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Online-only retailers to offer customers a purchase price without collecting the state's sales tax.

Jun. 12, 2013

June 12—DES MOINES — Gov. Terry Branstad signed “e-fairness” legislation Tuesday designed to level the playing field for Iowa businesses by closing a loophole that allows out-of-state, online-only retailers to offer customers a purchase price without collecting the state’s sales tax.

“By signing House File 625, the governor has helped the state make a huge leap forward in helping Iowa businesses have a fighting chance against these giant online-only companies,” said Jim Henter, president of the Iowa Retail Federation.

Victoria Daniels of the state Department of Revenue said the legislation, which takes effect July 1, will “strengthen and codify” the elements to establish a “sales tax nexus” for retailers conducting business in Iowa via Internet sales. She said H.F. 625 will incrementally broaden state law to better position her department to assess “fringe arrangements” as they relate to sales tax collections.

State officials have been unable to gauge the potential fiscal impact of the law change in part because “we just don’t know for sure what’s out there,” Daniels added.

In all, 232 Iowa small businesses joined with the Iowa Retail Federation, Iowa Grocers Association and the Iowa Alliance for Main Street Fairness coalition to encourage state lawmakers to pass the “e-fairness” legislation last month before the 2013 session adjourned.

Also, a separate provision of House File 625 increases the school tuition organization tax credit annual cap from \$8.75 million to \$12 million effective for tax year 2014. This bill also amends the credit to allow a contribution made by a partnership, limited liability company, S corporation, estate or trust electing to have the income

taxed directly to the individual to qualify for the tax credit — a provision which is

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