

February 18, 1955.  
Passed on file.

**House File 384**  
By WAYS AND MEANS COMMITTEE.

Passed House, Date.....  
Vote: Ayes..... Nays.....  
Passed Senate, Date April 29, 1955  
Vote: Ayes 46 Nays 0  
Approved .....

## A BILL FOR

An Act imposing a sales tax upon the sale or performance of certain specified services, this bill being complementary and supplementary to the provisions of the Iowa sales and use tax laws to be found in chapters four hundred twenty-two (422) and four hundred twenty-three (423), Code 1954, said provisions of the sales and use tax to be considered as an integral part of this Act; providing for the collection of such taxes by the state tax commission, and providing that all funds derived therefrom shall be paid into the general fund of the state of Iowa subject to appropriation for the general expenditures of the state government.

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

- 1 Section 1. Chapter four hundred twenty-two (422), Code
- 2 1954, is hereby amended by inserting after section four hundred
- 3 twenty-two point fifty-nine (422.59), Code 1954, the following
- 4 words: "Division V. Sales of services", and by renumbering the
- 5 words "Division V. Administration", appearing before section
- 6 four hundred twenty-two point sixty (422.60), Code 1954, by
- 7 inserting for the numeral "V" the numeral "VI".
- 1 Sec. 2. Definitions. (a) The term "person" includes any
- 2 individual, firm, co-partnership, joint venture, association,
- 3 corporation, estate, trust, business trust, receiver, syndicate

4 or any other group or combination acting as a unit in the  
5 plural as well as the singular number.

6 (b) The term "services rendered or performed" shall mean  
7 all acts or services rendered, furnished or performed for  
8 a valuable consideration by any person engaged in any business  
9 or occupation hereinafter designated and defined, when said  
10 act or service is rendered, furnished or performed for the  
11 ultimate user thereof. The term "user" shall mean the person  
12 for whom or for whose benefit services are rendered or performed.

13 (c) The term "business" shall include all activities  
14 engaged in or caused to be engaged in with the object of gain,  
15 benefit or advantage, direct or indirect.

16 (d) The term "taxpayer" shall mean any person obligated  
17 to account to the state tax commission for taxes collected or  
18 to be collected or due the state under the terms of this Act.

19 (e) The term "tax" means either the tax payable by the  
20 person procuring or for whose benefit a service is rendered  
21 or performed subject to tax, or the aggregate amount of taxes  
22 due from the person rendering, performing or furnishing services  
23 during the period for which he is required to report his collec-  
24 tions, as the context may require.

25 (f) The term "value of services" means the price to the  
26 user, exclusive of any direct tax imposed by the federal  
27 government or by this Act.

28 (g) The term "gross taxable services" shall mean the total  
29 amount received in money, credits, property or other consider-

30 ation valued in money from services rendered or performed  
31 within this state as herein defined, and embraced within the  
32 provisions of this Act; provided, that the taxpayer may take  
33 credit in his report of gross taxable services for an amount  
34 equal to the value of services rendered or performed when the  
35 full value of services thereof is refunded either in cash or  
36 by credit; and provided further, that on all services rendered  
37 or performed, valued in money, when such services are made  
38 under conditional contract, or under other contract or  
39 agreement where the payment of the principal sum thereunder  
40 be extended over a period longer than sixty (60) days from  
41 the date of contract or agreement thereof, only such portion  
42 of the value of services thereof may be accounted for the  
43 purpose of imposition of the tax imposed by this Act as has  
44 actually been received in cash by the taxpayer during the  
45 period for which the tax imposed by this Act is due and  
46 payable: and provided further, that taxes paid on gross  
47 taxable services represented by accounts found to be  
48 worthless and actually charged off for income tax purposes  
49 may be credited upon a subsequent payment of the tax herein  
50 provided, but if any such accounts are thereafter collected  
51 by the taxpayer, a tax shall be paid upon the amounts so collected.

52 (h) The words "includes" and "including", when used in a  
53 definition or classification contained in this Act, shall not  
54 be deemed to exclude other things otherwise within the meaning  
55 of the term defined, or otherwise within the classification

56 specified.

