisions

Neither the transmission of electricity nor the transportation of natural gas is an exempt “transportation service”.

Section Amended

Sections 15 and 16 of Senate File 136 amend section 422.45, subsection 2 of the 1999 Code.

Effective Date

Section 15 of the Act is effective upon enactment, May 20, 1999 for the service of electric transmission performed on or after that date; section 16 of the Act is effective April 1, 2000 for the service of natural gas transportation performed on or after that date.

EXTENSION OF PERIOD FOR FILING REFUND OF TAXES PAID BY A BUILDING CONTRACTOR

Prior Law

Governmental units, educational institutions, and nonprofit, private museums which have been parties to a construction contract had six months after final settlement with the construction contractor to file a claim for refund of Iowa sales and use taxes paid by the contractor in the performance of its contract with the unit, institution, or museum.

New Provisions

The time for filing the claim for refund is extended from six months to one year.

Section Amended

Section 17 of Senate File 136 amends section 422.45, subsection 7, paragraph b, unnumbered paragraph 1 of the 1999 Code.

Effective Date

Upon enactment, May 20, 1999.

EXEMPTION CERTIFICATES

Prior Law

The applicable statute allowed the protection of exemption certificates only to retailers whose customers were purchasing goods or services for subsequent resale or for use in processing. A retailer selling to a customer claiming to be the holder of a direct pay permit was not protected by an exemption certificate either. The time period allowed for appealing a department determination concerning a fuel exemption certificate was 30 days after the postmarked date of the determination.

New Provisions

The protection of exemption certificates taken “in good faith” is extended to retailers making sales to customers claiming their purchases are for any nontaxable purpose.

The same protection is now extended to retailers accepting exemption certificates in good faith from those who claim to be holders of direct pay permits. The time period for appeals from department determinations regarding fuel exemption certificates is extended to 60 days after the date of the notice of determination (not the date of its postmarking).

Section Amended

Section 19 of SF 136 amends section 422.47, subsection 3, paragraphs a and b of the 1999 Code; section 20 amends section 422.47, subsection 3, paragraph e; and section 21 amends section 422.47, subsection 4, paragraph c of the 1999 Code.

Effective Date

Upon enactment, May 20, 1999.

DEPARTMENT RECORDKEEPING SYSTEMS

Prior Law

The law permitted the Department to preserve records prepared by the Department or generated by a taxpayer either by keeping the originals or by preparing “photographic copies” of the originals. No clear authority to preserve records by electronic means only existed.

New Provisions

The law is amended to allow the Department to “create and use any system of recordkeeping reasonably calculated to preserve its records for any time period required by law.”

Section Amended

Section 24 of Senate File 136 amends section 422.68, subsection 4 of the 1999 Code.

Effective Date

Upon enactment May 20, 1999.

IMPROPER INSPECTION OF RETURNS

Prior Law

No law existed to prohibit department employees and other persons with lawful access to taxpayer returns and return information from using that access to view returns and return information for reasons unrelated (e.g. idle curiosity about a person's life) to legitimate department business.

New Provisions

It is unlawful for any person (not only department employees) to “willfully inspect” any taxpayer return or return information except in a manner authorized by the Director.

Section Amended

Section 25 of Senate File 136 amends Section 422.72, subsection 1, unnumbered paragraph 1 of the 1999 Code.

Effective Date

Upon enactment, May 20, 1999..

INCOME TAX CREDIT FOR MOTOR FUEL

Prior Law

Motor fuel licensees were not eligible to claim an income tax credit for fuel used for a nontaxable purpose. They were limited to claiming a tax refund.

New Provision

Motor fuel licensees have the same option as nonlicensees of claiming either an income tax credit or a tax refund for fuel used for a nontaxable purpose with the exception that an income tax credit is not allowable for casualty losses, transport diversions, pumping credits, blending errors, idle time, power take-offs, reefer units, and exports by eligible purchasers. Claims for refund are required in these cases.

Section Amended

Section 26 of Senate File 136 amends § 422.110.

Effective Date

May 20, 1999.

COW-CALF REFUNDS FOR 1997 TAX YEARS AND FOR TAX YEARS BEGINNING IN 1998 AND SUBSEQUENT TAX YEARS

PRIOR LAW

Legislation enacted in 1997 provided that only individual and corporate taxpayers that had cow-calf operations were eligible for livestock production credit tax credit refunds. This legislation specified that cow-calf operations included only mature beef cows bred or for breeding, bred yearling heifers and breeding bulls. However, the legislation did not specify which activities related to cow-calf operations would qualify taxpayers for the livestock production refunds for tax years beginning on or after January 1, 1997.

NEW PROVISIONS

For tax years beginning only in the 1997 calendar year, taxpayers with cow-calf operations are eligible for the livestock production credit refunds for those mature beef cows, bred yearling heifers and breeding bulls that were in inventory in the operation on December 31st of the tax year which had also been in inventory on July 1st of the year. In addition, taxpayers with cow-calf herds could qualify for livestock production refunds for sales of stocker cattle and feeder cattle in tax years beginning in the 1997 calendar year.

For tax years beginning in the 1998 calendar year and for tax years beginning in subsequent calendar years, taxpayers with cow-calf operations are eligible for livestock production tax credit refunds only for those mature beef cows bred or for breeding, bred yearling heifers and breeding bulls that were in inventory in the livestock operations on December 31st of the tax year that had also been in inventory on July 1st of that same year.

SECTION AMENDED

Section 29 of Senate File 136 amends Iowa Code section 422.121.

EFFECTIVE DATE

This provision is retroactively applicable to January 1, 1997, for tax years beginning on or after that date.

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CERTAIN CONSTRUCTION EQUIPMENT EXEMPT FROM LOCAL OPTION TAXES

PRIOR LAW

Prior law provided no exemption from local option sales tax or school infrastructure funding taxes for construction equipment and attachments.

Prior law only required that persons required to collect school infrastructure funding tax are those required to collect state sales tax and that the tax base excludes state gross receipts taxes.

NEW PROVISIONS

Provides an exemption from local option sales and services and school infrastructure funding taxes on the gross receipts from the sale of self-propelled building equipment, pile drivers, motorized scaffolding, or attachments customarily drawn or attached to self-propelled building equipment, pile drivers, and motorized scaffolding, including auxiliary attachments which improve the performance, safety, operation, or efficiency of the equipment and replacement parts and are directly and primarily used by contractors, subcontractors, and builders for new construction, reconstruction, alterations, expansion, or remodeling of real property or structures.

This amendment also provides that the school infrastructure funding tax is to be collected by all persons required to collect state gross receipts or local excise taxes. This new provision also states that the tax base does not include any other excise or local excise taxes.

SECTION AMENDED

Sections 30, 38, and 39 of SF 136 amends Iowa Code sections 422B.8, 422E.3, subsections 2 and 3.

EFFECTIVE DATE

Upon enactment May 20, 1999.

