

House File 601 - Introduced

HOUSE FILE 601

BY ROGERS

A BILL FOR

1 An Act relating to state sales and use tax by modifying
2 the refund of sales and use tax paid in fulfillment of
3 construction contracts with designated entities to include
4 certain lease-purchase contracts, providing a related sales
5 and use tax exemption, and making penalties applicable.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.4, subsection 1, Code 2013, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. *0a.* For purposes of this subsection and
4 section 423.3, subsection 80, a lease-purchase contract entered
5 into with a political subdivision of the state, or a division,
6 board, commission, agency, or instrumentality of the political
7 subdivision, for completion of a project shall be considered a
8 written contract with such governmental unit, and the property
9 that is the subject of the lease-purchase contract shall be
10 considered public property if all of the following conditions
11 are met:

12 (1) The project is part of the lease-purchase contract.

13 (2) The lessor completes the project in fulfillment of and
14 in accordance with the lease-purchase contract.

15 (3) The property becomes an integral part of the project
16 under the lease-purchase contract.

17 (4) The property is occupied and operated by the
18 governmental unit in accordance with the lease-purchase
19 contract.

20 (5) The governmental unit has the option to purchase the
21 property under the lease-purchase contract.

22 (6) The governmental unit, written contract, or project is
23 not otherwise ineligible under this subsection.

24 EXPLANATION

25 This bill amends the refund of sales and use tax paid for,
26 and the sales and use tax exemption of, goods and services
27 used in fulfillment of construction contracts with designated
28 entities. Under current law, a political subdivision of
29 the state, or a division, board, commission, agency, or
30 instrumentality of the political subdivision qualifies as a
31 designated entity entitled to the refund of sales and use tax
32 paid in fulfillment of a written contract for the construction
33 of a project that will become public property. The bill
34 provides that a lease-purchase contract with one of these
35 governmental units will qualify as a written contract with such

1 governmental unit, and the property that is the subject of the
2 lease-purchase contract will be considered public property, if
3 the project is part of the lease-purchase contract, the lessor
4 completes the project in fulfillment of and in accordance with
5 the lease-purchase contract, the property becomes an integral
6 part of the project under the lease-purchase contract, the
7 property is occupied and operated by the governmental unit in
8 accordance with the lease-purchase contract, the governmental
9 unit has the option to purchase the property under the
10 lease-purchase contract, and the governmental unit, written
11 contract, or project is not otherwise ineligible for the sales
12 and use tax refund.

13 In order to receive the sales and use tax refund, contractors
14 are required to file certain sales and use tax reports,
15 and contractors filing false reports are guilty of a simple
16 misdemeanor and liable for the payment of tax, penalties, and
17 interest. A simple misdemeanor is punishable by confinement
18 for no more than 30 days or a fine of at least \$65 but not more
19 than \$625 or by both.

20 The bill also provides that such lease-purchase contracts
21 will qualify as contracts with a designated entity for
22 purposes of Code section 423.3, subsection 80, so that building
23 materials, supplies, and equipment purchased by a contractor,
24 subcontractor, builder, or manufacturer will be exempt
25 from sales tax if such items will be completely consumed in
26 fulfillment of the contract.

27 By operation of Code section 423.6, an item exempt from the
28 imposition of the sales tax is also exempt from the use tax
29 imposed in Code section 423.5.