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SENATE FILE 196
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 146)

Passed Senate, Date 4/27/93 (p. 1306) Passed House, Date 4/13/94 ^(P. 1715)
Vote: Ayes 31 Nays 15 Vote: Ayes 97 Nays 0
Approved _____

A BILL FOR

1 An Act relating to the sales, services, and use tax in connection
2 with printing activities and providing effective and
3 applicability dates.

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

SF 196

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1 Section 1. Section 422.42, subsection 11, Code 1993, is
2 amended to read as follows:

3 11. "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 breeding
10 livestock and domesticated fowl; and does not include
11 commercial fertilizer, agricultural limestone, herbicide,
12 pesticide, insecticide, food, medication, or agricultural
13 drain tile, including installation of agricultural drain tile,
14 any of which are to be used in disease control, weed control,
15 insect control, or health promotion of plants or livestock
16 produced as part of agricultural production for market; and
17 does not include electricity, steam, or any taxable service
18 when purchased and used in the processing of tangible personal
19 property intended to be sold ultimately at retail. When used
20 by a manufacturer of food products, carbon dioxide in a
21 liquid, solid, or gaseous form, electricity, steam, and other
22 taxable 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 in implements of husbandry engaged in agricultural
9 production; or the property is a chemical, solvent, sorbent,
10 or reagent, which is directly used and is consumed,
11 dissipated, or depleted, in processing personal property which
12 is intended to be sold ultimately at retail or consumed in the
13 maintenance or repair of fabric or clothing, and which may not
14 become a component or integral part of the finished product;
15 or the property or related service will be used in connection
16 with the printing of products intended to be sold ultimately
17 at retail within or without the state whether or not the
18 property becomes an ingredient or constituent part of the
19 printed product or is consumed, dissipated, or depleted. The
20 distribution to the public of free newspapers or shoppers
21 guides is a retail sale for purposes of the processing
22 exemption.

23 Sec. 2. Section 422.45, subsection 21, Code 1993, is
24 amended to read as follows:

25 21. The gross receipts from the sales by a trade shop to a
26 printer of lithographic-offset plates, photoengraved plates,
27 engravings, negatives, color separations, typesetting, the end
28 products of image modulation, or any base material used as a
29 carrier for light-sensitive emulsions to be used by the
30 printer to complete a finished product for sale at retail.
31 For purposes of this subsection, "trade shop" means a business
32 which is not normally engaged in printing and which sells
33 supplies to printers, including but not limited to, those
34 supplies enumerated in this subsection. For purposes of this
35 subsection, "printer" includes publishers of materials that

1 are ultimately taxed at retail or shipped out of state.

2 This subsection is repealed July 1, 1993.

3 Sec. 3. Section 423.1, subsection 12, Code 1993, is
4 amended to read as follows:

5 12. "Use" means and includes the exercise by any person of
6 any right or power over tangible personal property incident to
7 the ownership of that property, except that it shall not
8 include processing, or the sale of that property in the
9 regular course of business. Property used in "processing"
10 within the meaning of this subsection shall mean and include
11 ~~(a)-any~~ all of the following:

12 a. Any tangible personal property including containers
13 which it is intended shall, by means of fabrication,
14 compounding, manufacturing, or germination, become an integral
15 part of other tangible personal property intended to be sold
16 ultimately at retail, and containers used in the collection,
17 recovery or return of empty beverage containers subject to
18 chapter 455C.7-or-~~(b)-fuel~~

19 b. Fuel which is consumed in creating power, heat, or
20 steam for processing or for generating electric current.7-or
21 ~~(c)-chemicals~~

22 c. Chemicals, solvents, sorbents, or reagents, which are
23 directly used and are consumed, dissipated, or depleted in
24 processing personal property, which is intended to be sold
25 ultimately at retail, and which may not become a component or
26 integral part of the finished product.

27 d. The property or related service will be used in
28 connection with the printing of products intended to be sold
29 ultimately at retail within or without the state whether or
30 not the property becomes an ingredient or constituent part of
31 the printed product or is consumed, dissipated, or depleted.