LOCAL OPTION TAX - NATURAL GAS AND ELECTRIC

PRIOR LAW

No previous law which allowed the imposition of local option sales and services tax or local excise tax on the use of property in the state of Iowa.

NEW PROVISIONS

Due to the restructuring of the utilities industry in Iowa, the sale of natural gas, natural gas service, electricity or electric service can be purchased from out-of-state providers who do not have a physical presence in Iowa. Due to this restructuring, this provision was implemented to preserve local option sales and services and local excise tax revenue on the sale of natural gas, natural gas service, electricity, or electric service by subjecting such sales to local option use tax to the extent that such sales are subject to tax pursuant to Iowa Code chapter 423.

SECTION AMENDED

Sections 31, 32 and 33 of SF 136 amend Iowa Code sections 422B.8 and 422B.9.

EFFECTIVE DATE

May 1, 1999

LOCAL OPTION TAX-OVERPAYMENT ADJUSTMENT

PRIOR LAW

If an overpayment of local option sales and services tax occurs, the first payment of the new fiscal year must be adjusted to reflect the overpayment.

NEW PROVISIONS

If an overpayment of local option sales and services tax occurs, the November payment must be adjusted to reflect the overpayment.

SECTION AMENDED

Section 34 of SF 136 amends Iowa Code section 422B.10, subsection 2, paragraph “c”.

EFFECTIVE DATE

Upon enactment, May 20, 1999.

LOCAL OPTION INCOME SURTAX FUND

Prior Law

The local option income surtax fund was maintained in the office of the Iowa treasurer.

New Provisions

The fund is moved to the Department of Revenue and Finance.

Section Amended

Section 35 of Senate File 136 amends section 422D.3, unnumbered paragraph 4 of the 1999 Code.

Effective Date

Upon enactment, May 20, 1999.

SCHOOL INFRASTRUCTURE TAX NATURAL GAS AND ELECTRIC

PRIOR LAW

No previous law which allowed the imposition of school infrastructure tax (SILO) on the use of property in the state of Iowa.

NEW PROVISIONS

Due to the restructuring of the utilities industry in Iowa, the sale of natural gas, natural gas service, electricity or electric service can be purchased from out-of-state providers who do not have a physical presence in Iowa. Due to this restructuring, this provision was implemented to preserve SILO tax revenue on the sale of natural gas, natural gas service, electricity, or electric service by subjecting such sales to SILO use tax to the extent that such sales are subject to tax pursuant to Iowa Code chapter 423.

The amendment further provides that tax shall not be imposed on the gross receipts from the sale or use of natural gas, natural gas service, electricity or electric service in a city or county where the gross receipts are subject to a franchise fee or user fee/

SECTION AMENDED

Sections 36 and 37 of SF 136 amend Iowa Code sections 422E.1, subsection 1, and 422E.3, subsection 2.

EFFECTIVE DATE

May 1, 1999

NEW METHOD FOR MEASURING THE BEGINNING OF AN ASSESSMENT APPEAL PERIOD

Prior Law

The period for protesting an assessment of an environmental protection charge began with the date of the giving of notice of the assessment to the person assessed. The time period for appeal was 30 days.

New Provisions

The period for protesting an assessment begins with the date of the notice of the assessment determination not the date of the giving of notice to the person assessed. The time period for appeal is 60 days.

Section Amended

Section 40 of Senate File 136 amends section 424.10, subsections 2 and 3 of the 1999 Code.

Effective Date

Upon enactment, May 20, 1999.

DATE CHANGE FOR CLAIMING PROPERTY TAX EXEMPTION

Prior Law

War veterans, religious, charitable, and educational societies were given until July 1 to file their claim for a property tax exemption with the assessor. The board of review has the authority to hear appeals if an exemption is denied by the assessor. However, the board adjourns by May 31.

New Provision

The date for these organizations to claim a property tax exemption was moved up to April 15 so the board of review could review any appeals prior to its adjournment if their claim for exemption is denied by the assessor.

Section Amended

Section 41 of Senate File 136 amends § 427.1, subsection 14, unnumbered paragraph 1.

Effective Date

May 20, 1999.

CERTIFICATION DATE FOR WILDLIFE HABITAT PROPERTY TAX EXEMPTION

Prior Law

There was no deadline for the Department of Natural Resources to certify to the assessor property it has determined qualifies for the wildlife habitat tax exemption

New Provision

The Department of Natural Resources is required to certify to the assessor by February 1, of the assessment year property it has determined qualifies for the wildlife habitat tax exemption.

Section Amended

Section 42 of Senate File 136 amends § 427.1, subsection 24.

Effective Date

May 20, 1999.

INHERITANCE TAX STATUTORY LIEN

PRIOR LAW

Prior to July 1, 1995, Iowa law imposed a twenty year statutory lien provision for inheritance tax for estates not administered in Iowa. In addition, the law imposed a ten year statutory lien provision for inheritance tax for other estates. On July 1, 1995, the twenty year statutory lien provision for inheritance tax for estates administered outside of Iowa was stricken, leaving a ten year statutory lien for all estates.

NEW PROVISIONS

Imposes a 10 year statutory lien for inheritance tax on all estates regardless of whether the decedent owner died prior to or subsequent to July 1, 1995.

SECTION AMENDED

Section 45 of SF 136 amends Iowa Code section 450.7, second unnumbered paragraph.

EFFECTIVE DATE

Upon enactment, May 20, 1999. .

INHERITANCE TAX RETURN EXEMPT CLASSES

PRIOR LAW

Provided that an inheritance tax return need not be filed when all the assets are held in joint tenancy with right of survivorship between husband and wife alone.

NEW PROVISIONS

This amendment also includes that an inheritance tax return need not be filed if the estate exclusively consists of property held in joint tenancy with right of survivorship solely by the decedent and any individuals listed in Iowa Code section 450.9, which are individuals that are entirely exempt from Iowa inheritance tax and if such an estate does not have a federal estate tax obligation.

SECTION AMENDED

Section 46 of SF 136 amends Iowa Code section 450.22

EFFECTIVE DATE

July 1, 1999 for estates of decedents dying on or after that date.

FEDERAL AUDIT INHERITANCE TAX

PRIOR LAW

Inheritance tax statutes did not provide specific statutory authority for extending the statute of limitations for assessment of additional tax beyond the three year period.

NEW PROVISIONS

Provides, in addition to the applicable period of limitation, a six month statute of limitations for assessment of tax, penalty and interest for real property based on the value accepted by the Internal Revenue Service for federal estate tax purposes. The six month period begins by the filing of a written notice by the personal representative for the estate to the department informing the department of the final disposition of the federal estate tax obligation with the Internal Revenue Service and a copy of the federal document showing the final disposition and final federal adjustments of all real property values attached.

In addition, this provision also provides that the personal representative has six months from the date of final disposition of any real property valuation by the Internal Revenue Service to claim a refund of overpayment of tax due to the change in valuation of real property by the Internal Revenue Service.

SECTION AMENDED

Section 47 of SF 136 amends Iowa Code section 450.37, by adding new subsection 3.

