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to W. & Mearns

FILED MAR 4 1994

SENATE FILE 2280
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 2068)

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

A BILL FOR

1 An Act relating to the production of ornamental, flowering, or
2 vegetable plants for purposes of the state sales tax.

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

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S.F. 2280

1 Section 1. Section 422.42, Code 1993, is amended by adding
2 the following new subsections and renumbering current
3 subsections as necessary:

4 NEW SUBSECTION. 1. "Agricultural production" includes the
5 production of flowering, ornamental, or vegetable plants in
6 commercial greenhouses or otherwise. "Agricultural products"
7 include flowering, ornamental, or vegetable plants.

8 NEW SUBSECTION. 2A. "Farm machinery and equipment" means
9 machinery and equipment used in agricultural production.

10 Sec. 2. Section 422.45, subsection 39, paragraphs a and c,
11 Code Supplement 1993, are amended to read as follows:

12 a. The implement, machinery, or equipment is directly and
13 primarily used in livestock or dairy production or in the
14 production of flowering, ornamental, or vegetable plants.

15 c. The replacement part is essential to any repair or
16 reconstruction necessary to the farm machinery's or
17 equipment's exempt use in livestock or dairy production or in
18 the production of flowering, ornamental, or vegetable plants.

19 EXPLANATION

20 This bill defines "agricultural production" and
21 "agricultural products" to include the production of
22 flowering, ornamental, or vegetable plants for the purpose of
23 the state sales tax. The bill also defines "farm machinery
24 and equipment" as machinery and equipment used in agricultural
25 production. Present law exempts from state sales tax
26 fertilizer and pesticides used in agricultural production;
27 self-propelled farm machinery and equipment used in
28 agricultural production; and gas, electricity, water, or heat
29 used in agricultural production.

30 The bill also exempts from sales taxation nonself-propelled
31 machinery and equipment used in the production of flowering,
32 ornamental, or vegetable plants. Present law exempts only
33 nonself-propelled machinery and equipment used in livestock or
34 dairy production.

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Riordan . Chair
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Judge

SSB. 2068
Agriculture
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SENATE FILE 2280
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY CHAIR-
PERSON PRIEBE)

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

A BILL FOR

1 An Act relating to an exemption from the state sales tax for
2 fertilizers, pesticides, and machinery and equipment used in
3 the production of certain plants.
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,
17 including the production of flowering, ornamental, or
18 vegetable plants; and does not include electricity, steam, or
19 any taxable service when purchased and used in the processing
20 of tangible personal property intended to be sold ultimately
21 at retail. When used by a manufacturer of food products,
22 carbon dioxide in a liquid, solid, or gaseous form,
23 electricity, steam, and other taxable services are sold for
24 processing when used to produce marketable food products for
25 human consumption, including but not limited to, treatment of
26 material to change its form, context, or condition, in order
27 to produce the food product, maintenance of quality or
28 integrity of the food product, changing or maintenance of
29 temperature levels necessary to avoid spoilage or to hold the
30 food product in marketable condition, maintenance of
31 environmental conditions necessary for the safe or efficient
32 use of machinery and material used to produce the food
33 product, sanitation and quality control activities, formation
34 of packaging, placement into shipping containers, and movement
35 of the material or food product until shipment from the

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

20 Sec. 2. Section 422.45, Code Supplement 1993, is amended
21 by adding the following new subsection:

22 NEW SUBSECTION. 49. The gross receipts from the sale or
23 rental of machinery and equipment, including replacement
24 parts, used directly and primarily in the production of
25 flowering, ornamental, or vegetable plants intended for sale
26 in the ordinary course of business. The replacement part must
27 be essential to any repair or reconstruction necessary to the
28 machinery's or equipment's exempt use in the production of
29 flowering, ornamental, or vegetable plants.

30 EXPLANATION

31 This bill exempts from state sales taxation fertilizers,
32 pesticides, and machinery and equipment, including essential
33 replacement parts, used in the production of flowering,
34 ornamental, or vegetable plants.

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