32 PARAGRAPH DIVIDED. The distribution to the public of free
33 newspapers or shoppers guides shall be deemed a retail sale
34 for purposes of the processing exemption.

35 Sec. 4. REFUNDS. Claims for refund of tax, interest, or

1 penalty which arise as a result of the enactment of the
2 amendment to section 422.45, subsection 21, in section 2 of
3 this Act for sales by a trade shop occurring between July 1,
4 1983, and June 30, 1993, shall not be allowed unless filed
5 prior to June 30, 1994, notwithstanding any other provision of
6 law.

7 Sec. 5. EFFECTIVE AND APPLICABILITY DATES. Section 2 of
8 this Act, being deemed of immediate importance, takes effect
9 upon enactment and is retroactively applicable to July 1,
10 1983, for sales made on or after that date but before July 1,
11 1993.

12 EXPLANATION

13 The bill provides that tangible personal property or
14 related service that will be used in connection with printing
15 of products to be sold at retail is property sold for
16 processing which makes the sale exempt from the state sales
17 and use taxes.

18 There presently is a sales and use tax exemption on sales
19 made by businesses that are not normally engaged in printing
20 to printers. The bill defines printer to include publishers
21 of materials that when sold are taxed at retail or that will
22 be shipped out of the state. This definition is made
23 retroactive to July 1, 1983, when the original exemption was
24 enacted. Claims for refunds must be made by June 30, 1994.
25 The bill also provides that the entire exemption is repealed
26 July 1, 1993.

27 The bill provides effective and retroactive applicability
28 dates.

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SENATE FILE 196

S-3177

- 1 Amend Senate File 196 as follows:
2 1. Page 2, lines 15 and 16, by striking the words
3 "connection with the printing of" and inserting the
4 following: "the process of creating printed".
5 2. Page 3, line 28, by striking the words
6 "connection with the printing of" and inserting the
7 following: "the process of creating printed".
8 3. Page 4, line 4, by inserting after the figure
9 "1993," the following: "shall be limited to fifty
10 thousand dollars in the aggregate and".
11 4. Page 4, line 6, by inserting after the word
12 "law." the following: "If the amount of claims total
13 more than fifty thousand dollars in the aggregate, the
14 department of revenue and finance shall pro rate the
15 fifty thousand dollars amongst all the claims."

By JIM RIORDAN

S-3177 FILED MARCH 22, 1993

WITHDRAWN

4/23/93

SENATE FILE 196

S-3614

- 1 Amend Senate File 196 as follows:
2 1. Page 2, lines 15 and 16, by striking the words
3 "connection with the printing of" and inserting the
4 following: "the process of creating printed".
5 2. Page 3, line 2, by striking the figure "1993"
6 and inserting the following: "1994".
7 3. Page 3, line 28, by striking the words
8 "connection with the printing of" and inserting the
9 following: "the process of creating printed".
10 4. Page 4, line 4, by striking the figure "1993,"
11 and inserting the following: "1994, shall be limited
12 to fifty thousand dollars in the aggregate and".
13 5. Page 4, line 5, by striking the figure "1994"
14 and inserting the following: "1995".
15 6. Page 4, line 6, by inserting after the word
16 "law." the following: "If the amount of claims total
17 more than fifty thousand dollars in the aggregate, the
18 department of revenue and finance shall pro rate the
19 fifty thousand dollars amongst all the claims."
20 7. Page 4, line 11, by striking the figure
21 "1993." and inserting the following: "1994. Sections
22 1, 3, and 4 of this Act take effect July 1, 1994."

By JIM RIORDAN

WILLIAM W. DIELEMAN

LARRY MURPHY

S-3614 FILED APRIL 23, 1993

DEFERRED

Adopted 4/27/93 (p. 1380)

SENATE FILE 196

S-3142

1 Amend Senate File 196 as follows:

2 1. Page 2, line 15, by inserting after the word
3 "property" the following: ", other than machinery and
4 equipment subject to depreciation,".