EFFECTIVE DATE

July 1, 1999 for estates of decedents dying on or after that date.

DATE OF NOTICE OF ADDITIONAL TAX INHERITANCE TAX

PRIOR LAW

Prior law stated that the department could examine an inheritance tax return and determine if additional tax, penalty and interest was due. The department was then required to issue a notice to the taxpayer of the amount due with any penalty and interest which stated the sum certain was to be paid on or before the last day of the month in which the notice was postmarked, or on or before the last of the following month if the notice was postmarked after the twentieth day of the month. The 60 day limitation on filing an appeal regarding an assessment of additional tax due also was from the date of the postmark of the notice of determination of tax, penalty and interest due or refund owing. In addition, the director's decision regarding the appeal became final within 60 days from the notice of the postmark date of the director's decision.

NEW PROVISIONS

Clarifies that the inheritance tax return is to be filed on or before the last day of the ninth month after the death of the decedent. In addition, this provision provides that instead of the postmark dates governing assessment date, payment, appeal, and finality of the director's decision as set forth in the prior law set forth above, the actual dates set forth on the notices or decision govern payment, the appeal period and the finality of the director's decision.

SECTION AMENDED

Section 48 of SF 136 amends Iowa Code section 450.94, subsections 2 and 3.

EFFECTIVE DATE

July 1, 1999 for estates of decedents dying on or after that date.

LIEN PROVISIONS ESTATE TAX

PRIOR LAW

All the lien provisions of Iowa Code section 450.7 were made applicable for the purpose of Iowa estate tax. This meant that the classes that are exceptions to the lien provisions for the purpose of Iowa inheritance tax, were also exceptions from the lien provisions for the purposes of Iowa estate tax.

NEW PROVISIONS

Provides that property of the estate passing to the surviving spouse, parents, grandparents, great-grandparents, and other lineal ascendants, children including legally adopted and biological children entitled to inherit under Iowa laws, step children and other lineal descendants would be subject to a lien for the purposes of Iowa estate tax.

SECTION AMENDED

Section 49 of SF 136 amends Iowa Code section 451.12

EFFECTIVE DATE

July 1, 1999 for estates of decedents dying on or after that date.

TRANSMIX (MOTOR FUEL)

Prior Law

None.

New Provision

Transmix, which is used as a buffer between different fuel products as they are transported through a pipeline, is to be taxed as a motor fuel.

Section Amended

Section 51 of Senate File 136 amends § 452A.2, subsection 17, paragraph a, Code 1999.

Effective Date

May 20, 1999.

REFUND OF TAX PAID ON FUEL USED IN MACHINERY AND EQUIPMENT

Prior Law

It was the department's policy to allow refunds of the tax paid on fuel used for nonhighway purposes.

New Provision

It is specified that the tax paid on fuel used in machinery and equipment used for nonhighway purposes is subject to refund.

Section Amended

Section 59 of Senate File 136 amends § 452A.17, subsection 1, paragraph a, subparagraph 4, Code 1999.

Effective Date

May 20, 1999.

EXTENSION OF TIME TO CLAIM REFUND OF EXCESS TAX PAID ON FUEL USED IN BLENDING

Prior Law

A claim for refund of the excess tax paid on fuel used in blending motor fuel with alcohol to produce ethanol blended gasoline was required to be filed within 90 days following the end of the month in which the blending occurred.

New Provision

The period of time for claiming a refund of the excess tax paid on fuel used in blending is extended to 1 year. Also, no income tax credit is allowable for blending situations.

Section Amended

Section 65 of Senate File 136 amends § 452A.21, unnumbered paragraph 3, Code 1999.

Effective Date

May 20, 1999.

RETURN OF EXCESS FUEL TAX COLLECTED BY LICENSEE

Prior Law

None

New Provision

A licensee who collects tax on fuel that is not taxable or collects more tax than is actually due on the fuel is required to return the tax overpayment to the purchaser, and if not returned to the purchaser, the licensee is required to return the overpayment to the department.

Section Amended

Section 66 of Senate File 136 adds new § 452A.22.

Effective Date

May 20, 1999

WAIVER OF STATUTE OF LIMITATIONS (MOTOR FUEL)

Prior Law

The statute of limitations for the department to make motor fuel tax assessments was 3 years except for a false or fraudulent return made with the intent to evade tax or a failure to file a return in which cases the statute of limitations was unlimited. The period of time for a taxpayer to claim a refund of taxes paid was 1 year.

New Provision

An agreement may be reached between the department and the taxpayer to extend the period of time for making an assessment beyond 3 years. The extension also applies to the period of time the taxpayer has to claim a refund.

Section Amended

Section 70 of Senate File 136 amends § 452A.67, Code 1999.

Effective Date

May 20, 1999.

CIGARETTE TAX IMPOSITION

Prior Law

The cigarette tax was imposed on the person making the first sale of the cigarettes in Iowa and if not paid by the person making the first sale, imposed on the person obtaining possession of the cigarettes from the person first receiving the cigarettes in Iowa. Payment of the tax was evidenced by stamps purchased from the department and affixed to the cigarette package.

New Provisions

The tax is imposed on any person who purchases or is in possession of unstamped cigarettes and the person is required to pay the tax directly to the department. Also, the tax is to be added to the selling price of the cigarettes and collected from the purchaser so the ultimate consumer bears the burden of the tax. The latter provision was added to make it consistent with other excise taxes.

Section Amended

Section 75 of Senate File 136 amends § 453A.6, Code 1999, by adding new subsections 4 and 5.

Effective Date

May 20, 1999.

CIGARETTE MANUFACTURER STAMP AFFIXATION

Prior Law

There was no statutory prohibition against manufacturer's shipping unstamped cigarettes to persons other than Iowa distributors or distributor's agents even though it was department policy not to allow it.

New Provision

A cigarette manufacturer must affix stamps to cigarette packages prior to their shipment into Iowa unless the cigarettes are shipped to an Iowa distributor or distributor's agent.

Section Amended

Section 78 of Senate File 136 amends § 453A.16, Code 1999.

Effective Date

May 20, 1999

ASSESSMENT OF CIGARETTE TAX TO RESPONSIBLE PARTY/ STATUTE OF LIMITATIONS

Prior Law

The department had the authority to assess the cigarette tax only to persons who had sold the cigarettes (permit holders).

The statute of limitations for assessing the cigarette tax was limited to 2 years in all cases.

New Provisions

The department has the authority to assess the tax to any person responsible for payment of the tax. This could be a person who has not sold the cigarettes but has the cigarettes in their possession.

The 2 year statute of limitations for assessing the cigarette tax is extended for an unlimited period of time in cases of false or fraudulent reports, failure to file reports, or purchase or possession of unstamped cigarettes.

An agreement may be reached between the department and the taxpayer to extend the period of time for making an assessment beyond 2 years. The extension also applies to the period of time the taxpayer has to claim a refund.

Section Amended

Section 79 of Senate File 136 amends § 453A.28, Code 1999.

