

**House Study Bill 629 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON HEIN)

**A BILL FOR**

1 An Act relating to the sales and use tax by modifying the sales  
2 and use tax exemption for materials and certain machinery  
3 and equipment used in agricultural production.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.1, subsection 5, Code 2020, is  
2 amended to read as follows:

3 5. "Agricultural production" ~~includes~~ means the production  
4 of ~~flowering, ornamental, or vegetable plants in commercial~~  
5 ~~greenhouses or otherwise, and production from aquaculture, and~~  
6 ~~production from silvicultural activities~~ agricultural products  
7 for intended sale or livestock consumption and related land  
8 management practices. "Agricultural products" includes but is  
9 not limited to corn, eggs, fruit, hay, honey, livestock, milk,  
10 oats, soybeans, vegetables, wheat, and includes flowering,  
11 ornamental, or vegetable plants and those products of  
12 aquaculture and silviculture.

13 Sec. 2. Section 423.3, subsection 6, Code 2020, is amended  
14 to read as follows:

15 6. a. The sales price of tangible personal property which  
16 will be consumed as fuel in creating heat, power, or steam for  
17 grain drying, or for providing heat or cooling for livestock or  
18 livestock buildings or for greenhouses or buildings or parts of  
19 buildings dedicated to the production of flowering, ornamental,  
20 or vegetable plants intended for sale in the ordinary course of  
21 business, or for use in cultivation of agricultural products  
22 by aquaculture, or in implements of husbandry engaged in  
23 agricultural production.

24 b. (1) The sales price of tangible personal property that  
25 is designed to hold propane which will be consumed as fuel  
26 in creating heat, power, or steam for grain drying, or for  
27 providing heat or cooling for livestock or livestock buildings.

28 (2) Exempt property in subparagraph (1) includes attached  
29 valves, regulators, and piping.

30 Sec. 3. Section 423.3, subsection 8, paragraph a,  
31 subparagraph (1), Code 2020, is amended to read as follows:

32 (1) The farm machinery and equipment shall be ~~directly and~~  
33 primarily used in production of agricultural products.

34 Sec. 4. Section 423.3, subsection 11, paragraph a, Code  
35 2020, is amended to read as follows:

1 a. The implement, machinery, or equipment is ~~directly and~~  
2 primarily used in livestock or dairy production, aquaculture  
3 production, or the production of flowering, ornamental, or  
4 vegetable plants.

5

EXPLANATION

6 The inclusion of this explanation does not constitute agreement with  
7 the explanation's substance by the members of the general assembly.

8 This bill relates to the sales and use tax by modifying the  
9 sales and use tax exemption for materials used in agricultural  
10 production, and for certain machinery and equipment used in  
11 such production.

12 The bill modifies the definition of "agricultural  
13 production" in Code section 423.3(5) to include the  
14 production of agricultural products for intended sale or  
15 livestock consumption and related land management practices.  
16 "Agricultural products" is modified to include corn, eggs,  
17 fruit, hay, honey, livestock, milk, oats, soybeans, vegetables,  
18 and wheat.

19 The amendment to the definition of "agricultural production"  
20 in Code section 423.1(5) affects the application of the  
21 following provisions: Code sections 423.1(19) (definition of  
22 farm machinery and equipment), 423.2(6)(ax) (services related  
23 to the storage of agricultural products), 423.3(5) (exempt  
24 agricultural products), 423.3(6) (exempt sales price of fuel  
25 used in agricultural production), 423.3(8) (exempt specialized  
26 machinery used in agricultural production), 423.3(10)  
27 (exempt gas, electricity, water, or heat used in agricultural  
28 production), 423.3(47) (machinery and equipment), and 423.45(5)  
29 (refunds of taxed fuel used in agricultural production).

30 The amendment to Code section 423.3(6) exempts from the  
31 sales and use tax the sales price of fuel for providing heat or  
32 cooling for livestock. Currently, the sales price of such fuel  
33 is exempt from the sales and use tax if the fuel heats or cools  
34 a livestock building.

35 The amendment to Code section 423.3(6) exempts from the

1 sales and use tax the sales price of tangible personal property  
2 that is designed to hold propane which will be consumed as fuel  
3 in creating heat, power, or steam for grain drying, livestock,  
4 or livestock buildings. The exemption also includes valves,  
5 regulators, and piping attached to the property designed to  
6 hold propane.

7 The amendment to Code section 423.3(8)(a)(1) exempts from  
8 the sales and use tax the sales price of farm machinery and  
9 equipment used primarily in the production of agricultural  
10 products. Currently, the sales price of farm machinery and  
11 equipment must be used directly and primarily in production of  
12 agricultural products in order to be exempt from the sales and  
13 use tax.

14 The amendment to Code section 423.3(11) requires that  
15 the sales price of an implement, machinery, or equipment be  
16 primarily used in livestock or dairy production, aquaculture  
17 production, or the production of flowering, ornamental, or  
18 vegetable plants in order for the sales of such items to be  
19 exempt from the sales and use tax. Current law requires such  
20 items to be directly and primarily used for such purposes.