

*bet. amended - without rec. 3/20*

February 18, 1953.

House File 315

Tax Revision.

By McNEAL, ABEL, TURNER of Mills, HOTH, KERR, TATE, BLOEDEL, WILSON, ARMSTRONG, McFARLANE, SERSLAND, LAUER, BECK, CHRISTIANSEN, STEERS, SHEROD, FALVEY, PALMER and PEDRICK.

Passed House, Date.....

Vote: Ayes..... Nays.....

Passed Senate, Date.....

Vote: Ayes..... Nays.....

Approved .....

## A BILL FOR

An Act providing an alternative method of taxation of stocks of merchandise of merchants, imposing an excise tax at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) upon the net sales of merchandise by merchants, and providing for the assessment and collection of such excise tax.

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

- 1 Section 1. Chapter four hundred twenty-eight (428),
- 2 Code 1950, is hereby amended by adding thereto the following
- 3 provisions:
- 4 1. Any merchant as defined by the provisions of section
- 5 four hundred twenty-eight point sixteen (428.16), Code 1950,
- 6 may elect instead of being assessed upon his stocks of merchan-
- 7 dise as provided in section four hundred twenty-eight point
- 8 seventeen (428.17), Code 1950, to be taxed upon the sale of
- 9 such merchandise as provided in this Act, and in the event of
- 10 such election such merchandise shall not be otherwise assessed
- 11 or taxed as personal property.
- 12 2. If such election is made by any merchant as defined
- 13 by section four hundred twenty-eight point sixteen (428.16),

14 Code 1950, he shall be supplied by the assessor with a form  
15 which shall be prescribed by the state tax commission, upon  
16 which he shall enter the net amount of sales made by such  
17 merchant during the calendar year ending December 31 next  
18 prior to the year in which such return is made. Net sales  
19 shall include all sales of merchandise made by such merchant  
20 during the calendar year above defined or for such portion of  
21 such calendar year as he has operated the business prior to  
22 January 1 of the year in which assessment is made. No deduc-  
23 tions of any character shall be made from these net sales  
24 and if any merchant is also a manufacturer, as defined in  
25 section four hundred twenty-eight point twenty (428.20), Code  
26 1950, or a wholesaler, he shall also include as part of his  
27 net sales, any receipts from the sales of manufactured products  
28 made by him, whether at retail or at wholesale. The term "net  
29 sales" is hereby defined as meaning all sales less an allowance  
30 for the sales price of merchandise returned.

31 3. An annual excise tax is hereby levied upon such sales  
32 of merchandise in the amount hereinafter provided. All merchan-  
33 dise thus sold shall be exempt to the seller from all taxation  
34 as personal property under the laws of this state. The amount  
35 of such excise tax shall be a sum equal to one-half of one per  
36 cent ( $\frac{1}{2}$  of 1%) upon the net sales of all merchandise thus sold.

37 4. Every person electing to be taxed under the provisions  
38 of this act shall, not later than March 1 of each year, make  
39 and file with the assessor a statement of his net sales during

40 the year immediately preceding the first day of January, or  
41 the portion thereof during which he was engaged in business  
42 as a merchant, and, on demand, the assessor shall have the  
43 right to inspect all such person's records of such sales. If  
44 such statement is not presented prior to March 1 of any year  
45 in which election has been made to be taxed under the provi-  
46 sions of this act, the assessor shall proceed to require a re-  
47 turn as prescribed under section four hundred twenty-eight  
48 point seventeen (428.17), Code 1950.

49 5. The assessor shall ascertain from the statement re-  
50 quired or from such information as he may acquire, the total  
51 net sales of merchandise by such merchant during the period  
52 for which he has made a return, and shall assess the amount  
53 herein provided to such person under the provisions of this act.

54 6. The rate imposed by subsection three (3) of this sec-  
55 tion shall be applied to the total net sales of merchandise  
56 thus reported and the computed amount thereof shall constitute  
57 the tax imposed and taxed.

58 7. Such specific tax, when determined as aforesaid, shall  
59 be entered in the same manner as general property taxes on the  
60 tax list of the taxing district, and the proceeds of the col-  
61 lection of such tax shall be distributed to the same taxing  
62 districts and in the same proportion as the general personal  
63 property tax on the tax list of said taxing district. All  
64 provisions of the law relating to the assessment and collec-  
65 tion of personal property taxes, and the powers and duties of

66 the county treasurer, county auditor and all other officers  
67 with respect to the assessment, collection, and enforcement  
68 of personal property taxes shall apply to the assessment, col-  
69 lection and enforcement of the tax imposed by this act.

70 8. The return of net sales as made by any merchant as  
71 herein provided shall be deemed as confidential information  
72 to the assessor and board of review and shall not be open for  
73 public inspection.

74 9. Any person who shall knowingly make a false state-  
75 ment of his net sales in the return made under the provisions  
76 of this chapter, shall be guilty of a misdemeanor, and shall,  
77 for each such offense, be fined not less than one hundred  
78 dollars (\$100) and not more than five hundred dollars (\$500),  
79 or be in prison for not exceeding ninety (90) days or be sub-  
80 ject to both such fines and imprisonment in the discretion  
81 of the court.