1     Sec. 3. Services rendered or performed as herein defined  
2 to a person engaged in rendering services taxable under this  
3 Act or in selling tangible personal property subject to retail  
4 sales tax, provided that the cost of such services, directly  
5 or indirectly, enter into and become a part of the charges to  
6 the ultimate user or purchaser, shall be exempt; provided that,  
7 should a dispute arise between the user and the person rendering  
8 or performing services as to whether or not any such service  
9 rendered is exempt from taxation hereunder, nevertheless, the  
10 person performing said services shall collect and the user shall  
11 pay such tax, and the person performing said service shall  
12 thereupon issue to the user a receipt, or certificate, on  
13 forms prescribed by the state tax commission, showing the  
14 names of the person performing said services and the user,  
15 the items purchased, the date, price, amount of tax paid, and  
16 a brief statement of the claim of exemption.

1     Sec. 4. It shall be unlawful for any person to engage in  
2 the business of selling, rendering or performing services  
3 subject to taxation under this Act, after the effective date  
4 of this Act, without first having obtained a permit under the  
5 provisions of section four hundred twenty-two point fifty-  
6 three (422.53), Code 1954, of the sales tax law. All  
7 provisions relating to the issuance of licenses, as included  
8 in section four hundred twenty-two point fifty-three (422.53),  
9 Code 1954, shall apply to permits involving the sale, render-

10 ing or use of services. No person already holding a permit  
11 under the provisions of section four hundred twenty-two point  
12 fifty-three (422.53), Code 1954, shall be required to obtain  
13 an additional permit, but shall report the tax upon services  
14 provided in this Act together with retail sales which are  
15 reported for taxation.

1 Sec. 5. There is hereby levied and imposed upon the ser-  
2 vices specified in this Act and measured by the amounts paid  
3 therefor a tax in the amount of two (2) per cent which shall  
4 be collected by the state tax commission. All proceeds  
5 derived from the collection of the tax hereby imposed shall  
6 become a part of the general funds of the state of Iowa and  
7 shall be collected by the state tax commission in the same  
8 manner as are taxes upon retail sales or use taxes.

9 (1) This tax shall be imposed upon the value of services  
10 rendered or performed by any person engaging or continuing in  
11 any of the following businesses: barber shops; beauty shops;  
12 beauty parlors; cleaning, dyeing, pressing, alteration and  
13 repair shops; laundries, except hand laundries in a private  
14 home; rug-cleaning and repair shops; shoe repair shops; shoe  
15 shining parlors; hat cleaning; duplicating, addressing, mail-  
16 ing, and mailing-list service; linen, coat, apron and overall  
17 supply service; sign painting shops; window-cleaning service;  
18 automobile general repair garages; automobile paint shops;  
19 automobile greasing or washing shops; automobile radiator  
20 shops; automobile rental service; automobile rent storage

21 garages; automobile top and body repair shops; battery and  
22 ignition repair shops; tire repair shops; parking lots;  
23 blacksmith shops; electrical appliance repair shops; harness  
24 and leather goods repair shops; locksmith and gunsmith shops;  
25 radio and television repair shops; plumbing shops; upholster-  
26 ing and furniture repair shops; watch, clock and jewelry  
27 repair shops; cabinet making and woodworking shops; machine  
28 shops; implement repair shops; mattress renovating and repair  
29 shops; commercial lithographing plants, commercial engraving  
30 plants, commercial linotyping plants, commercial artists;  
31 saw mills and planing mills, tinsmith shops; welding shops;  
32 advertising service agencies.

33 (2) This tax shall be imposed upon the furnishing of  
34 lodging and related services to transients in or by a hotel,  
35 rooming house, tourist court, motel, or trailer camp, and the  
36 granting of any similar license to use real property, as dis-  
37 tinguished from the renting or leasing of real property, and  
38 it shall be presumed that the occupancy of real property, for  
39 a continuous period of one (1) month or more constitutes a  
40 rental or lease of real property and not a mere license to  
41 use or enjoy the same.