Effective Date

May 20, 1999

CIGARETTE TAX PENALTY

Prior Law

A civil penalty of \$50 per offense was imposed for violations of the cigarette tax statutes or rules. The penalty was subject to waiver by the director for reasonable cause.

New Provision

For possession of unstamped cigarettes, a civil penalty is imposed of \$200 (41-400 cigarettes), \$500 (401-2000 cigarettes), and \$1,000 (more than 2,000 cigarettes) based upon the number of unstamped cigarettes in the person's possession. The penalty increases to \$400, \$1,000, and \$2,000, respectively, for a second violation within 2 years of the first violation, and \$600, \$1,500, and \$3,000, respectively, for a third or subsequent violation within 2 years of the first violation. For all other violations, the penalty is \$200 for the first offense, \$500 for a second offense within 2 years of the first offense, and \$1,000 for a third or subsequent offense within 2 years of the first offense. The penalty is no longer subject to waiver for reasonable cause.

Section Amended

Section 81 of Senate File 136 amends § 453A.31, Code 1999, by striking the section and inserting a new section.

Effective Date

May 20, 1999

TOBACCO PRODUCTS RECORDS RETENTION

Prior Law

Records of tobacco products sales and purchases were required to be maintained for one year.

New Provision

Records of tobacco products sales and purchases are required to be maintained for two years. This change makes the record keeping requirements for tobacco products the same as for cigarettes.

Section Amended

Section 82 of Senate File 136 amends § 453A.45, subsections 2, 3, and 4, Code 1999.

Effective Date

May 20, 1999

TOBACCO PRODUCTS STATUTE OF LIMITATIONS

Prior Law

The statute of limitations for assessing the tobacco products tax was limited to 2 years.

New Provisions

The 2 year statute of limitations for assessing the tobacco products tax is extended for an unlimited period of time in cases of false or fraudulent returns made with the intent to evade tax or failure to file returns.

An agreement may be reached between the department and the taxpayer to extend the period of time for making an assessment beyond 2 years. The extension also applies to the period of time the taxpayer has to claim a refund.

These changes make the tobacco products statute of limitations the same as for cigarettes.

Section Amended

Section 83 of Senate File 136 amends § 453A.46, subsections 1, 4, and 6, Code 1999.

Effective Date

May 20, 1999

MACHINERY, EQUIPMENT, AND COMPUTERS PROPERTY TAX REPLACEMENT STUDY

Prior Law

Senate File 69, enacted in 1995, exempted from property taxation computers and industrial machinery and equipment acquired after 1994. It also provided for a phase-out of the tax on this type of property acquired before 1995. Iowa Code chapter 427B provides for the reimbursement to counties for the lost revenue resulting from the exemption and phase-out beginning with the 1996-1997 fiscal year and ending with the 2005-2006 fiscal year.

New Provision

The department of economic development is directed to submit to the general assembly by January 15, 2000, a report on the impact of the exemption and phase-out of the property tax on machinery, equipment and computers on local governments.

Section Amended

Section 87 of Senate File 136 provides for the study.

Effective Date

May 20, 1999

REAL ESTATE ACTIVE PROBATE AND JUDICIAL OFFSET

PRIOR LAW

Provided for offset of a liability owed by a person to the clerk of the district court against an amount owed to such a person by a state agency. The prior law provided for the procedure and remedies for the offset and contesting of offset and liabilities. However, prior law did not provide for the right of setoff for a liability owed by a person against an amount owed to such a person by the clerk of the district court.

The receipt of a copy of any proceeding, order, judgment or deed affecting real estate in any county was furnished to the clerk of the court of the county where such real estate was situated. The clerk was then under the duty to enter the receipt of the certified copy in to the Probate Record, thereby creating an active file.

NEW PROVISIONS

Provides for an offset against amounts held by the clerk of the district court and payable to a person any debt which is in the form of a liquidated sum due, owing and payable to the clerk. The new provisions also set forth the notification requirements by the judicial branch that are necessary before offset can occur, the debtor's or owner's right to request division of payment and procedure for contesting the offset.

Under the new provision, the clerk of the court of the county where such real estate is situated is now required to assign a probate case number to the certified copy and file the copy used in the name in the probate proceeding. The file created by receipt of this certified copy is not considered to be an active file for administrative purposes.

SECTION AMENDED

Section 12 of SF 150 amends Iowa Code section 633.48

EFFECTIVE DATE

July 1, 1999

UPDATE OF REFERENCES TO THE INTERNAL REVENUE CODE

Prior Law

The major references to the Internal Revenue Code and the references to the Internal Revenue Code in the various statutes for the research activities credit were amended through January 1, 1998.

New Provision

The major references to the Internal Revenue Code and the references to the Internal Revenue Code in the statutes for the research activity credit are updated through January 1, 1999 so the federal income tax changes made in 1998 are adopted for Iowa income tax purposes. Thus, the provisions of the Internal Revenue Service Restructuring and Reform Act of 1998 and the Tax and Trade Relief Extension Act of 1998 are considered to be adopted for Iowa income tax purposes to the extent the federal provisions affected net incomes for individual taxpayers and to the extent the federal changes affected taxable incomes of corporate taxpayers. Section 422.6, unnumbered paragraph 1 is amended to add several credits to the statute for estates and trusts so it is clear that those credits are to apply against any income tax imposed against estates and trusts.

Sections Amended

Section 15.335, unnumbered paragraph 1 and section 15A.9, subsection 8, unnumbered paragraph 2 are amended in sections 1 and 2 of Senate File 230. Section 3 of the Act amends section 422.3, subsection 4. Section 4 of the Act amends section 422.6, unnumbered paragraph 1. Section 7 of the Act amends section 422.10, unnumbered paragraph 1 and section 8 amends section 422.33, subsection 5.

Effective Date

Senate File 230 is retroactively applicable to January 1, 1998, for tax years beginning on or after that date.

FIVE-YEAR CARRYBACK OF NET OPERATING LOSSES FROM FARMING BUSINESSES

Prior Law

In the case of net operating losses occurring in a tax year beginning after August 5, 1997, the carryback period for net operating losses from farm businesses was three years for the part of the NOL that was from a casualty or theft loss, or was attributable to a Presidentially-declared disaster. The carryback period for all other NOL's was two years except for losses from a casualty or theft loss or losses attributable to a presidentially declared disaster area where the carryback period is three years.

New Provision

The carryback period for net operating losses from farming businesses is five years to the extent the net operating losses are for tax years beginning on or after January 1, 1998. This carryback period corresponds to the federal carryback period for NOL's from farming businesses. The loss carryback period is still two years for all other net operating losses or three years for losses that are from a casualty or theft loss or losses attributable to a presidentially declared disaster.

Sections Amended

Section 5 of Senate File 230 amends section 422.9, subsection 3, paragraph b. Section 6 of this Act adds new paragraph d to Section 422.9, subsection 3. Section 10 of Senate File 230 amends section 422.35, subsection 11, paragraph b. Section 11 of this Act amends section 422.35, subsection 11, by adding new paragraph f.

