

WAYS AND MEANS: Gronstal, Chair: Hester, Hoit, Husak and Palmer

FILED MAR 04 1987

SENATE FILE 314
BY HULTMAN

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

A BILL FOR

1 An Act relating to the sales, services, and use tax exemption for
2 and the refund of sales, services, and use taxes paid on the
3 purchase or rental of certain equipment.

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

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SF 314

1 Section 1. Section 422.45, subsection 27, Code 1987, is
2 amended to read as follows:

3 27. The gross receipts from the sale or rental, on or
4 after July 1, 1987 or on or after July 1, 1985, in the case of
5 an industry which has entered into an agreement under chapter
6 280B prior to the sale or lease, of industrial machinery,
7 equipment and computers, including replacement parts which are
8 depreciable for state and federal income tax purposes and
9 office equipment, if the following conditions are met:

10 a. The industrial machinery, equipment and computers shall
11 be directly and primarily used in the manner described in
12 section 428.20 in processing tangible personal property or in
13 research and development of new products or processes of
14 manufacturing, refining, purifying, combining of different
15 materials or packing of meats to be used for the purpose of
16 adding value to products or in support of those activities in
17 the case of office equipment, or in processing or storage of
18 data or information by an insurance company, financial
19 institution or commercial enterprise or in support of those
20 activities in the case of office equipment. As used in this
21 paragraph:

22 (1) "Insurance company" means an insurer organized or
23 operating under chapters 508, 514, 515, 518, 519, 520 or
24 authorized to do business in Iowa as an insurer and having
25 fifty or more persons employed in this state excluding
26 licensed insurance agents.

27 (2) "Financial institutions" means as defined in section
28 527.2, subsection 4.

29 (3) "Commercial enterprise" includes businesses and
30 manufacturers conducted for profit and includes centers for
31 data processing services to insurance companies, financial
32 institutions, businesses and manufacturers but excludes
33 professions and occupations and nonprofit organizations.

34 b. The industrial machinery, equipment and computers must
35 be real property within the scope of section 427A.1,

1 subsection 1, paragraphs "e" or "j", and must be subject to
2 taxation as real property. However, the office equipment does
3 not have to be subject to taxation as real property to be
4 eligible for this exemption.

5 However, the provisions of chapters 404 and 427B which
6 result in the exemption from taxation of property for property
7 tax purposes do not preclude the property from receiving this
8 exemption if the property otherwise qualifies.

9 The gross receipts from the sale or rental of hand tools
10 are not exempt. The gross receipts from the sale or rental of
11 pollution control equipment qualifying under paragraph "a"
12 shall be exempt.

13 The gross receipts from the sale or rental of industrial
14 machinery, equipment, and computers, including pollution
15 control equipment, within the scope of section 427A.1,
16 subsection 1, paragraphs "h" and "i", shall not be exempt.

17 Sec. 2. Section 422.47A, subsection 1, unnumbered
18 paragraph 1, Code 1987, is amended to read as follows:

19 Sales, services, and use taxes paid on the purchase or
20 rental of industrial machinery, equipment and computers,
21 including replacement parts which are depreciable for state
22 and federal income tax purposes, and office equipment shall be
23 refunded to the purchaser or renter provided all of the
24 following conditions are met:

25 Sec. 3. Section 422.47A, subsection 1, paragraph a, Code
26 1987, is amended to read as follows:

27 a. The purchase or rental was made during the period
28 beginning July 1, 1985 and ending June 30, 1987 and, in the
29 case of office equipment purchased or rented on or after July
30 1, 1986.

31 Sec. 4. Section 422.47A, subsection 1, paragraph d,
32 unnumbered paragraph 1, Code 1987, is amended to read as
33 follows:

34 The industrial machinery and equipment and computers shall
35 be directly and primarily used in the manner described in

1 section 428.20 in processing tangible personal property or in
2 research and development of new products or processes of
3 manufacturing, refining, purifying, combining of different
4 materials or packing of meats to be used for the purpose of
5 adding value to products or in support of those activities in
6 the case of office equipment, or in processing or storage of
7 data or information by an insurance company, financial
8 institution or commercial enterprise. As used in this
9 paragraph:

10 Sec. 5. Section 422.47A, subsection 1, paragraph e,
11 unnumbered paragraph 1, Code 1987, is amended to read as
12 follows:

13 The industrial machinery, equipment or any computer must be
14 real property within the scope of section 427A.1, subsection
15 1, paragraph "e" or "j", and must be subject to taxation as
16 real property. However, the office equipment does not have to
17 be subject to taxation as real property to be eligible for
18 this exemption.

19 Sec. 6. This Act is retroactive to July 1, 1986 and is
20 applicable to office equipment purchased or rented on or after
21 July 1, 1986.

22 Sec. 7. This Act, being deemed of immediate importance,
23 takes effect upon enactment.

24 EXPLANATION

25 This bill exempts office equipment from the sales,
26 services, and use tax effective July 1, 1986 and tax paid on
27 office equipment purchased or rented on or after July 1, 1986
28 is subject to refund. This bill takes effect upon enactment
29 and is retroactive to July 1, 1986.

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