

FILED FEB 14 1989

SENATE FILE 213  
BY FRAISE

Passed Senate, Date 2-27-89 (p 51) Passed House, Date 4/24/89 (p.1811)  
Vote: Ayes 42 Nays 6 Vote: Ayes 97 Nays 0  
Approved May 8, 1989

A BILL FOR

1 An Act exempting from the sales, services, and use tax the sale  
2 of certain films, tapes, discs, and records to a person  
300-3 engaged in the business of leasing or renting these items and  
4 providing effective and retroactive effective dates.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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SENATE FILE 213

S-3100

1 Amend Senate File 213 as follows:  
2 1. By striking everything after the enacting  
3 clause and inserting the following:  
4 "Section 1. Section 422.45, Code 1989, is amended  
5 by adding the following new subsection:  
6 NEW SUBSECTION. 41. The gross receipts from the  
7 sale of motion picture films, video and audio tapes,  
8 video and audio discs and records, or other media  
9 which can be seen, heard, or read to a person  
10 regularly engaged in the business of leasing, renting,  
11 or selling this property if the ultimate leasing,  
12 renting, or selling of the property is subject to tax  
13 under this division.  
14 The exemption provided in this subsection is  
15 retroactive to July 1, 1984.  
16 Sec. 2. This Act, being deemed of immediate  
17 importance, is effective upon enactment."  
18 2. Title page, line 3, by striking the words "or  
19 renting" and inserting the following: ", renting, or  
20 selling".

By EUGENE FRAISE

S-3100 FILED FEBRUARY 22, 1989

amended (p 54) 2-27-89  
adopted 2-27-89 (p 540)

3100 Amends all -

1 Section 1. Section 422.45, Code 1989, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 24A. The gross receipts from the sale of  
4 motion picture films, video and audio tapes, video and audio  
5 discs and records, or other media used for the purpose of  
6 transmitting that which can be seen, heard, or read to a  
7 person regularly engaged in the business of leasing or renting  
8 this property if the ultimate leasing or renting of the  
9 property is subject to tax under this division. If use is  
10 made of the tangible personal property exempt under this  
11 subsection for any purpose other than leasing or renting, the  
12 person receiving the exemption under this subsection is liable  
13 for the tax that would have been due except for this  
14 subsection. The tax, if due, is computed upon the original  
15 purchase price. This sales tax is in addition to any sales,  
16 services, or use tax that may be imposed as a result of the  
17 disposal of the tangible personal property.

18 Sec. 2. This Act, being deemed of immediate importance, is  
19 effective upon enactment.

20 EXPLANATION

21 The bill exempts from the sales and use tax the sale of  
22 motion picture films, video and audio tapes, video and audio  
23 discs and records, or other media to a person regularly  
24 engaged in the business of leasing or renting this property if  
25 the lease to a customer is subject to the sales and use tax.

26 The bill is effective upon enactment.

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HOUSE WORKS COMMITTEE  
DO PASS 3-31-84 (P. 1180)

SENATE FILE 213  
BY FRAISE

(AS AMENDED AND PASSED BY THE SENATE FEBRUARY 27, 1989)

ALL New Language by the Senate

Passed Senate, Date 2/27/89 Passed House, Date 4-24-89 (P. 181)  
Vote: Ayes 42 Nays 6 Vote: Ayes 97 Nays 0  
Approved May 9, 1989

A BILL FOR

1 An Act exempting from the sales, services, and use tax the sale  
2 of certain films, tapes, discs, and records to a person  
3 engaged in the business of leasing, renting, or selling these  
4 items and providing effective and retroactive effective dates.

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

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S.F. 213

1 Section 1. Section 422.45, Code 1989, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 41. The gross receipts from the sale of  
4 motion picture films, video and audio tapes, video and audio  
5 discs and records, or other media which can be seen, heard, or  
6 read to a person regularly engaged in the business of leasing,  
7 renting, or selling this property if the ultimate leasing,  
8 renting, or selling of the property is subject to tax under  
9 this division.

10 The exemption provided in this subsection is retroactive to  
11 July 1, 1984.

12 Sec. 2. This Act, being deemed of immediate importance, is  
13 effective upon enactment.

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SENATE FILE 213  
SENATE FILE 213 AS AMENDED BY S-3100  
FISCAL NOTE

A fiscal note for SENATE FILE 213 AS AMENDED BY S-3100 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 Amendment S-3100 to Senate File 213 exempts from sales and use tax, the gross receipts from the sale of motion picture films, video and audio tapes, video and audio discs and records to a person regularly engaged in the business of leasing, renting, or selling of this property if the ultimate leasing, renting or selling of the property is subject to sales tax.