#### EXPLANATION OF H. F. 315

This bill offers an alternative method for the taxation of stocks of merchants doing business in Iowa. Under the present law such stocks of merchandise of merchants are taxed as personal property upon an average inventory basis. The determination of what constitutes an average inventory is very difficult under the present law. The existing law also, because of the difficulties of assessment and because of the fact that many merchants, especially those dealing in durable goods, are required to maintain heavier inventories than many other merchants doing a similar or greater volume of business.

Under the plan as proposed, a merchant should he so elect, would be required to pay an excise tax of one-half of one per cent upon his volume of sales. Should he make such election, he would not be required to pay personal property taxes upon his inventory. Fixtures and equipment of merchants would be taxed in the same manner as under the present law. This method of procedure would result in much greater uniformity in the taxation of stocks of goods of merchants in many cases; practices as to the assessment of personal property vary greatly as between different communities and often as between taxing districts in the same county.

It is not believed that substantial losses of revenue would result in the adoption of such a system for the reason that it would eliminate the use of inventories, and disagreement as to depreciation and obsolescence of the merchandise included in inventories, and as to the average value of such inventories. It would also greatly simplify the work of assessors, boards of review, and county auditors and treasurers.

1 Amend House File 315 by inserting after the comma  
2 following the word "shall" in line thirty-eight (38) the following:  
3 "make such declaration in writing by January 1 and when  
4 elected, that method must continue until permission is granted  
5 by the county board of review to be taxed under section four  
6 hundred twenty-eight point seventeen (428.17), Code 1950. Such  
7 person shall".  
8 Further amend by striking the word "if" in line forty-three (43),  
and  
9 all of lines forty-four (44) to forty-eight (48), inclusive.  
Filed  
February 27, 1953. PATRICK of Sioux.

---

1 1. Amend House File 315 by striking the period at the end of line  
2 thirty (30) of subsection two (2) of section one (1) and sub-  
3 stituting therefor a comma "(,)" and adding the following:  
4 "and less an allowance in the amount of the value allowed when  
5 traded-in articles are received as part of the purchase price  
6 of other merchandise."  
7 2. Amend subsection three (3) by striking the period "(.)" at  
8 the end of line thirty-six (36), substituting a comma "(,)"  
9 therefor and adding the following:  
10 "increased or reduced by the percentage that the combined  
11 millage levy in each taxing district exceeds or is less than  
12 sixty (60) mills for the year in which the tax is levied."  
13 3. Amend subsection seven (7) by inserting after the period  
14 "(.)" in line sixty-three (63) the following:  
15 "There shall also be entered upon the tax list of the taxing  
16 district an amount which shall be determined by dividing into  
17 the amount of the tax entered upon the tax list the amount in  
18 mills levied upon property in the taxing district for the year  
19 upon which the tax is based, and multiplying the amount thus  
20 obtained by 1,000. The amount in mills used as a divisor shall  
21 be fixed at the nearest even mill, where fractions of a mill  
22 are involved. Such valuation shall be considered the taxable  
23 value of the merchandise upon which the tax is levied and  
24 shall be considered as part of the taxable value of the  
25 property in the taxing district in the determination of the  
26 amount of millage levies or the determination of the limit  
27 of bonded indebtedness of such taxing district, but no additional  
28 tax shall be levied upon the taxable value of property  
29 which is subject to the excise tax herein granted."

Filed  
March 20, 1953.

COMMITTED ON TAX REVISION.

---

1 Amend House File 315 as follows:

2 1. By striking all of the title after the word Act in  
3 line one (1) and inserting in lieu thereof as follows: "to  
4 amend section four hundred twenty-eight point seventeen  
5 (428.17), Code 1950, relating to assessing stocks of  
6 merchandise."

7 2. By striking all after the enacting clause and  
8 inserting in lieu thereof as follows:

9 Section 1. Amend section four hundred twenty-eight point  
10 seventeen (428.17), Code 1950, by striking all of said section  
11 and inserting in lieu thereof as follows:

12 "The actual value of such stocks of merchandise for the  
13 purpose of taxation, shall be determined as hereinafter set out.

14 "The assessor shall require the merchant to furnish to  
15 him the beginning inventory, and the cost of merchandise, for  
16 the purpose of resale, for the next preceding year, which  
17 shall be as shown by the income tax return filed by such merchant  
18 with the state tax commission of Iowa for such year. The  
19 assessor shall determine the times turnover of such stock of  
20 merchandise by dividing the cost of merchandise purchased, for  
21 the purpose of resale by the beginning inventory. The assessor  
22 shall determine the average monthly value of such stock of  
23 merchandise by adding the beginning inventory and the cost of  
24 merchandise purchased for the purpose of resale, and dividing  
25 the total thereof by twelve, or, if said merchant was in business  
26 for a period of less than twelve months, then by a number equal  
27 to the number of months the said merchant was in business. The  
28 average monthly value of such stock of merchandise, so determined,  
29 shall be the actual value thereof in all circumstances where the  
30 stock turnover, as determined by the assessor, shall be six times  
31 or less. In all circumstances where the stock turnover, as  
32 determined by the assessor, shall exceed six, the average monthly  
33 value of such stock of merchandise shall be reduced in the same  
34 proportion as the times turnover bears to one hundred, and the  
35 average value of such stocks of merchandise, so determined, shall  
36 be the actual value thereof.

37 "The assessment shall be made at the same ratio of the  
38 actual value of stocks of merchandise, so determined, as is  
39 provided by section four hundred forty-one point thirteen  
40 (441.13)."

Filed

April 14, 1953.

McNEAL of Wright.