5 2. Page 3, line 27, by inserting after the word
6 "property" the following: ", other than machinery and
7 equipment subject to depreciation,".

By JIM ~~WITHDRAWN~~

S-3142 FILED MARCH 16, 1993

4/23/93

SENATE FILE 196

S-3631

1 Amend Senate File 196 as follows:

2 1. Page 2, by inserting after line 22 the
3 following:

4 "Sec. ____ . NEW SECTION. 422.43A MORATORIUM.

5 The general assembly shall not enact any new
6 exemption or expand any existing exemption under this
7 division or chapter 423. If such an exemption or
8 expansion is enacted, it shall not go into effect
9 until such time as the general fund of the state no
10 longer has a deficit, as determined according to
11 generally accepted accounting principles."

By TONY BISIGNANO

JOE J. WELSH
LARRY MURPHY
FLORENCE BUHR
MIKE CONNOLLY

JIM KERSTEN

MAGGIE TINSMAN
BILL PALMER
RANDAL J. GIANNETTO
MICHAEL E. GRONSTAL

S-3631 FILED APRIL 26, 1993

out of order 4/27/(p. 1385)

SENATE FILE 196

S-3652

1 Amend the amendment, S-3631, to Senate File 196 as
2 follows:
3 1. Page 1, by inserting after line 11 the
4 following:
5 "____. Page 3, line 2, by striking the word and
6 figures "July 1, 1993," and inserting the following:
7 "upon the effective date of the amendment to section
8 422.42, subsection 11, as provided in section 1 of
9 this Act".

By TONY BISIGNANO
WILLIAM D. PALMER
FLORENCE D. BUHR

S-3652 FILED APRIL 27, 1993
RULED OUT OF ORDER (p.1385)

SENATE FILE 196

S-3653

1 Amend Senate File 196 as follows:
2 1. Page 2, by inserting after line 22 the
3 following:
4 "Sec. ____ . NEW SECTION. 422.43A MORATORIUM.
5 The general assembly shall not enact any new
6 exemption or expand any existing exemption under this
7 division or chapter 423. If such an exemption or
8 expansion is enacted, it shall not go into effect
9 until such time as the general fund of the state no
10 longer has a deficit, as determined according to
11 generally accepted accounting principles.
12 This section does not apply to the amendments made
13 to section 422.42, subsection 11, section 422.45,
14 subsection 21, and section 423.1, subsection 12, as
15 enacted in sections 1, 2, and 3 of this Act,
16 respectively."

By TONY BISIGNANO

S-3653 FILED APRIL 27, 1993
LOST (p.1385)

**SENATE FILE 196
FISCAL NOTE**

A fiscal note for Senate File 196 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 196 relates to the sales and use tax. Sections 1 and 3 provide that tangible personal property or related services used in connection with printing of products to be sold at retail are property sold for processing which makes the sales exempt from the sales and use taxes. This provision becomes effective July 1, 1993.

There presently is a sales and use tax exemption on sales made by businesses that are not normally engaged in printing to printers. Section 2 of the bill defines printer to include publishers of materials that when sold are taxed at retail or that will be shipped out of the State. This definition is made retroactive to July 1, 1983, when the original exemption was enacted. Claims for refunds must be made by June 30, 1994. The entire exemption is repealed July 1, 1993.

Fiscal Impact

The bill is estimated to reduce General Fund receipts annually by \$4.5 million beginning FY 1994.

Additionally, audit revenues identified by the Department of Revenue and Finance would be forgone and claims for refunds for taxes paid between July 1, 1983 and June 30, 1994 could be at least \$2.0 million.

Source: Legislative tax model
Department of Revenue and Finance

(LSB 1872sv, PDD)

FILED MARCH 8, 1993

BY DENNIS PROUTY, FISCAL DIRECTOR

A fiscal note for S-3177 to Senate File 196 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

S-3177 to Senate File 196 narrows the scope of the proposed exemption to apply to property or a related service that is used in the process of creating printed products. Additionally, total claims for refund are limited to \$50,000, with a provision that refunds must be pro rated if total claims exceed \$50,000.