The exemption is retroactive to July 1, 1984.

Fiscal Effect

A general estimate of the yearly impact was possible using 1987 data compiled by Video Store Magazine, Inc. This estimate applies to video specialty stores only. According to the study done by the magazine, (1) there were about 300 video specialty stores in Iowa in 1987, (2) the average price of a tape purchased by one of these stores was \$55.00, and (3) the average inventory of these stores was 1,015 tapes. Based on this information, sales tax revenues from the sale of these tapes would have been \$669,900 assuming all taxes were paid.

The Department of Revenue and Finance was unable to provide a specific estimate on the full impact of this proposal because an audit of all establishments in Iowa was not done. However, audits which have been done indicate that few effected establishments have been paying the tax.

Based on the above information, the initial impact of this bill is estimated to be \$2.0 to \$3.0 million in foregone revenues currently owed for the 5-year period of FY 1985 to FY 1989. Refunds for taxes paid are not expected to be significant since compliance was low. The yearly cost of the exemption is estimated to be \$669,900.

Sources: Video Store Magazine, Inc.  
Department of Revenue and Finance

(LSB 1425s, PDD)

FILED MARCH 30, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 213  
REVISED  
FISCAL NOTE

A fiscal note for SENATE FILE 213 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 213 as amended by the senate exempts from sales and use tax, the gross receipts from the sale of motion picture films, video and audio tapes, video and audio discs and records to a person regularly engaged in the business of leasing, renting, or selling of this property if the ultimate leasing, renting or selling of the property is subject to sales tax. The exemption is retroactive to July 1, 1984.

Assumptions

The Department of Revenue and Finance was unable to provide a specific estimate on the full impact of this proposal because an audit of all Iowa establishments was not done. However, audits which have been done indicate that few effected establishments have been paying the tax.

Some information was available from a trade publication whose subscribers are mainly stores specializing in the rental of video tapes. A recently completed study by this publication provided the following information:

1. Estimated number of tapes purchased for rental by video specialty stores in calendar year 1988 was 613 per store for the region comprising Iowa, Nebraska, South Dakota, North Dakota, Minnesota, Missouri and Kansas.
2. The number of video rental specialty stores in Iowa was estimated to be 306 in calendar year 1988.
3. The average payment per tape was estimated to be \$55.00.

Fiscal Effect

Assuming 1988 consumption remains relatively stable, the yearly cost of the exemption in forgone revenues is estimated to be at least \$410,000 per year. Unpaid sales tax which will be forgone for the 5-year period of FY 1985 to FY 1989 is estimated to be \$1.0 to \$2.0 million. Refunds for taxes paid are not expected to be significant since Department audits indicated few stores were paying the tax.

Information on tapes purchased by stores offering video-tape rentals as a side business (e.g., convenience stores and grocery stores) was not available.

Sources: Video Store Magazine, Incorporated  
Department of Revenue and Finance

(LSB 1425s.2, PDD)

FILED APRIL 13, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

Sec. 2. This Act, being deemed of immediate importance, is effective upon enactment.

SENATE FILE 213

AN ACT

EXEMPTING FROM THE SALES, SERVICES, AND USE TAX THE SALE OF CERTAIN FILMS, TAPES, DISCS, AND RECORDS TO A PERSON ENGAGED IN THE BUSINESS OF LEASING, RENTING, OR SELLING THESE ITEMS AND PROVIDING EFFECTIVE AND RETROACTIVE EFFECTIVE DATES.

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

Section 1. Section 422.45, Code 1989, is amended by adding the following new subsection:

NEW SUBSECTION. 41. The gross receipts from the sale of motion picture films, video and audio tapes, video and audio discs and records, or other media which can be seen, heard, or read to a person regularly engaged in the business of leasing, renting, or selling this property if the ultimate leasing, renting, or selling of the property is subject to tax under this division.

The exemption provided in this subsection is retroactive to July 1, 1984.

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JO ANN ZIMMERMAN  
President of the Senate

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DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 213, Seventy-third General Assembly.

Approved  1989

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JOHN F. DWYER  
Secretary of the Senate

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TERRY E. BRANSTAD  
Governor