

FILED APR 23 1986

SENATE FILE 2300

BY COMMITTEE ON WAYS AND MEANS

(formerly SSB 2103)

Approved 6/12/59

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. 2300

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.

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EXPLANATION
FISCAL NOTE TO
 SENATE FILE 2300

REQ. BY CARR

In compliance with a written request received April 24, 1986, a fiscal note for SENATE FILE 2300 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2300 exempts from the sales and use tax the sale, furnishing, or service of gas, electricity, water, or heat when used in agricultural production for market. The bill also provides that property consumed as fuel in any implement of husbandry engaged in agricultural production is used in processing and thus is exempt.

FISCAL EFFECT: The Department of Revenue has indicated that no estimate of the fiscal effect of exempting fuel and electricity from sales and use tax is possible.

SOURCE: Department of Revenue

(LSB 8423S, RJH)

Filed by the Sec. of the Senate April 29, 1986

SENATE FILE 2300

S-5767

1 Amend Senate File 2300 as follows:

2 1. Page 2, line 5, by inserting after the word
3 "fuel" the following: ", including electricity and
4 gas,".

5 2. Page 2, line 7, by inserting after the word
6 "livestock" the following: "or domesticated fowl".

7 3. Page 2, by striking lines 8 and 9 and
8 inserting the following: "current, or be-consumed-in
9 self-propelled-implements-of-husbandry-engaged for use
10 in agricultural production, for market; or the
11 property".

12 4. Page 2, line 20, by inserting after the words
13 "service of" the following: "fuel, steam,".

S-5767 Filed April 28, 1986

BY PRIEBE