42 (3) This tax shall be imposed upon all sales of newspaper  
43 and magazine advertising and advertising over radio and  
44 television stations. In the case of a newspaper or magazine,  
45 the amount of the tax shall be determined through an alloca-  
46 tion to the state of Iowa of the receipts from such advertising

47 based upon the circulation of the publication within the state  
48 of Iowa and without the state of Iowa. The tax shall also be  
49 imposed upon all receipts from advertising displayed upon  
50 billboards or posted or distributed within the state. There  
51 shall be deducted from the gross receipts of such advertising  
52 any amounts paid by the publication as a commission to  
53 advertising agencies through which such business may be received

1     Sec. 6. Persons rendering, performing or selling services  
2 shall, as far as practicable, add the tax imposed under this  
3 Act, or the average equivalent thereof, to the value of  
4 services or charges showing such tax as a separate and distinct  
5 item and when added such tax shall constitute a part of such  
6 value of service or charge, shall be a debt from the user to  
7 the person rendering or performing service until paid, and  
8 shall be recoverable at law in the same manner as other debts.

9     (1) To provide uniform methods of adding the tax, or the  
10 average equivalent thereof, to the value of service, it shall  
11 be the duty of the state tax commission to formulate and  
12 promulgate after hearing appropriate rules and regulations to  
13 effectuate the purposes of this section.

14     (2) It shall be unlawful for any person rendering or  
15 performing service to advertise or hold out or state to the  
16 public or to any user, directly or indirectly, that the tax  
17 or any part thereof imposed by this Act will be assumed or  
18 absorbed by him or that it will not be added to the value of  
19 service rendered, or if added that it or any part thereof will

20 be refunded.

1 Sec. 7. All services rendered or performed which the  
2 state of Iowa is prohibited from taxing under the constitution  
3 or laws of the United States shall be exempt from taxation  
4 under this Act.

1 Sec. 8. It is the intention of this law that no service  
2 tax shall be imposed upon materials or supplies involved in  
3 the performance of the service which is subject to taxation  
4 under the sales or use tax laws of this state. The state tax  
5 commission shall provide uniform forms for the returns required  
6 and such forms shall also provide for the return of any sales  
7 or use tax for which the permit holder is liable. No tax shall  
8 be imposed by this Act upon any services now subject to  
9 taxation under the sales or use tax laws and all exemptions  
10 from taxation under the sales and use tax laws shall apply to  
11 sales of services taxable under this Act. The tax imposed  
12 by this Act shall be in addition to all licenses and taxes  
13 imposed by law, except as herein otherwise provided.

1 Sec. 9. There shall be exempt from taxation under the  
2 provisions of this Act all services rendered to the state of  
3 Iowa or any of the tax-levying political subdivisions thereof.

1 Sec. 10. The provisions of Divisions IV and V of Chapter  
2 four hundred twenty-two (422), Code 1954, relating to retail  
3 sales tax and the administration thereof shall apply to the  
4 collection of service taxes under this law insofar as is  
5 practicable.

1     Sec. 11. The provisions of chapter four hundred twenty-  
2 three (423), Code 1954, shall apply to the collection and  
3 administration of the service tax law provided insofar as  
4 they are applicable.

1     Sec. 12. Section four hundred twenty-three point two  
2 (423.2), Code 1954, is hereby amended by adding to said section  
3 four hundred twenty-three point two (423.2), Code 1954, the  
4 following:

5     An excise tax is hereby imposed on the use in this state  
6 of personal services purchased or rendered on and after the  
7 effective date of this Act at the rate of two (2) per cent of  
8 the purchase price of such services. Such tax is hereby  
9 imposed upon every person using such services within the state  
10 until such tax has been paid directly to the person rendering  
11 such services or to the tax commission as hereinafter provided.  
12 The items subject to use tax on services shall be the same as  
13 those subject to a sales tax upon services as enumerated in this  
14 act, but the use tax shall not apply except in such cases where  
15 the services rendered are by nonresidents who do not maintain  
16 a permanent place of business within the state and are not  
17 subject to a state sales tax upon services.

EXPLANATION OF H. F. 384

This act places a two per cent sales tax on certain specified services, but does not change any present exemptions granted in the two per cent sales or use tax law on the statute books. It is estimated that this bill will raise around \$10,000,000, or enough to make up for our deficit spending.