

Keays & Measur

FILED MAR 9 1986

SENATE FILE 2244
BY COMMITTEE ON AGRICULTURE
approved (p. 526)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the exemption from the sales, services, and
2 use tax of the sale, furnishing, or service of utilities to be
3 used in agricultural production for market.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2244

1 Section 1. Section 422.42, subsection 3, Code Supplement
2 1985, is amended to read as follows:

3 3. "Retail sale" or "sale at retail" means the sale to a
4 consumer or to any person for any purpose, other than for
5 processing, for resale of tangible personal property or
6 taxable services, or for resale of tangible personal property
7 in connection with taxable services; and includes the sale of
8 gas, electricity, water, and communication service to retail
9 consumers or users; but does not include agricultural
10 breeding livestock and domesticated fowl; ~~or~~; and does not
11 include commercial fertilizer, agricultural limestone, or
12 herbicide, pesticide, insecticide, food, and medication, and
13 or agricultural drain tile and, including installation thereof
14 of agricultural drain tile, any of which are to be used in
15 disease control, weed control, insect control, or health
16 promotion of plants or livestock produced as part of
17 agricultural production for market; and does not include
18 electricity, steam, or any taxable service when purchased and
19 used in the processing of tangible personal property intended
20 to be sold ultimately at retail. When used by a manufacturer
21 of food products, electricity, steam, and other taxable
22 services are sold for processing when used to produce
23 marketable food products for human consumption, including but
24 not limited to, treatment of material to change its form,
25 context, or condition, in order to produce the food product,
26 maintenance of quality or integrity of the food product,
27 changing or maintenance of temperature levels necessary to
28 avoid spoilage or to hold the food product in marketable
29 condition, maintenance of environmental conditions necessary
30 for the safe or efficient use of machinery and material used
31 to produce the food product, sanitation and quality control
32 activities, formation of packaging, placement into shipping
33 containers, and movement of the material or food product until
34 shipment from the building of manufacture. Tangible personal
35 property is sold for processing within the meaning of this

1 subsection only when it is intended that the property will, by
2 means of fabrication, compounding, manufacturing, or
3 germination become an integral part of other tangible personal
4 property intended to be sold ultimately at retail; or will be
5 consumed as fuel in creating heat, power, or steam for
6 processing including grain drying, or for providing heat or
7 cooling for livestock buildings, or for generating electric
8 current, or be-consumed in self-propelled implements of
9 husbandry engaged in agricultural production; or the property
10 is a chemical, solvent, sorbent, or reagent, which is directly
11 used and is consumed, dissipated, or depleted, in processing
12 personal property which is intended to be sold ultimately at
13 retail, and which may not become a component or integral part
14 of the finished product. The distribution to the public of
15 free newspapers or shoppers guides is a retail sale for
16 purposes of the processing exemption.

17 Sec. 2. Section 422.45, Code Supplement 1985, is amended
18 by adding the following new subsection:

19 NEW SUBSECTION. The gross receipts from the sale,
20 furnishing, or service of gas, electricity, water, or heat to
21 be used in agricultural production for market.

22 EXPLANATION

23 The bill, in section 2, exempts from the sales and use tax
24 the sale, furnishing, or service of gas, electricity, water,
25 or heat when used in agricultural production for market. The
26 bill also provides, in section 1, that property consumed as
27 fuel in any implement of husbandry engaged in agricultural
28 production is used in processing and thus exempt. The present
29 law requires the implement of husbandry to be self-propelled.

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