Effective Date

Senate File 230 is retroactively applicable to January 1, 1998, for net operating losses from farm businesses in tax years beginning on or after January 1, 1998.

FRANCHISE TAX CREDIT FOR CERTAIN CORPORATIONS

Prior Law

No prior provision.

New Provision

Provides for qualified pension plans or Employee Stock Ownership Plans which are shareholders in an financial institution that has elected S corporation status and are taxed as corporations to take a corporation income tax credit for the corporation's pro rata share of the franchise tax paid by the financial institution

Section Amended

Section 9 of Senate File 230 added new subsection 9 to Code section 422.33.

Effective Date

The Act is retroactive to January 1, 1998 for tax years beginning on or after that date.

HOSPICE EXEMPTION

PRIOR LAW

None

NEW PROVISIONS

Exempts the gross receipts from sale or rental of tangible personal property or from services performed, rendered, or furnished to a free standing nonprofit hospice facility which operates a hospice program defined in 42. C.F.R. ch IV section 418.3.

SECTION AMENDED

Code section 422.45 by adding a new subsection 54A.

EFFECTIVE DATE

July 1, 1999

ERRONEOUS CERTIFICATION OF FAMILY FARM TAX CREDITS

Prior Law

The statute does not provide a formula for correcting an erroneous certification of family farm property tax credits by the county auditor.

New Provisions

The county auditor is required to recertify the correct amount of family farm tax credits to the department by June 1, 1999, and pay to those persons who were undercredited on their 1998-1999 tax bills, the additional credit due. The department is to reimburse the county for the amount of the additional credits allowed and this amount is to be deducted from the 1999-2000 fiscal year family farm tax credit appropriation.

Section Amended

Senate File 305 will not be codified.

Effective Date

April 29, 1999.

CITY UTILITY INCLUDES LOCAL EXCHANGE SERVICES

Prior Law

“Company” was defined as any person, copartnership, association, corporation, or syndicate owning or operating telegraph or telephone lines.

New Provisions

The definition of “company” was expanded to include a city that owns or operates a municipal utility providing local exchange services. These facilities will be subject to property taxation pursuant to Iowa Code chapter 433 (assessed by the director of revenue and finance).

Sections Amended

Section 5 of Senate File 392 amends § 427.1, subsection 2; section 6 amends § 433.12; and section 8 provides an effective date. All amendments are to the 1999 Code.

Effective Date

Applies retroactively to July 1, 1993.

PROPERTY TAX STATEMENT EQUALIZATION ORDER NOTICE

Prior Law

The county auditor was required to publish in official newspapers the final equalization order issued by the director.

New Provision

The county auditor is required to include in the publication, in type larger than the remainder of the publication, a statement that local taxing authorities determine the tax levies and may reduce property tax rates to compensate for any increase in valuation due to the equalization order.

Section Amended

Section 1 of Senate File 458 amends § 441.49, unnumbered paragraph 3, Code 1999.

Effective Date

July 1, 1999

MILITARY SERVICE PROPERTY TAX EXEMPTION ELIGIBILITY/FUNDING

Prior Law

The statute listed several periods of war or conflict, most with beginning and ending dates, during which performance of military service qualified a person for a property tax exemption.

Reservists and guardsmen whose only active duty service was for training purposes did not qualify for the exemption.

Counties were reimbursed by the state in the amount of \$6.75 per \$1,000 of taxable valuation exempted as a result of a person's military service.

New Provisions

(1) The following are the changes in the periods of war or conflict (Division I):

- A. A beginning date of April 6, 1917 and an ending date of November 11, 1918 were added for World War I.
- B. The beginning date for the Vietnam Conflict was changed from December 22, 1961, to February 28, 1961.
- C. Lebanon or Grenada service from August 24, 1982, through July 31, 1984, were added.
- D. Panama service from December 20, 1989, through January 31, 1990 was added.

(2) The following persons are now eligible for the exemption (Division I):

- A. Members of the reserve forces of the United States and members of the Iowa national guard who served at least 20 years after January 28, 1973.
- B. Women's air force service pilots and other persons who have been conferred veterans status based on their civilian duties during World War II in accordance with federal Pub. L. NO. 95-202, 38 U.S.C. § 106.
- C. Merchant marines who served during World War II.

The amount of state reimbursement to counties for exemptions allowed for a person's military service is increased to \$6.92 per \$1,000 of taxable valuation exempted (Division II).

Sections Amended

Section 2 of Senate File 462 adds new § 35.1; section 18 amends § 427.3, subsections 1, 2, and 3; section 19 amends § 427.4; section 22 amends § 25B.7, subsection 2, paragraph c; section 23 amends § 426A.2; and section 24 provides an effective date. All amendments are to the 1999 Code.

Effective Date

Division I is effective July 1, 1999. Division II applies to military service property tax exemption claims allowed on or after January 1, 2000.

SALES TAX INCREASE OR DECREASE

PRIOR LAW

None, effective dates increases or decreases in sales and use tax were set forth by legislation or enactment.

NEW PROVISIONS

Provides that an increase or decrease in the retail sales and use tax rate shall only be effective on January 1 or July 1, but not sooner than ninety days after enactment of the rate increase or decrease.

SECTION AMENDED

Sections 1 and 21 of SF 469 amend Iowa Code section 422.43, was amended by adding a new subsection 14 and Iowa Code section 423.12 was amended by adding a new unnumbered paragraph.

EFFECTIVE DATE

January 1, 2000

CONSOLIDATED SALES TAX RETURNS

PRIOR LAW

No provision for the filing of consolidated sales tax returns for affiliated corporations..

NEW PROVISIONS

A parent corporation may apply and receive approval from the director to file consolidated sales tax returns for the parent and its affiliate corporations that make retail sales of tangible personal property or enumerated services. Deposits and filing of the consolidated sales tax returns must be pursuant to rules adopted by the director. A parent and each affiliate corporation that files a consolidated sales tax return is jointly and severally liable for all tax, penalty and interest found due for the tax period for which a consolidated return is filed or required to be filed.

SECTION AMENDED

Section 2 of SF 469 amends Iowa Code section 422.51, amended by adding a new subsection (5).

EFFECTIVE DATE

January 1, 2000

SALES TAX STATUTE OF LIMITATIONS

PRIOR LAW

Provided that within five years after a return was filed the department had to examine, assess and determine the tax due if the return was found to be incorrect or a taxpayer could file for a refund of tax paid. The five year period of limitations could be extended by a taxpayer by signing a waiver agreement as provided by the department.

NEW PROVISIONS

Effectively, this amendment reduces the statute of limitations for assessing a tax or applying for a refund from five years to three years over a two-year period. This amendment provides that for quarterly periods beginning on or after January 1, 2000, the taxpayer must file for a refund of tax paid or the department must examine and assess tax, penalty and interest within four years after a return is filed. For four quarterly periods beginning on or after January 1, 2001, the taxpayer must file for a refund of tax paid or the department must examine and assess tax, penalty and interest within three years after a return is filed. This amendment also provides that the four or three year period of limitation may be extended by the taxpayer signing a waiver agreement as provided by the department.

