

APR 26 1989

HOUSE FILE 770

BY COMMITTEE ON WAYS AND MEANS

WAYS & MEANS CALENDAR

Sen Ways & Means
DO 10153 5-1-89 (p.1808)

(SUCCESSOR TO HSB 369)

Passed House, Date 4-26-89 (p.1172) Passed Senate, Date 5-2-89 (p.1836)
Vote: Ayes 92 Nays 0 Vote: Ayes 50 Nays 0
Approved May 26, 1989

A BILL FOR

1 An Act relating to the sales and use tax and providing an
2 exemption from taxation for consumer rental purchases.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 422.45, subsection 18, Code 1989, is
2 amended to read as follows:

3 18. Gross receipts from the sale of tangible personal
4 property, except vehicles subject to registration, to a person
5 regularly engaged in the business of leasing if the period of
6 the lease is for more than one year, ~~such-tangible-personal~~
7 property or in the consumer rental purchase business if the
8 property is to be utilized in a transaction involving a
9 consumer rental purchase agreement as defined in section
10 537.3604, subsection 8, and the leasing or consumer rental of
11 such the property is subject to taxation under this division.
12 ~~Tangible~~ If tangible personal property exempt under this
13 subsection ~~if~~ is made use of for any purpose other than
14 leasing, ~~or renting, or consumer rental purchase,~~ the person
15 claiming the exemption under this subsection ~~shall-be~~ is
16 liable for the tax that would have been due except for this
17 subsection. The tax shall be computed upon the original
18 purchase price. The aggregate of the tax paid on the leasing
19 ~~or-rental, renting, or rental purchase~~ of such tangible
20 personal property, not to exceed the amount of the sales tax
21 owed, shall be credited against ~~such the~~ the tax. This sales tax
22 ~~shall-be~~ is in addition to any sales or use tax that may be
23 imposed as a result of the disposal of such tangible personal
24 property.

25 Sec. 2. Section 422.52, Code 1989, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 7. The tax on gross receipts from the
28 sale or rental of tangible personal property under a consumer
29 rental purchase agreement as defined in section 537.3604,
30 subsection 8, is payable in the tax period of receipt.

31 EXPLANATION

32 This bill exempts from sales and use tax the sale of
33 tangible personal property to a person engaged in the consumer
34 rental purchase business, if the receipt from the consumer
35 rental purchase agreement is subject to the tax on rentals

1 from tangible personal property. The bill also allows the
2 lessor under a consumer rental purchase agreement to treat
3 gross receipts from the agreement as rent payment subject to
4 the tax on rentals from tangible personal property in lieu of
5 treating the transaction as a taxable sale of tangible per-
6 sonal property at the time of delivery of the property to the
7 consumer.

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HOUSE FILE 770
FISCAL NOTE

A fiscal note for HOUSE FILE 770 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.

House File 770, Section 1, provides an exemption from sales and use tax for sale of property which is going to be used in a consumer rental business and the property will be subject to sales and use tax.

House File 770, Section 2, provides that the tax on receipts from the sale or rental of property under a consumer rental purchase agreement is payable in the tax period of receipt. The sales tax from the rental purchase agreement is currently due in full at the time of the contract.

Fiscal Effect, Section 1

The Department indicates that these forms of purchases by these businesses are exempt as sales for resale, and that there is no fiscal impact for this section of the bill.

Fiscal Effect, Section 2

The fiscal effect is a delay in the sales tax receipts. The Department does not know how many sales of this type will be affected by this section of the bill and thus cannot project the impact on a fiscal year basis.

Source: Department of Revenue and Finance

(LSB 2444hv, PDD)

FILED MAY 1, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

HSB 369 MUE

WAYS AND MEANS

HOUSE FILE 770
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL)

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

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HOUSE FILE 770

AN ACT
RELATING TO THE SALES AND USE TAX AND PROVIDING AN EXEMPTION
FROM TAXATION FOR CONSUMER RENTAL PURCHASES.

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

Section 1. Section 422.45, subsection 18, Code 1989, is amended to read as follows:

18. Gross receipts from the sale of tangible personal property, except vehicles subject to registration, to a person regularly engaged in the business of leasing if the period of the lease is for more than one year, such tangible personal property or in the consumer rental purchase business if the property is to be utilized in a transaction involving a consumer rental purchase agreement as defined in section 537.3601, subsection 8, and the leasing or consumer rental of such the property is subject to taxation under this division. Tangible if tangible personal property exempt under this subsection if is made use of for any purpose other than leasing, or renting, or consumer rental purchase, the person claiming the exemption under this subsection shall be is liable for the tax that would have been due except for this subsection. The tax shall be computed upon the original purchase price. The aggregate of the tax paid on the leasing or rental, renting, or rental purchase of such tangible personal property, not to exceed the amount of the sales tax owed, shall be credited against such the tax. This sales tax shall be is in addition to any sales or use tax that may be imposed as a result of the disposal of such tangible personal property.

Sec. 2. Section 422.52, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION 2. The tax on gross receipts from the sale or rental of tangible personal property under a consumer rental purchase agreement as defined in section 537.3601, subsection 8, is payable in the tax period of receipt.

DONALD D. AVENSON
Speaker of the House

JO ANN ZIMMERMAN
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 770, Seventy-third General Assembly.

JOSEPH O. HEPP
Chief Clerk of the House
Approved *May 26* 1989

TERRY E. BRANSTAD
Governor