Fiscal Impact:

Senate File 196 as amended by S-3177 is estimated to reduce General Fund revenues by approximately \$1.0 million beginning FY 1994.

Additionally, audit revenues identified by the Department of Revenue and Finance would be forgone and claims for refunds for taxes paid between July 1, 1983 and June 30, 1994 could be \$50,000.

Sources: Legislative tax model

Department of Revenue and Finance

(LSB 1872sv.2, PDD)

FILED MARCH 24, 1993

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 196
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 146)

(AS AMENDED AND PASSED BY THE SENATE APRIL 27, 1993)

_____ - New Language by the Senate

Passed Senate, Date _____

Passed House, Date ^(P.1715) 4/13/94

Vote: Ayes _____ Nays _____

Vote: Ayes 97 Nays 0

Approved _____

A BILL FOR

1 An Act relating to the sales, services, and use tax in connection
2 with printing activities and providing effective and
3 applicability dates.

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

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S.F. 196

1 are ultimately taxed at retail or shipped out of state.

2 This subsection is repealed July 1, 1994.

3 Sec. 3. Section 423.1, subsection 12, Code 1993, is
4 amended to read as follows:

5 12. "Use" means and includes the exercise by any person of
6 any right or power over tangible personal property incident to
7 the ownership of that property, except that it shall not
8 include processing, or the sale of that property in the
9 regular course of business. Property used in "processing"
10 within the meaning of this subsection shall mean and include
11 ~~(a)-any~~ all of the following:

12 a. Any tangible personal property including containers
13 which it is intended shall, by means of fabrication,
14 compounding, manufacturing, or germination, become an integral
15 part of other tangible personal property intended to be sold
16 ultimately at retail, and containers used in the collection,
17 recovery or return of empty beverage containers subject to
18 chapter 455C. ~~7--or--(b)--fuel~~

19 b. Fuel which is consumed in creating power, heat, or
20 steam for processing or for generating electric current. ~~7--or~~
21 ~~(c)-chemicals~~

22 c. Chemicals, solvents, sorbents, or reagents, which are
23 directly used and are consumed, dissipated, or depleted in
24 processing personal property, which is intended to be sold
25 ultimately at retail, and which may not become a component or
26 integral part of the finished product.

27 d. The property or related service will be used in the
28 process of creating printed products intended to be sold
29 ultimately at retail within or without the state whether or
30 not the property becomes an ingredient or constituent part of
31 the printed product or is consumed, dissipated, or depleted.

32 PARAGRAPH DIVIDED. The distribution to the public of free
33 newspapers or shoppers guides shall be deemed a retail sale
34 for purposes of the processing exemption.

35 Sec. 4. REFUNDS. Claims for refund of tax, interest, or

1 penalty which arise as a result of the enactment of the
2 amendment to section 422.45, subsection 21, in section 2 of
3 this Act for sales by a trade shop occurring between July 1,
4 1983, and June 30, 1994, shall be limited to fifty thousand
5 dollars in the aggregate and shall not be allowed unless filed
6 prior to June 30, 1995, notwithstanding any other provision of
7 law. If the amount of claims total more than fifty thousand
8 dollars in the aggregate, the department of revenue and
9 finance shall pro rate the fifty thousand dollars amongst all
10 the claims.

11 Sec. 5. EFFECTIVE AND APPLICABILITY DATES. Section 2 of
12 this Act, being deemed of immediate importance, takes effect
13 upon enactment and is retroactively applicable to July 1,
14 1983, for sales made on or after that date but before July 1,
15 1994. Sections 1, 3, and 4 of this Act take effect July 1,
16 1994.

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**SENATE FILE 196
FISCAL NOTE**

A fiscal note for Amendment H-6044 to Senate File 196 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Amendment H-6044 to Senate File 196 strikes everything after the enacting clause and replaces the bill with language that extends the trade shop exemption to printers and publishers. The amendment also extends the list of items that are excluded from the sales tax.