SECTION AMENDED

Sections 3, 4, and 22 of SF 469 amend Iowa Code section 422.54, subsections (1) and (3) and Iowa Code section 422.73, subsection (1) and 423.16..

EFFECTIVE DATE

January 1, 2000

CITY AND COUNTY REQUIREMENTS LOCAL OPTION SALES AND SERVICES TAX

PRIOR LAW

For a city that has boundaries in two counties to impose a local option sales and services tax (LOST) the requirements set forth in Iowa Code section 422B.1 had to be met. Three of the requirements, but not all of such requirements included: (1) all of the residents of the city must live in one county; (2) the county in which the city residents reside had held an election on the question of imposing LOST and the majority of those voting on the question in the city favored its imposition; and (3) the tax could only be imposed in the area of the city located in the county where none of the residents resided.

Under prior law, a city was not authorized to impose LOST after January 1, 1998. A city that had imposed LOST on or before January 1, 1998, could continue to collect the tax until the tax was repealed.

NEW PROVISIONS

This amendment provides changes in the three requirements under Iowa Code section 422B.1, as follows: (1) changed the requirements of all the residents must live in one county to at least 85% of the residents of the city live in one county; (2) the county in which at least 85% of the city residents reside has held an election on the question of imposing LOST and the majority of those voting on the question in the city favored its imposition; and (3) the tax shall only be imposed in the area of the city located in the county where not more than 15% of the city's residents reside.

These cities are not authorized to impose LOST after July 1, 2000. A city that has imposed LOST on or before July 1, 2000, may continue to collect the tax until the tax is repealed or the area acquired more than 15% of the city's residents after the tax is imposed.

SECTION AMENDED

Sections 5, 6, and 7 of SF 469 amend Iowa Code sections 422B.1(2), paragraphs "a", "b" and "e"

EFFECTIVE DATE

May 20, 1999

99 SF 469-D

IMPOSITION, REPEAL, RATE OR USE CHANGE DATES LOCAL OPTION SALES TAX AND SCHOOL INFRASTRUCTURE LOCAL OPTION TAX

PRIOR LAW

LOST could be repealed on either March 31, or September 30, which was the end of the calendar quarter during which the LOST repeal motion was adopted or the motion for the repeal was received. LOST could only be imposed on either April 1, or October 1, following notification to the director. A change in rate or use was governed by what was specified in the ballot.

SILO tax could be imposed, repealed, rate or use change effective the date specified by ballot, with the exception that the imposition could not be prior to 40 days after the favorable election and must occur either on January 1, April 1, July 1, or October 1, and repeal of SILO, if not specified by ballot, would be automatic within 10 years of the date of imposition.

NEW PROVISIONS

LOST and SILO tax shall be imposed either on January 1, or July 1 following notification of the director of revenue and finance, but not sooner than 90 days following the favorable election. LOST and SILO tax shall be repealed on the later of the date of the adoption of the repeal motion or the earliest date specified in section 422B.9, subsection 1, which provides that repeal shall only occur on June 30, or December 31, but not sooner than 90 days following the favorable election if one is held. Change in rate or use must occur not sooner than 90 days following the favorable election.

A LOST or SILO tax imposed prior to the effective date of this amendment and at the time of the election a date for repeal was specified in the ballot, the LOST or SILO tax may be repealed on that date, despite the new language governing repeal set forth above.

SECTION AMENDED

Sections 8, 9, 11,13, and 15 of SF 469 amend Iowa Code sections 422B.1, subsections (5), (6), (9), 422B.9, 422E.2.

EFFECTIVE DATE

April 1, 2000.

NOTIFICATION TO DIRECTOR SCHOOL INFRASTRUCTURE LOCAL OPTION TAX AND LOCAL OPTION SALES TAX

PRIOR LAW

Provided that the county board of supervisors for a SILO and the governing body for LOST could simply give written notice to the director of revenue and finance of the election results.

NEW PROVISIONS

Requires that the county auditor for SILO and LOST must send a copy of the abstract of the ballot from the favorable election to the director of revenue and finance of the election results.

SECTION AMENDED

Sections 10 and 16 of SF 469 amend Iowa Code sections 422B.1, subsection (6), paragraph “b” and 422E.2, subsection (4), paragraph “b”.

EFFECTIVE DATE

July 1, 1999

NEXUS FOR LOCAL OPTION SALES TAX AND SCHOOL INFRASTRUCTURE LOCAL OPTION TAX

PRIOR LAW

A retailer need only have certain minimal connections with a taxing jurisdiction to be required to collect LOST or SILO, such as purposeful direction of activities at the jurisdiction's residents. Physical presence was not necessary.

NEW PROVISIONS

Requires that for a retailer to have nexus for the purpose of collecting and remitting LOST or SILO, the retailer must have physical presence in the taxing jurisdiction. Physical presence can be established by delivering goods or services into that jurisdiction.

SECTION AMENDED

Sections 12 and 17 of SF 469 amend Iowa Code sections 422B.8, unnumbered paragraph 1 and 422E.3.

EFFECTIVE DATE

July 1, 1999.

CENSUS MODIFICATION - LOCAL OPTION SALES TAX

PRIOR LAW

Distribution of LOST revenues was based on the most recent certified federal census, which is the most recent decennial census conducted by the United States Department of Commerce, and as modified by subsequent certifications from the United States Bureau of Census.

NEW PROVISIONS

A subsequent certified census may be used in the distribution formula for LOST revenues under rules established by the director of revenue and finance.

SECTION AMENDED

Section 14 of SF 469 amends Iowa Code section 422B.10, subsection (3).

EFFECTIVE DATE

July 1, 1999

OVERPAYMENT ADJUSTMENT - SCHOOL INFRASTRUCTURE LOCAL OPTION TAX

PRIOR LAW

Prior law stated that if an overpayment in SILO revenues occurred in the previous fiscal year, then the director must make an adjustment to reflect such an overpayment on the first payment of the new fiscal year.

NEW PROVISIONS

Requires that the adjustment to reflect an overpayment in SILO tax from the previous year be made in the November payment.

SECTION AMENDED

Section 17 of SF 469 amends Iowa Code section 422E.3, subsection (5).

EFFECTIVE DATE

July 1, 1999

CONSTRUCTION CONTRACTOR'S REFUNDS SCHOOL INFRASTRUCTURE LOCAL OPTION TAX

PRIOR LAW

No statutory authority to provide for a construction contractor's refund of SILO as set forth for LOST in Iowa Code section 422B.11

NEW PROVISIONS

Provides that a construction contractor may receive a refund of SILO tax on goods, wares or merchandise incorporated into an improvement to real estate in fulfillment of a written contract fully executed prior to the date of imposition or increase in rate. (See Iowa Code section 422B.11.)

SECTION AMENDED

Section 19 of SF 469 amends Iowa Code section 422E.3, by adding new subsection (7).

