



Local Option Sales and Service Tax

Frequently Asked Questions

Upcoming Vote

On November 2, 2021, the voters of Knoxville will be asked to vote on a measure that would impose a local sales and services tax at the rate of one (1) percent in the incorporated area of Knoxville.

What is LOSST? Local Option Sales and Service Tax

Local Option Sales and Services Tax (LOSST) is a one percent (1%) tax that applies to transactions on certain goods and services within certain geographical areas within the State of Iowa. The tax is imposed on the same basis as the State sales and services tax and may not be imposed on the sale of any property or any service not taxed by the State. The tax is also NOT imposed on the gross receipts from the sale of motor fuel or special fuel as defined in Chapter 324, on the gross receipts from the rental of rooms, apartments, or sleeping quarters which are taxed under Chapter 422A during the period the hotel and motel tax is imposed, on the gross receipts from the sale of natural gas or electric energy in a city or county where the gross receipts are subject to a franchise fee or user fee during the period the franchise or user fee is imposed, and on the gross receipts from the sale of a lottery ticket or share in a lottery game conducted pursuant to Chapter 99 E. Other exemptions/restrictions apply and additional information can be found through the Iowa Department of Revenue.

The LOSST rate cannot exceed 1%, however qualified voters of the area where the tax has been imposed can vote to change the rate to any amount that does not exceed one percent. The rate proposed for the November 2nd ballot is 1%.

How does this tax work? Will everything we buy be subject to this tax?

The short answer is No. As mentioned above, exemptions from LOSST are the same as those items excluded from state sales tax, i.e., most grocery food items, vehicles (are charged a one-time registration fee rather than a state sales tax), farm equipment, etc.

Does Knoxville currently have LOSST in place?

The City of Knoxville has had the one percent (1%) Local Option Sales and Service Tax since 2004 and will remain in effect until December 2024. The upcoming vote on November 2, 2021 is for a continuation of the tax and would take effect on January 1, 2024.

Who has LOSST?

In Iowa, 97 out of 99 counties (over 1,300 cities and unincorporated areas) already have a local option sales tax, which allows them to collect an extra penny in sales tax for every dollar spent in their communities.

Where does the money come from and how much money will be collected from this tax?

Knoxville's distribution is estimated to be \$900,000. It is also estimated that a significant percent of the revenue this sales tax would generate for the City of Knoxville would come from people who do not live in Knoxville such as tourists and visitors.

How has LOSST been spent in the past in Knoxville?

For the past 20 years Knoxville has been able to utilize the one percent (1%) Local Option Sales and Service



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Tax to fund many capital projects and equipment. One of the largest projects completed includes the Downtown Streetscape Project which funded the replacement of all sanitary and storm sewer, streets, sidewalks, and an upgraded aesthetic design to a total of six (6) downtown city blocks. Additional projects include street improvements, sidewalk rehabilitation program, public safety equipment including: patrol vehicles, ambulances, fire engines, turnout gear, cardiac monitors, and many more.

How would the money be used going forward?

The upcoming ballot language will allocate 50% of any local option sales and service tax collected for property tax relief for its residents and 50% for capital improvement projects which may include, but not limited to, street improvements, park and trail improvements, public safety/city hall facilities, and related debt service, public safety, economic development, purchase of capital equipment, building maintenance or expansion, land acquisition and site plan development determined by need or according to the City of Knoxville's Comprehensive Plan; and other community betterment projects or lawful purposes of the City of Knoxville.

Can you discontinue LOSST should citizens no longer want it?

The tax can be repealed in the same method in which it is added to the ballot. Current language indicates no sunset clause (no expiration date) but can be changed by a vote as well.

Is LOSST a continuation of the 1% sales tax that is already in place for schools?

The schools 1% sales tax is called "SAVE" or Secure an Advanced Vision for Education. LOSST does not affect this tax that is already in place for schools.

****For more information, access the Department of Revenue's website at: <https://tax.iowa.gov/iowa-local-option-sales-tax-lost-questions-and-answers>.**