FISCAL IMPACT:

The estimated fiscal effect of Amendment H-6044 to Senate File 196 will be a decrease in General Fund revenues between \$0.5 million and \$1.0 million in FY 1995 and subsequent years. This estimate is based on an industry assessment of the amount spent each year on processing items. Because many of these items are already exempt under the processing exemption, and it is believed many printers and publishers are not currently remitting sales tax on some of the listed items, a lower figure was developed so that a range could be established.

SOURCES:

Department of Revenue and Finance
Ratio Studies, Printing Industries of America, 1992

(LSB 1872sv.3, JAM)

FILED APRIL 12, 1994

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 196

H-6044

1 Amend Senate File 196, as amended, passed, and
2 reprinted by the Senate as follows:

3 1. By striking everything after the enacting
4 clause and inserting the following:

5 "Section 1. Section 422.45, subsection 21, Code
6 Supplement 1993, is amended by striking the subsection
7 and inserting in lieu thereof the following:

8 21. The gross receipts from sales or rentals to a
9 printer or publisher of the following: acetate; anti-
10 halation backing; anti-static spray; base material
11 used as a carrier for light sensitive emulsions; blow-
12 ups; bronze powder; carbon tissue; color separations;
13 contacts; continuous tone separations; creative art;
14 custom dies and die cutting materials; dampening
15 solution; design and styling; diazo coating; dot
16 etching; dot etching solutions; drawings; driers;
17 duplicate films or prints; electronically digitized
18 images; electrotypes; end product of image modulation;
19 engravings; etch solutions; film; finished art or
20 final art; fix; fixative spray; flying pasters; foils;
21 goldenrod paper; gum; halftones; illustrations; ink;
22 ink paste; keylines; lasering images; layouts;
23 lettering; line negatives and positives; linotypes;
24 lithographic offset plates; magnesium and zinc
25 etchings; masking paper; masks; masters; mats; mat
26 service; metal toner; models, modeling; mylar;
27 negatives; nonoffset spray; opaque film process paper;
28 padding compound; paper stock; photographic materials:
29 acids, plastic film, desensitizer emulsion, exposure
30 chemicals, fix, developers, paper; photography, day
31 rate; photopolymer coating; photographs; photostats;
32 photo-display tape; phototypesetter materials; ph-
33 indicator sticks; positives; press pack; printing
34 cylinders; printing plates, all types; process
35 lettering; proof paper; proofs and proof processes,
36 all types; pumice powder; purchased author
37 alterations; purchased composition; purchased
38 phototypesetting; purchased stripping and paste-ups;
39 red litho tape; reducers; screen tints; sketches;
40 stepped plates; stereotypes; strip type; tints; tissue
41 overlays; toners; transparencies; tympan; typesetting;
42 typography; varnishes; veloxes; and any other items
43 used in a like capacity to any of the above enumerated
44 items by the printer or publisher to complete a
45 finished product for sale at retail. Expendable tools
46 and supplies which are not enumerated in this
47 subsection are excluded from the exemption."

48 2. Title page, by striking lines 1 through 3 and
49 inserting the following: "An Act relating to the
50 sales, services, and use tax exemption for items used

H-6044

-1-

H-6044

Page 2

1 by printers and publishers."

By COMMITTEE ON WAYS AND MEANS
HANSON of Delaware, Chairperson

H-6044 FILED APRIL 7, 1994

Adopted
4-15-94
(P. 1714)