EFFECTIVE DATE

Upon enactment, May 20, 1999, and applies retroactively to July 1, 1998.

28E AGREEMENTS SCHOOL INFRASTRUCTURE LOCAL OPTION TAX

PRIOR LAW

Prior law only allowed a school district to enter into a 28E agreement with cities whose boundaries encompass all or a part of the area of the school district. Such a city could expend the revenues for a valid school infrastructure purpose or any other purpose authorized by the governing body of the city.

NEW PROVISIONS

In addition to the city, a school district may enter into a 28E agreement with a county whose boundaries encompass all or a part of the area of the school district. Such a county may expend its designated portion of the tax revenues to provide property tax relief within the boundaries of the school district located in the county.

Furthermore, this amendment also authorizes a school district to enter into a 28E agreement with another school district which is located partially or entirely in or is contiguous to the county where the tax is imposed. Such a school district can only expend its designated portion of the tax revenues for infrastructural purposes.

SECTION AMENDED

Section 20 of SF 469 amends Iowa Code section 422E.4, unnumbered paragraph two.

EFFECTIVE DATE

Upon enactment, May 20, 1999 and applies retroactively to July 1, 1998.

DEPARTMENT MAY USE STATE AGENCY'S STATUTORY COLLECTION AUTHORITY TO COLLECT AGENCY'S DEBTS

PRIOR LAW

The director of the Department of Revenue & Finance (hereafter referred as Department) was authorized to use a formal debt collection policy for state agencies that had not established their own collection policies. Other state agencies could use the collection facilities of the Department pursuant to a formal agreement between an agency and the Department. The agreement was to provide that the information provided the Department by an agency was to be sufficient to establish the obligation in a court of law and as a legal judgment on behalf of the state. After an agency transferred a debt to the Department for collection, the agency was to terminate its collection efforts and was to be available to provide assistance to the Department. In addition, after an agency transferred a debt to the Department, the Department was to assume all liability for its collection actions without recourse to that agency and the Department was to comply with all applicable state and federal laws relating to collection of debts. Finally, the Department had the authority to setoff income tax refunds and other accounts payable by the state against any of the obligations transferred by state agencies.

NEW PROVISIONS

The Department of Revenue & Finance is given the statutory authority of a participating state agency for collection of the debts of that agency which have been transferred to the Department. Debt of a participating state agency includes delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to or being collected by the state.

SECTION AMENDED

Section one of Senate File 473 amends paragraph c of subsection 34 of Iowa Code section 421.17.

EFFECTIVE DATE

This provision became effective on May 20, 1999 when Senate File 473 was signed by the governor.

S.F. 473-A

VIOLATION OF TAX LAWS VENUE FOR PROSECUTION

PRIOR LAW

Statutory authority for each tax type set forth that the jurisdiction for prosecuting such a tax law violation was the residence of the person so charged, or if the person was a nonresident or if residence of the person could not be established, then venue for prosecuting the offense is the county of the seat of government of the state of Iowa.

NEW PROVISIONS

Provides under one statutory provision that venue for prosecution for a tax law violation depends on the type of tax law being violated. If the person is charged with the violation of individual income tax laws, then venue is the county of residence of the person being charged, unless the residence of the person cannot be established or the person is a nonresident, then the venue is Polk county.

If the person is charged with the violation of tax laws arising out of a business, then the venue is in any county where the business is conducted. If a specific county cannot be established, then venue is Polk county.

If a person is charged with the violation of Iowa Code section 453B.12, then the venue is in the county of the residence of the person charged with the offense or the county in which the drugs were found.

If a person is charged a violation of tax laws in which venue is set under multiple provisions, then venue is in any county in which one of the charges may be prosecuted.

SECTION AMENDED

Sections 3, 8, 11, 12, 16, 35, 36 and 37 of SF 473 amended or struck the following provisions of the Iowa Code: sections 422.25, subsection (9), 422.58, subsection (6), 423.18, subsection (4), 424.17, subsection (4), 425.29, 452A.74, and 452A.75. Iowa Code section 803.3 was amended by adding new subsection (6).

EFFECTIVE DATE

May 20, 1999

DEFINITION OF BUSINESS INCOME

PRIOR LAW

“Business income” means income arising from transactions and activity in the regular course of the taxpayer’s trade or business; or income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations; or gain or loss resulting from the sale, exchange, or other disposition of real property or of tangible or intangible personal property, if the property while owned by the taxpayer was operationally related to the taxpayer’s trade or business carried on in Iowa; or gain or loss resulting from the sale, exchange, or other disposition of stock in another corporation if the activities of the other corporation were operationally related to the taxpayer’s trade or business carried on in Iowa while the stock was owned by the taxpayer. A taxpayer may have more than one regular trade or business in determining whether income is business income.

It is unclear under the above statutory language whether gain or loss from the disposition of property that was only operationally related to sources within and without Iowa is business income.

NEW PROVISIONS

“Business income” means income arising from transactions and activity in the regular course of the taxpayer’s trade or business; or income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations; or gain or loss resulting from the sale, exchange, or other disposition of real property or of tangible or intangible personal property, if the property while owned by the taxpayer was operationally related to the taxpayer’s trade or business carried on in Iowa OR OPERATIONALLY RELATED TO SOURCES WITHIN IOWA, OR THE PROPERTY WAS OPERATIONALLY RELATED TO SOURCES OUTSIDE THIS STATE AND TO THE TAXPAYER’S TRADE OR BUSINESS CARRIED ON IN IOWA; or gain or loss resulting from the sale, exchange, or other disposition of stock in another corporation if the activities of the other corporation were operationally related to the taxpayer’s trade or business carried on in Iowa while the stock was owned by the taxpayer. A taxpayer may have more than one regular trade or business in determining whether income is business income.

The amended statutory language clarifies that the gain or loss from the disposition of property that was only operationally related to sources within and without Iowa is business income. For example, royalties for the use of a trademark within or without Iowa are considered business income subject to apportionment, however, the current statute is not clear that the gain on the sale of the trademark is subject to apportionment.

SECTION AMENDED

Section 4 of Senate File 473 amends Code section 422.32, subsection 2, unnumbered paragraph 1.

EFFECTIVE DATE

Retroactive to January 1, 1999 for tax years beginning on or after that date.

PERMIT FOR EACH LOCATION

PRIOR LAW

A retailer was required to have a sales tax permit for each place of business, unless the retailer was not regularly engaged in selling at retail and did not have a permanent place of business.

NEW PROVISIONS

A retailer of tangible personal property or services is not required to obtain or retain a sales tax permit for a place of business at which taxable sales of tangible personal property or services will not occur.

SECTION AMENDED

Section 7 of SF 473 amends Iowa Code section 422.53.

EFFECTIVE DATE

May 20, 1999

RECORD RETENTION BY THE DEPARTMENT

PRIOR LAW

Limited copies of records retained by the department of photostat, microfilm, and other photographic copies of records, reports and other papers either filed by the taxpayer or prepared by the department.

