

appointed by the Iowa humanities board and one member appointed by the department shall each serve terms ending April 30, 1997; and one member appointed by the Iowa humanities board and two members appointed by the department shall each serve terms ending April 30, 1998.

Approved May 4, 1995

CHAPTER 174

SALES TAX EXEMPTION - PLANT PRODUCTION

H.F. 159

AN ACT relating to the production of ornamental, flowering, or vegetable plants for purposes of the state sales tax.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422.42, Code 1995, is amended by adding the following new subsections and renumbering current subsections as necessary:

NEW SUBSECTION. 1. "Agricultural production" includes the production of flowering, ornamental, or vegetable plants in commercial greenhouses or otherwise. "Agricultural products" include flowering, ornamental, or vegetable plants.

NEW SUBSECTION. 2A. "Farm machinery and equipment" means machinery and equipment used in agricultural production.

Sec. 2. Section 422.42, subsection 11, Code 1995, is amended to read as follows:

11. "Retail sale" or "sale at retail" means the sale to a consumer or to any person for any purpose, other than for processing, for resale of tangible personal property or taxable services, or for resale of tangible personal property in connection with taxable services; and includes the sale of gas, electricity, water, and communication service to retail consumers or users; but does not include agricultural breeding livestock and domesticated fowl; and does not include commercial fertilizer, agricultural limestone, herbicide, pesticide, insecticide, food, medication, or agricultural drain tile, including installation of agricultural drain tile, any of which are to be used in disease control, weed control, insect control, or health promotion of plants or livestock produced as part of agricultural production for market; and does not include electricity, steam, or any taxable service when purchased and used in the processing of tangible personal property intended to be sold ultimately at retail. When used by a manufacturer of food products, carbon dioxide in a liquid, solid, or gaseous form, electricity, steam, and other taxable services are sold for processing when used to produce marketable food products for human consumption, including but not limited to, treatment of material to change its form, context, or condition, in order to produce the food product, maintenance of quality or integrity of the food product, changing or maintenance of temperature levels necessary to avoid spoilage or to hold the food product in marketable condition, maintenance of environmental conditions necessary for the safe or efficient use of machinery and material used to produce the food product, sanitation and quality control activities, formation of packaging, placement into shipping containers, and movement of the material or food product until shipment from the building of manufacture. Tangible personal property is sold for processing within the meaning of this subsection only when it is intended that the property will, by means of fabrication, compounding, manufacturing, or germination become an integral part of other tangible personal property intended to be sold ultimately at retail; or will be consumed as fuel in

creating heat, power, or steam for processing including grain drying, or for providing heat or cooling for livestock buildings or for greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, or for generating electric current, or in implements of husbandry engaged in agricultural production; or the property is a chemical, solvent, sorbent, or reagent, which is directly used and is consumed, dissipated, or depleted, in processing personal property which is intended to be sold ultimately at retail or consumed in the maintenance or repair of fabric or clothing, and which may not become a component or integral part of the finished product. The distribution to the public of free newspapers or shoppers guides is a retail sale for purposes of the processing exemption.

Sec. 3. Section 422.45, subsection 39, paragraphs a and c, Code 1995, are amended to read as follows:

a. The implement, machinery, or equipment is directly and primarily used in livestock or dairy production or in the production of flowering, ornamental, or vegetable plants.

c. The replacement part is essential to any repair or reconstruction necessary to the farm machinery's or equipment's exempt use in livestock or dairy production or in the production of flowering, ornamental, or vegetable plants.

Sec. 4. Section 422.47, subsection 4, paragraph f, Code 1995, is amended to read as follows:

f. In this section, "fuel" includes gas, electricity, water, heat, steam, and any other tangible personal property consumed in creating heat, power, or steam. In this section, "fuel consumed in processing" means fuel used or disposed of for processing including grain drying, for providing heat or cooling for livestock buildings or for greenhouses or buildings or parts of buildings dedicated to the production of flowering, ornamental, or vegetable plants intended for sale in the ordinary course of business, or for generating electric current, or in implements of husbandry engaged in agricultural production. In this subsection, "fuel exemption certificate" means an exemption certificate given by the purchaser under penalty of perjury to assist retailers in properly accounting for nontaxable sales of fuel consumed in processing. In this subsection, "substantial change" means a change in the use or disposition of tangible personal property and services by the purchaser such that the purchaser pays less than ninety percent of the purchaser's actual sales tax liability. A change includes a misstatement of facts in an application made pursuant to paragraph "c" or in a fuel exemption certificate.

Approved May 5, 1995

CHAPTER 175

REAL ESTATE TRANSFER TAX EXEMPTIONS – PURCHASE MONEY MORTGAGE LIENS

S.F. 189

AN ACT relating to the transfer of real estate by exempting certain transfers of real estate from the real estate transfer tax and providing that a lien for a purchase money mortgage has priority over other interests in the property.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 428A.2, subsection 15, Code 1995, is amended to read as follows:

15. Deeds between a family corporation, partnership, ~~or~~ limited partnership, limited