HOUSE AMENDMENT TO
SENATE FILE 196

S-5661

1 Amend Senate File 196, as amended, passed, and
2 reprinted by the Senate as follows:
3 1. By striking everything after the enacting
4 clause and inserting the following:
5 "Section 1. Section 422.45, subsection 21, Code
6 Supplement 1993, is amended by striking the subsection
7 and inserting in lieu thereof the following:
8 21. The gross receipts from sales or rentals to a
9 printer or publisher of the following: acetate; anti-
10 halation backing; anti-static spray; base material
11 used as a carrier for light sensitive emulsions; blow-
12 ups; bronze powder; carbon tissue; color separations;
13 contacts; continuous tone separations; creative art;
14 custom dies and die cutting materials; dampening
15 solution; design and styling; diazo coating; dot
16 etching; dot etching solutions; drawings; driers;
17 duplicate films or prints; electronically digitized
18 images; electrotypes; end product of image modulation;
19 engravings; etch solutions; film; finished art or
20 final art; fix; fixative spray; flying pasters; foils;
21 goldenrod paper; gum; halftones; illustrations; ink;
22 ink paste; keylines; lasering images; layouts;
23 lettering; line negatives and positives; linotypes;
24 lithographic offset plates; magnesium and zinc
25 etchings; masking paper; masks; masters; mats; mat
26 service; metal toner; models, modeling; mylar;
27 negatives; nonoffset spray; opaque film process paper;
28 padding compound; paper stock; photographic materials:
29 acids, plastic film, desensitizer emulsion, exposure
30 chemicals, fix, developers, paper; photography, day
31 rate; photopolymer coating; photographs; photostats;
32 photo-display tape; phototypesetter materials; ph-
33 indicator sticks; positives; press pack; printing
34 cylinders; printing plates, all types; process
35 lettering; proof paper; proofs and proof processes,
36 all types; pumice powder; purchased author
37 alterations; purchased composition; purchased
38 phototypesetting; purchased stripping and paste-ups;
39 red litho tape; reducers; screen tints; sketches;
40 stepped plates; stereotypes; strip type; tints; tissue
41 overlays; toners; transparencies; tympan; typesetting;
42 typography; varnishes; veloxes; and any other items
43 used in a like capacity to any of the above enumerated
44 items by the printer or publisher to complete a
45 finished product for sale at retail. Expendable tools
46 and supplies which are not enumerated in this
47 subsection are excluded from the exemption."
48 2. Title page, by striking lines 1 through 3 and
49 inserting the following: "An Act relating to the
50 sales, services, and use tax exemption for items used
S-5661 -1-

S-5661

Page 2

1 by printers and publishers."

RECEIVED FROM THE HOUSE

S-5661 FILED APRIL 15, 1994

SENATE FILE 196

S-5772

1 Amend the House amendment, S-5661, to Senate File
2 196, as amended, passed, and reprinted by the Senate,
3 as follows:

4 1. Page 1, line 11, by inserting after the word
5 "emulsions;" the following: "blankets;".

By JIM RIORDAN

S-5772 FILED APRIL 19, 1994
DEFERRED

RIOGDAN, CH.
SZYMONIAK
BENNETT

SSB 146
WAYS & MEANS

SENATE FILE 196
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DIELEMAN)

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 in connection
2 with printing activities and providing effective and
3 applicability dates.

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

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1 Section 1. Section 422.42, subsection 11, Code 1993, is
2 amended to read as follows:

3 11. "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 breeding
10 livestock and domesticated fowl; and does not include
11 commercial fertilizer, agricultural limestone, herbicide,
12 pesticide, insecticide, food, medication, or agricultural
13 drain tile, including installation of agricultural drain tile,
14 any of which are to be used in disease control, weed control,
15 insect control, or health promotion of plants or livestock
16 produced as part of agricultural production for market; and
17 does not include electricity, steam, or any taxable service
18 when purchased and used in the processing of tangible personal
19 property intended to be sold ultimately at retail. When used
20 by a manufacturer of food products, carbon dioxide in a
21 liquid, solid, or gaseous form, electricity, steam, and other
22 taxable 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 in implements of husbandry engaged in agricultural
9 production; or the property is a chemical, solvent, sorbent,
10 or reagent, which is directly used and is consumed,
11 dissipated, or depleted, in processing personal property which
12 is intended to be sold ultimately at retail or consumed in the
13 maintenance or repair of fabric or clothing, and which may not
14 become a component or integral part of the finished product;
15 or the property or related service will be used in connection
16 with the printing of products intended to be sold ultimately
17 at retail within or without the state whether or not the
18 property becomes an ingredient or constituent part of the
19 printed product or is consumed, dissipated, or depleted. The
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22 exemption.