NEW PROVISIONS

This amendment adds electronic records, reports and papers to the types of records to be retained by the department.

SECTION AMENDED

Section 9 of SF 473 amends Iowa Code section 422.68, subsection (4).

EFFECTIVE DATE

May 20, 1999

CIRCUIT BREAKER FOR LOW-INCOME ELDERLY AND DISABLED

Prior Law

A claimant was required to have lived in Iowa for the entire base year (the calendar year preceding the year in which a claim is filed) to qualify for a property tax credit or rent reimbursement.

“Household” was defined as the claimant, the claimant’s spouse, and any person related to the claimant or the claimant’s spouse by blood, marriage, or adoption living with the claimant at any time during the base year. Only one eligible household member living in the same residence could file a claim for rent reimbursement or property tax credit ; If there was more than one eligible household member, they had to determine among themselves who would be the claimant and if they were unable to agree, the director was required to determine who the claimant would be.

The department was required to reimburse the counties for the amount of property tax credits allowed on February 15 of each year.

The department could offset any tax credit or reimbursement payable to a claimant against any tax liability the department had against the claimant.

The claimant for a mobile home reduced tax rate was required to have the intent to occupy the mobile home for 6 months or more during the fiscal year beginning in the calendar in which the claim was filed.

New Provisions

A claimant who lives in Iowa and pays rent during any portion of the base year qualifies for a rent reimbursement and a person who lives in Iowa and incurs a liability to pay property taxes for any portion of the fiscal year beginning in the base year qualifies for a property tax credit. This change permits persons moving into Iowa from out of state to file a claim for reimbursement or tax credit for the entire amount of rent or property taxes paid while living in Iowa.

“Household” was redefined to mean only the claimant and the claimant’s spouse, if living with the claimant. Each eligible household member living in the same residence (excluding a husband and wife) may file a separate claim for rent reimbursement or property tax credit using their individual income and proportionate share of the rent or property taxes paid. As in the past, a husband and wife are limited to filing one claim and must combine their incomes and rent or property taxes paid.

The department is required to reimburse the counties for the amount of property tax credits allowed on June 15 of each year.

The amount of any tax credit or reimbursement payable to a claimant may now be offset against any indebtedness due the state.

The claimant for the mobile home reduced tax rate need only occupy the mobile home at the time the claim for reduced tax rate is filed.

Sections Amended

Section 13 of Senate File 473 amends § 425.17, subsections 2, 4, 5, and 6; section 14 amends § 425.19; section 15 amends § 425.21; section 19 amends § 435.22, subsection 2, unnumbered paragraph 2; and section 20 amends § 435.22, subsection 5, unnumbered paragraph 1. All amendments are to the 1999 Code.

Effective Date

May 20, 1999.

REVOCACTION OF PROPERTY TAX EXEMPTION BY DIRECTOR

Prior Law

Section 427.1(16) authorized the director to revoke or modify a property tax exemption but did not indicate for what tax period the revocation or modification was applicable.

New Provision

The director may revoke or modify a property tax exemption for only the tax year in which the application for revocation or modification is made. The tax year is the fiscal year commencing July 1.

Section Amended

Section 17 of Senate File 473 amends § 427.1, subsection 16, Code 1999.

Effective Date

May 20, 1999.

REPLACEMENT TAX

Prior Law

Senate File 2416, enacted in 1998, created a replacement tax on the generation, transmission, and delivery of electricity and natural gas. After review, the legislation was found to contain some errors, omissions, and lack of clarity which were addressed in Senate File 473.

New Provisions

Several sections were amended to change reference to taxing district to taxing authority since a taxing district is a geographic area with a common consolidated property tax levy and a taxing district is a tax levying body.

Sections were amended to redesignate natural gas competitive service areas; clarify that the replacement tax is an excise tax; clarify that transmission lines owned by or leased to a lessor are exempt from the replacement transmission tax if the lines are subject to the replacement transmission tax payable by the lessee or sublessee; clarify that all property directly and primarily used in the production, generation, transmission, or delivery of electricity or natural gas which is subject to a replacement tax is exempt from property tax; and adjust the property taxes paid during the 1998-1999 fiscal year for a municipal utility if the taxes were based on valuation which did not correct for depreciation.

The requirement for municipal utilities to report their property taxes based upon valuations determined in the 1993-1996 assessment years was eliminated.

Sections Amended

Section 21 of Senate File 473 amends § 437A.3, subsection 13; section 22 amends § 437A.3, subsection 19, paragraph a, subparagraph 2; section 23 amends § 437A.3, subsection 28; section 24 amends § 437A.7, subsection 2, paragraph b; section 25 amends § 437A.10, subsection 2; section 26 amends § 437A.14, subsection 4, unnumbered paragraph 1; section 27 amends § 437A.14, subsection 5; section 28 amends § 437A.15, subsection 7, unnumbered paragraph 2; section 29 amends § 437A.16; section 30 adds new § 437A.17A; section 31 amends § 437A.19, subsection 2, unnumbered paragraph 4; and section 38 amends 1998 Iowa Acts, chapter 1194, section 38, by adding new subsection 9. All amendments are to the 1999 Code.

Effective Date

Sections 21 through 29, 31, and 38 of Senate File 473 take effect July 1, 1999. Section 30 takes effect May 20, 1999.

REAL ESTATE OR REAL PROPERTY DEFINED - INHERITANCE TAX

PRIOR LAW

Provided no definition for real estate or real property under Iowa Code chapter 450.

NEW PROVISIONS

Provides a definition of “real estate or real property” for the purposes of appraisal under the inheritance tax law as set forth in Iowa Code chapter 150, to mean real estate which is the land and appurtenances, including structures affixed thereto.

SECTION AMENDED

Section 32 of SF 473 amends Iowa Code 450.1, by adding a new unnumbered paragraph and 450.37, subsection 2, unnumbered paragraph 1.

EFFECTIVE DATE

July 1, 1999

APPRAISAL OF REAL ESTATE - INHERITANCE TAX

PRIOR LAW

Prior law did not define what or how an appraiser should value real property. If a disagreement occurred between the department and the estate regarding the appraised value, then the matter was automatically resolved by an appeal to the Iowa District Court.

NEW PROVISIONS

Provides that when valuing real estate, the appraiser does not have the jurisdiction to determine what property, discounted or partial interest may or may not be subject to Iowa inheritance tax. While interest in the property should be appraised and the question of the actual property, discounts or partial interests that are subject to inheritance tax is to be determined by the administrative procedures set forth in Iowa Code section 450.94.

SECTION AMENDED

Section 33 of SF 473 amends Iowa Code section 450.27.

EFFECTIVE DATE

July 1, 1999

CIGARETTE MANUFACTURER SETTLEMENT

Prior Law

None.

New Provision

The department is required to adopt administrative rules as are necessary to ascertain the amount of state excise tax paid on the cigarettes of tobacco product manufacturers for each year.

Section Amended

Senate File 482 creates new chapter 435C; subsection 435C.1(10) requires rulemaking if needed.

Effective Date

May 20, 1999.