23 Sec. 2. Section 422.45, subsection 21, Code 1993, is
24 amended to read as follows:

25 21. The gross receipts from the sales by a trade shop to a
26 printer of lithographic-offset plates, photoengraved plates,
27 engravings, negatives, color separations, typesetting, the end
28 products of image modulation, or any base material used as a
29 carrier for light-sensitive emulsions to be used by the
30 printer to complete a finished product for sale at retail.
31 For purposes of this subsection, "trade shop" means a business
32 which is not normally engaged in printing and which sells
33 supplies to printers, including but not limited to, those
34 supplies enumerated in this subsection. For purposes of this
35 subsection, "printer" includes publishers of materials that

1 are ultimately taxed at retail or shipped out of state.

2 This subsection is repealed July 1, 1993.

3 Sec. 3. Section 423.1, subsection 12, Code 1993, is
4 amended to read as follows:

5 12. "Use" means and includes the exercise by any person of
6 any right or power over tangible personal property incident to
7 the ownership of that property, except that it shall not
8 include processing, or the sale of that property in the
9 regular course of business. Property used in "processing"
10 within the meaning of this subsection shall mean and include
11 ~~(a)-any~~ all of the following:

12 a. Any tangible personal property including containers
13 which it is intended shall, by means of fabrication,
14 compounding, manufacturing, or germination, become an integral
15 part of other tangible personal property intended to be sold
16 ultimately at retail, and containers used in the collection,
17 recovery or return of empty beverage containers subject to
18 chapter 455C.~~7-or-(b)-fuel~~

19 b. Fuel which is consumed in creating power, heat, or
20 steam for processing or for generating electric current.~~7-or~~
21 ~~(c)-chemicals~~

22 c. Chemicals, solvents, sorbents, or reagents, which are
23 directly used and are consumed, dissipated, or depleted in
24 processing personal property, which is intended to be sold
25 ultimately at retail, and which may not become a component or
26 integral part of the finished product.

27 d. The property or related service will be used in
28 connection with the printing of products intended to be sold
29 ultimately at retail within or without the state whether or
30 not the property becomes an ingredient or constituent part of
31 the printed product or is consumed, dissipated, or depleted.

32 PARAGRAPH DIVIDED. The distribution to the public of free
33 newspapers or shoppers guides shall be deemed a retail sale
34 for purposes of the processing exemption.

35 Sec. 4. REFUNDS. Claims for refund of tax, interest, or

1 penalty which arise as a result of the enactment of the
2 amendment to section 422.45, subsection 21, in section 2 of
3 this Act for sales by a trade shop occurring between July 1,
4 1983, and June 30, 1993, shall not be allowed unless filed
5 prior to June 30, 1994, notwithstanding any other provision of
6 law.

7 Sec. 5. EFFECTIVE AND APPLICABILITY DATES. Section 2 of
8 this Act, being deemed of immediate importance, takes effect
9 upon enactment and is retroactively applicable to July 1,
10 1983, for sales made on or after that date but before July 1,
11 1993.

12 EXPLANATION

13 The bill provides that tangible personal property or
14 related service that will be used in connection with printing
15 of products to be sold at retail is property sold for
16 processing which makes the sale exempt from the state sales
17 and use taxes.

18 There presently is a sales and use tax exemption on sales
19 made by businesses that are not normally engaged in printing
20 to printers. The bill defines printer to include publishers
21 of materials that when sold are taxed at retail or that will
22 be shipped out of the state. This definition is made
23 retroactive to July 1, 1983, when the original exemption was
24 enacted. Claims for refunds must be made by June 30, 1994.
25 The bill also provides that the entire exemption is repealed
26 July 1, 1993.

27 The bill provides effective and retroactive applicability
28 dates.

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